

# FRAUD DIGEST

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## Tax Fraud

**Daily A. King**

**Aimee J. King McElroy** (Sentence: pending)

**Daniel W. McElroy** (Sentence: 108 months)

**Action Date: July 18, 2008**

**Location: Boston, MA**

On July 18, 2008, in an important "underground economy" case, Daniel W. McElroy was sentenced in federal court in Boston, Massachusetts, to 108 months in prison. His wife, Aimee J. King McElroy, is scheduled to be sentenced on September 23, 2008. The McElroys operated a daily temporary labor company, Daily A. King. Prosecutors charged that the McElroys defrauded the IRS, and their workers' compensation insurance carrier, by paying their employees in cash "under-the-table" and misreporting the true payroll to taxing authorities and insurance companies. The company provided workers to fish houses in New Bedford during the 1990s. In February, they were convicted on 14 counts of procuring false tax returns, three counts of mail fraud and one count of conspiracy. McElroy was also ordered to pay \$12.118 million in restitution. To conceal their payroll, the defendants funneled money through two phony businesses they created. Two employees, neither of whom were fluent in English, were listed as presidents of the shell companies.

## Tax Fraud

**Ideal Staffing Solutions**

**Action Date: July 17, 2008**

**Location: Chicago, IL**

On July 17, 2008, ten former employees of Ideal Staffing Solutions filed a civil lawsuit in Cook County Circuit Court in Chicago, Illinois, against their former employer, Ideal Staffing Solutions, and eight other companies violated workers' rights by failing to pay overtime and minimum wage while profiting from low labor costs. Some of the immigrants filing the suit were arrested in a federal raid at O'Hare in November on charges they used fake IDs for jobs on the tarmac, cargo zone and other secure areas. The airlines claimed that they relied on the staffing company to verify the immigration status of the employees. On November 7, 2007, a corporate officer and an office manager of Ideal were arrested on federal charges alleging they harbored illegal aliens, and more than 20 workers for the agency were arrested on state charges for allegedly using fraudulent airport security badges. The federal charges alleged, in effect, that the company managers assisted their workers in obtaining unauthorized access to secure areas at O'Hare International Airport, including the tarmac. The arrests followed an eight-month multi-agency federal investigation led by U.S. Immigration and Customs Enforcement (ICE). Simultaneous to the arrests, ICE agents executed a federal search warrant at the offices of the employment agency, Ideal Staffing Solutions in Bensenville, Illinois. According to the criminal complaints filed against the two Ideal Staffing managers, more than 100 temporary workers employed by the agency were in possession of fraudulently obtained airport security badges, issued by the Chicago Department of Aviation. These green color-coded badges allowed the workers to enter secure areas while loading pallets, freight and meals

for companies doing business at O'Hare, including some commercial airlines. The complaint affidavits alleged that Ideal Staffing managers told workers they needed to have identification, but that the documents need not be legitimate. At times, Ideal Staffing managers allegedly provided some workers with deactivated airport security badges issued in other names, allowing them to bypass the appropriate security screening.