

JUSTICE NEWS

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Former Virginia Software Company CEO Sentenced To Prison For Employment Tax Fraud

A former Chief Executive Officer (CEO) of a software company in Sterling, Virginia, was sentenced to 21 months in prison today for conspiring to defraud the government by failing to pay over employment taxes to the Internal Revenue Service (IRS), announced Principal Deputy Assistant General Richard E. Zuckerman of the Justice Department's Tax Division and U.S. Attorney G. Zachary Terwilliger for the Eastern District of Virginia.

According to court documents, Robert Lewis was the CEO of Enterworks, Inc., a software company in Sterling, Virginia. From January 2011 to February 2013, Lewis conspired with Kristie McDonald, Enterworks' Vice President of Finance and Administration, 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 circumvented the company's normal payroll and accounting procedures by paying some employees with manual paychecks. The employees still received the correct pay after withholdings, 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. The practical effect of their scheme was to conceal the company's failing financial condition from its Board of Directors. They also caused the company to file false quarterly employment tax returns with the IRS that underreported the amount of tax due.

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

In addition to the term of imprisonment, U.S. District Judge T.S. Ellis III ordered Lewis to serve three years of supervised release and to pay restitution in the amount of \$1,812,706 million.

McDonald was previously sentenced on June 22 to 15 months imprisonment to be followed by three years of supervised release and also ordered to pay restitution in the amount of \$1,812,706 million.

Principal Deputy Assistant Attorney General Zuckerman and U.S. Attorney Terwilliger 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.

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