



# Department of Justice

**United States Attorney Andrew Murray  
Western District of North Carolina**

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**U.S. ATTORNEY ANNOUNCES THE CLOSING OF AN INVESTIGATION AFTER  
LAST DEFENDANT INVOLVED IN UNEMPLOYMENT INSURANCE  
BENEFITS SCHEME IS SENTENCED TODAY**

ASHEVILLE, N.C. – U.S. District Judge Martin Reidinger sentenced late today Diane McKinny, 66, of Rutherfordton, N.C., to three years of probation, ten months of which she will spend in home confinement, for her role in an unemployment benefits scheme while working as a payroll clerk and corporate secretary for Diverse Corporate Technologies, Inc. (DCT), announced U.S. Attorney Andrew Murray.

In July 2017, the United States Attorney’s Office issued a statement acknowledging the opening of a federal criminal investigation into alleged criminal activities of certain members of the Word of Faith Fellowship (WoFF). As a result of the investigation, in addition to McKinny, her co-conspirator, Marion “Kent” Covington, was previously sentenced to 34 months in prison for orchestrating the fraudulent scheme. Two other WoFF members, Dr. Jerry Gross and Jason Lee Gross, received probationary sentences for executing a similar unemployment benefits scheme at the Foot & Ankle Center of the Carolinas, P.A., a podiatry clinic located in Forest City, N.C. At today’s sentencing hearing, Judge Reidinger ordered McKinny to pay \$466,960.30 as restitution, jointly and severally with Covington, Dr. Jerry Gross and Jason Lee Gross.

In making today’s announcement, U.S. Attorney Murray said, “I want to thank Homeland Security Investigations, the Office of Inspector General of the Department of Labor, and the SBI for their outstanding investigation of this matter. I also want to thank Rutherford County District Attorney Ted Bell for his continued coordination and assistance throughout this investigation. Following an exhaustive review and evaluation of all of the available information, the United States Attorney’s Office has concluded its investigation into this matter.”

“Diane McKinny conspired with her co-defendant to defraud the State of North Carolina in an unemployment insurance (UI) fraud scheme by placing DCT’s employees on UI benefits while those employees continued to work at the business in excess of program eligibility requirements. We will continue to work with our law enforcement partners to protect the integrity of the UI system from those who exploit these benefit programs,” said Rafiq Ahmad, Special Agent-in-Charge, Atlanta Region, U.S. Department of Labor Office of Inspector General.

“Unemployment insurance benefits are intended as a safety net for the state’s residents who truly find themselves out of work. Thanks to the investigative work of our law enforcement partners, we were able to expose the benefit fraud committed by this defendant,” said Ronnie Martinez, Special Agent in Charge of HSI Charlotte.

“While it takes coordination to pull off a fraud scheme like this one, it takes even greater coordination to investigate and prosecute individuals who think it’s okay to take advantage of North Carolina taxpayers. I am grateful for the work of our agents, Homeland Security Investigations Charlotte, the Department of Labor - Office of the Inspector General and U.S. Attorney Murray in working together to ensure justice is served,” said SBI Director Robert Schurmeier.

According to court documents filed in this and related cases and statements made in court, Covington was the president, owner, and registered agent of DCT, a plastics manufacturing company located in Rutherford County, N.C., where McKinny was employed. In late 2008, DCT was struggling financially. Covington, with the assistance of McKinny, orchestrated a scheme to defraud the State of North Carolina by placing DCT employees on Unemployment Insurance Benefits (UI Benefits) while those employees continued to work at DCT in excess of what was permitted by the program eligibility requirements. The scheme allowed DCT to reduce the cost-of-labor component of its cost-of-goods-sold, thereby increasing its net profitability.

According to court records, in November or December 2008, in order to accomplish the scheme, Covington “laid off” nearly all of the employees at DCT. Some employees were provided with separation notices and were instructed on how to file their own claims for UI Benefits. Those employees received UI Benefits based on their asserted “totally unemployed” status. Next, as court records show, Covington called a business meeting at DCT and informed the remaining DCT employees that the company could no longer afford to pay their wages, and that they therefore would be placed on UI Benefits, but that Covington expected the employees to continue to work at DCT, just as they had before they were laid off, in order to help the business survive. Around the same time, McKinny filed claims for UI Benefits on behalf of the employees whom Covington had required to continue working at DCT while they received UI Benefits. In filing the necessary information for UI Benefits, McKinny certified the claimants’ initial and continuing eligibility to receive those benefits.

At Covington’s direction, at least five of the employees for whom McKinny made claims for UI Benefits then continued to work at DCT on a full-time or near-full-time basis while collecting UI Benefits every week. Through the operation of the scheme outlined above, the co-defendants obtained more than six months of free labor for DCT, paid for by the government, instead of by the business itself.

By September 2009, other businesses run by members of the Word of Faith Fellowship, the church community with which Covington and McKinny were affiliated, were facing their own financial struggles related to the economic downturn. Court records show that Covington, McKinny, and others began to promote the scheme that they had devised at DCT to those businesses, and several additional businesses implemented versions of the scheme. In total, between November 2008 and March 2013, these various implementations of the scheme resulted in well over \$250,000 in fraudulent claims for UI Benefits.

In making today's announcement U.S. Attorney Murray commended the Department of Labor, Office of Inspector General, Homeland Security Investigations, and the SBI for their thorough investigation of this case.

Assistant U.S. Attorney Daniel Bradley, of the U.S. Attorney's Office in Asheville, prosecuted the cases related to this investigation.

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