

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

UNITED STATES OF AMERICA * CRIMINAL NO. 19-173
v. * SECTION: H
RODNEY J. STRAIN *
(a/k/a JACK STRAIN) *
* * *

FACTUAL BASIS

The defendant, **RODNEY J. STRAIN (a/k/a JACK STRAIN)**, (hereinafter, the “defendant” or “**STRAIN**”), has agreed to plead guilty to Count 15 of the Indictment now pending against him, charging him with bribery concerning programs receiving federal funds, in violation of Title 18, United States Code, Section 666(a)(1)(B). Both the Government and the defendant, **RODNEY J. STRAIN (a/k/a JACK STRAIN)**, do hereby stipulate and agree the following facts set forth a sufficient factual basis for the crimes to which the defendant is pleading guilty. The Government and the defendant further stipulate that the Government would have proven, through the introduction of competent testimony and admissible, tangible exhibits, the following facts, beyond a reasonable doubt, to support the allegations in the Indictment:

Background

The Government would establish, through the introduction of documentary evidence that the State of Louisiana received federal assistance in excess of \$10,000 annually. The Government would further establish, through documentary evidence and the testimony of representatives of the St. Tammany Parish Sheriff’s Office (STPSO), that the STPSO was an agency of St. Tammany Parish, a local government/municipality within the State of Louisiana that received federal assistance in excess of \$10,000 annually. STPSO was the chief law enforcement agency of St.

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Defendant JS
Defense Counsel ML

Tammany Parish. In that capacity, STPSO was responsible for, among other things, enforcing local and state laws, serving as the tax collector for St. Tammany Parish, and operating incarceration facilities for inmates, select pre-trial criminal defendants, and adjudicated offenders within St. Tammany Parish. STPSO fell under the authority of the Sheriff, an elected official who was the chief law enforcement officer in St. Tammany Parish. The Sheriff of STPSO had authority, among other things, to enter into certain contracts binding STPSO, including professional service contracts, unilaterally. From about 1996 until about July 1, 2016, **STRAIN** was the Sheriff of STPSO. As such, **STRAIN** was an agent of STPSO for purposes of Title 18, United States Code, Section 666.

The Government would further admit documentary evidence that in addition to their annual salary, STPSO provided a pension program for qualifying employees. The pension program provided that employees' pensions vested after approximately twelve (12) years of service. Vested employees would receive approximately 3.33% of their salary for each year of service, for a maximum of 100 percent of an average of the highest three salary years.

The Government would further admit documentary evidence and eyewitness testimony that STPSO permitted employees to seek, obtain, and hold outside employment subject to certain restrictions. Specifically, STPSO purported to adhere to the State of Louisiana Code of Governmental Ethics. *See* La. Rev. Stat. § 42:1101-1170. In pertinent part, a STPSO employee was prohibited from "participat[ing] in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity." *See* La. Rev. Stat. § 42:1112(a).

The Government would further admit documentary evidence and eyewitness testimony that **STRAIN** met David Hanson while they were both in grade school in Abita Springs, Louisiana. Thereafter, **STRAIN** and Hanson worked together in the Abita Springs Police Department. **STRAIN** and Hanson became friends and participated in numerous social activities with one another, including belonging to the same hunting club. Hanson was employed by STPSO from not later than 2008 to June 2016, most recently as a Captain. As a Captain, Hanson oversaw and supervised STPSO's Canine Division.

The Government would further admit documentary evidence and eyewitness testimony that **STRAIN** knew Clifford "Skip" Keen since Keen was a small child. Keen was employed by the STPSO from about July 1997 to June 2016, most recently as a Captain. As a Captain, Keen oversaw and supervised STPSO's Maintenance Department.

Work Release Programs in St. Tammany Parish

The Government would further establish, through the introduction of documentary evidence and the testimony of representatives of STPSO, that STPSO was responsible for operating work release programs for qualified state and parish prisoners within St. Tammany Parish. The work release programs promoted public safety through the successful reintegration of rehabilitated individuals returning to the community after their incarceration. Participants focused on transitioning from incarceration to becoming productive members of the community and reconnecting with family members by finding and retaining employment. Inmates participating in work release programs often received specialized housing and the opportunity to work in non-custodial, private employment environments approved and obtained by the work release program. A work release program generated income for the entity operating it in at least

two ways. First, the entity received payment from the Louisiana Department of Corrections for housing inmates. Second, the entity kept a portion of the wages paid by private employers for work performed by participating inmates.

The laws of the State of Louisiana provided that “[t]he sheriff of each parish . . . is hereby authorized to establish and administer a work release program for inmates of any jail or prison under his jurisdiction.” *See* La. Rev. Stat. 15:711(a). Every inmate with work release privileges was liable for the cost of his room, board, clothing, and other “necessary expenses incident to his employment or placement.” *See* La. Rev. Stat. 15:711(c). The wages of any inmate employed through a work release program were to be “collected by the sheriff or by his designated agent[.]” *See* La. Rev. Stat. 15:711(d).

