



# Department of Justice

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## **North Carolina Man Arrested on Tax, Mail, Wire and Health Care Fraud Charges**

WASHINGTON, D.C. - On July 26, 2005, a federal grand jury sitting in Greensboro, North Carolina, returned a 21 count indictment charging Steven E. Edwards with income tax evasion, mail fraud, wire fraud, making false statements to a financial institution, money laundering, and theft from a healthcare benefit program, the Justice Department, Internal Revenue Service, and Department of Labor announced today. The indictment, which had been sealed pending the defendant's arrest on August 1, 2005, also seeks the forfeiture of approximately \$3.8 million in cash and a mountain residence in Boone, North Carolina. Mr. Edwards was arraigned in federal court in Greensboro, N.C.

The indictment alleges that Mr. Edwards was an officer and manager of Magna Corporation, Nations Group (Nations) and Integrity Group (Integrity)-professional employer organizations located in Topeka, Kansas and Durham, North Carolina. A professional employer organization, or PEO, provides personnel services to smaller companies, or client companies, through employee leasing agreements. While the client company retains the right to hire, terminate, manage and supervise its employees, the agreement makes the PEO responsible for paying the employees, collecting and transmitting federal and state taxes, providing workers compensation insurance, and administering employee benefits such as healthcare. The client companies reimburse the PEO for the employee-related expenses and pay the PEO for performing those services. The defendant's clients allegedly included other PEOs to whom he purported to provide worker's compensation and health insurance coverage, as well as companies located in North Carolina, South Carolina, California, Florida, Kansas, Michigan, Mississippi, Oklahoma, and Tennessee.

The indictment alleges that neither Edwards nor his PEOs were licensed in North Carolina to sell health or worker's compensation insurance. Edwards allegedly collected millions of dollars in healthcare and worker's compensation insurance premiums from client companies but failed to obtain or continue such insurance coverage. Edwards allegedly also collected premiums from employees and clients whose coverage had lapsed and from employees and clients located in states for which he had no coverage. In addition, he allegedly provided false information to banks and insurance companies in order to obtain coverage and services and to create the appearance of legitimacy.

Edwards allegedly diverted the premiums for his own benefit and failed to report those monies in income on his federal income tax returns. He allegedly concealed the diverted premiums by depositing funds into financial accounts maintained in the names of nominees and placing other assets in the names of nominees.

If convicted, the defendant faces the following maximum potential sentences:

- On each income tax evasion charge, five years imprisonment, followed by up to three years supervised release, a \$250,000 fine and, costs of prosecution;
- On each mail and wire fraud charge, a maximum potential sentence of five years imprisonment, followed by up to three years supervised release, and a \$250,000 fine;
- On each charge of making false statements to a financial institution, a maximum potential sentence of 30 years imprisonment, followed by three years supervised release and a \$1,000,000 fine;

- On each money laundering charge, a maximum potential sentence of ten years imprisonment, followed by three years supervised release and a \$250,000 fine; and
- On each healthcare fraud charge, a maximum potential sentence of ten (10) years' imprisonment, followed by three years supervised release and a \$250,000 fine.

The prosecution is being conducted by attorneys from the Justice Department's Tax Division and the United States Attorney's Office, and was investigated with the assistance of agents from the U.S. Department of Labor's Employee Benefits Security Administration, and the Internal Revenue Service.

The charges contained in the indictment are only allegations. In the American justice system, a person is presumed innocent unless and until he or she is proven guilty in a court of law.

Information about other tax cases may be found at <http://www.usdoj.gov/tax/taxpress2005.htm>. More information about the Justice Department's Tax Division is available at <http://www.usdoj.gov/tax/index.html>.