



Riverside County District Attorney

NEWS RELEASE

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WILDOMAR MAN CONVICTED IN \$3.1 MILLION WORKERS' COMPENSATION FRAUD CASE

RIVERSIDE – In what is believed to be the largest workers' compensation premium fraud case to ever go to trial in Riverside County, a jury today, Sept. 21, 2012, convicted a Wildomar man of five felonies in a case totaling \$3.1 million in losses.

Steven Morales, DOB: 2-2-47, was convicted of three counts of workers' compensation fraud and one count each of tax fraud and perjury. The jury also found true a white-collar crime/major fraud enhancement of taking in excess of \$500,000.

Morales is scheduled to be sentenced on Oct. 15, 2012, in Dept. 62 at the Hall of Justice in Riverside at which time the DA's Office will also be asking the judge to order Morales to pay \$3.1 million in restitution. He faces a potential sentence of 17 years, four months in state prison.

Brian Todd Morales, DOB: 1-15-68, also of Wildomar and Steven Morales' son, pled guilty in the same case in January 2010 to the three workers' compensation and one tax fraud counts and was sentenced in April 2010 to four years in prison and ordered to pay \$3.1 million in restitution.

This case was the result of a 13-month investigation by the Riverside County DA's Bureau of Investigation in a partnership with the state Employment Development Department (EDD) and special investigation units of the victimized insurance companies.

In 2008, state EDD became aware of possible fraud involving companies owned and operated by Steven and Brian Morales. The men formed and used various names for their businesses, such as Shelby Framing and Shelby Development, in order to hide payroll and to keep from paying workers' compensation premiums, but it always primarily was Shelby Framing.

The investigation determined that the Morales' had been cheating more than 400 employees out of insurance premiums for unemployment insurance from 2005 through 2008. The defendants had not been reporting worker injuries while also underreporting the number of employees, or even reporting no employees, in the various company names.

Approximate monetary losses in this case were as follows: \$1.7 million to the State Compensation Insurance Fund, \$1 million to the state Employment Development Department, \$300,000 to Granite State Insurance Company, and \$170,000 to California Contractors Network.

The case, RIF153760, was prosecuted by Deputy District Attorney Michael Mayman of the DA's Insurance Fraud Unit.