



U.S. Immigration
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Enforcement

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News Releases

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IFCO Systems enters into record \$20.7 million settlement of claims related to employment of illegal aliens

ALBANY, NY - After one of the largest worksite enforcement operations conducted by U.S. Immigration and Customs Enforcement, IFCO headquartered in Houston, Texas has agreed to pay \$20.7 million dollars in civil forfeitures and penalties over four years, for employing illegal alien workers at its plants. John P. Torres, Acting Assistant Secretary of Homeland Security for U.S. Immigration and Customs Enforcement (ICE); Andrew T. Baxter, Acting U.S. Attorney for the Northern District of New York; and Superintendent Harry J. Corbitt, New York State Police, made the announcement today.

IFCO Systems North America ("IFCO"). IFCO, headquartered in Houston, Texas, is the largest pallet management services company in the United States. The settlement amount includes \$2.6 million dollars in back pay and penalties relating to IFCO's overtime violations with respect to 1,700 of its pallet workers. IFCO is also paying \$18.1 million in civil forfeitures that will be available to support future law enforcement activities. If IFCO fully complies with the terms of the settlement agreement, the United States Attorney for the Northern District of New York agrees not to pursue corporate criminal charges against IFCO for the conduct of its employees in hiring illegal alien workers at IFCO pallet plants prior to April 19, 2006. The government began its investigation of IFCO following a tip to ICE in February 2005, that illegal alien laborers at the Albany IFCO plant were observed ripping up their W-2 forms. On April 19, 2006, ICE agents, in concert with other federal and state authorities, conducted a work site enforcement action at over 40 IFCO pallet plants in 26 states, which resulted in the detention of 1,182 illegal aliens working at those plants. The United States Attorney's Office has prosecuted several IFCO managers and employees for criminal offenses associated with the employment of illegal alien workers at IFCO pallet plants. To date, nine IFCO managers and employees have entered pleas of guilty related to such criminal conduct. Four managers are currently pending trial on a felony indictment in U.S. District Court in the Northern District of New York¹ and the investigation of IFCO employees is continuing. The IFCO settlement agreement concerns only the liability of the corporation and does not address any pending or possible future criminal charges against individual employees.

The government's investigation documented that several IFCO managers and employees harbored and transported illegal aliens, and encouraged and induced them to remain in the United States as pallet workers. An analysis of the payroll information IFCO submitted to the Internal Revenue Service ("IRS")

and the Social Security Administration ("SSA"), and the hiring patterns and practices at IFCO, suggests that during the time period from 2003 through April 2006, as many as 6,000 illegal aliens worked at IFCO pallet plants.

IFCO received repeated notice from the SSA and others, dating back to at least the year 2000, of the irregularities in the social security numbers used for employment purposes by many of its pallet workers. IFCO, its managers and employees, failed to take significant measures to verify the social security numbers of these workers, and in 2004 and 2005, failed to make any effort to address the use of invalid social security numbers by numerous pallet employees. Investigative entities further concluded that, at 30 of IFCO's pallet plants, back wages were due, under the Fair Labor Standards Act, to piece-wage pallet workers - the vast majority of whom were illegal aliens. Under the settlement agreement, IFCO acknowledges and accepts responsibility for the unlawful conduct of its managers and employees, as described in the agreement. The company further agrees to cooperate fully and actively with the U.S. Attorney's Office and the government entities involved in the investigation, as it has done since the date of the work site enforcement action. The agreement further includes a precedent-setting, compliance and reporting program, designed to prevent the employment of illegal aliens at IFCO plants in the future. The company will take remedial actions in hiring, such as use of DHS's "E-Verify" screening program for all new hires, and will verify the social security numbers of all IFCO employees through SSA.

IFCO is also required to maintain an employee hotline to receive reports of any suspected violation of law at the company. The agreement runs through the year 2012, at which time, if the company has been in full compliance with all of the agreement's terms and conditions, the United States Attorney's Office will not seek to prosecute the company for any criminal charges related to the conduct of its employees prior to April 2006.

