



IRS: CRIMINAL INVESTIGATION ANNUAL REPORT 2018

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MESSAGE FROM THE CHIEF & DEPUTY



I am excited to share the FY 2018 IRS Criminal Investigation Annual Report. This report is a chance for us to highlight our successes as an agency during the past year. It also gives us an important opportunity

to take stock of the larger financial crime environment in which we operate and to ensure we are using our resources in a manner that will have the greatest impact. First and foremost, we are a tax agency, but we are also the only federal agency authorized to investigate and recommend prosecution on federal income tax cases. We take this responsibility seriously and most of our cases ultimately end in convictions and jail time. Publicizing these convictions helps to reinforce the voluntary compliance aspect of our nation's tax system. It shows law-abiding taxpayers that we take violations of the tax laws seriously and will pursue those who take advantage of the system. Voluntary compliance does not work without a strong and fair enforcement presence which

is the backbone of the U.S. tax system. According to studies released this summer, the United States is on pace to record the fewest number of white-collar crime prosecutions on record. This statistic is especially troubling because financial crime has proliferated over the past few years. In recent years, CI has used its expertise gained from combating cyber-crime in cases like Silk Road, Liberty Reserve, Alpha Bay, and BTC-e to investigate white-collar crimes. We now require all CI employees—not just special agents—to complete cyber training. Moving forward, it is hard to imagine future cases that will not have a cyber component to them.

We have also prioritized the use of data in our investigations. Future criminal investigations must make use of data to help drive case selection and efficiency in the critical work we do. That means using models, algorithms, and the millions of records and evidence we have at hand to help identify areas of tax non-compliance. Data analytics and other technologies like “predictive policing” help give law enforcement a clearer picture and are quickly becoming an everyday tool for CI. Although these tools will never replace good, old-fashioned investigative work, they will make

us more effective and allow us to maintain our reputation as the world's finest financial investigators.

While we are in the early stages of using data analytics, we are already seeing success. One particularly noteworthy success is the launching of the Nationally Coordinated Investigations Unit (NCIU). This unit relies heavily on data analytics to help drive future case selection. In 2019, the NCIU will move from “proof of concept” to an official CI section. The NCIU has already referred more than 50 leads to CI field offices, and we expect that number to grow substantially this year.

As we begin our 100th year of criminal investigations, I could not be prouder to lead this exceptional group of men and women. We have never been more capable, well-trained, or relevant to the financial crime landscape than we are today. While challenges always lie ahead, I know we will meet them with the same energy and expertise that has made us successful over the last 99 years. I am extremely optimistic about our future – from our ability to hire more employees to the outstanding quality of work we do every day in the field and in headquarters. Our best years are still ahead of us!
–Chief, **Don Fort**

MESSAGE FROM THE CHIEF & DEPUTY



After reviewing the FY 2018 Annual Report, it is hard to believe all that we accomplished in this last year. I am proud, yet not surprised, that our well-earned reputation as premier financial investigators speaks for itself.

In the past year, we continued to make difficult decisions when it comes to resources. With a workforce hovering around 3,000 people—fewer than 2,100 of which are special agents—we have a large mission area to cover through the allocation of those resources. We do amazing work with very few resources, and I am confident we will continue to excel regardless of our numbers. While we may have fewer agents, we are working bigger cases and we are working smarter.

We survived what we like to call a perfect storm when looking at the number of agents lost due to retirement, the lack of hiring over the past five years, and the proliferation of identity theft cases. In just a couple of years, we have seen identity theft morph from an unsophisti-

cated street level crime to a sophisticated international organized crime operation. We have made a conscious effort to reduce our investigative time on identity theft. We ended the year spending about 10 percent of our investigative time in this area compared to 18 percent at our high-water mark. We reinvested this time in our traditional tax work, bringing the most sophisticated tax cases to DOJ for prosecution.

Another area of emphasis continues to be our role in international tax compliance and enforcement. Although we have fewer staff, we are spending more investigative time in this area. We have been very successful for the past 10 years with international tax enforcement cases involving many financial institutions, individuals, enablers, and our successful partnership with the DOJ-Tax Office on the Swiss Bank Program.

This year, we established a new international tax and financial crime group in our Washington, DC, field office. This dedicated group of elite special agents works to identify, investigate, and recommend prosecution of international offshore tax evasion schemes. The group looks at U.S. citizen account holders who move their money offshore to avoid detection, and at foreign banks, financial institutions, their employees, and facilitators who help U.S. citizens hide their funds offshore. This operational unit has the ability to work

criminal tax cases developed from all international leads sources.

In addition to our international group, IRS CI recently formalized the creation of the Joint Chiefs of Global Tax Enforcement, or the J5. This group includes the heads of tax enforcement from the United States, the United Kingdom, Canada, Australia, and the Netherlands. These countries' leaders recognize the increasing trends in sophisticated tax evasion and other financial crimes that cross international borders, and they are already sharing information and collaborating on investigations.

While we have had many successes in these areas, we cannot rest on our laurels. We still have much work to do to combat offshore tax crimes. This annual report proudly reflects the tremendous work the Criminal Investigation Division has done during FY 2018. The case summaries in this report touch every field office, every state, and nearly every region of the world. I look forward to continuing to accomplish great things in FY 2019.

–Deputy Chief, **Eric Hylton**

2018 SNAPSHOT

TAX FRAUD IDENTIFIED
\$9.69B

OTHER FINANCIAL CRIMES
\$10.4B
PROCEEDS IDENTIFIED

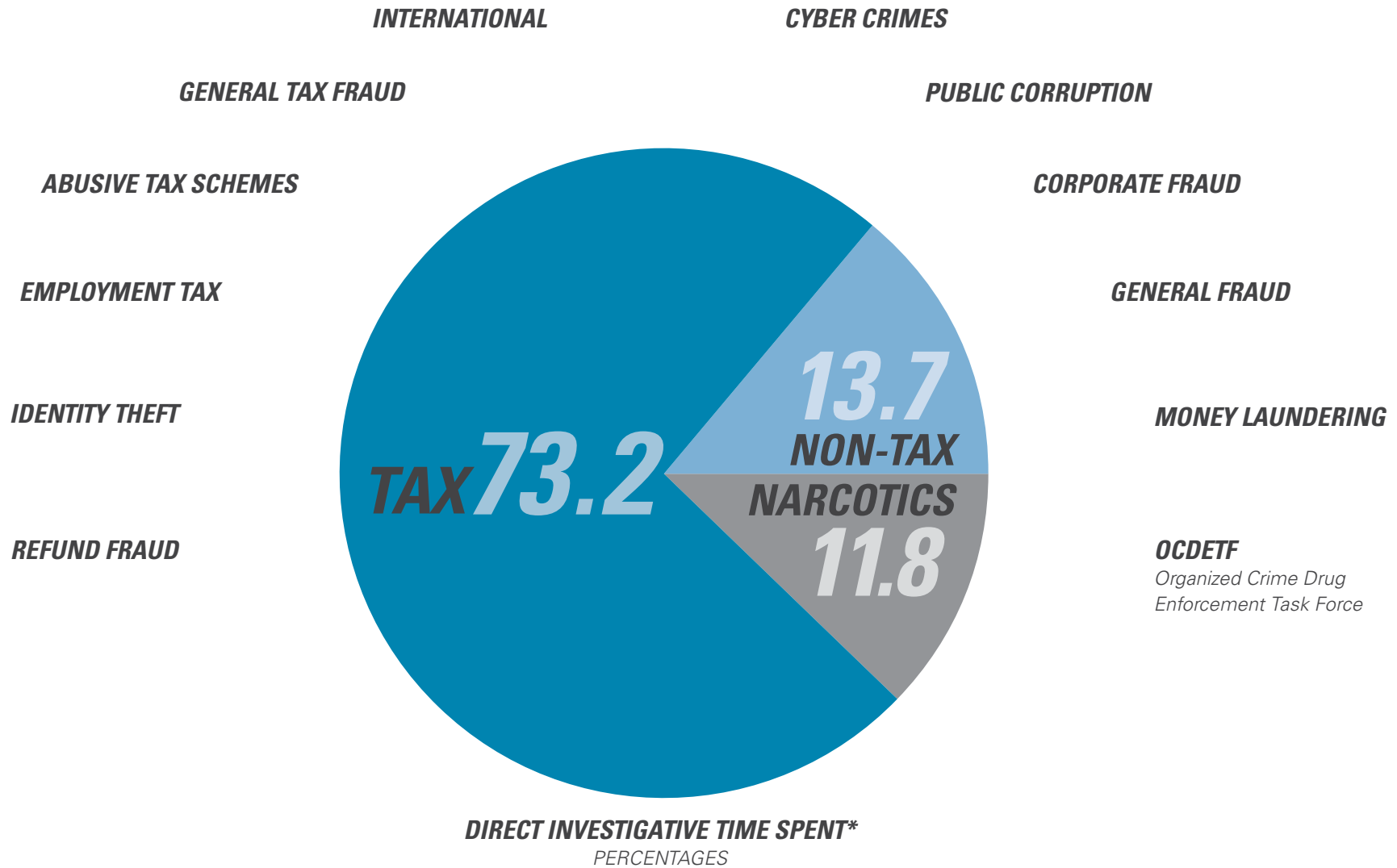
CONVICTION RATE
91.7%

WARRANTS EXECUTED
1399

DIGITAL DATA SEIZED
1.76
PETABYTES

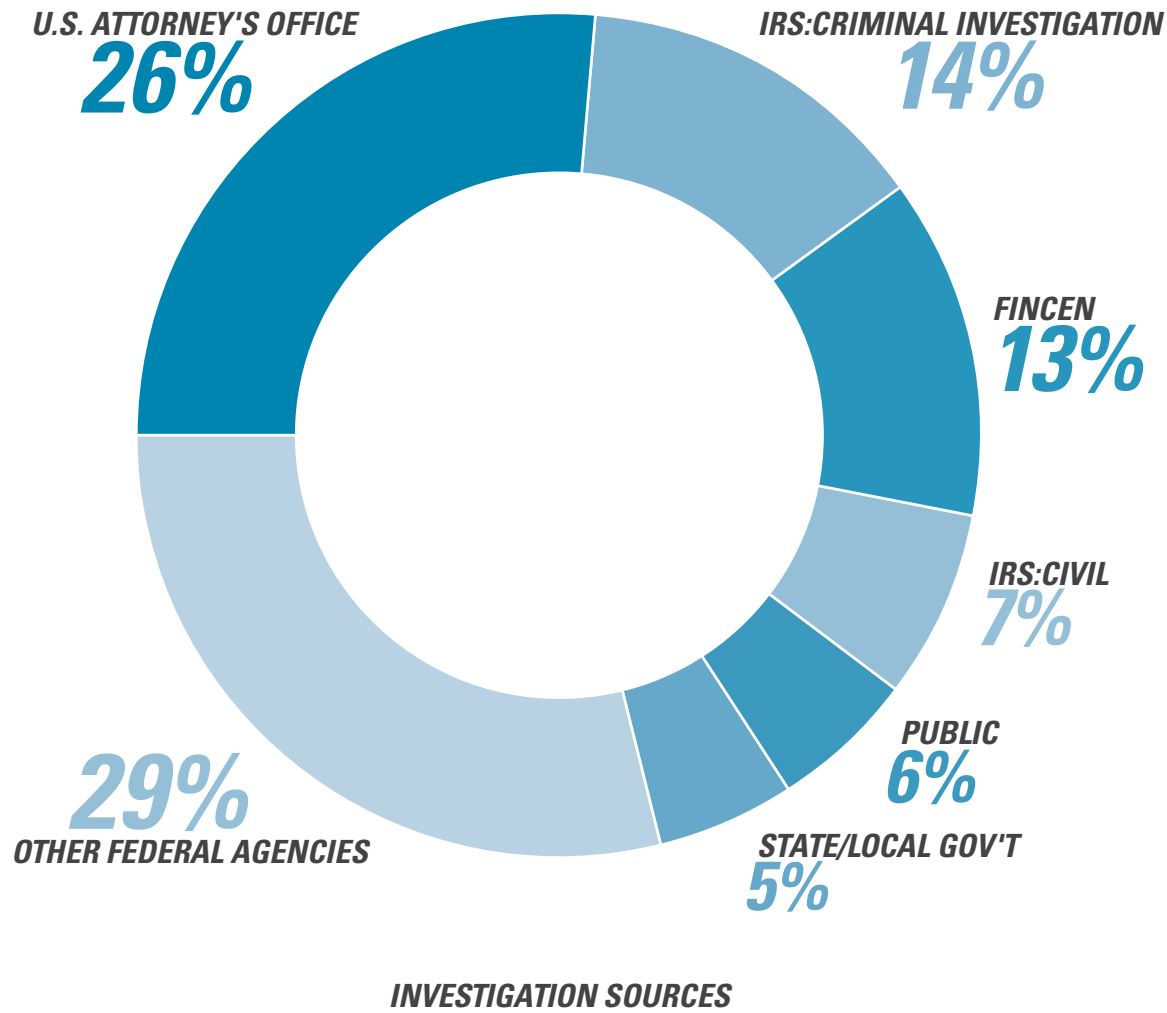


2018 SNAPSHOT



*1.4% Uncategorized

2018 SNAPSHOT



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.

GENERAL TAX FRAUD

General tax fraud investigations are at the core of CI's law enforcement efforts and directly influence the American public's confidence and compliance with the tax laws. The integrity of our tax system depends heavily on taxpayers' willingness to self-assess taxes owed and voluntarily file tax returns. CI investigations help assure law-abiding taxpayers that individuals who deliberately under-report or omit income from their tax returns are held accountable for their actions. Common practices involved in general tax fraud investigations include keeping two sets of books, making false entries in books and records, claiming personal expenses as business expenses, claiming false deductions or credits against taxes owed, and hiding or transferring assets. CI special agents use their financial investigative expertise to uncover and quantify the seriousness of these schemes. They also work closely with DOJ prosecutors to gather the necessary evidence to bring these cases to a successful conclusion.

TAX CRIMES

1714

INVESTIGATIONS INITIATED

1050

PROSECUTIONS RECOMMENDED

1052

SENTENCED

ABUSIVE TAX SCHEMES

CI focuses on the investigation of promoters and clients who willfully participate in domestic and offshore tax schemes in violation of 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.

REFUND FRAUD PROGRAM

The Refund Fraud Program consists of three parts—identity theft investigations, the Questionable Refund Program (QRP), and the Abusive Return Preparer Program (RPP). These programs cover criminals who file fraudulent tax returns to steal government funds. This type of theft erodes voluntary compliance and taxpayer confidence in the

integrity of the tax system. It also results in the loss of vital funds needed to support government programs, many of which impact the most vulnerable Americans.

The QRP identifies fraudulent claims for tax refunds. Generally, these schemes involve individuals filing multiple fraudulent tax returns using the personally identifiable information of individuals who knowingly or unknowingly are used to facilitate the scheme. A significant number of QRP investigations include cases also considered identity theft investigations (stolen identity refund fraud-SIRF).

In contrast, RPP investigations involve the orchestrated preparation and filing of false income tax returns by corrupt return preparers. These preparers often claim inflated personal or business expenses, false deductions, excessive exemptions, and unallowable tax credits. The preparers' clients may or may not know their returns were falsified.

TAX CRIMES

EMPLOYMENT TAX FRAUD

Employment tax fraud takes many forms. Some of the most common forms include employee leasing, paying employees in cash, filing false payroll tax returns, and failing to file payroll tax returns (“pyramiding”). Pyramiding is when a business withholds taxes from its employees, but intentionally fails to forward them 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 and use the funds for their personal expenses. Employment taxes include federal income tax withholding, Social Security taxes, and federal unemployment taxes.

IDENTITY THEFT

Identity theft refund fraud occurs when someone uses the personally identifiable information (PII) of another individual—for example name, Social Security number, address—without permission, to commit fraud or other crimes. These cases are commonly referred to as stolen identify refund fraud (SIRF) investigations. 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 and other personally identifiable information (PII) to file a fraudulent tax return and attempt to get a refund early in the filing season before the legitimate taxpayer, files their tax return.

CYBER CRIMES

Since 2015, CI has been building a Cyber Crimes Program to address the exponential growth of cybercrime impacting the tax, financial, and economic systems of the United States. A Cyber Crime Unit (CCU) with locations in Los Angeles and Washington, D.C., was part of the initial launch of the program. 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. CI has also begun placing CCU special agents in other field offices to

facilitate the transfer of cyber investigative expertise.

CCU investigations involve the internet and internet-based technologies that enable criminals to engage in illegal activity with anonymity and without a defined physical presence. The unit focuses its efforts on multi-jurisdictional investigations posing the most significant threats to the tax, financial, and economic systems of the United States. CI also began establishing a nationwide footprint by creating an Office of Cyber Crimes within its headquarters structure and adding cybercrimes



TAX CRIMES

coordinator positions within each of its 21 field offices. Field office special agents and professional staff working cybercrime investigations are focused primarily on cyber-enabled investigations that involve theft and fraud and are increased in scale by the use of computers, computer networks, or other forms of technology.