Before about November 2007, STPSO operated a work release program in St. Tammany Parish, located at [REDACTED] Slidell, Louisiana 70460, within the Eastern District of Louisiana. In about 2007, **STRAIN** decided to open a second work release program in Covington, Louisiana, which he chose to be operated by a private entity (“the Covington work release program”). Because work release programs were considered “professional services,” the STPSO Sheriff had the authority to grant the right to operate work release programs to the private entity of his choice unilaterally. In about November 2007, **STRAIN** entered into a cooperative endeavor agreement with Company 1 to operate the Covington work release program without seeking competitive bids. From about January 2008 to about March 2014, Company 1 privately operated the work release program in Covington, Louisiana. In about 2008, **STRAIN** arranged for Company 1 to hire Keen on a part-time basis to work at the Covington work release program. From about 2008 to about 2014, Keen was paid at least \$30,000 per year to work at the Covington

work release program. **STRAIN** instructed Keen to give him approximately one-half of his net pay from Company 1 in cash.

Privatization of the Slidell Work Release Program

The Government would further establish, through the introduction of documentary evidence and eyewitness testimony that in about early 2013, **STRAIN** decided to privatize the work release program located at [REDACTED] Slidell, Louisiana 70460 (the Slidell work release program). Thereafter, **STRAIN** discussed making Hanson and Keen the joint owners and operators of the Slidell work release program. Individuals then employed with the St. Tammany Parish Sheriff's Office would testify that, when told of the plan, they advised **STRAIN** that state law prohibited Hanson and Keen owning and operating the Slidell work release program while remaining employed at STPSO. Consequently, **STRAIN**, Hanson, and Keen understood that assuming ownership and control of the Slidell work release program would require them to resign from STPSO and lose their salaries and pension increases from continued employment. Hanson and Keen did not want to resign from STPSO.

Thereafter, **STRAIN**, Hanson, and Keen discussed ways to allow Hanson and Keen to maintain their employment and still profit from the Slidell work release program. To conceal the scheme, **STRAIN**, Hanson, and Keen agreed to make B.H. and J.K., children of Hanson and Keen, straw owners of the Slidell work release program who would then kick back a significant portion of the profits to Hanson and Keen. Because J.K. and B.H. lacked sufficient education, training, experience, or funding to own and operate the Slidell work release program, **STRAIN**, Hanson, and Keen agreed that they needed to find another individual to serve as a partner and operator of the Slidell work release program. They decided on Person 2 (as identified in the Indictment).

The Government would further establish, through the introduction of documentary evidence and eyewitness testimony, that in about early 2013, with the knowledge and approval of **STRAIN** and Keen, Hanson approached Person 2 about becoming involved in the ownership and operation of the Slidell work release program. Hanson presented Person 2 a series of non-negotiable preconditions, including the following: J.K. and B.H. would each own forty-five (45) percent of the Slidell work release program and would each receive forty-five (45) percent of the profits, while Person 2 would own ten (10) percent, receive a salary, and be responsible for the operating, overseeing and administering of the Slidell work release program. Person 2 knew that **STRAIN** was aware of the proposal and had authorized Hanson to convey it. Ultimately, Person 2 agreed.

The Government would further establish, through the introduction of documentary evidence, including records from financial institutions and the Louisiana Secretary of State, that St. Tammany Workforce Solutions, LLC was incorporated with the Louisiana Secretary of State on about March 23, 2013. The registered agent was Person 2, and its officers were J.K., B.H., and Person 2. J.K., B.H., and Person 2 entered into a legally binding operating agreement for St. Tammany Workforce Solutions, LLC on about May 1, 2013. Although Person 2 was to be responsible “for the daily operations and management of [St. Tammany Workforce Solutions, LLC] including the sole authority to hire and fire [its] employees,” he enjoyed only a ten (10) percent ownership share, which entitled him to ten (10) percent of the profits. J.K. and B.H. each enjoyed a forty-five (45) percent ownership share of St. Tammany Workforce Solutions, LLC, which entitled each of them to a forty-five (45) percent share of all profits.

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Defendant JS
Defense Counsel JM

The Government would further establish, through the introduction of documentary evidence, that on about June 4, 2013, **STRAIN** entered into a cooperative endeavor agreement (“privatization agreement”) on behalf of STPSO, an official act, without seeking competitive bids with St. Tammany Workforce Solutions, LLC to operate the Slidell work release program. **STRAIN’s** privatization of the Slidell work release program constituted a formal exercise of government power and, as such, an official act. The agreement provided, in relevant part, that **STRAIN** would “lease to St. Tammany Workforce Solutions, LLC, the premises located at [REDACTED] [REDACTED] Slidell, LA” from July 1, 2013, through July 1, 2016, that St. Tammany Workforce Solutions, LLC would “operate and manage” the work release program, and that St. Tammany Workforce Solutions, LLC would comply “with all federal, state, and local, laws, rules, and regulations, including but not limited to La. R. S. 15:711, fire code, health regulations, and DOC regulations.”

