



## **FinCEN Awards Recognize Law Enforcement Success Stories Supported by Bank Secrecy Act Reporting**

### **Category: SAR Review Task Force**

The Financial Crimes Enforcement Network (FinCEN) holds an annual Law Enforcement Awards ceremony, presenting awards to law enforcement agencies that use Bank Secrecy Act reporting provided by financial institutions in their criminal investigations. The goals of the program are to recognize law enforcement agencies that made effective use of financial institution reporting to obtain a successful prosecution, and to demonstrate to the financial industry the value of its reporting to law enforcement. The program emphasizes that prompt and accurate reporting by the financial industry is vital to the successful partnership with law enforcement to fight financial crime.

The program is open to all Federal, state, local, and tribal law enforcement agencies and includes six award categories recognizing achievements in combatting significant threats to the integrity of the financial system and the safety of our communities. One of these categories is “SAR Review Task Force.” A brief summary of each 2017 nomination within this category is provided below.

#### **Immigration and Customs Enforcement (ICE-HSI)**

HSI officials initiated an investigation into a business and its operators after investigators discovered a high volume of sensitive financial information indicating this organization appeared to be laundering millions of dollars through accounts at multiple financial institutions. The financial data revealed several individuals and shell companies using a single, third-party company to launder illicit funds. Based on information indicating large-scale money laundering through this third-party company, investigators issued a series of warrants, resulting in the seizure of over \$625,000.00 from a single account, multiple vehicles, and a large amount of documentation evidencing the money laundering activities. The suspects targeted in this phase of the investigation were charged with various money laundering offenses and all pled guilty.

The evidentiary documentation obtained through seizure led to the identification of additional subjects, who were also indicted and convicted of various money laundering charges and subject to \$160,000 in seizures.

As a result of analyzing information obtained during the first phase of this investigation, officials discovered an organization consisting primarily of illegal aliens conspiring with the target company to launder fraudulently obtained income tax checks through this business. An analysis of sensitive financial information, as well as information obtained from confidential informants (CIs) revealed that a group of individuals was facilitating a fraud scheme through a series of businesses, ultimately laundering the funds through the investigator's primary target business. Various surveillance and analysis provided evidence of a multimillion dollar money laundering conspiracy. As a result, investigators executed 13 warrants, arresting over a dozen individuals on various fraud, identify theft, and money laundering charges. Over \$400,000.00 in currency and vehicles were seized during this phase of the investigation. All individuals pled guilty.

Investigators were able to obtain cooperation from many of the individuals previously arrested to obtain information on their primary business target and the money laundering activities associated with it. This information, along with data obtained through further analysis of sensitive financial information again indicated millions of dollars in illegal proceeds. Investigators obtained search warrants for the business, the residence of the owners, and several safe deposit boxes associated with the business. Twenty seizure warrants were also issued, leading to the seizure of \$5.2 million. The businesses and individuals controlling them were indicted on multiple money laundering and tax violations. The individuals operating the business both pled guilty to all charges.

### **Naval Criminal Investigative Service (NCIS)**

NCIS officials received sensitive financial information indicating a retired United States Marine Corp Chief Warrant Officer was receiving unusual cash deposits to his personal accounts from various banks located throughout the United States. A joint investigation with DCIS officials was initiated and it was discovered that the locations of the cash deposits often corresponded with the subject's official travel locations. Over an 18-month period, these cash deposits totaled over \$350,000.

As part of the subject's official duties, he was tasked with traveling to various military locations to inspect facilities and operations. Investigators determined that the subject was submitting travel re-imbusement claims for personal travel. Several U.S. and foreign law enforcement authorities conducted various types of surveillance to confirm that many of the travel claims were fraudulently submitted because he was not conducting any official business on these trips. Investigators were able to prove that the subject forged his supervisor's signature, and created false documents in order to obtain travel approval. They also confirmed that the subject was the one making the cash deposits at banks located throughout the country.