Over the past few years, CI has seen an increasing growth in the number of criminals using the cyber environment to facilitate SIRF and other refund fraud schemes. During this same period, data loss incidents reported to the IRS have drastically increased. These data loss incidents include data intrusions, business email compromise, phishing schemes, and bank account takeovers victimizing private sector entities involved in the tax eco-system and the IRS. These thefts target detailed financial data, prior year tax returns, and payroll records that criminals use to generate SIRF claims that mirror a victim's actual tax return.

During these types of cybercrime investigations, special agents use their close working partnerships with other law enforcement agencies and their capabilities as law enforcement officers to gather valuable information about SIRF, refund fraud crimes, and information that affects the integrity of IRS online systems. They share criminal intelligence in real-time with their IRS civil counterparts to aid taxpayer and revenue protection efforts.

The IRS also uses this information to develop internal defenses that help identify and prevent further losses associated with fraudulent claims.

CI has jurisdiction over these types of investigations:

- **Data intrusion, business email compromise, phishing schemes, bank account takeovers and data loss incidents)**
- **Selling, buying, and compromise of PII through the internet**
- **Virtual currency-based tax and money laundering schemes**
- **Dark web marketplace owners, administrators, and large vendors**
- **Terrorist financing including the use of virtual currency, mesh networking, and other online means to raise funds, launder illegal proceeds, and funnel money for terrorist organizations**

CI will continue to focus on tax, tax related, and other financial crimes, while expanding its presence into the cyber environment. The CI definition of cybercrime is a criminal investigation in which CI has investigative authority and believes the subject is using the internet as an essential means to commit the crime, remain anonymous, elude law enforcement, and 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 use the same "follow the money" strategy that made CI's involvement in complex investigations a mainstay since the creation of the agency. CI's involvement in this area includes investigations involving the IRS "Get Transcripts" web application and IRS Data Retrieval Tool the Department of Education uses to help students complete their federal student aid application. CI efforts have also been crucial in various Dark web marketplace and facilitator investigations, including Silk Road, Mt. Gox, Alphabay, BTCe, and Backpage.com. ♦





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 getting income from illegal sources, such as embezzlement, bribery, and fraud. They 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.

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 city streets through transactions that turn it into bank deposits and other assets. However, money laundering today 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. Uncovered trails identify 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. CI special agents are experts in following the money trail and participate in a wide variety of investigations, financial task forces, and narcotics task forces including Organized Crime Drug Enforcement Task Force (OCDETF) and the High Intensity Drug Trafficking Area (HIDTA).

NON-TAX CRIMES

1172

INVESTIGATIONS INITIATED

1080

PROSECUTIONS RECOMMENDED

1059

SENTENCED

BANK SECRECY ACT PROGRAM

The Bank Secrecy Act (BSA) mandates the disclosure of foreign bank accounts, the reporting of certain currency transactions conducted with a financial institution, and the reporting of the transportation of currency across United States borders. Through the analysis of BSA data, CI has identified significant, complex money laundering schemes and other financial crimes. CI is one of the largest law enforcement consumers of BSA data.

The CI BSA program has grown substantially since its start in early 2000. The primary objective of the program is to examine BSA information to identify significant financial criminal activity and develop financial investigations within IRS–CI’s jurisdiction.

The CI BSA program has partnerships in 94 judicial districts led by the respective U.S. Attorney Office. The program also manages the Financial Crimes Task Forces (FCTF) and Suspicious Activity Report–Review Teams (SAR-RT) located throughout the country. The FCTF and SAR-RT focus on specific geographic areas and involve

collaboration between CI and federal, state, and local law enforcement agencies for identifying and investigating financial crimes, including BSA violations, money laundering, narcotics trafficking, and terrorist financing.

CI strengthens the BSA program area by maintaining excellent working relationships with anti-money laundering officials within the financial industry. During the past year, CI participated in numerous local, regional, national, and international anti-money laundering forums and conferences presenting on various topics including CI’s role in investigating financial crimes, case studies, and typologies. CI also continues to partner with the Financial Crimes Enforcement Network (FinCEN) and other federal law enforcement agencies to provide feedback and outreach to the financial industry.

NON-TAX CRIMES

PUBLIC CORRUPTION

CI investigates 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 include criminal offenses such as bribery, extortion, embezzlement, kickbacks, tax fraud, and money laundering.

Corruption by public officials results in the loss of many taxpayer dollars. Public officials that violate the public trust are often prosecuted to the full extent of the law, with large fines and increased jail time for offenders. In addition, the United States is often a desirable destination for the proceeds of corrupt foreign officials. This type of corruption undermines democratic institutions and threatens national security.

CORPORATE FRAUD

The Corporate Fraud program concentrates on violations committed by publicly traded or private corporations and their senior executives. Some specific criminal acts within a corporate fraud include falsifying, 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 FRAUD

CI special agents also investigate healthcare and financial institution fraud. CI's ability to bring income tax



NON-TAX CRIMES

and money laundering charges enhances prosecutors' effectiveness in combating these and other types of frauds. In these investigations, CI special agents work 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.

On August 9, 2018, Dallas Mayor Pro Tem Dwaine Caraway pleaded guilty to accepting more than \$450,000 in kickbacks and bribes, in part through a phony consulting agreement, gambling money, and trips to Las Vegas and elsewhere. Caraway, the second highest-ranking elected official in Dallas, pleaded guilty to two federal charges in the public corruption case and resigned from the Dallas City Council.

According to court documents, Caraway received about \$390,000 from Robert Leonard for real estate consulting and knew a portion of the funds were to secure his political influence to further Leonard's business interests. Leonard owned Force Multiplier Solutions, a technology company that puts cameras on school buses. In one instance in 2012, Caraway voted in favor of a city ordinance creating a civil fine and offense for "passing a raised stop-arm camera on a school bus," the document said.

According to court records filed by the U.S. Attorney's office, Leonard paid Caraway the \$450,000 between 2011 and 2017. The council member admits to hiding close to \$100,000 from the IRS in 2014, and to asking Leonard for money on numerous occasions — cashing those checks at liquor stores and pawn shops. Federal prosecutors say he also received "luxury suits" and fully funded trips to New Orleans, Las Vegas, and Austin.

U.S. attorney Erin Nealy Cox said that Leonard, aided by his associate, paid a total of more than \$3.5 million to Caraway and Rick Sorrells, former superintendent for Dallas County Schools. Leonard made the payment in return for favorable action related to Force Multiplier Solutions. The effort helped the company and Leonard secure more than \$70 million in contracts and agreements with Dallas County Schools, the troubled agency that residents last year voted to dissolve. ♦



ELECTRONIC CRIMES

EVERY INVESTIGATION CRIMINAL Investigation 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.

IRS–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), 80 special agent – computer Investigative specialists (SA-CIS), four forensic assistant contractors, 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:

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

In FY 2018, Electronic Crimes personnel participated on 327 search warrants, performed at 553 locations; seized 1.76 petabytes of data from 1,918 computers/laptops/external devices and 1,845 mobile devices; and testified in 16 trials. Electronic Crimes is the premier source for digital and multimedia evidence in IRS–CI. ♦

INTERNATIONAL OPERATIONS

IRS CI INTERNATIONAL Operations (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, Bangkok, San Salvador, and Gaborone, Botswana. CI IO also presents training for foreign law enforcement and governments around the world sponsored by the Bureau of International Narcotics and Law Enforcement Affairs (INL), Overseas Prosecutorial Development, Assistance and Training (OPDAT), and the State Department. This included training for judges, prosecutors, and investigators in Nepal; International Financial Investigations courses in Colombia, Mexico, and Argentina; and cybercrime and virtual currency training sessions in Australia and New Zealand.

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 connection. Special agent attachés are vigilant in uncovering emerging schemes that promoters and financial institutions perpetrate to help U.S. taxpayers evade their federal tax obligations. ♦

INTERNATIONAL ATTACHÉ LOCATIONS



NARCOTICS, COUNTERTERRORISM, & TRANSNATIONAL ORGANIZED CRIME

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.”

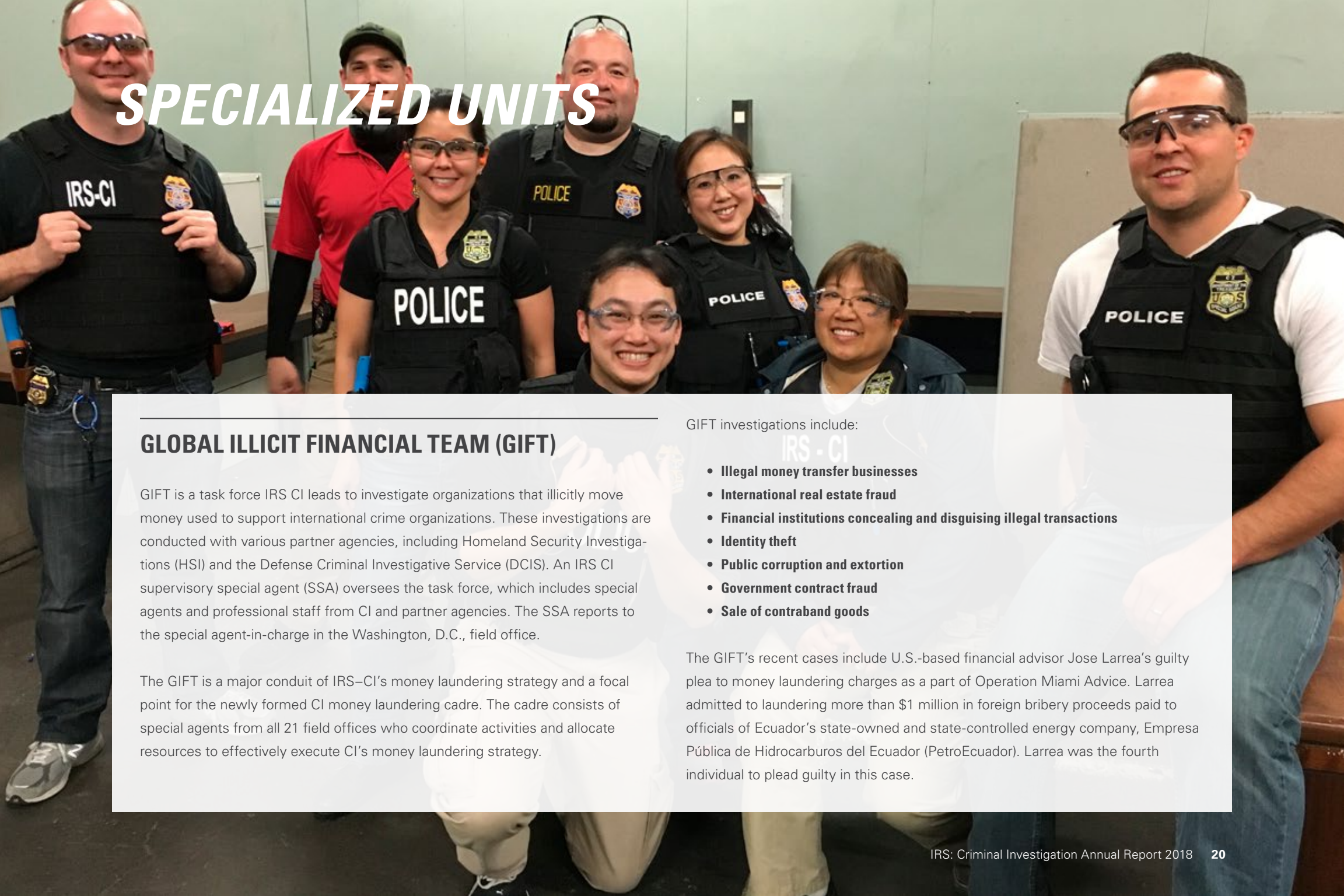
IRS CI Narcotics and Counterterrorism (NCT) program supports the goals of the President’s Strategy to TOC, the U.S. National Drug Control Strategy, the National Money Laundering Strategy, and the U.S. Government’s National Counterterrorism Strategy. IRS CI contributes to the strategies by seeking to 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



GLOBAL ILLICIT FINANCIAL TEAM (GIFT)

GIFT is a task force IRS CI leads to investigate organizations that illicitly move 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 special agent-in-charge in the Washington, D.C., field office.

The GIFT is a major conduit of IRS-CI's money laundering strategy and a focal point for the newly formed CI money laundering cadre. The cadre consists of special agents from all 21 field offices who coordinate activities and allocate resources to effectively execute CI's money laundering strategy.

GIFT 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**

The GIFT's recent cases include U.S.-based financial advisor Jose Larrea's guilty plea to money laundering charges as a part of Operation Miami Advice. Larrea admitted to laundering more than \$1 million in foreign bribery proceeds paid to officials of Ecuador's state-owned and state-controlled energy company, Empresa Pública de Hidrocarburos del Ecuador (PetroEcuador). Larrea was the fourth individual to plead guilty in this case.

SPECIALIZED UNITS

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

Reminiscent of Eliot Ness and Elmer Irey’s “T-Men,” the IRS-Criminal Investigation Division (CI) continues its partnership 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 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 into an inter-agency agreement with CI to provide special agents to enforce TTB’s criminal provisions. These special agents 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 special agent-in-charge in the Washington, D.C., field office. Since the agreement began, the group has initiated over 180 investigations with great success. The average jail sentence in these types of cases ranges from 6 months to 4 years.

Most recently Charanjit Singh (Singh), a Virginia business owner, was sentenced in August to over 2 ½ years in federal prison and ordered to forfeit \$14.2 million for unlawful cigarette smuggling. Singh admitted in his plea agreement that the tax loss in the case was \$40,153,463. He admitted to transporting large amounts of cigarettes across state lines for redistribution and sale. The cigarettes were acquired in Virginia, where the tax rate for cigarettes is one of the lowest in the nation, and sold in other states, including New York, which has one of the nation’s highest tax rates.

Other significant cases include the sentencing in May of a Korean national, Un Hag Baeg, to almost 4 years in federal prison for his role in a conspiracy that sold cigarettes domestically, but did not pay excise taxes. Baeg falsely claimed the cigarettes were leaving the United States on cargo ships sailing out of the ports of Los Angeles and Long Beach. Baeg and others conspired to divert approximately 143 million export-only cigarettes from an export warehouse near the Port of Los Angeles. Baeg purchased the cigarettes under the pretext that they would be provided to various ships sailing out of the United States. In fact, the cigarettes were sold in the United States, which resulted in the evasion of \$7,260,203 in federal excise taxes and \$5,986,458 in California excise taxes.

INTERNATIONAL TAX GROUP (ITG)

As the Swiss Bank Program wound down in 2017, CI ramped up an International Tax Group (ITG) in 2018. An SSA leads this group of special agents, investigative analysts, and professional staff, which report to a special agent-in-charge in the Washington, D.C., field office. The ITG will focus on investigating the largest and most serious international tax schemes that threaten the integrity and fairness of the tax system. Investigations this group initiates are long-term and will require agents to use all tools at the Criminal Investigation Division’s disposal. Look for significant results from this group in future CI annual reports. ♦



NATIONALLY COORDINATED INVESTIGATIONS UNIT

SINCE ITS FORMATION on May 1, 2017, the IRS–CI Nationally Coordinated Investigations Unit (NCIU) has focused on developing an investigative strategy that impacts and proactively addresses nationwide key non-compliance areas and emerging threats.

The NCIU employs an innovative data driven approach and partners with internal and external stakeholders to accomplish its mission. In addition to developing investigations with national significance, the NCIU continually supports, in terms of investigative and technical guidance, CI’s field offices and case agents. The unit also provides training and oversight for these large, complex investigations.

The NCIU’s investigative efforts are focused on the following initiatives CI’s Senior Executive Leadership identified as areas of high priority:

- **Employment tax**
- **International tax and significant money laundering**
- **Virtual currency**

The NCIU, working with Research, Applied Analytics & Statistics (RAAS), de-

veloped successful data models for multiple initiatives and is applying the same methodology to the other initiatives.

Ensuring maximum geographic coverage in case development and referrals, the NCIU referred 55 cases to all 25 CI field offices for criminal investigation. The following list is a breakdown of cases by initiative:

- **Employment tax, 36**
- **International tax, 5**
- **Microcap stock, 12**
- **Biofuels credit, 1**

Thirty-two of the 55 referrals were elevated to Subject Criminal Investigations (SCI) as follows:

- **Employment tax, 22**
- **Microcap stock, 8**
- **International tax, 2**

Of the 32 elevated cases, the estimated average amount of criminal tax deficiency was \$2.4 million; the estimated total amount of criminal tax deficiency was \$68 million.

NATIONALLY COORDINATED INVESTIGATIONS UNIT

In addition to case development and referrals, the NCIU dedicated significant resources to offer initiative-specific training for the field. In June 2018, the NCIU delivered employment tax training to 42 special agents and professional staff from around the country.

