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**Former Security Contractor CEO Sentenced for Masterminding \$31 Million Disadvantaged Small Business Fraud Scheme**

The former chief executive officer of a Virginia-based security contracting firm was sentenced in the Eastern District of Virginia to 72 months in prison for creating a front company to obtain more than \$31 million intended for disadvantaged small businesses and for bribing the former regional director for the National Capital Region of the Federal Protective Service (FPS) as part of the scheme. The front company obtained the contracts through the Small Business Administration's (SBA) Section 8(a) program, which allows qualified small businesses to receive sole-source and competitive-bid contracts set aside for minority-owned and disadvantaged small businesses.

Acting Assistant Attorney General Mythili Raman of the Justice Department's Criminal Division; U.S. Attorney Neil H. MacBride of the Eastern District of Virginia; National Aeronautics and Space Administration (NASA) Inspector General Paul K. Martin; SBA Inspector General Peggy E. Gustafson; Defense Criminal Investigative Service (DCIS) Special Agent in Charge of Mid-Atlantic Field Office Robert E. Craig; General Services Administration (GSA) Inspector General Brian D. Miller; and Department of Homeland Security (DHS) Deputy Inspector General Charles K. Edwards made the announcement after sentencing by United States District Judge Gerald Bruce Lee.

"Keith Hedman used his expertise gleaned from decades as a government contractor to cheat the system and steal tens of millions from minority-owned small business owners," said Acting Assistant Attorney General Raman. "Today's sentence shows that those who resort to deceit and bribery to secure federal contracts will be caught and held accountable."

"Keith Hedman tried to game the system and take advantage of a government program designed to help minority-owned small businesses," said U.S. Attorney Neil H. MacBride. "He committed fraud, he undermined the trust of the U.S. government and this type of conduct will not be tolerated. My office is committed to prosecuting those who cheat the government to the fullest extent of the law."

"I commend the outstanding efforts of our agents and the other law enforcement agencies involved in this case in protecting the integrity of the Federal Government's procurement program and taxpayer dollars" said NASA Inspector General Paul K. Martin.

Keith Hedman, 53, of Arlington, Va., was sentenced today after pleading guilty to major government fraud and conspiracy to commit bribery on March 13, 2013. Hedman was also ordered to forfeit approximately \$6.1 million.

According to court documents, in or about 2011 Hedman formed Company A, which was approved to participate in the 8(a) program based on the 8(a) eligibility of its listed president and CEO, an African-American female. When the listed president and CEO left Company A in 2003, Hedman became its sole owner, and the company was no longer 8(a)-eligible.

In 2003, Hedman created Company B, another Arlington-based security contractor, to ensure that he could continue to gain access to 8(a) contracting preferences for which Company A was no longer qualified. Prior to applying for Company B's 8(a) status, Hedman selected an employee, Dawn Hamilton, 48, of Brownsville, Md., to serve as a figurehead owner based on her Portuguese heritage and history of social disadvantage. In reality, the new company was managed by Hedman and Company A senior leadership in violation of 8(a) rules and regulations. To deceive the SBA, the co-conspirators falsely claimed that Hamilton formed and founded the company and that she was the only member of the company's management. Based on those misrepresentations, Company B obtained 8(a) status in 2004.

From 2004 through February 2012, Hedman – not Hamilton – impermissibly exercised ultimate decision-making authority and control over Company B by directing its finances, allocation of personnel, and government contracting activities. Hedman nonetheless maintained the impression that Hamilton was leading the company, including through forgeries of signatures of

Hamilton to documents she had not seen or drafted. Hedman also retained ultimate control over the shell business's bank accounts throughout its existence. In 2010, Hedman withdrew \$1 million in cash from Company B's accounts and gave the funds in cash to Hamilton and three other conspirators. In 2011, Hedman approached Hamilton's brother about starting another shell company to continue the scheme. The trio submitted another fraudulent application to the SBA, but it was rejected.

Later in 2011, Hedman agreed to pay Derek Matthews, 47, of Harwood, Md., the former FPS Regional Director for the National Capital Region, \$50,000 and a percentage of new business in exchange for Matthews helping Company B obtain contracts. During the bribery scheme, Matthews served as FPS Deputy Assistant Director for Operations, a law enforcement position in which he had daily oversight of physical security programs and oversight of approximately 13,000 FPS officers at approximately 9,000 federal buildings.

In total, the scheme netted government contracts valued at more than \$153 million, from which Company B obtained more than \$31 million in contract payments. The various conspirators netted more than \$6.1 million that they were not entitled to receive from those payments. Seven other defendants have pleaded guilty in the scheme.

This case is being investigated by NASA Office of the Inspector General (OIG), the SBA -OIG, DCIS-OIG, GSA-OIG, and DHS-OIG, with assistance from the Defense Contract Audit Agency. Assistant U.S. Attorneys Chad Golder and Ryan Faulconer, a former Trial Attorney for the Criminal Division's Fraud Section, are prosecuting the case on behalf of the United States.