

Bank Secrecy Act Records Help Initiate Case and Lead to Networking of Separate Investigations

In 2005, a U.S. Attorney announced the indictment of three individuals operating an under-the-table payroll scheme. Under the scheme, defendants allegedly paid hundreds of temporary employees tens of millions of dollars in unreported cash payroll over a ten-year period. The case, initiated and expanded through BSA records, includes over \$15 million documented in CTRs and SARs. In addition, the indicted individuals have ties to organized crime groups.

The state police began the case through proactive searches of the BSA database. Specifically, the state police examined CTRs filed on state residents by a casino in a neighboring state. Among the more suspicious records were several filed on citizens of an aging industrial city with few viable economic opportunities. The subjects of these records were associated with temporary labor services.

As the investigation progressed, the state police learned that the three indicted individuals operated a series of labor services through straw owners and shell corporations. They would contract with businesses to provide temporary labor in a variety of industries. The businesses would pay the primary defendant by check with the understanding that the defendant was responsible for paying unemployment, Social Security, workers compensation, and other payroll taxes.

The defendant paid employees in currency and attempted to cash the checks from businesses surreptitiously. The defendant used several banks and traveled over 50 miles to use a check casher in a further attempt to hide the defendant's transactions. While at the check casher, the defendant used a private room to conduct business. However, the check casher and banks used by the defendant filed CTRs and, when appropriate, SARs. In total, the defendant's transactions resulted in the filing of 550 CTRs and 112 SARs.

The FBI became involved when an analyst reviewing SARs referred one of the subjects to an agent working on health care fraud cases. The agent, unfamiliar with the subjects, showed the SAR to the FBI's Asian organized crime group. While the group members did not recognize any of the subjects on the SAR, they did notice that the address matched a known organized crime address.

When the FBI became aware of the state police's investigation, the two joined forces with the Internal Revenue Service's Criminal Investigation Division, the U.S. Postal Inspection Service, and the state's Insurance Fraud Bureau for additional resources and support. Investigators determined that the defendant's scheme was indeed sanctioned, supported, and protected through Asian organized crime groups. In addition, the unprecedented cooperation in the case among the participants led to the development of new investigative leads and intelligence avenues.

(Investigating Agency: State Police and the Federal Bureau of Investigation)

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