

FILED

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS
SPRINGFIELD DIVISION**

NOV 10 2016

CLERK OF THE COURT
U.S. DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA,)	COPY	
)		
Plaintiff,)		Cause No. 16- <u>30061</u>
)		18 U.S.C. § 1341
v.)		18 U.S.C. § 1343
)		18 U.S.C. § 641
AARON J. SCHOCK,)		18 U.S.C. § 2
)		18 U.S.C. §§ 1001(a)(2), (c)(1)
Defendant.)		18 U.S.C. § 1519
)		26 U.S.C. § 7206(1)

INDICTMENT

THE GRAND JURY CHARGES:

**COUNTS 1-8
18 U.S.C. § 1343
(Wire Fraud)**

I. The Defendant

1. Defendant Aaron J. Schock (Schock) was a resident of Peoria and a graduate of Bradley University with a degree in Finance. From 2004 to 2008, he was a Representative in the Illinois House of Representatives and in 2008 was elected to the U.S. House of Representatives (House) as a Representative for the 18th Congressional District of Illinois. The 18th Congressional District is within the Central District of Illinois. Defendant Schock was reelected in 2010, 2012, and

2014. He maintained District Congressional offices in Peoria, Springfield, and Jacksonville, Illinois and a Congressional Office and an apartment in Washington, DC.

II. Background

A. Members of Congress Are Prohibited From Using Their Official Positions for Personal Gain

2. The House Ethics Manual recognizes that “public office is a public trust.” To uphold this trust, Members of Congress were subject to various federal laws, House rules, and standards of conduct, and were prohibited from using their official positions for personal gain.

B. Operation of Congressional Office: Members’ Representational Allowance

3. In their official capacity as Members of Congress, each Member, including Defendant Schock, exercised almost complete authority and autonomy over the hiring of personnel for his Congressional office (often called “staffers”) and the spending of funds to support that office.

4. During each session of Congress, each Member of Congress was allocated funds to allow the Member to run his or her office and to perform and support their official and representational duties, both in Washington as well as in the district from which each Member is elected. This appropriation or

allocation of funds was called the “Members’ Representational Allowance” or simply, the “MRA.”

5. The MRA was funded through fiscal year appropriations and authorized annually by the House of Representatives Committee on House Administration. During each year Defendant Schock was in Congress, each Member’s budget was in excess of \$1,000,000 per year and was not transferable between legislative years, so any balance did not carry over to the next year. The Chief Administrative Officer (CAO), through the House Finance Office, accounted for this fund, and the Clerk of the House published a quarterly Statement of Disbursements, which listed the MRA expenditures of each Member.

6. The proper uses of federal funds under MRA were set forth in regulations, which were published by the Committee on House Administration and contained within a Members’ Congressional Handbook (Handbook). In addition to House regulations, and since the MRA consists solely of federal funds, federal law also governed the use of these funds, including Title 18, United States Code, Section 641, which prohibits any person from embezzling, stealing, or converting to personal use any money or thing of value of the United States, and Section 1001(a), which prohibits any person from making any

materially false or fraudulent statement or representation in connection with a claim for payment or a document required by law, rule, or regulation to be submitted to the Congress or any office or officer within the legislative branch.

7. Among the rules and regulations contained in the Handbook relevant to the MRA were the following:

a. Ordinary and necessary expenses incurred by the Member or the Member's employees in support of the conduct of the Member's official and representational duties to the district from which he or she is elected are reimbursable in accordance with the regulations contained in the Handbook.

"Ordinary and necessary" means reasonable expenditures in support of official and representational duties to the district from which he or she is elected that are consistent with all applicable federal laws, Rules of the House of Representatives and regulations of the Committee on House Administration.

b. To be reimbursable with federal funds under the MRA, the primary purpose of the expense must be official and representational and incurred in accordance with the Handbook. Specifically:

- The MRA may only be used for official and representational expenses.
- The MRA may not be used to pay for any expenses related to activities or events that are primarily social in nature.