"Today's announcement that IFCO Systems North America will pay the largest settlement amount ever in a work site enforcement case and the fact that nine IFCO managers have admitted their guilt related to the employment of illegal aliens will send a powerful message that ICE will investigate and bring to justice companies which hire illegal workers," said John P. Torres, Acting Assistant Secretary of Homeland Security for ICE. "Companies who break the law by employing illegal aliens often exploit them and gain an unfair competitive advantage in the marketplace. By hiring illegal workers, these companies are unjustly able to undercut their law-abiding competition."

Andrew T. Baxter, Acting United States Attorney stated, "This settlement accomplishes the government's objective of deterring employers who might seek to subvert the immigration laws of this country. The Agreement severely punishes IFCO for its serious immigration and employment violations; but it also allows the corporation to continue its operations, so that its lawful employees and innocent shareholders do not suffer the consequences of a business failure in this economy. It is our hope that the compliance and reporting requirements under the agreement will serve as a model for other businesses."

New York State Police Superintendent Harry J. Corbitt said, "The New York State Police commends all of the investigative agencies for their hard work in investigating IFCO Systems and prosecuting the individuals who engaged in illegal immigration and employment-related conduct. This agreement sends a strong message to corporations that exploitive and illegal business practices for the sole purpose of their own financial gain will not be tolerated." Acting U.S. Attorney Baxter expressed his appreciation to the New York State Police for their invaluable assistance in this nation-wide investigation.

The IFCO managers who previously entered guilty pleas, and the respective charges to which they pled guilty, are as follows:

- Robert Belvin, of Stuart, FL (former General Manager, Albany IFCO plant): Conspiracy to Transport and Harbor Illegal Aliens and Conspiracy to Possess Identification Documents with the Intent to Use Unlawfully (felonies);
- James Rice, of Houston, TX (former corporate New Market Development Manager): Conspiracy to Transport and Harbor Illegal Aliens (felony);
- Steven Means, of Cincinnati, OH (former corporate New Market Development Manager): Conspiracy to Unlawfully Employ Illegal Aliens (misdemeanor);
- Bryan Baily, of Nashville, TN (former corporate New Market Development Manager): Conspiracy to Unlawfully Employ Illegal Aliens (misdemeanor);
- Abelino "Lino" Chicas, of Houston, TX (former Systems Manager): Aiding and Abetting the Transportation and Harboring of Illegal Aliens (felony);
- Michael Ames, of Shrewsbury, MA (former General Manager, Westborough, MA IFCO plant): Unlawful Employment of Illegal Aliens (misdemeanor);
- Craig Losurdo, of Arlington, TN (former Assistant General Manager, Albany IFCO plant): Unlawful Employment of Illegal Aliens (misdemeanor);
- Dario Salzano, of Amsterdam, NY (former Assistant General Manager, Albany IFCO plant): Unlawful Employment of Illegal Aliens (misdemeanor);
- Scott Dodge, of Elmira, NY (former Assistant General Manager, Albany IFCO plant): Conspiracy to Unlawfully Employ Illegal Aliens (misdemeanor).

The IFCO managers who are indicted on felony charges and pending trial are:

- Charles Davidson, of San Antonio, TX (current Vice President - New Market Development; formerly, Director, New Market Development);
- William Hoskins, of Cincinnati, OH (New Market Development Manager);
- Thomas Soto Castillo, of Cincinnati, OH (Foreman, Cincinnati; operations manager for New Market Development);
- Wendy Mudra, of Tampa, FL (Human Resources Manager).

The government's investigation of the involvement of certain IFCO's managers and employees in the hiring of illegal aliens and related conduct is continuing. The investigation is being conducted by ICE; the New York State Police, Special Investigation Unit; SSA, Office of Inspector General; IRS, Criminal Investigation; and the U.S. Department of Labor, Wage and Hour Division. The Guilderland Town Police Department and Schenectady Police Department also provided assistance during the investigation. The prosecution is being handled by Assistant United States Attorney, Tina E. Sciocchetti.

-- ICE --

U.S. Immigration and Customs Enforcement (ICE) was established in March 2003 as the largest investigative arm of the Department of Homeland Security. ICE is comprised of five integrated divisions that form a 21st century law enforcement agency with broad responsibilities for a number of key homeland security priorities.

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