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Funeral homes' CFO arrested for fraud

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The president and CFO of a now-defunct prearranged funeral services company was arrested this morning on fraud and money laundering charges and accused of a 10-year, multi-million dollar scheme, federal prosecutors said.

Randall Sutton, 63, of Chesterfield, was indicted yesterday and arrested this morning on six felony counts of mail fraud, one felony count of money laundering, and two felony counts of wire fraud.

Sutton was president and CFO of National Prearranged Services, Inc. of Clayton and director of two Austin, Texas life insurance companies, Memorial Service Life Insurance Company and Lincoln Memorial Life Insurance Company.

NPS sold prearranged funeral services in 19 states, either direct to consumers or through funeral homes, then purchased life insurance to fund the eventual funeral expenses.

Essentially, the company took money upfront and told the customer that the money would be in trust and was guaranteed to be able for all of their eventual funeral services, prosecutors said.

The indictment alleges that beginning in 1998, Sutton and unnamed others took money belonging to NPS, Lincoln Memorial, customers and funeral homes and used that money for other, unspecified purposes.

Customers were never told that their money was at risk, finding out only when NPS and Lincoln Memorial were unable to meet their financial obligations and collapsed in 2008. NPS also created fake statements to cover up the scheme and lied to state investigators and funeral homes that became suspicious, the indictment says.

The frauds took a variety of forms, prosecutors say:

Customers who signed applications for life insurance policies and made full payment had their applications altered by NPS employees so that it appeared that they had only partially paid the expenses, prosecutors said. NPS pocketed the difference.

NPS also altered documents to remove the customer or their funeral home as beneficiary of the policies, instead inserting the NPS name.

Then NPS used those policies either to get \$65 million in loans without the customers' knowledge or converted those policies from whole life policies to renewable policies to extract more than \$40 million in cash, the indictment claims.

NPS also took money from accounts that was supposed to be invested and backed by insurance policies, and sent fake account statements to funeral homes to cover it up.

Sutton and others at NPS also siphoned off over \$50 million through promissory notes, the indictment says.

Sutton was not even properly licensed by the state. He had his secretary study for and take the test, the indictment says.

Sutton was indicted Thursday, the same day that a civil suit was filed in federal court here seeking to recover hundreds of millions from NPS, the two life insurance companies and Forever Enterprises, companies all controlled by the Cassity family of St. Louis.

In the indictment, over \$10 million of NPS money was allegedly used to purchase the Professional Liability Company of America, which is connected to RBT Trust II, a company allegedly also controlled by the family.

The indictment was suppressed until his arrest this morning by federal agents that may have included agents from the FBI, the IRS and the U.S. Postal Inspection Service. He is expected to appear this afternoon in U.S. District Court in St. Louis.

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