



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation Chief Richard Weber

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IRS – Criminal Investigation

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### **President of North Carolina Board of Funeral Service and Business Partner Plead Guilty to Conspiracy to Defraud the United States**

Two North Carolina businessmen pleaded guilty in the U.S. District Court in the Middle District of North Carolina to conspiracy to defraud the United States, announced Acting Assistant Attorney General Caroline D. Ciraolo of the Justice Department's Tax Division and U.S. Attorney Ripley Rand of the Middle District of North Carolina.

Kenneth Dale Stainback, 61, of Burlington, North Carolina, pleaded guilty on Nov. 24 and Stephen Ray Smith, 60, of Mebane, North Carolina pleaded guilty on November 23. According to court documents and statements in court, Stainback and Smith conspired to defraud the United States by filing false corporate tax returns for McClure Funeral Service (McClure). Stainback, Smith and another co-conspirator bought McClure in 2004 and began diverting gross receipts from the business and omitting that income from the corporation's tax returns. The co-conspirators opened a checking account at Mid-Carolina Bank for the purpose of diverting funds from McClure, including commission checks from insurance providers and checks from clients for payment of services. The co-conspirators wrote checks to themselves from this account, with Stainback and Smith receiving the vast majority of the diverted funds. Stainback also opened another bank account at SunTrust Bank, which he used to divert additional funds from McClure without the knowledge of his co-conspirators. Finally, the co-conspirators also pocketed cash payments from clients of McClure. In order to conceal discovery of their scheme, the co-conspirators deleted and altered invoices in the business's accounting system. Stainback and Smith also closed their bank account at Mid-Carolina bank after being contacted by the Internal Revenue Service (IRS) regarding the corporate tax returns.

During the 2009 through 2012 fiscal years, Stainback, Smith and the other co-conspirator diverted more than \$419,000 from McClure. These diverted funds were not reported on McClure's corporate tax returns, which resulted in a corporate tax loss of \$158,530.11. Stainback and Smith also failed to report the diverted funds on their individual income tax returns.

In addition to owning McClure, Stainback also serves as the President of the North Carolina Board of Funeral Service.

Stainback and Smith each face a statutory maximum sentence of five years in prison, a \$250,000 fine and restitution to the IRS. The court set sentencing for Smith and Stainback on March 24, 2016.

Acting Assistant Attorney General Ciraolo and U.S. Attorney Rand commended special agents of IRS – Criminal Investigation who investigated the case and Assistant U.S. Attorney Clifton T. Barrett of the Middle District of North Carolina and Trial Attorney Kathryn A. Kimball of the Justice Department's Tax Division, who prosecuted the case.

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