



**Office of the United States Attorney
Eastern District of California
United States Attorney Benjamin B. Wagner**

FOR IMMEDIATE RELEASE

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**THREE SUTTER COUNTY RESIDENTS SENTENCED TO PRISON FOR ROLES IN DECADES-LONG
UNEMPLOYMENT AND DISABILITY BENEFITS FRAUD SCHEME**

SACRAMENTO, Calif. — Four residents of Sutter County, California were sentenced to prison today for their roles in a \$14 million unemployment and disability benefits fraud scheme based out of Yuba City and Live Oak, California, United States Attorney Benjamin B. Wagner announced.

United States District Judge Morrison C. England Jr. sentenced Mohammad Adnan Khan, 35, of Live Oak, to nine years in prison; Iqila Begum Khan, 32, of Live Oak, to five years in prison; and Mohammad Shahbaz Khan, 50, of Yuba City, to seven years and three months in prison and a \$50,000 fine. Each was also ordered to serve a term of three years of supervised release following the service of their prison terms. A hearing will be held November 5, 2015 to determine the amount of restitution owed to the California Employment Development Department. Parole has been abolished in the federal system, and each defendant will be required to serve at least 85 percent of the prison time imposed. A fourth defendant, Mohammad Nawaz Khan, 60, is scheduled to be sentenced on October 1, 2015.

According to court documents, the Khans sold fake paystubs to other people in the community and used the companies they controlled to report false wages for the individuals who purchased those paystubs. At times the Khans instructed the purchasers how to use the fake paystubs to fraudulently claim unemployment and disability benefits. The Khans set up a storefront in Yuba City and sold the fraudulent paystubs on a walk-in basis. Purchasers found out about the opportunity to commit fraud with the Khans in a number of ways. Some purchasers approached the Khans looking for work and were told to commit fraud instead. Others learned of the fraud at public places in the community, like the grocery store.

Over the course of the conspiracy, the defendants reported wages for over 400 separate individuals that resulted in more than 2,000 fraudulent claims for

unemployment and disability benefits. The loss in this case is more than \$14 million. To date, 28 individuals have been charged and 24 have pleaded guilty to various offenses connected to the scheme.

U.S. Attorney Wagner stated: "The defendants sentenced today committed a massive and brazen fraud that corrupted many members of their community. Collectively, their conduct occurred over the course of decades and involved hundreds of individuals who, but for the defendants' conspiracy, would likely never have become involved in criminal conduct."

"The scheme which led to these sentences involved more than bending a rule or exaggerating a claim," stated Monica Miller, Special Agent in Charge of the Sacramento FBI Field Office. "It was the systematic fabrication of employment histories on a massive scale. I am proud of the work the FBI and our partners on this investigation. By working together, we all put a stop to the scheme which stole money intended for people who earned support from the state in a time of need."

"This week's sentencings send a powerful message that combating unemployment insurance fraud remains a high priority for the Office of Inspector General. We will continue to work with our law enforcement partners to safeguard unemployment insurance benefits from illicit enrichment schemes and conspiracies carried out against Department of Labor programs" stated Abel Salinas, Special Agent-in-Charge, U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations in Los Angeles.

"To defraud vital programs that serve as a lifeline for unemployed and disabled workers is unconscionable," said EDD Director Patrick W. Henning, Jr. "Today's sentencing highlights the commitment of EDD investigators, the U.S. Attorney's Office, and our law enforcement partners to safeguard these programs."

Of the 28 individuals, charged in this investigation, three remain pending trial. A trial date is set for Mohammad Riaz Khan, Mohammad Shahbaz Khan, and Harjit Johal on November 10, 2015, at 9:00 a.m. before United States District Judge Garland E. Burrell Jr. The charges against those individuals are only allegations; they are presumed innocent until and unless proven guilty beyond a reasonable doubt.

This case is the product of an investigation by the Federal Bureau of Investigation; the U.S. Department of Labor, Office of Inspector General; and the California Employment Development Department, Investigations Division. Assistant United States Attorneys Jared C. Dolan and Sherry D. Haus are prosecuting the case.

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