

# IRS: CRIMINAL INVESTIGATION

2017 ANNUAL REPORT



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# MESSAGE FROM THE CHIEF

I am excited to share the FY 2017 IRS Criminal Investigation Annual Report. The report gives us an opportunity to reflect on the many successes we have had as an agency throughout the past year. As the premier financial investigators in the world, and the only federal agency authorized to investigate federal income tax crimes, we have strategically used our resources to bring the most impactful cases to the Department of Justice for prosecution. In addition to fulfilling our criminal tax enforcement mission, we also continue to play a critical role in the broader federal law enforcement community.

IRS Criminal Investigation fills a unique niche in federal law enforcement due to our broad jurisdiction on Title 18 and Title 31 crimes, in addition to our primary traditional tax enforcement mission. As a result, we routinely get involved in large, complex investigations that require our financial expertise. Simply put, when there is a sophisticated financial component to an investigation, the first phone call prosecutors make is usually to IRS CI.

I am proud of our well-earned reputation as a law enforcement agency; however, resource issues make it impossible to be involved in every investigation in which we are asked to participate. We have the same number of special agents—around 2,200—as we did 50 years ago. Financial crime has not diminished during that time—in fact, it has proliferated in the age of the internet, international financial crimes and virtual currency. Despite these challenges, we continue to do amazing work, investigating some of the most complicated cases in the agency’s history. Criminals would be foolish to mistake declining resources for a lack of commitment in this area. While the size of our organization directly affects the number of cases we open each year, the quality and the complexity of those cases continues to remain at a high level. Publicizing the results of those cases and making better use of the troves

**DON FORT**  
**CHIEF, IRS CRIMINAL INVESTIGATION**

## CHIEF'S MESSAGE CONTINUED

of data that we have access to are ways we attempt to make the best use of our limited resources.

This annual report reflects the important cases the Criminal Investigation Division has worked during FY 2017. The case summaries in this report touch every field office, every state and nearly every region of the world. Despite focusing most of our time on traditional tax cases, we have also managed to maintain a formidable presence in the areas of tax-related identity theft, money laundering, public corruption, cybercrime and terrorist financing. A few examples of our successes in FY 2017 include:

- The complex financial investigation and undercover operations we conducted that helped bring the “Codfather,” a commercial fisherman in Massachusetts, to justice.
- Our major role in taking down several of the largest Dark web marketplaces selling illegal goods and services,



tracing their proceeds around the world and helping to arrest the sites' owners.

- Our participation in a national healthcare fraud takedown with our law enforcement partners at the FBI, DEA and ATF, which resulted in charges for 412 individuals and accounted for more than \$1.3 billion in fraud losses.

These are just a few examples of cases in which CI participated in 2017; many more are detailed within The field office pages of this report.

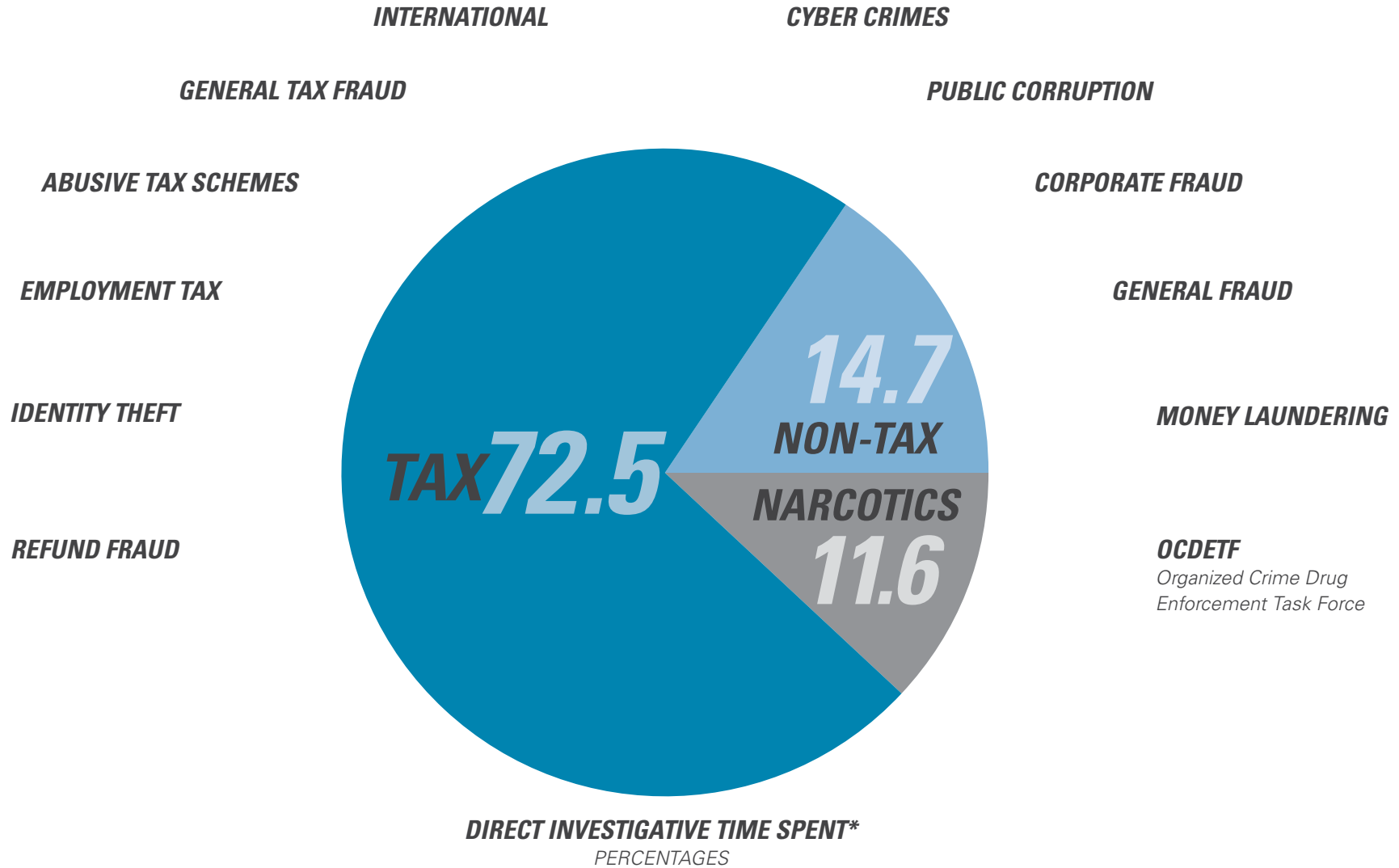
Since taking over as the Chief of CI this summer, I could not be prouder to lead the men and women of this organization. As financial crimes—and the way we investigate them—continue to evolve, CI continues to set the standard for financial investigations worldwide. I am very optimistic about the future of our organization and the innovative initiatives we have underway to help us continue to stay one step ahead of the criminals. ♦

# IRS:CI 2017 SNAPSHOT



# IRS:CI 2017 SNAPSHOT

CLICK A SECTION TO LEARN MORE



\*1.2% Uncategorized

# IRS:CI 2017 SNAPSHOT

TAX FRAUD IDENTIFIED  
**\$2.5B**

OTHER FINANCIAL CRIMES  
**\$1.1B**  
PROCEEDS IDENTIFIED

CONVICTION RATE  
**91.5%**

WARRANTS EXECUTED  
**1,642**

DIGITAL DATA SEIZED  
**2.19**  
PETABYTES



# TAX CRIMES



**CRIMINAL INVESTIGATION'S (CI)** primary resource commitment is to develop and investigate tax crimes, both legal and illegal source. Prosecution of these cases supports the overall IRS compliance goals and enhances voluntary compliance with the tax laws. CI works some of these investigations with our federal, state and local law enforcement partners; and also coordinates with foreign tax and law enforcement agencies.

The Illegal Source Financial Crimes Program encompasses tax and tax-related, money laundering and currency violations. These investigations focus on individuals deriving income from illegal sources, such as money obtained through embezzlement, bribery, and frauds. The individuals can be legitimate business owners but obtain their income through illegal means.

These investigations focused on methods through which individuals seek to “launder” their ill-gotten income by making it appear the income is from a legitimate source. Frequent money laundering techniques include the manipulation of currency reporting

requirements, layering of transactions and international movement of funds. In these types of investigations, CI Special Agents work together with our federal, state and local law enforcement partners, as well as with foreign tax and law enforcement agencies.





# TAX CRIMES

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## GENERAL TAX FRAUD

General tax fraud investigations are the backbone of CI's enforcement program and have a direct influence on the taxpaying public's compliance with the Internal Revenue Code. Compliance with the tax laws in the United States depends heavily on taxpayer self-assessment of the amount of tax, voluntary filing of tax returns and remittance of any tax owed; this is frequently termed "voluntary compliance." Criminal Investigation special agents use their financial investigative expertise to uncover and quantify many different schemes, including deliberately under-reporting or omitting income ("skimming"), keeping two sets of books or making false entries in books and records, claiming personal expenses as business expenses, claiming false deductions or credits against taxes, or hiding or transferring assets to avoid payment.

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## ABUSIVE TAX SCHEMES

CI focuses on the investigation of promoters and clients who willfully participate in domestic and/or offshore tax schemes to violate the tax laws. Participants in these abusive schemes create structures such as trusts, foreign corporations and partnerships to make it appear a trustee, nominee, non-resident alien or other foreign entity is the owner of the assets and income, when in fact the true ownership and control remains with a U.S. taxpayer.

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## REFUND FRAUD PROGRAM

Criminals who attempt to steal government funds by filing fraudulent tax returns affect taxpayer confidence in the system and voluntary compliance. These crimes

also result in the loss of vital funds needed to support government programs. The Refund Fraud Program consists of three parts---Identity Theft Investigations, the Questionable Refund Program (QRP) and the Abusive Return Preparer Program (RPP).

The QRP identifies fraudulent claims for tax refunds. Generally, these schemes involve individuals filing multiple false tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly.

RPP investigations involve the orchestrated preparation and filing of false income tax returns by corrupt return preparers who often claim inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not have knowledge of the falsity of the returns.

# TAX CRIMES

1811

INVESTIGATIONS INITIATED

1196

INDICTMENTS

1303

SENTENCED

## EMPLOYMENT TAX FRAUD

Employment tax fraud consists of several forms. Some of the more prevalent methods include employee leasing, paying employees in cash, filing false payroll tax returns and failing to file payroll tax returns or “pyramiding.” Pyramiding is when a business withholds taxes from its employees, but intentionally fails to remit payment to the IRS. After a liability accrues, the individual starts a new business and begins to accrue a new liability. Some employers withhold taxes from their employees’ paychecks, but intentionally fail to remit those taxes to the IRS and use the funds for their own personal use. Employment taxes include federal income tax withholding, Social Security taxes and federal unemployment taxes.

## IDENTITY THEFT

Identity theft-related tax refund fraud occurs when someone uses the personal information of another individual—for example, using the name, Social Security number or other identifying information (personally identifiable information -PII), without permission, to commit fraud or other crimes. The scam usually occurs when an identity thief uses a legitimate taxpayer’s identity to file a fraudulent tax return and claim a refund. Generally, the identity thief will use a stolen SSN to file a fraudulent tax return and attempt to get a refund early in the filing season. By filing the fraudulent tax return before the legitimate taxpayer, the identity thief usually receives the refund before the victim sends his or her tax return, and the IRS processes it.

## DATA COMPROMISES

CI continues to investigate data compromises as tax-related identity theft. Also referred to as data breaches, these are linked to compromises targeting detailed financial records that tax professionals and payroll administrators maintain. There has been a substantial increase in phishing attempts to acquire payroll records or PII for use in filing false returns or for selling on the Dark web. ♦



# NON-TAX CRIMES

**THE IRS CI** Illegal Source Financial Crimes Program encompasses tax and tax-related crimes, money laundering and currency violations. These investigations focus on individuals deriving income from illegal sources, such as embezzlement, bribery, and frauds. These investigations also focus on methods individuals use to “launder” their ill-gotten gains by making them appear as if they are from a legitimate source. Frequent money laundering techniques include the manipulation of currency reporting requirements, layering of transactions, Black Market Peso and international movement of funds. The law enforcement community recognizes CI’s special agents as the premier experts in money laundering investigations.

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## MONEY LAUNDERING

Money laundering, as defined in the National Money Laundering Strategy, is criminal finance. When criminals or criminal organizations seek to disguise the illicit nature of their money by introducing it into the stream of legitimate commerce and finance, they are laundering money. The common image of money laundering involves the washing of drug money off the streets of our cities through transactions that turn it into bank deposits and other assets. Today, money laundering involves the large-scale movement of criminal funds into or through U.S. or foreign financial institutions at the touch of a computer button. Criminals can launder money through a wide variety of enterprises, from

banks and money transmitters to stock brokerage houses, casinos and Bitcoin exchanges. The flow of illegal funds around the world is estimated to be hundreds of billions of dollars.

The movement of money through the financial system leaves a trail. If a trail can be uncovered, it identifies those who willingly facilitate and finance crime whether due to willful blindness, negligence or otherwise. The trail can also lead back to the criminals whose crimes generated the money. IRS CI Special Agents are experts in following the money trail and participate in a wide variety of investigations, financial task forces, narcotics task forces including OCDETF and High Intensity Drug Trafficking Area (HIDTA).

# NON-TAX CRIMES

1208

INVESTIGATIONS INITIATED

1098

INDICTMENTS

1246

SENTENCED

## PUBLIC CORRUPTION

Criminal Investigation investigates both elected and appointed individuals who violate the public's trust. These individuals are from all levels of government including local, county, state, federal and foreign officials. Public corruption investigations encompass a wide variety of criminal offenses including bribery, extortion, embezzlement, illegal kickbacks, tax fraud and money laundering. Corruption by public officials results in the loss or waste of many taxpayer dollars.

In addition, the United States is often a desirable destination for the proceeds of corrupt foreign officials. This undermines democratic institutions and threatens national security.

## CORPORATE FRAUD

The Corporate Fraud program concentrates on violations committed by publicly traded or private corporations, and/or their senior executives. Some specific criminal acts within a corporate fraud include falsifying and fabricating or destroying company records to falsify tax returns, financial statements or reports to regulatory agencies or investors. It also includes executives who entitle themselves to unauthorized compensation, using unapproved payments, bonuses, corporate funds or bogus loans to pay for personal expenses.

## GENERAL FRAUDS

IRS CI special agents investigate a variety of other frauds including bankruptcy fraud, healthcare and financial institution fraud. Criminal Investigation's ability to bring income tax and money laundering charges enhances prosecutors' effectiveness in combating these and other types of frauds. In these types of investigations, CI special agents work together with federal, state, and local law enforcement partners, as well as with foreign tax and law enforcement agencies in following the money trail to uncover ill-gotten gains. ♦

# CYBER CRIMES

**IN 2015, CI** initiated a Cyber Crimes Program by establishing a Cyber Crime Unit (CCU) with locations in Los Angeles and Washington D.C. The CCU consists of two operational groups of special agents, professional staff, computer engineers and supervisory special agents (SSA). The respective SSAs report through the Special Agents in Charge in Los Angeles and Washington D.C. Field Offices. The CCU engages in investigations that involve the Internet and Internet based technologies/ methodologies that enable criminals to engage in illegal activity with anonymity and without a defined physical presence. Their investigative efforts are focused on multi-jurisdictional investigations posing the most significant threats to the United States tax, financial and economic systems.

In 2016, CI began moving towards establishing a nationwide footprint by creating an office of Cyber Crimes within their Headquarters structure and adding Cyber Crimes Coordinator positions within each of their 25 field offices. Field office special agents and professional staff working cybercrimes investigations are focused primarily on cyber-enabled investigations that involve theft and fraud and are increased in size and scale by the use of computers, computer networks or other forms of technology.

Below are the types of investigations within CI's purview:

- **Selling/buying and compromise of PII (personally identifiable information) data through the internet**
- **Data intrusion/exfiltration**
- **Dark web marketplace owners/administrators/ large vendors**
- **Business email compromise & Phishing schemes**
- **Bank account takeovers**
- **Terrorist financing including use of virtual currency, mesh networking and other online means to raise funds, launder and funnel funds for terrorist organizations.**
- **Virtual currency based tax & money laundering schemes**

CI will continue to focus on tax, tax related and other financial crimes, while expanding their presence into the cyber environment. The CI definition of cybercrime is a criminal investigation in which CI has investigative authority and the subject is believed to be committing a tax or other financial crime while using the Internet as an essential means to commit the crime, remain anonymous, elude law enforcement and/or to conceal financial transactions, ownership of assets, or other evidence.

As with all types of crimes within CI's area of responsibility, special agents working cybercrimes investigations deploy the same "follow the money" methodology that made CI's involvement in complex investigations a mainstay since the creation of the agency. Examples of CI's involvement in this area include investigations stemming from an incident involving the IRS "Get Transcripts" web application and various significant Dark web marketplace investigations. For example, CI and its law enforcement partners were successful in investigating and arresting the individuals behind Silk Road and Mt. Gox, two infamous Dark web marketplaces. As of recent, CI proved instrumental in the investigation and take down of AlphaBay and Btc-e, two additional Dark web facilitators. ♦





# INTERNATIONAL OPERATIONS

Royal Canadian  
Mounted Police

Gendarmerie royale  
du Canada

**THE GLOBAL FIGHT** against tax and economic crimes transcends borders and requires innovative approaches. CI's Office of International Operations (IO) works collaboratively in support of agency goals, objectives, and activities. IO enhances IRS's international strategy by combating offshore tax, money laundering, transnational organized crime, terrorism financing and other financial crimes. IO approaches this global effort by uniting with our domestic partners as well as our foreign tax and law enforcement agency partners. IO also works with other organizations leveraging bi and/or multilateral agreements and resources to vigorously confront international tax compliance, narcotics trafficking and terrorism wherever it poses a threat to the national and economic security of the United States.

Internationally, IRS CI has special agent attachés strategically stationed in 10 foreign countries (Canada,

Mexico, Colombia, Panama, Barbados, The Netherlands – Europol, England, Germany, China and Australia). Attachés continuously build and maintain strong alliances with foreign governmental, law enforcement and industry partners. These strong strategic alliances provide CI with the ability to develop international investigative leads and support domestic investigations that have an international nexus. IRS CI special agent attachés are vigilant in uncovering emerging schemes perpetrated by promoters, professional enablers, and/or financial institutions who assist, facilitate, or in any way aid U.S. taxpayers with evading their federal tax obligations.

IRS CI IO educates foreign governments and agencies on crime detection, investigative techniques, case studies, emerging trends, and best practices. CI trains foreign governments through collaborative efforts with

the International Law Enforcement Academies (ILEA) in Budapest, Hungary; Bangkok, Thailand; San Salvador, El Salvador; and Gaborone, Botswana. CI IO also conducts training at the International Academy for Tax Crime Investigation at Guardia di Finanza Economic and Financial Police School in Ostia, Italy, sponsored by the Organization for Economic Cooperation and Development (OECD) as well as State Department sponsored training.

In FY 2017, IRS CI hosted international delegations from Japan, South Korea, Croatia, Singapore and New Zealand. These meetings allowed CI to build closer investigative relationships, share information including trends they observed and investigative techniques. ♦

# INTERNATIONAL ATTACHÉ LOCATIONS



# ***NARCOTICS, COUNTERTERRORISM, & TRANSNATIONAL ORGANIZED CRIME (NCT)***



**OVER THE LAST** two decades, Transnational Organized Crime (TOC) expanded dramatically in size, scope and impact—becoming more organized and posing a significant threat to public safety and national security in the United States. Combating TOC continues to be a priority for the United States and our domestic and foreign law enforcement partners. The February 9, 2017 Presidential Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking directs federal law enforcement agencies to give “high priority and devote sufficient resources to efforts to identify, interdict, disrupt, and dismantle Transnational Criminal Organizations.”

IRS CI Narcotics and Counterterrorism (NCT) program supports the goals of the President’s Strategy to TOC, the U.S. National Drug Control Strategy, the National

Money Laundering Strategy, and the U.S. Government’s National Counterterrorism Strategy. IRS CI contributes to the strategies by seeking to reduce or eliminate the profits and financial gains of individuals, entities, and Transnational Criminal Organizations involved in the financing of terrorism, narcotics trafficking, and money laundering. IRS Criminal Investigation is an integral partner in combating the trafficking of narcotics and the financing of terrorism by investigating criminal violations of the Internal Revenue Code, Bank Secrecy Act and Federal Money Laundering statutes. IRS CI Special Agents use their unique financial investigative expertise to trace profits from an illegal activity back to an individual or criminal organization with the intent to dismantle, disrupt, and prosecute the criminal.

NCT supports the National Drug Control Strategy and the National Money Laundering Strategy through

the assignment of CI personnel to the White House Office of National Drug Control Policy as well as the assignment of personnel to multi-agency task forces, including Organized Crime Drug Enforcement Task Force (OCDETF), OCDETF Fusion Center (OFC), High Intensity Drug Trafficking Area (HIDTA), High Intensity Financial Crimes Area (HIFCA), Drug Enforcement Administration Special Operations Division, (SOD), and the El Paso Intelligence Center (EPIC). IRS CI focuses its narcotics investigations on high-priority OCDETF investigations where its contributions have the greatest impact of dismantling large criminal organizations.

In 2017, IRS CI implemented a “jump team” to enable CI to respond when a terrorist incident occurs. Agents will immediately work financial leads relating to the incident under direction and in coordination with the local field office. ♦



# SPECIALIZED UNITS



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## GLOBAL ILLICIT FINANCIAL TEAM (GIFT)

GIFT is a task force lead by IRS CI to investigate organizations involved in the illicit movement of money used to support international crime organizations. These investigations are conducted with various partner agencies, including Homeland Security Investigations (HSI) and the Defense Criminal Investigative Service (DCIS). An IRS CI supervisory special agent (SSA) oversees the task force, which includes special agents and professional staff from CI and partner agencies. The SSA reports to the Washington, D.C. Field Office special agent in charge.

The focus of these investigations is to dismantle and prosecute individuals, criminal organizations and money-

laundering networks involved in the movement of illegally derived proceeds. These investigations include:

- **Illegal money transfer businesses**
- **International real estate fraud**
- **Financial Institutions concealing and disguising illegal transactions**
- **Identity theft**
- **Public corruption and extortion**
- **Government contract fraud**
- **Sale of contraband goods**

Since the creation of GIFT in 2010, the group has initiated over 80 cases and seized assets valued at over \$4.4 billion. Recent cases include a global foreign bribery resolution and total penalty of more than \$965 million levied against Stockholm-based Telia Company AB and

its Uzbek subsidiary, Coscom LLC, to resolve charges arising out of a scheme to pay bribes in Uzbekistan and a former business professor who amassed a \$200 million fortune in secret foreign accounts.

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## ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

You may call this the reunion of Eliot Ness and Elmer Irey's T-Men, as IRS-Criminal Investigation Division (CI) teams up with the Alcohol and Tobacco Tax and Trade Bureau (TTB) to combat illicit tobacco and alcohol trade.

The TTB was created in January 2003, when the Bureau of Alcohol, Tobacco, Firearms and Explosives or ATF, was extensively reorganized under the provisions

# SPECIALIZED UNITS

of the Homeland Security Act of 2002 and realigned to the Department of Justice. The act called for the tax collection functions to remain with the Department of the Treasury, thereby creating TTB. TTB regulates and collects taxes on trade and imports of alcohol, tobacco, firearms and ammunition within the United States.

In 2009, TTB entered an Inter-Agency Agreement with CI to provide special agents for the enforcement of TTB's criminal provisions. Presently, TTB has contracted with CI to provide a group of special agents that are strategically dispersed across the country and overseen by an SSA. This group's sole focus is combating the illicit tobacco and alcohol trade. The TTB reports to the Washington D.C. Field Office special agent in charge. Since the agreement began, over 139 investigations have been initiated, with great success.

The average jail sentence in these types of cases ranges between eight and twenty-five months. Most recently, a defendant in the Los Angeles area entered a guilty plea admitting to the evasion of federal excise taxes totaling over \$7 million and will be sentenced in January 2018. Another defendant in the Miami area pleaded guilty to evading over \$9 million in federal excise tax through a false invoicing scheme on imported cigars. The defendant was sentenced to 48 months and ordered to pay restitution of \$9,389,693.

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## SWISS BANK PROGRAM

In August 2013, IRS CI and DOJ (Department of Justice) Tax Division initiated the Swiss Bank Program (SBP) by bringing CI special agents from across the country into Washington D.C. to work directly with

attorneys assigned from DOJ. Since the inception of the SBP, 80 Swiss banks have entered into Non-Prosecution Agreements (NPAs) paying over \$1.3 Billion in penalties, with about 58 investigative leads being sent to various CI field offices for investigation and action. Additionally, over 18,000 leads that did not meet criminal criteria have been forwarded to IRS' LB&I Division for civil tax compliance action. As the SBP winds down and is scheduled to end in 2017, an International Tax group is being ramped up in CI's Washington D.C field office. This group's focus will be to dismantle the most significant International Tax schemes that have been identified as systemic threats to the integrity and fairness of the tax administration. Investigations initiated by this group will be long-term in nature and utilize all tools at the Criminal Investigation Division's disposal. ♦

# ***NATIONALLY COORDINATED INVESTIGATIONS UNIT***

**ON MAY 1, 2017**, CI formally launched the Nationally Coordinated Investigations Unit (NCIU). The NCIU is a critical component of CI's contribution to the IRS Future State, and they will partner with agents and analysts to supplement the case development activities of each field office. As of September 30, 2017, the NCIU was semi-operational and expected to become fully operational during FY 2018.

The NCIU will pivot CI to a data-driven case selection process by developing and managing national initiatives that CI's executive leadership has approved as high impact and national in scope.

Listed below are the four initiatives CI's executive leadership has approved so far.

- **Microcap Stock Project**
- **Employment Tax**
- **Biofuel/RIN Tax Credit Scheme**
- **International Bank Project**

In July 2017, the NCIU and the Securities and Exchange Commission delivered a multi-day microcap stock training to over 60 IRS employees, and the NCIU is analyzing,

building and referring investigations from this initiative to CI field offices.

In addition, the NCIU will identify and address emerging threats and pilot innovative ideas.

The NCIU relies on a wide range of data to identify and develop areas of non-compliance and will carry out its mission by:

- **Ensuring appropriate geographic coverage to CI investigative priorities and emerging non-compliance threats**
- **Building and supporting investigations referred to field offices**

- **Promoting bi-lateral accountability for both NCIU and field offices**
- **Serving as a resource to field offices**
- **Educating and training field offices on the program areas NCIU supports**
- **Providing and coordinating targeted training to agents assigned to NCIU referrals**
- **Identifying emerging threats to the tax administration and financial systems**
- **Working with internal and external partners to identify, assess and address the next threats to our tax and financial system**
- **Partnering with DOJ tax and other litigation components to support efforts to litigate these investigations through prosecution** ♦



# UNDERCOVER OPERATIONS



**THE CRIMINAL INVESTIGATION** Division (CI) has used undercover techniques throughout its history. It is well documented that undercover techniques play a significant role in bringing criminals to justice, the case of public enemy No.1, Al Capone, being one of the most famous examples. Since then, these techniques have been used in numerous investigations involving organized crime, illegal gambling operations, tax shelter schemes, illicit money movers, investment scams and many others.

The Special Investigative Techniques (SIT) unit oversees CI's undercover activities. This unit is

responsible for review, approval, funding and training of personnel who carry out these activities. The initiation and day-to-day management of the respective operations are handled by special agents and The field office leadership team where the activities are being conducted.

In FY 2017, over 450 undercover operations were conducted. Undercover agents encounter many challenging situations in their roles. CI undercover operations handle the full spectrum of activities that seek to conceal and disguise the movement of money for illegal purposes.

Recently, undercover agents played a pivotal role in the conviction of Carlos Rafael, also known as the "Cofather," for tax evasion, falsifying records, conspiracy, bulk cash smuggling and false labeling and fish identification. In another investigation, undercover agents unraveled the identity of a well-to-do, politically connected British Dark web money launderer, also known as "Bill," later identified as George Cotrel. ♦

# ASSET FORFEITURE

A white private jet aircraft is shown in a hangar. The aircraft is viewed from a low angle, highlighting its sleek design and large cockpit windows. The hangar's interior is visible, with a corrugated metal ceiling and structural beams. The lighting is bright, casting reflections on the aircraft's surface.

**IRS CRIMINAL INVESTIGATION** Asset Forfeiture program uses seizure and forfeiture authority as an investigative tool to disrupt and dismantle criminal enterprises. The program seeks to deprive criminals of property used in, or acquired through, illegal activities by directing CI's financial expertise and resources towards investigations in which CI can take a leading role. In addition, forfeiture provides for restitution for financial harm suffered by victims because of certain criminal activities.

IRS CI is the largest contributor to the Treasury Forfeiture Fund (TFF), which is administered by the Treasury Executive Office for Asset Forfeiture. These funds are used to reimburse victims, cover mandatory administrative costs of the forfeiture program, and to pay for law enforcement-related expenses, such as training, equipment and the cost of conducting significant investigations. ♦

# NATIONAL FORENSIC LABORATORY

**THE IRS NATIONAL** Forensic Laboratory (NFL) continues to support IRS investigations, as it has for more than 40 years. Forensic scientists in a state-of-the-art laboratory help support field investigations by offering forensic testing or technical services in electronics, latent prints, polygraph, questioned documents, ink chemistry, and imaging and trial illustration. Examiners at the NFL report the results of forensic testing or technical services to investigators for use in the investigation of potential criminal violations of the Internal Revenue Code and related financial crimes. Examiners also provide expert testimony in judicial proceedings when needed.

Although the NFL is a small branch of CI, its work is critical in ensuring the efficient processing of crucial evidence in our investigations. In FY 2017, the NFL received 262 cases, which resulted in 309 work requests. Approximately 93 percent of the cases the NFL received were submitted by Criminal Investigation. The remaining 7 percent were received from the civil side of IRS. In FY 2017, three forensic scientists testified at trial to the results of forensic examinations they conducted.



# NATIONAL FORENSIC LABORATORY

The IRS Standards Ink Library has over 13,000 inks which scientists can use to determine the first date of manufacture of a questioned ink. When scientists match an ink in the library to a questioned ink, they consult the manufacturer files to determine the date the ink was first available. Then they can state whether the questioned ink was available when the document was purportedly prepared. If the ink was not available, it proves the document is backdated. The NFL has proved many documents as backdated because they were written with an ink that was not available when the document was dated.

Only two comprehensive ink libraries exist in the United States: one maintained by the IRS NFL and the other maintained by the U.S. Secret Service Laboratory. Through mutual co-operation and exchange of information, the library continues to grow and play a crucial role in the investigation of tax fraud cases. As part of a recent initiative to update the library, the NFL has incorporated ink jet samples into the library to be able to distinguish documents from different types of ink jet printers. This will be of great value in CI's continuing efforts to investigate and prosecute tax cases. ♦



# ELECTRONIC CRIMES

**EVERY INVESTIGATION THE** Criminal Investigation Division (CI) conducts involves digital and multimedia evidence of some type. Digital and multimedia evidence comes from many sources, such as witnesses, subpoenas, personal computers, mobile devices (phones, tablets, etc.), small and large business computers/servers, server farms, cloud storage or even the Dark net. The proper collection and review of digital evidence requires specialized skills to be admissible in court proceedings.

CI Electronic Crimes' primary function is the forensic acquisition, analysis and testimony of the digital and multimedia evidence related to ongoing criminal investigations. Electronic Crimes has a presence in 60 posts-of-duty across the United States and consists of five computer investigative forensic analysts, six senior analyst computer investigative forensic analysts (CIFA), 73 special agent – computer Investigative specialists (SA-CIS), four forensic assistant contractors, one evidence custodian, one technical assistance employee, and one administrative support employee. The SA-CISs and CIFAs receive advanced training in the proper procedures of collecting, acquiring, analyzing and testifying on digital and multimedia evidence. Additionally, they provide assistance in drafting search

warrants, court orders and subpoenas. They travel across the country to participate on search warrants and conduct the digital and multimedia evidence seizures.

