



# Office of Inspector General



October 2014

## Business Loans

### ***Man Pleads Guilty to Falsely Claiming U.S. Citizenship***

On October 9, 2014, a man pled guilty to falsely claiming U.S. citizenship and was sentenced to 3 months of time served. After agreeing to voluntary removal from the U.S. to Pakistan at his own expense, he further agreed in open court not to return to the U.S. except for travel directly related to treatment of his cancer. If he must return for treatment, he was ordered to immediately report to U.S. Probation to initiate supervised release, which was to be in effect for one year.

In 2004, the man had been indicted for falsely claiming to be a U.S. citizen when applying for a \$420,000 SBA guaranteed loan to purchase a gas station. A warrant was issued for his arrest, and he subsequently fled the country. This most recent investigation was initiated because of his attempted reentry into the U.S. in 2014.

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### ***Maryland Man Forfeits Ownership of Car Wash for Conspiracy to Commit Bank Fraud***

On October 20, 2014, a Federal judge signed a final forfeiture order for a car wash previously owned by a Maryland man. In 2011, the Government issued temporary protective orders for several business locations, including the car wash. This order gives the U.S. Marshal's Service the right to sell the property.

The man previously had been sentenced to 188 months in prison for conspiracy to commit bank fraud. He agreed to a criminal forfeiture amount of \$91,449,700 and to restitution of \$36,635,706. The man and his brother

had encouraged prospective borrowers using the services of their firm to apply for SBA Section 7(a) business loans. Under the SBA program, the principals of a small business seeking such a loan are required to invest some of their own money, called an equity injection, before they qualify for a loan. However, the equity injections in this case were materially false.

Three other individuals changed the digits on bank statements to make it appear that borrowers had more money than they actually did. They also altered cashier's checks and Internal Revenue Service (IRS) tax documents, as well as misrepresenting businesses' interim financial positions.

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## Government Contracting

### ***California Man Sentenced to 3 years of Probation***

On October 3, 2014, the owner of a California architectural services company was sentenced to a probationary sentence of 3 years and a \$10,000 fine for structuring transactions to evade a domestic financial institution's reporting requirement. His sentencing is connected to previously reported information regarding two prime contractors who were associated with the SBA Section 8(a) Program. The owner, along with four other subcontractors, the two prime contractors, and their respective businesses, have all been charged and sentenced in connection with a bribery and kickback scheme at Camp Pendleton (a Navy and Marine base) and other Federal facilities. This investigation originated based on allegations that contractors in the 8(a) Program in San Diego were receiving kickbacks from subcontractors. This

investigation is being conducted jointly with the Federal Bureau of Investigation (FBI), Naval Criminal Investigative Service (NCIS), IRS Criminal Investigation (CI), Department of Defense Criminal Investigative Service (DCIS), and the General Services Administration Office of Inspector General (GSA OIG).

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### ***West Virginia Man to 2 Years of Probation after Defrauding Government***

On October 8, 2014, a West Virginia man was sentenced to 2 years of probation after having pled guilty to conspiracy to defraud the Government with respect to claims. He had been employed as a project manager with a construction company and other affiliated companies. An unindicted co-conspirator had instructed him to alter invoices submitted by subcontractors to an inflated amount. The man then caused these inflated invoices to be submitted to the Government in a bid proposal under an SBA Section 8(a) set-aside contract that was subsequently awarded to the construction company. The SBA previously had issued a notice of suspension to the man. The investigation was conducted jointly with the U.S. Attorney's Office, DCIS, FBI, Department of Veterans Affairs (VA) OIG, and the Department of Labor OIG.

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### ***Texas Man Indicted for Theft***

On October 8, 2014, a Texas man was indicted for theft of Government money or property and for aggravated identity theft. The indictment also included a notice of intent to seek criminal forfeiture of approximately \$2,722,870.

The man created a company and was bidding on and awarded contracts set aside for service-disabled veteran-

owned small businesses (SDVOSBs). He was not a veteran, but he had stolen and used the identity of his father, who was a service-disabled veteran. His father was in no way affiliated with the company.

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***Maryland Man Guilty of Conspiracy to Commit Wire Fraud***

On October 17, 2014, a Maryland man was found guilty of conspiracy to commit wire fraud. He had owned and operated an SBA 8(a) firm and substantially passed through Federal contracts worth several million dollars to another firm. The investigation continues in conjunction with the Air Force Office of Special Investigations (AFOSI), Department of Interior (DOI) OIG, and United States Attorney's Office.

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***Maryland Woman Sentenced to 36 Months' Probation for Defrauding the IRS and Fraudulently Seeking Section 8 (a) Contracts***

On October 20, 2014, a Maryland woman was sentenced to 36 months of probation, to include 30 days of community confinement at a mental health treatment center and 16 months of home confinement. She was also ordered to perform 400 hours of community service and to pay \$839,016 in restitution to the IRS. The woman previously pled guilty to conspiracy to defraud the United States after having been indicted for schemes to fraudulently seek Federal contracts under the Section 8(a) Program.

