



NEWS RELEASE

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FOR IMMEDIATE RELEASE

LEE'S SUMMIT MAN INDICTED FOR TAX FRAUD, PELL GRANT FRAUD

KANSAS CITY, Mo. – John F. Wood, United States Attorney for the Western District of Missouri, announced today that a Lee's Summit, Mo., man who owned and operated a college financial planning service that enlisted hundreds of families as clients, has been indicted by a federal grand jury for tax fraud and Pell Grant fraud.

Ronald W. Shepard, 68, of Lee's Summit, was charged in a 17-count indictment returned by a federal grand jury in Kansas City on Thursday, Dec. 6, 2007.

Shepard was the owner of National College Funding, Inc., originally located in Raytown then moving to a Lee's Summit office until it closed in February 2004. National College Funding was formed to assist individuals in obtaining college financing by, among other things, helping to complete the required paperwork (including the Free Application for Federal Student Aid, or FAFSA) and providing strategies and asset planning to reduce tax liability and maximize financial aid. National College Funding also assisted clients in the preparation of tax returns.

The federal indictment alleges that **Shepard** devised a scheme to defraud the Department of Education and the Internal Revenue Service that lasted from 1999 through 2004. **Shepard**, doing business under National College Funding, allegedly prepared and submitted false financial aid documents and tax returns to the Department of Education, as well as various colleges and universities, in order to obtain financial aid for his clients and their children. **Shepard** also allegedly prepared and submitted false federal income tax returns to the Internal Revenue Service in order to obtain inflated refunds for his clients.

From 1999 through 2003, **Shepard** submitted approximately 622 FAFSAs for processing. His clients received approximately \$447,458 in Pell Grant funds during that time. **Shepard** also prepared 1,010 federal income tax returns during that time. National College Funding charged parents an annual fee ranging from a few hundred dollars to \$1,195 per student. National College Funding also provided income tax preparation services at additional fees ranging from \$250 to \$350 per return.

According to the indictment, **Shepard** (or others working on his behalf and at his direction) held free seminars at various locations in the Kansas City area, including schools and churches, in order to draw prospective customers and encourage them to make appointments for private meetings with **Shepard**. The indictment says that prospective clients were told that National College Funding would provide strategies to

lower their adjusted gross income, thus lowering their tax liability by 30 to 40 percent and maximizing financial aid possibilities.

The federal indictment charges **Shepard** with 12 counts of tax preparer fraud, related to separate tax returns that claimed deductions for which the taxpayers were not entitled, including false business losses or false gifts to charity.

According to the indictment, **Shepard** prepared federal income tax returns from 1999 through 2002 that contained false business losses, which resulted in the clients' adjusted gross income being substantially reduced. The adjusted gross income is the figure from the federal tax return that is used on the FAFSA, and affects the eligibility of a student for Pell Grants and other financial aid.

In 2002, the indictment says, **Shepard's** clients began to be audited by the Internal Revenue Service. At that point, according to the indictment, **Shepard** changed the fraud scheme – rather than fraudulently claiming business losses, he began substantially and falsely inflating his clients' deductions for gifts to charity. These fraudulent deductions reduced their net income, and income tax, and caused **Shepard's** clients to receive larger tax refunds than they otherwise would have.

The federal indictment also charges **Shepard** with five counts of Pell Grant fraud, related to separate Pell Grant awards to his clients, which were obtained by fraud and false statements.

Wood cautioned that the charges contained in this indictment are simply accusations, and not evidence of guilt. Evidence supporting the charges must be presented to a federal trial jury, whose duty is to determine guilt or innocence.

This case is being prosecuted by Assistant U.S. Attorney D. Michael Green. It was investigated by IRS-Criminal Investigation and the U.S. Department of Education.

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at
www.usdoj.gov/usao/mow/index.html