- The MRA may not pay for personal expenses.
- The MRA may not pay for political campaign expenses.
- The MRA may not pay for campaign-related political party expenses.
- Except where authorized by the Committee on Ethics, campaign funds may not pay for a Member's official and representational expenses.
- A Member may not maintain, or have maintained for his use, an unofficial office account for the purpose of defraying or reimbursing ordinary and necessary expenses incurred in support of a Member's official and representational duties.
- A Member may not accept from any private source in-kind support having monetary value for an official activity.
- Unless specifically authorized by an applicable provision of federal laws, House Rules, or Committee Regulations, no Member, relative of the Member, or anyone with whom the Member has a professional or legal relationship may directly benefit from the expenditure of the MRA.
- Each Member is personally responsible for the payments of any official and representational expenses incurred that exceed the provided MRA or that are incurred but are not reimbursable under (the regulations).

- Furniture is not reimbursable for the Washington DC, congressional office. In addition, only decorations of “nominal value” are reimbursable.

c. Disbursements (or payments) from the MRA are made on a reimbursement or direct payment basis and must be supported with specific documentation. To request a reimbursement or payment, each Member must provide a certification as to the accuracy of the charge and its compliance with applicable federal laws, House Rules, and Committee regulations. This certification is on a “voucher” that is submitted to the House Finance Office and contains the following:

I certify (1) that the above articles have been received in good condition and are of the quality and in the quantity above specified, or the services were performed as stated; (2) that they are in accordance with the orders therefore; (3) that the prices charged are just; (4) that they are for use in my office in the discharge of my duties; and (5) that these are true copies and will be the only submission for payment.

d. Reimbursements and payments from the MRA may be made only to the Member, the Member’s employees, or a vendor providing services to support the operation of the Member’s offices.

e. Ordinary and necessary expenses associated with “official travel” are reimbursable.

f. Official travel includes local travel and travel away from home overnight to conduct “official and representational duties.”

g. Living expenses and commuting expenses are not reimbursable. “Living expenses” include meals, housing, and other personal expenses incurred at the Member’s or employee’s residence or duty station. “Commuting expenses” are transportation expenses incurred by the Member or employee while commuting between their residence and duty station.

h. Members are required to file an annual Financial Disclosure Statement.

8. Official travel, paid for with the MRA, could not be for personal, campaign-related political party, or committee purposes. There is an “absolute prohibition” on the use of the MRA for reimbursement for “private travel.”

9. As part of the restriction of using government funds for political activity, “official” travel could not originate from or terminate at a campaign event. Furthermore, official travel could not be combined with or related to travel or travel-related expenses paid for with campaign funds.

10. The Government Travel Card was available for a Member and his employees for use for official travel only. Use of the Government Travel Card “for any personal or non-official purchases is prohibited.”

11. The costs of transportation by a Member or employee using a “privately owned” or “privately leased” vehicle while on official and representational business was reimbursable on a per mile basis. Gasoline purchased for privately owned vehicles is not reimbursable.

12. Each Member was an employing authority for their office; the Member determined the terms and conditions of employment and service for their staff within the regulations set by the government. The terms and conditions must be consistent with applicable federal laws and House Rules. A Member may not retain an employee on the Member’s payroll who does not perform official duties commensurate with the compensation received for the offices of the employing authority.

C. Federal Campaign Funds

13. The Federal Election Campaign Act of 1971, as amended, Title 52, United States Code, Sections 30101, *et seq.*, (Election Act) applied to the election of candidates for federal office, including the Office of U.S. Congressman, and provides, in part, as follows:

a. The Election Act required the authorized campaign committee of a candidate for federal office to accurately report certain donations and expenditures by that committee to the Federal Election Commission (FEC), an

agency of the United States government with jurisdiction to enforce the Election Act.

b. The Election Act required the FEC to publicly report accurate information provided by the campaign committees.

c. The Election Act, federal regulations, and House rules prohibited the use of campaign funds for personal use.