The subject ultimately pleaded guilty to wire fraud and was sentenced to a year in prison, three years of supervised release, and ordered to pay nearly \$200,000 in restitution.

### **Internal Revenue Service-Criminal Investigation (IRS-CI)**

IRS-CI officials opened an investigation into a business owner after an analysis of sensitive financial information revealed a high volume of cash deposits to the subject's account. The cash

activity into her personal account and lack of cash activity in her business account, indicated the subject was using the cash proceeds of the business for her personal gain.

The subject owned and operated a salon for a period of three years, during which time she had all check, credit card, and other electronic fund transactions deposited to the business bank account. With the cash taken in by the business, the subject either deposited them into her personal bank account or did not deposit them at all. The subject has bookkeepers prepare monthly financial reports by providing them with receipts for check and electronic transactions, along with business bank records, but never provided any record of cash transactions. Investigators determined that the salon took in \$1.1 million in cash during the three-year time period, which was never reported to the bookkeepers.

One of the salon's bookkeepers prepared the tax returns for the subject and her business using the financial documents provided by the subject and thus underpaid federal taxes by over \$230,000 during this three-year period.

Based on the analysis of sensitive financial information, investigators were able to obtain seizure warrants to seize over \$450,000 from the subject's personal bank accounts and obtain a guilty plea to various tax fraud violations. The subject was sentenced to one year in prison followed by one year of supervised release.

### **Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)**

SIGAR officials opened an investigation into their subject after discovering a series of large wire transfers from an entity located in Jordan to his account at a small credit union in Oklahoma. The subject was a retired U.S. Army major who was employed as a civilian contracting officer deployed to the Middle East for several years to solicit, award and manage U.S. Government contracts.

The information discovered in an analysis of sensitive financial information led officials to conduct a more thorough investigation of the subject's personal behavior and contact. These efforts revealed the subject, while on official duty, was approached by a foreign national who offered \$1 million for help in securing U.S. Government contracts for companies the foreign national owned. The subject subsequently helped secure 12 U.S. Government contracts, valued at over \$28 million for this individual and received nearly \$500,000 in wire transfers during a 3-year period as payment.

Investigative officials served 15 Grand Jury Subpoenas and 2 Inspector General Subpoenas as part of this investigation, in addition to a search warrant. As a result of the investigative efforts of DCIS investigators, the subject waived indictment and pleaded guilty to bribery and tax fraud charges, resulting in the termination of his employment and security clearance, as well as a 30-month prison sentence and nearly \$700,000 in forfeitures and restitution.

## **High Intensity Drug Trafficking Area -NVFI (HIDTA)**

A task force comprised of multiple federal, state, and local agencies carrying out simultaneous money laundering investigations into a common subject coordinated efforts to maximize enforcement action against the subject.

Investigators determined that the subject and his co-conspirators owned nearly 50 shell companies in Virginia with the purpose of trafficking over \$35 million in contraband cigarettes throughout the northeast using various aliases, nominees, and straw buyers. Investigators also determined that much of the illicit proceeds was bulk cash, allegedly smuggled to a known terrorist organization in Jordan.

HIDTA investigators analyzed a large amount of sensitive financial information and business records to identify a clear pattern of suspicious transactions and various schemes to avoid detection. As a result of their efforts, investigators arrested the subject and one co-conspirator at an airport as they attempted to flee the country to Jordan. The subject and several co-conspirators pleaded guilty to trafficking and tampering charges and currently await sentencing.

In addition to the guilty pleas, multiple other co-conspirators were identified during the course of this investigation and have since been arrested on state and local charges.

