U.S. Department of Justice

United States Attorney
District of Maryland

Rod J. Rosenstein
United States Attorney

Vickie E. LeDuc
Public Information Officer

36 South Charles Street
4th Floor
Baltimore, Maryland 21201

410-209-4800
TTY/TDD: 410-962-4462
410-209-4885
FAX 410-962-3091
Vickie.LeDuc@usdoj.gov

November 13, 2015
FOR IMMEDIATE RELEASE
www.justice.gov/usao/md

Contact AUSA VICKIE E. LEDUC or MARCIA MURPHY at (410) 209-4885

FORMER CEO OF BALTIMORE BEHAVIORAL HEALTH SENTENCED TO 30 MONTHS

Failed to Transfer More Than $2.4 Million in Payroll Taxes to the IRS and Stole More Than $53,000 from the Employee Pension Plan

Baltimore, Maryland – U.S. District Judge Richard D. Bennett sentenced the former chief executive officer (CEO) of Baltimore Behavioral Health (BBH), William Kristen Hathaway, age 52, of Ellicott City, Maryland, today to 24 months in prison and six months of home detention, followed by three years of supervised release, for failing to pay to the IRS more than $2.4 million in payroll taxes deducted from the paychecks of BBH employees, and for stealing more than $53,000 from the BBH employee benefit plan. Judge Bennett also entered an order requiring Hathaway to pay restitution of $2,495,799 to the IRS and $915,576 to the Comptroller of the State of Maryland.

The sentence was announced by United States Attorney for the District of Maryland Rod J. Rosenstein; Special Agent in Charge Thomas Jankowski of the Internal Revenue Service - Criminal Investigation, Washington, D.C. Field Office; and Special Agent in Charge Steven Anderson, of the Washington Regional Office, U.S. Department of Labor - Office of Inspector General, Office of Labor Racketeering and Fraud Investigations.

"As chief executive officer of a primary 'charitable' organization funded by the government to treat Baltimore drug addicts, William Kristen Hathaway paid lucrative salaries to his family members while cheating the IRS and the employee pension plan," said U.S. Attorney Rod J. Rosenstein. "This case highlights the need for close oversight of organizations that receive public funds."

"Hathaway abused his position of trust at Baltimore Behavioral Health," said Thomas J. Kelly, Special Agent in Charge, IRS Criminal Investigation, Washington D.C. Field Office. "Through manipulation and theft, Hathaway's scheme left the American taxpayers and the employees of Baltimore Behavioral Health with the tab for his greed."

"Hathaway's fraudulent actions hurt the livelihood of BBH employees. Today's sentencing sends a clear message that this type of fraudulent activity is reprehensible and individuals committing these types of acts will be held accountable." stated Special Agent in Charge Steven D. Anderson, of the Washington Regional Office, U.S. Department of Labor - Office of Inspector General, Office of Labor Racketeering and Fraud Investigations.

According to Hathaway's plea agreement, he was the CEO for BBH, a tax-exempt organization that provided treatment to people with drug addictions and mental disorders. Hathaway exercised significant control over many aspects of BBH's business affairs, including managing the company's financial accounts and overseeing the employee payroll process, which included calculating the withholding of taxes and contributing to and maintaining employee benefit plans. The Board of Directors for BBH was primarily comprised of Hathaway's relatives, including his wife, his sister, and his mother. Board members were paid a salary.

Hathaway admitted that from March 2009 through December 2011, he regularly deducted payroll taxes from all employees' wages without forwarding the money to the IRS. For example in the second quarter of 2009, Hathaway caused $344,112.26 in federal payroll taxes to be withheld from employees' wages, but he elected not to pay that amount over to the IRS. Hathaway admitted withholding a total of $2,495,779 in payroll taxes from March 2009 through December 2011, but instead of forwarding those funds to the IRS, he spent the money on company expenses. For example, during the same period, Hathaway authorized a total of $2,730,752 in salaries to BBH officers, including himself, and contractual payments to an entity owned and operated by his mother and stepfather.

Hathaway also served as a fiduciary for the employee pension plan and was responsible for transferring employee contributions to the retirement plan, as well as any matching company contributions to the custodian of assets for the BBH employee pension plan. Hathaway admitted that from September 2009 through April 2010, Hathaway diverted $53,530.07 in employee contributions to the BBH employee pension plan to pay company expenses, instead of transferring those funds to the custodian of assets.

United States Attorney Rod J. Rosenstein commended the IRS – CI and the Washington Regional Office, U.S. Department of Labor - Office of Inspector General, Office of Labor Racketeering and Fraud Investigations for their work in the investigation and the Employee Benefits Security Administration for its assistance in the investigation. Mr. Rosenstein thanked Assistant U.S. Attorney Martin J. Clarke, who prosecuted the case.