Proactive Suspicious Activity Report Search Leads to Guilty Plea in Tax Fraud Investigation

In a case initiated from the filing of a SAR, investigators found that a property owner under-reported his income for several years. All told, the defendant owed and did subsequently pay the Internal Revenue Service hundreds of thousands of dollars in back taxes, penalties, and interest. Six SARs, as well as numerous CTRs, document a pattern of structuring by the defendant.

The defendant pleaded guilty in federal court to four counts of filing false returns that underreported his income from rental properties by roughly $2 million over 4 years.

The defendant owned a series of rental properties. Often, he would subdivide single-family homes and rent individual bedrooms.

The case began with a proactive review of SARs by a SAR review team. The first identified SAR detailed a number of structured deposits made in the defendant's account during an 8 month period. Typically, the deposits consisted of money orders, official bank checks, cashier's checks, and cash. The structured components of the cash deposits ranged from amounts under $1,000 to amounts just under $10,000 with a total of more than $150,000 deposited during that time. Comments made on the memo line of the negotiable instruments indicated rent payments. Checks written on the account appear to have been deposited into investment accounts.

Subsequent SARs detailed similar activity. The defendant opened a new account at a different bank with a transaction that included just under $10,000 in cash, checks received for rent payments, and a transfer of funds from another bank for nearly $70,000. The next morning, he made another deposit of just under $10,000 cash and rental checks. The transaction immediately generated a CTR, and upon review led to a SAR. The bank filed an updated SAR a few months later that detailed additional structured transactions. The SAR review team honed in on these SARs, and initiated the investigation.

Seven different banks filed BSA reports on the subject. In addition to the SARs, these banks filed more than 50 CTRs for transactions associated with the defendant. In order to facilitate the tax evasion scheme, the defendant had accounts at many banks. He maintained a balance of close to $100,000, which is the FDIC insurance limit in each of the accounts.

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