

Private Jet Diligence ... In the Age of Fraud!

Read the news today and one of the most prominent line items is the discovery of fairly obvious “Fraud” – Medicaid, Welfare, Hospice, Autism, SNAP – the government (which means all of us taxpayers) is being significantly defrauded. With Fraud being top of mind nowadays, this inspired me to write about a certain type of Fraud with respect to Private Jets. Fraud with Private Jets??? What in the world are you talking about?

Let’s explain. Private Jet Charter transactions are almost all \$35k at a minimum (and I am really lowballing it here). Most transactions end up being \$75k and above ... with half of them being over \$100k. Now imagine doing one of these transactions once a month, or even once a week, or once a day. High value transactions initiated frequently with consistent players. Ding Ding – ring the bell ... we’ve now got all the necessary ingredients needed for “kickbacks”.

So Rick – this sounds very circumstantial – what else is there? I’ve already talked about the ex-cons that own and operate so many of these brokerages – so there is certainly room for fraud on the supply side. In addition, this is where my own

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personal observations come in. I own and operate a private jet charter brokerage – which means I am always prospecting for new clients, calling new people at new companies – shmoozing, conversing, having dinners etc. etc. Whenever I meet with potential new clients - I go through my presentation regarding overall value, avoiding the criminals, avoiding jet card and fractional scams and avoiding price gougers. I offer that my company will undoubtedly get its clients the same jets with the same tail number and same pilot and same catering on the same schedule for a significant savings – typically several thousands of dollars per trip. I then ask the prospective client(s) to send me the flight details of their next trips and let me price them ... and then compare. I even say “don’t use me the first time” – keep flying with your current provider. Then send me the next trip and we’ll do it again – compare the prices ... and again – and don’t use me the second time.” I am patient – do it a third, fourth, fifth time. My only ask is that you be honest and let me know how much I “would have” saved you – and if I am actually overpriced – then tell me that too – all feedback is good feedback. What I am proposing has zero risk to the client and costs absolutely nothing (and takes almost no additional time – other than copying and pasting a trip itinerary and hitting send).

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Most of the people take me up on the offer – and eventually they will fly with me because it makes perfect logical sense – their company (or their own personal pocket) saves a significant amount of money. **Standard logical business 101 – offer the same or comparable service for significantly less than your competition – and you will eventually win the business.**

Occasionally, I'll get the response – “Sorry, we are perfectly happy with the company we are using now – don't care about saving any money. No thanks – dead stop – please leave.” I've now owned and operated RaynAir for almost 25 years (anniversary coming soon) – so I know many people – I know which companies are flying and I generally know what other companies are charging (within a hundred bucks ... so when I hear a person at a company tell me they are “perfectly happy” being overcharged \$40k, \$50k, \$60k or more (yes – I said \$40k to \$60k per trip) ... and still be “perfectly happy” ... one of four things is happening – 1) too embarrassed to admit they were victims, 2) too stupid/naïve, 3) fear of change ... or 4) kickbacks.

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I could write a whitepaper about each one of those elements (and will in the future) ... but this whitepaper is about fraud – so let’s put our focus in that direction – kickbacks. (Yes – I’m going into the abyss).

Let’s hypothetically say it is you – you are the person on the other end of the kickbacks (no accusations or negative insinuations here – just purely hypothetical – I promise I’m trying to help).

So I googled the question: “is taking a kickback a type of fraud?” ... and I got the following result:

Yes, taking a kickback is widely classified as a type of fraud. It involves an illegal, undisclosed payment made in exchange for preferential treatment, steering business, or improper services.

Why Kickbacks Are Considered Fraud

Kickbacks fall under the fraud umbrella for a few key reasons:

- **Breach of Fiduciary Duty:** An employee or official is paid to make unbiased decisions for their employer or the public, but the kickback creates a hidden conflict of interest where they act for personal gain.
- **Concealment:** The exchange is deliberately kept hidden from the employer, clients, or taxpayers.
- **Falsification of Records:** Invoices, contracts, and billing records are often inflated or falsified to hide the illicit payment.

Where It Is Prosecuted

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Initiating, offering, or accepting a kickback is a serious crime that can lead to heavy fines, civil penalties, and imprisonment.

- **Healthcare:** The federal [Anti-Kickback Statute](#) (AKS) makes it a felony to exchange anything of value to induce referrals for services paid by federal programs like Medicare.
- **Government Contracts:** Kickback schemes involving public funds violate the False Claims Act, categorizing the act as a direct fraud against taxpayers.
- **Private Sector:** Kickbacks often result in criminal charges for commercial bribery, honest services fraud, or wire fraud.

So yes – taking a kickback has ramifications. Yeah Rick – who cares – I make a lot of cash money / event tickets / high end dinners / free trips / escorts / free stuff ... life is awesome – I’m not giving this up.

OK – we all get it. So rather than fight it – let’s join it. If you are taking kickbacks or thinking about taking kickbacks – **do it smartly**. Rick – are you now giving instructions on how to accept kickbacks so that nobody gets caught – or makes it that much more difficult to get caught? ... Well ... yes – I am. People will do what they do – I am certainly not condoning it or asking people to do it ... just acknowledging that people will be people and the kickback life is very enticing. (Before marijuana and sports betting was legal ... everybody did it anyway – enough with the pretend world – let’s live in the real world.)

