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District of Arizona

FOR IMMEDIATE RELEASE
Tuesday, May 15, 2012

Public Affairs

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BROTHER AND SISTER SENTENCED FOR DEFRAUDING

ELDERLY & DISABLED VICTIMS

TUCSON, Ariz. - On May 14, 2012, Robert Lee Skaggs, 58, and Jo Anne Skaggs, 54, both of Tucson, Ariz., were sentenced by U.S. District Judge Raner C. Collins to 110 months and 70 months in federal prison, respectively. The two had previously pleaded guilty to conspiracy, mail fraud, and conversion of payee funds. In addition, the defendants were ordered to pay \$1,435,093.71 in restitution to more than 750 victims. Robert Lee Skaggs was also ordered to pay \$371,864.10 to the Internal Revenue Service for employee tax liabilities.

“Robert and Jo Ann Skaggs left over 750 federal benefits recipients without any resources when they shut their business on April 1, 2008,” said Acting United States Attorney Ann Birmingham Scheel. “The economic hardship on these victims, who have limited financial resources, was far greater than the \$1.4 million these defendants were ordered to pay. Thanks to the hard work of the Social Security Administration and Internal Revenue Service investigators, these defendants have been held responsible for their actions.”

“The victims in this investigation were dependent upon the Skaggs’ to handle their Social Security benefits on their behalf and do so in a responsible and lawful manner,” said David Butler, Special Agent in Charge of the Los Angeles Field Division, Office of Inspector General, Social Security Administration. “Instead, the Skaggs chose to steal the victims’ only source of income and use it as their own. There is no higher priority for the Office of the Inspector

General, Social Security Administration, than investigating representative payees who steal from those who require assistance with their finances.”

According to court documents, Robert Lee Skaggs, Jo Anne Skaggs, and Ray T. Skaggs were employed by Scope Payee Services, Inc. (SCOPE), which was in the business of being a representative payee for beneficiaries of Supplemental Social Security Income (SSI); Federal Old-Age, Survivors, and Disability Insurance benefits; and U.S. Railroad Retirement benefits. Robert Lee Skaggs was the president and agency director of the company. Jo Ann and Ray T. Skaggs, Jr. were payee coordinators for the company. Court documents indicate that between December 1994 and April 2008 the Skaggs’ conspired to convert SSI payments to their own use, after having received those funds as payee representatives for the use and benefit of others, through the following means:

- They maintained open client accounts in the names of deceased and fictitious beneficiaries, as well as beneficiaries whose location was not known, in order to facilitate the theft of government funds from the Social Security Administration (SSA) that had been transmitted to SCOPE bank accounts on behalf of payees;
- They maintained inaccurate financial records of the beneficiaries’ accounts and created false entries to mislead SSA audits;
- They made payments in cash to clients and kept large cash balances on site in order to facilitate the misappropriation of beneficiary funds from SCOPE bank accounts;
- They purchased money orders totaling at least \$89,000.00, using funds from SCOPE bank accounts, and then used money orders totaling at least \$60,000.00 for their personal benefit;
- They issued checks totaling at least \$100,000.00 from SCOPE bank accounts to Ray T. Skaggs, Jr. and his spouse, and then made false entries in the books and records of SCOPE to disguise the monies diverted as payments to SCOPE’s vendors and others;
- They made false entries in the books and records of Desert Dwellers, a predecessor entity to SCOPE, to disguise diverted monies as “Loan from Payee Account,” and failed to record the “loans” on the books and records of SCOPE when the business formally changed from Desert Dwellers to SCOPE;
- They failed to report on federal and state individual income tax returns the monies they misappropriated from SCOPE clients and the funds they stole from the SSA; and
- Robert Lee Skaggs maintained his personal residence in the name of a family member in order to avoid payment on federal tax liens in the amount of \$105,840.00 and \$91,132.00 for failure to pay payroll taxes withheld from employees’ wages.

Ray T. Skaggs, who also pleaded guilty to conspiracy, mail fraud, and conversion of payee funds, is scheduled to be sentenced by Judge Collins on May 21, 2012.

The investigation in this case was conducted by the Social Security Administration, Office of the Inspector General, and the Internal Revenue Service, Criminal Investigation. The prosecution is being handled by John R. Evans, Assistant U.S. Attorney, District of Arizona, Tucson, and Danny N. Roetzel, Trial Attorney, Department of Justice Tax Division.

CASE NUMBER: CR-10-02905-TUC-RCC (CRP)

RELEASE NUMBER: 2012-122(Skaggs)

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