

Jackie Lacey
District Attorney
<http://da.lacounty.gov>



NEWS RELEASE

Media Contact:

Greg Risling
Public Information Officer
213-974-3525
GRisling@da.lacounty.gov
Twitter: @LADAOoffice

April 17, 2015

**Trio Charged in \$12 Million
Workers' Compensation Fraud Case**

Two clothing manufacturing executives are scheduled to be arraigned today in a workers' compensation fraud case where losses are estimated to be nearly \$12.5 million, the Los Angeles County District Attorney's Office announced.

Sung Hyun Kim (12/12/57) and Caroline Sung Choi (11/9/55) are expected to make their initial court appearance today in Department 30 of the Foltz Criminal Justice Center. Co-defendant Jae Young Kim (8/29/43) pleaded not guilty yesterday to nine counts of workers' compensation fraud.

Sung Hyun Kim also is charged in case BA435018 with nine counts of workers' compensation fraud. Sung Hyun Kim and Choi, who are sisters, each face nine counts of failure to pay state payroll taxes.

Sung Hyun Kim and Choi are corporate officers for Meriko, Inc., and its successor, SF Apparel, both garment manufacturing companies that make high-end brand jeans such as True Religion.

Deputy District Attorney Theresa Mitchell of the Healthcare Fraud Division is prosecuting the case.

Beginning as early as 2006, Sung Hyun Kim and Jae Young Kim, an accountant, are accused of underreporting \$78 million in payroll to more than a half-dozen insurance carriers, prosecutors said.

By not reporting accurate figures, which can also be accomplished by paying employees in cash, companies avoid paying mandatory employer contributions for unemployment and disability. Companies pay significantly reduced workers' compensation premiums when they underreport the number of employees and the amounts actually paid, prosecutors added.

In this case, the estimated losses are roughly \$11.7 million. Losses to the state's Employment Development Department for unpaid employer contributions are estimated at more than \$700,000.

If convicted as charged, Sung Hyun Kim faces up to 28 years in state prison; Jae Young Kim faces a potential 22-year prison term; and Choi could spend 15 years, four months behind bars.

Earlier this week in an unrelated case, a 67-year-old woman who ran a janitorial company in Sherman Oaks and a 49-year-old accountant pleaded no contest to charges in a similar payroll scam.

On Monday, Chan Yee Yang pleaded no contest to one count each of workers' compensation fraud, failure to file a tax return, filing a false tax return and presentation of a fraudulent claim. Andrew Kim also pleaded no contest to one count each of workers' compensation fraud and presentation of a fraudulent claim.

Deputy District Attorneys Richard Gallegly and Karen Nishita of the Healthcare Fraud Division are prosecuting the case.

Prosecutors said Yang ran Bell Building Maintenance and she is accused of working with Kim to underreport her company's payroll to ensure her insurance premiums were low. Total losses are estimated to be \$4.4 million.

Sentencing is set for June 16. Yang is expected to be sentenced to four years in local custody and four years supervised release, while Kim is expected to receive a one-year term in local custody and two years supervised release.

Both cases were investigated by the California Department of Insurance.

#

About the Los Angeles County District Attorney's Office

Los Angeles County District Attorney Jackie Lacey leads the largest local prosecutorial office in the nation. Her staff of nearly 1,000 attorneys, 300 investigators and 800 support staff members is dedicated to seeking justice for victims of crime and enhancing public safety. Last year, the [Los Angeles County District Attorney's Office](#) prosecuted more than 71,000 felony defendants and nearly 112,000 misdemeanor defendants.