SARs Result in Sentencing of Family Members in Bankruptcy Fraud Case

Three family members pled guilty to charges including bankruptcy fraud, structuring, providing false statements, and mail fraud for their involvement in a bankruptcy fraud scheme that included structuring transactions and concealing funds from credit card companies and financial institutions, funds which the main target had obtained as credit card advances and home equity loans. During a bankruptcy proceeding, the primary subject concealed the fact that the funds had not been spent, but had been placed in various accounts under the targets' control. The investigation was initiated from the filing of numerous SARs by a financial institution over an extended time period, which drew notice of the IRS. The SARs stated that the subjects were making numerous currency deposits in amounts of $9,900 at multiple locations of the financial institution on the same day. Based on the information developed from the SARs, search and seizure warrants were obtained during the course of the investigation.

Criminal information filed with the court to support the guilty pleas relayed that the subject filed a petition under Chapter 7 of Title 11, in which the subject claimed an indebtedness of approximately $390,000 owed to credit card companies and financial institutions. However, as mentioned previously, the primary subject concealed the fact that the funds had not been spent but rather were placed in various accounts under the targets' control. After the primary subject was discharged from bankruptcy, she structured funds from various bank and brokerage accounts for the purpose of bringing back to her ownership, funds which she had previously placed elsewhere in the names of others as a way of avoiding her creditors in her personal bankruptcy. During the conduct of this activity, the target structured approximately $184,300 in an attempt to avoid CTR filings.

Analysis of bank records subpoenaed during the course of the investigation revealed that the primary subject had rented a safe deposit box, which was controlled by all three defendants. On the application, she listed the other two defendants as co-renters for that box. The safe deposit box's access records indicated that the primary subject had accessed her safe deposit box on numerous occasions on the same day, or within days of making cash withdrawals from one of her bank accounts.

According to court records filed, as the primary target was involved in the structuring of deposits, the other subjects applied for and were granted federal financial aid to attend medical school. The two subjects listed minimal or no cash of their own on their financial aid applications. In addition, the applications claimed that their parents had minimal cash in their accounts and had no earned income.

However, bank records revealed that brokerage accounts controlled by all three defendants, including one parent, carried balances exceeding $200,000. These individuals received approximately $29,800 of federal money in student loans.

At the time of their guilty plea, the court ordered the defendants to forfeit the following assets: a 1997 Mercedes Benz E420; three bank accounts containing approximately $145,133; a safe deposit box containing $174,000 in cash; and two brokerage accounts valued at approximately $31,800. Subsequently, the primary subject was sentenced to serve

15 months in prison, followed by 36 months of probation. The other two defendants were sentenced to 36 months probation. In addition, these individuals had their respective educational grants withdrawn (due to the false loan applications) and must pay restitution on the amounts received. As a result of their felony convictions, the two were dropped from their respective medical programs.

Agencies participating in this investigation include the IRS-Criminal Investigation, FBI and The Department of Education Inspector General.

(Source: IRS-Criminal Investigation)

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