Types of forensic analysis the SA-CISs and CIFAs perform include:

- **Digital currency identification (bitcoin wallets, etc.)**
- **Dark web activity**
- **Encryption and password recovery**
- **Targeted searches**
- **Deduplication of large data sets (such as email)**
- **Recovery of hidden and deleted data**
- **Internet activity and history analysis**
- **Data conversion from proprietary formats**
- **Extraction of data from proprietary financial software (tax preparation, accounting, payroll, point of sale systems, custom database, etc.)**
- **Website preservations**
- **Taint reviews and segregation**
- **Recovery and repair of damaged disk drives**

In FY 2017, Electronic Crimes personnel participated on 350 search warrants, performed at 542 locations; seized 2.19 petabytes of data from 3,047 computers/laptops/external devices and 1,263 mobile devices; and testified in 16 trials. Electronic Crimes is the premier source for digital and multimedia evidence in CI. ♦





# PROFESSIONAL STAFF

**IRS CI EMPLOYS** 835 professional staff serving in many administrative and investigative capacities. Our budget analysts, management and program analysts, administrative officers, executive secretaries and computer support professionals all work tirelessly behind the scenes to support the mission of IRS CI. CI professional staff are also active participants in the Chief's Advisory Council, providing crucial insight to CI leadership on relevant issues around the country.

Our investigative professional staff has a tremendous impact with case development and support. Our 200+ compliance support assistants (CSA)/tax fraud investigative analysts (TFIA) assist special agents with public records research, interviews, bank record scheduling and analysis, and specialized tax and law enforcement database research. Several TFIA's from throughout the United States were detailed to provide support to a large biofuel credit investigation. In March 2017, 23 CSA/TFIA's received comprehensive training at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia.

Various field offices throughout the country and TOIS (Technology Operations & Investigative Services) leveraged Operation Warfighter, an umbrella program that enabled CI to recruit eight disabled veteran interns as

volunteers from the Department of Defense (DoD) and Veteran's Affairs (VA) in FY 2017. Interns were provided challenging assignments to include extracting and analyzing critical information from investigative databases. Through the use of this program, CI provided training and work experience to those who served our country and have now returned to the civilian workforce. Additionally, through Veteran Recruitment Act Hiring Authority, CI hired 13 veterans into Professional Staff positions in FY 2017. Seven were hired as investigative analysts and investigative aids in Refund Crimes while six accepted positions in the field offices and TOIS. Seven were disabled veterans. This veteran hiring accounted for 26.5% of CI's overall hiring, which exceeded CI's FY 2017 veteran hiring goal of 16%.

Our investigative analysts (IAs) are critical to advancing the law enforcement efforts of CI. IAs are assigned to The field offices, Refund Crimes, and International. They use sophisticated analytical software to develop leads and support complex cases for the special agents in the field. Analysts attend training alongside special agents to keep abreast of the emerging trends related to employment tax, internet investigations, virtual currency and interviewing techniques. IAs work on the High Intensity Drug Trafficking Areas (HIDTA), Joint Terrorism Task Force (JTTF) and other federal law en-

forcement taskforces supporting investigations relating to national threats, the opioid crisis, terrorist financing and other emerging threats. ♦



# NATIONAL CI TRAINING ACADEMY



**IRS CI SPECIAL** Agents are the finest financial investigators in the world. Their training begins at the National Criminal Investigation Training Academy (NCITA) at the Federal Law Enforcement Academy (FLETC) in Brunswick, Georgia. NCITA is dedicated to fostering the highest levels of professionalism and ethical behavior throughout the Criminal Investigation workforce. NCITA's primary focus is training new special agents in the fundamentals of financial investigations, including elements of tax offenses, methods of proof unique to federal tax investigations, and all the requisite knowledge, skills, and abilities to be federal law enforcement's finest financial investigators.

New special agents attend approximately six months of training including the Criminal Investigator Training Program (CITP), which is an 11-week program run

by FLETC. CITP covers basic criminal investigation techniques including federal criminal law, courtroom procedures, enforcement operations, interviewing and firearms training common to all federal law enforcement agents.

Following CITP, new special agent trainees attend the NCITA Special Agent Investigative Techniques (SAIT) course. SAIT provides training in tax law, evidence gathering, interviewing, report writing, methods of proving unreported income, money laundering violations, as well as physical fitness conditioning and use of force training.

In addition to SAIT, NCITA provides advance training to special agents in use of force, firearms instruction, building entry and defense tactics. NCITA also

provides leadership development programs from pre-management through senior manager to ensure the identification and development of future leaders. NCITA develops continuing professional education courses for special agents and professional staff each year with an emphasis on emerging trends such as cybercrime and crypto currencies.

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***NCITA PROVIDES ADVANCED TRAINING TO SPECIAL AGENTS IN USE OF FORCE, FIREARMS INSTRUCTION, BUILDING ENTRY AND DEFENSE TACTICS***

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# NATIONAL CI TRAINING ACADEMY



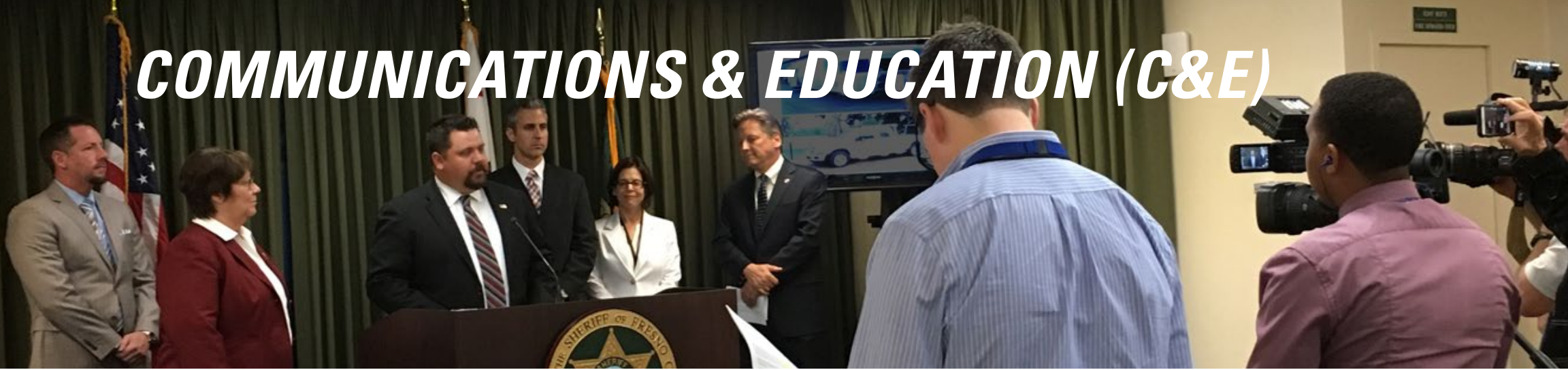
NCITA provides training to foreign governments and agencies on crime detection, investigative techniques, case studies, developing trends and best practices. CI trains foreign governments through collaborative efforts with the International Law Enforcement Academies. These academies are in Budapest, Hungary; Bangkok, Thailand; San Salvador, El Salvador; and Gaborone, Botswana and at the International Academy for Tax Crime Investigation at Guardia di Finanza Economic and

Financial Police School in Ostia, Italy sponsored by the Organization for Economic Cooperation and Development (OECD), as well as State Department-sponsored training.

IRS CI special agents attend quarterly firearms, defensive tactics and semi-annual building entry training. Through frequent use of force training, they maintain their skills and abilities so they always use good judge-

ment and the appropriate degree of force necessary to safely carry out enforcement activities. These activities include search warrants, arrests, surveillance, armed escorts, dignitary protection, undercover activities and seizures. ♦

# COMMUNICATIONS & EDUCATION (C&E)



**CRIMINAL INVESTIGATION (CI)** serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a way that encourages compliance with the law and confidence in the tax system. One of the most effective ways to encourage compliance is publicizing CI activities that enforce the laws within its jurisdiction.

The Communications and Education Office (C&E) directly supports CI's mission by raising the level of awareness of all stakeholders—internally and externally—about the important work that CI does to protect the financial interests of the United States.

Public information officers (PIOs) in each field office and communication specialists at headquarters support CI's communication functions. PIOs are case-working special agents who are also trained to carry out media

outreach efforts for cases their field offices work. Headquarters communicators manage websites, write speeches and talking points and support the field in their outreach activities. All CI communicators work to balance media outreach with training and education opportunities to ensure they can react swiftly to unplanned communication needs.

CI communicators face unique challenges when engaging external audiences due to the sensitive nature of CI's work with grand juries, taxpayer information, law enforcement material and relationships with U.S. Attorneys' Offices around the country. C&E works through these challenges to support CI's mission. Their work directly contributes to the deterrent effect on financial crimes and promotes voluntary compliance and confidence in our tax system. ♦

# EQUITY, DIVERSITY AND INCLUSION (EDI)

**THE MISSION OF** the Criminal Investigation (CI) Equity, Diversity, and Inclusion Office (EDI) office is to identify, examine and address the organization's employment practices and policies to ensure that all employees and applicants for employment receive equal opportunity in every facet of CI's programs, activities and services. EDI's goal is to provide exceptional customer service, advice and education to management, employees and stakeholders to ensure compliance with federal EEO laws and regulations that prohibit discrimination based on age, color, disability, equal pay, national origin, pregnancy, race, religion, retaliation, sex (gender) and sexual harassment.

EDI is responsible for identifying, examining and addressing the organization's employment policies and practices to create an effective EEO program. EDI staff work to ensure that employment practices and decisions are made with the highest integrity and fairness to every employee. EDI also advises CI's senior leadership on strategies for capitalizing on the strengths of its employees and embracing their differences and unique viewpoints to create a fully engaged workforce.

Additionally, the EDI staff prepares CI's Management Directive 715 (MD 715) report, and monitors and evalu-

ates the organization's compliance with the directive and other policies the Equal Employment Opportunity Commission (EEOC) establishes. The directive's purpose is to identify program weaknesses or deficiencies and uncover evidence of hidden barriers that would cause discrimination or hinder equal opportunities for all employees, at every grade level, and in every occupational series to reach their full potential. It also provides the framework for identifying EEO plans that are tailored to remove barriers and detect problems.

The EDI staff develops action plans to comply with the six essential elements of a model EEO program as defined by MD 715:

- **Demonstrated commitment from agency leadership**
- **Integration of EEO into the agency's strategic mission**
- **Management and program accountability**
- **Proactive prevention of unlawful discrimination**
- **Efficiency in dispute resolution and complaint processing**
- **Responsiveness and legal compliance**

Other responsibilities include monitoring the organization's effort to enhance diversity initiatives and analyz-

ing trends in EEO complaints, disciplinary actions, promotions, awards, separations, retention, employee development and training, recruitment and hiring initiatives and practices. ♦



# COMMUNITY OUTREACH



**WHEN IT COMES** to the social needs of the communities where we live and work, CI special agents and professional staff stand ready to lend a helping hand. They roll up their sleeves to paint, build, repair, clean, plant, teach and more. They give generously of their time, talents and funds, helping to meet needs next door and across the nation. Notable examples of our FY 2017 community engagement include:

Hurricane Harvey devastated the state of Texas over a four-day period causing catastrophic flooding in the southern and eastern parts. Rainfall topped 50 inches in some areas. The resulting floods damaged hundreds of thousands of homes and displaced thousands of

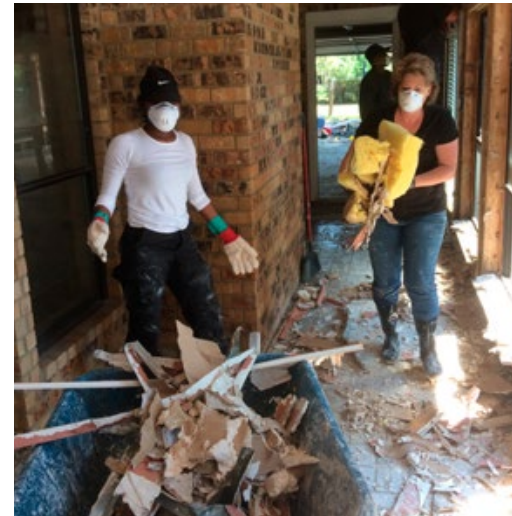
people. Many CI employees spent countless hours providing relief to the victims of Hurricane Harvey.

In Puerto Rico, 10 special agents were chosen from more than 200 volunteers to fly to Puerto Rico to help victims of Hurricane Maria. They searched for missing IRS employees and provided basic assistance with food, water, clothing and first aid supplies. The special agents also visited hard-to-reach communities to help feed hundreds of people and allow them to use a CI satellite phone to contact loved ones.

On a monthly basis, members of the Miami field office management team and the public information

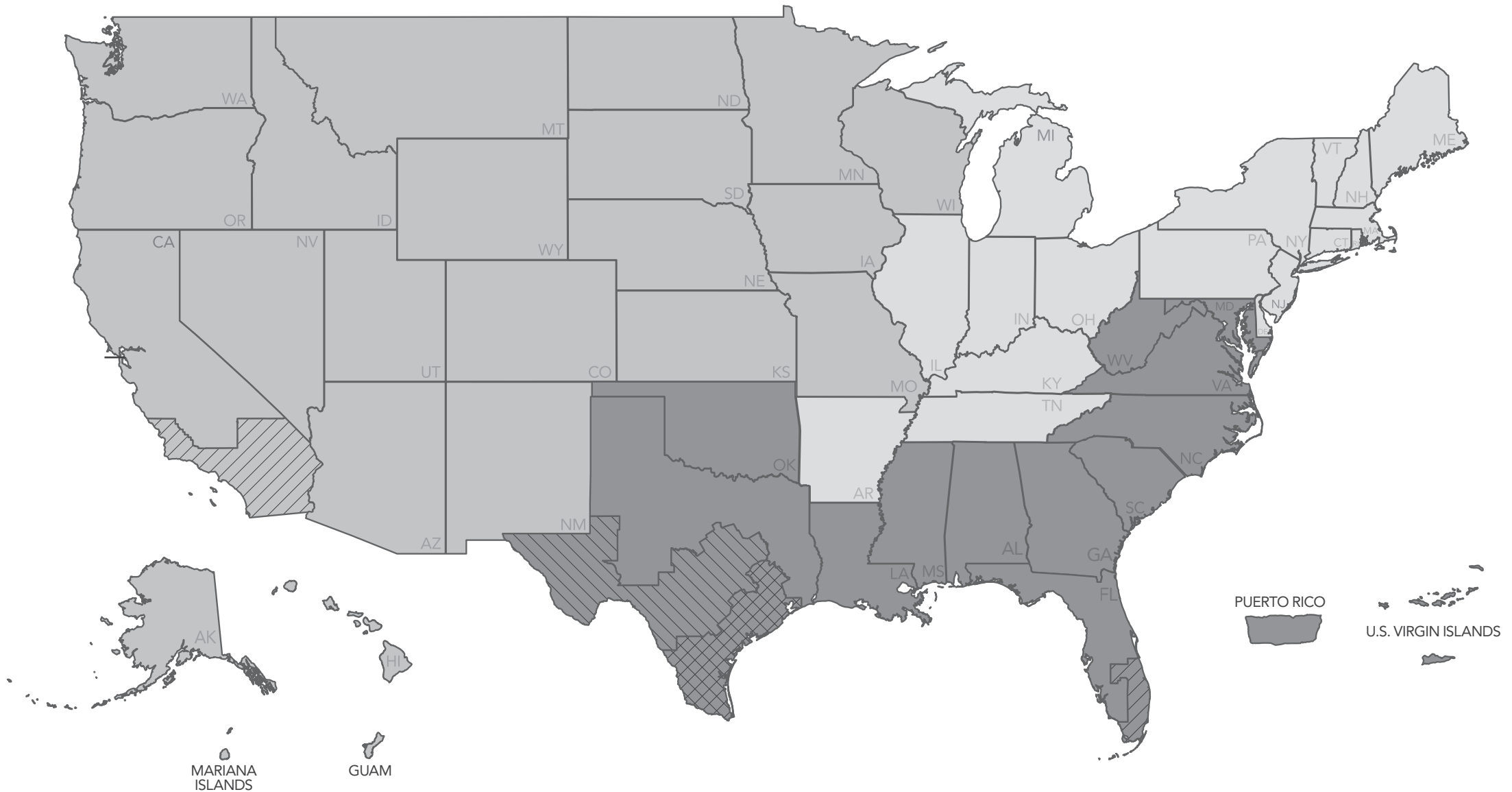
officer read and distributed books to 3-and-4-year old students at an elementary school in a high-crime community. This activity is part of the U.S. Attorney's Office Violence Reduction Partnership (VRP) Reading Program. The VRP was established in 2011 to address violent crime, gang activity and firearms offenses plaguing high crime areas in Miami. The objective of the reading program is to increase children's appetite for reading before entering kindergarten, thus reducing early academic failure. Children who read at grade level by the fourth grade are four times more likely to stay in school. The VRP Reading Program has expanded to 20 schools throughout the Southern District of Florida, and area students have received over 11,000 books. ♦

# COMMUNITY OUTREACH



# FIELD OFFICE LOCATIONS

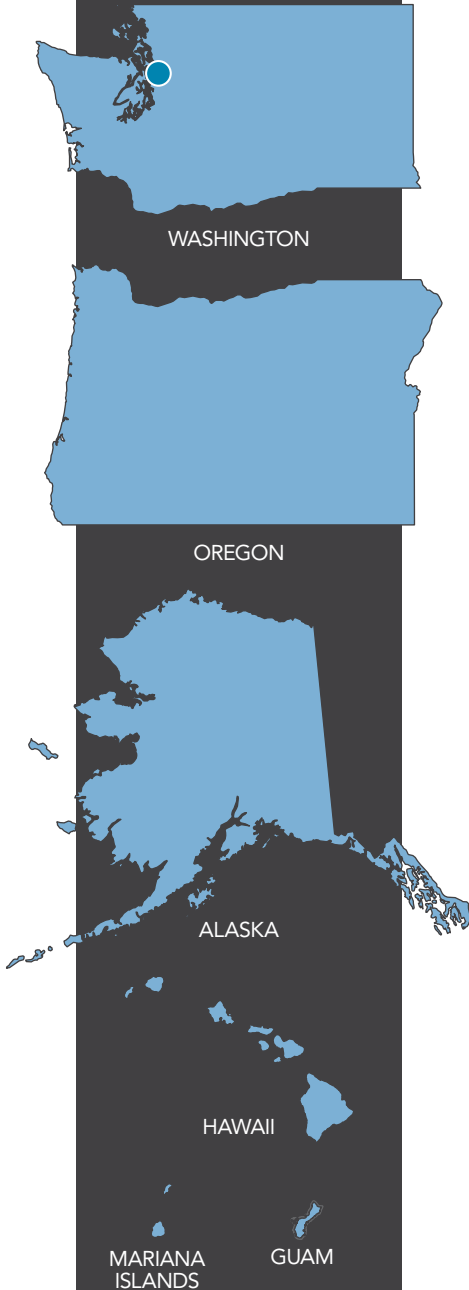
**CLICK A FIELD OFFICE TO LEARN MORE**





# SEATTLE FIELD OFFICE

915 SECOND AVE, SEATTLE WA, 98174



**THE SEATTLE FIELD** Office covers the states of Alaska, Hawaii, Oregon, and Washington, the U.S Territory of Guam and the Commonwealth of the Northern Marianas Islands. Planning and collaboration take on added importance when faced with the geographic challenges of seven judicial districts and four time zones. Specific regions within the field office provide opportunities for a diverse case load. Our investigations include domestic and international tax crimes, public corruption, identity theft fraud, cyber-crime and drug related financial crimes. The Seattle Field Office (with our respective U.S. Attorney's Offices) plays a pivotal role in combating financial crime in the Western states.

The Seattle Field Office has additional locations in the following areas:

- **Agana, GU**
- **Medford, OR**
- **Anchorage, AK**
- **Portland, OR**
- **Eugene, OR**
- **Spokane, WA**
- **Everett, WA**
- **Tacoma, WA**

- **Bend, OR**
- **Saipan, MP**
- **Honolulu, HI**
- **Vancouver, WA**

Significant cases worked by Seattle CI Special Agents include:

## ***Hawaii Couple Sentenced for Tax Violations Resulting in Non-Payment of Over \$4 Million in Taxes***

On November 18, 2016, in Honolulu, Hawaii, Calvin Kim, and Chun Cha Kim, were sentenced to 36 and 12 months in prison, respectively, for violations of federal tax laws. Calvin Kim and Chun Cha Kim were also ordered to pay restitution of \$1,969,463 and \$1,937,267, respectively, which represent all back taxes and penalties. Criminal fines of \$250,000 and \$100,000 were also imposed on Calvin Kim and Chun Cha Kim, respectively. In addition, both defendants agreed to the imposition of a fraud assessment by the IRS, which may amount to an additional civil penalty of \$3 million. According to court documents, Mr. and

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*"I began my career as a trial attorney in the Tax Division at the Department of Justice, and have been an Assistant United States Attorney for many years. It has been a great privilege to work with so many outstanding IRS CI Special Agents. Their skill in conducting financial investigations is unmatched, and their dedication to justice is unwavering. IRS CI Special Agents are very valuable assets to every fraud prosecution team."* — **CLAIRE M. FAY, ASSISTANT UNITED STATES ATTORNEY, DISTRICT OF OREGON**

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Mrs. Kim operated two companies that sold heating pads and other products. In October 2000, they became followers of so-called "tax protestors" and decided not to file a valid tax return until May 2014. The court documents reflect that from 2005 to 2012 alone, the tax returns of the Kims' businesses, of which they were then the sole shareholders, showed payments ranging from \$418,238 to \$971,983 for Calvin Kim for each year, and \$271,564 to \$1,000,562 for Chun Cha Kim, resulting in taxes owed for each of those years ranging from \$133,009 to \$325,375 for him and \$83,828 to \$335,378 for her.

Press Release – <https://www.justice.gov/usao-hi/pr/hawaii-couple-sentenced-tax-violations-resulting-non-payment-over-4-million-taxes>

## ***Washington Man Sentenced for Conspiracy to Commit Money Laundering***

On January 31, 2017 in Spokane, Washington, Richard Estes was sentenced to 105 months in prison, three years of supervised release and ordered to pay restitution of \$4,360,724 to the taxpayers of the United States. Estes previously pleaded guilty to conspiracy to commit money laundering. According to court documents, Estes was a member of a conspiracy involving Gen-X Energy Group, Inc. (Gen-X), a renewable energy company formerly located in Pasco and Moses Lake, Washington. Between March 2013 and May 2014, Estes and his co-conspirators laundered the proceeds of schemes to falsely claim the production of marketable renewable energy credits and file false claims for refunds of excise credits with the IRS. Throughout this period, much of the renewable fuel claimed to be produced at the Gen-X facilities was either not produced

or re-processed multiple times. In total, over \$39,000,000 of proceeds of the scheme was laundered through accounts owned or controlled by Estes.

Press Release – <https://www.justice.gov/usao-edwa/pr/renton-washington-man-sentenced-105-months-prison-conspiracy-commit-money-laundering>

## ***Twelfth Alleged Fairview Gang Members Sentenced for Drugs, Weapons and Money Laundering Offenses***

On December 29, 2016, in Anchorage, Alaska, Isaiah Holloway was sentenced to 144 months in prison, followed by five years of supervised release for his role in a conspiracy to distribute heroin, cocaine, and crack in Anchorage, to launder thousands of dollars in drug proceeds, and for posses-

sion of a firearm in furtherance of the drug conspiracy. According to court documents, Holloway previously pleaded guilty to conspiring with others to distribute drugs and to launder the proceeds. As part of his guilty plea, Holloway admitted that he sold drugs on multiple occasions with other co-conspirators, and that he traveled with other members of the conspiracy who carried drug proceeds and firearms to protect themselves and those proceeds. Holloway and several other conspirators maintained a "stash house" in the Government Hill neighborhood, where law enforcement officers found large amounts of drugs and money. Several defendants also shared a "dope phone" that drug users could call to reach available members to arrange for drug sales. During the time of this conspiracy, the members were involved in numerous crimes in Anchorage involving the use or possession of firearms, for which several face sentencing or have recently been sentenced in state court.

Press Release – <https://www.justice.gov/usao-ak/pr/12-alleged-fairview-gang-members-sentenced-drugs-weapons-and-money-laundering-offenses>

## ***Alaska Man Sentenced for Role in Drug Conspiracy and Money Laundering***

On July 24, 2017, in Anchorage, Alaska, Brandon Johnson was sentenced to 90 months in prison, followed by three years of supervised release, for his role in a drug trafficking conspiracy that brought controlled substances, including heroin and methamphetamine, into Alaska. According to court documents, Johnson was indicted with multiple co-conspirators including Hakim Giddins, Shakin Giddins, Markin Giddins, Tara McNutt, Kourtney Davis, and Briana Herndon. From 2014 to 2016, McNutt, Davis, and Herndon opened various mailboxes with Alaska addresses to receive heroin from

California. This heroin was received and distributed in Alaska by Hakim Giddins and his co-conspirators. Johnson himself possessed heroin for distribution. He and others also entered into an agreement to launder the proceeds obtained from the distribution of drugs brought into Alaska by the conspiracy. The cash proceeds from the sale of these drugs were laundered by making deposits into bank accounts located in Alaska in other people's names. This money was then withdrawn in California. Cash was also shipped in bulk from Alaska to California. Hakim Giddins directed Johnson and others to make bank deposits on his behalf with money that he knew had come from drug trafficking. Hakim Giddins believed that by having the deposits made that way, it would conceal his connection to the money as well as to the true source of the money. Multiple co-conspirators were indicted and sentenced for the criminal conduct related to this drug conspiracy.

Press Release – <https://www.justice.gov/usao-ak/pr/alaska-man-sentenced-90-months-role-drug-conspiracy-and-money-laundering>

## ***Anchorage Man Sentenced for Drug Trafficking, Money Laundering and Firearms Offenses***

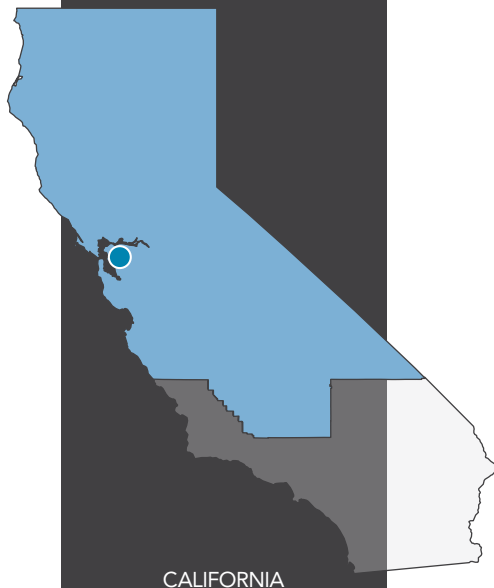
On July 25, 2017, in Anchorage, Alaska, Bernard Yamura White was sentenced to 216 months in prison, for drug trafficking, money laundering, firearms offenses and violating his prior terms of supervised release. According to court documents, on August 22, 2016, and January 12, 2017, White attempted to ship two parcels containing \$59,610 and \$30,980 in drug proceeds from Anchorage to California. On February 8, 2017, White was contacted at a traffic stop by law enforcement officers in Anchorage and was found in

possession of 118 grams of heroin, 59 grams of powder cocaine and 35 grams of crack cocaine. White's residence was searched, and law enforcement officers found 786 grams of methamphetamine, 1318 grams of heroin, 176 grams of cocaine and 837 grams of marijuana. In addition, the officers found 11 firearms, including rifles, semi-automatic pistols and shotguns. White is a felon and prohibited from possession of firearms due to his two prior federal drug trafficking felonies. At White's sentencing hearing, a former neighbor of White's asked to speak with the court, and expressed concern for the community that White had been convicted of three drug trafficking offenses and after significant time in prison continued to engage in the same dangerous conduct.

Press Release – <https://www.justice.gov/usao-ak/pr/anchorage-man-sentenced-combined-18-years-drug-trafficking-money-laundering-and-firearms>

# OAKLAND FIELD OFFICE

1301 CLAY ST, OAKLAND CA, 94612 | 510.907.5249



**THE OAKLAND FIELD** Office is responsible for covering the Northern and Eastern Judicial Districts of California, which is more than half of the state of California. The judicial districts run from the Sierra's to the west coastline and from Bakersfield to the Oregon border. The field office's top law enforcement priorities are designed to promote tax compliance, address emerging areas of fraud (for example, cybercrimes), and meet the needs of the law enforcement community by supporting national crime initiatives. Criminal Investigation assists in the prosecution of significant financial investigations to generate the maximum deterrent effect, enhance voluntary compliance, and promote public confidence in the tax system.

The Oakland Field Office has additional locations in the following areas:

- Fresno, CA
- Modesto, CA
- Redding, CA
- Sacramento, CA
- San Francisco, CA
- San Jose, CA
- San Rafael, CA
- Santa Rosa, CA
- Walnut Creek, CA

Significant cases worked by Oakland CI Special Agents include:

## **California Man Sentenced for Filing False Tax Returns**

On August 25, 2017, in Sacramento, California, Omar Kabiljagic was sentenced to 51 months in prison for filing fraudulent tax returns. According to court documents, Kabiljagic submitted a series of fraudulent tax returns to the IRS falsely reporting that in 2008 and 2009, he earned interest from "original issue discount" (OID) bonds. He falsely reported that various financial institutions withheld this interest income and claimed that this entitled him to hundreds of thousands of dollars in tax refunds. The IRS repeatedly warned Kabiljagic that his filings were frivolous and that he risked criminal charges if he persisted. Nevertheless, on June 25, 2009, Kabiljagic filed two more tax returns that falsely claimed refunds totaling \$863,520. On April 4, 2017, a jury found Kabiljagic guilty of two counts of filing fraudulent tax returns.

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*"The U.S. Attorney's Office of the Eastern District of California has a long history of partnering with IRS Criminal Investigations to investigate and prosecute a variety of tax and white collar offenses. CI agents consistently bring their special expertise to complex financial cases and have repeatedly proven themselves to be invaluable partners in our mission of protecting the public and pursuing justice."* — **PHILLIP A. TALBERT, U.S. ATTORNEY, EASTERN DISTRICT OF CALIFORNIA**

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Press Release – <https://www.justice.gov/usao-edca/pr/sacramento-man-sentenced-over-four-years-prison-filing-false-tax-returns>

## ***Tax Preparation Business Owner Sentenced for Filing False Tax Returns***

On April 26, 2017, in Sacramento, California, Teresa Marty was sentenced to 120 months in prison, two years of supervised release and ordered to pay restitution in the amount of \$9,500,492 to the IRS. According to court documents, Marty was the owner of Advanced Financial Services (AFS), a tax return preparation business. Marty conspired with her office managers, Pamela Harris and Rebecca Bandera-Marty to file fraudulent federal tax returns claiming more than \$60 million in refunds. Marty and Harris recruited clients by falsely representing that the clients

could legally receive large refunds by filing tax returns using IRS Forms 1099-OID. AFS prepared false Forms 1099-OID that reported the clients' debts as income and the same amount as income tax withheld. This resulted in significant claims for refunds the clients were not entitled to receive. The scheme included clients from 26 states and caused the IRS to pay out over 40 tax refunds, totaling more than \$9 million. Clients of AFS have been prosecuted in Arizona, Colorado, Florida, Georgia, Missouri, Oregon and Washington for filing false claims that Marty and AFS prepared.