In September 2018, the NCIU delivered biofuels credit training to 40 special agents and professional staff from different field offices. These trainings allowed the NCIU to share specific investigative knowledge and best practices with the attendees and provided a networking opportunity for agents and professional staff to build a collaborative community.

The NCIU also worked with multiple internal and external stakeholders to advance its data-driven case development mission. Internally, the NCIU collaborated with multiple headquarters offices, such as Operations, Policy and Support (OPS); International Operations (IO); Strategy, and Refund and Cyber Crimes (RCC), to incorporate various datasets and to offer more comprehensive investigative support for the field.

Within the agency, the NCIU formed strong partnerships with LB&I to analyze the Coinbase John Doe summons data and with SBSE to receive and refer investigative leads.

In addition, the NCIU formed strategic alliances with law enforcement and regulatory agencies, such as the Commodity and Futures Trading Commission, Department of Labor, Environmental Protection Agency, Federal Bureau of Investigation, Homeland Security Investigations, Security Exchange Commission, and the Social Security Administration, to make use of their expertise and data and to involve CI in financial investigations that have the most impact.

Going forward, the NCIU plans to increase its footprint and impact by hiring additional personnel and launching initiatives that enhance CI's ability to effectively enforce the nation's criminal tax law and related financial crimes. ♦



UNDERCOVER OPERATIONS

A man in a dark cap and tactical vest is looking at multiple computer monitors in a control room. The monitors display various images, including a street scene and a car. The man is wearing a dark cap and a tactical vest. The background is dark, and the lighting is focused on the monitors and the man's face.

THE CRIMINAL INVESTIGATION Division (CI) has used undercover techniques throughout its history. Undercover techniques play a well-documented, significant role in bringing criminals to justice; the case of Al Capone being one of the most famous examples. Since then, CI has used these techniques in numerous investigations involving organized crime, illegal gambling operations, tax shelter schemes, illicit money movers, and investment scams.

The Special Investigative Techniques (SIT) unit oversees CI's undercover activities. This unit reviews, approves, funds, and trains personnel that carry out these activities. Special agents and the field office leadership team handle the initiation and day-to-day management of the operations in their respective areas.

CI has a cadre of active undercover agents and has trained additional agents for undercover "shopping" of return preparer schemes. In FY 2018, agents conducted approximately 450 undercover operations and shopped over 140 return preparers.

Undercover agents encounter many challenging situations in their roles. From shopping unscrupulous tax return preparers to targeting offshore tax money laundering and Dark web marketplace operators, CI undercover operations handle the full spectrum of activities that seek to conceal the movement of money for illegal purposes.

In 2018, Keesha Fry of Durham, North Carolina, the owner of KEF Professional Tax Services, was found guilty of preparing fraudulent federal returns resulting in a tax loss of approximately \$1.7 million. Ms. Frye and her employees falsely added income, such as in-home services (for example, house cleaning) on clients' returns, so they would qualify for the Earned Income Tax Credit. In 2014, an undercover CI special agent had KEF prepare a tax return, which turned out to be fraudulent. A subsequent search warrant of the business found "cheat sheets" that employees used to support the tax fraud. ♦

SCHEME DEVELOPMENT CENTER



SINCE 1977, THE Criminal Investigation Division (CI) has been screening for suspected fraudulent tax returns. The CI Scheme Development Centers (SDCs) do this at each of eight IRS campuses: Fresno, Ogden, Kansas City, Austin, Cincinnati, Memphis, Atlanta, and Andover. These SDCs work closely with all other IRS operating units. The purpose of the SDC is to detect refund fraud including identity theft and return preparer schemes and refer them to the CI field offices for investigation. SDC analysts also provide continued investigative support for special agents working refund fraud investigations in each of the 21 field offices. Each SDC is managed by an experienced CI Special Agent known as the Resident Agent in Charge. ♦

ASSET FORFEITURE



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.

IRS CI is one of the largest contributors to the Treasury Forfeiture Fund (TFF), which the Treasury Executive Office for Asset Forfeiture manages. These funds are used to reimburse victims of criminal activity and to pay for law enforcement-related expenses, such as training, equipment, and the cost of conducting significant investigations. In addition, CI shares a portion of forfeited funds with federal, state and local law enforcement agencies.

On July 11, 2018, the federal government auctioned nine San Antonio-area properties including four former barber shops and a barber college that it seized from a heroin-smuggling ring that brought in approximately \$8 million in 2014 and 2015. The properties, which sold for more than \$1.4 million, were among more than 20 targeted for seizure during a joint investigation by the U.S. Drug Enforcement Administration and the IRS's Criminal Investigation division into the operators of Acapulco Barber Shops in 2015. Salvador Gonzalez and Adrian Gonzalez owned the Acapulco chain and a barber college. They were sent to federal prison after pleading guilty to heroin-trafficking conspiracy and money laundering-related charges. Authorities said the ring brought in so much heroin between 2014 and 2015 that it was a go-to supplier for the prison-based Texas Mexican Mafia. ♦

NATIONAL FORENSIC LABORATORY



FOR MORE THAN 40 years, the IRS National Forensic Laboratory (NFL) has supported IRS investigations by offering forensic testing and technical services in electronics, latent prints, polygraph, questioned documents, ink chemistry, and trial graphics and design. NFL examiners report the results of forensic testing and technical services to investigators for use in exploring potential criminal violations of the Internal Revenue Code and related financial crimes. In addition, NFL personnel provide support for expert testimony in judicial proceedings. For instance, visual information specialists provide graphics or illustrations that help tell the story of the investigation. In addition, when called upon to do so, forensic scientists testify to NFL examiners' findings in judicial proceedings.

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 2018, the NFL received 197 cases, which resulted in 305 work requests. Although the overall

number of cases decreased from FY 2017 to FY 2018, the number of work requests remained consistent between this and the previous fiscal year (309 requests).

Criminal Investigation submitted approximately 94 percent of the cases the NFL received in FY 2018. The NFL received the other 6 percent of cases from the civil side of the IRS or an agency other than the IRS. Also, two NFL scientists testified at trial to the results of forensic examinations they conducted. Furthermore, the laboratory has participated in the IRS CI Student Volunteer Program by hosting eight volunteers over the last three years. This fiscal year, one of the student volunteers completed research and a method validation on software used for document reconstruction. ♦

NATIONAL FORENSIC LABORATORY REQUESTS

LATENT PRINTS

47

38 CASES

ELECTRONICS

9

9 CASES

TRIAL ILLUSTRATION

150

138 CASES

POLYGRAPH

18

4 CASES

QD/CHEMISTRY

81

42 CASES

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

TRAINING AND NCITA

continuing professional education courses for special agents and professional staff each year with an emphasis on emerging trends such as cybercrime and crypto currencies.

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 judgement 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.

FY 2018 HIGHLIGHTS:

- **Special Agent Investigative Techniques (SAIT) Task Force developed and implemented recommendations to enhance/update course curriculum.**
- **Four Supervisory Special Agent Strategic Training classes were developed and conducted for CI's front line managers.**
- **Coordinated the development of the FY18 Investigative Techniques Emerging Forfeiture Training material which was provided to the CI field offices for delivery.**
- **The first Management and Program Analyst (M&PA) training was developed and conducted. ♦**





PROFESSIONAL STAFF

IRS CI EMPLOYS 789 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 315 investigative professional staff have a tremendous impact with case development and support. These compliance support assistants (CSA), tax fraud investigative analysts (TFIA) and investigative analysts (IA) assist special agents with public records research, interviews, bank record scheduling and analysis, and specialized tax and law enforcement database research.

During 2018, 460 professional staff in multiple CI job series received comprehensive training at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia regarding multiple investigative databases and case development tools.

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

Department of Defense (DoD) and Veteran's Affairs (VA) in FY 2018. 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 4 veterans into Professional Staff positions in FY 2018 placed within the Field Offices and TOIS. This veteran hiring accounted for 25% of CI's overall hiring, which exceeded CI's FY 2018 veteran hiring goal of 14%.

Professional Staff positions are critical to advancing the law enforcement efforts of CI. Professional Staff are assigned to the field offices, Nationally Coordinated Investigative Unit (NCIU), Refund Crimes, and International Operations. 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. Investigative Analysts support investigations relating to national threats, the opioid crisis, terrorist financing, identity theft and other emerging threats through work with the High Intensity Drug Trafficking Areas (HIDTA), Joint Terrorism Task Force (JTTF) and other federal law enforcement taskforces. ♦

EQUITY, DIVERSITY & INCLUSION

A group of diverse people, including men and women of various ethnicities, are shown in a meeting room. In the foreground, three men are embracing each other warmly. One man in a light green shirt is being hugged from behind by a man in a white shirt, and another man in a dark blue shirt is hugging him from the side. In the background, other people are seated at tables, some looking towards the camera and others engaged in conversation. The setting appears to be a professional meeting or training session.

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, policies, guidelines, and procedures to ensure that all employees and applicants for employment achieve equal opportunity in every facet of the CI's programs, activities, and services. EDI's goal is to provide exceptional quality customer service, advice, and education to management, employees, and stakeholders to ensure compliance with appropriate federal EEO laws and regulations that prohibit discrimination on the basis of 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, practices, guidelines and procedures in an effort to direct the organization to an effective affirmative program. They work to ensure that employment practices and decisions are made with the highest level of integrity and fairness to every employee. EDI also advises CI's senior leadership on strategies for effectively capitalizing on the strengths of all employees while embracing

their differences and unique perspectives to create an environment that engages and supports all employees.

Additionally, the EDI staff prepares CI's Management Directive 715 (MD 715) report, and monitors and evaluates the organization's compliance with the directive and other policies established by the Equal Employment Opportunity Commission (EEOC). The directive helps to identify program weaknesses and uncover evidence of potential hidden barriers that would hinder proactive prevention of discrimination to equal opportunities for all employees. It also provides the framework for identifying EEO plans that are tailored to remove barriers and respond to problems.

The EDI staff develops action plans to eliminate barriers and correct program deficiencies to ensure compliance with the following six essential elements of a model EEO program as defined by MD 715:

EQUITY, DIVERSITY & INCLUSION

- **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 analyzing trends in the following areas:**
 - **EEO complaints**
 - **Disciplinary actions**
 - **Promotions**
 - **Awards**
 - **Separations**
 - **Employee development and training**
 - **Recruitment and hiring initiatives and practices**
 - **Retention**

When it comes to supporting female talent, CI has a strong track record with women filling nearly 28 percent of our senior management roles across the organization. CI is also a leader among law enforcement entities with women comprising 28 percent of our special agent population, compared to 21 percent of our civilian counterparts (based on labor statistics from the U.S. Census Bureau). CI continues to strive to be an employer

of choice with our ongoing commitment to workplace equality, encouragement of work-life balance and flexibility in the workplace, and support of employees at all levels of the organization as they progress into more senior positions. We recognize the importance of creating a diverse and inclusive workforce where our employees, at any grade level or occupational series, can thrive. ♦



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. ♦



OUTREACH/COMMUNITY ENGAGEMENT

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 2018 community engagement include:

FEMA— EMERGENCY SUPPORT FUNCTION

A presidential declaration enables access to disaster relief assistance and funds as appropriated by Congress. This declaration triggers financial and physical assistance through the Federal Emergency Management Agency (FEMA). CI has formally joined our other federal law enforcement partners as members of FEMA Emergency Support Function (ESF). CI and its law enforcement partners are part of the Public Safety and Security ESF 13. This initiative assists FEMA with recovery efforts in protecting public health, safety, and property, or supplementing state and local law enforcement efforts during disaster situations. CI has readied 48 special agents and 4 supervisory special agents for deployment and 2 special agent coordinators to assist with deployment control and logistics. Since assem-

bling this team, CI has assisted with the hurricane disasters along the southeast coast. During this fiscal year, CI deployed 24 special agents to the commonwealth of Virginia to assist with Hurricane Florence.

OTHER OUTREACH

DETROIT FIELD OFFICE

On April 16, 2018, the Detroit field office completed an “Adrian Project” in partnership with the University of Michigan-Dearborn. The Adrian Project concept was created to allow students the opportunity to learn about IRS-CI with a memorable, hands-on approach. The students become agents for the day and work together to solve a case from start to finish. They experience what it is like to interview witnesses, conduct surveillance, swear out affidavits, and execute search and arrest warrants. The project’s goal is to give students an opportunity to apply their accounting skills and consider a career in law enforcement. Many students did not know IRS-CI existed before participating in an Adrian Project and now, many work for the agency! Each year, multiple CI field offices partner with local educational institutions to coordinate these events.

OUTREACH/COMMUNITY ENGAGEMENT

NEWARK FIELD OFFICE

On January 17, 2018, Newark field office Special Agent in Charge Jonathan Larsen and Special Agent Timothy Greene visited the Woodland Elementary School in New Jersey to donate digital cameras and tablets to the school. Each class in the school received a camera to take pictures of class functions, and cameras will be provided to a newly formed photography club. . The tablets and cameras were donated under the GSA's Computers for Learning (CFL) program.

PHOENIX FIELD OFFICE

On September 28, 2018, employees with the Phoenix field office spent the morning packing emergency food boxes at St. Mary's Food Bank in Phoenix. Together with volunteers from corporate America, CI employees packed 2,700 food boxes. St. Mary's Food Bank recently sent two trailers full of emergency food boxes to the victims of Hurricane Florence. This activity was at least the fifth time the Phoenix field office has served at St. Mary's.

MIAMI FIELD OFFICE

On February 26th, the Miami Field Office handed out donated backpacks and books to approximately 400 students in pre-kindergarten through 5th grade at an elementary school in Fort Lauderdale, Florida. The backpacks (some even containing school supplies) were



OUTREACH/COMMUNITY ENGAGEMENT

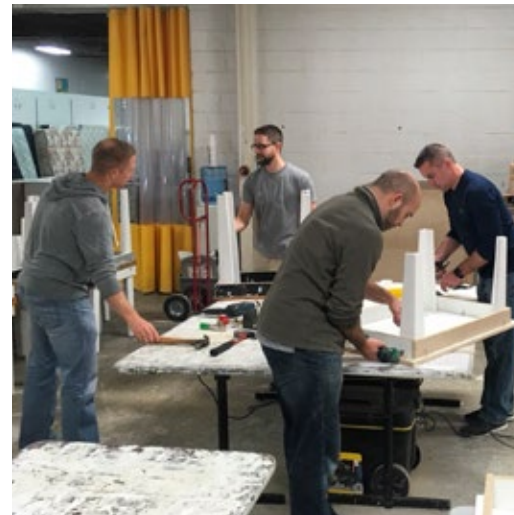
donated by a non-profit agency since students' backpacks are not in the best condition at the mid-point of the school year and they have used most of their school supplies. This event was part of the USAO's Violence Reduction Partnership (VRP) Reading Program. The VRP was established in 2011 to address violent crime, gang activity and firearms offenses plaguing high crime areas in the District. The objective of the reading program is to increase children's appetite for reading before entering kindergarten, thus reducing early academic failure. On a monthly basis for the past two school years, members of the Miami FO Management Team and the public information officer have been reading and distributing books to the pre-kindergarten classes at the school which is in a high-crime community. IRS-CI was asked to participate in handing out backpacks and books because of our partnership with the USAO in this important crime prevention program. ♦



OUTREACH/COMMUNITY ENGAGEMENT

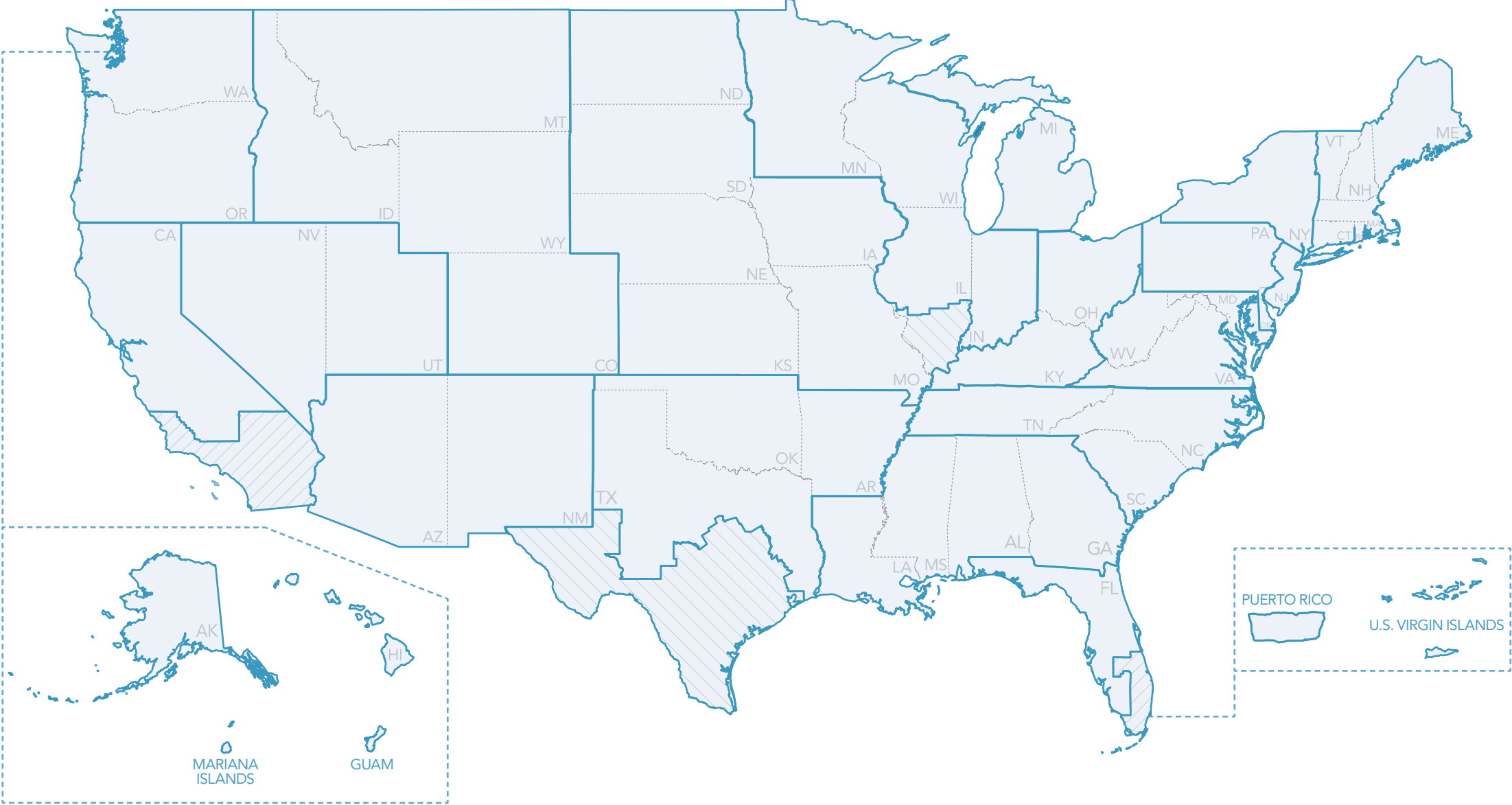


OUTREACH/COMMUNITY ENGAGEMENT



FIELD OFFICE MAP

Click on a location to go to that Field Office section.