## **U.S. Department of Housing and Urban Development – OIG**

HUD-OIG officials began their investigation into the Executive Director of a HUD-administrated sub-agency after HUD-OIG officials became aware of information regarding irregularities at the sub-agency. The irregularities were brought to the OIG's attention by a building contractor who claimed that the Executive Director of the sub-agency asked the contractor to include renovations to the personal residence of the Executive Director and her husband in the contract written to perform renovations on other agency-constructed residential units. Investigators interviewed additional contractors, who indicated they received agency funds from the subjects, cashed the checks, and returned a portion of the cash back to the subjects. In many instances, no work was actually performed by the contractors. Investigators further determined that the subjects used agency credit cards and checks for personal gain, in addition to the various fraud schemes.

Based on the results of an analysis of sensitive financial information and accounting records, investigators issued search warrants at both the agency offices and the personal residence of the targets. During the search of the home, investigators discovered nearly \$150,000 in cash, 44 firearms, marijuana, and other narcotics. Subsequent seizures included over \$400,000, vehicles, and boats.

As a result of the investigation the subjects pleaded guilty to fraud and money laundering charges. All assets related to these charges have been seized or forfeited and sentencing is pending.

## **United States Postal Inspection Service (USPIS)**

A review of sensitive financial information led USPIS officials to open an investigation into an individual who appeared to be carrying out some form of elder financial abuse fraud scheme. Investigators identified check deposits into the accounts of the subject that appeared to be investments made by elderly individuals. These checks were all payable to one of three companies operated by the subject and referenced investments in the check memo lines. Investigators determined however, that these funds were being withdrawn for personal use. Debits from these accounts included cash withdrawals, vehicle purchases, and various debit card purchases.

Investigators determined that the subject encourages victims to invest their money with her for annuities in order to reduce their assets below the threshold to qualify for benefits from Medicaid and the Department of Veterans Affairs (VA). The subject promises victims high returns once their incomes were reduced enough to qualify for the benefits. The subject accepted the funds from victims without ever investing the funds or filing any paperwork with the VA.

Investigators identified over \$2 million dollars the subject defrauded from investors and used for personal expenses. The subject was indicted on nineteen counts, including mail fraud, wire fraud, and money laundering. The subject subsequently pleaded guilty and was sentenced to 78 months in prison and ordered to pay restitution of over \$2 million to her victims.

## **Internal Revenue Service-Criminal Investigation (IRS-CI)**

This IRS-led case, involving investigators from several other federal and state law enforcement agencies, was initiated when IRS-CI officials identified sensitive financial information indicating the subject was involved in possible tax evasion, money laundering, and terrorist financing activity.

During interviews with the subject regarding the suspicious activity, investigators learned that the subject was an employee of a transportation management company and was paid in cash for tips and wages. Subsequent investigation into this company identified possible immigration fraud, failure to pay overtime wages, and theft of public funds, in addition to the money laundering and tax evasion already suspected. Additional analysis of sensitive financial information was instrumental in developing leads, identifying witnesses and co-conspirators, and identifying the subjects' occupations, associates, assets, foreign accounts, and other businesses. As a result of this analysis, investigators determined that the owner of the transportation company disguised the size of his company by utilizing cash to keep payments of over \$5 million to employees "off the books."

The owner of the transportation company pleaded guilty to tax evasion, knowingly employing illegal aliens, and several other charges and was ordered to pay nearly \$1.4 million in restitution to the IRS and an additional \$700,000 in unpaid overtime wages to employees. Several co-conspirators were charged with and pled guilty to similar charges in this case.

## **Internal Revenue Service-Criminal Investigation (IRS-CI)**

A multi-agency task force, led by the IRS-CI investigators, identified an individual as a major distributor of methamphetamine. The organization headed by this individual obtained the methamphetamine from the west coast and distributed it throughout the United States, primarily in the Midwest. An analysis of sensitive financial information, as well as surveillance efforts of several agencies led to the identification of the target's primary source of supply and several other associates.

Several of these associates cooperated with investigators and provided additional details on the primary target, corroborating information already obtained by investigators. This information, along with a large volume of sensitive financial information, enabled investigators to execute multiple search warrants on the homes of the primary suspects and several associates.

