



# Department of Justice



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## **FOUR AREA PERSONS CHARGED WITH INCOME TAX FRAUD**

### **PRESS RELEASE**

Four individuals were charged with federal tax fraud crimes following investigations by the Internal Revenue Service, Criminal Investigation Division:

David W. Pittman, 52, Greenwood, Indiana  
Frederic W. Bauter, 71, Indianapolis, Indiana  
Susan L. Ruhana, 44, Greenwood, Indiana  
Kelli J. Owens, 32, Franklin, Indiana

The information filed against Pittman charges two counts of income tax evasion. It alleges that between 1994 and 1998, Pittman owned and operated Pittman Framing, a construction business involved primarily in the framing of residential construction. Pittman received income as a subcontractor from various home builders, which income he was required to report on his individual income tax returns Form 1040.

From 1994 thru 1998, Pittman allegedly failed to file Individual Income Tax Returns Form 1040. Following tax audits, the IRS assessed Pittman more than \$300,000 in taxes, penalties and interests. Pittman purportedly committed various overt acts to evade the payment of these assessments. He caused income payable to his business to be diverted to nominee businesses created in the names of two other individuals. He also caused bank accounts to be opened in these nominee business names and caused his (Pittman's) income from contractors to be deposited to these accounts. Between 2001 and 2007, Pittman caused approximately \$1.6 million in gross receipts of his business to be paid to the nominee businesses. Pittman also made false statements to IRS agents regarding his ownership and control of the nominee businesses and bank accounts. Pittman made two payments to the IRS, totaling \$74,160.17, as a result of

the IRS assessments. Interest and penalties continued to accrue on the unpaid balances. As of October 2008, the total tax deficiency owed by Pittman for the years 1994 thru 1998 approached \$500,000. Pittman also allegedly failed to file individual income tax returns Form 1040 for each of the years 2003 thru 2007. For those years, Pittman purportedly had taxable income totaling \$313,392 and a total tax liability of \$48,479.

The informations filed against Bauter, Ruhana and Owens each charge the defendants with tax crimes related to their activities during a large mortgage fraud scheme, in which nine people, including Robert Penn, have previously been found guilty and sentenced.

The information against Bauter charges him with two counts of filing false individual income tax returns. The information alleges that Bauter was the sole owner of Bauter Appraisals, a sole proprietorship involved in the business of preparing real estate appraisals for residential properties. Bauter personally prepared those appraisals. During the years 2004 and 2005, Bauter prepared numerous appraisals for properties involved in the mortgage fraud scheme. Bauter then submitted those appraisals to individuals involved in the scheme who used the appraisals to obtain fraudulent real estate loans. Bauter was paid approximately \$300 to \$550 for each appraisal he completed. Bauter was paid by a title company check after the loan closing or by a corporate check issued from entities involved in the mortgage fraud scheme. At the end of each calendar year, Bauter prepared a summary of his income and presented that summary to his tax preparer for purposes of preparing his individual income tax returns. Bauter failed to include all of his income in the summaries he prepared and gave to his tax return preparer, resulting in an understatement of his gross income by an approximate total of \$100,000 for 2004 and 2005 and his total tax due by nearly \$27,000 for the same period.

The information against Ruhana charges her with two counts of filing false individual income tax returns. The information alleges that Ruhana was the sole owner of Ace Appraisal Services, Inc., an S-Corporation involved in the business of preparing real estate appraisals for residential properties. Ruhana personally prepared and/or reviewed most of those appraisals and submitted them to other individuals who caused the appraisals to be used to obtain residential mortgages. During the years 2004 and 2005, Ruhana prepared numerous appraisals for properties involved in the mortgage fraud scheme. Ruhana submitted those appraisals to individuals involved in the scheme who used those appraisals to obtain fraudulent real estate loans. Ace Appraisal Services, Inc. was paid for each appraisal completed by Ruhana or other appraisers working for Ruhana. These payments were made by a title company check after the loan closing or by a corporate check issued from entities involved in the mortgage fraud scheme. At the end of each calendar year, Ruhana presented accounting and bank records to her tax preparer for purposes of preparing her individual income tax and S-Corporation tax returns. Ruhana failed to submit all of her income records to her tax return preparer for each of the years 2004 and 2005, resulting in an understatement of Ruhana's gross income by about \$98,000 for 2004 and 2005, and her total ax due by about \$29,000 for the same period.

The information against Owens charges her with one count of failing to file IRS Forms 1099-S and 1096. The information alleges that Owens was the office manager and head closing agent at HMS Title Company. As a part of her employment, Owens had a duty to prepare

Internal Revenue Service (IRS) Forms 1099-S to properly reflect the payments of proceeds from real estate transactions. Owens also had a duty to submit those Forms 1099-S, along with IRS Form 1096, to the Internal Revenue Service, on or before the 28<sup>th</sup> day of February of the year following the end of the calendar year when the payments were disbursed. During the years 2004 through 2006, Owens acted as the closing agent on over 150 real estate transactions involving mortgage fraud committed by Robert Andrew Penn and his companies and associates. In each of these closings, Owens failed to fill out and submit to the IRS Forms 1096 and 1099-S reflecting the payments disbursed by HMS Title Company relative to these transactions.

According to Assistant United States Attorney Susan Heckard Dowd, who is prosecuting each of the cases for the government, the defendants face the following penalties:

Pittman	10 years imprisonment; \$500,000.00 fine
Bauter	6 years imprisonment; \$500,000.00 fine
Ruhana	6 years imprisonment; \$500,000.00 fine
Owens	1 year imprisonment; \$100,000 fine

The information charging Owens was filed on February 26. She has already plead guilty to the charge. A sentencing hearing in her case is scheduled for 11:00 a.m. May 6, 2010 before U.S. District Judge Larry J. McKinney. The other informations (Pittman, Ruhana and Bauter) were all filed today and initial hearings will be scheduled before a United States Magistrate Judge in Indianapolis.

President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

An information is only a charge and is not evidence of guilt. A defendant is presumed innocent and is entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt.

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