FinCEN Director's Law Enforcement Awards Program Recognizes Significance of BSA Reporting by Financial Institutions

Category: Significant Fraud

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 seven 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 "Significant Fraud." A brief summary of each 2018 nomination within this category is provided below.

Homeland Security Investigations (HSI)

An HSI-led investigation began when a financial institution contacted them with information on an individual who appeared to be responsible for compromising thousands of debit and credit cards using ATM skimmers.

Investigators determined that the compromised debit and credit cards were being used to fund MoneyGram transactions from U.S. retailers to recipients in Jordan and other high risk countries. Investigators determined that while fake names and addresses were being used to send the wire transfers, the recipients were using their real identities in order to receive the funds. Using this information, physical surveillance, and other techniques, investigators were able to identify the individuals ordering the wire transfers.

During the execution of a search warrant at the primary subject's residence and storage unit, law enforcement agents discovered a significant amount of cash and card skimming equipment, including molds for specific financial institutions' card readers. Investigators discovered over 2,000 fraudulent credit and debit cards during the search warrants. In addition to the physical evidence, investigators identified information for over 50,000 debit and credit cards stored on the subject's computer.

The subject of this investigation was arrested after over $6 million was deposited to his bank accounts over the period of time that he was conducting his skimming operation. The subject was sentenced to 7 years in prison for bank fraud, access device fraud, and identity theft. After serving his sentence, the subject will be deported to Jordan. The subject has also been ordered to pay over $1 million in restitution and had a large amount of cash, vehicles, and over $62,000 worth of U.S. Postal stamps seized.

This investigation further identified several co-conspirators operating in Jordan and other parts of Eastern Europe, based on an analysis of financial records.

Homeland Security Investigations (HSI)

This HSI-led investigation began when Carroll County, Georgia officers stopped a vehicle driven by a college student containing $1 million in U.S. currency. The officers contacted HSI officials, who interviewed the individual and determined that he was a money courier for a Mexican drug cartel operating with the assistance of an attorney located in El Paso, TX. This attorney became the primary subject of the investigation and was taken into custody by HSI officials and admitted to conspiring with several Mexican individuals, including relatives of former Mexican political officials and known criminals to launder approximately $600 million in the United States and Mexico.

HSI officials convinced the attorney to cooperate, where he conducted multiple recorded phone calls and meetings with co-conspirators to develop new money laundering operations. Investigators later determined that the attorney utilized false lawsuit settlements, shell corporations, false identities, and funnel accounts to help launder the illicit funds. Despite law enforcement involvement, the attorney continued his criminal activities after disclosing the involvement to his co-conspirators. The investigation was eventually put on hold due to safety concerns of all parties involved, but was re-initiated upon the discovery of financial records documenting $2.1 million involving the attorney. The attorney formed an LLC to secure a $250 million contract with the government of Mexico to enhance its power grid. The attorney used fraudulent documents to secure the contract and arrange for $32 million of the Mexican government's money to be re-routed to an account in his company's name located in Turks and Caicos. This fraud scheme resulted in a $2 billion loss to the Mexican government due to its need to repurpose power in order to maintain its energy grid.

HSI investigators utilized a large amount of sensitive financial data to identify previously unknown accounts utilized by the subject and to corroborate information investigators had received regarding other schemes the subject was involved in, including a payment of $500,000 in wire transfers used as payment for the subject’s assistance in obtaining illegal U.S. visas.

The subject of this investigation was arrested for conspiracy to launder $600 million in drug proceeds and had $2.6 million seized from one of his accounts. He was subsequently indicted on 3 counts of wire fraud and 16 counts of money laundering. The indictment also sought forfeiture of cash, homes, vehicles, and luxury goods. The subject was convicted for money laundering and sentenced to 16 years in prison. He was then convicted on all remaining money laundering and wire fraud charges and sentenced to an additional 10 years in prison and ordered to forfeit all properties sought in the indictment.

U.S. Postal Inspection Service (USPIS)

USPIS inspectors, in a coordinated effort with IRS-CI (U.S. Internal Revenue Service-Criminal Investigation) officials, began investigating a mass mailing scam that specifically targeted small businesses. The scheme, which was carried out with the assistance of a financial institution’s employee, took $1.6 million from over 4,400 victims.

The primary subject of this investigation ran a 2-year scheme in which he operated two companies that targeted small businesses with offers to protect their newly acquired trademarks and monitor for infringement. The offers were made via mass mailings and were made to appear as though they were sent from a legitimate government agency. The subject moved the funds he received through various shell companies that he owned. The subject also recruited a branch manager at a large U.S. financial institution who allowed him to launder the funds through the institution without scrutiny. The employee of the financial institution opened accounts under false identities and allowed the subject and another co-conspirator to deposit checks into these accounts. The funds in these accounts were withdrawn in the form of a check, wire transfer, or cash, and used to purchase gold.