14. Defendant Schock established three separate committees between August of 2007 and October of 2009: "Schock for Congress," "Schock Victory Committee," and "GOP Generation Y Fund" (hereinafter collectively referred to as "Committees"). At all times material to this indictment, Defendant Schock exercised authority and control over the hiring of staff for his political campaign committees as well as the expenditure of campaign funds on behalf of the campaigns.

15. Defendant Schock's principal campaign committee, Schock for Congress (SFC), was established on August 15, 2007, and was the main vehicle used to fund his personal campaigns for Congress. The Statement of Organization filed with the FEC listed its principal address to be P.O. Box 10555, Peoria, IL. SFC maintained bank accounts at CEFCU, Peoria, IL, and SunTrust, Atlanta, GA. The FEC filing also listed "Mr. Aaron Jon Schock" as the "Name of

Candidate,” and identified its treasurer as located in Peoria and a successor treasurer as located in Athens, GA. Defendant Schock was an authorized signatory on the SFC bank account.

16. Defendant Schock also established a Joint Fundraising Committee named “Schock Victory Committee” (SVC) on or about October 20, 2009. Joint Fundraising Committees are typically set up to conduct fundraising activities on behalf of one or more other political committees or unregistered organizations. According to the FEC filings, SVC conducted fundraising activities on behalf of SFC, Gen Y, and others. As of February 2015, SVC listed an address of P.O. Box 9058, Peoria, IL, with a bank account at CEFCU, Peoria, IL. SVC identified its treasurer as being located in Athens, GA.

17. Defendant Schock established a leadership PAC (Political Action Committee) named “GOP Generation Y Fund” (Gen Y) on April 3, 2008, with the stated purpose to support candidates (not himself) for various federal and nonfederal offices. The Statement of Organization for Gen Y filed with the FEC listed P.O. Box 9055, Peoria, IL as its address with bank accounts at CEFCU, Peoria, IL, and SunTrust, Atlanta, GA. It further listed “Mr. Aaron Jon Schock” as the “Name of Any Connected Organization, Affiliated Committee, Joint

Fundraising Representative, or Leadership PAC Sponsor.” It also listed its treasurer as located in Peoria and a successor treasurer as located in Athens, GA.

III. The Scheme to Defraud

18. Beginning as early as 2008, and continuing to at least October 2015, in the Central District of Illinois, and elsewhere, the defendant,

AARON J. SCHOCK,

knowingly, and with the intent to defraud, devised and participated in, and caused others to participate in, a scheme and artifice to defraud the United States of America, Schock’s Committees (SFC, SVC, and Gen Y), and others and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises, and omissions.

A. The Goal of the Scheme

19. The main goal of the scheme to defraud and to obtain money and property was for Defendant Schock to enrich himself, and others, at his discretion, by embezzling, stealing, misapplying, and converting without authority public funds from his MRA and funds from his various Committees for his own direct personal benefit and for the direct personal benefit of others with whom he had a professional or personal relationship.

B. Manner and Means of the Scheme

Fraudulent Mileage Reimbursements

20. Prior to and following his election to Congress, Defendant Schock owned a 2005 GMC Envoy. In November 2009, while a Member of Congress, he purchased a 2010 Chevrolet Tahoe for approximately \$56,483, which he financed through GMAC. He had a monthly car payment of approximately \$1,134.10.

21. As part of the scheme, Defendant Schock repeatedly submitted and caused to be submitted false and fraudulent mileage reimbursement claims to the House and to his various Committees for reimbursement of “official” and “campaign-related” travel that substantially exceeded the amount of the actual travel, and that even substantially exceeded the overall total number of miles the vehicle was actually driven.

22. As part of the scheme, and despite House and FEC standards that required documentation of the actual number and nature of official and campaign-related miles driven, Defendant Schock repeatedly submitted and, through his Congressional and campaign staffs, repeatedly caused to be submitted, materially false and fraudulent mileage reimbursement claims to the House and to his Committees that contained false or intentionally incomplete

documentation of the amount and nature of the mileage for which he sought payment.