Press Release – <https://www.justice.gov/usao-edca/pr/tax-preparation-business-owner-sentenced-10-years-prison>

## ***Former Bakersfield Police Department Detective Sentenced for Bribery, Drug Trafficking, and Filing False Tax Returns***

On October 3, 2017, in Fresno, California, Damacio Diaz, formerly a detective with the Bakersfield Police Department was sentenced 60 months in prison for bribery, possession and attempted possession with the intent to distribute methamphetamine, and making and subscribing a false income tax return. According to court documents, between April 2012 and February 2015, while employed as a police officer with the Bakersfield Police Department, Diaz handled a criminal informant who was involved in the large-scale sale and distribution of methamphetamine. Diaz continued to operate the informant even though he was fully aware of the informant's ongoing criminal activity. During this time, Diaz received bribes from the informant in return for intelligence on law

enforcement activities as well as protection from investigation and arrest. Diaz also filed a joint income tax return for the calendar year 2012 that falsely reported total income of \$168,485 and did not include additional income of at least \$97,900.

Press Release – <https://www.justice.gov/usao-edca/pr/former-bakersfield-police-department-detective-sentenced-5-years-prison-bribery-drug>

## ***California Bay Area Doctor Sentenced for Tax Evasion***

On April 11, 2017, in San Francisco, California, Dr. John Compagno was sentenced to 37 months in prison, three years of supervised release, a \$75,000 fine, and ordered to pay \$5,426,239 in restitution. Compagno

pleaded guilty on December 14, 2016, to income tax evasion. According to his plea agreement, Compagno is a medical physician specializing in pathology. He is also the owner and operator of three corporations. In his plea agreement, Compagno admitted he submitted both corporate and individual tax returns that understated his liability to the IRS. For the tax years 2005 through 2011, Compagno caused a corporate tax return preparer to overstate the amount of expenses on his corporate tax return by including \$10,679,080 in non-deductible expenses. As a result, the amount of income taxes due was understated. This resulted in additional tax due of \$3,859,060. Compagno also omitted \$10,505,091 in constructive dividends from his 2006 through 2011 individual income tax returns. This resulted in additional tax due of \$1,567,179. Ultimately, Compagno acknowledged in his plea agreement he owed more than \$5.4 million in unpaid taxes.

Press Release – <https://www.justice.gov/usao-ndca/pr/bay-area-doctor-sentenced-more-three-years-prison-tax-evasion>

### ***California Resident Sentenced for Filing Fraudulent Tax Returns and Appropriating Fraudulent and Stolen Treasury Checks***

On February 8, 2017, in Oakland, California, Hugh Robinson was sentenced to 144 months in prison for his role in a conspiracy to commit theft of government property. Robinson was charged along with ten co-defendants on November 5, 2015, with conspiracy to commit theft of public money, theft of public money, wire fraud, and aggravated identity theft. On October 31, 2016, a jury convicted Robinson of all charges against him in the indictment. According to court documents, from at least August 21,

2013, through April 27, 2015, the defendants conspired to commit the offenses against the United States which included theft of government money. The scheme involved using the names of deceased individuals, filing false tax returns in the names of those individuals, obtaining false identifications, and illegally cashing U.S. Treasury checks. Robinson, with the help of others, got names of deceased individuals for use in filing false tax returns. The returns falsely represented that the individuals earned wages or other income and that the individuals listed on the tax returns were entitled to tax refunds. A search of the location where Robinson resided yielded \$237,394 worth of uncashed U.S. Treasury checks.

Press Release – <https://www.justice.gov/usao-ndca/pr/richmond-resident-sentenced-12-years-imprisonment-filing-fraudulent-tax-returns-and>

### ***California Resident Sentenced for Role in \$37 Million Cisco Fraud and Related Crimes***

On August 31, 2017, in San Jose, California, Cuong Cao “Calvin” Dang was sentenced to 90 months in prison, followed by three years of supervised release for his role in a scheme to sell products stolen from Cisco Systems by its employees. According to court documents, Dang owned and operated Network Genesis, based in San Jose, from approximately January 2006 until January 23, 2013. Dang admitted to having a small network of Cisco employees who delivered stolen Cisco merchandise to Network Genesis for resale to customers both in and outside California. Dang admitted that, to cover his tracks, he changed the serial numbers on the stolen merchandise and created fraudulent “test sheets” to give to customers. Dang also admitted using nominees to launder the illicit proceeds, enabling him to obtain large

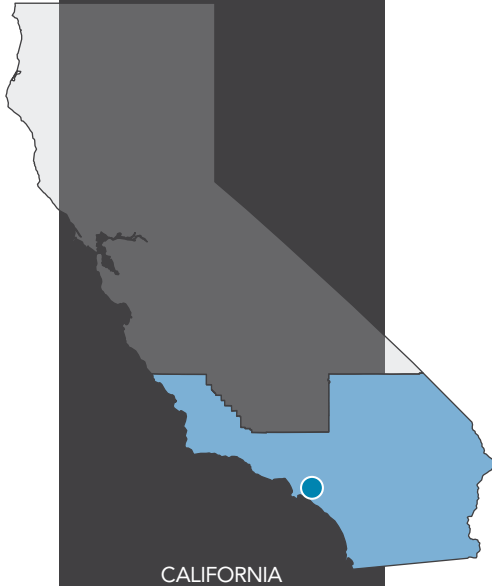
amounts of cash without having the money go through bank accounts associated with him or his businesses. On October 30, 2013, a federal grand jury returned a superseding indictment in which Dang and seven other defendants were charged with various offenses related to Dang's scheme. Dang was charged with conspiracy to commit mail fraud and money laundering. On December 11, 2015, Dang entered into the first of two plea agreements. In this plea agreement, Dang pleaded guilty to conspiracy to commit mail fraud, money laundering, and money laundering of criminally derived proceeds. Dang admitted Network Genesis's business was "overwhelmingly that of buying and selling merchandise stolen from Cisco". Dang also admitted that from January 2006 until federal law enforcement officers raided Network Genesis in January 2013, sales revenues totaled approximately \$37,000,000. Despite entering into this plea agreement

and admitting this criminal conduct, Dang did not stop all of his criminal activity.

Press Release – <https://www.justice.gov/usao-ndca/pr/cuong-cao-calvin-dang-sentenced-7-years-prison-role-37m-cisco-fraud-and-related-crimes>

# LOS ANGELES FIELD OFFICE

300 N. LOS ANGELES ST, LOS ANGELES CA, 90012 | 213.372.4129



**AS THE NATION'S** second largest field office, the Los Angeles Field Office serves a population of approximately 22 million people, stretching over nine counties from San Luis Obispo to the United States-Mexican border. We work a diverse mix of financial investigations across this large geographic area. Our investigations include cybercrimes, international tax fraud, and identity theft. We play crucial roles on the U.S. Attorney's priority task forces, to include the Joint Terrorism Task Force and the Organized Crime Drug Enforcement Task Forces.

The Los Angeles Field Office has additional locations in the following areas:

- **Camarillo, CA**
- **EL Monte, CA**
- **El Segundo, CA**
- **Glendale, CA**
- **Laguna Niguel, CA**
- **Long Beach, CA**
- **San Bernadino, CA**
- **San Diego, CA**
- **San Marcos, CA**
- **Santa Ana, CA**
- **Santa Maria, CA**
- **Van Nuys, CA**
- **Woodland Hills, CA**

Significant cases worked by Los Angeles CI Special Agents include:

## ***California Tax Return Preparer Who Stole Over \$1.2 Million in Refunds Owed to His Clients Sentenced***

On June 12, 2017, in Los Angeles, California, Michael Joseph Calalang Cabuhat was sentenced to 46 months in prison and ordered to pay restitution in the amount of \$1,496,416 to his victims and the IRS. According to court documents, Cabuhat pleaded guilty in June 2016 to wire fraud and subscription to a false federal income tax return. Cabuhat is a half-owner of VisionQwest Resource Group, Inc., which operates VisionQwest Accountancy Group and Icon Tax Group, Inc., in Glendale. Cabuhat admitted that, from 2010 through 2016, he defrauded his clients in two ways. In some instances, the client was given a copy of a tax return that showed a much smaller refund amount than on the tax return that Cabuhat filed with the IRS. Without the taxpayer's knowledge, Cabuhat filed paperwork that directed the IRS to deposit the small amount reflected on the

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*"I always say that IRS agents are worth their weight in gold, because if you have an IRS agent on your case, your investigation is going to be 10 times better than without them. It doesn't matter what type of case – financial fraud, drug cartels, public corruption – their level of expertise is always a huge bonus and their work is second to none. We wish there were more IRS agents to go around."* — **ALANA W. ROBINSON, ACTING U.S. ATTORNEY**

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# LOS ANGELES FIELD OFFICE CASE FILES

taxpayer's copy of the tax return into the taxpayer's bank account, and to deposit the remainder into a bank account that Cabuhat controlled. In other instances, Cabuhat gave the client a copy of a tax return that falsely showed a tax due, but Cabuhat would file with the IRS a tax return that sought a refund. Using these fraudulent means, Cabuhat stole more than \$1.2 million that belonged to over 150 of his clients. Cabuhat also admitted that he failed to report this money on his own tax returns, which allowed him to evade the payment of approximately \$268,000 that he owed to the IRS.

Press Release – <https://www.justice.gov/usao-cdca/pr/glendale-tax-return-preparer-who-stole-over-12-million-refunds-owed-his-clients>

## ***California Woman Sentenced for Using Stolen IDs to File Fraudulent Returns Seeking More than \$2 Million in Refunds***

On July 12, 2017, in San Diego, California, Cynthia Lozano was sentenced to 175 months in prison and ordered to pay restitution of \$1,479,134 to the IRS and Department of Housing and Urban Development (HUD) for mail and wire fraud, false claims and aggravated identity theft. According to court documents, on February 13, 2015, Lozano pleaded guilty to aggravated identity theft and participation in her fraudulent scheme. In total, Lozano used the identities of over 200 victims to file over 400 federal tax returns, resulting in her receipt of over \$1.5 million in fraudulently-obtained tax refunds between 2008 and 2013. Lozano used most of the funds obtained from her initial scheme to purchase 20 properties in and around Phoenix, Arizona. In June 2015, while Lozano

was awaiting sentencing, she was subsequently charged in a second indictment for filing false claims to the IRS, wire and mail fraud, and aggravated identity theft. Lozano took the names and Social Security numbers from her Section 8 tenants, and others who submitted rental applications to her. She used their names and numbers to submit additional false federal tax returns. Lozano then directed the IRS to deposit the tax refunds into new bank accounts she opened with the assistance of two co-conspirators.

Press Release – <https://www.justice.gov/usao-sdca/pr/lemon-grove-woman-sentenced-14-years-prison-using-stolen-ids-file-fraudulent-returns>

## ***California Man Sentenced for Role in Scheme to Launder Money for Drug Rings, Including the Sinaloa Cartel***

On November 30, 2016, in Los Angeles, California, Bradley John Martin was sentenced to 63 months in prison and three years supervised release for his part in an international money laundering organization that conspired to move more than \$15 million in drug money for organizations that included the Sinaloa Cartel. Martin pleaded guilty in May to conspiracy to launder money and operating an unlicensed money remitting business. The illegal scheme spanned the world and involved operatives in Canada, India, the United States and Mexico. These operatives laundered drug trafficking proceeds generated from multi-kilogram and multi-pound sales of narcotics in Canada and the United States for and on behalf of the Sinaloa Cartel and their affiliated drug trafficking

organizations. The laundered money was to have either been transported to the Sinaloa Cartel as profits or reinvested in additional narcotics to be sold and distributed in the United States and Canada. Martin admitted that he was a repeat money courier in an international “hawala” ring that transferred narcotics proceeds for the Sinaloa drug cartel and other drug trafficking organizations. Specifically, Martin admitted to personally transporting over \$1,800,000 in cash, which he knew was drug trafficking proceeds. During a four-year federal wiretap investigation by IRS-Criminal Investigation and DEA, authorities seized a total of \$15,467,293 in bulk U.S. currency, 321 kilograms of cocaine, 98 pounds of methamphetamine, 11 kilograms of MDMA (“ecstasy”) and nine kilograms of heroin.

Press Release – <https://www.justice.gov/usao-cdca/pr/carlsbad-man-sentenced->

[federal-prison-role-scheme-launders-money-drug-rings-including](#)

### ***CPA Sentenced to Prison for Embezzling \$7.2 Million from Alanis Morissette and Other Celebrities***

On May 3, 2017, in Los Angeles, California, Jonathan Todd Schwartz, a certified public accountant and business manager for singer-songwriter Alanis Morissette, as well as other well-known entertainment and sports figures, was sentenced to 72 months in prison, three years of supervised release, and ordered to pay \$8,657,268 in restitution. Schwartz pleaded guilty in February to wire fraud and tax fraud charges. Schwartz was a member of GSO Business Management, LLC, a business management firm that provides financial guidance to high-net worth

clients. Schwartz admitted that between May 2010 and January 2014, he withdrew approximately \$4.8 million belonging to Alanis Morissette without her knowledge or authorization. Because of his position as a business manager, Schwartz had access to his clients’ bank accounts so he could pay their bills and get cash for them. As part of an embezzlement scheme, Schwartz submitted cash-withdrawal requests to banks that were not authorized by his clients, and he either had the cash delivered to him or he picked up the money himself. Schwartz concealed the embezzlements because the bank statements were sent to GSO, and not to the clients. GSO prepared monthly statements for the clients based on a ledger of expenses that GSO bookkeepers maintained. However, those statements were false because Schwartz had provided false information to the bookkeepers and caused other pertinent information to be deleted from the monthly

statements. In addition to the nearly \$5 million stolen from Ms. Morissette, Schwartz admitted that he embezzled more than \$1 million from another client and attempted to conceal the theft by claiming the cash withdrawals were used for renovations to the client’s home. Schwartz further admitted that he embezzled \$737,500 from another client and forged that client’s signature on at least two cash receipts. Because of the entire scheme, Schwartz acknowledged that he owes the IRS more than \$1.7 million in federal income taxes.

Press Release – <https://www.justice.gov/usao-cdca/pr/cpa-sentenced-6-years-federal-prison-embezzling-72-million-alanis-morissette-and-other>

# LAS VEGAS FIELD OFFICE

110 N. CITY PARKWAY, LAS VEGAS NV, 89106 | 702.868.5091

The Las Vegas Field Office covers the Districts of Nevada, as well as the District of Utah, comprising two judicial districts. We work a diverse mix of cases across the geographic area to include: criminal tax fraud, money laundering and cyber crimes. We also hold pivotal roles on the respective U.S. Attorney's priority task forces, including the Joint Terrorism Task Force, Organized Crime Drug Enforcement Task Force (OCDETF), and the Financial Crimes Task Force. In addition, we cover a large part of the casino industry for the United States and an outstanding narcotics program in Utah, which recently funded an additional SAUSA (Special Assistant United States Attorney).

The Las Vegas Field Office has additional locations in the following areas:

- **Ogden, UT**
- **Reno, NV**
- **Salt Lake City, UT**

Significant cases worked by Las Vegas CI Special Agents include:

## ***Kaysville CPA Sentenced to Prison after Pleading Guilty to Tax Evasion***

On January 26, 2017, in Salt Lake City, Utah, David Brian Bybee was sentenced to 12 months and one day, three years of supervised release and ordered to pay \$469,381 in restitution for attempting to evade payment of U.S. taxes. According to court documents, Bybee managed and controlled several companies that offered various services, including membership in various business professional associations and groups, along with bookkeeping, accounting, and tax management training and services. Bybee admitted that he and his business partner filed a Form 1040 joint personal return with the IRS for tax years 2000 through 2002 and 2005 through 2009, for which the IRS assessed \$153,569. Bybee admitted he willfully failed to pay the

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*"The Las Vegas Field Office of IRS-Criminal Investigation epitomizes professionalism and reliability. Special Agents and staff members are tried and true partners in our combined work to hold accountable those who would harm the Treasury, and those who would victimize others to feed their own greed. Prosecutors in my office consistently offer glowing reviews of the work product from IRS-Criminal Investigation. Moreover, when times get tough in a challenging investigation or prosecution, we count ourselves fortunate to have partnered with IRS-Criminal Investigation. Big picture people who are motivated and thorough. This is how I view the professionals at IRS-Criminal Investigation."* — **JOHN W. HUBER, UNITED STATES ATTORNEY, DISTRICT OF UTAH**

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taxes due the U.S. government. From 2008 to 2011, substantial revenues from credit card sales were deposited into the America First Credit Union account. Bybee admitted that despite not being an authorized signer on the account, he controlled electronic funds transfers out of the account for, among other things, various personal expenditures. The expenditures included a mortgage, cars, jet skis and a boat.

Press Release – <https://www.justice.gov/usao-ut/pr/kaysville-cpa-pleads-guilty-tax-evasion-and-sentenced-prison>

### ***Nevada Liquor Store Owner Sentenced for Conspiring to Defraud the United States and Tax Evasion***

On March 6, 2017, in Las Vegas, Nevada, Jeffrey Nowak was sentenced to 41 months

in prison and three years of supervised release for conspiring to defraud the United States and tax evasion. According to court documents, Nowak, and Ramzi Suliman jointly owned and operated liquor stores in Las Vegas. At their first liquor store, Super Liquor Store South Strip, Nowak and Suliman skimmed cash receipts and maintained a double set of books to underreport income to the IRS. One set of books accurately reflected the store's sales, while a second set of books fraudulently omitted nearly \$4 million in cash receipts the business received.. Nowak and Suliman provided the phony set of books to their accountant, causing him to create corporate tax returns that did not fully report the liquor store's gross receipts and taxable income. Nowak and Suliman also caused their true personal income to be concealed on their individual income tax returns. Suliman pleaded guilty to conspiring with Nowak to defraud the

United States and was sentenced to serve 12 months in prison, three years of supervised release and ordered to pay \$428,003 in restitution to the IRS.

Press Release – <https://www.justice.gov/opa/pr/nevada-liquor-store-owner-sentenced-prison-conspiring-defraud-united-states-and-tax-evasion>

### ***St. George Man Sentenced to 108 Months in Federal Prison after Convictions for Fraud, Money Laundering***

On October 7, 2016, in Salt Lake City, Utah, Edmund Edward Wilson was sentenced to 108 months in federal prison, three years of supervised release and ordered to pay \$12,227,920 in restitution to victims. Wilson pleaded guilty to wire fraud and money

laundering relating to a real estate fraud scheme. According to court documents, Wilson ran a real estate investment scheme from approximately 2005 until 2012. His fraud accelerated in 2009 when businesses were in desperate need for financing, and the economic collapse made such loans more difficult to obtain through traditional means. Wilson sought individuals all over the country who were developing real estate projects, such as shopping malls or resorts. Wilson represented to investors that his company could provide financing for real estate development projects for an advance fee of either \$80,000 or \$150,000 through a "substitution of collateral program." Through this program, individuals would provide the fee, obtain financing for their projects within 30-60 days (in some cases hundreds of millions of dollars), and not have to repay the loan. In return, these individuals Wilson called "investors" would give him a 30

percent stake in the development project. When investors called Wilson to ask why they had not received funding for their projects within the time promised, Wilson falsely represented that he needed additional money to cover various unforeseen fees and expenses, and that once these costs were paid, funds would be released for the development projects. Wilson failed to disclose to investors that he never provided any funding for any development project through his substitution of collateral program and that he used a significant portion of the advanced fees for his personal benefit.

Press Release – <https://www.justice.gov/usao-ut/pr/st-george-man-sentenced-108-months-federal-prison-after-convictions-fraud-money>

## ***Peila Sentenced for Conspiracy to Distribute Oxycodone, Money Laundering***

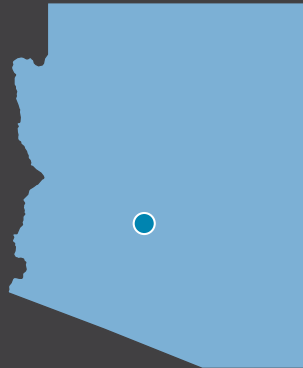
On December 3, 2016, in Salt Lake City, Utah, Aaron Peila, was sentenced to 144 months in federal prison after pleading guilty to a conspiracy to distribute oxycodone and conspiracy to commit money laundering. According to court documents that, federal prosecutors wrote in a sentencing memorandum filed with the court, from approximately 2007 through 2012, Peila engaged with other co-conspirators in a large-scale effort to distribute oxycodone in Utah and surrounding areas.. Through a significant investigation, agents believe Peila and his co-conspirators distributed approximately 89,000 oxycodone 80 mg tablets and 22,000 oxycodone 30 mg tablets. They also laundered about \$3.8 million in drug proceeds. As a part of his plea agreement with federal prosecutors, Peila admitted traveling from Utah to Las Vegas to

pick up the oxycodone pills for distribution in Utah. Several co-conspirators involved in the case have pleaded guilty and are serving sentences ranging from 72 months to probation. Sentencing is pending for three individuals.

Press Release – <https://www.justice.gov/usao-ut/pr/peila-sentenced-144-months-federal-prison-conspiracy-distribute-oxycodone-money>

# PHOENIX FIELD OFFICE

4041 N. CENTRAL AVE, PHOENIX AZ, 85012 | 602.636.9721



ARIZONA



NEW MEXICO

**THE PHOENIX FIELD** Office covers the southwestern states of Arizona and New Mexico. The office's special agents investigate both legal and illegal source tax crimes, including cases with an international nexus. The office operates a financial crimes task force named DeTECT that identifies and investigates a wide variety of complex financial crimes. Located on the U.S. / Mexico border, the office provides significant participation in the high level Organized Crime Drug Enforcement Task Force (OCDETF).

The Phoenix Field Office has additional locations in the following areas:

- **Albuquerque, NM**
- **Mesa, AZ**
- **Glendale, AZ**
- **Santa Fe, NM**
- **Las Cruces, NM**
- **Tucson, AZ**

Significant cases investigated by Phoenix CI Special Agents include:

## ***Former Santa Fe Engineer Sentenced for Obstructing IRS and Filing False Tax Returns***

On September 19, 2017, in Albuquerque, New Mexico, Darryl J. Gutierrez was sentenced to 33 months in prison, one year of supervised release and ordered to pay \$174,196 in restitution to IRS, a \$15,000 fine and a \$1,100 special penalty assessment for violating the federal tax laws by obstructing and impeding the administration of the internal revenue laws and filing false tax returns. Gutierrez was an electrical engineer who worked at Los Alamos National Laboratory for almost 30 years, earning an annual salary ranging from \$80,000 to \$115,000 in tax years 2000 to 2009. After years of regularly filing timely income tax returns with the IRS, Gutierrez stopped complying with the federal tax laws and began engaging in a pattern of obstructive conduct to prevent the IRS from assessing and collecting his taxes. This included sending frivolous correspondence to the IRS, and, submitting under penalty of perjury, false tax information to his employer and to

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*"IRS Criminal Investigation is our 'go-to' agency for financial expertise. Whether pursuing money launderers in tandem with other investigative agencies, or proving willful violations of the tax code, IRS Criminal Investigation agents provide critically important support to our office."* — **JAMES D. TIERNEY , ACTING U.S. ATTORNEY, DISTRICT OF NEW MEXICO**

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the IRS. The evidence further showed that between November 2010 and January 2011, Gutierrez filed 10 false federal income tax returns for tax years 2000 to 2009 seeking a refund when in fact Gutierrez owed the IRS approximately \$125,000.

Press Release – <https://www.justice.gov/usao-nm/pr/former-santa-fe-engineer-sentenced-federal-prison-obstructing-irs-and-filing-false-tax>

### ***Flagstaff Anesthesiologist Sentenced for Tax Evasion***

On October 25, 2016, in Phoenix, Arizona, Dr. Gary Christensen was sentenced to 42 months in prison, three years supervised release and ordered to pay \$1,603,533 in restitution to the U.S. government. Christensen

was an anesthesiologist and a founding member of Forest Country Anesthesia, an anesthesiology practice in Flagstaff. Christensen was indicted in 2014 for concealing approximately \$2,100,163 in income from the IRS and failing to pay approximately \$562,083 in federal income taxes. In May, a jury in Phoenix convicted him on seven counts of willful evasion of tax assessment for 2004 through 2010, as well as two counts of willful failure to file a tax return for 2009 and 2010.

### ***Tax Preparer Sentenced to Prison for Using Stolen Identities to Obtain Over \$250,000 in False Tax Refunds***

On August 7, 2017, in Phoenix, Arizona, Karina Puerta was sentenced to 21 months in prison and ordered to pay over \$250,000 in restitution. Puerta previously pleaded

guilty to wire fraud. As a registered tax return preparer, Puerta owned and operated Taxes Y Mas in Glendale, Arizona. Beginning in 2011, Puerta submitted fraudulent tax returns by using the names and identities of individuals in Mexico who were unaware their identities were being used this way. Puerta filed the fraudulent returns using a substitute identification number, called an individual tax identification number, issued in the name of the identity-theft victims.

### ***Tax Preparer Sentenced for Stolen Identity, International Money Laundering Scheme***

On July 31, 2017, in Phoenix, Arizona, Paula Anthony was sentenced to 36 months in prison for her role in a stolen identity and money laundering scheme. Anthony, formerly a registered tax return preparer,

was found guilty following trial on multiple counts, including conspiracy, mail fraud and aggravated identity theft. Anthony was a key participant in the scheme, in which the conspirators stole the identities of dozens of taxpayers and filed false income tax returns to obtain hundreds of thousands of dollars in tax refunds in the victims' names. Anthony and others obtained the fraudulent refunds through online accounts set up with prepaid debit cards and used multiple bank accounts to convert the refund money into cash. Once Anthony obtained the cash, she, or people she recruited, laundered the money out of the United States by wiring most of the funds to Nigeria.

Press Release – <https://www.justice.gov/usao-az/pr/tax-preparer-sentenced-prison-stolen-identity-international-money-laundering-scheme>

## ***Tucson Man Sentenced on Narcotics and Money Laundering Charges***

On June 15, 2017, in Tucson, Arizona, David Galvan-Haro was sentenced to 84 months in prison, four years supervised release and ordered to forfeit \$143,540 in cash. Haro pleaded guilty to possession with intent to distribute cocaine and conspiracy to commit money laundering. According to court documents Haro coordinated shipments of cocaine via the United States Postal Service along with others. After the narcotics were shipped via the mail, Haro provided bank account numbers for individuals to deposit what Haro knew to be drug trafficking proceeds into his bank account in order to conceal and disguise the nature, location source ownership and control of the proceeds of the narcotics shipments. Haro would withdraw the money and transport the money to other co-conspirators. Sentencing

is pending for other individuals related to the operation.

## ***Former Phoenix Resident Sentenced for Embezzlement***

On September 11, 2017, in Phoenix, Arizona, Shana Raelisa Johnson was sentenced to 44 months in prison and ordered to pay more than \$2 million in restitution. Johnson had previously pleaded guilty to wire fraud. From 2008 through 2014, Johnson worked as an accountant at a property management company based in Phoenix. During that time, she stole more than \$2.4 million from her employer by issuing fraudulent checks and making unauthorized electronic transfers from her employer's bank accounts. After the Phoenix-based company discovered her theft, Johnson moved to Atlanta, Georgia, and applied for a similar accountant position at another property management company.

Johnson gave a fictitious reference and other false information during the hiring process to prevent her new employer from contacting the Phoenix employer and discovering her fraud. Upon being hired in early 2015, Johnson proceeded to steal almost \$500,000 from her new, Atlanta-based employer. Johnson concealed her embezzlement from both companies by falsifying bank statements and other financial records.

Press Release – <https://www.justice.gov/usao-az/pr/former-phoenix-resident-sentenced-44-months-embezzlement>



# DENVER FIELD OFFICE

1999 BROADWAY, DENVER CO, 80202 | DENVER.FINCRIMES@CI.IRS.GOV



**THE DENVER FIELD** Office covers a large geographic area (approximately 432,500 square miles) that includes the states of Colorado, Montana, Idaho and Wyoming and their respective judicial districts. The Denver Field Office works a diverse mix of criminal investigations including all manners of tax fraud, money laundering and other federal frauds with a financial nexus. We hold pivotal roles on the U.S Attorney's Office priority task forces, including the OCDETF Strikeforce, Suspicious Activity Task Force, Guardians Project Strikeforce, and the Virtual Currency Task Force.

The Denver Field Office has additional locations in the following areas:

- **Billings, MT**
- **Boise, ID**
- **Cheyenne, WY**
- **Coeur d'Alene, ID**
- **Colorado Springs, CO**
- **Durango, CO**
- **Fort Collins, CO**
- **Grand Junction, CO**
- **Helena, MT**
- **Missoula, MT**
- **Washington, DC**
- **Westminster, CO**

Significant cases worked by Denver CI Special Agents include:

## ***Colorado Man Sentenced to Prison for Conspiring to File Fraudulent Tax Refund Claims***

On July 14, 2017, in Denver, Colorado, Daryl Brent Giesking was sentenced to 24 months in prison, three years of supervised release and ordered to pay \$310,261 in restitution to the IRS. Giesking conspired with his return preparer to claim fraudulent refunds by filing three individual tax returns claiming more than \$1 million in refunds based on falsely reported income tax withholdings. As a result, the IRS paid out a \$350,765 fraudulent refund to Giesking. Within months of receiving the refund, Giesking spent the funds on precious metals and coins, a truck, jewelry, luxury travel and sporting equipment. After discovering the refund should not have been paid, the IRS levied Giesking's bank accounts and recovered approximately \$40,503. Following the IRS's levies, Giesking liquidated

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*"Special agents for IRS CI are the best of the best when it comes to work ethic, team mentality, and financial investigation sophistication. We rely on their ability to solve complex financial crimes, and break them down in an understandable way, across almost every criminal case type in our office."* — **BOB TROYER, UNITED STATES ATTORNEY, DISTRICT OF COLORADO**

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a number of his assets to include selling the truck he bought with the fraudulent proceeds and withdrawing all the funds in his retirement account. He then relocated to Ecuador, where he was arrested in June 2016, on a warrant issued in this case.

Press Release – <https://www.justice.gov/usao-co/pr/colorado-man-sentenced-prison-conspiring-file-fraudulent-tax-refund-claims>

### ***CPA Sentenced to Prison for Wire Fraud and Aiding and Assisting in the Preparation of False Tax Returns***

On July 25, 2017, in Denver, Colorado, Don R. Iley was sentenced to 151 months in prison, three years of supervised release and ordered to pay \$9.7 million in restitution. Iley pleaded guilty on April 18, 2017, to wire fraud and aiding and assisting in the preparation

of false tax returns. From January 2009 until December 2015, Iley was the owner and operator of Iley and Associates (I&A), an accounting and tax preparation firm providing payroll and payroll tax services to more than 140 businesses. The payroll tax services included the preparation of Forms 941, Employer's Quarterly Federal Tax Returns, and an ACH Deduction Report listing the amount of payroll taxes to be withdrawn from the client's bank account and paid to the IRS. Iley caused the Form 941 tax return to be mailed to the client with a cover letter stating the enclosed tax return is a copy for their records and that Iley pays the taxes for the client. Iley then prepared and submitted payroll tax returns to the IRS on behalf of clients showing no payroll taxes due for a given tax period. Iley knew when he submitted these payroll tax returns that the clients did in fact owe payroll taxes. Then Iley initiated or caused others to initiate an ACH electronic fund transfer from the client's bank account

to a bank account controlled by I&A. Iley kept the money that was intended for payroll taxes and used it for his own purposes.

Press Release – <https://www.justice.gov/usao-co/pr/parker-cpa-sentenced-125-years-prison-wire-fraud-and-aiding-and-assisting-preparation>

### ***Leader of DTO Loren "Mama" Toelle Sentenced to Prison***

On May 2, 2017, in Coeur d'Alene, Idaho, Loren Michelle Toelle was sentenced to 212 months in prison followed by five years of supervised release for conspiracy to distribute controlled substances and conspiracy to launder money. Toelle also forfeited her interest in more than \$2million of various assets, which were the profits of the criminal actions or were intended to be used to promote the criminal actions. Toelle admitted

to being the leader of a drug trafficking organization (DTO) involving her children and friends. The DTO sold oxycodone, heroin and methamphetamine in Idaho, Washington, Montana and North Dakota. In total, federal agents arrested 11 individuals in February 2016. All have pleaded guilty and been sentenced.