GEORGIA



ALABAMA



MISSISSIPPI



LOUISIANA

ATLANTA FIELD OFFICE

401 W. PEACHTREE STREET NW, ATLANTA, GA 30308 | 470.639.2228

AUGUSTA, GA
BATON ROUGE, LA
BIRMINGHAM, GA
COLUMBUS, GA
DECATUR, GA

GULFPORT, MS
HATTIESBURG, MS
HUNTSVILLE, AL
JACKSON, MS
LAFAYETTE, LA

MACON, GA
MOBILE, AL
MONTGOMERY, AL
NEW ORLEANS, LA
OXFORD, MS

SAVANNAH, GA
SHREVEPORT, LA

THE ATLANTA FIELD covers the states of Georgia, Alabama, Mississippi and Louisiana and consists of eleven judicial districts. We work a wide variety of criminal investigations across the four state region which includes, legal and illegal source income tax fraud, payroll tax fraud, stolen identity theft / tax refund fraud, public corruption, terrorism, general fraud, money laundering and narcotics cases. With the recent merger of two field offices (the Atlanta Field Office with the former New Orleans Field Office), the

newly constituted and expanded Atlanta Field Office has a diverse mix of employees with different backgrounds who are finding creative ways to investigate our cases. The Atlanta Field Office is continually building and strengthening its relationships with our law enforcement partners, the United States Attorney's Office and the public in an effort to identify, investigate and refer quality cases for prosecution that will encourage compliance with and confidence in the internal revenue laws.



ATLANTA FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Louisiana Return Preparer Sentenced to Seven Years in Prison for Filing Fraudulent Tax Returns

On December 13, 2017, in New Orleans, Shawanda Nevers of LaPlace, Louisiana, was sentenced to 7 years in prison and 1 year of supervised release. She was also ordered to pay \$6,934,764 in restitution to the IRS, \$128,900 to the Deepwater Horizon Oil Spill Trust, and \$964 to the Social Security Administration.

Nevers pleaded guilty to filing false tax returns. Shawanda Nevers, also known as Shawanda Hawkins, Shawanda Bryant, and Shawanda Johnson, operated a series of businesses in the LaPlace area, including 3LJ's Café Services & Sports Bar LLC and 3LJ's Industrial Service Solutions LLC.

Between 2011 and 2016, Nevers filed fraudulent income tax returns that included false business losses, deductions, and tax credits and sought refunds which her clients were not entitled. Despite a federal judge permanently barring her from preparing federal tax

returns in 2014, Nevers continued to file fraudulent returns.

<https://www.justice.gov/opa/pr/louisiana-return-preparer-sentenced-seven-years-prison-filing-fraudulent-tax-returns>

Louisiana Man Sentenced to Prison for Defrauding USDA Over Fake Farm Benefit Scheme

On December 19, 2017, in Monroe, Louisiana, Brad McIntyre was sentenced to 9 years in prison and 3 years of

supervised release. He was also ordered to pay \$4,311,247 in restitution to the Department of Agriculture and the Farm Service Agency and forfeit \$1.6 million for mail fraud and money laundering.

McIntyre, a fourth-generation farmer and the owner of Delta Agriculture and Company, avoided the Farm Service Agency direct program payment limitation of \$40,000 per year per farm entity member.

From August 2009 until February 2013, McIntyre conspired to create fictitious farm operations. When applying

“During my tenure as the Special Agent in Charge of the Atlanta Field Office, I have continuously worked to rebrand the image of the field office by seeking to support and develop the valued employees while focusing their efforts on the CI mission. Through our 120+ valued employees, we will continue to investigate and recommend prosecution for those criminals who think they can evade paying their fair share in taxes and erode confidence in the tax system. In an effort to drive compliance, we will vigorously seek to highlight these criminal investigations in the media in an effort to inform the public that compliance with the tax laws applies to all. Equipped with the finest financial investigators in law enforcement, an enhanced investigative support team and a committed leadership team, the Atlanta Field Office will continue to be the difference maker in the southern area when it comes to tax enforcement and significant white collar fraud investigations.”

– Thomas J. Holloman, Special Agent in Charge

ATLANTA FIELD OFFICE CASE FILES

for FSA's direct program payments, McIntyre listed the names of his relatives and employees as the owners of these entities when in fact he controlled and managed all these farming entities.

The Farm Service Agency's Supplemental Revenue Assistant (SURE) and Crop Assistance Program (CAP) payments were each limited to \$100,000 per person who experienced a qualifying crop loss because of disaster. These fake farms also fraudulently received disaster program payments from FSA. When the FSA mailed agricultural subsidy checks to the entities, they went to U.S. Post Office boxes in Mer Rouge, Louisiana that McIntyre controlled. He unlawfully received more than \$5.4 million from the scheme.

<https://www.justice.gov/usao-wdla/pr/bastrop-man-sentenced-9-years-prison-defrauding-usda-over-fake-farm-benefit-scheme>

Mississippi Man Sentenced to Prison for Tax Evasion

On May 17, 2018, Michael Super, of Hattiesburg, Mississippi, was sentenced to 2 years in prison, 3 years of supervised release, and ordered to pay \$165,076 in restitution to the IRS for federal tax evasion. On February 18, 2018, Super pleaded guilty to tax evasion for failing to pay federal employee trust fund taxes due on behalf of the employees of his company, Eagle Eye Security Services of Hattiesburg. Super entered into an agreement with the government to pay these taxes over time, but failed to make any payments.

The IRS issued levies against the company, but Super still failed to make any payments. To avoid the IRS levies, Super opened another security business and transferred all the assets and clients of his previous company. When the IRS pursued the assets of the second

company, Super again transferred all assets and clients to a third company.

The IRS collected some of the employee trust fund taxes due, but Super evaded paying \$165,075. As part of his sentence, he is now required to repay this amount in restitution.

<https://www.justice.gov/usao-sdms/pr/hattiesburg-man-sentenced-two-years-prison-tax-evasion>

Tax Preparer Sentenced to 5 Years in Prison for Filing Fraudulent Returns

On May 31, 2018, in Birmingham, Alabama, Sandra Lenora Green, of York, Alabama, was sentenced to 5 years in prison, 1 year of supervised release, and ordered to pay \$247,174 in restitution to the IRS for filing false tax returns. According to her plea agreement, Green prepared and falsely claimed credits and

losses on tax returns to inflate the amount of the tax refund clients received. Green admitted that her crimes involved actual or intended losses of \$1.5 million to \$3.5 million.

<https://www.justice.gov/usao-ndal/pr/tax-preparer-sentenced-five-years-prison-filing-fraudulent-returns>

Montgomery "Pill Mill" Doctor Receives Prison Sentence for Drug Distribution, Health Care Fraud, and Money Laundering Offenses

On August 23, 2018, Gilberto Sanchez, of Montgomery, Alabama, was sentenced to 12 years in prison and 3 years of supervised release. She was also ordered to pay a \$50,000 fine for prescribing unnecessary controlled substances to his patients, committing healthcare fraud and money laundering.

ATLANTA FIELD OFFICE CASE FILES

For years, Dr. Sanchez operated a medical practice that gave patients prescriptions for controlled substances knowing that the patients did not need the medicine and abused the drugs.

Among the drugs Dr. Sanchez unnecessarily prescribed were dangerous opioids including oxycodone, hydrocodone, and fentanyl. He also gave out illegitimate prescriptions for amphetamines, including Adderall, and benzodiazepines, including Xanax.

To ensure a profitable scheme, Dr. Sanchez required his patients to return to his office each month and undergo physical examinations before receiving prescription refills. These office visits were unnecessary, as their only purpose was to facilitate Dr. Sanchez in giving the patients illegitimate prescriptions. Dr. Sanchez performed these unnecessary examinations to get money from the insurance companies. This scheme led to Dr. Sanchez's health care fraud conviction.

<https://www.justice.gov/usao-mdal/pr/montgomery-pill-mill-doctor-receives-145-month-sentence-drug-distribution-health-care>

AlphaBay Spokesperson Sentenced to Federal Prison

On July 21, 2018, Ronald Wheeler III, also known as Trappy, of Streamwood, Illinois, was sentenced to almost 4 years in prison and 3 years supervised release. He was also ordered to forfeit approximately \$140,000 in cash and Bitcoin for conspiracy to commit access device fraud while working as a public relations specialist for the dark web marketplace, AlphaBay.

On or around May 25, 2015, Wheeler began working as a public relations specialist for AlphaBay. Wheeler's duties included moderating the AlphaBay subreddit on the internet website reddit.com, moderating the AlphaBay message board

forums, mediating sales disputes among AlphaBay users, promoting AlphaBay on the internet, and providing non-technical assistance to AlphaBay users.

Throughout his participation in the conspiracy, Wheeler advised the public on how to access AlphaBay and encouraged the public to use the website. In return for his work, Wheeler received a salary in Bitcoin. Wheeler's work with AlphaBay continued until early July 2017, when the FBI and its international law enforcement partners shut down the website.

<https://www.justice.gov/usao-ndga/pr/alphabay-spokesperson-sentenced-federal-prison>

Florida Man Sentenced to 5 Years in Federal Prison for Fraudulent Tax Refund Scheme

On August 15, 2018, in Valdosta, Georgia, Tony Cherenfant, of Miami, was sentenced to 5 years in prison, 3 years supervised release, and ordered to pay \$582,751 in restitution to the IRS for his involvement in a conspiracy to steal government funds through a fraudulent tax refund scheme. Cherenfant admitted that while he was stopped on Interstate 75 for a traffic violation, deputies found the personally identifiable information of approximately 1500 individuals, including names, birth dates, and Social Security numbers, as well as tax refund documents.

Cherenfant subsequently admitted his involvement in a conspiracy resulting in the filing of approximately 400 fraudulent federal tax returns claiming refunds of \$1,285,729. Refunds paid on these claims totaled \$582,751.

<https://www.justice.gov/usao-mdga/pr/florida-man-sentenced-sixty-months-federal-prison-fraudulent-tax-refund-scheme>



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BOSTON FIELD OFFICE

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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.

SIGNIFICANT CASES

Former Police Sergeant Sentenced for Embezzling Funds from Disabled Veterans and Operating Fraudulent Tax Preparation Business

On November 14, 2017, in Boston, Glenn P. Pearson, of Whitman, Massachusetts, was sentenced to 4 years in prison and 3 years



BOSTON FIELD OFFICE CASE FILES

of supervised release. He was also ordered to pay \$252,992 in restitution to the Department of Veterans Affairs (VA), and \$826,865 in restitution to the IRS. Pearson previously pleaded guilty to wire fraud, misappropriation by a federal fiduciary, preparation of fraudulent tax returns, and obstruction of the IRS.

According to court documents, from 2007 to 2012, Pearson was appointed as a VA fiduciary for eight disabled veterans. Pearson embezzled VA-issued benefit money from the accounts of several of these veterans. He used the embezzled funds for, among other things, paying down the mortgage on his house.

Additionally, beginning in 2012, Pearson operated a tax preparation business called FTS Tax Services. From 2012 to 2016, Pearson prepared numerous returns that included false credits and deductions to get his clients larger refunds than they were entitled to receive. When the IRS audited his clients' returns,

Pearson obstructed the IRS by making false statements and preparing false documents for his clients to submit during the audits. Pearson also filed his own false income tax returns that underreported his income.

<https://www.justice.gov/usao-ma/pr/former-whitman-police-sergeant-sentenced-prison-embezzling-funds-disabled-veterans>

Restaurant Owner Sentenced for Multiple Fraud Schemes

On November 1, 2017, in Boston, Hazrat Khalid Khan, a Pakistani national residing in Middletown, New York, was sentenced to 30 months in prison, 1 year of supervised release, and will be subject to deportation proceedings upon completion of his sentence. Khan was also ordered to pay restitution of \$2,343,155 to the IRS and \$27,863 to two insurance companies he defrauded.

According to court documents, Khan was the partial owner of 11 fried chicken takeout restaurants in the greater Boston area. As part of a tax fraud scheme that ran for years, Khan and his co-conspirators, generally the managers of these restaurants, defrauded the government and avoided paying payroll and income taxes owed by the stores. They paid their employees in cash and provided tax preparers with false information about the restaurants' payroll and income, thereby causing the tax preparers to file false tax returns.

To avoid paying taxes, Khan and several co-conspirators falsely reported to the IRS the number of employees at their stores, some of whom were undocumented workers, and the wages they paid them. They also failed to file W-2s showing wages paid to employees and falsely described on tax returns their sales, total income, compensation of officers, salaries and wages, and taxable income.

Khan and his co-conspirators also failed to withhold payroll taxes and pay them over to the IRS, resulting in approximately \$2.3 million in unpaid federal payroll and income taxes over a 5-year period. Khan also underreported payroll to the workers' compensation insurance providers for the 11 restaurants he and his co-conspirators controlled, thereby defrauding insurers. Lastly, Khan repeatedly made false statements to get immigration benefits.

<https://www.justice.gov/usao-ma/pr/restaurant-owner-sentenced-multiple-fraud-schemes>

Operator of Temporary Employment Agency Sentenced for Tax Crimes and Insurance Fraud

On January 9, 2018, in Boston, Souleang Kane, of Providence, Rhode Island, was sentenced to 2 years in prison, 3 years

BOSTON FIELD OFFICE CASE FILES

of supervised release, and ordered to pay restitution. In October 2018, Kane pleaded guilty to 18 counts of willful failure to collect and pay taxes to the IRS and 5 counts of mail fraud. According to court documents, from 2010 to 2015, Kane operated a series of temporary employment agencies under the names Expert Staffing, Affordable Staffing, and M&K Temp Inc., providing labor for Massachusetts companies in agricultural industries. During that time, Kane failed to report to the IRS approximately \$4.3 million that her agencies paid in employee wages.

Although she withheld federal taxes from the wages of her employees, Kane failed to report the wages to the IRS. She thereby avoided collecting and paying both the taxes required to be withheld from employee wages and the matching employer taxes. As a result, Kane evaded payment of more than \$1.3 million in federal taxes.

<https://www.justice.gov/usao-ma/pr/operator-temporary-employment-agency-sentenced-tax-crimes-and-insurance-fraud>

Financial Management Consultant Sentenced for Embezzling Medical Firm and Employee Pension Funds

On January 29, 2018, in Providence, Rhode Island, John M. Hairabet, Jr., was sentenced to over 3 years in prison and 3 years of supervised release. On July 20, 2017, Hairabet pleaded guilty to six counts of wire fraud, one count of pension fund theft, and two counts of money laundering.

According to court documents, Hairabet was a former office manager of New England Anesthesiologists, Inc. and president of Anesthesia Management Consultants, LLC. Between October 2007 and August 12, 2013, Hairabet embezzled \$587,218 from bank accounts belonging to New England Anesthesiologists. He also embezzled \$120,313 in

employee elective deferrals intended for 401(k) pension funds.

