

PRESS RELEASE

Construction Manager Sentenced To Prison For Multimillion-Dollar Embezzlement And Tax Evasion

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For Immediate Release

U.S. Attorney's Office, Southern District of New York

Jay Clayton, the United States Attorney for the Southern District of New York, announced today that JOSE GARCIA was sentenced to 27 months in prison for committing two lengthy fraud crimes—a \$4.5 million embezzlement crime and a \$2.1 million tax evasion crime. In the embezzlement scheme, GARCIA had a lucrative no-show job with a technology company from 2012 to 2019. GARCIA did no work for the technology company, but GARCIA's co-conspirator, a technology executive, approved millions in payments to GARCIA and GARCIA's shell entities. In the tax evasion scheme, GARCIA neither filed tax returns nor paid income taxes from 2011 through 2019. GARCIA previously pled guilty to wire fraud conspiracy and tax evasion before U.S. District Judge Dale E. Ho, who imposed today's sentence. Three other members of the embezzlement conspiracy have also pled guilty to date.

“Jose Garcia engaged in a lengthy embezzlement scheme that involved a no-show job, fraudulent billings, and largescale cash kickbacks,” said U.S. Attorney Jay Clayton. “Garcia then doubled-down and sought to conceal his embezzlement activities by committing another crime – tax evasion. In all, Garcia stole millions at the expense of hard-working, tax-paying Americans. He then used the proceeds of his frauds to fund a lavish lifestyle. For these brazen crimes, Garcia has been sentenced to prison.”

According to the allegations contained in the Indictment, the Superseding Information to which GARCIA pled guilty, and statements made in public filings and in public court proceedings:

The Embezzlement Scheme

From approximately May 2010 through February 2019, GARCIA's co-defendant, Mark Angarola, spearheaded a large fraud scheme to unlawfully enrich himself and his co-conspirators (the "Conspirators") by submitting and causing to be submitted fraudulent invoices and expenses to an information technology ("IT") services company (the "Contractor"), at which Angarola was employed in a senior position. In total, the embezzlement scheme caused a loss of more than \$7 million. GARCIA received the majority of the scheme's fraud proceeds: \$4,554,950.

Angarola was a New York-based Global Account General Manager at the Contractor. He was responsible for managing the Contractor's relationship with a particular client, which was a subsidiary of a global financial institution (the "Client"). The Contractor had a service contract with the Client, pursuant to which the Contractor provided IT support services to the Client at locations across the U.S. The Contractor subcontracted certain of this work to a technology solutions company (the "Subcontractor"). Pursuant to the agreement between the Contractor and the Subcontractor (the "Subcontract"), the Subcontractor provided certain IT support services directly to the Client in the place of the Contractor. Angarola was responsible for oversight of the Subcontractor's performance on the Subcontract, which included approving payment to the Subcontractor on invoices submitted for work purportedly performed and expenses purportedly incurred in the Subcontractor's performance on the Subcontract.

Angarola abused his position to fraudulently enrich himself, his family, and his friends. For instance, he arranged for the Subcontractor to hire certain of his family members, friends, and subordinates, despite the fact that these individuals lacked apparent qualifications to perform deskside IT work. He arranged for the Subcontractor to hire, among others, his wife (a homemaker); his former college roommate (a police sergeant); and his close friends, including GARCIA (a construction manager) and GARCIA's wife (a schoolteacher). Thereafter, various Conspirators falsely reported to the Subcontractor that they had performed work under the Subcontract and incurred business expenses. The Subcontractor submitted invoices to the Contractor for the hours purportedly worked and business expenses purportedly incurred by several of the Conspirators, and Angarola, in turn, caused the Contractor to pay the Subcontractor on these fraudulent invoices. The purported business expenses incurred by several Conspirators, and ultimately paid for by the Contractor at the direction of Angarola, included restaurant meals, hotel stays, transportation fees, a cruise, and gentlemen's clubs. In fact, the expenses were personal expenses and were not reimbursable under the Contractor's policy.

GARCIA was a central beneficiary of the embezzlement scheme and received the majority of the fraud proceeds. These fraud proceeds were paid in part to GARCIA personally, and in part to his shell entities. GARCIA did no work whatsoever for the Contractor or Subcontractor, but invoiced the Subcontractor, month after month, requesting payment for purported "Management Fees." For instance, at different points in the scheme, GARCIA requested monthly payment of \$36,000, \$45,000, \$51,000, or \$60,000. Angarola approved these payments to GARCIA on behalf of his employer, the Contractor. In return, GARCIA paid Angarola cash kickbacks exceeding \$1 million. GARCIA participated in the embezzlement scheme despite having fulltime, gainful employment elsewhere as a consultant and project manager in the construction industry.

Financial records reveal that GARCIA spent fraud proceeds on, among other things, private school tuition, rent, luxury travel, luxury items, gym memberships, and sports memorabilia. For instance, GARCIA paid for stays at luxury hotels such as the Ritz Carlton (in four different cities), the Waldorf Astoria, and the Plaza. And GARCIA spent more than \$50,000 on luxury items, including expensive purchases at Cartier, Hermes, Gucci, Louis Vuitton, Bulgari, Burberry, Bianca Jewelers, a glass blower in Venice, and a violin shop specializing in Stradivarius models.

Tax Evasion

From 2011 through 2019, GARCIA also committed tax evasion, resulting in a tax loss to the Internal Revenue Service ("IRS") of approximately \$2,116,605. For this nine-year period, GARCIA neither filed tax returns nor paid income taxes. As such, GARCIA failed to report to the IRS the income he derived from the embezzlement scheme as well as the income he derived from other business interests and sources. GARCIA used shell entities to conceal his receipt of income, including by creating such entities, diverting income to such entities, and using entity bank accounts to pay for his personal expenses.

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In addition to his prison term, GARCIA, 53, of New York, New York, was sentenced to three years of supervised release. GARCIA was also ordered to forfeit \$4,554,950 and pay restitution in the amount of \$7,007,055.

Mr. Clayton praised the outstanding investigative efforts of the Federal Bureau of Investigation, New York Field Office; the IRS-Criminal Investigation, New York Field Office; and the U.S. Department of Labor – Office of Inspector General, Northeast Regional Office.

This matter is being handled by the Office's Complex Frauds and Cybercrime Unit, along with the Justice Department's Tax Division. Assistant U.S. Attorneys Michael D. Neff, Timothy V. Capozzi, and Special Assistant U.S. Attorney Jorge Almonte of the Tax Division are in charge of the prosecution.

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