Press Release – <https://www.justice.gov/usao-id/pr/leader-drug-trafficking-organization-loren-mama-toelle-sentenced-prison>

### ***'The Wolf of Brooks Street' Former Vann's CEO Sentenced to Prison***

On May 19, 2017, in Missola, Montana, former Vann's CEO George Manlove was sentenced to 63 months in prison after being convicted at trial in February of wire fraud,

bank fraud, money laundering and conspiracy for defrauding Vann's. Manlove was accused of creating holding companies, buying buildings and leasing them to Vann's without board approval, as well as causing Vann's to pay for his executive MBA degree without board approval, and using company money on personal and family expenditures. The jury also decided Manlove must forfeit \$2.4 million in property deemed ill-gotten gains of his fraud conviction. A separate hearing will be held to determine the amount Manlove will owe for restitution.

Press Release – <https://www.justice.gov/usao-mt/pr/former-ceo-vann-s-inc-sentenced-5-years-prison-0>

## ***Colorado Man Sentenced for Conspiracy to Defraud the United States***

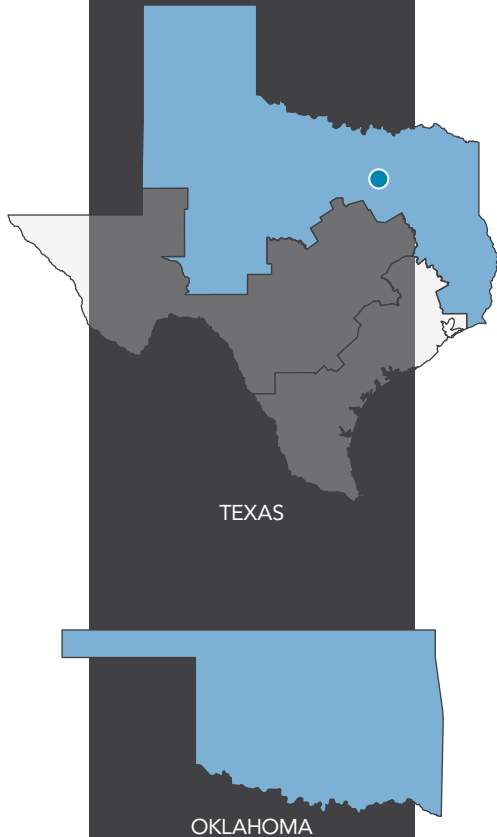
On September 19, 2017, in Denver, Colorado, Jerald Williams was sentenced to 60 months in prison, three years of supervised release and ordered to pay \$427,581 to the IRS for conspiracy to defraud the United States. Williams generated substantial income from the interstate transportation and distribution of controlled substances, specifically marijuana and cocaine. Williams tried to conceal this income by structuring cash deposits into an account titled to his business Colorado Fire Services. Between 2010 and 2014, Williams and his co-conspirator structured approximately \$858,495 into various bank accounts. Williams and his co-conspirator used the proceeds to purchase assets with cashier's checks including a house in Tucson, along with a pool and other improvements, and a recreational vehicle and trailer. Williams

filed federal income tax returns for the 2010 through 2013 tax years, knowing these returns did not reflect all his income for those years.

Press Release – <https://www.justice.gov/usao-co/pr/longmont-man-sentenced-conspiracy-defraud-united-states>

# DALLAS FIELD OFFICE

1100 COMMERCE, DALLAS TX, 75242 | 214.413.5929



**THE DALLAS FIELD** Office covers the Northern and Eastern Districts of Texas and Oklahoma. Our agents work a diverse mix of criminal investigations, which include tax fraud, identity theft, public corruption, narcotics, and terrorism investigations. Our agents hold pivotal roles on the respective U.S. Attorney's Office priority task forces, including the Organized Crime and Drug Enforcement Task Force (OCDETF), the High Intensity Drug Trafficking Area Task Force (HIDTA), the Financial Crimes Task Force and the Joint Terrorism Task Force (JTTF).

The Dallas Field Office has additional locations in the following areas:

- **Amarillo, TX**
- **Beaumont, TX**
- **Farmers Branch, TX**
- **Fort Worth, TX**
- **Irving, TX**
- **Lubbock, TX**
- **Muskogee, OK**
- **Oklahoma City, OK**
- **Tulsa, OK**
- **Tyler, TX**

Significant cases worked by Dallas CI Special Agents include:

## ***Owner of Oklahoma City Employer Organization Sentenced for \$22.8 Million Tax Scheme***

On May 30, 2017, in Oklahoma City, Oklahoma, Janis Ann Edwards was sentenced to 36 months in prison, followed by three years of supervised release and ordered to pay \$22,720,242 in restitution to the IRS. According to court documents, Edwards was the sole owner of Corporate Resource Management(CRM) Inc., and several related companies with their principal place of business in Oklahoma City. These companies operated as "professional employer organizations," or "PEOs." The employees of small businesses became employees of one of Edwards's entities, and their payroll taxes were to be paid under the tax identification number of one of those entities. However, Edwards failed to pay substantial amounts of payroll taxes collected from small businesses that had

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*"Special Agents with IRS Criminal Investigation are indispensable partners in fully investigating and prosecuting our most complex prosecutions in the Northern District of Texas," said U.S. Attorney John Parker. "They are uniquely skilled at helping us unravel the most sophisticated financial schemes designed to facilitate and hide many other types of criminal activity, particularly fraud. The analytical and forensic capabilities of these agents have a direct and undeniable impact on the success of our cases and the reduction of crime in our communities."* — **JOHN R. PARKER, U.S. ATTORNEY, NORTHERN DISTRICT OF TEXAS**

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contracted with one of the CRM-related entities. The 23 counts related to quarterly payroll tax returns filed by Oklahoma Corporate Resource, Inc.; Missouri Corporate Resource, Inc.; and Texas Corporate Resource, Inc., for various quarters in 2010 and 2011. Edwards regularly and intentionally directed her own employees to alter these quarterly tax returns to reflect less payroll tax liability than what was actually owed. On January 6, 2017, Edwards pleaded guilty to tax evasion, including causing the filing of a federal payroll tax return she knew was false. In a plea agreement, she agreed she would be held responsible in this criminal case for failing to pay between \$3.5 million and \$25 million in payroll taxes.

Press Release – <https://www.justice.gov/usao-wdok/pr/owner-oklahoma-city-employer-organization-sentenced-three-years-federal-prison-228>

## ***San Angelo Restaurant Owner Sentenced for False Tax Returns***

On April 21, 2017, in Dallas, Texas, Ai Shu Cheng was sentenced to 36 months in prison, one year of supervised release and ordered to pay \$1,767,566 in restitution to the IRS. Cheng pleaded guilty to two counts of failure to file and pay personal and employment taxes. According to court documents, Cheng filed his 2010 Form 1040, underreporting his total income. Cheng reported a total income of \$208,652 when his actual income was approximately \$696,148, resulting in a tax loss to the IRS of approximately \$165,108. Cheng filed his 2012 tax return and again underreported his total income. Cheng reported total income of \$186,486 when his actual income was approximately \$600,976, resulting in a tax loss to the IRS of approximately \$145,072.

Press Release – <https://www.justice.gov/usao-ndtx/pr/san-angelo-man-sentenced-36-months-federal-prison-filing-false-income-tax-returns>

## ***Anderson County Man Sentenced for Tax Fraud/Identity Theft Scheme***

On January 26, 2017, in Tyler, Texas, Jefferson Kincade was sentenced to 102 months in prison for filing fraudulent or false statements in a tax return, theft or conversion of money, and aggravated identity theft. Kincade also agreed to a cash forfeiture of \$110,919. According to court documents, Kincade prepared tax returns for individuals at a tax preparation business, EZ Tax, in Palestine, and devised a scheme to prepare false tax returns, steal clients' refunds, and use the clients' and other individuals' identities to accomplish the theft. Kincade made

false statements and representations in the tax returns that he submitted to increase the amount of tax refunds to which the taxpayer would be entitled. Kincade could intercept the government tax refunds for his own benefit by printing the refund checks, not giving them to his clients, and then cashing them with the assistance of two individuals who were not associated with EZ Tax.

Press Release – <https://www.justice.gov/usao-edtx/pr/anderson-county-man-sentenced-tax-fraudidentity-theft-scheme>

## ***Two Sentenced in Stolen Identity Theft and Money Laundering Scheme***

On August 17, 2017, in Dallas, Texas, Latonya Lanette Carson and Smith Olsola Akin were sentenced to 135 and 120 months in prison,

respectively, for their role in a scheme to steal personally identifiable information, use it to fraudulently obtain income tax refunds, and then launder those funds. According to court documents, in October 2016 Carson was convicted for conspiracy to commit theft of public funds, access device fraud and wire fraud, aggravated identity theft, conspiracy to commit money laundering, money laundering and wire fraud. Akin pleaded guilty to one count of conspiracy to commit money laundering. Carson and Akin, along with other conspirators, were involved in a scheme in which they filed false tax returns using stolen identities, some of which belonged to prisoners. The co-conspirators converted the tax refunds from debit/Green Dot cards into cash and cashier's checks using phony company bank accounts. They used the illegal proceeds to purchase vehicles that they then shipped to Nigeria. Between May 2013 and May 2014, the defendants and their conspira-

tors paid \$1,184,950 from these accounts to purchase used cars from wholesale dealer auctions in Dallas County. Between January 2012 and January 2015, the defendants and their conspirators exported approximately 279 used cars to Nigeria.

Press Release – <https://www.justice.gov/usao-ndtx/pr/two-sentenced-stolen-identity-theft-and-money-laundering-scheme>

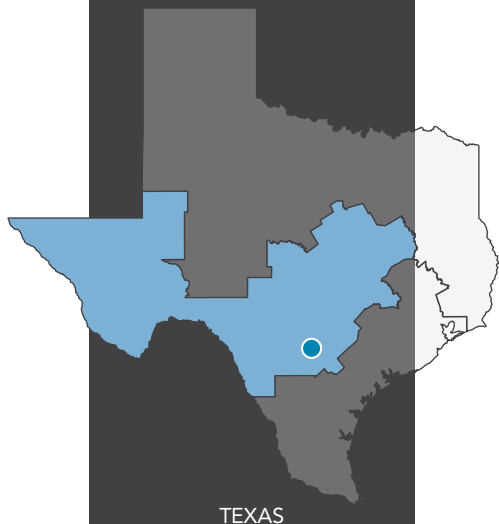
### ***Texas Man Sentenced for Conspiring to Commit Money Laundering***

On January 3, 2017, in Sherman, Texas, Jonathan Rivas-Estrada was sentenced to 420 months in prison and returned to the custody of the U.S. Marshal. In August 2016, Rivas-Estrada entered a guilty plea to charges that included money launder-

ing. Rivas-Estrada admitted to conspiring to commit money laundering as part of a methamphetamine drug operation. He also admitted to providing others with U.S. currency and wiring money, through a money remitter business, to Mexico, knowing it was from drug proceeds. This sentence is related to the multi-defendant OCDETF Investigation Operation Siquiendo El Dinero.

# SAN ANTONIO FIELD OFFICE

601 NW LOOP 410, STE 290, SAN ANTONIO TX, 78216 | 210.841.8522



**THE SAN ANTONIO** Field Office covers over 93,000 square miles and consists of the Western Judicial District of Texas. It covers the largest border area in the country for one state and is home to the El Paso Intelligence Center (EPIC). Each corner of The field office is home to several military institutions, which results in various investigations involving Military Contract Fraud. We are home to one of the busiest Organized Crime Drug Enforcement Task Force (OCDETF) regions in the country that has resulted in us pioneering innovative investigative and seizure techniques in cases involving kleptocracy and the forfeiture of quarter horses used to launder narcotic proceeds. Because Austin is also home to the IRS Service Center where international tax returns are filed, we have a special venue for international tax crimes. In addition, we work a diverse mix of criminal investigations including tax, OCDETF, money laundering and public corruption.

The San Antonio Field Office has additional locations in the following areas:

- **Austin, TX**
- **Waco, TX**
- **El Paso, TX**

Significant cases worked by San Antonio CI Special Agents include:

## ***San Antonio Businessman Sentenced to Prison for Estimated \$5.3 Million Tax and Wire Fraud Scheme***

On November 17, 2016, in San Antonio, Texas, Robert Warren Scully, former owner of San Antonio-based Gourmet Express, LLC, was sentenced to 180 months in prison, three years of supervised release and ordered to pay \$1,206,539 restitution to the IRS, plus a \$5,000 fine for his role in an estimated \$5.3 million tax and wire fraud scheme. From April 2001 until July 2009, Scully and others conspired to defraud the IRS by hiding earned taxable income generated by his frozen food business. Scully and others used intermediary companies in Thailand to provide shrimp and other ingredients at an inflated cost to Gourmet Express, thereby also defrauding his co-owners. Scully and others used the proceeds generated from the inflated costs for personal expenses and failed to disclose that income to the IRS.

Press Release – <https://www.justice.gov/usao-wdtx/pr/san-antonio-businessman-sentenced-prison-estimated-53-million-tax-and-wire-fraud-scheme>

## ***Texas Businessman Sentenced for Defrauding Personal Injury Clients, Tax Evasion and Bankruptcy Fraud***

On April 4, 2017, in San Antonio, Texas, Elpidio Gongora (also known as Pete Gongora) was sentenced to 48 months in prison, three years of supervised release and ordered to pay \$3,490,000 restitution for a scheme to defraud personal injury clients, evading payment of more than \$1.6 million in taxes and attempting to hide assets from the bankruptcy trustee. On July 28, 2016, Gongora pleaded guilty to conspiracy to commit mail fraud, bankruptcy fraud and tax evasion. Gongora, aided by his co-defendants, Rosa Ramirez, Juan Rodriguez and Ronald Higgins, operated the law offices of several personal injury attorneys in the city of San Antonio and elsewhere in Texas, Arkansas and New Mexico. Gongora admitted that he stole

money from the personal injury clients by failing to pay monies owed to clients under settlement agreements or to pay obligations for medical treatment and physical therapy after committing to do so. To carry out this scheme, Gongora collected the proceeds of fraudulently endorsed personal injury settlement checks and hid from the attorneys his failure to pay clients entitled to settlement proceeds. In 2013, Gongora and his wife filed for Chapter 7 Bankruptcy but Gongora failed to disclose he owned personal assets that included a vehicle, boats and real property. In addition, Gongora also admitted he willfully attempted to evade paying over \$1.6 million in taxes, penalties and interest owed to the IRS for calendar years 2003 through 2005 and 2007 through 2013.

Press Release – <https://www.justice.gov/usao-wdtx/pr/san-antonio-businessman-sentenced-federal-prison-defrauding-personal-injury-clients-tax>

## ***Texas Man Sentenced for Filing False Tax Returns and Corruptly Endeavoring to Impede the Internal Revenue Laws***

On October 28, 2016, in Austin, Texas, Victor Antolik was sentenced to 72 months in prison following his conviction for filing false tax returns and attempting to impede the administration of the Internal Revenue laws. Antolik owned and operated a commercial janitorial business with locations in Austin, San Antonio and Houston, Texas, under a variety of business names, including Diversified Building Services Inc., DBS Services Inc., Partners in Cleaning, PIC Building Services and BSI Industries. Antolik also earned income as a real estate agent, real estate broker and property manager. Antolik earned a portion of his real estate income through his companies SGN Realty Inc. and Signature Realty Services. Antolik submitted false individual income tax returns to the

IRS. On these fraudulent returns, he under-reported his income for tax years 2004, 2007 and 2008. In addition, between 1998 and 2014, Antolik attempted to obstruct the administration of the Internal Revenue laws by attaching altered Forms W-2 and 1099 to his tax returns, providing false information to his accountant that was used to prepare corporate and individual income tax returns on his behalf, using nominees to conceal income and assets, as well as committing other fraudulent acts. In addition to the prison term imposed, Antolik was also ordered to serve one year of supervised release and to pay restitution to the IRS of \$916,358.

Press Release – <https://www.justice.gov/opa/pr/texas-man-sentenced-prison-filing-false-tax-returns-and-corruptly-endeavoring-impede-internal>



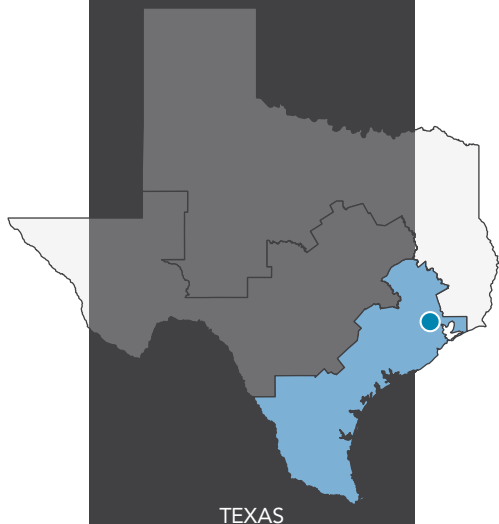
## ***Seven Members of South Texas Family Sentenced for Money Laundering for Drug Cartels in Mexico***

On May 24, 2017, in San Antonio, Texas, seven members of the Villarreal Arelis family in south Texas were sentenced from 18 months to eight years in federal prison for their role in laundering drug money through real estate, commercial fronts and horse breeding for the Gulf Cartel and Los Zetas Cartel in Mexico. Norma Leticia Villarreal Garcia was sentenced to eight years in prison, Gilberto Villarreal Villarreal and Juan Antonio Villarreal were sentenced to five years in prison, Iza Corina Flores Alanis and Raymundo Villarreal Jr were sentenced to three years in prison, and Jose Luis Villarreal Arelis and Gilberto Villarreal Arelis were sentenced to 18 months in prison. In April 2016, sixteen members were charged in a nine-count federal grand jury indictment

regarding a drug trafficking and money laundering conspiracy occurring in south Texas, central Texas and Oklahoma. According to the indictment, since January 2000, the defendants conspired to engage in financial transactions using proceeds derived from importing, receiving, concealing, buying and/or selling cocaine; and transporting monetary instruments to locations outside of the United States to conceal the source, ownership and control of proceeds derived from unlawful activity.

# HOUSTON FIELD OFFICE

8701 S. GESSNER, HOUSTON TX, 77074 | 281.721.8390



**THE HOUSTON FIELD** Office covers the southeast region of Texas. The special agents work a variety of cases with emphasis in tax-related crimes such as employment tax, identity theft, unscrupulous return preparers and general fraud cases. The Houston Field Office also provides crucial support to their respective U.S. Attorney's priority task forces involving counterterrorism, narcotics, human trafficking, money laundering violations and the newly formed Hurricane Harvey Fraud Working Group.

The Houston Field Office has additional locations in the following areas:

- **Brownsville, TX**
- **Corpus Christi, TX**
- **Houston, TX**
- **Laredo, TX**
- **McAllen, TX**

Significant cases worked by Houston CI Special Agents include:

## ***Texas Man Hammered with 600-Month Prison Sentence for Sexual Exploitation of Children and Tax Fraud***

On June 14, 2017, in Galveston, Texas, Benjamin Douglas Guidry was sentenced to 600 months in prison following his conviction of sexual exploitation of children and for knowingly making a false claim during the preparation and filing of a false tax return. Guidry received 270 months for each count of production of child pornography in addition to another 60 months for the tax fraud. Guidry was further ordered to pay \$201,454 in restitution to the IRS. He will be on supervised release for the rest of his life following completion of the prison term and will have to comply with many restrictions that limit his access to children and the Internet. He must also register as a sex offender. According to court documents, in May 2015, authorities executed a search warrant at Guidry's place of business, Financial Precision Group, at which time they seized several computers and boxes of documents.

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*"Through the years, I have worked with many CI Special Agents both as Acting United States Attorney and as an Assistant United States Attorney. Their financial investigatory abilities are of the highest caliber. The attention to detail and superior investigative skills are a must, especially in complex financial fraud matters."* — **ABE MARTINEZ, ACTING US ATTORNEY, SOUTHERN DISTRICT OF TEXAS**

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Agents noticed, among other things, that several files on Guidry's external hard drive had titles that led the IRS to believe they may contain child pornography. Authorities also noticed text messages on his cell phone that appeared to be inappropriate communications with a minor and a video of a minor. A search warrant executed at Guidry's residence found items present in the video on Guidry's cell phone, including clothes worn by one of the minor victims who appeared in the video. Authorities also seized a cell phone and multiple computers. On two of Guidry's external hard drives, authorities ultimately discovered at least 164 images and 28 videos of child pornography. Additionally, a cell phone contained at least three videos of child pornography. As to the tax offense, Guidry agreed the intended income tax loss was between \$250,000 and \$550,000.

Press Release – <https://www.justice.gov/usao-sdtx/pr/local-man-hammered-600-month-prison-sentence-sexual-exploitation-children-and-tax-fraud>

### ***Texas Man Sentenced in Stolen Identity Refund Fraud Scheme***

On December 5, 2016, in Houston, Texas, Antolin Julio Nazario, also known as Robinson Gomez Churon, was sentenced to 92 months in prison, three years of supervised release and ordered to pay \$807,096 in restitution for his role in a sophisticated tax fraud/identity theft scheme involving more than 800 victims. According to court documents, Nazario's wife, Thalia Diaz Camareno, also known as Irene Carrero Echevarria, was also convicted for her role in the scheme and received 12 months and 1 day in prison. Both admitted that, from approximately June 2010

to January 2012, they engaged in a scheme involving the filing of hundreds of fraudulent tax returns, commonly referred to as stolen identity refund fraud (SIRF). The Houston couple used stolen personally identifiable information, including the names and Social Security numbers to prepare fraudulent U.S. income tax returns. Nazario and Camareno mailed the fraudulent tax returns through the U.S. Postal Service to generate tax refunds from the IRS. They directed the fraudulently obtained tax refunds be disbursed as U.S. Treasury checks. The refunds were then used to obtain cash and goods for their own benefit. The current fraudulent tax refund filings attributed to this couple resulted in a \$4,095,959 potential loss and an excess of \$800,000 paid out by the IRS.

Press Release – <https://www.justice.gov/usao-sdtx/pr/houston-man-sentenced-stolen-identity-refund-fraud-scheme>

### ***Texas Local Tax Preparer Sentenced to Federal Prison, Again***

On March 24, 2017, in Houston, Texas, Cedric Keith Oliphant, a local tax return preparer, was sentenced for a second time to 28 months in prison, one year of supervised release and ordered to pay \$400,457 in restitution. Oliphant pleaded guilty December 6, 2016, for preparing false tax returns and obstructing the IRS in the enforcement of federal income tax laws. According to court documents, Oliphant was previously charged and convicted of preparing dozens of false 2006 through 2008 client tax returns through Oliphant Tax Services in Huntsville. He was released on bond in that case under a condition that he not be involved in preparing tax returns other than his own. However, Oliphant resumed tax return preparation and continued to claim the same false deductions for unsuspecting clients while awaiting

sentencing in the earlier case. As part of the scheme, Oliphant changed the name of his business to "Tax Services" to make it appear he had stopped preparing client tax returns and that someone else was the owner of his tax preparation business. Oliphant allegedly attributed the fees to the nominal owner of his tax office but manipulated those tax returns to make it appear the tax office had produced almost no taxable income. Oliphant established a series of bank accounts in others' names --including minors with custodians other than himself, This way, fees could first be deposited to accounts in the names of the nominal owner of his tax office and others. He then transferred the fees through these intermediate accounts into accounts in his own name. According to the plea agreement, Oliphant used this scheme to conceal his personal use of the fees the business generated during the first prosecution . Oliphant generated \$2

million in fees and a total loss to the IRS of another \$400,457. Oliphant's plea agreement requires that he surrender approximately \$205,000 in bank accounts linked to the scheme, his personal residence and three automobiles valued at \$32,600 as restitution to the IRS in both cases.

Press Release – <https://www.justice.gov/usao-sdtx/pr/local-tax-preparer-sentenced-federal-prison-again>

## ***Texas Business Owner Sentenced to Prison for Not Paying Approximately \$18 Million in Employment Taxes***

On July 6, 2017, in Houston, Texas, business owner Richard Floyd Tatum Jr. was sentenced to 36 months in prison, three years of supervised release and ordered to pay restitution of \$18,298,604 to the IRS. According to court documents, Tatum owned Associated Marine & Industrial Staffing Inc. (AMI), an industrial staffing company that provided temporary labor to businesses in Texas and other states. Tatum employed approximately 1,000 people and was responsible for collecting, accounting and paying the IRS the payroll taxes withheld from AMI employees' wages. Tatum had significant control over AMI's finances, entered into contracts on behalf of AMI, signed checks including payroll and decided which creditors to pay. Tatum also signed

and filed AMI's employment tax returns. From March 2008 through December 2009, Tatum filed false and delinquent employment tax returns for AMI. In May 2013, Tatum filed delinquent returns for the quarters ending in March 2010 through December 2012, but made no payments of the taxes owed. Tatum withheld from his employees approximately \$12 million in payroll taxes from March 2008 through December 2012, but did not pay any of this money to the IRS. Tatum also failed to pay \$6 million of AMI's required share of Social Security and Medicare taxes during the same quarters. Instead, he used the money for his personal benefit. Tatum admitted he caused a tax loss of more than \$18 million.

Press Release – <https://www.justice.gov/opa/pr/texas-business-owner-sentenced-prison-not-paying-approximately-18-million-employment-taxes>

## ***Texas Drug Ringleader, 10 Others Sentenced for Money Laundering, Drug Trafficking***

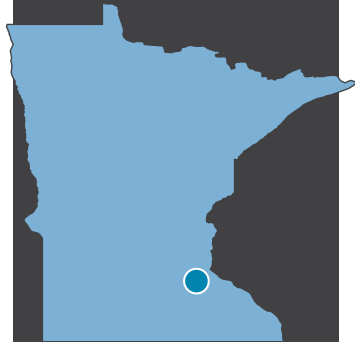
On September 20, 2017, in Laredo, Texas, Erasmo Trejo-Nava, a Mexican national who resided in Laredo, was sentenced to 187 months in prison and ordered to pay a money judgement of \$5 million. His wife, Raquel Margarita Ramos Jimenez, who also facilitated money laundering, was sentenced to time served of 31 months in prison. Additionally, the couple will forfeit three residential properties, a commercial property and drug proceeds totaling \$173,240. Trejo-Nava's brother, Victor, of Mexico, and Jose Angel Trejo, of Laredo, received sentences of 130 and 121 months in prison, respectively. According to court documents, Trejo-Nava was the head of a drug trafficking organization that received marijuana loads from Mexico and arranged to transport the marijuana to

the Dallas area for himself and others. The organization used various stash houses and business fronts in the Laredo area to receive and prepare the marijuana for transportation by personal vehicles to a local warehouse where it was unloaded and reloaded onto tractor trailers for transportation to the Dallas area. Following delivery of marijuana loads in the Dallas area, the Trejo Nava Organization collected drug proceeds and arranged to have them transported by couriers using personal vehicles or tractor trailers to Laredo and on to Nuevo Laredo, Mexico. Over the course of the conspiracy, which spanned from June 10, 2011, through June 4, 2013, Drug Enforcement Administration (DEA) agents made multiple seizures of marijuana that total more than 10,000 kilograms. Seven other co-conspirators received sentences ranging from 50 to 151 months in prison. A total of 26 defendants have been sentenced in this case.

Press Release – <https://www.justice.gov/usao-sdtx/pr/operation-trena-sin-trono-sends-leader-and-final-defendants-prison>

# ST. PAUL FIELD OFFICE

30 E 7TH ST, ST. PAUL MN, 55101 | 651.361.1531



MINNESOTA



NORTH DAKOTA



SOUTH DAKOTA



WISCONSIN

**THE ST. PAUL** Field Office covers the states of Minnesota, Wisconsin, North and South Dakota and covers five judicial districts. We work a variety of investigations including tax fraud, return preparer fraud, stolen identity refund fraud, healthcare fraud, bankruptcy fraud and Organized Crime Drug Enforcement Task Force (OCDETF) cases. The St. Paul Field Office maintains an outstanding relationship with the U.S. Attorney's Office and works with federal, state and local law enforcement agencies on various task forces, including OCDETF, High Intensity Drug Trafficking Area (HIDTA), Joint Terrorism Task Force (JTTF), public corruption, bankruptcy fraud and healthcare fraud.

The St. Paul Field Office has additional locations in the following areas:

- Bismarck, ND
- Duluth, MN
- Eau Claire, WI
- Fargo, ND
- Green Bay, WI
- Madison, WI
- Milwaukee, WI
- Minneapolis, MN
- Rapid City, SD
- Rochester, MN
- Sioux Falls, SD

Significant cases worked by St. Paul CI Special Agents include:

## **Minnesota Couple Sentenced for Multi-Million-Dollar Income Tax Refund Fraud Scheme**

On November 17, 2016, in Minneapolis, Minnesota, Mark Hammerschmidt was sentenced to 135 months in prison and ordered to pay \$1.8 million in restitution. His wife, Ornella Hammerschmidt was sentenced to 48 months in prison and ordered to pay \$45,000 in restitution. Mark Hammerschmidt pleaded guilty to two separate counts of conspiracy to defraud the United States. Ornella pleaded guilty to aiding and abetting false claims for refunds. From January 2011 through February 2013, Mark and Ornella Hammerschmidt operated an immigration and tax preparation business, American Group, located in the states of Minnesota and Florida. They prepared and filed more than 1,000 fraudulent federal income tax returns. The defendants attracted customers to American Group by misrepresenting their professional credentials and certifications.

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*"As the Acting United States Attorney for the District of Minnesota, I know, first hand, the value IRS CI agents bring to our white collar and financial fraud criminal cases. The agents with whom we have worked in this office have been invaluable and are an indispensable part of the criminal prosecution team. They know how to conduct sophisticated financial investigations in some of our most complicated criminal cases."* — **GREGORY G. BROOKER, ACTING US ATTORNEY, DISTRICT OF MINNESOTA**

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Most notably, Ornella Hammerschmidt falsely represented herself as a licensed immigration attorney. The Hammerschmidts filed hundreds of federal and state tax returns reporting incorrect filing statuses, false income for household help, fictitious businesses and business losses, fraudulent child care credits and education credits, to obtain unwarranted income tax refunds. The defendants concealed their involvement as fraudulent return preparers by intentionally not signing the tax returns on the designated signature line for paid preparers. They also falsely reported their business addresses and bank accounts and used the addresses and bank accounts of their taxpayer clients instead. Many of the defendants' clients were non-or-limited English speakers, who relied on the defendants to properly and legally prepare their taxes. The false returns the Hammerschmidts filed on behalf of the taxpayer clients caused substantial harm

to the clients, including problems with the IRS and with their immigration status. Mark Hammerschmidts sought approximately \$1.8 million in tax refunds based on the fraudulent tax returns he filed.

