

MAY - 8 2019

BY   
DEPUTY CLERK

UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF TENNESSEE  
NORTHEASTERN DIVISION

UNITED STATES OF AMERICA	)	NO. <b>2-19-00009</b>
	)	
v.	)	18 U.S.C. § 2
	)	18 U.S.C. § 513
	)	18 U.S.C. § 666
	)	18 U.S.C. § 1343
[1] PATRICK MARTIN	)	18 U.S.C. § 1519
	)	26 U.S.C. § 7202
[2] JEFF HYNES	)	26 U.S.C. § 7206

**INDICTMENT**

COUNTS ONE AND TWO

THE GRAND JURY CHARGES:

At times material to this Indictment:

Introduction

1. In 2002, defendant **PATRICK MARTIN** helped establish the Community Prevention Coalition of Jackson County (“CPCJC”) in Gainesboro, Tennessee.
2. CPCJC was formed in response to an increase in juvenile court cases involving alcohol and drug use, and its stated mission was to “bring people and organizations together to prevent and reduce underage alcohol abuse and substance use among youth in Jackson County.”
3. **MARTIN** became the Executive Director of CPCJC in 2008 and served in that role until 2017.
4. As Executive Director, **MARTIN** was responsible for CPCJC’s day-to-day fiscal operation and reported directly to CPCJC’s Executive Committee for fiscal accountability.
5. CPCJC made purchases primarily with checks from CPCJC’s bank account. All CPCJC checks required the signature of two members of CPCJC’s Executive Committee.

6. CPCJC was funded by a combination of federal, state, and local funds as well as through local fundraising efforts. CPCJC received more than \$10,000 in federal benefits in both 2014 and 2015. Specifically, in 2014 and 2015, CPCJC received federal assistance in the form of grants administered by the State of Tennessee, Department of Mental Health and Substance Abuse Services. Additionally, beginning in October 2014, CPCJC began receiving a new annual grant of up to \$125,000 per year directly from the federal government and continued receiving that grant in 2015.

#### The Scheme to Defraud CPCJC

7. From no later than January 2014 through in or around February 2017, MARTIN embezzled CPCJC funds by causing CPCJC checks to be issued in his own name for monies that were not owed to him.

8. It was part of the scheme to defraud that MARTIN issued himself, or caused himself to receive, extra paychecks from CPCJC that were not owed to him in a given year.

9. It was further part of the scheme to defraud that MARTIN issued himself, or caused himself to receive, CPCJC checks as purported reimbursements for CPCJC bills that MARTIN never paid. These included, but were not limited to, the following:

a. In April 2014, MARTIN issued himself, or caused himself to receive, CPCJC check number 3486 for \$1,607.28, the amount of CPCJC's electric bill, knowing that he had not paid CPCJC's electric bill with his own funds. In fact, later in April 2014, CPCJC check number 3510 was used to pay CPCJC's \$1,607.28 electric bill.

b. In April 2014, MARTIN issued himself, or caused himself to receive, CPCJC check number 3512 for \$1,490.00, an amount CPCJC owed to WLIV radio station

in Livingston, Tennessee, knowing that he had not paid the \$1,490.00 bill to WLIV. In January 2015, CPCJC check number 3792 was used to pay \$1,490.00 to the radio station.

c. In January 2015, MARTIN issued himself, or caused himself to receive, CPCJC check number 3760 for \$950.00, the amount CPCJC owed for an alcohol awareness training course, knowing that he had not paid \$950.00 to Top Shelf, the company that conducted the training course. In fact, later in January 2015, CPCJC check number 3762 was used to pay \$950.00 to Top Shelf.