Investigators relied heavily on account and transaction data to develop the financial leads in this investigation, which helped lead to the identities of the subject and his co-conspirators, as well as the accounts utilized by these individuals. The primary subject was arrested and sentenced to 8 years in prison and ordered to pay over $1.5 million restitution for mail fraud and money laundering. The other subjects also received lengthy prison terms for their roles in the fraud scheme and were ordered to pay restitution of over $2.2 million.

U.S. Department of Housing and Urban Development-Office of Inspector General (HUD-OIG)

A long-term investigation lead by HUD-OIG officials focused on an individual and several co-conspirators who acted as straw buyers for multiple Federal Housing Administration (FHA) home loans. These subjects defrauded mortgage lenders by creating loan applications that contained falsified information, including employment history, assets and liabilities, Social Security numbers and other identifying information.

HUD-OIG officials used sensitive financial information on the subjects to help develop numerous subpoenas for mortgage companies, title companies, depository institutions, finance companies, and other financial institutions. These subpoenas and subsequent interviews led to the discovery that the subject also used shell companies to assist in real estate transactions and to help conceal the identities of the individuals involved in the scheme.

Investigators were eventually charged in a multi-count indictment for wire fraud and bankruptcy fraud. The subjects all pled guilty to the charges and were sentenced to various prison terms, from 18 months to 30 months. The loss amount to lenders and HUD associated with this scheme totaled $3.8 million.

Internal Revenue Service-Criminal Investigation (IRS-CI)

A review of financial data by IRS-CI agents identified a scheme carried out by two individuals to obtain fraudulent Federal income tax refunds. The data helped agents identify the subjects involved, which led them to two primary subjects who opened many accounts at small banks throughout Texas to facilitate their scheme.

The accounts were opened strictly for the purpose of receiving fraudulent Federal tax refunds. Over a 7-month period, the subjects filed fraudulent tax returns claiming more than $1.8 million in refunds and arranged for the refunds to be direct deposited into one of the many accounts they had opened with stolen identity information. Agents discovered the subjects successfully received more than $675,000 using 230 taxpayers' stolen identity information before the scheme was discovered.

The two primary subjects pleaded guilty to conspiring to fraudulently claim Federal income tax refunds using stolen identity information and were sentenced to 96 months and 52 months of imprisonment, respectively. The subjects were also ordered to pay more than $265,000 in restitution.

Homeland Security Investigations (HSI)

HSI led this multi-agency investigation into a visa, benefit, and document fraud scheme carried out by individuals operating two related staffing companies. The companies provided contract staff clients throughout the United States, and illegally accepted payments for work visas from their staff. Over the course of the investigation, agents identified over 85 victims.

A substantial percentage of the workforce at both companies was composed of foreign nationals working in the United States on work visas or other employment authorization. Over the course of the investigation, agents identified the owner of the two companies as the individual chiefly responsible for recruiting Mexican mechanics to work in the United States. When recruiting employees, the subject required each recruit to pay significant costs associated with obtaining the visa, including costs prohibited by law. Once the employees were in the United States, the subject agreed to help them apply for employment-based legal permanent resident status, but required each employee to pay an average of $3,500 in illegal fees.

Investigators learned, in part through coordination with Mexican authorities, that the subject was directing the victims to deposit the funds into his wife's account. Agents were able to subpoena this account to confirm the funds were proceeds from these fraudulent activities.

The 3year investigation led to the subject's 40-count indictment for visa fraud and false statements to government officials. The subject subsequently pled guilty and must forfeit over $567,000 that he illegally gained from his fraud scheme.

Internal Revenue Service-Criminal Investigation (IRS-CI)

IRS-CI officials leaned heavily on sensitive financial information to develop their investigation into an individual suspected of a massive tax fraud scheme. The subject made nearly $80 million in proceeds in one year from selling stock from his investment portfolio. He subsequently underreported his income by $40 million and disclosed only $7 million from the sale of the stock. Prior to filing his taxes, the subject transferred all of his holdings to a Swiss bank in an effort to conceal his transactions and accounts from U.S. authorities. The subject's total holdings exceeded $220 million, all held in various offshore bank accounts.

The subject arranged for another individual who was not a U.S. citizen to take nominal control of his accounts when the Swiss bank began closing accounts maintained by U.S. persons. This individual also failed to disclose this account to U.S. authorities, as required.

Investigators uncovered a significant amount of financial data indicating the subject had been carrying out this tax evasion scheme by failing to accurately report income and control of his foreign bank accounts for 15 years. IRS-CI officials determined the subject had evaded more than $18 million in tax liabilities.