23. As part of the scheme, Defendant Schock directed and caused employees on his Congressional staff to submit materially false and fraudulent mileage vouchers to the House, with little or no documentation, including directing staff members to cause his mileage reimbursements to average approximately \$1,200 per month, which was enough to cover his car payment, but to vary it each month so as to not make it "obvious."

24. In addition, and during the same time period in which he was receiving fraudulent mileage reimbursements from the House, Defendant Schock repeatedly submitted false and fraudulent mileage reimbursement claims to members of his campaign staff for payment by his Committees to him. Finally, during the same time period in which he was receiving fraudulent mileage reimbursements from the House and his Committees, Defendant Schock also caused the House and his Committees to pay for various fuel expenditures, totaling as much as approximately \$7,000 for the years 2008 to 2014.

25. In 2008, Defendant Schock was a member of the Illinois House of Representatives and received mileage reimbursements from the Illinois House and was also a candidate for U.S. Representative. As part of the scheme, and

from as early as 2008, and continuing to about October 2014, Defendant Schock repeatedly submitted and caused to be submitted false and fraudulent claims for mileage reimbursements to the House and his Committees, which resulted in approximately \$86,352.59 in total payments to him from the House and approximately \$52,310.54 in total payments from his Committees, for total mileage payments of approximately \$138,663.13.

26. As part of the scheme, and even assuming all of the miles driven on Defendant Schock's vehicles were official and campaign-related miles, and absolutely no personal miles were driven at all during this period of time, Defendant Schock caused the House and his Committees to reimburse him for approximately 150,000 miles more than the vehicles for which he sought reimbursement were actually driven.

27. As a further part of the scheme, in July 2014, Defendant Schock traded-in his personal 2010 Chevrolet Tahoe and purchased a new 2015 Chevrolet Tahoe. In doing so, he paid for the 2015 Tahoe with SFC funds, but caused the 2015 Tahoe to be titled in Defendant Schock's name. Despite this, on or about August 14, 2014, Defendant Schock caused SFC to issue him a mileage reimbursement check for \$9,433.20, and on or about September 3, 2014, Defendant Schock caused Gen Y to issue him a mileage reimbursement check for

\$8,921.36. Additionally, he made no effort to reimburse SFC for any personal use of the 2015 Tahoe, as required by the FEC. Finally, Defendant Schock caused two additional and false mileage reimbursement claims to be submitted to and paid by the House for \$1,150 and \$1,218.

28. As part of the scheme and to conceal and cover it up, Defendant Schock caused his Committees, SFC and Gen Y, and their treasurer to file false reports with the FEC, falsely reporting the payments to Defendant Schock as actual "mileage reimbursement" expenses.

Fraudulent Claims for Reimbursement for the Purchase of Camera Equipment

29. As part of the scheme, Defendant Schock fraudulently caused the House to reimburse him for his purchase of \$29,021.45 in camera equipment from B & H Photo in New York for his use and the use of a Congressional and campaign staff member, who was also Defendant Schock's personal photographer and videographer.

30. Specifically, on or about September 1, 2014, Defendant Schock hired an individual to work on Defendant Schock's Congressional and campaign staff, including to do work as his personal photographer and videographer. Within weeks of that hiring, on or about September 24, 2014, Defendant Schock, his Political Director, and the staff member ordered and purchased, during an

interstate telephone call, camera equipment from B & H Photo in New York at a cost of \$29,021.45. The equipment was paid for using Defendant Schock's personal credit card, and shipped via UPS, Next Day Air, from B & H Photo in New York, to Schock's Congressional Office in Peoria.

31. On or about November 7, 2014, and after payment for the camera equipment on Defendant Schock's credit card became due, Defendant Schock instructed the staff member to create and submit to Defendant Schock's Congressional office a false invoice for "multimedia services" in the amount of \$29,021.45, the exact cost of the camera equipment. Following Defendant Schock's instruction, the staff member created an invoice, falsely reflecting "Multimedia Services" in the amount of \$29,021.45 provided to "Aaron Schock, 100 NE Monroe, Suite 100, Peoria, Illinois 61602," which was the address of Schock's Congressional Office in Peoria. The invoice listed these services as being performed between the dates of September 1, 2014, to December 27, 2014, a time period that had not yet fully occurred, and one that followed the hiring of the staff member as a federal employee. Defendant Schock caused this invoice to be sent via an interstate email communication from the staff member in Peoria to Defendant Schock.

