

## Detailed SAR Narratives Help Uncover Cigarette Smuggling Operation

A married couple structured millions of dollars through their retail cigarette business using multiple financial institutions and branches. The defendants' businesses were dependent upon individuals purchasing the cigarettes for illicit tax-free sales in other states. To avoid scrutiny, the defendants structured the revenues from the cigarette sales. However, Suspicious Activity Reports (SARs) filed by multiple financial institutions not only helped investigators detect the scheme but provided critical details and leads.

The defendants pleaded guilty to structuring more than \$10 million in illegal funds generated through the sale of untaxed cigarettes. The defendants owned several tobacco stores and purchased cigarettes from retail stores and wholesalers that were transported out of state for untaxed sales. This smuggling operation allowed the defendants to collect illegal flows of revenue through their stores.

In addition to structuring activities, the defendants did not disclose all business accounts on their tax filings. This allowed them to collect untaxed profit from their smuggling operation. Federal authorities were alerted to the illegal activities through a SAR review team. The ensuing investigation was a collaborative effort including Federal and local law enforcement agencies.

Over a 14-month period the defendants routinely visited branches of seven banks and made cash deposits of \$9,900 or less. Some of these deposits were done at different locations during the same day, and therefore triggered Currency Transaction Reports (CTRs). In addition to over 300 CTR filings, 24 SARs were filed on the couple at all of the seven banks used by the couple. The lead prosecutor stated that the SAR narratives were especially helpful to investigators in this case. The narratives detailed the structuring activity in all banks, and noted that the defendants frequently brought deposit slips and bank statements from other institutions when making deposits. The narratives also stated that the couple often visited multiple branches within the same day. These details led authorities to subpoena additional business accounts and encompass the entire activity of the scheme.

The SARs filed by two community banks provided detailed narratives of the operations that were particularly useful to investigators. One SAR noted that one defendant brought statements from accounts held at large banks to open an account. The bank employee noticed an evident structuring pattern on these bank statements. The employee asked the defendant about the structuring, and he explicitly stated that he made deposits less than \$10,000 to avoid the reporting requirements because the reports took too long. When the employee told him that the reports could be prepared in advance, the defendant still refused to deposit the full amount because he "did not want to be reported." Because of this conversation, bank officials monitored the account after it was opened and soon observed structuring activity. A later SAR filed by the bank noted that the structured deposits were immediately depleted by checks payable to bulk

supply stores. This detail allowed investigators to track the complete flow of funds in the cigarette smuggling operation.

A second community financial institution also took a proactive role in tracking the activity of the defendants. The first SAR filed on the defendants' accounts by this bank noted the structuring pattern into the account and that the deposited cash was always in \$20 bills and neatly pressed. A BSA official from the bank followed up on this SAR by posing as a customer at the defendants' stores. In a follow-up SAR, the official stated that the meager foot traffic observed at the stores was inconsistent with their generated earnings.

The government agreed not to prosecute them for any related offenses in exchange for their guilty pleas to the illegal structuring charges. They were each sentenced to prison.

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