Her husband had been the president and sole owner of a Maryland corporation. In 1999, he caused a new roofing and construction company to be incorporated in Maryland. Although he installed two individuals to be the nominee owners and officers of the second firm, he exercised complete and undisclosed control over the second firm's business operations. The woman was in charge of the second firm's accounting and acted as the de facto controller for the company. The couple trans-

ferred millions of dollars from the second company to bank accounts in their own names, to casinos on their own behalf, to the first firm and another company owned by the husband, and to credit card companies to pay for personal expenses charged to the second firm's corporate credit cards. These expenses included dental work, veterinary visits, lavish vacations, a Royal Caribbean cruise, limousine transportation to casinos, funeral expenses for a relative, and fencing for their personal residence. She also mischaracterized payments to casinos as subcontractor expenses. Moreover, the woman admitted that she and her husband signed false corporate and personal tax returns for 2005 and 2006. The couple knew that the cost of goods sold and payments to contractors reported on the corporate returns were false because almost all of that money was paid to the couple at casinos. They also knew that the income reported on their personal income taxes omitted hundreds of thousands of dollars that the first firm had paid to them. Consequently, the couple owed additional personal income tax to the IRS totaling \$264,105, and first firm owed an additional \$574,911 to the IRS for tax years 2005 and 2006. The total tax loss resulting from the conspiracy to defraud the IRS is \$839,016. This case is being jointly investigated with DCIS, GSA OIG, and IRS CI.

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***Former Army Official Sentenced to 4 Years' Imprisonment for Bribery Scheme***

On October 24, 2014, a former U.S. Department of the Army contracting official was sentenced to 4 years in prison for his role in a scheme in which he accepted over \$490,000 worth of benefits, including cash payments and vacations, from favored contractors. In return, he helped these businesses obtain millions of dollars in federal contracts. He previously pled guilty to conspiracy to commit bribery and honest services wire fraud, bribery, and attempting to interfere with and im-

pede tax laws. Upon completion of his prison term, he will be placed on three years of supervised release. He also must pay restitution, including \$250,000 to the Department of Defense and nearly \$125,000 to the IRS. Finally, he must pay a forfeiture money judgment of \$490,262.

The official was among 18 individuals and one corporation to plead guilty to Federal charges in an investigation that uncovered the largest domestic bribery and bid-rigging scheme in the history of Federal contracting cases. Participants in the scheme stole over \$30 million in Government money through inflated and fictitious invoices.

This was a joint investigation with the FBI, IRS CI, DCIS, Defense Contract Audit Agency, and U.S. Army Criminal Investigation Command. The U.S. Marshals Service provided assistance on the forfeiture matter.

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***Department of Homeland Security Executive Pleads Guilty to Conspiracy***

On October 24, 2014, a former supervisory information technology (IT) specialist and branch executive of the Department of Homeland Security's (DHS) Customs and Border Protection pled guilty to conspiracy. An investigation revealed that he received illegal gratuities, such as an Apple laptop computer and tickets to professional sporting and entertainment events, from Government contractor companies' representatives in exchange for acts that he performed involving Government IT procurements.

This investigation continues and is being worked in conjunction with the DHS OIG, VA OIG, GSA OIG, and the Department of Justice.

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***Virginia Man Pleads Guilty to Conspiracy to Commit Wire Fraud***

On October 24, 2014, a Virginia man pled guilty to conspiracy to commit wire fraud. A Maryland man who owned and operated an SBA 8(a) firm

substantially passed through several million dollars' worth of Federal contracts to the Virginia man's company. The investigation continues in conjunction with AFOSI, DOI OIG, and the United States Attorney's Office.

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#### **New Jersey Woman Sentenced to 2 Years' Probation**

On October 27, 2014, a New Jersey woman and business co-owner was sentenced to two years of probation and ordered to pay \$100,000 in restitution. She previously had pled guilty to making false claims.

The investigation originated when an anonymous hotline caller to the VA OIG reported alleged fraudulent behavior by the woman's firm. The VA OIG in turn referred the matter to SBA OIG. The allegations stated that the firm was fraudulently claiming its status as an SDVOSB. Specifically, the referral stated that the woman, who is not a veteran, owned and operated the business. The case is a joint investigation with VA OIG, GSA OIG, and IRS CI.

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#### **North Carolina Law Firm Sentenced for Aiding and Abetting Major Fraud**

On October 15, 2014, a North Carolina law firm was sentenced to 18 months of probation. As a condition of the plea, the principal attorney was required to surrender his license to practice law. The firm had previously pled guilty to aiding and abetting a major fraud against the Government.

The law firm represented a masonry company. The company's owner allegedly created a construction firm to obtain two small business subcontracts on a Department of the Navy contract. The owner created the construction firm after a \$14 million subcontract was awarded to the masonry company. The owner offered the use of the construction firm to replace the masonry company in exchange for a two percent fee. The law firm prepared and sent a letter to the prime contractor stating

that the construction firm was a small business— despite being aware that it was not a small business due to its affiliation with the masonry company. This case is being investigated jointly with DCIS and NCIS.

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### **Office of Inspector General Peggy E. Gustafson Inspector General**

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