



Government Contractor in Huntsville Sentenced to Nine Years in Prison for \$14 Million Fraud Scheme

FOR IMMEDIATE RELEASE

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BIRMINGHAM – A federal judge today sentenced a government contractor in Huntsville to nine years in prison for a scheme to defraud the government of nearly \$14 million in contract payments over six years.

U.S. District Judge R. David Proctor sentenced **JOSEPH SHANE TERRY**, 41, of Meridianville, Ala., on charges of wire fraud, false statements to the Small Business Administration, false statements on loan applications, and money laundering. The sentencing caps a 4 ½-year government investigation. Terry, who was sole owner of Government Technical Services, pleaded guilty to the charges in August 2013. The judge today ordered Terry to forfeit \$1,019,761 to the government as proceeds of illegal activity. Terry is in custody.

U.S. Attorney Joyce White Vance; Internal Revenue Service, Criminal Investigation, Special Agent in Charge Veronica Hyman-Pillot; Department of the Army, Criminal Investigation Command Special Agent in Charge James Wallis; Department of Defense, Defense Criminal Investigative Service Special Agent in Charge John F. Khin; and Small Business Administration Inspector General Peggy E. Gustafson announced Terry's sentence.

"Government contractors should not view taxpayer funds as their personal pocketbooks and when they do, as Joseph Terry did in this case, we are going to hold them accountable and put them in jail," Vance said. "We encourage our citizens, particularly those in the Huntsville area with so many government contractors, to bring to light other instances of fraud so that wrongdoers can be brought to justice."

"In concert with our partner agencies, DCIS aggressively investigates fraud and corruption that undermines the integrity of Department of Defense programs and contracts," Khin said. "We must do all we can to preserve precious American taxpayer dollars while ensuring our national security."

"Our agents worked tirelessly on this case and are very pleased to see that justice has been served," said Frank Robey, director of the U.S. Army Criminal Investigation Command's, Major Procurement Fraud Unit. "We will not tolerate fraud in the Department of the Army and every one of these

criminal cases, either directly or indirectly, negatively impacts our brave men and women serving this nation during a time of war."

"Joseph Shane Terry used his position as a government contractor to defraud the United States government. IRS Criminal Investigation, along with our law enforcement partners, will continue to pursue any and all individuals who make a choice to violate the integrity of government contracts," Hyman-Pillot said. "We work aggressively to expose complex financial transactions and money-laundering schemes in an effort to protect our nation's financial and justice system," she said.

According to Terry's plea agreement, he carried out his scheme to defraud the government as follows:

Terry applied for and obtained a small disadvantaged or minority-owned business status from the SBA in 2003 by submitting fraudulent tax returns. In order to maintain that status, Terry also submitted false tax returns to the SBA for each year from 2004 through 2008. Having the special status with the SBA enabled his company, GTS, to bid on and win government contracts specifically set aside for small disadvantaged businesses.

Terry submitted personal and corporate returns to the SBA for the tax years 2002 through 2007 to show he was current on filing his taxes, but he had never filed the returns with the IRS.

Terry's wire fraud scheme culminated in GTS obtaining a \$961,551 contract in September 2006 to install metal roofing on three buildings at Fort Polk, La. In order to obtain authorization to start work on this contract, GTS submitted forged performance and payment bonds and a power of attorney from a Mississippi bond company and its parent surety company in Louisiana. GTS won the contract, but was terminated in April 2008 for failing to perform the work and for providing fraudulent bonds. In all, Terry employed the fraudulent scheme to obtain more than \$14 million in government contracts.

Terry pleaded guilty to five wire fraud counts that involved separate electronic fund transfers totaling more than \$500,000. The Defense Finance and Accounting Service in Indiana, an agency of the Department of Defense, transferred the money to a bank account of Terry's in Huntsville in 2007. The five wire transfers were all payments to GTS on the Fort Polk roofing contract.

Terry also pleaded guilty to three counts of mortgage fraud in the Madison County area. He induced banks to make mortgage loans totaling \$480,000 based on his false tax returns and other false financial documents.

The money laundering conviction arose from one of the false statements Terry made on a loan application. He admitted that in 2008 he induced his then-girlfriend to apply for a loan and supplied documents falsely claiming that GTS employed her. Terry admitted to money laundering for using the fraudulently obtained loan proceeds for his own purpose.

The normal statute of limitations on fraud against the United States is five years. However, certain charges in this indictment were prosecuted under the Wartime Suspension of Limitations Act, which

operates to suspend the statute of limitations for crimes involving fraud against the Government during a time when the United States is at war or there is an Authorization for Use of Military Force in effect, such as Afghanistan and Iraq. This case was the first time that the suspension statute was used in this district.

IRS, Criminal Investigations; U.S. Army Criminal Investigation Command; SBA, Office of Inspector General; Department of Defense, Defense Criminal Investigative Service, and Defense Contract Audit Agency Investigative Support Division, Eastern Region, investigated the case. Assistant U.S. Attorneys David Estes and Jennifer Murnahan prosecuted the case.