32. On or about November 10, 2014, Defendant Schock sent an interstate e-mail communication to the staff member, further instructing him to “change the project date to August 1, 2014, through October 31, 2014 [a]nd send back to me ASAP!” This period still included time during which the staff member was a federal employee. The staff member again followed Defendant Schock’s instruction, and submitted an additional false invoice, which Defendant Schock then forwarded to his Executive Assistant in Washington DC, and instructed the Executive Assistant to “get this paid ASAP.”

33. On or about November 12, 2014, Defendant Schock’s Executive Assistant in Washington sent an interstate email communication to the Congressional and campaign staff member, instructing him to submit a third “invoice for the dates 07/01/2014 to 08/31/14,” which was for a period during which the staff member was not a federal employee and might be represented to have been a contractor or vendor with Defendant Schock’s Congressional office. The staff member again complied, and submitted the revised invoice via an interstate e-mail communication to Defendant Schock’s Executive Assistant in Washington DC.

34. On or about November 12, 2014, Defendant Schock caused his Executive Assistant to submit a voucher to the House, for payment to the staff

member through Defendant Schock's MRA account, and to attach the third-revised invoice, falsely representing that the services provided by the staff member were "Web Dev, HST, EMAIL & RLTD SERV." Despite the fact that the staff member never provided such services, Defendant Schock caused the voucher to be submitted under his name and certified as accurate.

35. As part of the scheme, and based on the representations in the false voucher and accompanying invoice Defendant Schock caused to be submitted to the House, the House authorized a payment of \$29,021.45 in federal funds on or about December 15, 2014, to the staff member. The funds were later deposited in the staff member's bank account, and later used by the staff member to make direct payments to Defendant Schock's personal credit card account for the purchase of the camera equipment.

Purchase of Vehicle for District Office Chief of Staff

36. As a further part of the scheme, on or about September 12, 2014, Defendant Schock caused SFC, his principal campaign committee, to purchase a 2014 Ford Fusion for \$27,533.41 for his District Chief of Staff in Peoria, and to pay for the District Chief of Staff's fuel, insurance, and car rental expenses, knowing that it would be used for few, if any, campaign events. At no time was the

District Chief of Staff an employee of SFC. As a result, Defendant Schock caused a loss to SFC.

a. On or about September 1, 2014, Defendant Schock hired a friend as his District Chief of Staff in Peoria. As part of the hiring, Defendant Schock committed that he would provide a car to the individual, despite the fact that federal law and FEC guidelines prohibit the use of campaign funds for personal use.

b. To conceal and cover up his actions, Defendant Schock caused SFC to file a report with the FEC, falsely representing the car purchase as a “transportation expense” of SFC.

November 2014 trip to Chicago Bears Game

37. In or about November 2014, Defendant Schock was offered several skybox tickets for a Chicago Bears football game in Chicago at no cost to himself. He invited others, including two staff members, to attend the game with him. Defendant Schock then hired the pilot of a private plane to fly the group from Peoria to Chicago.

38. Following their arrival in Chicago, Defendant Schock, his staffers, and the pilot traveled by Uber to a Chicago restaurant for dinner and then rented five hotel rooms. The next day, the group attended the football game in the

skybox, returned to the airport, and were flown by the pilot back to Peoria. The total costs for the weekend trip were approximately \$3,293.96.

39. As part of the scheme, Defendant Schock caused the House, through the use of his government travel card, submission of false vouchers for payment on the travel card, and direct payment to the pilot to pay for the flight expenses of \$1,190, pilot meal expenses of \$47, and Uber expenses of approximately \$248 for the Chicago trip with federal funds, as if they were legitimate expenses of his official office.

