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November 28, 2012**Office of The Attorney General**- Jeffrey S. Chiesa, *Attorney General***Division of Criminal Justice**- Stephen J. Taylor, *Director***Office of the Insurance Fraud Prosecutor**- Ronald Chillemi, *Acting Insurance Fraud Prosecutor*For Further Information:
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609-984-5828President of Now-Defunct Mercer County
Construction Company Pleads Guilty to Stealing
More Than \$450,000 from State of New Jersey &
Insurance Company[Click to enlarge](#)

TRENTON – Attorney General Jeffrey S. Chiesa announced that the president of a now-defunct Mercer County construction company pleaded guilty today to stealing a total of more than \$450,000 by providing false and misleading information to its workers' compensation carrier and failing to file tax returns or underreporting wages for his business and himself to the New Jersey Department of Treasury.

Herlindo Garcia-Merlos, 49, whose last known address was in Trenton, pleaded guilty to a criminal accusation charging him with two counts of second-degree theft by

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deception before Superior Court Judge Gerald Council in Mercer County.

Judge Council scheduled sentencing for Jan. 23. Under the plea agreement, the state will recommend that Garcia-Merlos be sentenced to eight years in state prison. In addition, the state is seeking restitution on behalf of New Jersey Manufacturers Insurance Group in the amount of \$315,680 and New Jersey Department of Treasury in the amount of \$135,462.

“This defendant was responsible for making sure that he had adequate and lawful workers’ compensation coverage for his companies,” Acting Insurance Fraud Prosecutor Ronald Chillemi said. “By providing misinformation to his workers’ compensation carrier, he not only failed in this responsibility but also defrauded an insurance company out of hundreds of thousands of dollars. The cost of such fraud is passed on to consumers through increased premiums.”

Garcia-Merlos was the president of the now-defunct Orients Construction Company, Inc. (Orients), located in Trenton. In March 2009, Garcia-Merlos ceased doing business as Orients and began doing business as Melrose Construction, Inc.

In pleading guilty, Garcia-Merlos admitted that, between February 2007 and April 2010, false and misleading information was provided to NJM Insurance Group. The investigation determined that the type of services rendered by Orients as well as the amount of payroll during the specified policy periods were not true. As a result of the fraud, Garcia-Merlos obtained reduced premiums that his company was not entitled to resulting in the premium difference of \$315,680.

Garcia-Merlos also pleaded guilty to stealing more than \$135,462 by failing to file tax returns for his companies, Orients and Melrose Construction. The investigation determined that Garcia-Merlos failed to file tax returns for Orients and/or Melrose in 2006, 2007, 2008, 2009 and 2010. The investigation also determined that Garcia-Merlos underreported wages on his individual tax returns during the aforementioned years.

Deputy Attorney General Cheryl Maccaroni and Detective Natalie L. Brotherston coordinated the investigation. Acting Insurance Fraud Prosecutor Chillemi thanked Supervising Auditor Michael Mullane and Auditor William Makar, both from the New Jersey Division of Taxation, Office of Criminal Investigation, for their assistance in the investigation.

Acting Insurance Fraud Prosecutor Chillemi noted that some important cases have started with anonymous tips. People who are concerned about insurance cheating and have information about a fraud can report it anonymously by calling the toll-free hotline at **1-877-55-FRAUD**, or visiting the Web site at www.NJInsurancefraud.org. State regulations permit a reward to be paid to an eligible person who provides information that leads to an arrest, prosecution and conviction for insurance fraud.

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