The subject was sentenced to 7 months in prison and ordered to pay restitution and penalties totaling over $16 million for conspiracy to defraud the United States and for filing false IRS forms.

Internal Revenue Service-Criminal Investigation (IRS-CI)

IRS-CI investigators relied on thousands of account and transaction records to develop their investigation into multiple individuals and their associated scrap metal businesses carrying out a complex tax fraud scheme. Officials discovered through these records that the initial targets of this investigation were engaged in a practice of cashing third party checks made payable to individuals bearing incomplete names through currency exchange companies.

After conducting an analysis of the suspicious checks cashed over a 2-year period, IRS-CI officials executed search and seizure warrants on the initial targets' business location and bank accounts. After a review of the search warrant results and interviews of employees and customers, officials determined that the targets were utilizing nominee checks to structure funds to pay customers and employee wages in cash. Several additional individuals and businesses were identified as participants in the fraudulent activity and officials discovered that the individuals had long been siphoning funds from the business accounts into their personal accounts without reporting the funds as income.

The subpoenas returned detailed cash records from cash intensive scrap businesses that had significantly underreported income. These records helped obtain 20 plea agreements, approximately $11.7 million in tax restitution, nearly $6.5 million in forfeited funds and nearly $3.5 million in criminal fines. Additionally, as result of these investigations several other individuals and businesses in the scrap industry who were not criminally charged have voluntarily filed amended income tax returns to report additional income and paid additional taxes to the IRS.

U.S. Department of Housing and Urban Development-Office of Inspector General (HUD-OIG)

This investigation was initiated after a HUD employee responsible for reselling HUD-insured real estate was discovered to be embezzling money by skimming money off the proceeds of these sales.

HUD investigators analyzed financial data they obtained from several financial institutions to identify several personal bank accounts, shell companies, and suspicious transactions. Within a week of the start of the investigation, officials were able to issue subpoenas for several bank accounts and seize nearly $150,000 from accounts at two different banks. Investigators determined the subject was selling properties on behalf of HUD, but only providing a portion of the funds as sales proceeds, and transferring the rest to his shell companies or personal friends. In one example, the subject sold a home for $320,000, but provided only $40,000 to HUD, while keeping the remainder for himself.

Over a 1-year period, the subject sold five properties in two states, which resulted in diverting over $843,000 in sales proceeds from the HUD program. HUD investigators obtained seizure warrants and seized over $150,000 from several bank accounts and an additional $200,000 in cash. The subject pleaded guilty to wire fraud charges and was sentenced to 26 months in prison and 36 months of supervised released, along with an order to pay $843,400 in restitution.

Treasury Office of Inspector General

The Department of the Treasury, Office of Inspector General officials initiated a joint investigation with several other federal law enforcement agencies involving the theft and negotiation of federal tax refund checks. Investigators determined that a single unregistered money services business (MSB) had received and cashed several million dollars of Federal tax refund checks. Investigators identified multiple suspects who were acquiring the refund checks via multiple fraudulent methods and means.

Investigators discovered through interviews with bank personnel that the subject of the investigation had deposited many refund checks made payable to various payees into his business account. The total of the deposited refund checks was over $250,000. The bank contacted the subject as he explained that someone was bringing him checks, and he would give the person cash after he deposited the checks into his account and subsequently withdrew the funds. He admitted he did not see or verify the identification of any of the payees. The resulting investigation determined the subject, who operated a news stand, received fraudulently obtained tax refund checks from sources who obtained them from victims in the continental United States and Puerto Rico. The subject negotiated and cashed 3,423 checks totaling approximately $16.6 million.

This 3-year investigation resulted in the indictment of the subject on 31 counts of fraud and money laundering charges. The subject was subsequently arrested, sentenced to 13 months in prison, and ordered to surrender to immigration authorities, following his prison term for deportation proceedings.

U.S. Attorney's Office, Southern District of Mississippi

This investigation targeted a complex public corruption scheme involving businessmen, former state legislators, a spouse of a state legislator, consultants, and contractors engaging in a bribery and kickback scheme affecting close to $1 billion in state contracts. The scheme occurred over a 7-year period and the primary subject of the investigation received almost $2 million in bribes and kickbacks. The primary subject of this investigation used his government position to award contracts to several companies, under the control of individuals who provided kickbacks for the contracts in the form of cash payments or wire transfers.

The primary subject of the case engaged in a complex money laundering scheme to conceal the source of his wealth by structuring through numerous financial institutions. Sensitive financial information alerted law enforcement officials to the enormous amounts of cash deposits into the subject's accounts at multiple local financial institutions. The information also detailed a large volume of cashier's and official bank checks purchased by the subject using cash. These funds were used to pay off loans, purchase assets, and increase his personal investment accounts. The extensive financial data enabled investigators from multiple Federal law enforcement agencies to obtain subpoenas for various financial institution records. Hundreds of thousands of pages of financial records were acquired and analyzed, with such records being instrumental in charging the participants with money laundering, structuring, and tax fraud. The analysis was also used to seize millions of dollars in the asset forfeiture process from those convicted.

