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FORMER WEST VIRGINIA LOTTERY INVESTIGATOR PLEADS GUILTY

***Admits to Accepting Payments from a Former State Delegate
And Video Lottery Business Owner***

CHARLESTON, W. Va. – A former West Virginia Lottery employee pleaded guilty today to making a false statement to federal agents during an investigation of a Logan County, West Virginia video lottery business owner.

Carolyn Ann Kitchen, 55, of Chapmanville, West Virginia, admitted that in February 2008 she lied to FBI and IRS agents involved in the investigation of Joe C. Ferrell, a former state delegate and the owner of Southern Amusement, a business which operates video lottery machines in West Virginia and Kentucky. Kitchen faces up to five years in prison and a \$250,000 fine when she is sentenced on September 23, 2011.

During the Ferrell investigation, agents sought information from Kitchen because she was working as an investigator with the West Virginia Lottery. In this capacity, she was responsible for inspecting and regulating many of the video lottery machines operated by Southern Amusement. During the interview, Kitchen categorically denied ever having received any payments from Ferrell. However, at her plea hearing today, Kitchen admitted she had received several cash payments from Ferrell during the time she was charged with regulating his business. Kitchen further admitted that Ferrell had made those cash payments in return for Kitchen immediately responding to service calls on his video lottery machines after hours.

Kitchen told the Court that she understood the significance of the agents' questions and why her answer would have been material to the investigation. Kitchen further admitted that she knew at the time she made them that her statements to the agents were false.

At the hearing, the government asserted that the payments from Ferrell to Kitchen were actually in violation of both State and Federal law in that they were a part of the pattern of racketeering activity that Ferrell engaged in during the operation of Southern Amusement.

Ferrell has already entered a plea of guilty to a RICO or racketeering offense, admitting he made payments to Kitchen in an effort to protect and forward his illegal racketeering operations. Ferrell also pleaded guilty to failure to pay employment taxes. He has agreed to forfeit \$527,540 and pay the IRS \$75,000 in unpaid employment taxes. Ferrell faces up to 25 years in prison and a \$500,000 fine when he is sentenced on January 5, 2011.

Assistant United States Attorneys Hunter P. Smith Jr. and Larry R. Ellis are handling the prosecutions. The investigation was jointly conducted by: Internal Revenue Service, Criminal Investigation Division; Federal Bureau of Investigation; West Virginia Commission on Special Investigations; Southern Regional Drug and Violent Crime Task Force; and the U.S. Social Security Administration. United States District Judge John T. Copenhaver, Jr. is presiding over the proceedings.

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