

Former Defense Contractor Sentenced to 10 Years for Fraud, Money Laundering, & ID Theft - GSA Office of Inspector General

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Department of Justice
U.S. Attorney's Office
Western District of Wisconsin
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MADISON, WIS. – Timothy M. O'Shea, United States Attorney for the Western District of Wisconsin, announced that Craig Klund, 58, Yankton, South Dakota, was sentenced today by U.S. District Judge James D. Peterson to 10 years in federal prison for wire fraud, money laundering, and aggravated identity theft.

Klund, formerly from Chippewa Falls, Wisconsin, pleaded guilty to wire fraud against the U.S. Department of Defense, as well as money laundering by moving in increments over \$10,000 the proceeds of his fraud scheme into multiple bank accounts. Judge Peterson imposed a 96-month sentence on each of these counts to run concurrently. Klund also pleaded guilty to aggravated identity theft when he used another's identity as a nominee owner of one of Klund's defense contracting entities. Judge Peterson imposed a 24-month sentence as to this charge to run consecutive to the concurrent 96-month wire fraud and money laundering sentences.

Klund's total prison sentence is 120 months, which will be followed by three years of supervised release. Judge Peterson also ordered Klund to pay \$435,822.71 in restitution.

According to the indictment, Klund was a military contractor who supplied electrical parts to the various branches of the U.S. military, including the U.S. Army for the Patriot Missile System and the U.S. Air Force for the F-16 jet fighter. From 2011 through July 17, 2019, Klund executed a scheme to defraud the DoD by obtaining defense contracts under false pretenses.

Klund's fraud scheme included: (1) use of 15 shell corporations to hide his control of entities bidding on DoD contracts; (2) use of multiple aliases; (3) repeated identity theft; (4) collusive bids submitted by multiple Klund entities on the same contract; (5) knowingly shipping nonconforming parts and requesting payment for these parts; (6) signing Federal Acquisition Regulation certificates using fake names; (7) lying to Defense Contract Management Agency (DCMA) inspectors by claiming to be someone other than himself; (8) relocating his business from Wisconsin to South Dakota to evade DCMA inspectors who were questioning his operations in Wisconsin; (9) concealing receipt of DoD proceeds by not reporting these monies on his federal income tax returns; and (10) laundering DoD proceeds by moving the funds between accounts.

Using 15 different shell entities, Klund submitted 5,750 bids and was awarded 1,928 contracts worth \$7,468,638. These contracts were for parts for the U.S. Army, Air Force, Navy, and Marine Corps. He was paid \$2,905,484 during the fraud scheme.

At today's sentencing, after listening to Klund's allocution, Judge Peterson told Klund he thought Klund was a liar, who lied to the Department of the Defense over a long period of time, and to the judge as well. The judge also noted that Klund was an unusual fraud defendant because Klund had three previous federal felony convictions, two of which were for defense contracting fraud, making his criminal history a very important factor in the judge's sentencing analysis.

Judge Peterson explained that this case involved an extensive fraud scheme that caused significant harm to

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the government because it was duped into contracting with a two-time convicted defense contracting felon and was receiving parts from someone with whom it did not want to deal. The Court noted that deserving contractors, who played by the rules, were also victimized by Klund's criminal conduct.

In imposing this substantial sentence, Judge Peterson noted the need to protect the public and the U.S. government from a repeated fraudster who is dishonest, and who was supplied defective parts to the military that had the capacity to harm military personnel and the public.

The charges against Klund were the result of an investigation conducted by the U.S. Department of Defense - Office of Inspector General, Defense Criminal Investigation Service; General Services Administration - Office of Inspector General; and IRS Criminal Investigation. Assistant U.S. Attorney Daniel Graber handled the prosecution.

Source: U.S. Attorney's Office [press release](#)