10. It was further part of the scheme to defraud that MARTIN issued himself, or caused himself to receive, CPCJC checks to reimburse MARTIN for CPCJC expenses he personally paid but where the reimbursement amount was higher than the amount of MARTIN's expense. These included, but were not limited to, the following:

a. In January 2015, MARTIN used his personal credit/debit card to pay the Community Anti-Drug Coalitions of America ("CADCA") \$225.00 for CPCJC's dues to be a member of the organization. Yet, later in January 2015, MARTIN issued himself, or caused himself to receive, CPCJC check number 3763 for \$800.00 as reimbursement for CPCJC's membership dues to CADCA.

b. In February 2015, CPCJC sponsored a trip to Washington, D.C. and MARTIN used his personal debit/credit card to pay the cost, \$3,538.56, of the hotel rooms during their stay. In February 2015, MARTIN received and cashed CPCJC check number 3782, with the memo line "Hotel DC," for \$3,538.56 as reimbursement for the payment MARTIN made on his personal debit/credit card. Then, in May 2015, MARTIN issued himself, or caused himself to receive, CPCJC check number 3884, with the memo line

“travel,” for \$3,538.56. Then, in July 2015, MARTIN issued himself, or caused himself to receive, CPCJC check number 3922, with the memo line “hotel DC,” for \$3,600.00.

11. It was further part of the scheme to defraud that MARTIN issued himself, or caused himself to receive, CPCJC checks to reimburse himself for personal expenses. These included, but were not limited to, the following:

a. In April 2014, MARTIN issued himself, or caused himself to receive, CPCJC check number 3487 for \$677.78, the amount of his personal electric bill.

b. In October 2014, MARTIN issued himself, or caused himself to receive, CPCJC check number 3634 for \$1,083.18, the amount he used, at least in part, to purchase furniture and fixtures for his own home.

c. In October 2014, MARTIN issued himself, or caused himself to receive, CPCJC check number 3646 for \$570.98, the amount he used, at least in part, to purchase a crossbow.

d. In October 2015, MARTIN issued, or caused to be issued, CPCJC check number 4054 to FSG Bank for \$4,000.00 that was used to acquire a cashier’s check that MARTIN then used as a portion of the proceeds to purchase a Ford Mustang for an individual not associated with CPCJC.

e. On multiple occasions, MARTIN issued himself, or caused himself to receive, CPCJC checks to repay personal loans.

f. On multiple occasions, MARTIN issued himself, or caused himself to receive, CPCJC checks as purported reimbursement for generic items, such as “travel” or “supplies,” when MARTIN had not spent those monies on CPCJC expenses.

12. It was further part of the scheme to defraud that **MARTIN** issued himself, or caused himself to receive, CPCJC checks for purported bonuses that were not authorized by CPCJC's Executive Board.

13. It was further part of the scheme to defraud that, in addition to using the proceeds from his scheme to defraud for his own benefit, including by depositing funds into his own bank account and by purchasing items for himself, **MARTIN** deposited proceeds from his scheme to defraud into the bank account of another individual, known to the Grand Jury, that he financially supported.

14. It was further part of the scheme to defraud that **MARTIN**, in an attempt to conceal the fraud, made misstatements to investigators from the Tennessee Comptroller of the Treasury during interviews conducted in early 2016.

15. It was further part of the scheme to defraud that, on February 1, 2016, while the Tennessee Comptroller of the Treasury investigators were continuing their investigation, **MARTIN**, along with **JEFF HYNES**, intentionally destroyed a large number of CPCJC's records, including invoices and other financial records.

16. As a result of the scheme to defraud, in each of 2014 and 2015, **MARTIN** received more than \$5,000.00 of CPCJC funds to which he was not entitled.

Theft from Program Receiving Federal Funds

17. On or about the dates listed in the chart below, in the Middle District of Tennessee and elsewhere, **PATRICK MARTIN**, being an agent of an organization receiving, in a one-year period set forth below, federal benefits in excess of \$10,000 in the form of grants administered by the State of Tennessee, Department of Mental Health and Substance Abuse Services, and a Drug-Free Communities ("DFC") Support Program grant awarded by the United States Department of

Health and Human Services, Substance Abuse and Mental Health Services Administration (“SAMHSA”), embezzled, obtained by fraud, and without authority knowingly converted to the use of a person not the rightful owner property worth at least \$5,000.00 and under the care, custody and control of such organization, that is more than \$5,000.00 of CPCJC funds in the one-year period set forth below, each one-year period being a separate count of the Indictment.