40. As a part of the scheme, Defendant Schock caused SVC, through payment to his personal credit card, to pay for the restaurant expense of \$1,271.41 and hotel expenses of \$536.95 for the Chicago trip with campaign funds, as if they were legitimate campaign expenses.

41. As a part of the scheme and to conceal and cover it up, Defendant Schock caused SVC to file a false report with the FEC, falsely representing that the expenses associated with the Chicago trip were for "JFC [Joint Fundraising Committee] Event Catering" and "JFC Lodging" expenses, as if they were legitimate campaign-related expenses.

Other Private Airplane Expenses

42. Defendant Schock repeatedly used the services of a private airplane and helicopter and private pilot at a much greater cost rather than fly on a commercial airline. He then paid for the cost of these trips, including personal trips, with federal funds or campaign funds or not at all.

43. As a further part of the scheme, Defendant Schock used campaign funds of SFC and SVC to pay part of a personal vacation travel expense. In or about August 2013, he arranged to meet a friend at Dulles airport in Washington, D.C., where they departed for a personal vacation, booked through American Express Travel, in Europe. Because of delays in the commercial flights from Peoria, Defendant Schock was at risk of missing a connecting flight to D.C., so he retained the services of a private aircraft company to fly him to Dulles airport at a cost of \$8,054.42. He later instructed his political director to pay this expense, split between SFC and SVC funds, even though the expense was purely personal and for his own convenience.

44. As a part of the scheme and to conceal and cover it up, Defendant Schock caused SFC and SVC to file false reports with the FEC, falsely representing that the travel expense associated with this flight was for

“Transportation” and “JFC Airfare” expenses, as if it were a legitimate campaign-related expense.

Super Bowl and World Series Tickets

45. Prior to entering Congress, Defendant Schock periodically earned money as a ticket broker. While in Congress, and between 2009 and 2013, Defendant Schock purchased tickets for the Super Bowl and World Series, which he then resold for a profit. For example, in 2009, Defendant Schock purchased six World Series tickets for \$900, which he then sold for \$2,100, making a profit of \$1,200. In 2011, Defendant Schock purchased 16 World Series tickets for \$4,800, which he then sold for \$7,200, making a profit of \$2,400. In 2012, Defendant Schock purchased four Super Bowl tickets for \$3,625, which he then sold for \$16,250, making a profit of \$12,625. In 2013, Defendant Schock purchased four Super Bowl tickets for \$3,825, which he then sold for \$6,400, making a profit of \$2,575. In 2013, Defendant Schock purchased 24 World Series tickets for \$6,200, which he then sold for \$9,825, making a profit of \$3,625.

2014 Super Bowl Tickets

46. As part of the scheme, in January 2014, Defendant Schock purchased four Super Bowl tickets for \$10,025 and caused SVC to pay for such tickets by an electronic payment from SVC’s bank account in Peoria to Defendant Schock’s

personal credit card account. As part of the scheme, Defendant Schock thereafter sold the tickets to a ticket broker in California for \$12,000, making a profit of \$1,975. He then kept the entire \$12,000 from the sale of the tickets as profit without reimbursing SVC for the cost.

47. As part of the scheme, and to conceal and cover it up, Defendant Schock caused SVC to file a false report with the FEC, falsely representing the purchase of the Super Bowl tickets, which Defendant Schock personally sold for a profit, as "JFC [Joint Fundraising Committee] Event Tickets."

2015 Super Bowl Tickets

48. As part of the scheme, in January 2015, Defendant Schock caused a staff member to purchase four Super Bowl tickets for \$10,050, two in the name of Defendant Schock and two in the name of another individual.

49. As part of the scheme, and similar to 2014, Defendant Schock caused one of his Committees, this time SFC, to pay for the tickets by personally writing "SFC fundraising" next to the charges for the tickets on his credit card account statement. He thereafter sold the tickets to a ticket broker for \$18,000, making a profit of \$7,950, and resulting in a total benefit to Defendant Schock of \$18,000.

50. As part of the scheme and to conceal and cover it up, and only after the initiation of media scrutiny of his House and campaign expenditures and