



Office of Inspector General U.S. Small Business Administration

February 2008 Update

Business Loan Programs

Colorado Office Manager Charged. On December 17, 2007, the office manager for a plastic surgeon in Denver, Colorado was charged in a 15-count criminal complaint with five counts of forgery, five counts of identity theft, three counts of theft, and two counts of attempted theft. The complaint charges that she used the plastic surgeon's personal information and signature stamp to fraudulently obtain two SBA-guaranteed Express Loans, totaling \$150,000, without his authorization. In addition, using the same scheme, it is alleged that she obtained an \$180,948 non-SBA loan and applied for other loans, many of which were never approved or disbursed. The office manager used the majority of the loan proceeds for her personal benefit. This case was initiated based on a referral from an SBA lender.

Texas Businessman Pleads Guilty. On January 30, 2008, a Texas businessman pled guilty to making a false statement to obtain property or credit. He falsely certified that he was "current" on all taxes in order to obtain a \$1,701,000 SBA-guaranteed business loan from a Texas lender. He was sentenced to ten years confinement; however, the sentence of confinement was suspended and he was placed on community supervision for ten years. He was also ordered to pay restitution of \$1,352,300 and perform 320 hours of community service.

Delaware State Employee Pleads Guilty. On February 5, 2008, an employee of the State of Delaware, Bureau of Unclaimed Property, pled guilty to one count of conspiracy to commit wire fraud, one count of conspiracy to commit money laundering, and one count of wire fraud. He and a co-conspirator were previously charged for fraudulently obtaining abandoned stock certificates from the Bureau of Unclaimed Property, Delaware Department of Finance. The co-conspirator then applied for a

\$309,000 SBA-guaranteed loan to purchase a tanning franchise and used the funds derived from the fraudulently obtained stock certificates for the required equity injection. Judicial action against the co-conspirator is continuing. This case was based on a referral from the lender. The OIG is investigating this case jointly with the Federal Bureau of Investigation (FBI) and the Internal Revenue Service (IRS).

Illinois Man Arrested. On February 17, 2008, an Illinois man was arrested by the FBI and the Merrillville Indiana Police Department. Along with another individual, he was charged on September 25, 2007, in a previously sealed indictment in the Southern District of Iowa, with one count of conspiracy, six counts of wire fraud, and four counts of mail fraud. The charges relate to a scheme to induce a lender to approve three separate loans (one SBA-guaranteed loan and two lender direct loans), totaling more than \$4 million, to purchase three gas stations in Iowa. The indictment alleges that both men enlisted "front" borrowers and provided the lender with false and fraudulent documentation on behalf of the borrowers in order to influence the approval of the loans. The second individual was previously arrested in relation to a separate indictment in the Northern District of Illinois. The OIG is conducting this joint investigation with the FBI.

Disaster Loan Program

President of Alabama Company Sentenced. On February 1, 2008, the president of an Alabama aerospace company was sentenced to 63 months confinement, 36 months probation, and \$1.3 million in restitution, which reflects the total amount by which he defrauded the SBA, the IRS, and a fraternity where he acted as trustee and treasurer. The president of the aerospace company, who co-owned a private charter plane company, obtained a \$177,800 disaster loan for economic injuries resulting from the September 11

World Trade Center terrorist attacks. After the loan defaulted for non-payment, he produced four fraudulent documents that indicated SBA had released its liens against his personal and business properties and sold two properties that were held as collateral on the SBA disaster loan. As a result, he received \$92,526 that should have been paid to the SBA. In addition, he embezzled almost \$980,000 from the fraternity and failed to pay required federal income taxes. He is a retired Army Colonel and was previously employed as an ROTC professor with Auburn University. This case was initiated as a result of a referral received from the Santa Anna Liquidation Center. The OIG conducted this investigation jointly with the IRS and the Auburn Police Department.

Mississippi Man Pleads Guilty. On February 21, 2008, an Ocean Springs, Mississippi man pled guilty to one count of theft of government funds for submitting a false Borrower's Progress Certification to the SBA in order to receive disbursements from a \$40,000 SBA loan. He admitted that he lied on the form when he stated that he had used the first \$10,000 of the loan to purchase household products. He also received \$6,352 in Hurricane Katrina disaster funds from the Federal Emergency Management Agency. The OIG is conducting this investigation jointly with the FBI and the U.S. Postal Inspection Service.

Statutory/Regulatory/Policy Reviews

In an effort to proactively identify and correct potential Agency inefficiency and management problems at the onset of policy and regulatory development, the OIG reviewed, cleared, and/or provided comments, as appropriate, on 5 Agency initiatives, including proposed legislation, SBA Standard Operating Procedures, and Agency notices containing directives to its employees.

This monthly update is produced by the SBA OIG, Eric M. Thorson, Inspector General.

The OIG has established an e-mail address (oig@sba.gov) that we encourage the public to use to communicate with our office. We welcome your comments concerning this update or other OIG publications. To obtain copies of these documents please contact:

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