<https://www.justice.gov/usao-ri/pr/financial-management-consultant-sentenced-embezzling-medical-firm-employee-pension-funds>

Attorney Sentenced to Two Years in Prison for Tax Evasion

On December 4, 2017, in Hartford, Connecticut, Donald J. McCarthy, of East Hartford, was sentenced to 2 years in prison and 3 years of supervised release. On September 11, 2017, McCarthy pleaded guilty to tax evasion.

According to court documents, for tax years 1997 through 1999, 2001, 2003, and 2008 through 2011, McCarthy, an attorney, filed federal personal income tax returns, but failed to pay the balances due for those years, or failed to

pay interest and penalties that accrued on outstanding amounts. In addition, for tax years 2012 through 2014, McCarthy did not file personal income tax returns and failed to pay taxes owed including interest and penalties on outstanding amounts.

McCarthy tried to evade the payment of income taxes by depositing his payroll checks into his personal bank account and shortly thereafter, withdrawing a substantial portion of the monies in cash and bank checks. By June 2015, when he learned of the criminal investigation the IRS was conducting, McCarthy owed \$1,437,037 in back taxes, interest, and penalties. McCarthy's restitution to the IRS now totals \$1,522,734.

<https://www.justice.gov/usao-ct/pr/attorney-sentenced-2-years-prison-tax-evasion>

BOSTON FIELD OFFICE CASE FILES

Long-Running Securities Fraud Ring Responsible for Investor Losses of \$20 Million Dismantled

On July 13, 2018, in New Haven, Connecticut, William Lieberman, of Boca Raton, Florida, was sentenced to 7 years in prison and 3 years of supervised release.

According to court documents, between 2011 and 2015, Lieberman earned nearly \$1.2 million through a securities fraud scheme and, by failing to report this income to the IRS, he evaded \$436,235 in federal income taxes. From approximately 2010 through July 2016, Lieberman and others conspired to defraud investors through a stock “pump and dump” scheme. The co-conspirators convinced investors to purchase securities by making false and misleading representations, causing the price of those securities to become falsely inflated.

Attorneys Corey Brinson, of Hartford, Connecticut, and Diane Dalmy, of

Denver, signed misleading opinion letters claiming that attorneys reviewed the corporate records and filings for the issuing companies, and the companies’ public disclosures were satisfactory. The co-conspirators conducted trades amongst themselves to artificially boost the trading volume of the securities, create the appearance of liquidity, and falsely drive up the share price. After selling their own shares at a profit, they allowed the price of the securities to fall, leaving investors with worthless stock. As a result, more than 12,000 victim investors collectively lost approximately \$20 million.

Co-conspirators sentenced to date include attorneys Brinson and Dalmy, who were each sentenced to 3 years in prison. Damian Delgado, also known as Michael Neumann, of Orlando, Florida, was sentenced to 7 years in prison. Brian Ferraioli, of Sayville, New York, and Thomas Heaphy, Jr., of East Moriches, New York, were each sentenced to 6

years in prison. Christian Meissenn awaits sentencing.

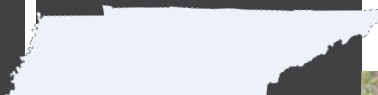
<https://www.justice.gov/usao-ct/pr/florida-man-sentenced-7-years-prison-role-stock-pump-and-dump-scheme>



NORTH CAROLINA



SOUTH CAROLINA



TENNESSEE

CHARLOTTE FIELD OFFICE

10715 DAVID TAYLOR DRIVE, CHARLOTTE NC, 28262 | 704.548.4241

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WILMINGTON, NC

THE CHARLOTTE FIELD Office covers the states of North Carolina, which has three judicial districts, South Carolina, which has a single judicial district, and Tennessee, which has three districts. 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 OCDETF.



CHARLOTTE FIELD OFFICE CASE FILES

SIGNIFICANT CASES

North Carolina Return Preparer Sentenced for Filing Fraudulent Returns

On April 11, 2018, Keesha Frye, was sentenced to over 10 years in prison and 3 years supervised release. She was also ordered to pay \$1,742,823 in restitution to the IRS for conspiring to defraud the United States and preparing fraudulent tax returns for herself and her clients.

According to court documents, Frye owned and operated KEF Professional Tax Services. From 2012 through 2014, Frye and other KEF employees falsified their clients' tax returns by including fake and inflated sources of income to qualify for and maximize the earned income tax credit and increase the refunds claimed on the returns. Frye also filed false personal income tax returns that claimed bogus childcare expenses and business

losses. Frye's scheme caused a tax loss of more than \$1.7 million.

<https://www.justice.gov/usao-mdnc/pr/north-carolina-return-preparer-convicted-filing-fraudulent-returns>

Mooresboro, North Carolina, Woman Sentenced to Prison for Tax Evasion

On April 12, 2018, in Columbia, South Carolina, Kelly Sue Reynolds was sentenced to 2 years in prison, 3 years supervised release, and ordered to pay \$556,760 in restitution.

Evidence presented at the guilty plea hearing established that Reynolds performed bookkeeping services for a firm located in Cherokee County, South Carolina. As part of her duties, Reynolds paid bills for the firm, including the payment of federal taxes. In 2014, the IRS conducted an audit for unpaid taxes

of the firm Reynolds worked for. During the audit, Reynolds admitted that over a 5-year period she embezzled \$439,459 from her employer.

Reynolds further admitted she falsified the books, showing that she paid company bills when she hadn't. The unpaid bills included the company's missing tax payments. In addition, Reynolds did not file personal tax returns during the years she embezzled funds. She owed the IRS \$117,300 in personal income taxes.

<https://www.justice.gov/usao-sc/pr/mooresboro-north-carolina-woman-sentenced-prison-tax-evasion>

North Carolina Tax Return Preparer Sentenced for Tax and Bankruptcy Fraud

On November 16, 2017, Hassie Demond Nowlin, of Greensboro, North Carolina, was sentenced to over 3 years in prison, 3 years supervised release, and ordered to pay \$188,001 in restitution to the IRS for filing a fraudulent tax return and bankruptcy fraud.

During 2008 and 2009, Nowlin filed several fraudulent tax returns that included fake income and withholding taxes and sought more than \$750,000 in fraudulent refunds. Nowlin also filed documents with the Guilford County Register of Deeds renouncing his United States citizenship and proclaiming to be a sovereign citizen.

Between 2008 and 2010, the IRS assessed taxes, penalties, and interest against Nowlin for the fraudulent returns. After being notified of the assessments,

CHARLOTTE FIELD OFFICE CASE FILES

Nowlin concealed his assets and placed them in the names of nominee entities.

Nowlin admitted that between 2011 and 2017, he earned hundreds of thousands of dollars operating a tax preparation business. Nowlin filed hundreds of tax returns for clients that claimed phony business and education expenses and sought refunds to which the clients were not entitled. In addition, the returns did not identify him as the paid preparer. Nowlin deposited the fees he earned into nominee bank accounts that he controlled.

Nowlin further admitted he made false statements to IRS agents, including that he did not prepare tax returns for clients. In addition to the tax-related charges, Nowlin admitted to attempting to cheat his creditors by filing fraudulent personal bankruptcy petitions. Along with these petitions, Nowlin also submitted false financial statements on which he did not fully disclose his income and assets.

<https://www.justice.gov/usao-mdnc/pr/north-carolina-tax-return-preparer-sentenced-prison-tax-and-bankruptcy-fraud>

Violent Drug Trafficking Organization Dismantled, Sentenced to Total of 119 Years in Prison

On December 14, 2017, in Raleigh, North Carolina, three remaining members of the Maurio Mitchell Drug Trafficking Organization (DTO) responsible for shipping and distributing large quantities of cocaine, heroin, and marijuana within the Eastern District of North Carolina were sentenced.

Maurio Tajara Mitchell was sentenced to 35 years in prison for conspiracy to distribute and possess with the intent to distribute five kilograms or more of cocaine, one kilogram or more of heroin and a quantity of marijuana; conspiracy

to commit money laundering; possession of a firearm in furtherance of a drug trafficking crime; and distribution and possession with intent to distribute a quantity of marijuana.

Mark Anthony Daye was sentenced to over 30 years in prison for conspiracy to distribute and possess with intent to distribute five kilograms or more of cocaine, one kilogram or more of heroin and a quantity of marijuana; and conspiracy to launder monetary instruments.

Sandy Darnell Ledbetter, Jr., received 20 years in prison after being found guilty of conspiracy to distribute and possess with the intent to distribute cocaine, and possession of a firearm in furtherance of a drug trafficking crime. Six other members previously sentenced received prison terms ranging from 16 years to 5 months in prison.

The investigation revealed the Mitchell DTO was responsible for shipping and

receiving large quantities of powder cocaine provided by cartel members in Los Angeles. This powder cocaine was further broken down and distributed to mid-level and street-level dealers in the Durham, North Carolina, and surrounding areas. Members of the Omega Line of the United Blood Nation supported and protected Mitchell DTO. The members of the DTO were primarily supplied by Mitchell, who, along with Daye, had the connection to the Los Angeles cartel members.

<https://www.justice.gov/usao-ednc/pr/violent-drug-trafficking-organization-dismantled-sentenced-total-119-years-imprisonment>

CHARLOTTE FIELD OFFICE CASE FILES

Charlotte Investment Fund Operator Sentenced to 7½ Years for Securities Fraud and Tax Evasion

On June 25, 2018, Richard Wyatt Davis, Jr. was sentenced to 7½ years in prison and two years of supervised release for securities fraud and tax evasion.

According to court documents, between 2010 and February 2015, Davis defrauded 75 victims of approximately \$9.3 million, by encouraging them to invest in investment funds he controlled. Davis used investor funds to pay for administrative and overhead expenses and to repay other investors. He also used some of the money to make direct and indirect payments to himself. Davis assured victims that their assets were growing in value despite lacking sufficient financial information to make these claims.

During tax years 2009—2012, Davis transferred more than \$5 million of investor funds into bank accounts in his

own name and in the names of Richard Davis Enterprises and Davis Financial, Inc. Davis used some of these funds, as well as funds directly out of other accounts of Davis's businesses, on personal expenditures totaling over \$2 million. Davis filed false tax returns for 2009 and 2011, which reflected negative total income and failed to file individual income tax returns for 2010 and 2012.

<https://www.justice.gov/usao-wdnc/pr/charlotte-investment-fund-operator-sentenced-75-years-securities-fraud-and-tax-evasio-0>

Greensboro Man Sentenced to Prison for Extensive Bank Lien Theft Scheme, Money Laundering, and Aggravated Identity Theft

On July 9, 2018, Xavier Milton Earquhart, was sentenced to 32 years in prison,

5 years of supervised release, and ordered to pay \$1,570,561 in restitution. He also forfeited a stash of gold bullion, cash, and studio equipment previously seized by law enforcement.

Earquhart was convicted on charges of bank fraud, aggravated identity theft, aiding and abetting, and engaging in monetary transactions involving criminally derived property.

Trial evidence showed that in one bank fraud scheme Earquhart forged a deed on a property owned by an out of state landowner and then channeled the property ownership through fictitious individuals and a holding company before personally taking title to the property. He then secured \$495,000 in home equity loans using the property as collateral.

In another scheme, Earquhart forged bank lien releases on eight properties

by stealing the identities of bank employees and using fictitious notaries. Creating Delaware holding companies to conceal his activities, Earquhart then sold the properties to unknowing third parties. Because of his actions, some affected homeowners lost the funds they had invested into their properties, and others were left uncertain as to whether they could remain in their homes due to their clouded title.

<https://www.justice.gov/usao-ednc/pr/greensboro-man-sentenced-32-years-prison-extensive-bank-lien-theft-scheme-money>

Nashville Area Tax Preparation Business Owners Sentenced for Obtaining Nearly \$6 Million in Bogus Refunds

On January 3, 2018, in Nashville, Tennessee, Victor Oliva, of Hendersonville,

CHARLOTTE FIELD OFFICE CASE FILES

Tennessee, was sentenced to 1½ years in prison, followed by 3 years of supervised release. Oliva was also ordered to pay restitution of \$1,308,422 to the IRS. He was the sole owner and operator of a tax return preparation business known as S Income Tax Preparation.

According to court documents, Oliva prepared and filed 166 false federal income tax returns with the IRS claiming fraudulent refunds of \$1,308,422. His business was one of the tax return businesses subject to a federal search warrant in April 2015.

As part of a tax fraud scheme dating back to 2011, more than 40 people were ultimately charged and convicted of federal offenses. More than \$1 million in cash, luxury automobiles, and 11 Nashville-area residential properties was seized. Other defendants who played a significant role in the scheme include:

Byron Fernandez-Virula Jr., of Madison, Tennessee, was sentenced to 2 years in prison followed by 2 years of supervised release and ordered to pay restitution of \$1,444,957 to the IRS. He prepared and filed 236 false federal income tax returns, claiming fraudulent refunds of at least \$1,444,957, and cashed at least \$351,000 in fraudulently obtained tax refund checks at a check cashing business.

Byron Fernandez-Virula Sr., of Madison, Tennessee, was sentenced to over 3 years in prison, followed by 3 years of supervised release and ordered to pay restitution of \$1,444,957 to the IRS. He prepared and filed at least 1,064 false federal income tax returns claiming fraudulent refunds of at least \$5,894,827. He also cashed at least \$817,000 in fraudulently obtained refund checks at a check cashing business.

Wilmar Soto-Virula, of Madison, Tennessee, was sentenced to over 2

years in prison followed by 2 years of supervised release and ordered to pay restitution of \$730,707 to the IRS. He prepared and filed at least 170 false federal income tax returns claiming fraudulent refunds of at least \$730,707.

Julio Soto, of Goodlettsville, Tennessee, was sentenced to 3 years in prison followed by 3 years of supervised release, and ordered to pay restitution of \$737,531 to the IRS. He prepared and filed at least 130 false federal income tax returns claiming fraudulent refunds of at least \$737,788.

<https://www.justice.gov/usao-mdtn/pr/final-defendant-sentenced-tax-fraud-scheme>

Tennessee State Inmate Sentenced for Conspiracy to Defraud the Internal Revenue Service

On April 2, 2018, in Knoxville, Tennessee, Larry Steven Covington, Jr. was sentenced to almost 4 years in prison and ordered to pay \$163,777 in restitution to the IRS. In May 2017, Covington pleaded guilty to conspiracy to defraud the U.S. government.

According to court documents, Covington learned how to prepare and file fraudulent income tax returns from another inmate while he was serving time in a Tennessee state correctional facility. Covington illegally obtained personally identifiable information (PII), including Social Security numbers, from mostly other inmates. He used this information to either create false tax returns, which he mailed to his mother, or provided the information to his mother over the phone so she could prepare the

CHARLOTTE FIELD OFFICE CASE FILES

forms and mail them to the IRS from her Knoxville residence.

The IRS deposited some of the refunds into two bank accounts Covington created. He instructed his mother to withdraw the money from these accounts, keep some for herself, and purchase Green Dot cards for Covington with the remainder. In some cases, the IRS mailed checks directly to Covington's mother, which she cashed and put the funds on a Green Dot card for Covington.

Between tax years 2009—2015, Covington filed over 550 fraudulent returns using multiple addresses. The refunds totaled \$905,213. The actual amount of loss was approximately \$163,777.

<https://www.justice.gov/usao-edtn/pr/tennessee-state-inmate-sentenced-serve-46-months-federal-prison-conspiracy-defraud>

Memphis Man Sentenced for Obstructing the IRS

On October 20, 2017, in Memphis, Tennessee, Cedric Zimbalist Chism was sentenced to 1½ years in prison and 1 year of supervised release. Chism was convicted of obstructing the IRS.

According to court documents, Chism was the former owner and operator of a security guard service, Memphis Security of Tennessee, Inc. (MSOFT). MSOFT had contracts for services with various businesses throughout the Western District of Tennessee in Memphis. Chism attempted to evade payment and reporting of employment taxes to the IRS. From 1999 to 2011, Chism, as owner and operator of MSOFT, owed \$1,688,473 with a tax loss to the IRS of \$854,144.

<https://www.justice.gov/usao-wdtn/pr/memphis-man-sentenced-18-months-federal-prison-obstructing-irs>



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PEORIA, IL

ROCHESTER, MN
ROCKFORD, IL
SCHILLER PARK, IL
SOUTH BEND, IN
SPRINGFIELD, IL

THE CHICAGO FIELD Office covers the states of Illinois, Indiana, Minnesota, and Wisconsin. We work a wide variety of cases and have great relationships with the U.S. Attorney’s Offices in the eight judicial districts covered by the field office. Our agents

participate in numerous task forces and work complex cases in many diverse areas such as public corruption, cybercrimes, drug trafficking, and corporate fraud.



