

JUSTICE NEWS

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Former CEO and VP of Finance for a Virginia-Based Software Company Plead Guilty to Employment Tax Fraud

Did Not Pay More than \$2 Million in IRS Payroll Taxes and Retirement Withholdings

Two former executives at a Virginia-based software company pleaded guilty today to conspiring to defraud the government by failing to pay over employment taxes to the Internal Revenue Service (IRS), announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division and Acting U.S. Attorney Tracy Doherty-McCormick for the Eastern District of Virginia.

According to documents and information provided to the court, Robert Lewis was the Chief Executive Officer and Kristie Lynn McDonald was the Vice President of Finance and Administration of a software company in Sterling, Virginia. From January 2011 to February 2013, Lewis and McDonald conspired to defraud the United States by failing to pay over to the IRS more than \$1.8 million in payroll taxes withheld from employee paychecks.

As part of their scheme, Lewis and McDonald admitted that they circumvented the company's normal payroll and accounting procedures by paying some employees with manual checks. The employees still received their correct salary, but by bypassing the accounting system, Lewis and McDonald were able to hide the fact that the withholdings were not being paid over to the IRS. Lewis and McDonald admitted that the practical effect of their scheme was to conceal the company's failing financial condition from its Board of Directors. Lewis and McDonald also admitted that they caused the company to file false quarterly employment tax returns with the IRS underreporting the amount of tax due.

Lewis and McDonald further admitted that, during this same period, they intentionally failed to remit the full amount of employee retirement contributions to the company's retirement plan. Through their actions, the company failed to transfer and credit nearly \$225,000 in voluntary employee retirement withholdings.

Lewis and McDonald admitted that they used the misappropriated money to pay the operating expenses of the company, which included their own six figure salaries and salary raises for other employees.

U.S. District Judge T.S. Ellis III scheduled sentencing for Lewis on June 29 and for McDonald on June 22. Lewis and McDonald each face a statutory maximum sentence of five years in prison, as well as a period of supervised release and monetary penalties. They further agreed to restitution in the amount of \$1,812,706.

Principal Deputy Assistant Attorney General Zuckerman and Acting U.S. Attorney Doherty-McCormick thanked agents of IRS Criminal Investigation and the Department of Labor, who conducted the investigation, and Tax Division Trial Attorneys Kevin Schneider and Charles M. Edgar, Jr., and Assistant U.S. Attorney Ryan Faulconer, who are prosecuting the case.

Additional information about the Tax Division and its enforcement efforts may be found on the division's [website](#).

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