

MURPHY

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

KEITH L. DOBBS,

Defendant.

Criminal No.: 19-20073 JTF

18 U.S.C. § 1341

38 U.S.C. § 6101

FILED UNDER SEAL

INDICTMENT

THE GRAND JURY CHARGES:

COUNTS 1 THROUGH 26

Introductory Paragraphs

At all times material to this indictment:

1. Defendant **KEITH L. DOBBS** was a lawyer licensed to practice law in the State of Tennessee, and who maintained an office in Memphis, Tennessee.
2. The United States Department of Veterans Affairs (referred to hereinafter as the “VA” or the “department”) is a department of the federal government of the United States. The department is responsible for administering federal benefit programs for men and women who served in the U.S. military. These benefit programs include pensions and disability benefits paid to veterans.
3. Defendant **KEITH L. DOBBS** served as a paid VA appointed fiduciary for several veterans who received VA benefits, including JA, SAA, TDA, HA, HRA, EB, KAB, BLB,

BB, AB, ACC, LF, KF, FWG, RH, NH, ELJ-1, ELJ-2, DM, RHM, DEM, JAP, CHR, CS, RWS, EJT, SJW, and RW.

4. The VA has established a “fiduciary program” to address the needs of vulnerable recipients of VA benefits. The purpose of the program is to “protect certain VA beneficiaries who, as a result of injury, disease, or infirmities of advanced age . . . cannot manage their VA benefits. Under this program, the VA oversees these vulnerable beneficiaries to ensure their well-being and appoints and oversees fiduciaries who manage these beneficiaries’ benefits.” Title 38, Code of Federal Regulations, § 13.10(a). The program is governed by the regulations promulgated by the VA and found at Title 38, Code of Federal Regulations, §§ 13.10, *et seq.*
5. An individual who is appointed as a fiduciary by the VA “owe[s] [the] VA and beneficiaries the duties of good faith and candor.” Title 38, Code of Federal Regulations, § 13.140(a). The fiduciary’s responsibilities include:
 - a. The use of the beneficiary’s VA benefit funds under management only for the care, support, education, health and welfare of the beneficiary and his or her dependents. Except as authorized under [Title 38, Code of Federal Regulations,] § 13.220 regarding fiduciary fees, a fiduciary may not derive a personal financial benefit from management or use of the beneficiary’s funds;
 - b. Protection of the beneficiary’s VA benefits from loss or diversion;
 - c. Except as provided in [Title 38 of Code of Federal Regulations] § 13.220 regarding fiduciary accounts, maintenance of separate financial accounts to prevent commingling of the beneficiary’s funds with the fiduciary’s own funds or the funds of any other beneficiary for whom the fiduciary has funds under management.

Title 38, Code of Federal Regulations, § 13.140(b)(1)-(3).

6. The fiduciary must deposit a beneficiary’s VA benefits in a “fiduciary account” that meets the requirements of Title 38, Code of Federal Regulations, § 13.200. Under § 13.200(a), “a fiduciary must establish and maintain a separate financial institution account for each VA

beneficiary that the fiduciary serves.” Section 13.200(a)(1) and (3), require that the account be established for direct deposit of the VA benefits and “[t]itled in [both] the beneficiary’s and fiduciary’s names and note the existence of the fiduciary relationship.” “The fiduciary must not commingle the fiduciary’s funds or any other beneficiary’s funds, either upon or after receipt.” Title 38, Code of Federal Regulations, § 13.200(a).

7. An individual selected by the VA to be a fiduciary is required to execute a Federal Fiduciary Agreement as to each beneficiary for whom he serves as a fiduciary. In the agreement, the fiduciary states, among other things, that:

- a. He understands that “funds are to be used for the beneficiary and his/her recognized dependents, if applicable,” and that he, the fiduciary, “cannot borrow, loan, or gift funds belonging to the beneficiary”;
- b. He understands that “in no instance shall the beneficiary’s funds be commingled with either my or anyone else’s funds”; and
- c. He understands that he “must keep accurate, complete records and receipts...”

Federal Fiduciary Agreement, VA Form 21-4703, ¶¶ 2, 5, and 7.

8. A VA official known as a “Hub Manager” may authorize payment of a fee to a fiduciary if the Hub Manager determines that “no other person or entity is qualified and willing to serve without a fee and the beneficiary’s interests would be served by the appointment of a qualified paid fiduciary.” Title 38, Code of Federal Regulations, § 13.220(a). A paid fiduciary may deduct “a reasonable monthly fee” for his or her services. Title 38, Code of Federal Regulations, § 13.220(b). The regulations provide that “a reasonable monthly fee” is “a monetary amount that is authorized by the Hub Manager and does not exceed 4 percent of the monthly VA benefit paid to the fiduciary on behalf of the beneficiary for a month in which the fiduciary is” eligible to collect a fee. Title 38, Code of Federal Regulations, §

13.220(b)(1). Defendant **KEITH L. DOBBS** was a paid fiduciary for all the veterans listed in Paragraph 3, above.

