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Department of Justice

U.S. Attorney's Office

District of Alaska

FOR IMMEDIATE RELEASE

Friday, March 1, 2019

Fairbanks Man Sentenced to Prison for Misapplying over \$300,000 from Organization Receiving Federal Funds

Anchorage, Alaska – U.S. Attorney Bryan Schroder announced today that a Fairbanks man has been sentenced to federal prison for willfully misapplying over \$300,000 from an organization receiving federal funds, among other offenses.

David Michael McGraw, 39, of Fairbanks, was sentenced today by U.S. District Judge Ralph R. Beistline, to serve 18 months in prison, followed by two years of supervised release. In October 2018, McGraw pleaded guilty to one count of misapplication from an organization receiving federal funds, and one count of making and subscribing a false return. McGraw paid restitution in full to the Yukon River Inter-Tribal Watershed Council prior to sentencing, and was also ordered to pay \$40,604 in restitution to the IRS.

According to court documents, from 2010 to 2014, McGraw was the Finance Director for the Yukon River Inter-Tribal Watershed Council ("Watershed Council"), a nonprofit corporation formed to improve and preserve the water quality of the Yukon River and its watershed. During McGraw's employment as the Financial Director, the organization received over \$3.5 million in federal grant funds to address health, environmental and safety issues. The investigation revealed that McGraw intentionally misapplied approximately \$315,000 from the Watershed Council for his personal benefit including, among other things, the purchase of an airplane, maintenance on the airplane, flight school for himself, the purchase of real estate, more than a dozen firearms, and online pornography fees.

The investigation further revealed that McGraw created two sham corporations to hide his embezzlement. Specifically, he intentionally misapplied funds by diverting money from the Watershed Council to two corporations set up at his direction – Clear Skies Aviation LLC and Interior Rentals LLC. McGraw used the money he diverted to these corporations to conceal the purchase of an airplane and real estate for himself using Watershed Council funds. Additionally, for the years 2011 to 2013, McGraw knowingly filed false personal income tax returns, which failed to disclose the business income he received from his criminal activity.

The IRS-Criminal Investigation (IRS-CI) and the Federal Bureau of Investigation (FBI), with assistance from the Environmental Protection Agency, Office of Inspector General (EPA OIG) and the National Science Foundation, Office of Inspector General ("NSF OIG"), conducted the investigation leading to the indictment in this case. This case was prosecuted by Assistant U.S. Attorney Aunnie Steward.

Topic(s):Financial Fraud
Tax**Component(s):**[USAO - Alaska](#)

Updated March 1, 2019