CHICAGO FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Chicago Scrap Iron Refining Company and Its President Sentenced for Criminal Tax Violations

On October 18, 2017, Laurence C. Baron was sentenced to 1 year in prison, 1 year of supervised release, and ordered to pay \$1,333,084 in restitution. On the same date, a judgement ordered that funds

seized from Acme Refining Company would be applied to pay an outstanding restitution judgment of \$4,545,243 and a fine of \$500,000.

According to court documents, from 2009 to 2013, Acme Refining, a Chicago-based scrap iron refining business and its president concealed from the IRS more than \$11.6 million in cash wages paid to at least 50 employees. Acme and Baron also acknowledged they

willfully failed to withhold the required amounts for FICA taxes and Medicare. Additionally, Baron directed Acme employees to issue multiple vouchers for cash payments due to suppliers that exceeded \$10,000, using nominee or fictitious payees as the purported seller.

Between 2009 and 2013, the company and Baron obtained approximately \$152 million in cash from two currency exchanges. They used that money to

pay 85 separate scrap metal suppliers to assist them in underreporting their income and taxes. Further, Acme, at the direction of Baron, spent at least \$1.6 million to fund construction of a personal residence in Wisconsin. This expenditure was falsely recorded as “cost of goods sold” to reduce Acme’s tax liability and conceal the payment on behalf of its corporate officers. Baron also filed false individual income tax returns for tax years 2011 and 2012, which resulted



CHICAGO FIELD OFFICE CASE FILES

in a total federal and state tax loss of approximately \$208,875.

Former Lake County Sheriff Sentenced to Over 15 Years in Prison

On January 16, 2018, in Hammond, Indiana, John Buncich, of Crown Point, Indiana, was sentenced to over 15 years in prison, 2 years of supervised release, and ordered to pay \$800 in restitution along with a \$250,000 fine.

According to court documents, from February 2014 through October 2016, Buncich, as the Lake County Sheriff, devised a scheme to deprive the citizens of Lake County of their right to the honest services of the sheriff's office. The scheme was designed to enrich Buncich personally and his campaign committee, known as Buncich Boosters. Timothy Downs (formerly the chief in the Lake County Sheriff's Department) often

collected checks and cash payments from William Szarmach (owner and operator of CSA Towing in Lake Station, Indiana) and Scott Jurgensen (a former Merrillville police officer and owner of Sampson Relocation and Towing). The payments were exchanged for Buncich awarding them county towing business and towing in the city of Gary for ordinance violations.

Former Office Manager Sentenced for Defrauding Employer of More Than \$1 Million

On December 12, 2017, in Peoria, Illinois, Tina Cozart, formerly of Carlock, Illinois,

was sentenced to 3½ years in prison. She was also ordered to pay restitution of \$1,145,428 to her former employer, \$346,299 to the IRS, and \$25,000 to an insurance company.

On June 16, 2017, Cozart pleaded guilty to one count each of wire fraud and filing a false income tax return in defrauding her former employer, a Bloomington landscaping business, of more than \$1 million. She used her position as office manager for the company to use the business's credit cards and bank accounts to make unauthorized purchases for herself, her family, and others. Cozart charged more to the business's credit cards than she

earned for the year.

Cozart also used a dormant business bank account to deposit customer payments. She then used the funds to pay the unauthorized personal purchases she charged using the business's credit card. In addition, Cozart filed a false federal income tax return for tax year 2013 by not reporting the \$333,378 in additional funds she received because of her fraud scheme.

Health Care Business Owners Sentenced for Multi-Million Dollar Fraud and Tax Conspiracy

On February 8, 2018, in Minneapolis, Thurlee Belfrey, Roylee Belfrey, and Lanore Belfrey, were sentenced to over 7 years, 5 years, and over 1 year in prison, respectively, for their roles in a years-long, multi-million dollar health care fraud and tax conspiracy. In addition, Thurlee was

"The quality of case work accomplished in the Chicago Field Office continues to impress me. This year, our office merged with the St. Paul office and together we will continue to aggressively combat financial crimes in the Midwest area. I am extremely proud of our agents and professional staff as they fight hard every day for the American taxpayer." –Gabriel Grchan, Special Agent In Charge

CHICAGO FIELD OFFICE CASE FILES

ordered to pay \$8,944,036 in restitution; Roylee was ordered to pay \$4,592,593 in restitution; and Lanore was ordered to pay \$402,158 in restitution.

Brothers Thurlee and Roylee ran multiple health care businesses that received funds from the Medicaid and Medicare programs funded by the federal government and the state of Minnesota. In 2003, following an investigation by the Minnesota Attorney General's Office into Royal Health Care, a business the brothers started in the 1990s, Thurlee was convicted of felony theft by false representation. In addition, the U.S. Department of Health and Human Services excluded Thurlee indefinitely from participating in state and federal health care programs, with no right to seek reinstatement for up to 20 years.

Despite this ban, Thurlee conspired with his wife, Lanore, to incorporate a new health care company, Model Health Care, to continue the business operations and conceal his involvement. To do

this, Lanore was named the owner of Model and intentionally failed to disclose Thurlee's involvement in managing the business. Under this scheme, Model received more than \$18 million from Medicaid.

In addition, Roylee operated several other health care businesses during this time and between 2007 and 2013, the brothers deducted and collected money from their employees' wages, supposedly for the payment of federal payroll taxes and Federal Insurance Contribution Act (FICA) taxes.

However, they intentionally failed to pay the withheld taxes to the IRS, instead, using the money for personal purchases. The brothers admitted to unlawfully using for their own benefit more than \$3,960,000 in withheld taxes between 2007 and 2014. The accountant who prepared the business tax returns, Kenneth Harycki, former mayor of Stillwater, pleaded guilty to one count of

conspiracy, was sentenced to 1 year in prison, and ordered to pay more than \$2 million in restitution.

<https://www.justice.gov/usao-mn/pr/health-care-business-owners-sentenced-prison-multi-million-dollar-fraud-and-tax>

Repeat Tax Fraud Offender Sentenced to 10 Years for Tax Fraud Scheme

On July 31, 2018, in Minneapolis, Arthur Dale Senty-Haugen, was sentenced to 10 years in prison for orchestrating a years-long tax fraud conspiracy while confined to the Minnesota Sex Offender Program (MSOP). Senty-Haugen has been confined to the MSOP in Moose Lake, Minnesota, since 1994.

From early 2012 through late 2017, Senty-Haugen devised and participated in a scheme to get money from the U.S.

government by filing false federal income tax returns claiming fraudulent refunds on behalf of fellow clients of the MSOP ("the filers"). As part of the scheme, Senty-Haugen prepared and filed the false tax returns using the filers' names and Social Security numbers, as well as false wage and federal income tax withholding information.

Senty-Haugen enlisted the help of other individuals not confined at MSOP to help him and the filers prepare and file fraudulent returns as well as collect and transfer the illicit proceeds. Senty-Haugen admitted to filing 92 fraudulent income tax returns for tax years 2011 through 2016, seeking more than \$550,000 in refunds.

In 2000 and 2013, Senty-Haugen was prosecuted in state court on fraud-related offenses. Additionally, in 2004, while confined at MSOP, Senty-Haugen was indicted in federal court for tax fraud conspiracy and was sentenced to over 4

CHICAGO FIELD OFFICE CASE FILES

years in prison and 3 years of supervised release. Senty-Haugen began his new fraud scheme just two days after his term of supervised release expired.

Woman Sentenced for Multi-Million Dollar Tax Refund Scheme

On March 14, 2018, in Milwaukee, Amalia Gamboa, of Milwaukee, was sentenced to 5 years in prison and ordered to pay \$4,681,690 in restitution to the IRS.

From November 2010 through March 2017, Gamboa committed her theft by fraudulently obtaining individual tax identification numbers (ITINs) from the IRS. The IRS issues an ITIN to individuals who cannot get a Social Security number. Gamboa used personal identifying documents from citizens of Mexico, fraudulently applied for ITINs in their names, and then filed false tax returns

using the ITINs. Gamboa falsely claimed dependents in the tax returns that she filed to fraudulently receive the additional child tax credit.

Gamboa cashed approximately \$5.1 million in tax refund checks at a local check cashing business. CI conducted over 15 search and seizure warrants resulting in the seizure of approximately \$1.5 million in cash and \$1 million in U.S. Treasury checks related to this ITIN fraud scheme. Gamboa agreed to be voluntarily deported to Mexico after her prison sentence due to her lack of legal status in the United States. Judge Pepper, who oversaw the case, said she's "never seen a single person responsible for this much loss in my time as a judge" and hopes that Gamboa's sentence "sends a message."

<https://www.justice.gov/usao-edwi/pr/woman-sentenced-five-years-prison-multi-million-dollar-tax-return-scheme>

West Salem Women Sentenced for Wire Fraud and Filing False Tax Return

On November 9, 2017, in Madison, Wisconsin, Barbara Snyder, of West Salem, Wisconsin, was sentenced to 4 years in federal prison for engaging in a wire fraud scheme and filing a false income tax return for the theft of \$832,000 from a church.

Snyder served as the secretary and accounting clerk for St. Patrick's Church in Onalaska, Wisconsin. Between 2006 and 2015, she embezzled approximately \$832,210 of church collections. Although entrusted to deposit all the church collections, Snyder took a portion of the funds for herself and used them for gambling.

To avoid detection, Snyder discarded records of church collections, created false entries in accounting records, and lied to church auditors. During the same period, Snyder filed a false tax return for 2015, in which she underreported

her gross income by failing to report the proceeds of her embezzlement.

<https://www.justice.gov/usao-wdwi/pr/west-salem-woman-sentenced-4-years-wire-fraud-tax-evasion>



OHIO



KENTUCKY

CINCINNATI FIELD OFFICE

550 MAIN STREET, CINCINNATI OH, 45202 | 513.975.6343

***AKRON, OH
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CLEVELAND, OH***

***COLUMBUS, OH
DAYTON, OH
FLORENCE, KY
INDEPENDENCE, OH***

***LEXINGTON, KY
LOUISVILLE, KY
TOLEDO, OH***

THE CINCINNATI FIELD office covers the states of Ohio and Kentucky, which includes two federal judicial districts in each state. 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” as well as the eastern and western judicial districts of the “Bluegrass 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.



CINCINNATI FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Circleville Businessman Sentenced for Tax Fraud

On April 3, 2018, in Columbus, Ohio, John Rankin, of Circleville, Ohio, was sentenced to 5 years in prison and ordered to pay \$7.1 million in restitution to the IRS, which consisted of approximately \$2 million in prejudgment interest. Rankin was convicted of 17 tax-related charges including the following:

- **Seven counts of failing to account for and pay employment taxes to the IRS**
- **Six counts of willfully filing false federal individual income tax returns**
- **Three counts of willfully filing false federal corporate income tax returns**
- **One count of obstructing and impeding the due administration of the IRS**

According to court documents, Rankin operated several Circleville-based busi-

nesses, including Connectivity Systems Inc., a mainframe software company that provides internet protocol development and servicing. Rankin Enterprises, LLC was a shell corporation that included the Circleville Movie House, Screening Room, J.R. Hooks Café, and Tootles Pumpkin Inn. Rankin also owned the Tuscan Table, an Italian restaurant in downtown Circleville.

Between June 2008 and April 2011, Rankin, conducting business as Rankin Enterprises and Tuscan Table, failed to account for and pay all federal income and FICA taxes. Rankin also filed false amended individual income tax returns with the IRS for the 2005 through 2009 tax years. He claimed a corrected adjusted gross income of negative \$1.7 million, when his corrected adjusted gross income was more than \$8.9 million.

In 2010, Rankin filed a false individual income tax return that reported

an adjusted gross income of nearly \$27,000, when his actual gross income was nearly \$1.6 million. In addition, Rankin filed false corporate tax returns with the IRS for Connectivity Systems Inc. for the 2008, 2009, and 2010 tax years. These returns claimed a fraudulent accelerated research and development credit of \$1.7 million against the corporate taxes due of Connectivity Systems Inc.

Between January 2005 and July 2015, Rankin made false and misleading statements to IRS agents and concealed information from them.

Leader of Drug Conspiracy Sentenced

On July 24, 2018, in Cleveland, Jesus Caro Lopez was sentenced to 24 years in prison for leading a conspiracy that brought 20 pounds of methamphetamine into northeast Ohio.

Lopez previously pleaded guilty to conspiracy to possess with intent to distribute methamphetamine and cocaine, distribution of methamphetamine, and conspiracy to launder money. He will be deported upon completion of his prison sentence. Lopez has previously been deported at least seven times. He is one of nine people who have been sentenced to prison for their roles in the conspiracy.

Rogelio Cervantes owned Si Señor restaurant and Fiesta Los Jalapenos. Cervantes agreed to introduce a person cooperating with law enforcement (identified as Source 1) to Lopez, who Cervantes identified as his Mexican-based drug supplier. Cervantes and Source 1 discussed the potential and logistics of Lopez transporting kilograms of cocaine to the Cleveland area for distribution, according to court documents. Cervantes told Source 1 that Lopez intended to sneak into the United States to set up a drug distribution hub in Cleveland.

CINCINNATI FIELD OFFICE CASE FILES

Cervantes said he and Lopez then planned to launder their drug profits by buying properties, shopping centers, and restaurants. Lopez talked to an undercover agent in November 2016 and stated he was sending one kilogram of cocaine and five pounds of methamphetamine to Cleveland. The undercover agent spoke with Lopez in December 2016 and then with Jose DeJesus Rocha Garcia about meeting to pick up a delivery of methamphetamine. They met and the undercover agent gave Roche Garcia \$14,000 for more than 10 pounds of methamphetamine.

In May 2017, the undercover agent continued discussions with Lopez about purchasing drugs. Lopez arranged for Melchor Lopez Lopez to meet at a Walmart, where undercover agents gave Melchor Lopez Lopez \$20,000 in exchange for 10 pounds of methamphetamine. Others sentenced to prison in the case already include Rocha Garcia (over 11 years), Leopolda Rocha (over 10 years), and Jose Lopez (6 years).

Cervantes has pleaded guilty and is awaiting sentencing.

Central Kentucky Pharmacist Sentenced for Conspiracy to Distribute Oxycodone and Money Laundering

On October 27, 2017, in Lexington, Kentucky, Michael Allen Ingram was sentenced to 8 years in prison and 2 years of home incarceration as a term of his supervised release. Ingram also forfeited more than \$450,000.

According to court documents, Ingram, while operating Hometown Pharmacy of Georgetown, illegally distributed and dispensed oxycodone by filling forged prescriptions. Ingram knew the distribution and dispensation of these pills was outside the scope of his pharmaceutical professional practice and was not for a legitimate medical purpose. Ingram used the proceeds of the illegal oxycodone

sales to purchase property which he used to house an additional business, Hometown Pharmacy of Cynthiana.

<https://www.justice.gov/usao-edky/pr/central-kentucky-pharmacist-sentenced-conspiracy-distribute-oxycodone-and-money>

Fugitive Lawyer Involved in Largest Social Security Fraud Scheme Sentenced to 15 Years in Prison for His Escape and Related Crimes

On September 7, 2018, Eric Conn, a former fugitive and Social Security disability lawyer, was sentenced to 15 years in prison on conspiracy to defraud the United States, conspiracy to escape, conspiracy to retaliate against an informant, and fleeing from the United States. The sentence is to run consecutive to the 12 years in prison Conn previously received in July 2017.

Conn received this sentence on convictions of paying illegal gratuities to a Social Security administrative law judge and theft of more than \$550 million in what is the largest fraud scheme in the history of the Social Security program. He was also ordered to pay \$72,574,609 in restitution.

From October 2004 to December 2017, Conn participated in a scheme with former SSA administrative law judge David Black Daugherty, clinical psychologist Alfred Bradley Adkins, and others to submit thousands of falsified medical documents to the SSA. They fraudulently obtained disability benefits totaling more than \$550 million for thousands of individuals. A former SSA employee discovered the scheme and provided information about it to federal agents. Conn and former SSA administrative law judge Charlie Paul Andrus conspired to have the former SSA employee terminated to discredit the employee.

CINCINNATI FIELD OFFICE CASE FILES

Conn fled the country before his original sentencing date with the help of Curtis Lee Wyatt by severing the electronic monitoring device from his ankle and fleeing across the Mexican border. After fleeing, Conn was sentenced in absentia in July 2017 to 12 years in prison on those charges. In December 2017, Conn was returned to the United States from Honduras after Honduran authorities apprehended him.

Andrus pleaded guilty to an information charging him with conspiracy to retaliate against an informant and was sentenced to 6 months in prison. Daugherty pleaded guilty to an information charging him with receiving illegal gratuities and was sentenced to 4 years in prison. Adkins was found guilty following a 6-day trial of mail fraud, wire fraud, conspiracy to commit mail and wire fraud, and making false statements. He was sentenced to 25 years in prison. Wyatt was sentenced to 7 months in prison for his role in helping Conn flee the country.