During the investigation, it was revealed that the primary target was laundering proceeds of methamphetamine sales through used car dealership owned and operated by another individual. Surveillance of the primary target and this car dealership corroborated this information. The primary target used the auto dealership to launder the funds through a complex series of vehicle transactions. As a result of the financial investigation, 12 automobiles and two motorcycles, with a value of \$251,000 were seized from the primary target. Most of these vehicles were located on the property of the used car dealership when they were seized.

The majority of the individuals pursued in this investigation entered guilty pleas for various drug, conspiracy, and money laundering charges. Several individuals, including the operator of the used car dealership, were found guilty on conspiracy and money laundering charges due to their roles as third party money launderers.

## **Internal Revenue Service-Criminal Investigation (IRS-CI)**

IRS-CI investigators initiated a criminal investigation after discovering what appeared to be a large-scale extortion scheme during a review of sensitive financial information. During this review of financial data, officials identified approximately \$1.5 million in cashier's checks payable to a single individual, who was subsequently negotiating the checks for a combination of cash and new cashier's checks. The subject would then continue this negotiating method until all of the cashier's checks were depleted and then use the cash to purchase vehicles, boats and other personal expenditures.

Based on the analysis of the sensitive financial information, IRS-CI officials were able to obtain a search and seizure warrant on the subjects primary residence and discovered the source of the funds backing the cashier's checks. The primary subject had been extorting a wealthy area businessman out of \$2.5 million in cash and cashier's checks with the threat of violence and police involvement over a relationship the businessman allegedly had with a relative of the primary subject and alleged criminal misconduct of the businessman. This information led to additional search and seizure warrants, resulting in the seizure of seventeen vehicles, motorcycles, boats, and jet skis. The seizures led investigators to several family members of the

primary subject, who each gave conflicting stories and made threats to other witnesses in an attempt to obstruct the investigation.

The primary subject of this investigation, along with several family members, were named in a 119 count indictment charging them with 119 criminal counts. These individuals were arrested and pled guilty to money laundering and tax evasion charges. One subject died of a drug overdose before sentencing, but the others were sentenced to 60 months in prison and two years' supervised release.

### **Internal Revenue Service-Criminal Investigation (IRS-CI)**

Multiple federal law enforcement agencies, including IRS-CI initiated a task force to investigate suspicious cash activity conducted by the subject that was discovered during an analysis of sensitive financial information.

Investigators learned that the subject operated a pain management practice in New Jersey and believed the subject was illegally diverting hundreds of thousands of doses of narcotics. Investigators later discovered the subject only accepted cash as a method of payment and did not accept any insurance and rarely examined his patients before issuing prescriptions for medication. The subject typically provided narcotics to patients for a monthly cash fee, and these narcotics were often distributed further by the individuals receiving them from the subject. The subject recruited several employees who helped distribute the narcotics in New Jersey and South Carolina. He also recruited a New Jersey pharmacist to ensure the prescriptions could be filled their regularly and without suspicion. The employees who distributed the narcotics to South Carolina often moved the cash onto stored value cards, which investigators determined to be valued at over \$500,000.

This task force investigation resulted in the federal arrest and prosecution of eleven individuals, including the primary subject and the pharmacist he had recruited. Multiple vehicles and approximately \$1 million was seized and forfeited from the primary subject, who was sentenced to a 46-month prison term.

### **United States Attorney's Office – Central District of California (USAO-CDCA)**

Federal officials initiated an investigation into a California casino's operations after the discovery of sensitive financial information indicating the casino may be laundering money on behalf of others, including leaders of suspected criminal organizations.

Investigators learned that the casino had recently begun recruiting "high rollers," including high ranking members of known criminal organizations, in an effort to increase revenue. The casino also began using the services of independent gaming "promoters," who steered high rollers to play at this casino, arranged private, unmonitored games, and allowed their names to be used in documentation, in place of the actual players. Investigators acquired evidence, including surveillance, that showed casino staff actively assisting players avoid reporting requirements. This included one incident where a player won over \$1 million during a six-week period.

