

## JUSTICE NEWS

### Department of Justice

#### Office of Public Affairs

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## **Former Managers at Major Property Management Firm Plead Guilty to Defrauding U.S. Air Force**

An Arizona man and a Texas woman have pleaded guilty to major fraud against the United States, and conspiracy to commit wire fraud, respectively, for their roles in a scheme to defraud the U.S. Air Force in connection with privatized military housing contracts between approximately 2013 and 2016.

Rick Cunefare, 61, of Glendale, Arizona, and Stacy M. Cabrera, 47, of Converse, Texas, pleaded guilty to their roles in the scheme. Cunefare was a regional manager for Company 1. He directly supervised the Company 1 community managers who were responsible for overseeing day-to-day operations at the military housing communities at Lackland Air Force Base (AFB), Travis AFB, Vandenberg AFB, Tinker AFB, and Fairchild AFB. He was responsible for reviewing and approving quarterly maintenance reports and for ensuring that the data in the quarterly maintenance reports were submitted to the Air Force with performance incentive fee request letters.

According to court documents, Company 1 managed housing communities created under the Military Privatized Housing Initiative (MHPI) at Lackland AFB, Travis AFB, Vandenberg AFB, Tinker AFB, Fairchild AFB and other U.S. military installations. The MHPI was a program designed to attract private sector financing, expertise, and innovation to provide necessary housing for military servicemembers, their families, and other dependents faster and more efficiently than traditional military construction processes would allow. Company 1's revenue from the management of these communities was based, in part, on meeting performance maintenance objectives that were set forth in Company 1's contracts with the U.S. Air Force. For example, if Company 1 completed 95% of routine maintenance requests within three business days on a quarterly basis, it was eligible for a performance incentive fee. Company 1 kept maintenance records in a computer system called Yardi and used data from Yardi to generate quarterly maintenance reports, which it submitted to the U.S. Air Force in support of requests for performance incentive fees.

According to court document, Cunefare and others conspired to manipulate and falsify information maintenance reports from 2013 to 2015 so that the reports falsely reflected that Company 1 had met performance maintenance objectives, when in reality, as Cunefare and his co-conspirators well knew, it had not. This allowed Company 1, acting through the co-conspirators to submit requests to the Air Force for payment of performance incentive fees to which it was not entitled. Specifically, in quarters in which Company 1 did not legitimately meet the maintenance performance objectives, Cunefare gave written and oral instructions to community managers and others that resulted in the community managers and others manipulating and falsifying maintenance information to reflect that Company 1 had met its objectives. These actions had the effect of falsely inflating Company 1's maintenance performance objectives, resulting in Company 1 receiving approximately \$2.5 million in performance incentive fees. Cunefare admitted that the false information deceived the U.S. Air Force into believing that Company 1 was properly maintain the housing communities, when in reality Company 1 was unable to keep up with maintenance issues at many of the military housing communities, parts of which had fallen into disrepair.

On April 21, Cabrera pleaded guilty to her role in the scheme. According to court documents, from approximately 2013 to 2016, Cabrera was the Company 1 community manager at Lackland AFB. She personally, and through subordinates acting on her instructions, falsified maintenance records in order to generate quarterly maintenance reports that falsely reflected that Company 1 had met maintenance-related performance objectives. She then caused these reports to be submitted to other managers at Company 1, who then knowingly used the false reports to substantiate Company 1's requests for performance bonuses. According to court documents, Company 1 fraudulently obtained approximately \$1 million in performance bonuses as a result of Cabrera's conduct. Cabrera acted on instructions from Cunefare and others.

"The defendants defrauded the U.S. Air Force and put corporate profits ahead of the well-being of servicemembers and their families," said Acting Assistant Attorney General Nicholas L. McQuaid of the Justice Department's Criminal Division. "The department is committed to protecting our military families from deceit and mistreatment and ensuring the integrity of Department of Defense programs."

"As the lead investigative agency for the Department of the Air Force, AFOSI is resolute in safeguarding our personnel and their families from harm," said Special Agent in Charge Blair A. Holmstrand of the U.S. Air Force Office of Special Investigations (AFOSI). "The collaboration between DCIS, AFOSI, and the Department of Justice has been significant, and we are looking forward to seeing the final results of the hard work put forth by all agencies involved."

"As the investigation arm of the DoD Inspector General, the Defense Criminal Investigative Service (DCIS) is charged with investigating those who seek to fraudulently enrich themselves at the expense of the taxpayer," said Special Agent in Charge Michael Mentavlos of the DCIS Southwest Field Office. "The safety and well-being of our service members and their families is paramount to readiness. This outcome demonstrates not only the outstanding partnership between AFOSI, the Justice Department and DCIS, but also our ability to keep our warfighters ready by holding wrongdoers accountable for their actions."

Cunefare is scheduled to be sentenced at a later date and faces a maximum penalty of 10 years in prison and a \$250,000 fine. Cabrera is scheduled to be sentenced at a later date and faces a maximum penalty of five years in prison and a \$250,000 fine. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

AFOSI and DCIS are investigating the case.

Trial Attorneys Michael P. McCarthy and Siji Moore of the Justice Department's Fraud Section are prosecuting the case.

*The Fraud Section is the nation's leading prosecuting authority for complex procurement fraud and corruption matters.*

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