Investigators obtained a guilty plea from the primary subject to money laundering and tax fraud charges. He was sentenced to 19 years in prison, fined $100,000, and ordered to forfeit real property, vehicles, and cash totaling more than $1.7 million. His co-conspirators who provided the bribe payments also pled guilty to various money laundering and bribery charges and were sentenced to prison terms ranging from 5 to 9 years in prison. An additional $3.7 million in fines and money judgements was acquired from the co-conspirators.

Drug Enforcement Administration (DEA)

This investigation began when DEA officials learned that members of a Mexican money laundering organization were laundering embezzled funds from Mexico to the United States through a series of brokerage accounts and real property purchases in the names of various shell companies. DEA officials discovered than these funds originated from a Mexican government official who obtained the funds through illegal business tactics, extortion, bribery, and other activities tied to a large Mexican cartel.

The subjects of this investigation established accounts at several U.S. financial institutions in the names of shell companies and co-conspirators, and routinely indicated they had no affiliation senior political figures). None of the accounts were opened in the name of the government official, although he controlled the funds moving through these accounts. These accounts, and the shell companies associated with them, were used to purchase real estate in the United States and subsequently move illicit funds from Mexico to the United States. When the subject left his government position, he immediately instructed co-conspirators to transfer his funds from the United States to a financial institution in Andorra, which the U.S. financial institution denied due to money laundering concerns. This request was made just prior to Mexican law enforcement's seizure of $8 million from the residence of the subject's co-conspirator. A subsequent search warrant led to the discovery of documents tying the subject to the real estate purchases that had been made in the United States.

The primary subjects of this investigation, including the government official, were arrested by Mexican authorities on money laundering, tax evasion, and embezzlement charges. They were accused of laundering approximately $190 million from Mexico to the United States. U.S. authorities later indicted the subjects on money laundering and bank fraud charges. This indictment led to a $50 million judgement against the subjects and the seizure of nearly $40 million of real estate and $3.2 million in financial accounts.

Naval Criminal Investigative Service (NCIS)

This multi-agency investigation targeted a purported trade school that was suspected of victimizing U.S. Navy sailors, civilians, and contractors to take advantage of their Veterans Administration (VA) educational benefits.

NCIS investigators determined through a review of student records that the majority of the students at this trade school were active duty or retired U.S. Navy members, contractors, or civilians. The school received over $4.6 million in educational benefit payments for reportedly training the students through extensive classroom and practical training sessions, but investigators determined that only one graduate was actually employed in a trade.

NCIS officials relied on financial records and other traditional investigative methods, such as physical surveillance and victim interviews, to develop search warrants to be executed on the business. The warrants confirmed that most students who enrolled in the school never attended, but received acknowledgement that they attended and completed the curriculum. In addition to the search warrants, agents interviewed the owners of the business, who admitted to the scheme to defraud the government and voluntarily surrendered nearly $200,000 in cash from a safe in their home.

The subjects pled guilty to wire fraud and money laundering charges after a 9-month investigation and were sentenced to 63 months and 60 months in prison, respectively. In addition to the prison terms, the subjects were forced to pay $4.5 million in restitution and forfeit $700,000 in property and over $700,000 in funds from multiple bank accounts.

Department of Justice

This multi-agency investigation focused on an individual who defrauded a dozen victims out of $2.7 million in an advanced fee scheme, promising investors significant returns on an investment that did not actually exist.

The subject of this investigation falsely led victims to believe that he was the recipient of a multimillion-dollar settlement from a class-action lawsuit against a pharmaceutical company. The subject told victims that if they helped to pay his medical bills and other lawsuit-related expenses, the victims would be paid back plus a substantial return on their money, but only after the subject's multimillion-dollar settlement was released by the court. However, the subject did not use the victims' money to pay medical bills. There was no lawsuit settlement, and Mann used the money he obtained from the victims to gamble at a casino, collecting over $1 million in jackpots while fraudulently receiving need-based Social Security benefits for him and his family.

After several victim interviews, investigators discovered account and transaction records from multiple financial institutions involving the subject. The records revealed many cash deposits followed by immediate cash withdrawals in different parts of the country. The financial records were instrumental in identifying the subject and numerous additional victims and witnesses. The data identified over 40 financial accounts, which enabled investigators to issue several subpoenas. The subject was indicted on and convicted of various wire fraud and money laundering charges as a result of the subpoenas and subsequent document discoveries.