<https://www.justice.gov/opa/pr/fugitive-lawyer-involved-largest-social-security-fraud-scheme-sentenced-15-years-prison-his>

Veteran Sentenced for False Income Tax Returns

On July 23, 2018, in Paducah, Kentucky, Jacques P. Royal, also known as Jacques Royal EL, was sentenced to one year in prison, one year of supervised release and ordered to pay \$347,633 to the IRS. Royal previously pleaded guilty to filing false returns.

According to court documents, between February 2011 and May 10, 2013, Royal was a soldier in the U.S. Army and was stationed at Ft. Campbell, Kentucky. During a 22-month period, Royal willfully prepared and filed seven false Forms 1041, Tax Returns for Estates and Trusts. The seven tax returns claimed false refunds totaling \$1,644,199. However,

Royal received only three refund checks in the amounts of \$98,489, \$98,713, and \$150,431 totaling \$347,633.

On each of the Forms 1041, Royal listed JSL Royal Estates as a trust with Jacques Royal EI being the fiduciary. However, this trust did not exist. Royal made up all the numbers on the forms and claimed he paid withholding taxes on average of \$101,000 a year so that he could get a sizeable refund. But, Royal never paid any withholding taxes and knew that the returns were false.

Buffalo Man Sentenced to Prison for Tax Evasion

On September 13, 2018, Dorian Wills, who was convicted of tax evasion, sentenced to 3 years in prison, and ordered to pay \$1,466,330 in restitution to the IRS.

From April 2010 through October 2013, Wills operated a debt collection

business under a variety of different names. The business engaged in illegal collection practices, including making threatening and harassing phone calls, and collecting on debt that did not exist or that the collection companies did not have title to. To conceal his involvement in the business, Wills directed two individuals to incorporate companies in their names in Georgia and Ohio, and to open bank accounts in the names of those companies. Wills then used these corporate entities to operate his debt collection business.

During 2011 through 2013, Wills earned significant income from his debt collection activities. However, he sought to hide his income and evade his income tax liabilities by using nominees to hide his ownership of his businesses and filing false tax returns. In addition, Wills did not file tax returns at all for 2011 and 2013.

<https://www.justice.gov/opa/pr/buffalo-man-sentenced-prison-tax-evasion>



TEXAS



OKLAHOMA



ARKANSAS

DALLAS FIELD OFFICE

1100 COMMERCE, DALLAS TX, 75242 | 214.413.5929 | DALLASFIELDOFFICE@CI.IRS.GOV

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LUBBOCK, TX
MUSKOGEE, OK

OKLAHOMA CITY, OK
TULSA, OK
TYLER, TX

THE DALLAS FIELD Office covers the Northern and Eastern Districts of Texas, Oklahoma and Arkansas. 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).



DALLAS FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Former Tulsa Sentenced For \$2 Million Wire Fraud Scheme and \$500,000 Tax Evasion Case

On April 23, 2018, in Tulsa, Oklahoma, Shawn Christopher Gorrell was sentenced to over 5 years in prison and 3 years supervised release for tax evasion and wire fraud. As a condition of his supervised release, the court ordered Gorrell to pay \$509,256 in restitution to the IRS and entered a money forfeiture judgment against Gorrell for \$2,006,908.

Between 2007 and 2012, Gorrell induced victims to entrust him with over \$2 million for investing on their behalf in various ventures he touted. Gorrell used the funds to pay personal expenses, to gamble, and to day-trade in his personal trading account. In addition to providing the investors with reassuring statements of venture performance, Gorrell

used their funds to make Ponzi-type payments to them, creating the illusion the ventures were operating according to his representations.

Except for those funds he paid to investors as purported “returns,” Gorrell spent all the victims’ invested moneys. In addition, the jury determined Gorrell evaded the payment of taxes on the funds he fraudulently obtained from investors. He should have reported the funds for tax years 2009, 2011, and 2012, but he willfully avoided doing so.

<https://www.justice.gov/usao-ndok/pr/former-tulsa-sentenced-2000000-wire-fraud-scheme-and-500000-tax-evasion-case>

North Texas Woman Sentenced for Wire Fraud Related to ID Theft Returns

On February 12, 2018, Nancy Mawun-

ganidze was sentenced to almost 5 years in prison, one month of supervised release, and ordered to pay \$1,167,535 in restitution for transmitting false returns using stolen identities.

From about June 12, 2012, to March 4, 2014, Mawunganidze devised a scheme to obtain personally identifiable information and use it to file bogus tax returns with the IRS. Mawunganidze then directed the refunds to bank and debit card accounts under her control.

Jasper Family Sentenced in DETCOG Conspiracy

On May 22, 2018, in Lufkin, Texas, Walter Diggles, his wife Rosie Diggles, and their daughter Anita Diggles were sentenced to prison for conspiracy violations. Walter Diggles was sentenced to 9 years in prison and ordered to pay \$1,326,049 in restitution to the govern-

ment. Rosie Diggles and Anita Diggles were each sentenced to 4½ years in prison and ordered to pay restitution of \$971,143 to the government.

According to information presented in court, the defendants devised a scheme to obtain and use federal block grant funds intended for victims of Hurricanes Rita, Katrina, Ike, and Dolly. These funds were made available to the state of Texas, which contracted with councils of governments within the state to help administer and distribute the funds.

Walter Diggles was the Executive Director of the Deep East Texas Council of Governments during this time. He used his position to approve inflated billing rates and requests for reimbursement of federal block grant funds while Rosie Diggles and Anita Diggles prepared many of the requests. Additionally, Walter Diggles engaged in activities and approved requests for fraudulent block grant funds. All the defendants

DALLAS FIELD OFFICE CASE FILES

spent significant amounts of the excess funds on personal expenses.

<https://www.justice.gov/usao-edtx/pr/jasper-family-sentenced-detcog-conspiracy>

Former Arkansas State Senator Sentenced to Prison for Bribery Scheme

On September 5, 2018, in Fayetteville, Arkansas, Jonathon E. Woods was sentenced to over 18 years in prison and ordered to pay \$1,621,500 in restitution.

On May 3, 2018, a jury found Woods guilty of 15 counts, including conspiracy, wire and mail fraud, and money laundering. According to the evidence presented at trial, Woods served as an Arkansas state senator from 2013 to 2017. Between approximately 2013 and

2015, Woods used his official position to direct government money, known as general improvement funds (GIF), to two non-profit entities. He also advised other Arkansas legislators, including former State Representative Micah Neal, to contribute GIF to the non-profits.

Woods and Neal authorized and directed the Northwest Arkansas Economic Development District, which was responsible for disbursing the GIF, to award approximately \$600,000 to the two non-profit entities. The evidence further showed that Woods and Neal received bribes from officials at both non-profits, including Oren Paris III who was a college president. Woods initially facilitated \$200,000 of GIF money to the college and later, with Neal, directed another \$200,000 to the college, in exchange for kickbacks.

To pay and conceal the kickbacks, Paris paid a portion of the GIF to a consult-

ing company controlled by Randell G. Shelton Jr. Shelton then kept a portion of the money and paid the other portion to Woods and Neal. Paris also bribed Woods by hiring Woods's friend to an administrative position at the college.

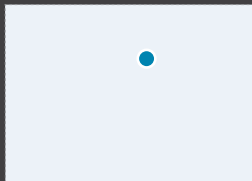
<https://www.justice.gov/opa/pr/former-arkansas-state-senator-sentenced-more-18-years-prison-bribery-scheme>

'Irish Mob' Gang Members Sentenced in Methamphetamine and Heroin Conspiracy

On December 4 and 5, 2017, in Oklahoma City, two 'Irish Mob' gang members, who were inmates incarcerated in the Oklahoma State Penitentiary, were sentenced for money laundering and conspiracy to distribute methamphetamine and heroin. On December 4, Chad Nathan Hudson was sentenced to

29 years in prison and 5 years supervised release. Richard Joseph Coker was sentenced on December 5 to 30 years in prison and 6 years supervised release.

Hudson and Coker were two of nineteen other defendants charged on July 14, 2017, after a 16-month joint investigation by several federal agencies. Gang leaders used contraband cell phones within prison to work with individuals outside of prison to operate an extensive drug-trafficking operation in Oklahoma City and elsewhere. Over 100 pounds of methamphetamine, firearms, and large amounts of currency were seized during the investigation.



COLORADO



WYOMING



MONTANA



IDAHO

DENVER FIELD OFFICE

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

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FORT COLLINS, CO
GRAND JUNCTION, CO

HELENA, MT
MISSOULA, MT
WESTMINSTER, CO

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.



DENVER FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Stapleton Couple Sentenced for Income Tax Evasion and Bankruptcy Fraud

On March 22 and 23, 2018, in Denver, Daryl Yurek and Wendy M. Yurek were sentenced to 4 years and 2 years in prison respectively. Mr. Yurek also received 3 years of supervised release and an asset forfeiture judgment of \$132,991.61 Mrs. Yurek also received 3 years of supervised release. The Yureks were also ordered to pay \$1,614,536 in restitution to the IRS.

A Denver jury convicted the Yureks of tax evasion and bankruptcy fraud on July 27, 2017. The jury also convicted Daryl Yurek of three additional related offenses.

The Yureks owed taxes of \$624,127 for 1999 and \$53,978 for 2004. In 2006, the Yureks submitted an offer in compromise to the IRS to settle their tax obligation for \$75,000. With the offer in compromise, they indicated a "doubt as to collectability" and that they had insufficient assets and income to pay the full amount.

Later, in September 2010, the Yureks filed a voluntary Chapter 7 bankruptcy petition with the U.S. Bankruptcy Court in the District of Colorado. During the bankruptcy proceeding, Daryl Yurek testified that the primary reason for pursuing bankruptcy was "the \$1.2 million that the IRS wants." However, during the period the Yureks claimed to be unable to pay their taxes, they caused companies they were associated with to pay their

personal expenses for them, including mortgage payments on a \$1.3 million loft they purchased in the name of one of their sons in downtown Denver. The companies also paid mortgage expenses on vacation homes the Yureks used.

<https://www.justice.gov/usao-co/pr/stapleton-couple-sentenced-income-tax-evasion-and-bankruptcy-fraud>

Gunsmoke Gun Shop Owner Sentenced to 6½ Years for Tax Fraud and Conspiracy

On March 8, 2018, in Denver, Richard Wyatt, of Evergreen, Colorado, was sentenced to 6½ years in prison and

3 years of supervised release for tax fraud and conspiracy to deal in firearms without a license. As part of the sentencing, 490 firearms were ordered forfeited. Restitution to the IRS will be determined at a future hearing.

Wyatt operated Gunsmoke, a store that displayed and sold firearms, firearm accessories, and gunsmithing services. Wyatt aggressively publicized his business by posting videos on YouTube and by appearing in a reality television series that aired from 2011 through 2012.

In April 2012, Wyatt surrendered Gunsmoke's federal firearms license due to violations of federal laws and regulations. However, after Gunsmoke surrendered its federal firearms license, Gunsmoke changed the address of the

"The employees of the Denver Field Office are proud to represent IRS-Criminal Investigation throughout the beautiful Rocky Mountain Region. IRS-CI agents continue to be the financial fraud experts in this four state area ensuring that the integrity of our nation's financial systems is not compromised. This is only accomplished through the dedication and hard work of the professionals in the Denver Field Office."

DENVER FIELD OFFICE CASE FILES

federal firearms license of another store known as Triggers Firearms LLC's to the Gunsmoke address.

Wyatt continued to operate Gunsmoke as a retail firearms store that also offered gunsmithing services, but Wyatt never held an ownership interest in Triggers or assumed management of Triggers. Wyatt and other co-conspirators submitted false paperwork to the ATF to hide that Triggers was acting as a straw licensee for Gunsmoke. Wyatt ran his business by directing Gunsmoke employees to enter firearm sales in Gunsmoke's computer point of sales software system as "miscellaneous" sales rather than firearm sales.

Customers shopping at Gunsmoke purchased firearms from Gunsmoke and had gunsmithing services performed on Gunsmoke premises. After receiving payment for firearms, Gunsmoke employees directed customers to another firearms store which had a valid federal

firearms license, where the customers filled out the background check paperwork and took possession of the firearms they had purchased at Gunsmoke.

Customers who wanted gunsmithing services left their firearms with Gunsmoke. After the gunsmiths at Gunsmoke completed their work, they returned the firearms to the customers. The customers paid Gunsmoke directly for this service. Wyatt, without the federal firearms license, continued to order new guns for sale to keep the business going.

A jury convicted Wyatt of two counts of conspiracy dealing in firearms without a license, filing a false tax return, and multiple counts of failure to file. Wyatt failed to pay over \$500,000 in income tax for 2009 through 2012, and did not file tax returns for those years. For 2011, Wyatt willfully filed a false tax return for 2011 stating he lost money, but he

actually made at least \$350,000 that he failed to disclose.

<https://www.justice.gov/usao-co/pr/gunsmoke-gun-shop-owner-sentenced-78-months-conspiracy-and-tax-fraud>

Washington Man Sentenced for Trafficking Methamphetamine into Montana

On December 20, 2017, in Billings, Montana, Juan Ramon Delgadillo-Meza, of Ephrata, Washington, was sentenced to 12½ years in prison, 5 years of supervised release, a \$200 special assessment, and a money judgment of \$1.3 million. Delgadillo-Meza was convicted of conspiracy to possess with intent to distribute methamphetamine and conspiracy to commit money laundering. In June 2015, law enforcement agents began investigating a drug trafficking organization responsible for transporting

methamphetamine from Washington into Montana for distribution.

Agents identified Juan Ramon Delgadillo-Meza as one of the individuals responsible and in August 2015, conducted surveillance and saw Delgadillo-Meza meet with an individual in Montana. Investigators later identified the individual as one of Delgadillo-Meza's distributors. The investigation uncovered that Delgadillo-Meza continued to travel to Montana from September through November 2015.

On November 15, 2015, a Montana Highway Patrol Trooper stopped Delgadillo-Meza for a traffic violation. A search of the vehicle revealed approximately 886 grams of pure methamphetamine, which was seized. In January 2016, law enforcement agents searched the residences of Delgadillo-Meza's distributors in Billings and Belgrade. Agents seized pure methamphetamine from a storage facility in Billings. Delgadillo-Meza's

DENVER FIELD OFFICE CASE FILES

Montana distributors were previously convicted and sentenced for narcotics and money laundering offenses.

<https://www.justice.gov/usao-mt/pr/washington-man-sentenced-over-12-years-prison-trafficking-over-60-pounds-methamphetamine>

Colorado Man Who Fleed to Costa Rica After Trial Sentenced to More Than 7 Years in Prison for Tax Crimes

On October 13, 2017, in Denver, Timothy Stubbs, of Grand Junction, Colorado, was sentenced to more than 7 years in prison, 3 years of supervised release, and ordered to pay \$639,114 in restitution to the IRS and a fine of \$50,000. Stubbs was convicted in September 2015 for tax evasion and failing to file personal and corporate income tax returns.

Stubbs owned National Rebate Fund Inc. Despite earning more than \$7 million between 2005 and 2007, he did not file corporate income tax returns. Stubbs also earned more than \$2 million in income taxable to him personally during those same years and did not file individual tax returns. To conceal his income, Stubbs paid more than \$700,000 in personal expenses from the business and acquired more than \$370,000 in gold and silver in 2007.

Also during those three years, Stubbs purchased real estate costing more than \$2.9 million. In December 2015, two weeks before his scheduled sentencing hearing, Stubbs fled to Costa Rica, where he had been living in 2014 before being arrested for the indictment.

Stubbs lied to immigration officials in Costa Rica in an attempt to renew his residency in Costa Rica and stay there permanently. In April 2017, Costa Rica deported Stubbs.

<https://www.justice.gov/opa/pr/colorado-man-who-fled-costa-rica-after-trial-sentenced-more-7-years-prison-tax-crimes>



MICHIGAN

DETROIT FIELD OFFICE

985 MICHIGAN AVENUE, DETROIT MI, 48226 | IRS-CI.MICHIGAN@CI.IRS.GOV

ANN ARBOR, MI

CLINTON TOWNSHIP, MI

EAST LANSING, MI

FLINT, MI

GRAND RAPIDS, MI

PONTIAC, MI

TRAVERSE CITY, MI

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 Health-care Fraud Strike Force.



DETROIT FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Michigan Resident Sentenced for Defrauding the IRS

On February 6, 2018, Durand Micheau, of Ferndale, Michigan, was sentenced to 9½ years in prison, 3 years of supervised release, and ordered to pay restitution of \$360,500 to the U.S. Treasury.

Micheau's wife, Sharon Gandy-Micheau was previously sentenced to 6 years in prison. Two of Sharon's brothers, Anthony Gandy and Christopher Gandy, were also previously sentenced to 6 years 8 months in prison and 6 years in prison respectively.

According to court documents, the defendants participated in a scheme to defraud the federal government. It 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 false withholdings.