<u>Count</u>	<u>Dates of Count</u>	<u>One-Year Period</u>
1	From on or about January 1, 2014 through on or about December 31, 2014.	The one-year period beginning January 1, 2014.
2	From on or about January 1, 2015 through on or about December 31, 2015.	The one-year period beginning January 1, 2015.

All in violation of Title 18, United States Code, Sections 666(a)(1)(A) and 2.

COUNTS THREE THROUGH THIRTY-TWO

THE GRAND JURY FURTHER CHARGES:

18. The allegations set forth in paragraphs 1 through 17 above are hereby incorporated by reference as if fully set forth herein.

Scheme to Defraud the Department of Health and Human Services

19. Beginning no later than March 2014 and continuing until in or about December 2016, in the Middle District of Tennessee and elsewhere, **PATRICK MARTIN** devised and intended to devise a scheme to defraud and to obtain money from SAMHSA by means of materially false pretenses, representations, and promises, and by acts of concealment of the scheme, and in furtherance thereof used interstate wires, which scheme is further described in the following paragraphs.

20. It was part of the scheme to defraud that on March 25, 2014, **MARTIN**, as authorized representative of CPCJC, submitted an application to SAMHSA for a DFC Support

Program grant that provided detailed information about CPCJC, including information about CPCJC's purpose and its budget, but failed to inform SAMHSA that MARTIN was diverting CPCJC funds for his personal use. On, or about, September 19, 2014, based on the application MARTIN, as CPCJC's authorized representative, submitted, SAMHSA awarded CPCJC a DFC Support Program grant for \$125,000 for one year with the recommendation that CPCJC continue to receive \$125,000 per year for the next four years subject to the availability of funds and satisfactory progress of CPCJC's mission to bring people and organizations together to reduce alcohol and drug abuse.

21. It was further part of the scheme to defraud that on January 24, 2015, MARTIN, as authorized representative of CPCJC, submitted an updated application to SAMHSA in connection with receiving an additional year of funding from the DFC Support Program grant. The January 24, 2015 application provided updated information about CPCJC, including information about the status of CPCJC's goals and objectives and updated budget information, but failed to inform SAMHSA that MARTIN was diverting CPCJC funds for his personal use. On, or about, August 23, 2015, based on the application MARTIN, as CPCJC's authorized representative, submitted, SAMHSA awarded CPCJC a DFC Support Program grant for \$125,000 to continue CPCJC's mission to bring people and organizations together to reduce alcohol and drug abuse.

22. It was further part of the scheme to defraud that on January 25, 2016, MARTIN, as authorized representative of CPCJC, submitted an updated application to SAMHSA in connection with receiving an additional year of funding from the DFC Support Program grant. The January 25, 2016 application provided updated information about CPCJC, including information about the status of CPCJC's projects and updated budget information, but failed to

inform SAMHSA that MARTIN was diverting CPCJC funds for his personal use. On or about August 31, 2016, based on the application MARTIN, as CPCJC's authorized representative, submitted, SAMHSA awarded CPCJC a DFC Support Program grant for \$125,000 to continue CPCJC's mission to bring people and organizations together to reduce alcohol and drug abuse.

23. It was further part of the scheme to defraud that MARTIN made the material omissions on CPCJC's applications to SAMHSA with the intent to defraud SAMHSA and induce SAMHSA to award CPCJC the funds from the DFC Support Program grant.

24. It was further part of the scheme to defraud that, by failing to inform SAMHSA of the true use of CPCJC funds, MARTIN materially misstated, among other things, CPCJC's budget.

25. As a result of the scheme to defraud, MARTIN and CPCJC had access to DFC Support Program grant funds, made 30 separate requests to draw down those funds, and caused SAMHSA to wire \$375,000.00 into CPCJC's account, a substantial portion of which MARTIN converted for his personal use or the use of others not associated with CPCJC.