Press Release – <https://www.justice.gov/usao-mn/pr/minnesota-couple-sentenced-multi-million-dollar-income-tax-refund-fraud-scheme>

### ***Former U.S. Tax Court Judge and Husband Sentenced for Multi-Year Tax Fraud Conspiracy***

On June 22, 2017, in Minneapolis, Minnesota, Diane L. Kroupa and her husband, Robert E. Fackler, were sentenced to 34 months and 24 months in prison, respectively, for conspiring to defraud the United

States. Kroupa was a former judge appointed to the U.S. Tax Court on June 13, 2003, for a term of 15 years. During the same period, Kroupa was married to Robert Fackler, a self-employed lobbyist and political consultant, who owned and operated a business known as Grassroots Consulting. From 2004 to 2013, the couple owned a home in Plymouth, Minnesota. From 2007 to 2013, they also leased a second residence in Easton, Maryland, where Kroupa lived while fulfilling her duties as a tax court judge in Washington, D.C. Between 2002 and 2012, Kroupa and Fackler conspired to obstruct the IRS from accurately determining their joint income taxes. As part of the conspiracy, the couple worked together each year to compile numerous personal expenses for inclusion as "business expenses" for Grassroots Consulting in their joint tax return. In total, from 2004 through 2010, the defendants fraudulently deducted at least \$500,000 of personal expenses as Schedule C business

expenses. Fackler also caused Grassroots Consulting business receipts to be understated by approximately \$450,000 because he fraudulently deducted business expenses which had previously been reimbursed. As a result, the defendants caused the amount of adjusted gross income, taxable income and total tax shown on their income tax returns to be understated. In addition, Kroupa and Fackler made a series of other false claims on their tax returns, including failing to report approximately \$44,520 that she received from a 2010 land sale in South Dakota. The defendants also falsely claimed financial insolvency to avoid paying tax on \$33,031 for cancellation of indebtedness income. Finally, Kroupa and Fackler deliberately concealed documents from their tax preparer and an IRS tax compliance officer during an audit for their 2004 and 2005 tax returns. During a second audit in 2012, the couple caused false and misleading documents to be

delivered to an IRS employee to convince the employee that certain personal expenses were actually business expenses of Grass-roots Consulting. After the IRS requested documents relating to their tax returns, Kroupa and Fackler removed certain items from their personal tax files before giving them to their tax preparer. They did this because the documents could reveal they had illegally deducted numerous personal expenses. Between 2004 and 2010, Kroupa and Fackler deliberately understated their taxable income by approximately \$1,000,000 and understated the amount of tax they owed by at least \$450,000.

Press Release – <https://www.justice.gov/usao-mn/pr/former-united-states-tax-court-judge-and-husband-sentenced-multi-year-tax-fraud>

## ***Franklin Family Sentenced in Tax Conspiracy***

On November 18, 2016, in Milwaukee, Wisconsin, Paul Bouraxis, his wife, Freida Bouraxis, son, Andreas Bouraxis, and son-in-law, Reiad “Ray” Awadallah, were sentenced for federal tax offenses. Paul, Freida and Andreas Bouraxis pleaded guilty to conspiring to defraud the IRS, by skimming cash from various restaurants they operated in the Milwaukee area, failing to report substantial income on their personal income tax returns, paying employees under the table in cash, and failing to pay federal payroll taxes on those cash wages. The defendants skimmed more than \$3 million from their businesses and underreported and underpaid federal income and payroll taxes by approximately \$1.4 million. Paul Bouraxis also pleaded guilty to one count of tax evasion. Awadallah pleaded guilty to one count of filing a

false federal return based on his failure to report cash he was paid under the table as a general manager of one of the Bouraxis’ restaurants. Paul Bouraxis was sentenced to two years in federal prison, and Andreas Bouraxis was sentenced to one year and one day in prison. Freida Bouraxis and Awadallah were each sentenced to three years of probation, during which they will spend six months in home confinement. Paul, Freida and Andreas Bouraxis were also ordered to pay jointly \$1.4 million in restitution, which will be collected from funds the IRS seized from the defendants’ businesses and safe deposit boxes. The defendants agreed to forfeit an additional \$442,000 of the seized funds to the United States to settle a related civil forfeiture action. Federal agents also seized gold and silver coins and bars, as well as jewelry, from the defendants’ business and Paul and Freida’s residence. All items will be sold and the proceeds will be paid to

the IRS to cover penalties and interest on the taxes the defendants attempted to evade. Finally, Paul Bouraxis will assist in transferring funds to the IRS from a bank account held in Greece. Separately, Awadallah paid approximately \$40,000 to the IRS for the taxes he underpaid, as well as penalties and interest.

Press Release – <https://www.justice.gov/usao-edwi/pr/franklin-family-sentenced-tax-conspiracy>

## ***Embezzler Received Prison Term for Wire Fraud and Income Tax Evasion***

On November 3, 2016, in Madison, Wisconsin, Lisa Buchholz was sentenced to 36 months in prison, three years supervised release, and ordered to pay \$193,909 in



restitution to the victim of her fraud scheme. Buchholz pleaded guilty to wire fraud and income tax evasion on July 28, 2016. According to court documents, while employed as a bookkeeper for Four Seasons Wood Products (FSWP) in Frederic, Wisconsin, from May 2008 until June 2012, Buchholz devised a scheme to defraud the company. The indictment further alleged that Buchholz failed to file income tax returns for 2008, 2009, 2010 and 2011, and that she committed income tax evasion in 2011 by making false statements to an IRS criminal investigator during an interview in 2013. Buchholz caused a fraud loss of \$172,176 to FSWP, and a tax loss of \$111,553 to the IRS. FSWP also incurred more than \$21,000 in investigative costs due to Buchholz's misconduct.

Press Release – <https://www.justice.gov/usao-wdwi/pr/embezzler-sentenced-3-years-fraud-tax-evasion>

## ***PureChoice Founder Gets 22 Years in Bankruptcy and Wire Fraud Scheme***

On June 28, 2017, in St. Paul, Minnesota, Bryan Reichel was sentenced to 264 months in prison, three years supervised release and ordered to pay \$22.3 million in restitution to victims and a \$7.6 million forfeiture judgement. In November 2016, Reichel was convicted of wire fraud, bankruptcy fraud and making false statements for lying to investors to get them to invest in his start-up company, PureChoice. Several of Reichel's victims had demanded immediate payment of millions of dollars they had "invested." To avoid repayment and protect his assets, in April 2011, Reichel filed for bankruptcy in the District of Minnesota, giving rise to an automatic stay and thereby preventing lawsuits and judgments from being entered by the victims. As part of the scheme, Reichel made false statements in his bankruptcy case to conceal

numerous items of personal property and thousands of dollars in personal accounts. Reichel told investors for years that the company was on the verge of success when it was actually accumulating tens of millions of dollars in debt and new investments were being used to pay previous investors and to enrich Reichel. Between 1992 and 2011, investors lost approximately \$25 million.

Press Release – <https://www.justice.gov/usao-mn/pr/purechoice-founder-sentenced-22-years-prison-28-million-dollar-investment-fraud-scheme>

# ST. LOUIS FIELD OFFICE

1222 SPRUCE ST, ST. LOUIS MO, 63103 | 314.339.1400



**THE ST. LOUIS** Field Office covers the states of Missouri, Iowa, Kansas and Nebraska and six judicial districts. We work a diverse mix of criminal investigations across this large geographic area that includes tax evasion, failure to pay employment taxes, return preparer fraud and narcotics. We also hold pivotal roles on the respective U.S Attorney's priority task forces, including cybercrime, financial fraud, Organized Crime Drug Enforcement Task Force (OCDETF), and joint terrorism task forces.

The St. Louis Field Office has additional locations in the following areas:

- Cedar Rapids, IA
- Omaha, NE
- Chesterfield, MO
- Overland Park, KS
- Des Moines, IA
- Springfield, MO
- Jefferson City, MO
- Wichita, KS
- Lee's Summit, MO

Significant cases worked by St. Louis CI Special Agents include:

## ***Kansas Man Sentenced to Prison for Federal Tax Evasion***

On May 26, 2017, in Topeka, Kansas, David G. Pflum was sentenced to five years in federal prison for tax evasion and ordered to pay more than \$8.4 million in restitution. Pflum, owner of Coil Springs Specialties, was found guilty in a jury trial in January on one count of tax evasion and one count of obstructing the IRS. During the trial, the prosecutor presented evidence that Pflum submitted false documents claiming he had less than \$475 in assets and his income was \$470 a month. In fact, he owned more than \$2 million worth of real estate and his income was more than \$16,000 a month. Pflum urged renters, buyers and other people indebted to him to ignore IRS collection efforts.

Press Release – <https://www.justice.gov/usao-ks/pr/st-marys-man-sentenced-tax-evasion>

## ***Pastor Sentenced to Fraud and Filing False Tax Return***

On July 11, 2017, in St. Louis, Missouri, Mark Q. Stafford was sentenced to 51 months in prison after pleading guilty in March to charges of mail fraud and filing a false tax return relating to a large-scale investment fraud arising out of his company, the Stafford Financial Firm. Stafford, who was also a minister at New Birth Powerplex Ministries in North St. Louis, falsely represented to clients of the Stafford Financial Firm that their funds would be placed with Quest Financial Holdings or Gain Capital Group. However,, Stafford did not open any accounts with either Quest Financial Holdings or Gain Capital Group. Instead, he deposited the clients' funds into his own accounts at Gain Capital Group where he then used them for his own personal benefit. Stafford obtained approximately \$1.26 million in proceeds from approximately 31 victims and caused an

actual loss to victims of approximately \$1.08 million.

Press Release – <https://www.justice.gov/usao-edmo/pr/pastor-sentenced-fraud-and-filing-false-tax-return>

## ***Iowa Woman Sentenced for Tax Fraud, Identity Theft***

On December 28, 2016, in Cedar Rapids, Iowa, Kaeisha Robinson was sentenced to 84 months in prison after pleading guilty to one count of aggravated identity theft, one count of theft of government property and one count of making false statements to a government agency. In addition, a special assessment of \$300 was imposed, and she was ordered to make \$336,380 in restitution to the IRS and \$12,143 in restitution to the Eastern Iowa Regional Housing Authority.

She must also serve a three-year term of supervised release after her prison term. Robinson admitted that, from May 2011 to February 2013, she filed numerous false and fraudulent tax returns. She further admitted that she filed these returns in her name and the names of some victims who were unaware Robinson was using their identities to file fraudulent returns. Robinson also admitted that because of these fraudulent returns, she received tax refunds from the IRS for which she was not entitled and stole money from the government. Finally, Robinson admitted that, from October 2011 through July 2013, she lied on forms she completed to receive Section 8 housing assistance by failing to report all her income. As a result, Robinson received \$12,143 in housing assistance that she was not entitled to.

Press Release – <https://www.justice.gov/usao-ndia/pr/woman-sentenced-seven->

[years-imprisonment-tax-fraud-identity-theft-and-making-false](#)

## ***California Man Sentenced for \$460,000 Fraud Scheme***

On August 24, 2017, in Kansas City, Missouri, Michael Keefe White was sentenced to 111 months in prison and ordered to pay \$288,769 in restitution. White previously pleaded guilty to bank fraud, aggravated identity theft and money laundering. White admitted he obtained checks stolen from the mail, then used counterfeit identification (such as driver's licenses with his photo and the name of a victim) to open bank accounts in Missouri and other states in which to deposit the stolen checks and counterfeit checks. The counterfeit checks were modeled from the stolen checks for an attempted fraud amount of at least \$977,441.

White then withdrew or wire transferred the money out of the account. White laundered his bank fraud proceeds through gold coin companies in California.

Press Release – <https://www.justice.gov/usao-wdmo/pr/california-man-sentenced-460000-fraud-scheme>

## ***Mission Hills Woman Sentenced for Lying About Cayman Islands Businesses***

On July 17, 2017, in Kansas City, Missouri, Verna Cheryl Womack, of Mission Hills, was sentenced to 18 months in prison without parole and ordered to pay \$1,704,421 in restitution to the IRS, which she paid. On April 5, 2016, Womack pleaded guilty to testifying falsely while under oath with the intent to impede the due administration of

the Internal Revenue Code. Womack failed to report her offshore holdings as required by law to hide income of more than \$6 million from the IRS. Womack orchestrated an intricate web of offshore accounts, trusts, nominees and shell companies to conceal millions of dollars in unreported income. She hid her ownership of shell companies and trusts in the Cayman Islands to conceal income earned in the United States, and transferred it to the Cayman Islands to grow tax-free until she chose to repatriate it to the United States. This resulted in a criminal tax loss of \$1,704,421.

Press Release – <https://www.justice.gov/usao-wdmo/pr/mission-hills-woman-sentenced-lying-about-cayman-islands-businesses>

# NEW ORLEANS FIELD OFFICE

600 S. MAESTRI PLACE, NEW ORLEANS LA, 70003



**THE NEW ORLEANS** Field Office covers the states of Louisiana and Mississippi, where the special agents service five judicial districts. The field office works a variety of casework, to include public corruption tax crimes, Organized Crime Drug Enforcement Task Force (OCDETF) investigations, and has an acute focus on return preparer fraud and Stolen Identity Refund Fraud (SIRF) investigations, which are relevant to the needs and priorities of our local law enforcement partnerships. Special agents of the New Orleans Field Office are represented on all area task forces and enjoy an excellent working relationship with our local, state and federal counterparts.

The New Orleans Field Office has additional locations in the following areas:

- **Baton Rouge, LA**
- **Lafayette, LA**
- **Gulfport, MS**
- **Oxford, MS**
- **Hattiesburg, MS**
- **Shreveport, LA**
- **Jackson, MS**

Significant cases worked by New Orleans CI Special Agents include:

## ***Former Commissioner of Mississippi Department of Corrections Sentenced to Over 19 Years in Federal Prison***

On May 24, 2017, in Jackson, Mississippi, Christopher B. Epps, former Commissioner for the Mississippi Department of Corrections was sentenced to 235 months in prison and ordered to pay a \$100,000 fine. Epps previously pleaded guilty to one count of money laundering conspiracy and one count of filing a false tax return. Epps accepted bribes and kickbacks in exchange for awarding or directing the award of MDOC contracts, leases or work to Cecil McCrory's companies or to companies employing McCrory as a consultant. McCrory secretly paid Epps either in cash, through checks paying off Epps's home mortgage, through wire transfers paying the loan on Epps's beach

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*"Our district has prosecuted many criminal tax cases such as abusive tax return preparers, financial institution fraud, healthcare fraud, identity theft, money laundering, narcotics-related investigations, public corruption crimes and non-filer enforcement. The U. S. Attorney's Office and the IRS Criminal Investigation Special Agents that we work with every day are committed to vigorously investigating and prosecuting these crimes in order to maintain the public trust and the integrity of our tax laws."* — **ALEXANDER VAN HOOK, ACTING U.S. ATTORNEY, WESTERN DISTRICT OF LOUISIANA**

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# NEW ORLEANS FIELD OFFICE CASE FILES

condominium or through wire transfers to investment accounts owned by Epps. Epps illegally structured the deposits of cash received from McCrory into Epps's various bank accounts, or used the cash to purchase cashier's checks, all in amounts less than \$10,000. This structuring alone reached almost \$1 million from January 2008 through June 2014. Epps further concealed these crimes by filing false tax returns from 2008 through 2013, whereby he failed to report the income on his tax returns.

Press Release – <https://www.justice.gov/usao-sdms/pr/former-commissioner-mississippi-department-corrections-sentenced-over-19-years-federal>

## **Louisiana Check Cashers Sentenced for Conspiracy and Filing False Income Tax Return**

On November 17, 2016, in New Orleans, Louisiana, Susantha Wijetunge, (also known as VJ) was sentenced to 44 months in prison. His wife, Manula Wijetunge, (also known as Manu), was sentenced to three years of probation for crimes related to the operation of their check cashing business, VJ Discount Inc. In addition to the prison term, Susantha Wijetunge was ordered to serve three years of supervised release, pay a fine of \$750,000 and pay \$562,500 in restitution to the IRS. Manula Wijetunge was ordered to pay a fine of \$250,000 and \$208,125 in restitution to the IRS for her role in the business and for filing a false tax return. The Wijetunges were

ordered to forfeit \$4.1 million. The Wijetunges owned VJ Discount Inc., a Louisiana corporation that operated a convenience store and check cashing business in Kenner. Susantha Wijetunge, VJ Discount Inc. and others cashed, for an inflated fee, fraudulently obtained tax refund checks for multiple co-conspirators. These transactions often involved multiple checks and tens of thousands of dollars. In an attempt to conceal this illegal activity, Susantha Wijetunge and others failed to file, or filed false, currency transaction reports with the government. Susantha Wijetunge also filed multiple false individual and corporate income tax returns that underreported income. The Wijetunges admitted that VJ Discount Inc. had third-party check deposits totaling more than \$59 million in 2011, \$47 million in 2012, and \$66

million in 2013. Despite this large volume of business, the Wijetunges' individual income tax returns reported total income of less than \$100,000 per year.

Press Release – <https://www.justice.gov/opa/pr/louisiana-check-cashers-sentenced-conspiracy-and-filing-false-income-tax-return>

## **Mississippi Sheriff's Office Employee Sentenced for Using Stolen Identities to File Fraudulent Tax Returns**

On May 1, 2017, Shreveport, Louisiana, Shannon A. Brumfield, was sentenced to 94 months in prison, three years of supervised release and ordered to pay \$386,141. Brum-

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*"The U.S. Attorney's Office for the Eastern District of Louisiana salutes the Internal Revenue Service-Criminal Investigation. The Criminal Investigation's agents are important team members in our fight against violations of the U.S. Income Tax Code. The public benefits whenever an CI agent assists with investigations related to financial crimes whose impact are extensive and far-reaching,"* — **DUANE A. EVANS, ACTING US ATTORNEY, EASTERN DISTRICT OF LOUISIANA**

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field was part of a scheme to file fraudulent income tax returns using stolen identities and causing the refunds to be mailed to post office boxes in Louisiana. Brumfield used her position as a lieutenant at Hinds County Detention Center to access the Hinds County Jail Management System and steal names and Social Security numbers of inmates and other individuals. Brumfield and other members of the conspiracy not named in the indictment used the stolen identities to file fictitious federal tax returns from May 2011 until December 2012. Based on the fraudulent returns, the IRS issued tax refunds and mailed them to U.S. post office boxes in Tallulah.

Press Release – <https://www.justice.gov/usao-wdla/pr/mississippi-sheriff-s-office-employee-sentenced-using-stolen-identities-file-fraudulent>

## ***Former District Attorney and Son Sentenced for Wire Fraud, Money Laundering***

On April 5, 2017, in New Orleans, Louisiana, Walter P. Reed, and his son Steven P. Reed, both of Covington, were sentenced to 48 months in prison and five years of probation, respectively. Walter Reed was also ordered to pay \$572,000 in restitution, \$40,000 to the IRS, and a \$15,000 fine and ordered to forfeit \$609,217. Additionally, Walter and Steven Reed are jointly and severally responsible for \$46,200 in forfeiture. Walter Reed was convicted of conspiracy to commit wire fraud and money laundering, wire fraud, money laundering, false statements on income tax return and mail fraud. Steven Reed was convicted of conspiracy to commit wire fraud and money laundering, wire fraud and money laundering. The Reeds devised a scheme to defraud the Walter Reed Campaign and contributors to the Walter

Reed Campaign. They did this by using donations to Walter P. Reed's campaign to pay for goods and services unrelated to the campaign or to the holding of public office, in amounts that grossly exceeded the value of the services provided.

Press Release – <https://www.justice.gov/usao-edla/pr/former-district-attorney-walter-p-reed-and-his-son-steven-p-reed-sentenced>

## ***Heroin Traffickers Sentenced to Federal Prison for Roles in Multi-State Conspiracy***

On September 15, 2017, in Baton Rouge, Louisiana, Logan Brannon, Aaron Lambert, Justin Scott, and Efrain Barajas were sentenced to 318 months, respectively for their roles in a drug-trafficking conspiracy involving shipments of heroin from California to

Baton Rouge. According to court documents, the defendants were convicted of conspiring to distribute significant amounts of heroin that had been pressed to resemble oxycodone pills. The heroin had been pressed into pills while in California and then shipped into the Baton Rouge area for distribution. By disguising heroin as oxycodone, the traffickers sought the higher street price paid for oxycodone. This heroin-trafficking operation was identified as part of a substantial heroin-trafficking and money laundering conspiracy. Six other defendants were previously sentenced in this matter.

Press Release – <https://www.justice.gov/usao-mdla/pr/heroin-traffickers-sentenced-federal-prison-roles-multi-state-conspiracy>

# CHICAGO FIELD OFFICE

230 S DEARBORN STREET, CHICAGO IL, 60604 | 312.292.4502



ILLINOIS



INDIANA

**THE CHICAGO FIELD** Office covers the entire states of Illinois and Indiana, as well as the Davenport, Iowa, post-of-duty. We work a wide variety of cases and have great relationships with the U.S. Attorney's Offices. Our agents sit on various task forces and work complex cases in many diverse areas such as public corruption, cybercrimes, drug trafficking and corporate fraud.

The Chicago Field Office has additional locations in the following areas:

- **Carmel, IN**
- **Davenport, IA**
- **Downers Grove, IL**
- **Evansville, IN**
- **Fairview Heights, IL**
- **Fort Wayne, IN**
- **Indianapolis, IN**
- **Matteson, IL**
- **Merrillville, IN**
- **Olympia Fields, IL**
- **Orland Park, IL**
- **Peoria, IL**
- **Rockford, IL**
- **Schiller Park, IL**
- **South Bend, IN**
- **Springfield, IL**
- **Vernon Hills, IL**

Significant cases worked by Chicago CI Special Agents include:

## ***Indiana Tax Preparer Sentenced in Scheme to File Over 2,300 Fraudulent Returns***

On June 22, 2017, in Indianapolis, Indiana, David R. Franklin was sentenced to 48 months in prison, three years of supervised release and ordered to pay restitution of \$1,501,000 to the IRS for his role in directing the filing of over 2,300 false tax returns. Franklin owned and operated 27 Instant Tax Service (ITS) tax preparation stores in the Indianapolis area employing and training over 50 preparers. An investigation of Franklin revealed he trained and directed his employees on the preparation of federal income tax returns. Specifically, Franklin counseled his employees to prepare false and fraudulent federal income tax returns for multiple clients from 2010 through 2012. Because of Franklin's efforts, ITS filed more than 2,300 false federal income tax returns between 2010 and 2012, which resulted in a loss to the IRS and the American public of \$1,501,000.

Press Release – <https://www.justice.gov/usao-sdin/pr/fishers-tax-preparer-sentenced-fraud-scheme>



## ***Illinois Woman Sentenced for Filing Tax Returns Using Stolen ID***

On May 2, 2017, in Chicago, Illinois, Shameka Carr was sentenced to 87 months in prison, three years of supervised release and ordered to pay \$365,764 in restitution to the IRS for a SIRF scheme. According to documents, from 2012 through 2014, Carr used stolen IDs to file tax returns seeking fraudulent tax refunds with the IRS. Carr directed the IRS to send the refunds in the form of prepaid debit cards and refund checks mailed to addresses that she controlled in Rockford, Illinois, and its surrounding areas. Carr admitted to an intended tax loss of \$1,026,284.

Press Release – <https://www.justice.gov/opa/pr/illinois-woman-sentenced-prison-filing-tax-returns-using-stolen-ids>

## ***Dark web Investigation Leads to Conviction of Indianapolis Drug Trafficker***

On August 1, 2017, in Indianapolis, Indiana, Pierre Burnett Jr. was sentenced to 188 months in prison for conspiracy to distribute heroin and cocaine, distribution of heroin and cocaine, and conspiracy to commit money laundering. What began as an investigation into drug trafficking on the Dark web led to the ultimate arrest and conviction of Burnett (also known as Doe), the leader of a major heroin and cocaine distribution ring in the Indianapolis area and elsewhere. Through a joint investigation by Drug Enforcement Administration (DEA), U.S. Postal Inspection Service (USPIS), and IRS, law enforcement learned that Lee Gray, a Camby, Indiana, resident at the time, was selling heroin and cocaine in exchange for bitcoins on Silk Road, and later on other Dark web sites such as Black Bank. Gray laundered his bitcoins

using foreign bitcoin-exchange companies to wire U.S. currency into multiple bank accounts in his own and other names. Gray obtained his supply of heroin and cocaine from Burnett. From at least 2012 through August 18, 2015, Burnett obtained heroin and cocaine directly from a Mexican source of supply, and would pay the Mexican source by delivering large bags of money to Mexican couriers. Burnett distributed the drugs to drug distributors, including Gray and Alan Duncan (also known as Al Gore), another drug distributor in the Southern District of Ohio, who sold these drugs within and outside of their local communities. Gore received a sentence of 150 months imprisonment in Ohio. Gray will be sentenced later this year.

Press Release – <https://www.justice.gov/usao-sdin/pr/dark-web-investigation-leads-conviction-indianapolis-drug-trafficker>

## ***Biofuel Company Owners Sentenced for Conspiracy and Fraud Charges***

On July 18, 2017, in Indianapolis, Indiana, Fred Witmer and Gary Jury, co-owners of an Indiana biofuel producer were sentenced to 57 months in prison and 30 months in prison, respectively. Witmer and Jury, of Triton Energy LLC and Gen2 Renewable Diesel LLC pleaded guilty to conspiracy, fraud and false statements in October 2016. Witmer and Jury generated over \$60 million in fraudulent tax credits and U.S. Environmental Protection Agency (EPA) renewable fuel credits (RIN credits). Witmer admitted to fraudulently claiming tax credits and RIN credits on non-qualifying renewable fuel and to deceiving the purchasers of his RIN credits. Although Witmer represented that the fuel was used as transportation fuel, he admitted selling it to be made into fire starter logs and for asphalt and cement production. Jury

admitted conspiring to fraudulently claim tax credits and to providing false statements to the EPA.

Press Release – <https://www.justice.gov/opa/pr/biofuel-company-owners-sentenced-conspiracy-and-fraud-charges>

### ***Indiana Man Sentenced for Drug Trafficking, Bankruptcy Fraud***

On August 22, 2017, in Indianapolis, Indiana, Geraldo Colon was sentenced to 360 months in prison, five years of supervised release and ordered to pay a \$5,000 fine for his role in a drug trafficking organization (DTO) and bankruptcy fraud. Colon was convicted at a jury trial in April 2017 of drug distribution, money laundering and bankruptcy fraud charges. In May 2014, law enforcement

officials learned that large quantities of narcotics were being shipped to the Indianapolis area from Phoenix, Arizona. From there, the drugs were being moved to the Muebleria Luz Furniture Store on the Northwest side of Indianapolis, where Colon, as ringleader of the DTO, then distributed them to various Indianapolis-based drug traffickers. In addition, Colon failed to disclose the income he received from selling illegal drugs to bankruptcy court and during a meeting of creditors.

Press Release – <https://www.justice.gov/usao-sdin/pr/family-ties-ring-leader-sentenced-federal-court>

# NASHVILLE FIELD OFFICE

801 BROADWAY, NASHVILLE TN, 37203



TENNESSEE



KENTUCKY



ARKANSAS

**THE NASHVILLE FIELD** Office covers the states of Tennessee, Kentucky and Arkansas and seven judicial districts. We work a diverse mix of criminal investigations across this large geographic area including tax evasion, employment tax fraud, public corruption, money laundering, Organized Crime Drug Enforcement Task Force (OCDETF) and various financial fraud schemes. Our special agents hold pivotal roles on U.S. Attorney's priority task forces, including healthcare fraud, financial crimes, opioid fraud and abuse, and elder justice.

The Nashville Field Office has additional locations in the following areas:

- **Bowling Green, KY**
- **Chattanooga, TN**
- **Fayetteville, AR**
- **Florence, KY**
- **Fort Smith, AR**
- **Jackson, TN**
- **Johnson City, TN**
- **Knoxville, TN**
- **Lexington, KY**
- **Little Rock, AR**
- **Louisville, KY**
- **Memphis, TN**

Significant cases worked by Nashville CI Special Agents include:

## ***Arkansas Woman Sentenced for Embezzlement of Government Funds and Tax Fraud***

On September 14, 2017, in Fayetteville, Arkansas, Connie Guild was sentenced to 34 months in prison, three years of supervised release and ordered to pay \$1,033,762 in restitution. Starting in 2007, Guild oversaw the Benton County travel fund. This fund consisted of cash stored in a vault and was used to advance cash to county employees for approved travel. To receive the cash, county employees submitted approved travel request forms to Guild. Once the travel was completed, the employee would submit receipts to Guild that were reconciled with the travel request forms, and return any unspent cash to Guild to be placed back into the travel fund. Guild submitted false claims for the travel fund to the treasurer, inflating the amount of money dispersed from the travel fund. As a

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*"The value of an IRS criminal investigation as a part of a fraud prosecution cannot be overstated. As an Assistant US Attorney and now as the United States Attorney, I know that some of our most successful prosecutions have resulted from the outstanding work of our IRS criminal investigators partnering with other investigative agencies, particularly in white collar crime cases."* — **NANCY STALLARD HARR, UNITED STATES ATTORNEY, EASTERN DISTRICT OF TENNESSEE.**

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result, the treasurer issued checks payable to the travel fund in amounts that exceeded the amount necessary to reimburse the travel fund. Guild cashed the checks and deposited the excess funds into her personal bank account, where she used them to pay personal expenses. From 2007 to 2015, Guild also failed to report the embezzled funds as income on her federal income tax returns.

### ***Two Chattanooga Residents Sentenced to Prison for Participating in a Conspiracy to Commit Wire Fraud and for Tax Evasion***

On September 29, 2017, in Chattanooga, Tennessee, James H. Brennan and Douglas A. Dyer were sentenced to serve 48 months and 60 months in federal prison, respectively, for their roles in a wire fraud and tax evasion conspiracy. Brennan and Dyer were also

ordered to pay over \$4.9 million in restitution to over 200 victims in this case, and were ordered to pay restitution to the IRS of \$184,022 and \$354,251, respectively. In May 2017, both Dyer and Brennan pleaded guilty to conspiring to steal approximately \$4.9 million from investors and evading the assessment and payment of their true taxes owed by mischaracterizing the stolen money as capital gains instead of income. Dyer also pleaded guilty to criminal contempt for dispersing funds contrary to an order in a civil case filed by the Securities and Exchange Commission for securities fraud. Between 2008 and 2016, Brennan and Dyer sought and received funds from numerous investors by promising they would use their money to capitalize limited liability corporations, which would merge with companies seeking to transition to public ownership on a public stock exchange. Instead, they diverted the funds to their personal use.

Press Release – <https://www.justice.gov/usao-edtn/pr/two-chattanooga-residents-sentenced-prison-participating-conspiracy-commit-wire-fraud>

### ***Powell Resident Sentenced to Serve Eight Years in Federal Prison for Tax Evasion, Mail Fraud and Wire Fraud***

On September 20, 2017, in Knoxville, Tennessee, Andrea Rudd was sentenced to 96 months in federal prison for tax evasion, mail and wire fraud. Rudd was also ordered to pay \$15,766,417 in restitution to the victims of her offenses, including \$10,377,785 to the IRS. Rudd was the owner of HR Comp, LLC). HR Comp conducted business through several subsidiaries collectively known as the Professional Employer Organization (PEO) Entities. Operating both independently

and in the name of the PEO Entities, HR Comp contracted with client companies to process their payroll. Along with handling the payroll, HR Comp was responsible for collecting money the companies and their employees owed for payroll taxes and remitting it to the IRS. Additionally, HR Comp, both independently and through the PEO Entities, contracted with the companies to provide worker's compensation insurance. Between 2011 and 2015, instead of remitting the money collected from her clients for payroll taxes to the IRS, Rudd converted the funds for her own personal use. Additionally, clients sent money to HR Comp, in exchange for what Rudd and her co-conspirators represented to be worker's compensation insurance. However, they provided false certificates of insurance to the companies and never purchased the insurance.

Press Release – <https://www.justice.gov/usao-edtn/pr/powell-resident-sentenced-serve-eight-years-federal-prison-tax-evasion-mail-fraud-and>

## ***Men Sentenced to Federal Prison and Ordered to Pay Over \$6 Million Restitution for Tax Fraud at Hope Hospital***

On April 21, 2017, in Texarkana, Arkansas, James R. Cheek and Herschel J. Breig, Sr., were each sentenced to 36 months in prison, followed by three years of supervised release and ordered to pay restitution of \$6,000,000 jointly and severally between the two defendants. Both men pleaded guilty in September 2016 to one count each of failure to collect or pay over tax. According to court records, as principals of Hope Medical Park Hospital, both Cheek and Breig were responsible to collect, truthfully account for,

and pay over the hospital's payroll taxes to the IRS for 2009, 2010, 2011 and 2012. They failed to pay approximately \$6,000,000 in payroll taxes as required.

