

THE UNITED STATES ATTORNEY'S OFFICE
MIDDLE DISTRICT *of* PENNSYLVANIA

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Department of Justice
U.S. Attorney's Office
Middle District of Pennsylvania

FOR IMMEDIATE RELEASE

Thursday, December 15, 2022

Four Individuals Charged With Fraudulently Obtaining Government Contracts Intended For Disadvantaged Small Business Owners

HARRISBURG - The United States Attorney's Office for the Middle District of Pennsylvania announced that Scott E. Boone, age 51, of Enola, PA, Daniel E. McGuire, age 60, of Landisville, PA, Thomas E. Lauer, age 60, of Butler, PA, and Rebecca J. Davis, age 73, of Bethel Park, PA, were indicted yesterday by a federal grand jury on six counts of violating the Major Fraud Act and two counts of conspiracy to defraud the United States and to commit violations of the Major Fraud Act.

According to United States Attorney Gerard M. Karam, the indictment alleges that between 2003 and 2014, all four defendants conspired to obtain and did obtain federal government contracts reserved for companies run by socially and economically disadvantaged individuals through the U.S. Small Business Administration's 8(a) Business Development Program. This program required socially and economically disadvantaged individuals to exercise unconditional control over their own companies. It also required these companies to commit to performing at least 15% of the cost of any contract with their own employees. When companies met these criteria, they could enter the program for a period of up to nine years and then bid on contracts reserved for companies in the 8(a) Program. These reserved contracting opportunities are often referred to as "set-aside" contracts.

Rebecca J. Davis was the president of a company called Elstner Construction Company. Davis and her company were admitted to the SBA's 8(a) Program in 2001. Starting around 2007, she and the other defendants allegedly began conspiring to get construction contracts at Letterkenny Army Depot, a facility under the command structure of the U.S. Army Aviation and Missile Command, that were set aside for 8(a) Program participants. With the assistance of an unnamed government official working at Letterkenny Army Depot, these four individuals allegedly obtained contracts on which Davis and her existing employees played no meaningful role. Instead, Boone, McGuire, and Lauer allegedly ran all of the contract work, and Davis's role was allegedly limited to signing checks for vendors, suppliers, and subcontractors. According to the indictment, Davis was rarely, if ever, present at Letterkenny Army Depot following an initial meeting with her codefendants and the unnamed government official in 2007.

In order to make it appear falsely that Elstner Construction was meeting the 15% self-performance requirement, she and the other defendants allegedly moved actual laborers who were on site at Letterkenny Army Depot onto the Elstner Construction payroll. The unnamed government official assisting them to secure contracts was allegedly aware

of this practice and, more generally, was aware that Davis and her existing employees were not performing on-site work.

The indictment also alleges that the unnamed government official provided Boone with confidential information in an effort to assist the four defendants, acting through Elstner Construction, to win a \$60 million construction contract in 2009.

The indictment alleges that the four defendants together obtained approximately \$85 million in construction contracts at Letterkenny Army Depot through fraudulent means. The indictment contains forfeiture allegations against the four defendants seeking the same amount.

In addition, three defendants—Boone, McGuire, and Lauer—were indicted for conspiring to obtain and obtaining a contract at the VA Medical Center in Salem, Virginia worth approximately \$5.3 million through fraudulent means. Boone, McGuire, and Lauer were able to obtain this contract because Boone qualified for a different small business development program focused on service-disabled veteran owned small businesses (SDVOSBs). Boone's SDVOSB, Bon Secour Management, allegedly obtained this contract and then moved employees of an electrical subcontractor onto its payroll in order to make it appear that Bon Secour was complying with its own similar requirement to perform at least 15% of the labor under the contract with its own employees.

The indictment contains forfeiture allegations seeking approximately \$5.3 million from Boone, McGuire, and Lauer, in addition to the approximately \$85 million in forfeiture alleged against all four defendants.

"Investigating schemes that undermine the integrity of Department of Defense (DoD) procurement is a top priority for the DoD Office of Inspector General's Defense Criminal Investigative Service (DCIS)," stated Special Agent in Charge Patrick J. Hegarty, DCIS Northeast Field Office. "Today's announcement demonstrates our commitment to work with the Department of Justice and our law enforcement partners to ensure that the contracting process for legitimate small businesses remains fair and competitive, and that individuals who abuse set-aside programs are held accountable."

"We are very pleased with today's announcement," said Special Agent in Charge L. Scott Moreland, of the Department of the Army Criminal Investigation Division's Major Procurement Fraud Field Office. "This is a true testament to the continued commitment of our special agents to work seamlessly with Department of Justice and our fellow law enforcement agencies to bring to justice those who attempt to defraud the U.S. Government and U.S. Army."

"These allegations of conspiring to gain federal contracts set aside for service-disabled veterans are something the VA Office of Inspector General investigates very vigorously," said Special Agent in Charge Christopher Algieri with the Department of Veterans Affairs Office of Inspector General's Northeast Field Office. "VA OIG is committed to identifying and stopping those individuals who would misuse an opportunity meant solely for our nation's veterans with disabilities. We appreciate the efforts of the Department of Justice, and our law enforcement partners for their work leading to today's charges."

The case was investigated by the U.S. Department of Defense Office of Inspector General's Defense Criminal Investigative Service, Department of the Army Criminal Investigation Division, U.S. Department of Veterans Affairs Office of Inspector General, and the U.S. Small Business Administration Office of Inspector General. Assistant U.S. Attorney Ravi Romel Sharma is prosecuting the case.

The maximum penalty under federal law for violations of the Major Fraud Act is 10 years of imprisonment, a term of supervised release following imprisonment, and a fine. The maximum penalty under federal law for conspiracy is 5 years of imprisonment, a term of supervised release following imprisonment, and a fine. A sentence following a finding of guilt is imposed by the Judge after consideration of the applicable federal sentencing statutes and the Federal Sentencing Guidelines.

Indictments and Criminal Informations are only allegations. All persons charged are presumed to be innocent unless and until found guilty in court.

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Topic(s):

Financial Fraud

Component(s):

USAO - Pennsylvania, Middle

Updated December 15, 2022