

Department of Justice
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Western District of Missouri

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Business Owner Sentenced for Fraud Scheme

Construction Firms Received \$346 Million for Contracts Set Aside for Veterans, Minorities

KANSAS CITY, Mo. – An Olathe, Kansas, man who conspired with others to control construction businesses that received hundreds of millions of dollars in federal government contracts, was sentenced in federal court today for defrauding the government with respect to contracts set aside for service-disabled veterans and certified minorities.

“This contractor not only defrauded the government, but cheated to get contracts that should have gone to firms led by disabled veterans and minority owners,” said U.S. Attorney Teresa Moore. “His greed and deception allowed him to enrich himself at the expense of disabled veterans and minority owners. After forfeiting more than \$5.5 million to the government and being sent to prison, he has learned the hard way that crime doesn’t pay.”

Matthew C. McPherson, 45, was sentenced by U.S. District Judge Roseann Ketchmark to two years and four months in federal prison without parole. McPherson also has forfeited to the government \$5,516,786, which represents his share of the fraud proceeds.

“Today’s outcome demonstrates the commitment of the Department of Defense Office of Inspector General, Defense Criminal Investigative Service (DCIS) and our law enforcement partners to protect the integrity of the DoD procurement process and the Small Business Administration set-aside programs intended to help smaller and/or disadvantaged businesses,” said Special Agent in Charge Michael C. Mentavlos, DCIS Southwest Field Office. “We will continue to aggressively investigate and hold those accountable that take advantage of the U.S. government and taxpayer.”

“Today’s sentencing sends a clear message that contractors unjustly enriching themselves at the expense of our nation’s veterans will not be tolerated,” said Acting Special Agent in Charge Gavin McClaren with the VA Office of Inspector General’s Central Field Office. “We thank the U.S. Attorney’s Office and our outstanding law enforcement partners for their efforts in this joint investigation.”

“McPherson’s sentence sends a strong message that IRS-Criminal Investigation and its federal partners are committed to leveling the playing field when federal contracts are involved,” said IRS-CI Special Agent in Charge Tyler Hatcher, St. Louis Field Office. “The government established unique programs designed to help small disadvantaged businesses gain a foothold in the awarding of government contracts. McPherson lied about being qualified for these contracts and used nominees to further his crime.” Hatcher added, “These crimes have a significant negative impact on small disadvantaged businesses.”

On June 3, 2019, McPherson pleaded guilty to one count of conspiracy to commit wire fraud and major program fraud. McPherson admitted that he participated in a conspiracy from September 2009 to March 2018 to obtain contracts set aside by the federal government for award to small businesses owned and controlled by veterans, service-disabled veterans, and certified minorities. McPherson, who is neither a certified minority nor a veteran, was the owner of an established

construction company in Topeka, Kan. (identified in court documents as Business C) that was not entitled to compete for those federal contracts.

McPherson and his co-conspirators controlled and operated Zieson Construction Company. The business was formed on July 9, 2009, with Stephon Ziegler, 61, of Weatherby Lake, Mo. – an African-American service-disabled veteran – as the nominal owner. Zieson's primary business was obtaining federal construction contracts set aside for award to small businesses owned and controlled by service-disabled veterans or certified minorities. However, Ziegler did not control the day-to-day operations or the long-term decision making of Zieson. McPherson and his co-conspirators actually controlled and operated Zieson, and received most of the profits from Zieson through the respective business entities.

Between 2009 and 2018, Zieson was awarded approximately 199 federal contracts set aside for award to small businesses, minority-owned small businesses, and veteran-owned small businesses for which the government paid Zieson approximately \$335 million. McPherson and his co-conspirators, through their business entities, received approximately \$4,183,920 each from Zieson by using false and fraudulent invoices.

Ziegler pleaded guilty on May 21, 2019, to making a false statement to the U.S. Department of Veteran Affairs. Ziegler is scheduled to be sentenced on Jan. 20, 2022.

In 2014, when Zieson was growing too large to compete for small business contracts, McPherson and his co-conspirators used the minority status of another Zieson employee, Native American Rustin Simon, 45, of Smithville, Mo., to set up Simcon Corp as a small business in the state of Missouri. Simcon's business, like Zieson's, was to obtain federal construction contracts set aside for award to qualified small businesses. In reality, McPherson and his co-conspirators managed and controlled Simcon. Simcon was awarded a \$4,423,638 contract in July 2016 from the U.S. Air Force and a \$6,911,404 contract in September 2016 from the U.S. Army.

Zieson and Simcon used the same employees and shared office space and equipment. Zieson and Simcon were located in a building owned by an LLC that was controlled by McPherson and his co-conspirators. Zieson purported to subcontract work to Simcon (which Simcon did not actually perform) to establish alleged past performance and profitability. This allowed Simcon to claim experience and financial strength to successfully compete for federal set-aside contracts. McPherson and his co-conspirators each received approximately \$319,866 from Simcon using false and fraudulent invoices.

Simon pleaded guilty on June 19, 2019, to two counts of making material false statements to the Small Business Administration and awaits sentencing.

McPherson also caused Business C to submit false and fraudulent invoices to Zieson in order to hide and receive profits from the scheme.

Co-defendant Patrick Michael Dingle, 50 of Parkville, Mo., pleaded guilty on Sept. 13, 2020, and awaits sentencing. Dingle pleaded guilty to one count of conspiracy to commit wire and major program fraud. Dingle also pleaded guilty, in a separate case, to one count of filing a false tax return.

This case was prosecuted by Assistant U.S. Attorney Paul S. Becker and former Assistant U.S. Attorney Stacey Perkins Rock. It was investigated by the Department of Veterans Affairs, Office of Inspector General; the Department of Defense Criminal Investigative Service; the U.S. General Services Administration, Office of Inspector General; the U.S. Small Business Administration, Office of Inspector General; the Army Criminal Investigation Command, Major Procurement Fraud Unit; the Department of Agriculture, Office of Inspector General; IRS-Criminal Investigation; the U.S. Secret Service; the Air Force Office of Special Investigations, Procurement Fraud; the Naval Criminal

Investigative Service; the Defense Contract Audit Agency - Operations Investigative Support (OIS); the U.S. Department of Labor, Office of Inspector General; and the Department of Labor, Employee Benefits Security Administration (EBSA).

Topic(s):
Financial Fraud

Component(s):
USAO - Missouri, Western