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Thursday, February 8, 2018

Father and Son Convicted of Million-Dollar Fraud

Assistant U.S. Attorney Nicholas W. Pilchak and Andrew J. Galvin (619) 546-9709 and (619) 546-9721

NEWS RELEASE SUMMARY – February 8, 2018

SAN DIEGO – A father and son fraud team that won over \$4 million of federal contracts using false financial statements and other lies pleaded guilty in federal court today. The father—a long-time self-described government contracting consultant—also admitted to stealing over a half million dollars from his consulting clients.

At a hearing today before U.S. Magistrate Judge Barbara Lynn Major, Joseph Glenn Osborne, Sr., 68, pleaded guilty to wire fraud and participating in a wire fraud conspiracy with his son, Joseph Glenn Osborne, II, 31. Osborne, II pleaded guilty to falsely making a writing to obtain money from the United States.

In his plea agreement, Osborne, Sr. admitted that he stole \$588,489 from three different small businesses that retained him as a government contracting consultant. According to court documents and his admissions, Osborne, Sr. promised to represent the victims in obtaining and fulfilling contracts with the U.S. Department of Agriculture (USDA). Instead, he used his position as the sole holder of their web passwords to change their banking information in the online federal system controlling where their contract payments would be sent. When USDA paid on his clients' contracts, the money was diverted to Osborne, Sr. instead of the victims.

Osborne, Sr. also admitted to lying to his clients when they questioned the missing payments. For example, when one client repeatedly pressed him to attend a conference call to explain the missing money and passwords, Osborne, Sr. repeatedly told the client he couldn't take the client's calls because he had been seated on a state



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court jury for a multiple murder trial. In fact, according to court filings, Osborne, Sr. has never reported for jury duty.

According to the plea agreement, Osborne, Sr. used a portion of the stolen money to put a down payment on a \$2.7 million mansion in Rancho Santa Fe, California. Osborne, Sr. forged further emails to conceal the source of the money by falsely claiming that it was an early retirement withdrawal from a benefits account at an agency where he had never worked.

In 2013, after Osborne, Sr. was terminated by his clients, the Osbornes agreed to submit fraudulent financial statements to qualify Osborne, II's new business—Worldwide Connect LLC (WWC)—as an approved USDA contractor. As set out in their guilty pleas, the Osbornes recruited Osborne, II's friend and bookkeeper to prepare false financial statements which substantially overstated WWC's financial health. For example, the statements fraudulently converted WWC's 2013 year-end cash position from a \$5,546 deficit to a \$37,954 surplus.

The Osbornes also admitted to falsely certifying to the USDA that none of WWC's principals was suspended or debarred from federal contracting. In fact, according to documents filed in the case, Osborne, Sr. was suspended and debarred from November 2013 to October 2016 for conduct associated with his prior business, Global Health & Safety.

As a result of these fraudulent submissions, WWC was approved for federal contracting and won over \$4 million of USDA food supply contracts. Four of the five contracts were terminated for contractor default, after WWC failed to deliver over 100,000 cases of fruit juice and raisins to community food banks and lunch programs. The Osbornes admitted that WWC caused its suppliers and financing company over \$1.5 million in losses. Meanwhile, as set out in the plea agreements and court filings, the Osbornes paid themselves approximately \$285,245 of WWC funds in little more than a year. They also used other company money for personal expenses—including almost \$10,000 of nightclub charges, luxury hotel stays, and over \$9,000 of new flooring in Osborne, Sr.'s personal residence.

After their contracts were terminated, the plea documents explain that the Osbornes applied to the Small Business Administration (SBA) to be readmitted to federal contracting. As part of that application, Osborne II misstated Osborne, Sr.'s military history, telling the SBA he was a retired colonel in the Marine Corps when in fact Osborne, Sr. had retired as a first lieutenant. Osborne II also supplied a variety of falsified tax returns to the SBA for himself and WWC, including an altered (signed) tax return that converted his real \$14,870 tax liability into a fake \$5,427 tax overpayment.

In addition to pleading guilty, each defendant agreed to pay restitution to their victims in the amounts of approximately \$1.7 million for Osborne, Sr. and \$1.5 million for Osborne II.

A sentencing hearing for both defendants is scheduled for May 7, 2018 at 9:00 a.m. before Judge Roger T. Benitez.

“Businesspeople who lie, cheat and steal have no place in federal contracting systems funded with American tax dollars,” said U.S. Attorney Adam L. Braverman. “We will be sure that white collar criminals manipulating the system from behind the scenes

proliferation of sexual
exploitation crimes
against children.

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are held accountable.”

Special Agent-in-Charge Lori Chan, United States Department of Agriculture (USDA), Office of Inspector General (OIG), Western Region, stated, “The USDA OIG has the responsibility for protecting the integrity of the Agriculture Marketing Service, Commodity Procurement Program. OIG conducts investigations in each region of the U.S. to deter and uncover criminal activity that undermines the Commodity Procurement Program. Contractors who engage in financial fraud exploit the public’s trust. The OIG at USDA works to ensure the integrity of USDA programs.”

FBI Special Agent in Charge John Brown commented, “This comprehensive investigation revealed a continued pattern of theft, deceit, and fraud—all for personal greed and self-promotion. Working closely with our law enforcement partners, the FBI will continue to pursue and bring to justice those who seek to perpetrate these fraudulent financial schemes and take advantage of victim clients, the federal contracting process, and the American tax payers.”

This case was investigated by the U.S. Department of Agriculture, Office of Inspector General, and the Federal Bureau of Investigation. The case is being prosecuted by Assistant U.S. Attorneys Nicholas W. Pilchak and Andrew J. Galvin.

DEFENDANT
BEN

Case Number 16CR2546-

Joseph Glenn Osborne, Sr. Age: 68 Carlsbad,
California

Joseph Glenn Osborne, II Age: 31 Carlsbad,
California

SUMMARY OF CHARGES

Wire Fraud, in violation of Title 18 U.S.C. § 1343; term of custody including 20 years in prison, \$250,000 fine, 3 years of supervised release, and mandatory restitution.

Wire Fraud Conspiracy, in violation of Title 18 U.S.C. § 1349; term of custody including 20 years in prison, \$250,000 fine, and 3 years of supervised release, and mandatory restitution.

Falsely Making a Writing to Obtain Money From the United States, in violation of Title 18 U.S.C. § 495; term of custody including 10 years in prison, \$250,000 fine, 3 years of supervised release, and mandatory restitution.

AGENCIES

U.S. Department of Agriculture, Office of Inspector General

Federal Bureau of Investigation

Topic(s):

Press Release Number:

Financial Fraud

CAS18-0208-Osborne

Component(s):

USAO - California, Southern

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