The Government would further establish that **STRAIN**, Hanson, and Keen understood that **STRAIN** would perform the official act of privatizing the Slidell work release program in exchange for Hanson and Keen rewarding him with bribes and kickbacks, including cash payments, gifts, donations to his campaign account, and various financial benefits to members of **STRAIN’s** family. This understanding was based, in part, on the fact that **STRAIN** previously required Keen to kickback approximately half of the money Keen received from working at the Covington work release program to **STRAIN** in exchange for securing Keen the job.

The Government would further establish through the introduction of documentary evidence that between about June 27, 2013, and July 1, 2013, Person 2 made a \$10,000 loan to St. Tammany Workforce Solutions, LLC and pledged a piece of property he owned, appraised at \$300,000, as

collateral to obtain a \$200,000 business loan for St. Tammany Workforce Solutions, LLC to be able to operate the Slidell work release program. J.K. and B.H. pledged no collateral and had insufficient assets to qualify for the loan.

The Government would further establish through the introduction of documentary evidence that St. Tammany Workforce Solutions, LLC operated the Slidell work release program from about June 2013 through June 2016. During that period, Person 2 was responsible for the daily operations of the program. Neither J.K. nor B.H. participated substantially in the operation, oversight, or administration of the Slidell work release program. Typically, J.K. and B.H. only went to the Slidell work release program to retrieve their checks. The Slidell work release program, including its operation by St. Tammany Workforce Solutions, LLC, affected interstate commerce in multiple ways. St. Tammany Workforce Solutions, LLC purchased goods and services from outside the State of Louisiana, including by entering into food service contracts with vendors based in the State of Mississippi and the State of Texas. Additionally, inmate participants in the Slidell work release program worked for entities that were engaged in interstate commerce.

The Government would further establish, through the introduction of documentary evidence, including bank records and eyewitness testimony, that Person 2 was directed to make other unnecessary financial expenditures after the privatization agreement was executed. For example, Person 2 was required to pay J.K. and B.H. salaries in addition to their ownership disbursements, even though they did not perform any work at the Slidell work release program. Additionally, Person 2 was directed to hire, and did hire, Person 3 (as identified in the Indictment), an STPSO employee and a relative of **STRAIN**, and pay Person 3 approximately \$30,000 per year—approximately one-hundred (100) percent of Person 2's salary at STPSO—for a no-show

job at the Slidell work release program, even though St. Tammany Workforce Solutions, LLC did not need to employ Person 3. Between about August 2013 and mid-2016, Person 3 was paid approximately \$30,000 per year. **STRAIN** knew that the job Person 3 was offered at the Slidell work release program and compensated for was a no-show job.

Financial Accounts

The Government would further admit, through the introduction of documentary evidence and eyewitness testimony, evidence of the existence, custody, and control of the following financial accounts:

- St. Tammany Workforce Solutions, LLC operated and controlled bank accounts at Citizens Bank & Trust Co. (“Citizens”) bearing Accounts Nos. [REDACTED] (“the St. Tammany Workforce Solutions Operating Account”) and [REDACTED] (“the St. Tammany Workforce Solutions Payroll Account”).
- Keen operated and controlled a bank account at Home Bank, N.A. bearing Account No. [REDACTED] (“the Skip Keen account”).
- J.K. operated and controlled a bank account at Citizens bearing Account No. [REDACTED] (“the J.K. Citizens Account”). Keen also enjoyed possession, control, and usage of a debit card drawn on the J.K. Citizens Account.
- B.H. operated and controlled a bank account at Citizens bearing Account No. [REDACTED] (“the B.H. Account”).
- Hanson operated and controlled a bank account at Capital One Bank, N.A. bearing Account No. [REDACTED] (“the David Hanson account”). Hanson possessed and used an American Express Gold credit card in his name bearing account

number [REDACTED] (the “Hanson American Express Gold Card”).

- **STRAIN** operated and controlled numerous financial accounts, including a bank account at Citizens Bank bearing Account No. [REDACTED] (“the Jack Strain Campaign Account”).

