

Department of Justice

U.S. Attorney's Office

District of Rhode Island

FOR IMMEDIATE RELEASE

Thursday, April 7, 2022

Woonsocket Businessman Admits Defrauding the IRS of Over Two Million Dollars

PROVIDENCE, R.I. – A Woonsocket businessman today admitted in federal court that he participated in scheme to defraud the Internal Revenue Service of more than two million dollars in taxes, announced United States Attorney Zachary A. Cunha.

In pleading guilty to conspiracy to defraud the United States and wire fraud, Jesus Jose Mendez, 44, co-owner J&J Drywall, Inc., a subcontracting business incorporated in Massachusetts and operating in Rhode Island, admitted that he, and the co-owner of the business, paid most employees in cash, failing to properly account for, withhold, and pay federal and state employment taxes; the two similarly failed to make required unemployment insurance contributions.

According to charging documents, from 2013 to 2017, Mendez and his business partner, Jamie Zambrano, 36, of Woonsocket, allegedly used check-cashing businesses to cash more than 600 business receipt checks totaling more than \$16 million dollars. While under law enforcement surveillance, Mendez and his business partner allegedly cashed checks at a Rhode Island check-casher, then travelled to construction sites carrying backpacks full of cash, which they left at the construction sites to be used to pay their employees.

During the same period, Mendez and Zambrano made just over \$4 million in deposits in the business's bank accounts, frequently structured in amounts of less than \$10,000. Most of the remaining millions were allegedly used to fund a cash payroll for under-the-table laborers. With the exception of a small number of employees placed on an official payroll and paid by check, income and employment taxes were not withheld or paid to the IRS, and unemployment contributions were not made.

The IRS calculated the total federal tax loss at \$2,821,463; the Massachusetts Department of Labor calculated a loss of unemployment contributions to the Commonwealth of Massachusetts at \$62,730.

Mendez is scheduled to be sentenced by U.S. District Court Chief Judge John J. McConnell, Jr., on July 14, 2022. The defendant's sentence will be determined by a federal district judge after consideration of the U.S. Sentencing Guidelines and other statutory factors.

Zambrano is currently a fugitive facing an indictment charging him with conspiracy to defraud the United States (IRS); 17 counts of failure to collect and pay over taxes; tax evasion; and eight counts of structuring financial transactions to evade reporting requirements. A federal indictment is merely an accusation. A defendant is presumed innocent unless and until proven guilty.

The case is being prosecuted by Assistant U.S. Attorney John P. McAdams.

The matter was investigated by Internal Revenue Service Criminal Investigation and U.S. Department of Labor Office of Inspector General, with substantial assistance from the U.S.

Department of Labor – Office of Labor-Management Standards in Boston and the Rhode Island State Police.

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Topic(s):

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Component(s):

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