

## **Suspicious Activity Report Describes in Great Detail Bank Embezzlement Scheme, Leads to Guilty Plea**

A bank employee devised a scheme to embezzle funds from work through a complex scheme that lasted more than 2 ½ years. The scheme involved automated debit and credit transactions conducted through multiple accounts. The Suspicious Activity Report (SAR) filed on the theft details how the fraud took place and laid the groundwork for successful prosecution.

Prosecutors announced that the defendant, who stole over \$170,000 from the employer bank, was convicted by plea agreement of misapplication and embezzlement of bank funds and money laundering. The defendant received a prison term at sentencing. The defendant admitted using family members' accounts to facilitate the scheme.

The SAR filed in the case provides the details of how the defendant embezzled almost all the money. The bank noticed that the general ledger was out of balance, and going back to the previous day, saw a suspicious credit to the defendant's personal checking account and a debit to the bank's general ledger account. Bank management began to scrutinize the defendant's accounts and found numerous similar suspicious transactions. Furthermore, the bank staff did not find any credit entries in the bank checking statement that would offset the debit entries to the general account.

Bank management confronted the defendant and asked about the credits to the personal account. However, when the defendant tried to explain that they were transfers from another personal account, neither the defendant nor the bank staff could find corresponding transactions in the records. Management dismissed the defendant from the bank until the defendant could provide statements from that account. Management continued its internal review and discovered a discrepancy of \$158,000 between the general ledger account and the bank's checking account.

Upon additional review, the bank's president identified checks drawn on non-customers of the bank that were deposited in the bank's customers' accounts, and sent to the Federal Reserve for collection, as the likely vehicle for the embezzlement. Further investigation by the bank staff determined that the defendant was also making debits to a family member's account. However, at the end of the month, the defendant made additional transactions to hide those debits and then deleted some information so that the transactions would not show up on the monthly statements.

A senior bank examiner noted that the case was compelling because of the large amount of money embezzled by an insider. He also noted that although both Federal and state regulators examined the bank, the embezzlement was not something that could have been identified in the normal course of examinations. A Federal investigator noted that the SAR was very important to the successful criminal prosecution of the defendant.

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