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Another Morgan Management Employee Pleads Guilty for His Role In Multi-Million Dollar Fraud Scheme

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BUFFALO, N.Y. - U.S. Attorney James P. Kennedy, Jr. announced today that Scott Cresswell, 52, Ionia, NY, pleaded guilty before U.S. District Judge Elizabeth A. Wolford to conspiracy to commit wire fraud. The charge carries a maximum penalty of 20 years in prison and a \$5,994,639.86 fine.

Assistant U.S. Attorneys John D. Fabian and Douglas A.C. Penrose, who are handling the case, stated that between March 2017 and April 2018, the defendant was the Chief Operating Officer for Morgan Management, LLC. During that time, Cresswell conspired with others, under the direction of Robert Morgan and others, fraudulently to obtain insurance policy proceeds for repairs on properties managed by Morgan Management, LLC.

On March 27, 2017, Cresswell received an executed copy of a \$2,500,000 contract for the cost of repairs at the Summerwood Apartments in Merrillville, Indiana. However, in May 2017, the defendant or other members of the conspiracy caused a false and inflated contract totaling \$3,236,519, a false invoice, and a false and inflated lien waiver for repairs at the Summerwood Apartments to be sent to an insurer.

Similarly, from March to May 2017, Cresswell conspired with others to present false and inflated contracts and invoices to insurers in connection with repairs at the Eden Square Apartments in Cranberry Township, Pennsylvania. Despite being aware that repairs at the property were being completed for \$174,999, the defendant or others sent inflated documents to insurers reflecting repair costs of \$263,013.57.

In addition, from June 2017 to January 2018, Cresswell conspired with others to present false and inflated contracts and invoices to insurers in connection with repairs on 34 properties in and around Rochester after a windstorm that occurred in March 2017. On August 1, 2017, the defendant learned that, as of that date, the anticipated cost of the repairs was approximately \$3,650,000. However, Cresswell and other members of the conspiracy planned to bill insurance companies at least \$5,860,000. The profit to Morgan Management for this scheme to defraud was approximately \$2,210,000. Cresswell admitted that, at Robert Morgan's direction, he encouraged and instructed others to "grind the best you can" to get the profit for the repair work up to \$2,500,000.

As a result of the false and inflated documents presented by the defendant and others, which included repairs at the Summerwood Apartments, Eden Square, and at the 34 properties impacted by the March 2017 windstorm, the total loss was \$2,997,319.93.

“With the defendant’s plea today, this Office, with our partners at the FBI and FHA, have peeled back yet another layer in this extensive fraud scheme,” noted U.S. Attorney Kennedy. “Our efforts will not cease until the entirety of the fraudulent scheme is exposed.”

Today’s plea is the result of an investigation by the Federal Bureau of Investigation, under the direction of Special Agent-in-Charge Gary Loeffert, and the Federal Housing Finance Agency, Office of Inspector General, under the direction of Special Agent-in-Charge Robert Manchak, Northeast Region.

Sentencing will be scheduled at a later date before Judge Wolford.