9. The regulations require a fiduciary to file an annual accounting with the VA “regarding the VA benefits under management” for the beneficiary if the “amount of VA benefits funds under management for the beneficiary exceeds \$10,000[,]” or the “fiduciary deducts a fee authorized under [Title 38, Code of Federal Regulations,] § 13.220 from the beneficiary’s account.” Title 38, Code of Federal Regulations, § 13.280(a)(1) and (2). An accounting is “the fiduciary’s written report regarding the income and funds under management by the fiduciary for the beneficiary during the accounting period prescribed by the Hub Manager,” and includes “all activity in the beneficiary’s accounts, regardless of the source of funds maintained in those accounts.” Title 38, Code of Federal Regulations, § 13.280(b). The accounting must include “copies of financial institution documents reflecting receipts, expenditures, and beginning and ending balances.” Title 38, Code of Federal Regulations, § 13.280(b). The VA may require the fiduciary to submit a supplemental or corrected accounting. Title 38, Code of Federal Regulations, §13.280(c)(2).
10. The VA has regional “fiduciary hubs” from which the fiduciary program is administered. Fiduciaries participating in the VA’s fiduciary program are required to submit their accountings to the fiduciary hub “with jurisdiction.” The VA has a hub in Louisville, Kentucky and that is the fiduciary hub where defendant **KEITH L. DOBBS** filed the

annual and supplemental accountings for the beneficiaries for whom he acted as a fiduciary.

COUNTS 1 THROUGH 26
(Mail Fraud in Violation of 18 U.S.C. 1341)

11. Paragraphs 1 through 10 above are re-alleged and incorporated by reference as if fully set forth herein.
12. Beginning in or before July of 2013, and continuing until in or about January of 2016, the exact dates being unknown to the Grand Jury, in the Western District of Tennessee and elsewhere, the defendant,

KEITH L. DOBBS

devised and intended to devise a scheme and artifice to defraud and to obtain money and other property, by means of false and fraudulent pretenses, representations, and promises from the fiduciary accounts of beneficiaries receiving VA benefits and for whom he was acting as a fiduciary, and to prevent the VA from detecting this scheme in order to continue the scheme and artifice to defraud.

**FORM AND SUBSTANCE OF THE SCHEME AND ARTIFICE TO DEFRAUD AND
OBTAIN MONEY AND OTHER PROPERTY**

The scheme and artifice to defraud and to obtain money and other property by means of false and fraudulent pretenses, representations, and promises, was in substance as follows:

13. It was part of the scheme and artifice to defraud and to obtain money and other property that defendant **KEITH L. DOBBS** would embezzle and misappropriate the funds in the beneficiaries' fiduciary accounts and use these funds for his own benefit by:

- a. Using the funds in the beneficiaries' fiduciary accounts to pay his, defendant **KEITH L. DOBBS**, personal obligations, such as credit card bills and rent, and to purchase items, such as a BMW automobile;
- b. Using the funds in the beneficiaries' fiduciary accounts to cover shortfalls resulting from his, defendant **KEITH L. DOBBS**, improper use of the funds in the beneficiaries' fiduciary accounts by transferring funds from one beneficiary's fiduciary account to another beneficiary's fiduciary account;
- c. Moving the funds from the beneficiaries' fiduciary accounts into bank accounts owned and controlled by defendant **KEITH L. DOBBS**, whereupon he would use those funds for his own benefit; and
- d. Diverting funds from the beneficiaries' fiduciary accounts to people associated with defendant **KEITH L. DOBBS**.

14. As part of the scheme and artifice to defraud and obtain money and other property, defendant **KEITH L. DOBBS** would submit accountings to the VA that included false documents. The false documents accompanying the accountings were intended to disguise the true nature of transactions in which defendant **KEITH L. DOBBS** embezzled and misappropriated funds from the beneficiaries' fiduciary accounts to his own use in violation of the VA's regulations for fiduciaries.

- a. As part of the scheme and artifice to defraud and obtain money and property, defendant **KEITH L. DOBBS** would alter and cause to be altered copies of bank statements for the beneficiaries' fiduciary accounts to disguise the true nature of certain transactions he conducted using the beneficiaries' funds in their fiduciary accounts to his own benefit. Defendant **KEITH L. DOBBS** would submit these

altered bank statements to the VA as part of the accounting he was required to submit as part of the fiduciary program.

