



NEWS RELEASE

Internal Revenue Service – Criminal Investigation

Cincinnati Field Office – Cincinnati POD

Date: MONDAY, FEBRUARY 22, 2010

FOR IMMEDIATE RELEASE

CI Release 31-2010-10

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JOHNSTOWN WOMAN PLEADS GUILTY IN SCHEME TO DEFRAUD IRS

Columbus, Ohio – Kimberly Davis, 44, of Johnstown, Ohio pleaded guilty to one count of conspiracy to defraud the Internal Revenue Service (IRS) relative to the assessment and collection of the employments taxes of Macloud Financial, Inc. Davis faces a maximum prison sentence of 5 years and a fine in the greater amount of \$250,000 or twice the gross gain or gross loss resulting from this offense.

Carter M. Stewart, United States Attorney for the Southern District of Ohio and Jose A. Gonzalez, Special Agent in Charge, Internal Revenue Service Criminal Investigation announced the plea entered before Senior United States District Judge John D. Holschuh.

According to court documents, between 2002 and April 2005 Davis conspired with Stephen Rasey, Thomas Sands, and Penny Spencer to defraud the IRS relative to the assessment and collection of Macloud Financial, Inc.'s (hereinafter, "Macloud") employees' payroll taxes in the amount of \$341,849.

Davis was employed as the office manager for Macloud. Davis participated in a scheme wherein Macloud paid each employee their portion of his/her wages as "business expense reimbursements" that did not involve any employment tax withholdings. Macloud purported to reimburse its employees for business expenses paid out of pocket. However, the great majority of the alleged business expenses represented employee wages.



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Macloud's "business expense program" did not reimburse employees for business expenses; rather, it re-categorized a large percentage of Macloud's payroll as business expense reimbursements. This allowed Macloud to artificially lower its payroll and evade its employment tax obligations for themselves and for Macloud employees.

As the office administrator, Davis managed the day-to-day activities by processing submissions for purported "reimbursement" for Thomas Sands, Penny Spencer, and other Macloud employees. In addition, David distributed company-wide correspondence soliciting Macloud employees to submit up to eighty percent of their gross wages due as business expenses.

As a participant in this scheme, Davis submitted false "business expense reimbursement requests" on her behalf in the amount of \$12,499 for 2002, \$19,170 for 2003, and \$26,731 for 2004. These false "business expense reimbursement requests" resulted in Davis filing false federal individual income tax returns for 2002 through 2004 income tax years. Therefore, Davis failed to pay income taxes due and owing on her income in the amount of \$961 for 2002, \$4,787 for 2003, and \$5,740 for 2004.

As a result of this scheme that Davis administered and participated in, Macloud filed 12 fraudulent Forms 941, Employer's Quarterly Federal Tax Return, with the IRS, resulting in a tax due and owing of \$341,849 to the IRS for the years 2002 through 2004.

On January 29, 2010, Stephen D. Rasey, 45, of Powell, Ohio pleaded guilty to one count of conspiracy to defraud the IRS relative to the assessment and collection of the employments taxes of Macloud.

On January 29, 2010, Thomas F. Sands pleaded not guilty to being charged with one count of conspiracy to defraud the IRS relative to the assessment and collection of the employments taxes of Macloud, and on February 1, 2010, Penny J. Spencer pleaded not guilty to the same aforementioned charge. Sands and Spencer are scheduled for trial on March 15, 2010.

"IRS-CI takes these violations of law very seriously," said Jose A. Gonzalez, Special Agent in Charge of the Cincinnati Field Office. "Employment tax fraud can also impact employees, who may see future benefits such as Social Security, Medicare or Unemployment Compensation reduced or eliminated because of their employers not complying with the law.

This case was prosecuted by Assistant United States Attorney Daniel Brown and investigated by special agents of IRS-Criminal Investigation.

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