#### The Wire Communications

26. On or about the dates listed in the chart below, in the Middle District of Tennessee and elsewhere, PATRICK MARTIN, for the purpose of executing the scheme described above, caused to be transmitted by means of wire communication in interstate commerce the signals and sounds described below for each count, each transmission constituting a separate count:

<u>Count</u>	<u>Date</u>	<u>Description of Interstate Wire</u>
3	October 1, 2014	\$25,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.

<u>Count</u>	<u>Date</u>	<u>Description of Interstate Wire</u>
4	October 9, 2014	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
5	October 29, 2014	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
6	November 7, 2014	\$30,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
7	November 14, 2014	\$40,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
8	December 4, 2014	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
9	January 21, 2015	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
10	October 1, 2015	\$25,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
11	October 2, 2015	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
12	October 9, 2015	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
13	October 14, 2015	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
14	October 27, 2015	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.

<u>Count</u>	<u>Date</u>	<u>Description of Interstate Wire</u>
15	October 29, 2015	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
16	November 3, 2015	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
17	November 23, 2015	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
18	November 25, 2015	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
19	December 4, 2015	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
20	December 30, 2015	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
21	January 12, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
22	January 27, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
23	February 7, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
24	March 29, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
25	October 6, 2016	\$25,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.

<u>Count</u>	<u>Date</u>	<u>Description of Interstate Wire</u>
26	October 14, 2016	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
27	October 24, 2016	\$15,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
28	October 28, 2016	\$10,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
29	November 15, 2016	\$50,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
30	November 18, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
31	December 1, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.
32	December 21, 2016	\$5,000.00 from Health and Human Services' Payment Management System located in Maryland to CPCJC's bank account in Tennessee.

All in violation of Title 18, United States Code, Section 1343.

COUNT THIRTY-THREE

THE GRAND JURY FURTHER CHARGES:

27. The allegations set forth in paragraphs 1 through 26 above are hereby incorporated by reference as if fully set forth herein.

28. On or about February 16, 2017, in the Middle District of Tennessee and elsewhere, **PATRICK MARTIN** did knowingly possess a forged security of an organization that operates in

and has activities which affect interstate commerce, that is, CPCJC check number 5175 in the amount of \$690.53, with the intent to deceive another organization, that is, First Freedom Bank.

All in violation of Title 18, United States Code, Section 513(a).

COUNTS THIRTY-FOUR THROUGH FORTY-FIVE

THE GRAND JURY FURTHER CHARGES:

29. The allegations set forth in paragraphs 1 through 28 above are hereby incorporated by reference as if fully set forth herein.

30. **PATRICK MARTIN** was the Executive Director of the Community Prevention Coalition of Jackson County, a nonprofit organization, with its principal place of business in Gainesboro, Tennessee. During the quarters listed in the chart below, **PATRICK MARTIN** deducted and collected from the total taxable wages of his employees' federal income taxes and Federal Income Contributions Act taxes in the amounts set forth below. On or about the dates listed in the chart below, in the Middle District of Tennessee and elsewhere, **PATRICK MARTIN** did willfully fail to truthfully account for and pay over to the Internal Revenue Service the federal income taxes and Federal Insurance Contributions Act taxes withheld and due and owing to the United States of America for the quarters ending on the dates designated below, each quarter being a separate count of this Indictment.

<u>Count</u>	<u>Quarter</u>	<u>Date Accounting and Payment Due</u>	<u>Amount</u>
34	First quarter 2014, ending March 31, 2014	April 30, 2014	\$5,744.07
35	Second quarter 2014, ending June 30, 2014	July 31, 2014	\$7,082.67
36	Third quarter 2014, ending September 30, 2014	October 31, 2014	\$4,373.00
37	Fourth quarter 2014, ending December 31, 2014	January 31, 2015	\$5,936.83
38	First quarter 2015, ending March 31, 2015	April 30, 2015	\$8,067.46

<u>Count</u>	<u>Quarter</u>	<u>Date Accounting and Payment Due</u>	<u>Amount</u>
39	Second quarter 2015, ending June 30, 2015	July 31, 2015	\$9,290.86
40	Third quarter 2015, ending September 30, 2015	October 31, 2015	\$5,531.44
41	Fourth quarter 2015, ending December 31, 2014	January 31, 2016	\$9,293.64
42	First quarter 2016, ending March 31, 2016	April 30, 2016	\$6,999.90
43	Second quarter 2016, ending June 30, 2016	July 31, 2016	\$6,816.60
44	Third quarter 2016, ending September 30, 2016	October 31, 2016	\$6,661.53
45	Fourth quarter 2016, ending December 31, 2016	January 31, 2017	\$6,714.08

All in violation of Title 26, United States Code, Section 7202.

