Suspicious Activity Reports Identify Transactions Linked to Embezzlement of a Tribal Authority

A U.S. district judge sentenced a financial manager to 10 years in custody for using two financial institutions to launder funds from an embezzlement he orchestrated while working for an Indian tribal government entity receiving Federal funds. He was charged with stealing more than $180,000 over a 2-year period. The defendant conducted a series of transactions, predominantly check cashing, that the banks believed to be designed to evade reporting requirements. The institutions filed SARs on the defendant, and these records proved very helpful to the investigation.

The case against the defendant began while investigators were looking into improper payments to a developer. The theft charges stem from a relationship that the defendant developed with the owner of a defunct retail store. The defendant would make phony payments to the store, which were in turn funneled back to him.

State and Federal law enforcement agencies in two states opened concurrent investigations into the activities of the defendant. Interagency cooperation facilitated the investigation, and numerous BSA filings, particularly SARs, helped investigators to track the defendant's financial transactions over several years.

The defendant has a long history of transactions that resulted in SAR filings. Several years earlier, a bank reported that the defendant made a series of cash deposits that ranged from $500 to more than $10,000. When the bank asked him about the deposits, he stopped coming into the branches. Later, the bank filed additional SARs noting that the activity was continuing. None of these SARs noted any legitimate business activity.

In addition, the bank filed a SAR on the defendant for numerous cash-out transactions. In a 2-month period, the defendant withdrew nearly $20,000 in cash. Moreover, the bank noted that in a 3-year period, the defendant received nearly $90,000 in suspicious ACH deposits. The bank filed a subsequent SAR noting more than $25,000 in additional suspicious cash withdrawals.

Another bank filed a SAR on the defendant and on a lending business completely controlled by the defendant and his wife. A review of the account revealed that during part of the year the defendant was responsible for cashing checks several times a week. During the reporting period, the defendant cashed nearly 40 checks in amounts ranging from $1,500 to $10,000 for a total of nearly $260,000. The bank could not find any legitimate business purpose for the transactions, and believed the checks were structured to evade reporting requirements. The following year, the same bank filed a supplemental SAR describing nearly three dozen additional transactions for approximately $230,000.

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