- b. As part of the scheme and artifice to defraud and obtain money and property, defendant **KEITH L. DOBBS** would create, and cause to be created, VA forms, typically Certificate[s] as to Securities and Certificate[s] of Balance on Deposit and Authorization to Disclose Financial Records, which contained false statements. These documents would state that the beneficiary owned certificates of deposit when in fact the beneficiary did not own the certificates of deposit indicated in the VA forms. Defendant **KEITH L. DOBBS** would submit these false documents to the VA as part of the accounting he was required to submit to the VA as part of the fiduciary program.
 - c. As part of the scheme and artifice to defraud and obtain money and property, defendant **KEITH L. DOBBS**, would create and cause to be created accounting journals. The accounting journals contained false statements concerning the disbursement of the funds in the beneficiaries' fiduciary accounts. Defendant **KEITH L. DOBBS** would submit these false documents to the VA as part of the accounting he was required to submit to the VA as part of the fiduciary program.
15. It was part of the scheme and artifice to defraud and obtain property and money, that defendant **KEITH L. DOBBS** would present, and caused to be presented, the accountings and false documents to the VA by mailing those accountings and false documents to the VA.
16. On or about the dates set forth below, in the Western District of Tennessee, and elsewhere, the defendant,

KEITH L. DOBBS

for the purpose of executing the scheme and artifice to defraud described, did place, and cause to be placed, into a post office and authorized depository for mail matter, and did cause to be delivered by mail according to the direction thereon, accountings and false documents included therein to the VA's Louisville Fiduciary Hub:

COUNT NUMBER	DATE OF MAILING	VICTIM
1	June 3, 2014	ELJ-1
2	July 2, 2014	ACC
3	July 7, 2014	EMB
4	September 23, 2014	BB
5	September 26, 2014	RW
6	February 10, 2015	HA
7	February 11, 2015	DEM
8	March 11, 2015	SAA
9	March 11, 2015	CS
10	March 13, 2015	RWS
11	March 18, 2015	RH
12	March 31, 2015	HRA
13	March 31, 2015	KAB
14	April 13, 2015	FWG
15	April 27, 2015	LF
16	April 27, 2015	EJT
17	April 28, 2015	BLB
18	May 5, 2015	TDA
19	May 26, 2015	JAP
20	June 15, 2015	AB
21	June 24, 2015	DM
22	September 28, 2015	NH
23	October 29, 2015	SJW
24	November 9, 2015	RHM
25	January 11, 2016	JA
26	January 8, 2016	ELJ-2

All in violation of Title 18, United States Code, Section 1341.

COUNTS 27 THROUGH FOR 48

(Misappropriation by Fiduciary in Violation of 35 U.S.C. 6101)

17. On or about each of the dates listed below, in the Western District of Tennessee, the defendant,

KEITH L. DOBBS

a fiduciary, as defined in Title 38, United States Code, Section 5506, for the benefit of a beneficiary under laws administered by the Secretary of the Department of Veterans Affairs, did embezzle and misappropriate money and property derived, in whole and part, and coming into his control in the execution of his fiduciary trust and under color of his office and service as such fiduciary:

COUNT NUMBER	DATE OF EMBEZZLEMENT AND MISSAPPROPRIATION	VICTIM
27	April 18, 2014	RH
28	April 23, 2014	HRA
29	May 2, 2014	TDA
30	June 16, 2014	KAB
31	July 7, 2014	EJT
32	July 17, 2014	AB
33	July 23, 2014	FWG
34	July 28, 2014	FWG
35	August 12, 2014	FWG
36	August 21, 2014	JAP
37	September 19, 2014	LF
38	September 23, 2014	DEM
39	September 25, 2014	CS
40	October 10, 2014	RHM
41	October 20, 2014	DM
42	November 21, 2014	BLB
43	November 24, 2014	RWS
44	December 26, 2014	SAA
45	February 20, 2015	JA
46	February 23, 2015	JA
47	June 9, 2015	ELJ-2
48	July 13, 2015	NH

All in violation of Title 38, United States Code, Section 6101.

CRIMINAL FORFEITURE

18. The allegations contained in Paragraphs 1 through 14 and Counts 1 through 26 of this indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

19. Pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), upon conviction of an offense(s) in violation of Title 18, United States Code, Section 1341, the defendant, **KEITH L. DOBBS**, shall forfeit to the United States of America any property, real or personal, which constitutes or is derived from proceeds traceable to the offense(s). The property to be forfeited includes, but is not limited to, the following:

- a. Money Judgment: A personal money judgment representing the aggregate of the property involved in the offenses charged in Counts 1 through 24, that is, at least \$406,533.00 in U.S. funds.

20. If any of the property described above, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

FOREPERSON

DATED:

**D. MICHAEL DUNAVANT
UNITED STATES ATTORNEY**

[Nmt 5 yrs. imprisonment, nmt \$250,000 fine, or both; nmt 3 yrs. supervised release, and special assessment of \$100 per count.]