The casino had a written AML program but failures to implement it demonstrated that the program was ineffective. Interviews with casino staff confirmed that the program was ineffective and referenced policies and procedures that were never put into practice. These AML failures, along with the high-dollar gaming of members of criminal organizations, was known to the casino's employees, managers, President, and controlling partners.

An analysis of sensitive financial information confirmed that documentation relating to transactions of criminals was filed in the name of hired casino promoters, rather than the individuals actually benefitting from the transactions. The sensitive financial information, surveillance, interviews with employees, and other investigative techniques led the casino operators to enter into a settlement agreement to sell the casino. Additionally, the operators were charged with various money laundering violations and forced to pay over \$4 million in fines and forfeitures.

### **Internal Revenue Service-Criminal Investigation (IRS-CI)**

IRS-CI officials kicked off this investigation upon being notified by an insurance company who suspected several of their clients were victims of an investment fraud scheme. Investigators poured through volumes of sensitive financial information to determine that three insurance company clients had recently transferred their policies totaling nearly \$325,000 to an asset management company without any licensing or legitimacy. Investigators discovered that a fax number of transfer paperwork belonged to a former employee of the insurance company and believed he was recruiting former clients to invest in his fictitious asset management firm. Investigators also discovered large amounts of cash that the subject was moving in and out of casinos during this same timeframe.

IRS officials later discovered that the subject had opened multiple accounts at a single financial institution under different company names. Through these accounts, the subject received deposits of large checks from insurance companies, with memos referencing individuals other than the subject. Approximately \$1 million of these funds was subsequently debited from this account through casino transactions.

A Grand Jury investigation was initiated and several additional law enforcement agencies assisted IRS investigators identify victims and analyze financial data. Investigators analyzed the checks deposited into the subjects accounts and interviewed the individuals whose accounts the checks were drawn on. The victims indicated they had all purchased whole life insurance annuities from the subject's father, who was an agent for legitimate insurance companies. The subject convinced the victims to move their investments to his investment companies, which were actually nothing more than shell companies. Many of the victims unknowingly authorized the subject to transfer funds from their policies to his fictitious companies, at which point the subject used the funds, totaling over \$1.5 million for personal gain.

Investigators executed several search warrants on the subject home and office and arrested him on charges of mail fraud, wire fraud, and money laundering. The subject pleaded guilty to these charges and was sentenced to five years in prison and ordered to pay \$1.5 million in restitution.



## **Internal Revenue Service-Criminal Investigation (IRS-CI)**

IRS-CI investigators analyzed a large amount of sensitive financial information to identify over 1,200 cash deposits totaling nearly \$7 million attributed to a single individual over a two-year period. Further analysis led investigators to suspect significant fraud committed by this subject and his associates.

The subject of this investigation was unlawfully in the United States, having entered using fraudulent identification documents and subsequently acquiring a social security number and driver's license, obtaining loans for personal and commercial properties, and registering a company as a money services business (MSB). Using his status as a registered MSB, he allowed customers to wire money from the U.S. to Mexico and other Latin American countries.

After the subject was questioned by bank personnel about his unusual cash activity, he began directing other individuals, including family members, to conduct the cash transactions on his behalf, in an attempt to avoid detection. This activity led investigators to commence seizure and seizure warrants, arrests, and indictments of several individuals. The subjects all pleaded guilty or were found guilty in a jury trial and sentenced to varying prison terms. The primary subject was sentenced to 21 months in prison, but failed to report and is currently a fugitive.

## **Internal Revenue Service-Criminal Investigation (IRS-CI)**

A case initiated by IRS-CI investigators focused on two subjects in a 20-year dispute with the IRS over tax filings. The subjects repeatedly filed false documentation, including federal tax filings, to the IRS in order to hide more than \$3 million in income.

