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Monday, September 17, 2018

Father and Son Sentenced to Prison for Million-Dollar Fraud

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

NEWS RELEASE SUMMARY – September 17, 2018

SAN DIEGO – A father and son who fraudulently won over \$4 million of federal contracts using false financial statements and other lies were sentenced to prison today and ordered to pay over \$1 million in restitution. The father also admitted to stealing more than half a million dollars from his consulting clients, and then using some of the laundered money to close escrow on a Rancho Santa Fe mansion.

U.S. District Judge Roger T. Benitez sentenced Joseph Glenn Osborne, Sr., 68, to 57 months in prison for wire fraud and participating in a wire fraud conspiracy with his son and codefendant, Joseph Glenn Osborne, II, 31. Osborne, II was sentenced to 12 months for falsely making a writing to obtain money from the United States.

In handing down the sentence, Judge Benitez told the father it appeared he'd "made a life out of lying and cheating."

In his plea agreement, Osborne, Sr. admitted that he stole \$588,489 from three different small businesses that had hired him as a consultant for securing federal contracts. According to court documents and his own admissions, Osborne, Sr. promised to help the victims get contracts with the U.S. Department of Agriculture (USDA). Osborne, Sr. then misused his position as their agent to change banking information in an online government system, so when USDA paid on his clients' contracts, Osborne, Sr. diverted the funds to his own accounts.



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According to his plea agreement, Osborne, Sr. laundered some of the stolen money and used it to make a down payment on a \$2.7 million mansion in Rancho Santa Fe, California. Osborne, Sr. then forged a pair of emails to conceal the source of the money by falsely claiming that it was an early retirement withdrawal from his government benefits account. In fact, according to court filings, Osborne, Sr. had no such account; the agency he impersonated did not actually exist; and he had simply altered an email from a real government employee.

In 2013, after Osborne, Sr.'s clients terminated him, 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 that substantially overstated WWC's financial health. For example, the statements fraudulently converted WWC's 2013 year-end cash position from a \$5,546 shortfall to a \$37,954 surplus.

The Osbornes also falsely certified 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 all federal contracting from November 2013 to October 2016, due to conduct at his prior business, Global Health & Safety.

As a result of its fraud, 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, however, 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 and luxury hotel stays, and thousands more for escrow and renovating expenses for Osborne, Sr.'s new personal residence.

After their contracts were terminated, 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, falsely claiming his father was a retired colonel in the Marine Corps. Osborne, II also supplied a variety of falsified tax returns to the SBA for himself and WWC, including an altered tax return that converted his real \$14,870 tax liability into a fake \$5,427 tax overpayment.

In addition to their prison terms, each defendant was ordered to pay restitution to their victims in the amounts of approximately \$1.7 million for Osborne, Sr. and \$1.5 million for Osborne, II.

“Government contracting depends upon the basic integrity and honesty of the people who seek to do business with the United States,” said U.S. Attorney Adam L. Braverman. “We will investigate and prosecute white collar criminals who think that they can manipulate the contracting system and enrich themselves through lies and deception.”

FBI Special Agent in Charge John Brown said, “The FBI and our partner at USDA-OIG uncovered repeated deceit, theft and fraud by the Osbornes. Today, the personal greed and self-promotion ended with a federal sentence of custodial time and \$1.7 million ordered in restitution to the victims. The American taxpayers and their government

proliferation of sexual exploitation crimes against children.

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funded programs deserve the dogged pursuit of justice exemplified by this case.”

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.”

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

Osborne, Sr.: 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.

Osborne, Sr.: 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.

Osborne, II: 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):
Financial Fraud

Press Release Number:
CAS19-0917-Osborne

Component(s):
USAO - California, Southern

Updated September 17, 2018

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