

## **Bank Secrecy Act Records Found in Real Estate Fraud Case Lead to Separate \$1.5 Million Embezzlement Scheme**

A state law enforcement agency opened an investigation against an individual for fraudulent activity related to real estate sales in Mexico. In the course of the investigation, an agent requested records filed under the BSA. Several BSA records related to the individual indicated financial activity often associated with money laundering. In fact, these records documented activity related to an embezzlement scheme at a large technology company. At the time, the alleged crime was undetected by the company or by any law enforcement authority.

The original scheme consisted of the sale of real estate in Mexico. The defendant misrepresented the value of the real estate to buyers and sellers. Many of the buyers were Americans and Canadians with no real knowledge of the true value of real estate in Mexico. The defendant would sell the properties for amounts higher than the actual sales price disclosed to the property owner/seller, keeping relevant information from the investors, and make other misrepresentations regarding the transactions. The defendant would then pocket the excess proceeds from the sales of the real estate.

To support the case, investigators contacted the state prosecutor's office for access to BSA records on the defendant, businesses controlled by the defendant, and associates of the defendant. The state prosecutor's office opened a case and found seven SARs related to the defendant and numerous CTRs. A closer examination of the SARs revealed that these records detailed an extraordinary number of checks cashed just under the \$10,000 reporting threshold.

Further investigation revealed that much of the activity took place in accounts related to a technology firm owned by the defendant. Specifically, activity occurred in accounts that regularly had deposits of checks originating from an international technology company. Investigators determined that these checks were payments for services provided by the defendant.

In fact, the defendant was working with a co-conspirator who was an employee of the technology company and who created phony invoices for services that were never performed. The defendant initially split the proceeds with the co-conspirator using checks as payment. However, recovered e-mails documented that the pair reverted to cash payments to avoid suspicion and to make transactions easier. The company was unaware of the embezzlement until notified by investigators.

Early last year, the defendant was found guilty of real estate fraud and ordered to pay restitution. The defendant is under investigation for hiding assets to prevent payment of restitution. Indictments are pending in the original embezzlement scheme.

(Investigating Agency: State Prosecutor's office)

[Published in The SAR Activity Review – Trends, Tips & Issues, Issue 10, May 2006]