



## News Releases

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HOUSTON, TX

# IFCO senior managers plead guilty to unlawful employment of illegal aliens

HOUSTON — Five senior managers of the former IFCO Systems, N.A., a Houston-based corporation, pleaded guilty to hiring and employing unauthorized aliens at IFCO plants nationwide between January 2003 and April 2006. This case is being investigated by U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI).

The guilty pleas took place before U.S. District Judge Gray H. Miller in federal district court in Houston this afternoon, and were announced by: U.S. Attorney José Angel Moreno, Southern District of Texas; U.S. Attorney Richard S. Hartunian, Northern District of New York; and James C. Spero, special agent in charge of HSI in Buffalo, N.Y.

Entering guilty pleas today were:

- Charles Davidson, 48, of San Antonio;
- Christopher Tiesman, 43, of Spring, Texas;
- Haskell "Buddy" Ross, 42, of Lakeland, Fla.;
- Kenneth Gines, Jr., 53, of Spring, Texas; and
- Wendy Mudra, 36, of Tampa, Fla.

The five defendants face a maximum prison sentence of six months and a fine of \$3,000 for each unauthorized alien who was part of the pattern and practice of illegal hiring. Sentencing has been set for Sept. 20, 2011.

In connection with their pleas, the defendants admitted the following:

Beginning in January 2003, and continuing through April 19, 2006, the defendants were senior managers at IFCO, which owned and operated approximately 50 pallet repair services plants, conducted pallet repair services at off-site facilities, and operated a number of crating and packaging, and reusable plastic container plants, throughout the United States.

The charge, which stems from IFCO's employment over the years of thousands of illegal aliens from Mexico and Central America to work in the plants, are based upon the defendants' various roles in encouraging, facilitating, and protecting the company-wide hiring and employment of the illegal aliens.

Davidson was originally an owner and manager of a pallet repair plant in San Antonio. Following the mergers of several pallet companies that became IFCO in 2000, he became the regional vice president for the western region in the company. In or about late 2003 or early 2004, he became the director of new market development, where he oversaw the "Greenfield Program," to establish new IFCO plants.

Tiesman previously worked for one of the predecessor companies that became IFCO, and shortly after the merger, became the vice president for accounting and finance at IFCO. He oversaw the payroll and accounting departments in Houston.

Gines began working at IFCO in or about 2001, and served as the controller of the pallet services division under Tiesman. He also oversaw the payroll department.

Ross worked in human resources for one of IFCO's predecessor companies and sometime after the 2000 merger became the vice president for human resources (HR) based in Florida. For several years, the HR department essentially consisted of the defendant and another person, an hr and safety manager, who worked from San Antonio.

In November 2004, Mudra was hired as a human resources manager for IFCO, and worked under Ross in the Tampa office. During much of 2005 and 2006, Ross and Mudra also supervised the payroll department in Houston from their offices in Tampa.

From their jobs in the company, the defendants helped to hire and employ a manual workforce in the IFCO plants that was overwhelmingly Hispanic and largely undocumented.

The defendants established and maintained practices and policies at IFCO that resulted in the hiring and continued employment of unauthorized aliens. The defendants knew and consciously avoided facts and circumstances showing that, as a result of the practices and policies which they helped establish and continue, unauthorized aliens were being hired and employed at IFCO.

On April 19, 2006, ICE and other federal and local law enforcement agencies conducted a worksite enforcement action at approximately 45 of IFCO's company-owned pallet plants. As a result of the enforcement action, ICE agents detained 1,181 IFCO employees, who were present in the United States illegally and unauthorized to work in the United States, which constituted the majority of the total workforce employed at those 45 plants.

As part of their pattern and practice of hiring and continuing to employ unauthorized workers to work in the IFCO plants, the defendants committed the following acts:

On or about May 3, 2004, after a woman advised IFCO's payroll manager that her disabled brother stood to lose his social security benefits because an IFCO worker was using her brother's Social Security Number (SSN), Ross instructed the payroll manager not to verify the SSN being used by the worker.

On or about March 2, 2005, the new market development manager for the Albany, N.Y., IFCO plant told Davidson that the Department of Homeland Security (DHS) had contacted the security personnel at the industrial park where the plant was located in order to stake out the plant and that they knew where the pallet workers from the plant were living, causing Davidson to immediately inquire whether it was a joke, and to respond: "Call me on the cell."

On or about March 8, 2005, after being advised that there was an immigration raid at one of the three houses that IFCO rented for pallet workers at the Albany plant, and that workers were detained based on fraudulent paperwork, Davidson told the general manager of the Albany plant not to worry about the loss of employees at the Albany plant due to the immigration raid. He assured him that the company would stand behind him through the loss in production, and told him he could obtain new workers for the plant through T.S. or A.C., the two IFCO foremen who were primarily responsible for staffing the new market development plants.

On or about Aug. 3, 2005, Mudra forwarded an email message from IFCO's payroll supervisor to Ross, in which the payroll supervisor asked what to do concerning R.R., a re-hired employee in Albany, who had reapplied with a "new (& improved) SSN," and whether they should "[i]gnore and let him get 2 bogus W-2s for 2005?"

On or about Aug. 4, 2005, Ross, responded "I do not know what we have done with the W-2 on rehires. Not sure I care. But let me know why I might care."

On or about Aug. 15, 2005, Mudra told the payroll supervisor to re-hire R.R. under his old SSN with the documentation the employee had previously supplied when he was first hired.

On or about Dec. 29, 2005, after being advised by a payroll supervisor that the new payroll system operated by ADP would not allow the company to hire R.M., because "there are numbers that the IRS does not use for social security numbers and ADP has it set up in their system that whenever a bad number is used it rejects it," Mudra warned Gines and Tiesman that "[t]his may present some problems for us."

On or about Feb. 10, 2006, the Albany office manager told Mudra that employee O.U. had changed his SSN and wanted to change his withholdings, and Mudra replied, "This typically means we will have to terminate the "old" him and hire the "new" him. This

presents issues on the benefits side as well. We will need specific documentation regarding the change to his SSN."

In December 2008, IFCO reached a record corporate settlement with the government, pursuant to which the company agreed to pay \$20.7 million in civil forfeitures and penalties over four years. The settlement amount included \$2.6 million in back pay and penalties relating to IFCO's overtime violations with respect to 1,700 of its pallet workers.

IFCO also agreed to pay \$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 U.S. attorney for the Northern District of New York will not pursue corporate criminal charges against the company for the conduct of its employees related to the employment of illegal alien workers at IFCO pallet plants prior to April 19, 2006.

The case was investigated by HSI; Internal Revenue Service, Criminal Investigations; New York State Police; Social Security Administration, Office of Inspector General; and the U.S. Department of Labor, Wage and Hour Division.

This case is being prosecuted by the U.S. attorney's offices in the Southern District of Texas and the Northern District of New York.