COUNTS FORTY-SIX AND FORTY-SEVEN

THE GRAND JURY FURTHER CHARGES:

31. The allegations set forth in paragraphs 1 through 30 above are hereby incorporated by reference as if fully set forth herein.

32. On or about the dates listed in the chart below, in the Middle District of Tennessee and elsewhere, PATRICK MARTIN did willfully make and subscribe a joint U.S. Individual Income Tax Return, for the calendar years listed below, each return being a separate count of the Indictment, which were verified by a written declaration that they were made under the penalties of perjury and were filed with the Internal Revenue Service, which said documents he did not believe to be true and correct as to every material matter in that he reported on Line 22 of Form 1040, "total income," in the respective amounts listed below, whereas, as he then and there well knew and believed, he had total income in excess of the amounts reported.

<u>Count</u>	<u>Filing Date</u>	<u>Tax Year</u>	<u>Line 22 – Total Income</u>
46	March 18, 2015	2014	\$124,888.00
47	February 20, 2016	2015	\$133,668.00

All in violation of Title 26, United States Code, Section 7206(1).

COUNT FORTY-EIGHT

THE GRAND JURY FURTHER CHARGES:

33. The allegations set forth in paragraphs 1 through 32 above are hereby incorporated by reference as if fully set forth herein.

34. On or about February 1, 2016, in the Middle District of Tennessee, **PATRICK MARTIN** and **JEFF HYNES** did knowingly alter, destroy, and mutilate records and documents with the intent to impede, obstruct, and influence the investigation and proper administration of a matter within the jurisdiction of an agency of the United States and in relation to and in contemplation of such a matter, and aided and abetted each other in doing so, that is, after the initial audit of CPCJC, **PATRICK MARTIN** and **JEFF HYNES** set on fire a substantial number of CPCJC records and documents to conceal facts about **PATRICK MARTIN**'s fraud.

In violation of Title 18 United States Code, Sections 1519 and 2.

FORFEITURE ALLEGATION

1. The allegations contained in this Indictment are re-alleged and incorporated by reference as if fully set forth in support of this forfeiture.

2. Upon conviction of any one of Counts One through Thirty-Two, **PATRICK MARTIN** shall forfeit to the United States of America pursuant to Federal Rule of Criminal Procedure 32.2 and any relevant forfeiture statute including Title 18, United States Code, Section 982(a)(7), property, real or personal, that constitutes or is derived, directly or indirectly, from gross

proceeds traceable to the commission the offense(s), including but not limited to a money judgment in an amount to be determined representing the value of said gross proceeds.

3. Upon conviction of Count Thirty Three, **PATRICK MARTIN** shall forfeit to the United States of America pursuant to Federal Rule of Criminal Procedure 32.2 and any relevant forfeiture statute including Title 18, United States Code, Section 981 (a)(1)(C) and Title 28, United States Code, Section 2461(c) any property, real or personal, that constitutes or is derived from proceeds traceable to a violation of the offense(s), including but not limited to a money judgment in an amount to be determined representing the value of said proceeds.

4. If any of the property described above, as a result of any act or omission of **PATRICK MARTIN**

- 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 that cannot be divided without difficulty,

the United States shall be entitled to forfeiture of substitute property, and it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any

other property of PATRICK MARTIN, up to the value of said property listed above as subject to forfeiture.

A TRUE BILL

  
FOREPERSON

DONALD Q. COCHRAN  
UNITED STATES ATTORNEY



ROBERT S. LEVINE  
ASSISTANT UNITED STATES ATTORNEY