Press Release – <https://www.justice.gov/usao-wdar/pr/men-sentenced-federal-prison-and-ordered-pay-over-6-million-restitution-tax-fraud-hope>

## ***Pharmacist Sentenced for Money Laundering and Illegally Dispensing Prescription Pills and Pseudoephedrine***

On June 30, 2017, in Lexington, Kentucky, Lonnie Hubbard was sentenced to 30 years in federal prison resulting from his conviction of 71 counts involving money laundering and the illegal dispensing of oxycodone, hydrocodone, and pseudoephedrine. From 2010 until 2015, Hubbard, who owned RX Discount

Pharmacy of Berea, sold prescription pain pills, without a legitimate medical purpose, and pseudoephedrine, knowing or having reasonable cause to believe that it was being used to manufacture methamphetamine. Hubbard would charge between \$600 to \$1,000 to fill the prescriptions, which included excessive amounts of oxycodone. Hubbard also sold multiple boxes of pseudoephedrine at a time, at excessive prices, to drug addicts and traffickers. From 2013 to 2015, Hubbard's pharmacy was the number one independent pharmacy retailer of pseudoephedrine in Kentucky. Hubbard made approximately \$2.2 million in cash from the illegal drug sales and used that money to buy three residences, a boat, several luxury vehicles, a motorcycle, two watercrafts and a super ATV.

Press Release – <https://www.justice.gov/usao-edky/pr/berea-pharmacist-sentenced-30-years-illegally-dispensing-prescription-pills-and>



# DETROIT FIELD OFFICE

985 MICHIGAN AVENUE, DETROIT MI, 48226

**THE DETROIT FIELD** Office area of responsibility encompasses the state of Michigan and its two judicial districts. With Michigan's diverse cultures and proximity to the Canadian international border, Detroit CI special agents are involved in a variety of criminal investigations including traditional tax, corporate fraud and money laundering. To address the various priorities affecting the Michigan, agents are embedded on a variety of task forces such as the Joint Terrorism Task Force (JTTF), Public Corruption, Organized Crime Drug Enforcement Task Force (OCDETF), Border Enforcement Security Task Force, Southeast Michigan Trafficking and Exploitation Crimes Task Force, Cybercrimes Task Force, and the Healthcare Fraud Strike Force.

The Detroit Field Office has additional locations in the following areas:

- **Ann Arbor, MI**
- **Clinton Township, MI**
- **Grand Rapids, MI**
- **Pontiac, MI**

- **East Lansing, MI**
- **Flint, MI**
- **Traverse City, MI**

Significant cases worked by Detroit CI Special Agents include:

## ***Michigan Man Sentenced in Massive Conspiracy to Commit Tax Fraud***

On January 6, 2017, in Grand Rapids, Michigan, Derrick J. Gibson, of Battle Creek, was sentenced to 120 months in prison, three years of supervised release and ordered to pay \$16,000,000 in restitution to the IRS. On August 16, 2016, Gibson pleaded guilty to conspiracy to defraud the United States through the filing of false claims. According to court documents, Gibson was the ring-leader of a large-scale conspiracy involving 33 other individuals to file false federal income tax

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*"The IRS-Criminal Investigation Agents in our district perform superbly in investigating their cases, gathering and organizing evidence and, later, providing excellent support during grand jury and trial presentations. They do so in a very professional manner and will track down answers to questions which arise or evidentiary leads in an expeditious manner. Their litigative support in the creation and use of summary charts or other demonstrative exhibits is unequalled in law enforcement circles. The quality of IRS CI agents and their professionalism in investigating crime is outstanding. We are most grateful for their efforts."* — **DANIEL LEMISCH, ACTING US ATTORNEY, EASTERN DISTRICT OF MICHIGAN**

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returns. The conspiracy operated from 2008 to 2016 and resulted in more than \$22 million of lost revenue to the IRS. The defendants used other individuals' personally identifiable information -- obtained in part from patients and employees of the Battle Creek Veterans Affairs Medical Center and from inmates of the Michigan Department of Corrections -- to file false tax returns. During the conspiracy, Gibson prepared thousands of false claims that were filed with the IRS, claiming fraudulent federal income tax refunds of more than \$16,000,000.

## ***Attorney Sentenced for Bribing a Federal Agent, Fraud and Evasion***

On May 1, 2017, in Detroit, Michigan, Charles Thomas Busse was sentenced to 37 months in prison, three years of supervised release and ordered to pay restitution of \$575,753. Busse previously pleaded guilty to conspiracy to defraud the United States, bribery of a public official, tax evasion and failure to report currency transaction of more than \$10,000. According to court documents, Busse, an attorney, paid bribes to a special agent with U.S. Immigration and Customs Enforcement – Homeland Security Investigations to obtain numerous deferrals of deportation and other immigration benefits for his clients. Busse also conspired to obstruct

the lawful function of the U.S. Department of Homeland Security by dishonest means. During tax year 2014, Busse deposited \$598,071 in income from his law practice into a personal bank account. Although he had a duty to report this income on his return, Busse took actions to evade tax on the income he received. Busse also failed to file true and accurate tax forms for tax years 2009 through 2013. Finally, although Busse knew he was required to file an IRS Form 8300 for cash payments of more than \$10,000 he received for legal services, he willfully and intentionally evaded the reporting requirement for these payments.

## ***Owner and Operator of Educational Management Companies Sentenced on Tax Fraud Charges***

On December 15, 2016, in Bay City, Michigan, Steven Ingersoll of Traverse City was sentenced to 41 months in prison. On March 10, 2015, Ingersoll was convicted of one count of tax evasion for 2009, one count of tax evasion for 2010 and one count of conspiracy to defraud the IRS for 2011. According to court documents, Ingersoll was the former owner and operator of Smart Schools Management and Smart Schools, Inc., educational management companies that ran two charter schools in Michigan.

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*"The quality of CI work in my district is very high. My office frequently turns to CI for assistance in investigations led by other agencies in addition to those CI agents are themselves leading. Our attorneys enjoy unparalleled access and communication with CI agents and the results in our district show the benefits, including the successful outcome of a 33-defendant case that concluded earlier this year."* — **ANDREW BIRGE, ACTING US ATTORNEY, WESTERN**

**DISTRICT OF MICHIGAN**

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Ingersoll failed to accurately report and pay taxes on payments he received from his educational management companies.

Press Release – <https://www.justice.gov/usao-edmi/pr/owner-and-operator-educational-management-companies-sentenced-tax-fraud-charges>

## ***Florida Man Sentenced for Tax Evasion***

On April 25, 2017, in Marquette, Michigan, Michael Donald Reid, of Land O Lakes, Florida, was sentenced to 30 months in prison, three years of supervised release and ordered to pay restitution totaling \$1,307,026, including \$373,945 to the IRS. Reid previously pleaded guilty to tax evasion. According to the indictment, Reid was charged with stealing goods and causing

another individual to transport the goods from the White Pine electric plant and copper refinery in Ontonagon County, Michigan, to Green Bay, Wisconsin, where the goods were then sold. During 2011 and 2012, Reid took steps to willfully evade income tax he owed for 2011. Among the steps, Reid established a partnership known as M&D Resources and set up a bank account for M&D. Reid deposited funds that represented the payments he received from the sale of goods and used the funds for his personal expense. Reid did not include this income on his individual or partnership tax returns.

## ***Man Sentenced for Defrauding the IRS***

On August 21, 2017, in Detroit, Michigan, Christopher Alan Gandy, formerly of Madison Heights, was sentenced to 72 months in

prison, three years of supervised release and ordered to pay restitution of \$360,469 to the IRS. According to court documents, Gandy and two of his siblings, Sharon Gandy-Micheau and Anthony Gandy, were convicted by a jury in March 2017 on numerous counts of conspiracy, mail fraud, aggravated identity theft and illegal monetary transactions. Gandy's brother-in-law, Durand Micheau, was convicted by a different jury on the same charges in May 2017. The defendants participated in a scheme to defraud the federal government that centered on the filing of over 20 fraudulent Forms 1041, U.S. Income Tax Returns for Estates and Trusts. The returns requested over \$1.4 million in refunds based on income tax withholdings that never occurred. The returns resulted in the IRS mailing 14 income tax refund checks to the defendants that were payable to the trusts and totaled \$940,000. The U.S. Treasury refund checks were either cashed

at local check-cashing stores or deposited into bank accounts, followed shortly thereafter by large cash withdrawals. In addition, the scheme used the names and identification information of several individuals whose purses or wallets had been lost or stolen, and it depended on the assistance of some of the defendants' close friends and acquaintances.



# NEW YORK FIELD OFFICE

290 BROADWAY, 4TH FLOOR, MANHATTAN NY, 10007 | 212.436.1761



**SPECIAL AGENTS AND** professional staff in the New York Field Office conduct complex financial investigations in partnership with the most dynamic U.S. Attorney's Offices in the country. This is the largest field office of IRS-Criminal Investigation, with its members serving on virtually every multi-agency task force in a fast-paced environment. This collaboration strengthens our ability to identify emerging threats to taxpayers and the U.S. Treasury, with a laser focus on domestic and international tax evasion. We take action daily to serve our primary mission to maintain integrity and public trust in the federal tax system.

The New York Field Office has additional locations in the following areas:

- Albany, NY
- Bethpage, NY
- Bronx, NY
- Brooklyn, NY
- Buffalo, NY
- Hauppauge, NY
- Manhattan, NY
- New Windsor, NY
- Rochester, NY
- Staten Island, NY
- Syracuse, NY
- White Plains, NY

Significant cases worked by New York CI Special Agents include:

## ***Energy Investor Sentenced for Evading Over \$45 Million of Income and Other Taxes***

On March 21, 2017, in New York, New York, Morris Zukerman, was sentenced to 70 months in prison, three years of supervised release and ordered to pay \$37,547,951 in restitution to the IRS and New York State Department of Taxation and Finance. He was also fined \$10 million. Zukerman pleaded guilty on June 3, 2016. Zukerman was the principal of M.E. Zukerman & Co. (MEZCO), an investment firm. He schemed to evade taxes based on income received from the sale of a petroleum products company he co-owned (through a MEZCO subsidiary) with a public company. Zukerman evaded reporting to the IRS the sale of the oil company (for \$130 million), as well as the payment of over \$33 million in corporate income taxes. Zukerman also schemed to evade personal income taxes and to

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*"The knowledge, dedication, and professionalism of the IRS CI agents is second to none. Whether working as case agents on a standalone tax case or as part of a larger team with their partners in federal law enforcement, involvement by IRS CI agents invariably represents good news for prosecutors and bad news for criminals."* — **JAMES P.**

**KENNEDY, JR., US ATTORNEY, WESTERN DISTRICT OF NEW YORK**

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obstruct the IRS by causing tax return preparers to prepare income tax forms for himself and his wife, and other family members that claimed millions of dollars of false and fraudulent deductions and expenses. He also directed corporate funds to pay for domestic employees. Zukerman fraudulently claimed charitable contribution deductions totaling \$1 million for the 2009 and 2011 tax years from a real estate transaction in 2009 and 2010, under which Zukerman purchased approximately 240 acres of property on a small island located off the coast of Maine. While Zukerman was enlisted to purchase the property for conservation purposes, he instead purchased the land for the benefit of himself and his family. However, he falsely told his tax return preparer that payment should be declared on his personal income tax returns as a charitable contribution. Finally, Zukerman sought to defraud the IRS during three separate audits by providing false documents and false information.

Press Release – <https://www.justice.gov/usao-sdny/pr/manhattan-energy-investor-sentenced-70-months-prison-evading-over-45-million-income-and>

### ***Former Volunteer Fire Department Treasurer Sentenced for Embezzlement of More Than \$5.6 Million***

On June 21, 2017, in New York, New York, Michael Klein, the former treasurer of the Mahopac Volunteer Fire Department (MVFD), was sentenced to 77 months in prison, three years of supervised release and ordered to forfeit \$5,675,360 in ill-gotten gains, as well as various assets, including his residence in Palm City, Florida. Klein was also ordered to pay \$5,675,360 in restitution. On March 7, 2017, Klein pleaded guilty to one count of wire fraud, six counts of subscribing to

false tax returns, one count of obstructing the grand jury's investigation and one count of making false statements to the United States Attorney. From about January 2002 to September 2015, Klein embezzled MVFD funds under his control by writing checks to his two businesses, Abbie Graphic Services, Ltd. and Buckshollow Emergency Equipment Corp. (BEEC). Klein then deposited the checks to bank accounts held by Abbie Graphic and BEEC. He entered these checks into MVFD's books as having been made payable to vendors other than Abbie Graphic or BEEC that sold firefighting equipment or services used by fire departments. To satisfy MVFD's auditors, Klein prepared numerous false invoices to match the entries in MVFD's books. Klein embezzled more than \$5.6 million by writing more than 275 checks over more than 13 years. Klein failed to report most of this income on his personal tax returns for 2009 through 2014, thereby

subscribing to false tax returns for each of those years.

Press Release – <https://www.justice.gov/usao-sdny/pr/former-treasurer-mahopac-volunteer-fire-department-sentenced-77-months-prison>

### ***Alavi Foundation Ordered to Forfeit Midtown Office Building and Other Properties***

On June 29, 2017, in New York, New York, Alavi Foundation was ordered to forfeit a 36-story office building located at 650 Fifth Avenue, New York, New York, which was worth at least \$500 million, and other real property and bank accounts containing over a million dollars. The forfeiture order constitutes the largest civil forfeiture verdict and

the largest terrorism-related civil forfeiture in United States history. From before 1995 until the filing of the government's civil forfeiture action in 2008, the Alavi Foundation, Assa Corp., and the 650 Fifth Avenue Company (the partnership), were controlled by and provided numerous services to the government of Iran, including managing the building for the Iranian government, running a charitable organization for the Iranian government, and transferring rental income funds from the partnership to Bank Melli, an Iranian-owned government bank. The forfeiture represents proceeds of violations of the Iran sanctions and property involved in laundering the proceeds of those sanctions' violations.

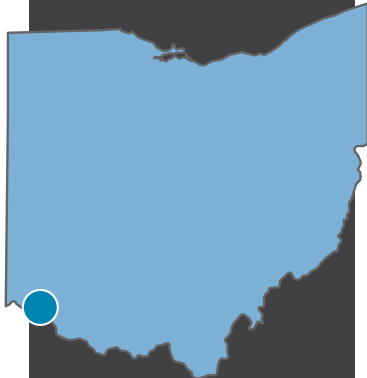
Press Release – <https://www.justice.gov/usao-sdny/pr/acting-manhattan-us-attorney-announces-historic-jury-verdict-finding-forfeiture-midtown>

## ***Architect of Offshore Fraud Haven and Orchestrator of More Than 40 Pump and Dump Schemes Sentenced for Executing a \$250 Million Money Laundering Scheme***

On February 6, 2017, in Brooklyn, New York, Robert Bandfield, a U.S. citizen and resident of Belize, and Gregg R. Mulholland, a dual U.S. and Canadian citizen, were sentenced to 72 and 144 months in prison, respectively. In May 2016, Bandfield pleaded guilty to money laundering conspiracy for setting up an elaborate and fraudulent structure of shell companies and brokerage firms in Belize and the West Indies that enabled his clients to fraudulently manipulate the stocks of dozens of U.S. publicly-traded companies. Also in May 2016, Mulholland, the secret owner of Legacy Global Markets S.A., an offshore broker-dealer and investment management company based in Panama City, Panama, and Belize City, Belize, pleaded guilty to

money laundering conspiracy for fraudulently manipulating the stocks of more than 40 U.S. publicly-traded companies and then laundering more than \$250 million in fraudulent proceeds through at least five offshore law firms. As part of the sentences, Bandfield was ordered to forfeit, among other things, \$1 million and all his rights and interests in three corporate entities -- IPC Management Services LLC, IPC Corporate Services Inc. and IPC Corporate Services LLC (collectively, IPC Corp) -- that he founded and controlled in Belize. Mulholland was ordered to forfeit, among other things, a Dassault-Breguet Falcon 50 aircraft, a Range Rover Defender vehicle, two real estate properties in British Columbia, and funds and securities on deposit at more than 25 bank and brokerage accounts.

Press Release – <https://www.justice.gov/usao-edny/pr/architect-offshore-fraud-haven-and-orchestrator-more-40-pump-and-dump-schemes-sentenced>



OHIO

# CINCINNATI FIELD OFFICE

550 MAIN STREET, CINCINNATI OH, 45202 | 513.975.6343

**THE CINCINNATI FIELD** Office covers the state of Ohio and its two federal judicial districts. We work closely with our federal, state and local law enforcement partners to investigate and prosecute tax, money laundering, Bank Secrecy Act, and related financial crimes that affect the southern and northern judicial districts of the “Buckeye State.” Our special agents and professional staff provide unparalleled financial expertise to lead investigations of the most egregious white-collar criminals. We work in concert with the United States Attorney’s Office as well as our civil and law enforcement partners to significantly impact regional and national priorities that include: income tax evasion, questionable tax refund/return preparer fraud, ID theft, cybercrimes, counterterrorism and narcotics related crimes, including opioid-related drug investigations.

The Cincinnati Field Office has additional locations in the following areas:

- Akron, OH
- Canton, OH
- Dayton, OH
- Independence, OH

- Cleveland, OH
- Columbus, OH
- Toledo, OH

Significant cases worked by Cincinnati CI Special Agents include:

## ***Longtime Fugitive Sentenced for Defrauding Hundreds of People***

On November 9, 2016, in Cleveland, Ohio, Eric V. Bartoli, a fugitive for more than a decade, was sentenced to 240 months in prison for defrauding hundreds of investors out of millions of dollars in the 1990s. Bartoli previously pleaded guilty to eight counts, including conspiracy, securities fraud, sale of unregistered securities, wire fraud, mail fraud and attempted income tax evasion. According to court documents, Bartoli operated a large-scale Ponzi scheme from 1995 through 1999. He created and operated a company, Cyprus Funds, Inc., which was based in Doylestown, Ohio, and incorporated in Central America. Bartoli

*“CI Special Agents are skilled, diligent, and thorough. They have successfully investigated several of the most significant financial crimes in the Southern District of Ohio in recent years. I’ve personally prosecuted cases investigated by CI agents, and in my experience, they do excellent work and are very valuable law enforcement partners.” —*

**BENJAMIN C. GLASSMAN, U.S. ATTORNEY, SOUTHERN DISTRICT OF OHIO**

and his co-conspirators operated Cyprus to sell certificates of deposit and unregistered mutual funds. Cyprus raised approximately \$65 million from an estimated 800 investors in Latin America and the United States, some of whom were retirees. An indictment was filed against Bartoli in October 2003. Bartoli was taken into custody by the Peruvian National Police in Lima, Peru, in 2013 and returned to the United States last year.

Press Release – <https://www.justice.gov/usao-ndoh/pr/longtime-fugitive-eric-bartoli-sentenced-20-years-prison-defrauding-hundreds-people>

## ***Boardman Man Sentenced for Defrauding Investors Out of Nearly \$1.2 million***

On July 5, 2017, in Cleveland, Ohio, George N. Krinos was sentenced to 57 months in prison and ordered to pay restitution of \$1.1 million to the victims and \$177,000 to the IRS. Krinos previously pleaded guilty to one count each of engaging in a securities fraud scheme and willfully failing to collect and pay taxes for his employees. According to court documents, Krinos defrauded investors out of nearly \$1.2 million in a securities fraud scheme in which he sold, through false and deceptive practices, securities to numerous victims in Ohio. These securities consisted of debenture notes and private placement memoranda that were not properly registered with the Securities and Exchange Commission. From 2011 through 2014, Krinos sold these unregistered securities to at least 10 investors in Ohio, causing them financial

losses. Rather than use these funds for their intended purposes, Krinos instead used the money for personal expenses and to engage in unauthorized foreign currency transactions. Krinos also improperly withheld taxes, including federal income taxes and Federal Insurance Contribution Act taxes from his employees without paying over those taxes to the IRS. Over approximately two years, Krinos improperly withheld and kept approximately \$91,495 of his employees' tax contributions from the IRS, according to court documents.

Press Release – <https://www.justice.gov/usao-ndoh/pr/boardman-man-sentenced-nearly-five-years-prison-defrauding-investors-out-nearly-12>

## ***Las Vegas Oxy Ring Leader Sentenced***

On January 6, 2017, in Columbus, Ohio, Sukita Williams was sentenced to 72 months in prison for her role in an oxycodone ring between Las Vegas and Columbus. Williams was one of six defendants to be sentenced in this case on charges of conspiracy to possess with intent to distribute oxycodone and/or conspiracy to commit money laundering. Between 2012 and November 2015, Williams and others conspired to import, possess and distribute oxycodone from Las Vegas. She personally went to physicians to obtain fraudulent prescriptions for oxycodone and arranged for other members of the conspiracy to do the same. She also used middlemen to obtain oxycodone. Once they obtained bulk amounts of oxycodone, the pills were transported to Columbus, Ohio, via the mail or on commercial airlines to be

sold on the street to drug users. Williams attempted to conceal her illicit proceeds by depositing money into others' bank accounts. In addition, these cash deposits funded the purchase of airline tickets that enabled couriers to transport oxycodone to Columbus and to transport bulk amounts of cash back to them in Las Vegas. Five co-conspirators have received sentences ranging from 90 months to five years of probation for their roles in the scheme.

Press Release – <https://www.justice.gov/usao-sdoh/pr/las-vegas-oxy-ring-leader-sentenced-72-months-prison>

## ***Ohio Businessman Sentenced for Orchestrating \$70 Million Ponzi Scheme***

On June 30, 2017, in Dayton, Ohio, William M. Apostelos was sentenced to 180 months in prison for defrauding nearly 500 victims

in a \$70 million Ponzi scheme. According to court documents, beginning in 2009, and continuing for at least five years, Apostelos, his wife Connie and others orchestrated a Ponzi scheme in the Dayton area in which nearly 480 investors lost more than \$20 million. William Apostelos operated and oversaw multiple purported investment and asset management companies in the Dayton area, including WMA Enterprises, LLC, Midwest Green Resources, LLC and Roan Capital. The couple recruited investors from 37 states to invest in WMA and Midwest Green, telling them they would use their money for acquiring stocks or securities, purchasing real estate or land, providing loans to business and buying gold and silver. Rather than investing the money, the couple used it to pay for personal luxuries. When the defendants became late on interest payments to the victims, they advised that their bank account had been hacked, a bank mistakenly failed to wire payment and/or the

deal the victim had invested in was temporarily on hold. The government has seized two racehorses, vehicles, jewelry, artwork and cash totaling approximately \$650,000 from the couple.

Press Release – <https://www.justice.gov/usao-sdoh/pr/local-businessman-sentenced-180-months-prison-orchestrating-70-million-ponzi-scheme>

## ***New Jersey Feedstock Processor Sentenced for Conspiracy to Commit Biofuel Fraud***

On April 7, 2017, in Cincinnati, Ohio, Malek Jalal was sentenced to 60 months in prison for his role in a scheme that generated over \$7 million in fraudulent tax credits and renewable fuels credits (RIN credits) connected to the purported production of biodiesel fuel, as well as his subsequent

attempts to obstruct a grand jury investigation into the fraud. Jalal was also ordered to serve three years of supervised release and to pay restitution of \$1,017,087 and a \$12,500 fine. According to court documents, Jalal, who owned Unity Fuels of Newark, New Jersey, engaged in a scheme with other co-conspirators to fraudulently claim tax credits and RIN credits multiple times on the same fuel. Jalal did this by buying fuel from a New York-based company, blending it with other materials, and selling it back to the same New York-based company. Jalal knowingly modified and destroyed records after receiving a grand jury subpoena from the Southern District of Ohio. Jalal also directed an employee of Unity Fuels to falsify records that were provided to the grand jury to hide the fraud scheme.

Press Release – <https://www.justice.gov/opa/pr/new-jersey-feedstock-processor-sentenced-five-years-prison-conspiracy-commit-biofuel-fraud>



NEW JERSEY

# NEWARK FIELD OFFICE

955 S. SPRINGFIELD AVE, SPRINGFIELD NJ, 07081 | 973.921.4130

**THE NEWARK FIELD** Office is exposed to a wide array of investigations, as the investigative inventory in The field office represents each major program area for IRS-Criminal Investigation. The dedicated agents and professional staff in New Jersey have an excellent working relationship with the U.S. Attorney's Office and all our law enforcement partners that result in many high profile, challenging and diverse investigations.

The Newark Field Office has additional locations in the following areas:

- **Cherry Hill, NJ**
- **Edison, NJ**
- **Freehold, NJ**
- **Mays Landing, NJ**
- **Paterson, NJ**
- **Springfield, NJ**
- **Trenton, NJ**

Significant cases worked by Newark CI Special Agents include:

## ***Principal Operator of New Jersey Country Club Sentenced for Failing to Report \$3.8 Million***

On September 7, 2017, in Trenton, New Jersey, Gary Beshara was sentenced to 12 months and one day in prison, three years of supervised release and ordered to pay a \$5,000 fine. On June 2, 2017, Beshara pleaded guilty to one count of personal tax evasion pertaining to his 2011 through 2014 tax returns. According to court documents, Beshara was the co-owner and principal operator of Bella Vista Country Club, a private country club located in Marlboro, New Jersey. From 2011 through 2014, Beshara caused a substantial portion of Bella Vista's corporate gross receipts to be diverted to one of two bank accounts. Beshara used these diverted receipts to pay down a personal line of credit and to pay for personal expenses for himself and his family. Because of these diverted corporate receipts, Beshara failed to report approximately \$3,830,006 on his personal tax return. This unreported income resulted in tax losses of approximately \$864,866.

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*“Under SAC Larsen’s outstanding leadership the IRS CI in New Jersey continues to do an exceptional job investigating tax, money laundering and other major white collar cases. The expertise, determined work ethic, and commitment to the principals of justice make the CI agents in New Jersey some of the best federal agents anywhere in the country. We greatly value their partnership and we are thankful for the wonderful work they do on behalf of the people of New Jersey.”* — **ACTING US ATTORNEY FOR THE DISTRICT OF NEW JERSEY, WILLIAM E. FITZPATRICK**

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## ***New Jersey, Man Sentenced for Operating Payroll Tax Fraud Scheme***

On August 29, 2017 in Trenton, New Jersey, John Scholtz, of Sea Isle City, was sentenced to 66 months in prison, two years of supervised release and ordered to pay \$9,566,460 in restitution. Scholtz previously pleaded guilty to wire fraud and transacting in criminal proceeds. According to court documents, Scholtz owned and operated Innovative Payroll Services LLC (IPS), a company that provided payroll services to clients. From February 2012 to January 2016, Scholtz withdrew or directed others at IPS to withdraw client tax funds from IPS' tax impound accounts, knowing these funds constituted client tax funds, and used them instead for IPS operating expenses and his own personal expenses. This ongoing misappropriation of funds caused many IPS clients to be in delinquent status with the IRS and

state and local taxing authorities. As clients' tax deposit funds came in, IPS used them to pay other clients' taxes owed for prior pay periods, as well as penalties and interest. As a result, at least 103 IPS clients lost more than \$8.4 million worth of federal, state and local tax deposits that IPS failed to make, as well as more than \$578,000 in associated penalties and interest.

Press Release – <https://www.justice.gov/usao-nj/pr/cape-may-county-new-jersey-man-gets-66-months-prison-operating-payroll-tax-fraud-scheme>

## ***Owner of New Jersey Accounting Business Sentenced for Swindling Clients Out of Tax Refunds***

On December 14, 2016, Camden, New Jersey, Doreen Gentile, of Toms River, was sentenced to 37 months in prison, three years of supervised release and ordered to pay \$1,863,013 in restitution. Gentile previously pleaded guilty to mail fraud and filing a false income tax return. According to court documents, Gentile owned and operated her accounting business, Doreen A. Gentile & Associates, LLC (DAG & Associates), out of her home in Toms River. As part of her scheme, Gentile would show her clients a tax return indicating they had no tax or refund due, owed a minimal amount of tax, or were due a refund that was far less than the amount to which they were entitled. Gentile then prepared a second set of tax returns, signed without her clients' permis-

sion, that she submitted to the IRS or the state of New Jersey for the full tax refund. The IRS or the state of New Jersey issued tax refund checks care of DAG & Associates, and Gentile deposited them into the DAG & Associates bank account without her clients' permission. Afterwards, Gentile used the funds to pay for personal expenses. From 2006 through 2009, Gentile failed to report to the IRS all her income generated from DAG & Associates, including funds she stole as part of her refund scheme, resulting in tax losses of approximately \$188,811.

Press Release – <https://www.justice.gov/usao-nj/pr/owner-toms-river-new-jersey-accounting-business-gets-37-months-prison-swindling-clients>



## ***Owners of Popular Ocean City, New Jersey, Pizza Restaurants Sentenced for Tax Evasion, Structuring and Making False Statements***

On February 24, 2017, in Camden, New Jersey, Charles Bangle, of Somers Point, was sentenced to 15 months in prison, three years of supervised release and ordered to pay restitution of \$248,560 and a fine of \$5,000. His wife, Mary Bangle, was sentenced to three years of probation and fined \$3,000. The Bangles were the owners of a popular Ocean City, New Jersey, restaurant chain Manco & Manco Pizza. Charles Bangle previously pleaded guilty to evading taxes on his 2010 personal tax returns and structuring financial transactions in 2011 to avoid reporting requirements. Mary Bangle previously pleaded guilty to knowingly making materially false statements to IRS special agents. According to court documents, Charles Bangle omitted \$263,113 in taxable income, avoiding

\$91,577 in taxes. Charles Bangle deposited cash into his bank account in increments of less than \$10,000 to prevent the bank from filing a Currency Transaction Report with the U.S. Department of Treasury.

Press Release – <https://www.justice.gov/usao-nj/pr/owners-popular-ocean-city-new-jersey-pizza-restaurants-sentenced-tax-evasion-structuring>

## ***Doctor Sentenced for Structuring Over \$1.4 Million***

On July 18, 2017, in Trenton, New Jersey, Joseph A. Spinapolice, of Palm Coast, Florida, was sentenced to 37 months in prison, one year of supervised release and ordered to pay a forfeiture money judgment of \$1,463,974. Spinapolice previously pleaded to structuring financial transactions.

According to court documents, Spinapolice was a physician who operated Middlesex Healthcare Associates LLC, a medical office in Parlin. Spinapolice's practice did not accept insurance and received payment primarily in cash. From January 2013 through July 2015, Spinapolice deposited a total of \$1,463,974 in cash proceeds via more than 198 separate transactions, all done in an amount of less than \$10,000 to avoid currency reporting requirements.

Press Release – <https://www.justice.gov/usao-nj/pr/doctor-gets-37-months-jail-structuring-over-14-million>

# PHILADELPHIA FIELD OFFICE

600 ARCH ST, PHILADELPHIA PA, 19106 | 267.941.6187



PENNSYLVANIA



DELAWARE

**THE PHILADELPHIA FIELD** Office serves a broad geographic area that includes the entire states of Pennsylvania and Delaware. Within this area of responsibility, The field office also serves four judicial districts, each with its own U. S. attorney and leadership structure. We work in partnership with all major federal law enforcement agencies throughout Pennsylvania and Delaware. These include FBI, DEA, HSI, ATF, US Postal Investigation Service (USPIS), US Secret Service (USSS), Department of Labor-Office of Inspector General (DOL-OIG), as well as numerous state and local law enforcement departments. We work a diverse mix of criminal investigations that includes income tax evasion, employment tax, corporate fraud, international tax fraud, return preparer fraud, ID theft, cybercrimes, public corruption, counterterrorism and narcotics related financial crimes. The field office holds pivotal roles on the respective U.S. Attorney's priority task forces, including Suspicious Activity Report review teams, health care fraud, cybercrimes, Joint Terrorism

Task Forces (JTTF) and Organized Crime Drug Enforcement Task Forces (OCDETF).

