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Construction Labor

REPORT

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California **Owners of Construction Company Arrested** **In Alleged \$1.7 Million Felony Fraud Case**

Two owners of a construction company in Los Angeles County, Calif., and their employee face multiple felony counts of workers' compensation fraud and unemployment insurance fraud, among other things, according to the California Department of Insurance (*California v. AFCO Construction, a/k/a/ AFCO Builders Inc.*, Calif. SuperCt, Ventura Cty., No. 023261, complaint filed 6/28/04) .

The charges against brothers Sam S. Afghani of Agoura Hills and Siamac Afghani of Calabasas and their employee Renee Laws of Encino include failure to pay overtime and submitting false payroll records. The suspects were arrested July 7.

The three will be arraigned for their alleged roles in a fraud case involving several government construction projects in both Ventura and Los Angeles counties that totaling approximately \$1.7 million, the department said in a statement.

The case is being prosecuted by the Major Fraud Unit of the Ventura County District Attorney's Office.

"The charges have been filed, now we are waiting for an arraignment," Supervising Attorney Bob Meyers from the Ventura County Attorney's Office told BNA. The arraignment is set for Aug. 24, Meyers said.


Bail was set at \$10,000 each and each suspect faces a maximum penalty of five years in prison, according to the department. "They have posted bail and are no longer in custody," Meyers added.

Sam Afghani is the owner of AFCO Construction based in Los Angeles County

and owner and president and chief executive officer of AFCO Builders. His brother Siamac Afghani is the secretary of AFCO Builders, and Laws is an employee of AFCO Construction, the California Department of Insurance said.

"A number of employees had alleged that AFCO Construction paid neither prevailing wages nor overtime, and paid some employees in cash. The employees also alleged that the company submitted false certified payroll records ... and false payroll information to its workers' compensation carriers," according to a statement from the department.

The loss to the State Compensation Insurance Fund, Credit General Insurance Co., Connecticut Indemnity Company, and Westport Insurance Corp. is more than \$700,000. Taxes and penalties from the California Employment Development Department are more than \$540,000, and, according to the California Department of Industrial Relations' Division of Labor Standards Enforcement. Back wages owed to employees are nearly \$584,000, the department said.

AFCO Construction also underreported more than \$4.1 million in wages from 1998 to 2002 to its insurance carriers, according to the department. 

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