During the investigation IRS officials began working with the subjects to collect on previous unpaid taxes. Investigators discovered an unreported income source and served a levy to that source. When the subjects became aware of the discovery, they threatened the company providing the income source with litigation if they cooperated with the IRS. The company ignored the threats so the subject began moving this income directly to a shell company that the subjects had previously established, putting the funds out of reach of the IRS levy. An analysis of sensitive financial information led to the discovery that the subject had been hiding the bulk of their funds in trust accounts. Neither the company paying the defendant through the trust, nor the trust itself, was reporting any of this income to the IRS. IRS investigators discovered nearly \$1 million in this trust account, leading to a lien being filed for almost \$2 million, to include previously discovered funds.

The subjects eventually resubmitted tax returns, fraudulently claiming over \$1.1 million in refunds or credits from the IRS.

During the sentencing hearing, it was shown that the defendants had earned over \$3 million, but paid only \$7,000 in taxes during a six-year period. As a result of their failure to pay taxes, and subsequently filing fraudulent tax returns, the subjects were each sentenced to 36 months in prison and fined \$50,000.

## **Federal Bureau of Investigation (FBI)**

FBI officials opened an investigation into the subject after discovering he accepted nearly \$10 million in investment money into the accounts of his company and subsequently used the funds to pay other investors and for personal expenses as part of a Ponzi scheme. FBI investigators were able to trace the illicit use of investor funds and initiate forfeiture proceedings against the subject and his company. These forfeitures included luxury vehicles and several million dollars.

Investigators were able to obtain a confession from the subject that he was operating a Ponzi scheme using investor funds. As a result of his confession, FBI officials arrested and indicted the subject on various wire fraud and mail fraud charges. Several accounts were subsequently frozen and forfeited with balances totaling \$3.5 million.

The subject pleaded guilty with the fraud charges and a money judgement of \$9 million was entered against him. Sentencing is pending, and the restitution is anticipated to be approximately \$5.5 million.

## **Federal Bureau of Investigation (FBI)**

FBI officials began their investigation into their subject as a result of an analysis of sensitive financial information. Investigators discovered reports of their subject identifying himself as customers of various financial institutions, initiating wire transfers from their brokerage accounts into his own personal accounts. This individual had previously been fired from an investment advisory firm and had his license suspended as a result of removing funds from client accounts without authorization.

Investigators determined that the subject had obtained his clients' account login credentials and regularly wire funds from their investment accounts to her own accounts for personal gain over a period of seven years. If questions by clients during that time, the subject provided them with fraudulent account statements and misled them into believing he was investing the funds on their behalf. During an interview with FBI officials, the subject admitted that he never invested any of the funds and used the money for personal gain as quickly as he could steal it. Officials determined this amount to be nearly \$2 million, which was used largely for cash purchases and gambling activity.

FBI officials arrested and indicted the subject on wire fraud charges, to which he pleaded guilty. He was sentenced to 75 months in prison and ordered to pay restitution of \$1.8 million.

## **Internal Revenue Service-Criminal Investigation (IRS-CI)**

An analysis of sensitive financial information identified a restaurant in Connecticut diverting cash earned from sales and underreporting income on their federal tax returns. The subject of the investigation was the restaurant's sole owner, who had diverted over \$500,000 in cash during a four-year period from the restaurant. The majority of this cash was deposited into the subject personal bank accounts and various nominee accounts, including those of his wife and children. The subject used some of the diverted cash to purchase luxury properties and vehicles.

In addition to diverting cash from the businesses, the subject also fraudulently lowered his business tax liability by claiming to pay over \$160,000 two non-existent restaurant employees and deducting those as wages paid on his tax returns. The diverted cash and fraudulent wages paid helped the subject avoid paying over \$234,000 in taxes over the four-year period.

The subject eventually pled guilty to tax evasion and was sentenced to a year in prison and three years' probation, along with a \$25,000 fine and an order to forfeit \$522,000.