Compensation and Kickbacks

The Government would further establish, through the introduction of documentary evidence and eyewitness testimony, that between about July 5, 2013, and January 13, 2017, J.K. and B.H. received not less than \$1,384,000 from St. Tammany Workforce Solutions, LLC in the form of ownership disbursements, salary payments, and occasional lump sum miscellaneous payments. Between about October 2013 and February 2017, J.K. received at least 148 payments totaling approximately \$676,489.07, from which he generated cash totaling at least \$325,000, a significant portion of which he then gave to Keen or made available for Keen to use to pay Keen’s personal expenses. Between about July 2013 and January 2017, B.H. received at least 133 payments totaling approximately \$708,115.02, from which she generated cash totaling at least \$425,000, a significant portion of which she either gave to Hanson or deposited into bank accounts to be used for the benefit of Hanson.

The Government would further establish, through the introduction of documentary evidence and eyewitness testimony, that on or about November 5, 2015, St. Tammany Workforce Solutions issued to J.K. check number [REDACTED], drawn on the St. Tammany Workforce Solutions Operating Account. On or about November 9, 2015, J.K. negotiated check number [REDACTED], depositing \$1,000 into the J.K. Citizens account and withdrawing \$9,000 in cash. Thereafter, J.K. gave a substantial portion of the cash to Skip Keen. On or about November 19, 2015, Skip Keen

deposited \$2,500 into the Skip Keen account, raising the balance from \$2,793.14 to approximately \$5,293.14. This deposit caused a writing, sign, signal, and sound to travel in interstate commerce, namely between the State of Louisiana and a data center in Plano, Texas. Skip Keen then caused a payment, in the form of check number [REDACTED] drawn on Skip Keen account in the amount of \$2,500 made payable to "Jack Strain Campaign," to be made to STRAIN's benefit. Check number [REDACTED] was deposited into the Jack Strain Campaign Account on or about November 24, 2015.

Bribes to Strain

The Government would further establish, through the introduction of eyewitness testimony and documentary evidence, that STRAIN, Hanson, and Keen understood that STRAIN would perform the official act of privatizing the Slidell work release program in exchange for Hanson and Keen rewarding him with bribes and kickbacks, including cash payments, gifts, donations to his campaign account, and various financial benefits to members of STRAIN's family. For example, on multiple occasions from 2013 through 2016, Hanson and Keen gave STRAIN a portion of the payments they received through their children from St. Tammany Workforce Solutions, LLC. Typically, Hanson and Keen each did so by making payments of not less than \$1,000 in cash to STRAIN on a recurring basis.

Hanson and Keen also made bribe payments for STRAIN's benefit through other means in exchange for STRAIN's conferral of the right to operate the Slidell work release program to St. Tammany Workforce Solutions, LLC. For example, in about January 2015, Hanson caused B.H. to issue check number [REDACTED] in the amount of \$4,000, drawn on the B.H. account and made payable to one of STRAIN's children. In November 2015, Keen used funds given to him by J.K., which came directly from funds provided by St. Tammany Workforce Solutions, LLC, to make a payment

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to the Jack Strain Campaign in the amount of \$2,500. Neither Hanson nor Keen would have been able to afford these payments without the additional money they received through their children from St. Tammany Workforce Solutions LLC. Further, Person 3 received a total of approximately \$31,154 from the no-show job **STRAIN** and Hanson orchestrated for him at St. Tammany Workforce Solutions, LLC in 2015.

Concealment of Fraud and Bribe Scheme


The Government would further admit, through the introduction of documentary evidence and eyewitness testimony, that **STRAIN**, Hanson, and Keen, attempted to conceal their scheme in several ways. In particular, **STRAIN**, Hanson, and Keen attempted to hide Hanson's and Keen's involvement in and benefit from the Slidell work release program, exclude from the cooperative endeavor agreement the fact that **STRAIN** would receive cash bribes and other financial compensation in exchange for signing the cooperative endeavor agreement, and provide most of the money to **STRAIN** in the form of cash.

The above facts come from an investigation conducted by, and would be proven at trial by credible testimony from, Special Agents from the Federal Bureau of Investigation (FBI) and Internal Revenue Service – Criminal Investigation Division (IRS-CID), other witnesses, and documents and electronic devices in the possession of the FBI and IRS-CID. The evidence contained herein constitutes a minimum statement of facts detailed for the limited purpose of demonstrating a sufficient legal basis for the plea of guilty exists. It is not intended to constitute a complete statement of all facts known by **STRAIN** or developed during the course of the investigation.

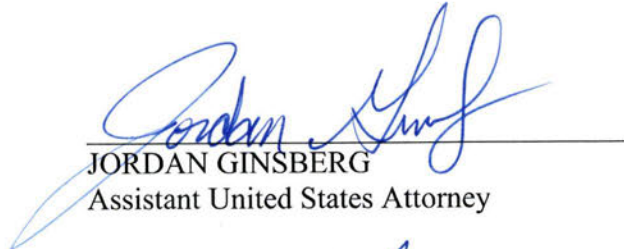
APPROVED AND ACCEPTED:



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