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So how can I take kickbacks “smartly”? Well ... think in the reverse. If I was a corporate investigator or external (or internal) auditor – how would I find it?

Where would I look? (I’ll help a bit – and point you to this:

[Procurement_Fraud_Article](#). The entire article is important and all of it is highly relevant – but I cut and pasted some important pieces here:

Procurement fraud is a serious issue that can cause significant financial losses to organizations. Therefore, it is crucial to identify any red flags that indicate fraudulent activity within the procurement process.

Here are some of the common signs of procurement fraud:

1. Inflating Contract Prices: *Inflating contract price lists allows the fraudster to earn a more significant profit at the organization’s expense. **This fraud often occurs when the organizations do not compare pricing across different vendors or when the procurement team colludes with the vendor.***

2. Collusion To Rig The Bid Process: *In this scenario, the vendor and the procurement team write specifications and requirements so only the vendor can meet them. Therefore, the organization may pay a higher price for a product or service that could have been obtained at a lower real cost through competitive bidding.)*

Like I always say, let’s walk through what will inevitably happen once a purchasing / fraud auditor walks in. I’ll play the part of the auditor:

Hello – person in charge of coordinating private jet travel – I’m the auditor checking out all of these really large transactions – and I want to make sure

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everything is done by the book. So let's get started: I've looked through the corporate records (ledger, sub-ledger and purchasing systems) and I see that over the last 7 months – there have been 15 private jet trips taken by various executives and they all seem to have the appropriate approvals. I see that you have booked all 15 of those flights with “Jet Broker A” – each transaction/flight ranges from \$85k to \$150k. Company policy dictates that you should have received multiple competing bids – especially since this is for travel related services which does not qualify for single sourcing. Can you show me the documentation for all those competing bids? We know that sometimes these trips will occur last minute and there won't be time to wait for all of the bid responses – but can you at least show us your documentation/proof/evidence that you submitted the request for quotation to at least 3 other vendors/suppliers/providers for each one of those trips?

Let's now imagine that it is you on the other side of that desk with that auditor sitting in front of you. **This has now become that “critical moment” in your career and life – this exact instant.** You will either have a valid/great/fulfilled the process answer ... **OR YOU WILL NOT.** You are either perfectly relaxed ...

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or you are sweating profusely. You will either be able to say – “Sure – I submitted the trip request to Vendor A, Vendor B, Vendor C, Vendor D”, here are the responses – and in 10 of the 15 requests, we took the lowest bid and in the other 5 – for reasons X, Y and Z – we chose Vendor A because of Z,Q,R,M and N. **Or ... you will not be able to say that ... and you will say something like “We are perfectly happy with Vendor A – so we never shopped these extremely large transactions around – and we just paid whatever price they sent over the fence.”** Which response will “light up the spidey senses of the auditor”? Response #1 where you can show all of the correct process documentation ... or Response #2 where at minimum you admitted that you acted as a reckless steward of corporate assets and at worst – you are taking financial incentive to use a particular vendor.

In every one of my whitepapers, I talk about the other private jet charter companies that are out there and the criminal backgrounds that many of these owners and employees have. Imagine having Response #2 – and the vendor you are using happens to be owned by an ex-con ... and you 100% know that the auditor is going

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to do some deep dives into Vendor A. Keep sweating – get your headhunter and lawyer ready as favorite contacts in your phone – things will most likely get interesting for you. I really hope and pray this isn't you – remember, I'm your advocate – I am trying to help you and guide you.

So what should you do to still get the kickbacks but be able to have a better response to any audit or investigation? (And there is actually a valid answer to this.) The answer is to spread it around – acknowledge that you can't win on every transaction. The very next time you are asked to schedule a trip – put out the trip request to 3 to 5 different brokers. Use the low bid – it is what it is. Yes, you won't get the kickback ... but you also won't get walked out, blacklisted or arrested. Next trip comes along – go with the low bid. Next trip comes along – maybe call up your inside source at your “Favorite Vendor A, wink wink” – tell them the number they need to come close to (by the way this is also illegal) – and then you can even go with them and take a smaller kick. Next trip comes along, back to the low bid. Essentially – **you need to spread it around** – and put on a justifiable illusion WITH SUPPORTING PAPERWORK that you are purchasing

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in good faith and acting in the best fiduciary interest of the organization that is employing you.

Let's wrap this up – the next time any jet charter broker asks you for the opportunity to bid on future trips (or any other vendor asks for the opportunity to bid on services) ... let them bid on it. When it comes to procurement processes - **No is your worst answer. Yes is your friend - Let everyone bid on everything.** Keep the history of your sent emails and definitely keep the responses. That auditor will sit in front of you – and you want to be the person that has the good responses with all of the documentation ... It's in your own long-term best interest.

I always end my whitepapers with the exact same advance. When it comes to Jet Charter Brokers and Companies – Always, always, always do your basic background checks and homework – simple Google searches on the company and owner names. If you see a Shark Tank guy promoting a brand, an owner making lifestyle of the rich and famous videos, ownership or the broker himself convicted of some type of financial crime or any type of expensive

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advertising blitz ... RUN AWAY – none of those translate into customer value for you – the elite private flying customer!

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