The Philadelphia Field Office has additional locations in the following areas:

- **Bethlehem, PA**
- **Cranberry Township, PA**
- **Erie, PA**
- **Harrisburg, PA**
- **Johnstown, PA**
- **King of Prussia, PA**
- **Newark, DE**
- **Pittsburgh, PA**
- **Scranton, PA**

Significant cases worked by Philadelphia CI Special Agents include:

## ***Pennsylvania Attorney Sentenced for Participating in Complex Tax Fraud Scheme***

On June 6, 2017, in Philadelphia, Pennsylvania, John Ivsan, of Fort Mill, South Carolina, was sentenced to

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*“Over my many years in the Eastern District of Pennsylvania, Internal Revenue Service - Criminal Investigation has been a tremendous resource in the successful investigation and prosecution of many cases,” said Acting United States Attorney Louis D. Lappen, Eastern District of Pennsylvania. “The thoroughness of the agents’ preparation is apparent. The credibility, and the clarity with which they communicate their subject matter expertise, particularly at trial is invaluable.”* — **LOU D. LAPPEN, ACTING UNITED STATES ATTORNEY, EASTERN DISTRICT OF PENNSYLVANIA**

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# PHILADELPHIA FIELD OFFICE CASE FILES

72 months in prison, three years of supervised release and ordered to pay restitution of \$183,589,625 to the IRS and to forfeit \$350,000. Ivsan, an attorney, previously pleaded guilty to participating in a complex tax fraud scheme. Between at least 2003 and 2011, Ivsan and others implemented a scheme to evade more than \$200 million in corporate taxes by purchasing companies with taxable gains and using fraudulent losses to wipe out the gains. The defendants then allegedly pocketed the corporations' cash, filed fraudulent returns, and, in some instances, fraudulently sought and obtained refunds from the IRS for prior years. John Ivsan served as counsel to MidCoast Financial and other entities used to implement the fraud. Later, after the IRS began to consider MidCoast Financial's transactions, the

co-defendants started operating Private Capital Resource Group Inc., a new company to carry on the scheme.

## ***Owner of Payroll Company Sentenced for Tax Evasion***

On July 25, 2017, in Easton, Pennsylvania, Robert McAndrew, Jr., of Bethlehem, was sentenced to 96 months in prison, three years of supervised release and ordered to pay restitution of \$5,287,825. McAndrew owned and operated NEPA Payroll Services. Numerous businesses retained NEPA to handle the processing of the payroll and payroll taxes for their employees. NEPA's clients remitted to McAndrew's company the

amounts necessary to pay the payroll taxes, but McAndrew did not pay all those funds over to the IRS. Instead, McAndrew filed false paperwork with the IRS and used some of the clients' money, including over \$3.7 million from one client, for his own purposes.

## ***Pennsylvania Man Sentenced for Failing to File Tax Returns for 20 Years***

On August 11, 2017, in Philadelphia, Pennsylvania, James Kerr Schlosser, of Bird-in-Hand, was sentenced to 46 months in prison and ordered to pay restitution of \$405,650. Schlosser, a manufacturer's representative for companies that sold medical equipment and surgical devices to various health care

providers, stopped filing federal income tax returns in 1995. To conceal the income he had earned, Schlosser attempted to assign his income to multiple foreign business trusts and corporate entities, which he created and registered with the Nevada Secretary of State. Schlosser failed to file tax returns for approximately 20 years, even though he realized gross receipts of approximately \$2.3 million from 1994 through 2014.

## ***Former Dance Moms Star Sentenced, Fined for Hiding Assets and Illegally Transporting Foreign Currency into the U.S.***

On May 9, 2017, in Pittsburgh, Pennsylvania, reality television performer Abigale Lee

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*"The dedicated and knowledgeable special agents of the CI are invaluable partners to the United States Attorney's Office. We rely upon their unparalleled ability to investigate complex violations of the Internal Revenue Code, trace stolen funds and conduct superior, sophisticated financial analysis."* —**SOO C. SONG, UNITED STATES ATTORNEY, WESTERN DISTRICT OF PENNSYLVANIA**

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Miller was sentenced to 12 months and one day in prison, two years of supervised release and ordered to pay a \$40,000 fine and a \$120,000 money judgement for concealing assets from the bankruptcy court and for failing to report an international currency transaction. According to the information presented to the court, in 2010, Miller filed a petition in bankruptcy seeking to reorganize debts from the operation of the Abby Lee Miller Dance Studio. However, Miller failed to disclose to the bankruptcy court revenue she earned from the sale of merchandise and ticket sales at master class dance sessions she hosted in cities in the United States in 2012 and 2013. Additionally, Miller failed to report to customs officials that she transported approximately \$120,000 over

in foreign currency from Australia into the United States in the summer of 2014.

Press Release – <https://www.justice.gov/usao-wdpa/pr/former-dance-moms-star-sentenced-prison-fined-hiding-assets-and-illegally-transporting>

### ***Former Treasury Specialist Sentenced for Stealing from Her Employer***

On September 29, 2017, in Pittsburgh, Pennsylvania, Cynthia A. Mills, of McKees Rocks, was sentenced to 100 months in prison, three years supervised release and ordered to pay restitution of \$12,969,774. Mills was

previously convicted of mail fraud, wire fraud, tax evasion and money laundering. According to court documents, from February 1999 to May 2015, Mills embezzled \$12,969,774 from Matthews International Corporation where she was employed as a cashier and treasury specialist.

Press Release – <https://www.justice.gov/usao-wdpa/pr/former-treasury-specialist-sentenced-8-years-prison-stealing-her-employer>

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*“As United States Attorney and previously as a line AUSA for many years, I know first-hand how valuable CI is in investigating and prosecuting sophisticated financial crimes. The expertise CI agents bring to a case is not only helpful but many times essential to obtaining a successful result.”* —**BRUCE BRANDLER, UNITED STATES ATTORNEY, MIDDLE DISTRICT OF PENNSYLVANIA**

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# BOSTON FIELD OFFICE

15 NEW SUDBURY STREET, BOSTON MA, 02203



MASSACHUSETTS



MAINE



VERMONT



NEW HAMPSHIRE



CONNECTICUT



RHODE ISLAND

**THE BOSTON FIELD** Office covers the six New England states, each with one judicial district: Massachusetts, Connecticut, Rhode Island, New Hampshire, Vermont and Maine. The field office's relationship with the U.S. Attorney's Office and our law enforcement partners is one of the best in the country. IRS CI special agents are vital members of several task forces including Organized Crime Drug Enforcement Task Force (OCDETF), JTTF, cybercrimes, securities fraud and health care fraud.

The Boston Field Office has additional locations in the following areas:

- **Bridgeport, CT**
- **Burlington, VT**
- **Hartford, CT**
- **Manchester, NH**
- **New Haven, CT**
- **Norwalk, CT**
- **Portsmouth, NH**
- **South Portland, ME**
- **Springfield, MA**
- **Stoneham, MA**
- **Warwick, RI**
- **Washington, DC**
- **Worcester, MA**

Significant cases worked by Boston CI Special Agents include:

## ***Owner of One of the Nation's Largest Commercial Fishing Businesses Sentenced***

On September 25, 2017, in Boston, Massachusetts, Carlos Rafael, of Dartmouth, was sentenced to 46 months in prison and three years of supervised release. Rafael was also ordered to pay a fine of \$200,000 and restitution to the U.S. Treasury of \$108,929. In March 2017, Rafael pleaded guilty to one count of conspiring to commit offenses against the United States, 23 counts of false labeling and fish identification, two counts of falsifying federal records, one count of bulk cash smuggling and one count of tax evasion. According to court documents, Rafael routinely lied about the quantity and species of fish his boats caught to evade federal quotas designed to guarantee the sustainability of certain fish species. Rafael sold much of the fish to a wholesale business in New York City in exchange for duffle bags of cash. Rafael then smuggled cash out

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*"CI is the preeminent criminal investigative agency to follow the money. The skillful and methodical efforts of its special agents, revenue agents, and criminal analysts uncover tax fraud and unlawful financial transactions. This critical work ensures the integrity of our nation's tax system."* — **PETER S. JONGBLOED, ASSISTANT U.S. ATTORNEY, DISTRICT OF CONNECTICUT**

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of the United States to his native Portugal, hiding it there to evade federal tax on that revenue.

Press Release – <https://www.justice.gov/usao-ma/pr/owner-one-nation-s-largest-commercial-fishing-businesses-sentenced-falsifying-records>

## ***Co-Owners of Nick’s Roast Beef Sentenced for Skimming Nearly \$6 Million; Wife and Son Also Sentenced***

On April 26, 2017, in Boston, Massachusetts, Nicholas Koudanis, of Topsfield, was sentenced to 24 months in prison, two years of supervised release and ordered to pay restitution of \$2,042,366 to the IRS. In January 2017, Koudanis, co-owner of Nick’s Famous Roast Beef in Beverly, pleaded guilty to one

count of conspiracy to defraud the United States by obstructing the IRS and 10 counts of aiding and assisting in the filing of false tax returns. His wife, Eleni Koudanis was sentenced to one year of probation and ordered to pay the same amount of restitution. She previously pleaded guilty to five counts of aiding and assisting in the filing of false tax returns. The restitution amount consists of the approximately \$992,821 in taxes the Koudanises avoided paying, plus interest and penalties. Their son, Steven Koudanis, was sentenced to one year of probation to be served in home confinement and ordered to pay restitution of \$151,240 to the IRS. He pleaded guilty to one count of endeavoring to obstruct and impede the due administration of the Internal Revenue laws. According to court documents, Koudanis skimmed nearly \$6 million in cash receipts from the business over a six-year period and failed to report that cash income on his business or personal tax

returns. From 2008 to 2013, the co-owners of Nick’s Roast Beef, Nicholas Koudanis and Nicholas Markos, skimmed more than \$1 million in cash receipts each year, which they failed to report on either the corporate tax returns or their personal tax returns. As a result, they avoided the payment of nearly \$1 million each in personal income taxes during that same period. Each week, Koudanis and Markos personally divided the cash receipts, determining how much to deposit to the business’s bank account and report on their tax returns, how much to use to pay suppliers and employees, and how much to keep for themselves. Eleni Koudanis had primary responsibility for the bookkeeping functions of the restaurant and provided some of the false income information to the tax preparer. Steven Koudanis created false cash register receipts that were used for an IRS tax audit of the business. By December 2014, Nicholas and Eleni Koudanis amassed more than \$1.6 million in cash, which they kept in a

safe in their home. On May 9, 2017, Nicholas Markos was sentenced to one year of probation to be served in home confinement and was ordered to pay \$2,063,394 in restitution.

Press Release – <https://www.justice.gov/usao-ma/pr/co-owner-nick-s-roast-beef-sentenced-skimming-nearly-6-million-cash>

## ***Former Rhode House Finance Chairman Raymond Gallison Sentenced***

On June 16, 2017, in Providence, Rhode Island, former Rhode Island House Finance Chairman Raymond E. Gallison, Jr., of Bristol, Rhode Island, was sentenced to 51 months in prison, three years of supervised release and ordered to complete 10 hours of community service for orchestrating fraudulent and deceptive schemes to steal private money

and to hide his misuse of public money. Gallison pleaded guilty on March 9, 2017, to mail fraud, wire fraud, aggravated identity theft, aiding the filing of a false tax document and filing a false tax return. Gallison admitted to the court that he stole funds from the estate of a deceased individual to which he was appointed executor; stole funds from a special needs trust established to protect the long-term welfare of a disabled individual to which he was appointed trustee; provided false information on tax documents, including vastly inflating the number of students assisted by a non-profit organization funded by public money while failing to disclose amounts paid by that organization to him; and failed to pay taxes on income derived from his criminal actions. He failed to claim a total of \$622,286 in income on joint IRS tax returns for tax years 2012 and 2013, and, because of his relevant conduct from 2012 through 2015, Gallison failed to pay a total

of \$226,332 in taxes. During the investigation, law enforcement recovered more than \$515,000 in assets the defendant stole from the estate for which he served as executor. On the date of his guilty plea, the court was provided a check of \$162,063, reflecting the balance of restitution due to the estate. Restitution of \$226,332 due to the IRS has not been paid.

Press Release – <https://www.justice.gov/usao-ri/pr/former-ri-finance-chairman-raymond-gallison-sentenced>

### ***Connecticut Man Who Defrauded Dozens of Distressed Homeowners Sentenced***

On April 28, 2017, in Hartford, Connecticut, Timothy W. Burke, also known as “Bill Burke,” “William Burke,” “Kerry Saunders,”

“Pat Riley,” “Jim Caldwell,” “Jim Saunders,” “Tom Morrissey,” “Jimmy,” “Phil Burke,” “Phil,” “Burt,” “James Burke,” and “M. Soler,” formerly of Easton, was sentenced to 108 months in prison and three years of supervised release. Burke owes the IRS more than \$1 million in back taxes, interest and penalties. Restitution will be determined by the court. On January 24, 2017, Burke pleaded guilty to mail fraud and tax evasion. According to court documents, between 2010 and November 2015, Burke engaged in a scheme to defraud individuals, mortgage lenders and the U.S. Department of Housing and Urban Development by falsely representing to homeowners who were in, or facing, foreclosure on their homes that he would purchase their homes and pay off their mortgages. After Burke gained control of these houses, he rented out the properties but he failed to negotiate with the homeowners’ mortgage lender or pay expenses

associated with the home, and he failed to pay any rental income he was collecting to the homeowners. The mortgage lender ultimately foreclosed on many of the properties. In addition, between 1994 and 2012, Burke evaded paying approximately \$403,726 in federal taxes. Bradford Barneys, an attorney who assisted Burke in this scheme, previously pleaded guilty to conspiracy to commit mail and wire fraud, and awaits sentencing.

Press Release – <https://www.justice.gov/usao-ct/pr/man-who-defrauded-dozens-distressed-connecticut-homeowners-sentenced-9-years-federal>

## ***Maine Doctor Sentenced for Tax Evasion, Illegal Drug Distribution and Health Care Fraud***

On April 26, 2017, in Portland, Maine, Dr. Joel A. Sabeau, of Falmouth, was sentenced to 24 months in prison, three years of supervised release and was ordered to pay \$5,311 in restitution, file amended tax returns and pay all outstanding tax obligations. On November 18, 2016, Sabeau was convicted of tax evasion, drug distribution for other than legitimate purposes and health care fraud. According to court records, between January 2008 and December 2013, Sabeau sent over \$2.3 million to a relative who resided in Florida and had her fabricate phony medical bills so that he could write off about \$3 million in medical expenses on his 2008 through 2012 income tax returns. From 2007 through 2014, Sabeau also wrote invalid prescriptions for the relative and others for

controlled and non-controlled drugs. Some of these were illegally reimbursed by Sabeau's insurance company, which did not cover the relative. These prescriptions were invalid because, among other things, they were issued without a medical examination to a close family member who was not a patient.

Press Release – <https://www.justice.gov/usao-me/pr/falmouth-doctor-sentenced-two-years-tax-evasion-illegal-drug-distribution-and-health-care>



# CHARLOTTE FIELD OFFICE

10715 DAVID TAYLOR DRIVE, CHARLOTTE NC, 28262



NORTH CAROLINA



SOUTH CAROLINA

**THE CHARLOTTE FIELD** Office covers the states of North Carolina, which has three judicial districts, and South Carolina, which has a single judicial district. We work a diverse mix of cases throughout the two states, including general tax fraud, refund fraud, terrorist financing, public corruption, Organized Crime Drug Enforcement Task Force (OCDETF) and employment tax fraud. The field office has excellent partnerships both internally and externally. Charlotte is the second largest banking center in the United States after New York City. Our office works closely with the respective U.S. Attorney's priority task forces, including the Joint Terrorism Task Force (JTTF), Financial Crimes Task Force, and OCEDTF.

The Charlotte Field Office has additional locations in the following areas:

- Asheville, NC
- Charleston, SC
- Columbia, SC
- Fayetteville, NC
- Greensboro, NC
- Greenville, SC
- Myrtle Beach, SC
- Raleigh, NC
- Wilmington, NC
- Winston Salem, NC

Significant cases worked by Charlotte CI Special Agents include:

## ***Women Sentenced for Conspiring to File More Than \$1.5 million in Fraudulent Refunds***

On May 2, 2017, in Raleigh, North Carolina, Alicia Johnson Jenkins was sentenced to 60 months in prison, three years of supervised released and ordered to pay \$1,759,830 to the IRS. Kiawanna Monika Langley was sentenced to 24 months in prison, three years of supervised release, and ordered to pay \$20,322 in restitution to the IRS. On November 7, 2016, Jenkins and Langley pleaded guilty to conspiracy to defraud the United States with respect to claims. According to court documents, Jenkins and Langley conspired with Isaac Augustus Blount, III and others to file false income tax returns with the IRS for tax years 2009 through 2012. During the scheme, Langley would refer clients to Jenkins, who would prepare false W-2 forms that reflected false income and withhold- ing amounts. Jenkins would then refer the clients to

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*"I have had the privilege of working with many CI Special Agents during my twenty-seven year career as a prosecutor with the United States Attorney's Office. Their skill in conducting financial investigations in both white collar and major drug trafficking cases is unmatched."* — **SANDRA J. HAIRSTON, ACTING US ATTORNEY, MIDDLE DISTRICT OF NORTH CAROLINA**

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# CHARLOTTE FIELD OFFICE CASE FILES

Blount, who prepared and filed the false income tax returns electronically through his tax business, Enriched Tax Services. Based on the false information in the returns, clients were issued tax refunds to which they were not entitled. The trio and others usually split \$1,500 in cash from each refund check. Blount was sentenced in November 2016 to 27 months in prison, three years of supervised release and ordered to pay \$1,645,788 in restitution to the IRS and \$131,915 to the North Carolina Fund for Medical Assistance.

Press Release – <https://www.justice.gov/usao-ednc/pr/women-sentenced-imprisonment-conspiring-tax-preparer-file-more-15-million-fraudulent>

## **North Carolina Owner of Tax Preparation Business Sentenced**

On May 12, 2017, in Greensboro, North Carolina, Herbert Lee Martin was sentenced to 132 months in prison, three years of supervised release and ordered to pay \$10,605,420 in restitution to the IRS. According to court documents, from at least January 2012 through April 2016, Martin owned and operated a tax preparation business known as “Herb’s Helping Hands,” where he prepared and filed federal income tax returns that fraudulently claimed refunds for clients. Martin also taught others how to prepare false returns and supervised their preparation of these returns. Martin and his co-conspirators reported fictitious or inflated

income and dependency exemptions to generate false or inflated Earned Income Tax Credits, false business income and losses, and false deductions. Occasionally, Martin and his co-conspirators purchased, and sometimes stole, personally identifiable information of individuals, including minor children, and listed these individuals as false dependents on returns to generate larger fraudulent refunds for their clients. Martin would sometimes direct some of the clients’ refunds into his own bank account or a bank account he controlled. On May 9, Martin’s niece, Jessica Shanice Taylor, was sentenced to serve 24 months in prison for aggravated identity theft, which she committed as part of Martin’s scheme. She also was ordered to pay \$36,569 in restitution to the IRS.

Press Release – <https://www.justice.gov/usao-mdnc/pr/north-carolina-owner-tax-preparation-business-sentenced-more-ten-years-prison>

## **Charlotte Insurance and Financial Executive Sentenced to Prison for Filing False Tax Returns and Obstructing Grand Jury Investigation**

On June 21, 2017, in Charlotte, North Carolina, Patrick Emanuel Sutherland was sentenced to 33 months in prison, three years of supervised release and ordered to pay \$597,122 as restitution to the IRS. From at least 2007 to 2015, Sutherland was

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*“Before becoming United States Attorney I spent nearly 25 years as an Assistant United States Attorney, I had the privilege of working closely with IRS CI agents on a regular basis, particularly in my OCDETF and public corruption cases. CI agents were always my “go-to” agents who provided critical analysis and strong leadership in these investigations. I couldn’t have done any of these cases without them.”* — **ROBERT J. HIGDON, JR., UNITED STATES ATTORNEY, EASTERN DISTRICT OF NORTH CAROLINA**

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# CHARLOTTE FIELD OFFICE CASE FILES

an actuary, and the owner and operator of numerous companies in the insurance and financial industries. Between 2007 and 2010, Sutherland engaged in an elaborate scheme to conceal a substantial amount of income by filing false tax returns with the IRS, which underreported business receipts and personal income of approximately \$2 million received from an offshore bank account in Bermuda, as well as from domestic sources. To conceal the fraud, Sutherland falsely claimed that international wires to his domestic bank accounts were loans from his sister's company. In reality, most of these funds were insurance commissions or were funds obtained from a brokerage account in Bermuda, which Sutherland controlled.

Sutherland used his Bermuda-based shell company, Steward Technology Services Limited (STS) to funnel personal and business funds to his bank accounts in the United States. On numerous occasions, Sutherland mischaracterized the wire transfers from STS's bank account in Bermuda to his various domestic accounts as capital contributions and loans. Sutherland also sought to obstruct a federal investigation by providing fraudulent documents, including records of sham loans and documents purportedly reflecting his lack of control over his foreign business bank account in Bermuda.

Press Release – [https://www.justice.gov/usao-wdnc/pr/charlotte-insurance-financial-](https://www.justice.gov/usao-wdnc/pr/charlotte-insurance-financial-executive-sentenced-prison-filing-false-tax-returns-and)

[executive-sentenced-prison-filing-false-tax-returns-and](https://www.justice.gov/usao-wdnc/pr/charlotte-insurance-financial-executive-sentenced-prison-filing-false-tax-returns-and)

## ***Former State Senator Sentenced to Prison for Mail and Tax Fraud***

On May 16, 2017, in Winston-Salem, North Carolina, Fletcher Lee Hartsell, Jr., a former North Carolina state senator, was sentenced to eight months in prison on federal fraud and tax charges. Hartsell admitted he engaged in a scheme to defraud and obtain money through false pretenses by soliciting funds through the mail for the Hartsell for NC State Senator Committee. He used those

funds for personal goods and services not authorized under state campaign finance laws, and misrepresented the expenditures on campaign disclosure reports. Hartsell further admitted he knowingly and willfully made false statements in federal income tax returns filed both in his personal capacity and on behalf of a corporation he co-managed. Hartsell agreed to pay full restitution to the IRS of \$63,516 and to forfeit \$184,059.88 in proceeds derived from his criminal conduct.

Press Release – <https://www.justice.gov/usao-mdnc/pr/former-state-senator-sentenced-eight-months-mail-and-tax-fraud>

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*“The CI Agents here in this District do exceptional financial investigations that support air-tight criminal charges, whether it’s drug-related money laundering, public corruption, identity theft or a straight tax case. If a criminal case involves money, we want our CI on it, because no agency does a better job tracking the money from the point of criminal wrong-doing to the coffers of the defendants. Our CI agents are competent, and critically, great to work with and easy to get a hold of, night or day.”* — **BETH DRAKE, INTERIM UNITED STATES ATTORNEY, DISTRICT OF SOUTH CAROLINA**

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## ***Simpsonville Woman Sentenced to Prison for Attempting to Steal Millions of Dollars from Internal Revenue Service***

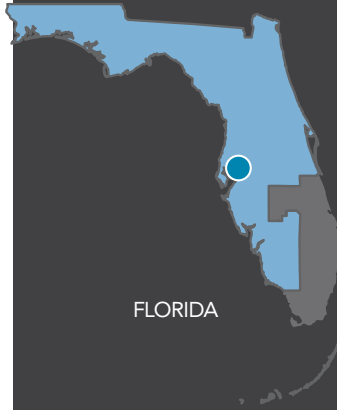
On July 11, 2017, in Columbia, South Carolina, Stephanie Lake Meyer was sentenced to 36 months in prison, one year of supervised release and ordered to pay \$256,938 in restitution for interference with the administration of the IRS. Meyer pleaded guilty on November 30, 2016. Meyer devised and executed a scheme to defraud the IRS by sending 45 checks totaling approximately \$11 million dollars to the IRS. Meyer noted each check was for payment of income taxes. As the checks were received, the IRS credited them to Meyer's tax account. The IRS then checked and determined that Meyer had no tax liability. Because she had no indicated tax liability, the IRS refunded monies to Meyer to account for the "overage" she sent in. After \$256,938 was

sent to Meyer, the IRS discovered that all the checks Meyer sent in were bogus and she was running what is commonly known as a "phantom account balance scheme."

Press Release – <https://www.justice.gov/usao-sc/pr/simpsonville-woman-sentenced-federal-prison-attempting-steal-eleven-million-dollars>

# TAMPA FIELD OFFICE

9450 KOGER BLVD, ST. PETERSBURG FL, 33702 | 727.318.6059



FLORIDA

**THE TAMPA FIELD** Office covers the middle and northern judicial districts of Florida. The field office has nine posts-of-duty with agents working a diverse mix of criminal investigations across a large geographic area. Our agents embrace traditional tax cases as well as money laundering involving narcotics, terrorist financing and other local compliance issues. The Tampa Field Office benefits from well-established partnerships with other law enforcement agencies and has excellent working relationships with both United States Attorney's Offices.

The Tampa Field Office has additional locations in the following areas:

- **Fort Myers, FL**
- **Gainesville, FL**
- **Jacksonville, FL**
- **Maitland, FL**
- **Pensacola, FL**
- **Sarasota, FL**
- **Tallahassee, FL**
- **Tampa, FL**

Significant cases worked by Tampa CI Special Agents include:

## ***Florida Men Sentenced for Identity Theft and Filing False Tax Returns***

Between April 10 and March 28, 2017, in Tampa, Florida, Maurice Rahmaan, Larry Chance Cox and Anthony Michael Harris were sentenced to 61, 84 and 72 months in prison, respectively, for conspiracy and aggravated identity theft. Restitution of \$63,332 will be paid joint and severally by the three men. Harris worked at a pediatric gastroenterology practice where he had access to patient medical records that contained the personally identifiable information (PII) of the practice's patients, their parents and guardians. Harris conspired with his co-defendants, Cox and Rahmaan, to steal the PII from his employer so that Cox, Rahmaan and others could use that information to apply for credit cards and file fraudulent federal income tax returns. Investigators recovered the PII of more than 13,000 individuals that Harris stole and used to apply for unauthorized credit cards. They also attempted to file approximately 180 fraudulent federal income tax returns.

Press Release – <https://www.justice.gov/usao-mdfl/pr/tampa-man-sentenced-more-eleven-years-federal-prison-fraud-identity-theft-and-firearms>

## **California Man Sentenced for Tax Fraud Scheme**

On April 4, 2017, in Tampa, Florida, Walter Drakeford, of Santa Monica, California, was sentenced to 24 months in prison for attempting to interfere with the administration of internal revenue laws. Between September 2006 and March 2009, Drakeford and another individual falsely purported to own the rights to landfill methane credits. They marketed the purported credits to a network of tax return preparers for use on individual taxpayers' tax returns, despite knowing the credits were non-existent and that individual taxpayers could not claim them. The tax return preparers advised their taxpayer-clients to claim the credits on their tax returns. If a taxpayer received the tax refund because of the landfill methane credit claimed, they had to remit a substantial portion of that refund, frequently as much

as 80 percent, to Drakeford and others. Drakeford presented fraudulent documentation and amended tax returns that claimed purported dry hole expenses to the IRS and presented fraudulent and false amended tax returns that claimed purported dry hole expenses. Drakeford and others provided the tax return preparers a formula by which to calculate the amounts of the dry hole expenses to be claimed by the taxpayers. The formula was designed to fraudulently eliminate the taxpayers' debts to the IRS based on the disallowance of the fraudulent landfill methane credits. The total amount of fraudulent credits claimed in this case is estimated to be \$4,211,757, a substantial amount of which has been recovered from the individual taxpayers.

Press Release – <https://www.justice.gov/usao-mdfl/pr/california-man-sentenced-tax-fraud-scheme>

## **Former Florida Attorney Sentenced for Bank Fraud, Embezzlement, and Money Laundering**

On September 1, 2017, in Pensacola, Florida, Richard Michael Colbert, of Pensacola Beach, was sentenced to 40 months in prison and ordered to pay more than \$3.7 million in restitution for conspiracy to commit bank and mail fraud, false statement to a federally insured financial institution, money laundering, theft and embezzlement or misapplication by a person connected with a financial institution. In 2007, Colbert, while working as a title attorney, signed and submitted a false HUD-1 to the now defunct GulfSouth Private Bank for one of his business partners, a former builder, Lawrence Wright, to obtain a million-dollar loan from GulfSouth. Because of Colbert and Wright's fraudulent conduct, GulfSouth ultimately sustained more than \$636,000 in

losses. In 2010, Colbert, again while working as a title attorney, facilitated a bank and mail fraud conspiracy by handling several closings that defrauded Bank of America, Beach Community Bank, and the now defunct Premier Community Bank. All three banks sustained losses totaling more than \$2.3 million from the conspiracy. Additionally, beginning in December 2010, while acting as an escrow agent for Beach Community Bank, Colbert embezzled and misapplied more than \$400,000 that was being held at Beach Community Bank. Thereafter, between December 2010 and March 2011, Colbert conducted a series of financial transactions laundering the funds he had embezzled. In September 2011, Beach Community Bank personnel contacted Colbert to determine where the money was located. Unbeknownst to Beach Community Bank, Colbert then obtained money from a third party to replace the funds he had embezzled. However, a short

time after placing the third-party's money into the Beach Community Bank account, Colbert embezzled more than \$237,000 from the same account. Finally, in August 2011, Colbert stole approximately \$36,000 from four homeowners/condominium associations he had been entrusted to oversee.

Press Release – <https://www.justice.gov/usao-ndfl/pr/former-gulf-breeze-attorney-sentenced-40-months-prison-bank-fraud-embezzlement-and>

### ***Florida Men Sentenced for Multi-State Drug Trafficking and Money Laundering Operation***

On June 1, 2017, in Pensacola, Florida, Benjamin Guerrero-Lantz, of Destin, was sentenced to 65 months in prison. Co-

defendant Andres A. Barrios, also of Destin, was sentenced on May 18, 2017, to 120 months in prison. Barrios and Guerrero-Lantz were funneling proceeds of a California-based drug trafficking operation through at least eight bank accounts containing more than \$350,000, and illegally obtained dozens of \$500 money orders and multiple vehicles under nominee names. In July 2016, law enforcement officers searched Guerrero-Lantz's condominium after receiving complaints about the smell of marijuana. They found \$17,000 in cash, handwritten ledgers recording drug debts, marijuana, vacuum-sealed bags, money order receipts and vehicle titles. Guerrero-Lantz's vehicle contained additional money order receipts and a bank transaction receipt for \$9,000. In December 2016, Guerrero-Lantz and others were stopped in Jackson, Mississippi, with more than \$10,000 in cash, bank deposit slips, money orders and cellular telephones.

Law enforcement searched a Destin residence where they found Barrios. Inside, they found 13 one- pound bags of marijuana, more than \$10,000 in cash and other evidence of the drug trafficking conspiracy.

Press Release – <https://www.justice.gov/usao-ndfl/pr/men-sentenced-multi-state-drug-trafficking-and-money-laundering-operation>

### ***Florida Man Sentenced in Connection with a "PIP" Scheme to Defraud Automobile Insurance Companies***

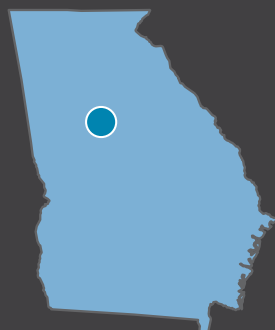
On February 28, 2017, in Fort Myers, Florida, Nesly Loute, of Naples, was sentenced to 168 months in prison and ordered to pay restitution of \$2,146,147 to the victim automobile insurance companies for conspiracy

to commit mail fraud. Loute conspired with others to operate unlicensed chiropractic clinics and bill automobile insurance companies for personal injury protection (PIP) benefits. Co-conspirators also paid patients to induce them to seek treatment at the unlicensed clinics so they could bill the automobile insurance companies for their PIP benefits. In addition, members of the conspiracy participated in staged motor vehicle accidents and submitted claims to automobile insurance companies for PIP benefits based on those fake motor vehicle accidents. Four others were sentenced previously for their roles in the conspiracy.

