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Construction Company Owner Convicted of Fraud in Securing More Than \$240 Million in Contracts Intended for Service-Disabled Veteran-Owned Small Businesses

Yesterday, a federal jury in San Antonio, Texas, convicted the owner of several companies in the construction industry for his role in a long-running scheme to defraud the United States.

According to court documents and evidence presented at trial, Michael Angelo Padron, along with co-conspirators Michael Wibracht and Ruben Villarreal, conspired to defraud the United States to obtain valuable government contracts under programs administered by the Small Business Administration (SBA). The evidence showed that Padron conspired to install Villarreal, a service-disabled veteran, as the ostensible owner of a general construction company held out as a Service-Disabled Veteran-Owned Small Business (SDVOSB). Padron, along with his co-conspirator and business partner Wibracht, exercised disqualifying financial and operational control over the construction company. According to court documents, the conspirators concealed that control in order to secure over \$240 million in government contracts that were set aside for SDVOSBs in order to benefit their larger, nonqualifying businesses.

“Yesterday’s verdict is a victory for the rule of law,” said Assistant Attorney General Jonathan Kanter of the Justice Department’s Antitrust Division. “The Antitrust Division and its Procurement Collusion Strike Force welcome this decisive outcome, which protects service-disabled veterans from cheaters and schemers.”

“Using any SBA program fraudulently undermines the spirit and true intent of bolstering the backbone of the nation’s economy — small businesses,” said Special Agent in Charge Sharon Johnson of the SBA Office of Inspector General (SBA-OIG), Central Region. “OIG continues to relentlessly root out and protect the integrity of all SBA’s programs. I want to thank the Antitrust Division and our law enforcement partners for their dedication and pursuit of justice.”

“Yesterday’s verdict is a testament to the tenacity of Army CID’s special agents to detect and investigate those who attempt to defraud our military,” said Special Agent in Charge L. Scott Moreland of the U.S. Army Criminal Investigation Division’s (CID) Major Procurement Fraud Field Office.

“Federal agencies rely on the accuracy and validity of the information contained in GSA’s System for Award Management to make sound contracting decisions,” said Special Agent in Charge Jamie Willemin of the General Services Administration Office of Inspector General (GSA-OIG), Southwest and Rocky Mountain Division. “We will continue to work with our investigative partners to hold accountable those who fraudulently obtain government contracts by providing false information in the system.”

“Fraudulently obtaining multimillion-dollar government contracts from a program designed to benefit service-disabled veterans is reprehensible,” said Special Agent in Charge Jeffrey Breen of the Department of Veterans Affairs Office of Inspector General’s (VA-OIG) South Central Field Office. “Yesterday’s guilty verdict sends a clear message that the VA-OIG will work diligently to hold those who would do so accountable. The VA-OIG thanks the Department of Justice Antitrust Division and our law enforcement partners for their efforts in this case.”

“This case demonstrates the commitment of the Department of Defense, Office of Inspector General, Defense Criminal Investigative Service (DCIS), along with our law enforcement partners, to aggressively pursue those who undermine the integrity

of government-sponsored small business initiatives,” said Special Agent in Charge Michael Mentavlos of the DCIS Southwest Field Office. “Individuals who engage in activity that deprive legitimate program participants of valuable economic opportunities will be thoroughly investigated and held accountable.”

Padron was convicted of conspiracy to defraud the United States and six counts of wire fraud. He is scheduled to be sentenced on Oct. 19, and faces a maximum penalty of five years in prison and a \$250,000 fine for the conspiracy count, and a maximum penalty of 20 years in prison and a \$250,000 fine for each wire fraud count. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

The Antitrust Division’s Washington Criminal II Section prosecuted the case, which was investigated by SBA-OIG, U.S. Army CID Major Procurement Fraud Unit, VA-OIG, DCIS, and GSA-OIG. The U.S. Attorney’s Office for the Western District of Texas and the Army Audit Agency also assisted with the investigation.

Anyone with information in connection with this investigation is urged to call the Antitrust Division’s Washington Criminal II Section at (202) 598-4000, or visit <https://www.justice.gov/atr/contact/newcase.html>.

In November 2019, the Department of Justice created the Procurement Collusion Strike Force (PCSF), a joint law enforcement effort to combat antitrust crimes and related fraudulent schemes that impact government procurement, grant, and program funding at all levels of government – federal, state and local. To learn more about the PCSF, or to report information on market allocation, price fixing, bid rigging and other anticompetitive conduct related to defense-related spending, go to <https://www.justice.gov/procurement-collusion-strike-force>.

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