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Eastern District of California
United States Attorney Benjamin B. Wagner

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SUTTER COUNTY MAN SENTENCED TO 12.5 YEARS IN PRISON FOR ROLE IN \$14 MILLION UNEMPLOYMENT AND DISABILITY BENEFITS FRAUD SCHEME

SACRAMENTO, Calif. — United States District Judge Morrison C. England Jr. sentenced Mohammad Nawaz Khan, 60, today to 12 and a half years in prison for his role in a \$14 million unemployment and disability benefits fraud scheme, United States Attorney Benjamin B. Wagner announced.

In sentencing, Judge England said, "This is one of the longest-running, most sophisticated fraud schemes that I have ever seen." Judge England ordered Khan to be taken into custody at the end of today's hearing.

According to court documents, Mohammad Nawaz Khan and other family members operated a scheme that 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. 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.

U.S. Attorney Wagner stated: "This defendant was part of a massive and brazen fraud that corrupted many members of their community. The fraud occurred over the course of decades and involved hundreds of individuals who, but for the defendants running the scheme, would likely never have become involved in criminal

conduct.”

“The Employment Development Department is proud to have partnered with the investigations that stopped this criminal defrauding of programs so vital to unemployed and disabled workers,” said EDD’s Director Patrick W Henning Jr.

“Today’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 date, 28 individuals have been charged and 24 have pleaded guilty to various offenses connected to the scheme. Last week, Judge England sentenced co-defendants Mohammad Adnan Khan, 35, of Live Oak, to nine years in prison; Iqila Begum Khan, 34, 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.

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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