Press Release – <https://www.justice.gov/usao-mdfl/pr/naples-man-sentenced-14-years-connection-pip-scheme-defraud-automobile-insurance>

# ATLANTA FIELD OFFICE

401 WEST PEACHTREE ST NW, ATLANTA GA, 30308 | 470.639.2262



GEORGIA



ALABAMA

**THE ATLANTA FIELD** Office covers the states of Georgia and Alabama and consists of six judicial districts. We work a wide variety of criminal investigations across the two states, which includes public corruption, terrorism, narcotics cases, stolen identity refund fraud, legal and illegal source income tax fraud, and payroll tax fraud. In addition to these investigations, the Atlanta Field Office has a diverse pool of employees who are finding innovative ways to investigate our cases. The Atlanta Field Office is consistently building and strengthening relationships with our law enforcement partners, the United States Attorney's Office, as well as the public.

The Atlanta Field Office has additional locations in the following areas:

- **Augusta, GA**
- **Birmingham, AL**
- **Columbus, GA**
- **Decatur, GA**
- **Huntsville, AL**
- **Macon, GA**
- **Mobile, AL**
- **Montgomery, AL**
- **Savannah, GA**

Significant cases worked by Atlanta CI Special Agents include:

## ***Montgomery Man Sentenced to Prison for Filing Fraudulent Tax Returns Using Stolen IDs***

On May 31, 2017, in Montgomery, Alabama, Tavarious Jackson, was sentenced to 42 months in prison and three years supervised release, with the condition that he cannot accept employment where he may have access to personally identifiable information. He was also ordered to pay \$97,566 in restitution to the IRS. Jackson participated in a conspiracy using stolen IDs to file fraudulent tax returns for 2010 through 2012 with the IRS. The conspiracy sought at least \$149,455 in fraudulent tax refunds.

Press Release – <https://www.justice.gov/usao-mdal/pr/montgomery-man-sentenced-prison-filing-fraudulent-tax-returns-using-stolen-ids>

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*“The CI is dedicated to protecting taxpayer money and the integrity of our country’s tax system. The CI Special Agents are some of the best financial investigators in the country, trained to track and analyze documents, financial data and computer evidence in order to unravel the most sophisticated fraud or tax-evasion schemes. We stand on their skill and dedication to successfully prosecute criminals who try to line their pockets with tax dollars.”* — **JAY E. TOWN, U.S. ATTORNEY, NORTHERN DISTRICT OF ALABAMA**

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## **Atlanta Tax Preparer Sentenced for Preparing False Returns**

On March 29, 2017, in Atlanta, Georgia, Frazier B. Todd, Jr. was sentenced to 222 months in prison, three years of supervised release, and ordered to pay \$3,631,466 in restitution to the IRS. On December 8, 2016, a jury found Todd guilty of conspiracy to commit mail and wire fraud, obstructing the internal revenue laws, and ten counts of presenting false claims for refund to the IRS. Todd owned and operated Diverse Resource Business and Tax Firm in Union City, Georgia, along with Cozzie Walker and Robert Sheffield. Todd conspired with Walker and Sheffield to exploit the American Opportunity Tax Credit (AOTC), a refundable tax credit for certain college expenses such as tuition

and related costs. Marketing the AOTC as a “stimulus” available to almost anyone, Todd and his business partners prepared false tax returns for thousands of clients, many of whom were disabled, elderly or low-income. Todd was also convicted for a much broader fraud scheme in which he exploited not only the AOTC but other tax credits as well to maximize his clients' refunds.

Press Release – <https://www.justice.gov/usao-ndga/pr/even-though-tax-day-behind-us-reminder-be-vigilant-about-tax-fraud>

## **Former Non-Profit Health Clinics CEO Sentenced for Funneling Millions in Grant Money to Private Companies**

On October 16, 2016, in Birmingham, Alabama, Jonathan Wade Dunning was sentenced to 18 years in prison and ordered to pay \$13.5 million in restitution to his victims. Dunning orchestrated a scheme to defraud the government and other entities of \$16 million over seven years. Dunning served as the chief executive officer of two non-profit health clinics designed to serve the under-privileged and homeless. Over the years, the clinics received millions of dollars in federal grant funds through Health Resources and Services Administration to further their missions of providing health care services to under-served populations. Dunning funneled

federal grant money designated for the non-profit clinics to private companies he formed. In June, a federal jury convicted Dunning on 98 of 112 counts of conspiracy, bank fraud, wire fraud and money laundering.

Press Release – <https://www.justice.gov/usao-ndal/pr/former-non-profit-health-clinics-ceo-sentenced-18-years-funneling-millions-grant-money>

## **Georgia Doctor Sentenced to Federal Prison in Pill Mill Case**

On April 4, 2017, in Brunswick, Georgia, Paul Spencer Ruble was sentenced to 60 months in prison. Ruble pleaded guilty in August 22,

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*“Federal prosecutors rely on CI Special Agents to investigate the most complex financial schemes we encounter. The agents’ unparalleled ability to follow the money is essential to disrupting these schemes and protecting victims. As a United States Attorney, I greatly value their service and look forward to continuing our partnership to hold the criminals who would harm others accountable.”* — **BYUNG J. “BJAY” PAK, U.S. ATTORNEY, NORTHERN DISTRICT OF GEORGIA.**

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2016, to a charge of money laundering and conspiracy to unlawfully dispense controlled substances. From November 2011 to April 2013, Ruble and other conspirators operated Apex Health & Wellness, a phony pain management clinic in Brunswick, Georgia. Ruble wrote prescriptions for oxycodone, hydrocodone and other drugs without a medical purpose to drug-seeking customers, who typically paid cash for the prescriptions. During the 17 months the phony clinic was in operation, more than 10,000 patients visited it, an average of 30 drug-seeking customers each day. Apex Health & Wellness was shuttered on April 24, 2013. During its operation, deposits into an Apex Health & Wellness bank account totaled over \$2 million, including cash deposits of over \$1.7 million. Ruble was paid just under \$500,000 for his services. The owner of the pill-mill clinic, Marc Frazier, of Satellite Beach, Florida, was sentenced to serve 44 months in prison.

Press Release – <https://www.justice.gov/usao-sdga/pr/georgia-doctor-sentenced-federal-prison-pill-mill-case>

# MIAMI FIELD OFFICE

7850 SW 6TH COURT, STE 345, PLANTATION FL, 33324 | 954.991.4322



**THE MIAMI FIELD** Office covers the Southern Judicial District of Florida, and the judicial districts of Puerto Rico and the United States Virgin Islands. The Southern Judicial District of Florida includes the counties of Miami-Dade, Broward, Monroe, Palm Beach, Martin, St. Lucie, Indian River, Okeechobee and Highlands. The field office works a diverse mix of criminal investigations including violations of tax law, identity theft, return preparer fraud, money laundering, Bank Secrecy Act, cybercrime, political and public corruption, and health-care fraud. We participate on the Organized Crime Drug Enforcement Task Force (OCDETF) and on other priority task forces at the U.S. Attorney's Offices in our areas of responsibility targeting identity theft, financial crimes, health care fraud and disaster fraud.

The Miami Field Office has additional locations in the following areas:

- **Christainsted, VI**
- **Guaynabo, PR**
- **Miami, FL**
- **Port St. Lucie, FL**
- **St. Thomas, VI**
- **West Palm Beach, FL**

Significant cases worked by Miami CI Special Agents include:

### ***Former Cay Clubs Chief Financial Officer Sentenced for Conspiracy, Bank Fraud and Tax Offenses***

On May 4, 2017, in Miami, Florida, David W. Schwarz, of Orlando, was sentenced to 480 months in prison. Schwarz was the vice president and chief financial officer (CFO) of Cay Clubs, which marketed vacation rental units, in seventeen locations throughout Florida, Las Vegas and the Caribbean, to investors throughout the United States. From 2004 through 2008, Schwarz, who was the one-third owner, and Fred Davis Clark, Jr., also known as Dave Clark, who was the two-thirds owner, held fraudulent sales of Cay Clubs units to insiders, using money from Cay Clubs bank accounts to fund the cash to close for purchases, while fraudulently obtaining mortgage financing from lending institutions. Schwarz and Clark diverted more than \$30 million in proceeds for themselves. During this scheme, Schwarz and Clark did not file any corporate tax return for \$74

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*“As a former Assistant United States Attorney, First Assistant United States Attorney, and currently Acting United States Attorney, I have had the privilege of not only working with - but witnessing the work of - many CI Special Agents and have always found the quality of their work outstanding. Indeed, CI Special Agents have been a part of some of our Office’s most complex cases involving tax evasion, money laundering and narcotics, among others.”* — **BENJAMIN G. GREENBERG , ACTING U.S. ATTORNEY, SOUTHERN DISTRICT OF FLORIDA**

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million in income generated by the Cay Clubs entities and neither filed a timely individual return for those years either. In 2010 and 2011, Schwarz filed false individual tax returns for 2004, 2005 and 2006, in which he substantially underreported his income and concealed his receipt of millions of dollars in proceeds. Clark was sentenced to 480 months in prison on February 21, 2016. Former Cay Clubs sales executives Barry Graham and Ricky Lynn Stokes, both formerly of Ft. Myers, were previously sentenced to 60 months and 30 months, respectively.

Press Release – <https://www.justice.gov/usao-sdfl/pr/former-cay-clubs-chief-financial-officer-sentenced-40-years-prison-conspiracy-bank>

## ***Florida Check Casher Sentenced for Cashing Over \$11 Million in Fraudulent Tax Refund Checks***

On November 16, 2016, in Miami, Florida, Junior Jean Baptiste was sentenced to 212 months in prison for cashing fraudulent tax refund checks obtained from filing tax returns using stolen identities. From 2009 to 2011, Baptiste operated a check cashing store and cashed over \$11 million from over 2,000 fraudulent tax refund checks that had been issued in the names of people who were deceased, disabled or who did not typically file tax returns. Baptiste usually took a fee of half of the value of the checks and made false identification documents for his files. Relating to the cashing of these fraudulent checks, Baptiste possessed over 900 false driver's licenses, work permits and green cards. Baptiste used the fraudulently obtained funds to purchase, among other things, a cargo

ship, multiple vehicles and rights to an album of a prominent hip-hop artist.

Press Release – <https://www.justice.gov/usao-sdfl/pr/north-miami-check-casher-sentenced-more-17-years-prison-cashing-over-11-million>

## ***Florida Couple Sentenced for Multi-Million Dollar Health Care Fraud and Money Laundering Scheme***

On May 17, 2017, in Fort Lauderdale, Florida, Kenneth Chatman, of Boynton Beach, was sentenced to 330 months in prison and five years of supervised release. His wife, Laura Chatman, was sentenced to 36 months in prison and three years of supervised release. Chatman and his wife owned “sober homes” and alcohol and drug addiction

treatment centers they used to perpetuate a multi-million dollar health care fraud and money laundering scheme involving the filing of fraudulent insurance claim forms and defrauding health care benefit programs. Kenneth Chatman conspired with others to use bribes and kickbacks to obtain patients who would receive ineffective and medically unnecessary substance abuse treatment and testing that could be billed to the patients' insurance to enrich himself and the members of the conspiracy.

Press Release – <https://www.justice.gov/usao-sdfl/pr/owner-sentenced-more-27-years-prison-multi-million-dollar-health-care-fraud-and-money>

## ***Former VICARE Finance Director Sentenced for Theft of Federal Program Funds***

On August 8, 2017, in St. Thomas, USVI, Celeste P. Bermudez, of Methuen, Massachusetts, was sentenced to 30 months in prison and three years of supervised release for theft of federal program funds. Bermudez was also ordered to pay restitution of \$510,536. Bermudez was the finance director of the Virgin Islands Community AIDS Resource & Education, Inc. (VICARE), a nonprofit organization dedicated to promoting HIV-AIDS education and support services to individuals living with HIV-AIDS. In 2011, HUD approved approximately \$1.3 million in grant funds to VICARE. From July 1, 2011, through June 30, 2014, HHS Centers for Disease Control and Prevention awarded VICARE approximately \$627,365 in grant funds. Bermudez embezzled approximately \$293,710 from January 2012 through

December 2013 and engaged in monetary transactions in financial institutions with the embezzled funds. Finally, Bermudez also filed a false 2011 income tax return, in which she failed to report approximately \$135,503 in 2011 income from VICARE.

Press Release – <https://www.justice.gov/usao-vi/pr/former-vicare-finance-director-sentenced-30-months-prison-theft-federal-program-funds>

## ***Man Sentenced in Puerto Rico for Drug Conspiracy and Money Laundering***

On December 20, 2016, in San Juan, Puerto Rico, Armando Rivera-Ortiz was sentenced to 120 months in prison and eight years of supervised release. Rivera-Ortiz previously pleaded guilty to conspiring to import heroin and conspiracy to commit money laundering. From August 2012 through April 2013, Rivera-Ortiz, along with others, coordinated the importation, transportation and distribution of heroin into Puerto Rico. Some co-defendants would transport and deliver drug proceeds from Puerto Rico to defendants in Venezuela. Drug proceeds from Puerto Rico to Colombia were sent through electronic wire transfers. The defendants concealed and disguised the nature, location, source, ownership and control of the illegal proceeds obtained from drug trafficking, through money laundering.

# WASHINGTON D.C. FIELD OFFICE

1200 FIRST ST. NE, WASHINGTON DC, 20002



WASHINGTON D.C.



MARYLAND



VIRGINIA



WEST VIRGINIA

**THE WASHINGTON D.C.** Field Office is home to groups located in Washington, D.C., Maryland, Virginia and West Virginia. Serving six judicial districts, The field office is comprised of a dedicated group of dedicated professional staff and CI special agents who work a wide array of significant investigations. The diverse geographical location allows The field office the opportunity to work the entire spectrum of financial investigations, including legal source tax cases, public corruption, corporate fraud, narcotics, and health care fraud, among many others. The field office also includes the Global Illicit Financial Crimes Group, the Cybercrimes Unit and the Alcohol and Tobacco Tax and Trade Bureau Group. The field office enjoys outstanding relationships with the U.S. Attorney's Offices it serves, as well as other law enforcement agencies throughout the region.

The Washington D.C. Field Office has additional locations in the following areas:

- Baltimore, MD
- Norfolk, VA

- Bridgeport, WV
- Bristol, VA
- Charleston, WV
- Charlottesville, VA
- Frederick, MD
- Hampton, VA
- Landover, MD
- Parkersburg, WV
- Richmond, VA
- Roanoke, VA
- Rockville, MD
- Salisbury, MD
- Vienna, VA

Significant cases worked by Washington D.C. CI Special Agents include:

## ***Maryland Man Sentenced for Scheme That Used Stolen Identifying Information to Fraudulently Seek More Than \$20 Million in Tax Refunds***

On December 20, 2016, in Washington, D.C., Kevin Brown, of Capitol Heights, Maryland, was sentenced to 135 months in prison and ordered to pay restitution of \$ 15,905,755 to the IRS for his role as a key organizer and leader of an identity theft and tax fraud scheme

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*"The U.S. Attorney's Office has counted on CI in many of its most complex cases involving fraud and public corruption. The skills and expertise of the agents in the Washington, D.C. Field Office were extremely valuable in helping to secure convictions of dozens of defendants in recent years and aided in the government's recovery of millions of taxpayer dollars."* — **JESSIE K. LIU, UNITED STATES ATTORNEY, DISTRICT OF COLUMBIA.**

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# WASHINGTON D.C. FIELD OFFICE CASE FILES

involving the filing of fraudulent returns seeking more than \$20 million in refunds. According to court documents, Brown and others participated in a massive and sophisticated stolen identity refund fraud scheme that involved an extensive network of more than 130 people, many of whom were receiving public assistance. Brown and his co-conspirators fraudulently claimed refunds for tax years 2005 through 2012, often in the names of people whose identities had been stolen, including the elderly, people in assisted living facilities, drug addicts and prisoners. Returns were also filed in the names of, and refunds were issued to, willing participants in the scheme. The returns filed listed more than 400 “taxpayer” addresses located in the District of Columbia, Maryland and Virginia. They typically reported inflated

or fictitious income from a sole proprietorship and claimed phony dependents to generate an Earned Income Tax Credit, a refundable federal income tax credit for working families with low to moderate incomes. Brown pleaded guilty on February 15, 2013, to conspiracy to defraud the government by making fraudulent claims for a tax refund, and for fraud and related activity in connection with identity theft.

Press Release – <https://www.justice.gov/usao-dc/pr/maryland-man-sentenced-135-months-prison-scheme-used-stolen-identifying-information>

## ***CEO of Virginia Health Care Technology Company Sentenced for \$49 Million Shareholder Fraud and \$7.5 Million Employment Tax Fraud***

On July 19, 2017, in Alexandria, Virginia, Sreedhar Potarazu, of Potomac, Maryland, was sentenced to 119 months and 29 days in prison and three years of supervised release. Potarazu, an ophthalmic surgeon and entrepreneur, was also ordered to pay \$49,511,169 in restitution to shareholders and \$7,691,071 to the IRS, and to forfeit several homes, vehicles and bank accounts. According to court documents, around September 2000, Potarazu founded VitalSpring Technologies Inc., later known as Enziime LLC, which provided data analysis and health care expenditure services. From its inception,

Potarazu was VitalSpring’s chief executive officer and president and served on its board of directors. From about 2008 through 2016, Potarazu raised approximately \$49 million from more than 174 investors by using false documentation and making numerous misrepresentations. Additionally, from 2007 to 2016, VitalSpring accrued employment tax liabilities of more than \$7.5 million. Potarazu, as the CEO and president of VitalSpring, was a “responsible person,” obligated to collect, truthfully account for and pay over VitalSpring’s employment taxes. Although taxes were withheld from VitalSpring employees’ wages, Potarazu failed to fully pay over the amounts withheld to the IRS. Potarazu diverted at least \$5 million from investors and VitalSpring for his own personal use.

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*“Assistant United States Attorneys in this office uniformly report that the caliber of our IRS Special Agents, at every phase of investigation and prosecution, is very good, and that the results we continue to achieve can be attributed to the knowledge, skill, and dedication which they continually demonstrate in every aspect of the tireless work they do.”* — **WILLIAM J. POWELL, UNITED STATES ATTORNEY, NORTHERN DISTRICT OF WEST VIRGINIA**

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# WASHINGTON D.C. FIELD OFFICE CASE FILES

Press Release – <https://www.justice.gov/opa/pr/ceo-virginia-health-care-technology-company-sentenced-almost-10-years-prison-49-million>

## **Former Business Professor Sentenced for Hiding over \$220 Million in Offshore Banks**

On February 10, 2017, in Alexandria, Virginia, Dan Horsky, formerly of Rochester, New York, was sentenced to seven months in prison, one year of supervised release and ordered to pay restitution of \$250,000. Horsky pleaded guilty to conspiring to defraud the United States and to submitting a false expatriation statement to the IRS. According to court documents, Horsky paid a civil penalty of \$100 million to the U.S. Treasury for failing to file and filing false Reports of Foreign Bank and Financial

Accounts (FBARs). Beginning in approximately 1995, Horsky invested in numerous start-up companies, virtually all of which failed. One investment in a business referred to as Company A, however, succeeded spectacularly. In 2000, Horsky transferred his investments into a nominee account in the name of “Horsky Holdings” at an offshore bank in Zurich, Switzerland, to conceal his financial transactions and accounts from the IRS and the U.S. Treasury Department. Horsky filed a fraudulent 2008 tax return that underreported his income by more than \$40 million and disclosed only approximately \$7 million of his gain from the sale. By 2015, Horsky’s offshore holdings hidden from the IRS exceeded \$220 million. Horsky willfully filed fraudulent federal income tax returns that failed to report his income from, and beneficial interest in and control over, his foreign financial accounts. In addition, Horsky failed to file FBARs through 2011 and

filed fraudulent 2012 and 2013 FBARs. In a 15-year tax evasion scheme, Horsky evaded more than \$18 million in income and gift tax liabilities.

Press Release – <https://www.justice.gov/usao-edva/pr/former-business-professor-sentenced-prison-hiding-over-220-million-offshore-banks>

## **Budget Finance Company Owner Sentenced for \$31 Million Ponzi Scheme**

On January 23, 2017, in Wheeling, West Virginia, Donna S. Brown, of Clarington, Ohio, was sentenced to 121 months in prison. On October 24, 2016, Brown pleaded guilty to wire fraud, mail fraud and money laundering. According to court documents, Brown owned and operated Budget Finance company which was both a licensed consumer loan company

and an unlicensed investment company. Between 2005 and 2015, she lured potential investors into investing funds with Budget Finance by promising annual returns of between eight and 12 percent. Brown mailed checks to investors who requested periodic payments and sent them fraudulent quarterly investment statements reflecting their account balances and interest paid. She also mailed investors IRS 1099 forms, but never sent those forms to the IRS. Brown abruptly closed the doors of Budget Finance without warning in November 2015. The actual losses in this case are estimated to be somewhere between \$9.5 million and \$25 million, and the crimes resulted in substantial financial hardship to many of the investors.

Press Release – <https://www.justice.gov/usao-sdoh/pr/budget-finance-company-owner-sentenced-121-months-31-million-ponzi-scheme>



## ***Global Telecommunications Company and Subsidiary to Pay More Than \$965 Million in Penalties in Massive Bribery Scheme***

On September 21, 2017, in New York, New York, Telia Company AB, a multinational telecommunications company headquartered in Sweden, and its Uzbek subsidiary, Coscom LLC, entered into a deferred prosecution agreement for conspiring to violate the Foreign Corrupt Practices Act. Telia will pay a criminal penalty of \$274,603,972 to the United States, which includes a \$500,000 criminal fine and \$40 million in criminal forfeiture that Telia agreed to pay on behalf of Coscom. According to court documents, between approximately 2007 and 2012, Telia and Coscom, through various executives, employees and affiliated entities, paid more than \$331 million in bribes to illegally obtain a telecommunications business in Uzbekistan. The bribes were paid to a Uzbek govern-

ment official who was a close relative of a high-ranking government official and who exercised influence over Uzbek telecommunications industry regulators. Telia and Coscom structured and concealed the bribes through various payments to a shell company that certain Telia and Coscom management knew was beneficially owned by the foreign official. The bribes were paid on multiple occasions over approximately five years so that Telia could enter the Uzbek market, and Coscom could gain valuable telecom assets and continue operating in Uzbekistan. Under the direction and control of the Uzbek government official, more than \$331 million in bribery proceeds were laundered through accounts held in various countries around the world. The funds were transmitted through financial institutions in New York before they were deposited into accounts in those countries.

Press Release – <https://www.justice.gov/usao-sdny/pr/global-telecommunications-company-and-its-subsidiary-pay-more-965-million-penalties>

# APPENDIX

*This appendix includes investigation data appearing in the annual report as well as extended information regarding incarceration rates.*

## FY 2017 Combined Results

	2017	2016	2015
Investigations Initiated	<b>3019</b>	<b>3395</b>	<b>3853</b>
Prosecution Recommendations	<b>2251</b>	<b>2744</b>	<b>3289</b>
Informations/Indictments	<b>2294</b>	<b>2761</b>	<b>3208</b>
Sentenced	<b>2549</b>	<b>2699</b>	<b>3092</b>
Incarceration Rate	<b>80%</b>	<b>80%</b>	<b>81%</b>
Average Months to Serve	<b>42</b>	<b>41</b>	<b>40</b>

## Abusive Return Preparer Program

	2017	2016	2015
Investigations Initiated	<b>304</b>	<b>252</b>	<b>266</b>
Prosecution Recommendations	<b>200</b>	<b>174</b>	<b>238</b>
Informations/Indictments	<b>169</b>	<b>204</b>	<b>224</b>
Sentenced	<b>194</b>	<b>202</b>	<b>204</b>
Incarceration Rate	<b>75%</b>	<b>73%</b>	<b>80%</b>
Average Months to Serve	<b>26</b>	<b>22</b>	<b>27</b>

## Abusive Tax Schemes

	2017	2016	2015
Investigations Initiated	<b>77</b>	<b>56</b>	<b>68</b>
Prosecution Recommendations	<b>38</b>	<b>35</b>	<b>58</b>
Informations/Indictments	<b>44</b>	<b>35</b>	<b>51</b>
Sentenced	<b>48</b>	<b>47</b>	<b>77</b>
Incarceration Rate	<b>69%</b>	<b>77%</b>	<b>68%</b>
Average Months to Serve	<b>24</b>	<b>25</b>	<b>21</b>

## Bank Secrecy Act (BSA)

	2017	2016	2015
Investigations Initiated	<b>499</b>	<b>504</b>	<b>613</b>
Prosecution Recommendations	<b>391</b>	<b>411</b>	<b>519</b>
Informations/Indictments	<b>390</b>	<b>399</b>	<b>533</b>
Sentenced	<b>409</b>	<b>449</b>	<b>557</b>
Incarceration Rate	<b>78%</b>	<b>75%</b>	<b>72%</b>
Average Months to Serve	<b>38</b>	<b>36</b>	<b>31</b>

## Corporate Fraud

	2017	2016	2015
Investigations Initiated	<b>48</b>	<b>62</b>	<b>75</b>
Prosecution Recommendations	<b>42</b>	<b>59</b>	<b>35</b>
Informations/Indictments	<b>46</b>	<b>49</b>	<b>29</b>
Sentenced	<b>25</b>	<b>33</b>	<b>43</b>
Incarceration Rate	<b>80%</b>	<b>97%</b>	<b>81%</b>
Average Months to Serve	<b>54</b>	<b>37</b>	<b>35</b>

## Employment Tax

	2017	2016	2015
Investigations Initiated	<b>162</b>	<b>137</b>	<b>102</b>
Prosecution Recommendations	<b>59</b>	<b>77</b>	<b>80</b>
Informations/Indictments	<b>60</b>	<b>71</b>	<b>87</b>
Sentenced	<b>77</b>	<b>87</b>	<b>62</b>
Incarceration Rate	<b>78%</b>	<b>70%</b>	<b>77%</b>
Average Months to Serve	<b>21</b>	<b>14</b>	<b>24</b>

# APPENDIX

## Financial Institution Fraud

	2017	2016	2015
Investigations Initiated	<b>46</b>	<b>66</b>	<b>84</b>
Prosecution Recommendations	<b>37</b>	<b>53</b>	<b>69</b>
Informations/Indictments	<b>35</b>	<b>46</b>	<b>73</b>
Sentenced	<b>51</b>	<b>64</b>	<b>160</b>
Incarceration Rate	<b>67%</b>	<b>75%</b>	<b>81%</b>
Average Months to Serve	<b>53</b>	<b>37</b>	<b>44</b>

## Healthcare Fraud

	2017	2016	2015
Investigations Initiated	<b>124</b>	<b>127</b>	<b>122</b>
Prosecution Recommendations	<b>94</b>	<b>101</b>	<b>91</b>
Informations/Indictments	<b>89</b>	<b>90</b>	<b>79</b>
Sentenced	<b>92</b>	<b>46</b>	<b>64</b>
Incarceration Rate	<b>86%</b>	<b>85%</b>	<b>83%</b>
Average Months to Serve	<b>67</b>	<b>41</b>	<b>54</b>

## Identity Theft

	2017	2016	2015
Investigations Initiated	<b>374</b>	<b>573</b>	<b>776</b>
Prosecution Recommendations	<b>403</b>	<b>566</b>	<b>774</b>
Informations/Indictments	<b>484</b>	<b>649</b>	<b>732</b>
Sentenced	<b>550</b>	<b>613</b>	<b>790</b>
Incarceration Rate	<b>88%</b>	<b>88%</b>	<b>85%</b>
Average Months to Serve	<b>34</b>	<b>40</b>	<b>38</b>

## International Operations

	2017	2016	2015
Investigations Initiated	<b>283</b>	<b>221</b>	<b>186</b>
Prosecution Recommendations	<b>176</b>	<b>221</b>	<b>168</b>
Informations/Indictments	<b>211</b>	<b>187</b>	<b>166</b>
Sentenced	<b>152</b>	<b>154</b>	<b>148</b>
Incarceration Rate	<b>80%</b>	<b>83%</b>	<b>78%</b>
Average Months to Serve	<b>43</b>	<b>45</b>	<b>43</b>

## Money Laundering

	2017	2016	2015
Investigations Initiated	<b>1096</b>	<b>1201</b>	<b>1436</b>
Prosecution Recommendations	<b>886</b>	<b>1010</b>	<b>1301</b>
Informations/Indictments	<b>845</b>	<b>979</b>	<b>1221</b>
Sentenced	<b>720</b>	<b>668</b>	<b>691</b>
Incarceration Rate	<b>84%</b>	<b>84%</b>	<b>84%</b>
Average Months to Serve	<b>67</b>	<b>62</b>	<b>65</b>

## Narcotics

	2017	2016	2015
Investigations Initiated	<b>735</b>	<b>788</b>	<b>955</b>
Prosecution Recommendations	<b>581</b>	<b>684</b>	<b>897</b>
Informations/Indictments	<b>585</b>	<b>721</b>	<b>872</b>
Sentenced	<b>615</b>	<b>635</b>	<b>580</b>
Incarceration Rate	<b>87%</b>	<b>86%</b>	<b>85%</b>
Average Months to Serve	<b>80</b>	<b>69</b>	<b>71</b>

# APPENDIX

## Non-Filer

	2017	2016	2015
Investigations Initiated	<b>206</b>	<b>206</b>	<b>223</b>
Prosecution Recommendations	<b>113</b>	<b>137</b>	<b>164</b>
Informations/Indictments	<b>106</b>	<b>157</b>	<b>166</b>
Sentenced	<b>159</b>	<b>159</b>	<b>167</b>
Incarceration Rate	<b>84%</b>	<b>80%</b>	<b>83%</b>
Average Months to Serve	<b>37</b>	<b>38</b>	<b>36</b>

## Public Corruption

	2017	2016	2015
Investigations Initiated	<b>75</b>	<b>84</b>	<b>68</b>
Prosecution Recommendations	<b>60</b>	<b>59</b>	<b>68</b>
Informations/Indictments	<b>63</b>	<b>61</b>	<b>69</b>
Sentenced	<b>54</b>	<b>57</b>	<b>60</b>
Incarceration Rate	<b>74%</b>	<b>81%</b>	<b>73%</b>
Average Months to Serve	<b>34</b>	<b>29</b>	<b>25</b>

## Questionable Refund Program

	2017	2016	2015
Investigations Initiated	<b>280</b>	<b>495</b>	<b>775</b>
Prosecution Recommendations	<b>328</b>	<b>514</b>	<b>780</b>
Informations/Indictments	<b>390</b>	<b>594</b>	<b>767</b>
Sentenced	<b>555</b>	<b>669</b>	<b>839</b>
Incarceration Rate	<b>85%</b>	<b>85%</b>	<b>84%</b>
Average Months to Serve	<b>30</b>	<b>34</b>	<b>34</b>

## Terrorism

	2017	2016	2015
Investigations Initiated	<b>28</b>	<b>42</b>	<b>18</b>
Prosecution Recommendations	<b>19</b>	<b>33</b>	<b>6</b>
Informations/Indictments	<b>16</b>	<b>19</b>	<b>5</b>
Sentenced	<b>14</b>	<b>1</b>	<b>16</b>
Incarceration Rate	<b>71%</b>	<b>100%</b>	<b>75%</b>
Average Months to Serve	<b>9</b>	<b>84</b>	<b>42</b>

*To learn more about the IRS CI Special Agent position, check out this video on YouTube:*

*<https://www.youtube.com/watch?v=Opw-N9IL-8k>*