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. To facilitate the scheme, the defendants obtained employer identification numbers (EINs) for trusts from the IRS, opened post office boxes, and opened bank accounts in the names of trusts. The trusts did not exist. The refund checks were either

deposited into the bank accounts, followed shortly thereafter by large cash withdrawals, or cashed at local check-cashing stores. In addition, the scheme used the names and identification information of individuals whose purses or wallets had been lost or stolen.

<https://www.justice.gov/usao-edmi/pr/ferndale-resident-sentenced-defrauding-irs>

Florida Man Sentenced to 15 Years in Prison for Operating Oak Park Pill Mill

On April 10, 2018, in Detroit, Boris Zigmond was sentenced to 15 years

in prison for writing illegal prescriptions for pain killers and for laundering the proceeds of his crimes. As part of his sentence, Zigmond was ordered to forfeit \$2,221,000 in cash seized during the investigation.

According to court records, Zigmond operated a clinic, which was a front for a scheme to distribute medically unnecessary prescriptions for the most powerful pain killers. Zigmond received \$500 from people seeking these prescriptions between 2013 and 2015.

He also attempted to conceal more than \$375,000 in cash from law enforcement. Eight other individuals, including two physicians, Jennifer Franklin and Carlos

"The special agents and professional staff of the Detroit field office work day in and day out to protect the citizens of Michigan. Each team member is a dedicated professional bringing a unique skillset to combating criminal tax fraud and other financial crimes. I am incredibly honored and humbled to lead the men and women of the IRS-CI Detroit field office. Through our partnership with federal, state, local law enforcement and the private sector, we direct field office resources and expertise to a variety of vital national priorities. Some of these special emphasis areas include counterterrorism and related national security investigations as well as cyber crimes and illegal narcotics organizations. CI's primary purpose in these types of investigations is to identify, disrupt and dismantle national and transnational organized criminal organizations." –Manny Muriel, Special Agent in Charge

DETROIT FIELD OFFICE CASE FILES

Godoy, already received sentences for prescribing the unnecessary medicine in exchange for \$100 per patient.

A ninth individual, Rodney Knight, awaits sentencing following his guilty plea for participating in the drug conspiracy and for illegally possessing an AK-47 after having been convicted of a felony.

<https://www.justice.gov/usao-edmi/pr/florida-man-sentenced-180-months-prison-operating-oak-park-pill-mill>

Grand Rapids Man Sentenced in Student Loan and Tax Fraud Scam

On April 17, 2018, in Grand Rapids, Michigan, Brandon Kenon Rogers was sentenced to 4 years in prison and ordered to pay \$128,746 in restitution for committing student loan, grant, and tax fraud.

According to court documents, Rogers defrauded the U.S. Department of Education by using stolen identity information to apply online for student loans and Pell Grants in their names.

He also enrolled online in local community colleges, including Grand Rapids Community College and Kalamazoo Valley Community College, using the stolen identities. Rogers used the loans and grants for his own purposes without attending the classes as required. He also used the stolen identities to receive fraudulent income tax refunds.

https://www.justice.gov/usao-wdmi/pr/2018_0417_Rogers

Trash Titan Charles B. "Chuck" Rizzo Sentenced to 5½ Years in Prison for Bribery and Fraud

On April 23, 2018, Charles B. "Chuck" Rizzo, of Bloomfield Hills, Michigan, was

sentenced to 5½ years in prison and ordered to pay \$4 million in forfeiture.

According to court documents, Rizzo, the former CEO of garbage hauler Rizzo Environmental Services (RES), conspired to pay bribes to Clinton Township Trustee Dean Reynolds and Macomb Township Trustee Clifford Freitas to secure and maintain favorable municipal garbage contracts for RES.

Rizzo also embezzled over \$900,000 from RES while he served as the CEO of the company. Rizzo used a fake legal settlement agreement, fraudulent consulting deals, cash kickbacks, shell companies, and other methods to defraud the other owners of RES. As one part of the embezzlement scheme, Rizzo received weekly envelopes containing thousands of dollars in cash kickbacks from a company that submitted fraudulently inflated invoices to RES. Through this scheme alone, Rizzo stole over \$500,000 in cash.

<https://www.justice.gov/usao-edmi/pr/trash-titan-charles-b-chuck-rizzo-sentenced-66-months-prison-bribery-and-fraud>

Former Executive of Fiat Chrysler and Wife of Former UAW Official Sentenced to Prison for Criminal Tax Fraud

Alphons Iacobelli, the former Vice President for Employee Relations at Fiat Chrysler (FCA), was sentenced to 5½ years in prison and ordered to pay restitution of \$835,523 for tax evasion and conspiring to bribe senior United Auto Worker (UAW) officials.

Iacobelli served as the lead negotiator and administrator of collective bargaining agreements. Iacobelli made the illegal payments to obtain benefits, concessions, and advantages for FCA in the negotiation, implementation, and administration of the collective bargain-

DETROIT FIELD OFFICE CASE FILES

ing agreements. The illegal payments included paying off a home mortgage, first-class airline travel, designer clothing, furniture, jewelry, custom-made watches, “ultra-premium” liquors, cigars, and wine.

Previously, Monica Morgan was sentenced to 1½ half years in prison and ordered to pay \$190,747 in restitution for her tax fraud in connection with the receipt of illegal payments by her husband, the now deceased General Holiefield, who had served as the Vice President of the UAW in command of the Chrysler Department.

<https://www.justice.gov/usao-edmi/pr/wife-former-uaw-vice-president-sentenced-prison-criminal-tax-fraud>

Man who is Victim of his Own Greed Sentenced for Defrauding the IRS

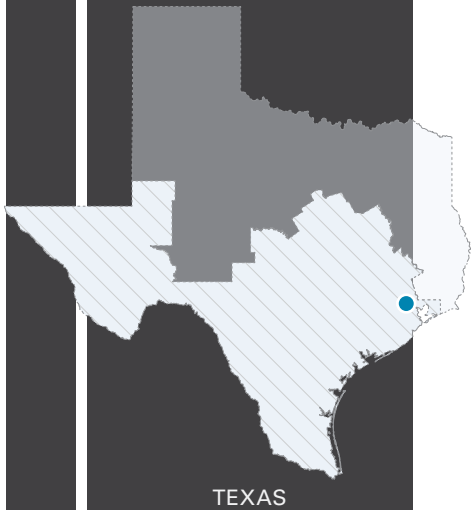
On June 28, 2018, in Detroit, Viorel Pricop, of Milford, Michigan, was sentenced to over 2 years in prison and ordered to pay \$501,956 in restitution to the IRS.

According to court records, from 2010 through 2014, Pricop defrauded the IRS by generating substantial income that he did not report on his tax returns. Through his false or unfiled tax returns, Pricop caused a total tax loss of \$501,956, which he earned while owning and operating Twin Twisters Trucking and Good Time, LLC, from his residence.

The businesses engaged in the interstate transportation of freight. In February 2015, Pricop knowingly transported stolen Bose stereo equipment from New Mexico to Michigan.

Subsequent search warrants executed at Pricop’s home and pole barn revealed additional stolen merchandise. Pricop’s wife, Mihaela, was previously indicted and has since fled to Romania.

In 2012, when Pricop claimed net income of \$57,308 on his federal income tax return, his wife deposited \$113,153 into a Ferrari dealership’s bank account for the purchase of a Ferrari. In 2013, when Pricop claimed net income of \$51,187, he and his wife deposited \$200,000 cash into their personal bank account and purchased a \$197,000 cashier’s check to buy real property located near their home in Milford. In 2014, Mihaela used cash to purchase a Mercedes-Benz.



HOUSTON FIELD OFFICE

8701 S. GESSNER, HOUSTON TX, 77074 | 281.721.8390

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BROWNSVILLE, TX
CORPUS CHRISTI, TX

EL PASO, TX
LAREDO, TX
MCALLEN, TX

SAN ANTONIO, TX
WACO, TX

THE HOUSTON FIELD Office area of responsibility encompasses the Southern and Western judicial Districts of Texas. Due to the proximity to the Mexican international border and having some of the fastest-growing cities and counties in the United States within its jurisdiction, Houston special agents are able to work a variety of cases with emphasis in traditional tax-related crimes such as

employment tax, corporate fraud, identity theft, unscrupulous return preparers and general fraud. The Houston Field Office also provides crucial support to their respective U.S. Attorney's priority task forces involving counterterrorism, public corruption, human trafficking, drugs and complex money laundering violations.



HOUSTON FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Owner of Home Health Agency Sentenced in Absentia to 80 Years in Prison for Involvement in \$13 Million Medicare Fraud Conspiracy and Filing Fraudulent Tax Returns

On December 8, 2017, in Houston, Ebong Tilong, the owner of a Houston home health agency, was sentenced to 80 years in prison for his role in a \$13 million Medicare fraud scheme and for filing false tax returns. Tilong pleaded guilty to conspiracy to commit healthcare fraud, healthcare fraud, conspiracy to pay and receive healthcare kickbacks, payment and receipt of healthcare kickbacks, conspiracy to launder monetary instruments, and filing fraudulent tax returns.

Tilong failed to appear for his original sentencing scheduled for October 13, 2017.

From February 2006 through June 2015, Tilong and others conspired to defraud Medicare by submitting over \$10 million in fraudulent claims for home health services to Medicare through Fiango Home Healthcare Inc., owned by Tilong and his wife, Marie Neba.

Tilong paid kickbacks to patient recruiters for referring Medicare beneficiaries to Fiango for home health services. Tilong also paid kickbacks to Medicare beneficiaries for allowing Fiango to bill Medicare using their Medicare information for home health services not medically necessary or not provided. Tilong falsified medical records and directed others to falsify them to make it appear that the Medicare beneficiaries qualified for and received home health services.

Tilong also attempted to destroy evidence, blackmail a witness, and induce perjury from witnesses while in the federal courthouse.

With his guilty plea, Tilong admitted that to maximize his gains from the Medicare fraud scheme, he created a shell company called Quality Therapy Services (QTS) to limit the amount of tax on the proceeds he and his co-conspirators stole from Medicare. On August 11, 2018, Neba was sentenced to 75 years in prison.

<https://www.justice.gov/opa/pr/owner-home-health-agency-sentenced-absentia-80-years-prison-involvement-13-million-medicare>

Woman Sent to Prison for Preparing False Income Tax Return

On May 24, 2018, in Houston, Crystal T. Kemp was sentenced to 2½ years in federal prison following her conviction of willfully aiding and assisting in the preparation of a false return for a client. Kemp's conduct spanned four years and included preparing multiple false tax returns for the same clients.

According to the plea agreement, Kemp admitted she prepared 41 false income tax returns for clients with a combined tax loss to the United States of \$429,131. Kemp also prepared a false 2015 income tax return for an undercover IRS agent posing as a taxpayer, claiming a false income tax refund of \$5,546.

Kemp further admitted in the plea agreement that she claimed a false income tax refund on her 2013 and 2014 personal

"Houston Field Office special agents were key participants in investigating a racketeering and fraud scheme that involved the attempted capital murder of State District Court Judge Julie Kocurek and the prosecution of former Texas State Senator, Carlos Uresti. On both investigations, the defendants went to trial and were convicted by a jury."

HOUSTON FIELD OFFICE CASE FILES

income tax returns that resulted in a combined tax loss to the United States of \$96,608.

<https://www.justice.gov/usao-sdtx/pr/woman-sent-prison-preparing-false-income-tax-return>

Bookkeeper Sentenced for Embezzling \$1.7 Million in Client Funds

On August 23, 2018, in Houston, Gwendolyn M. Berry was sentenced to over 4 years in prison, 3 years of supervised release and ordered to pay \$1,820,858 in restitution to her fraud victims. She was also ordered to pay \$344,268 in restitution to the IRS. Berry pleaded guilty February 5, 2018, to 12 counts of mail and wire fraud and 4 counts of filing a false tax return.

Berry schemed to defraud and abused her position of trust. She embezzled

more than \$1.8 million from family members' by writing checks on their bank accounts to pay her personal bills.

Berry also pleaded guilty to filing false federal tax returns for tax years 2011 through 2014. In each of these tax returns, Berry omitted reporting the money she embezzled from her victims.

<https://www.justice.gov/usao-sdtx/pr/bookkeeper-sentenced-embezzling-17-million-client-funds>

Former State Senator Carlos Uresti Sentenced to Federal Prison

On June 26, 2018, in San Antonio, Carlos I. Uresti, attorney and former District 19 Texas State Senator, was sentenced to 12 years in prison, 3 years supervised release, and ordered to pay \$6,345,441 restitution. A jury found Uresti guilty on the following counts:

- **One count of conspiracy to commit wire fraud**
- **One count of conspiracy to commit money laundering,**
- **Five substantive counts of wire fraud**
- **Two counts of securities fraud**
- **One count of engaging in monetary transactions with property derived from specified unlawful activity**
- **One count of being an unregistered securities broker**

Evidence presented during trial revealed that from February 2014 to December 2015, Uresti and others developed an investment Ponzi scheme to buy and sell hydraulic fracturing (fracking) sand for oil production. Evidence showed the defendants made false statements and representations while soliciting investors in FourWinds. Collected funds were used to pay earlier investors and for personal expenses including gifts, travel, luxury automobiles, controlled substances, and to hire prostitutes.

Uresti also recruited investors under false pretenses by lying about investing his own money in FourWinds and failing to disclose his receipt of a commission and a percentage of the profits resulting from investments in FourWinds. Uresti was not registered as a broker with the Securities and Exchange Commission. Court documents also revealed that Uresti engaged in money laundering with the proceeds of wire fraud.

<https://www.justice.gov/usao-wdtx/pr/former-state-senator-carlos-uresti-sentenced-12-years-federal-prison>

Former Midland Bookkeeper Sentenced to Federal Prison for Embezzlement and Tax Evasion Scheme

On November 15, 2017, in Midland, Texas, Kimberley Dale Boyce, a former bookkeeper, was sentenced to 5 years in prison, 3 years supervised release, and

HOUSTON FIELD OFFICE CASE FILES

ordered to pay \$2,039,014.53 restitution for stealing over \$2 million from a local businessman. On August 10, 2017, a jury found Boyce guilty on three counts each of mail fraud, wire fraud, tax evasion, and engaging in monetary transactions with criminally derived funds.

Evidence revealed that over a 2-year period, Boyce implemented a scheme involving mailed documentation and wire transfers to syphon money from a Midland County business owner's bank accounts and place it into bank accounts which she controlled. Boyce also failed to accurately report to the IRS her actual taxable income—totaling more than \$2.5 million—for tax years 2012, 2013, and 2014.

<https://www.justice.gov/usao-wdtx/pr/former-midland-bookkeeper-sentenced-federal-prison-embezzlement-and-tax-evasion-scheme>

Two Texans Sentenced to Federal Prison on Fraud and Tax Charges

On February 2, 2018, Kelly Burton Nunn and Bryan Dale Wallace were sentenced to approximately 3 years and 2 years in prison, respectively, and 3 years supervised release. In addition, Nunn was ordered to pay \$10,888,122 restitution and Wallace, \$849,000 restitution jointly and severally with Nunn.

In November 2017, Nunn pleaded guilty to one count of conspiracy to commit wire fraud and one count of subscribing a false Income Tax Return. Wallace pleaded guilty to the conspiracy charge.

According to court records, Nunn and Wallace conspired from January 2007 to August 2012 to defraud Nunn's employer, Dell, Inc. by charging Dell for services it did not receive or excessive amounts for services that it did receive. Nunn and Wallace submitted numerous fraudulent invoices under the business

name of Bison Services for computer-aided-design services related to management of Dell's business locations.

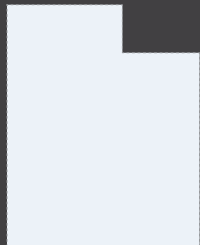
The defendants admitted they caused Dell to pay Wallace millions of dollars to which Wallace was not entitled. Wallace subsequently paid over \$1 million to Nunn during the scheme.

Nunn and his wife also admitted that in April 2011, they intentionally filed a fraudulent 2010 tax return that substantially understated their actual income.

<https://www.justice.gov/usao-wdtx/pr/two-austinites-sentenced-federal-prison-fraud-and-tax-charges>



NEVADA



UTAH

LAS VEGAS FIELD OFFICE

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

OGDEN, UT

RENO, NV

SALT LAKE CITY, UT

THE LAS VEGAS Field Office covers the District 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).



LAS VEGAS FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Utah Financial Advisor Sentenced for Tax Evasion, Securities Fraud, and Wire Fraud

On June 6, 2018, Henry Brock, a Utah financial advisor, was sentenced to 6 years in prison and ordered to pay \$12 million in restitution for tax evasion, securities fraud, and wire fraud.

Brock founded a financial services company in 2009 and served as the president from 2009 through 2017. He marketed and sold a fraudulent tax scheme, called "IRA Exit Strategy," to potential investors. Brock promised investors he could provide a way for them to avoid paying taxes on IRA withdrawals, which would otherwise be subject to IRS penalties and taxes.

Using his advice, Brock caused his clients to file fraudulent income tax returns claiming approximately \$3.8 million in false business losses and resulting in a tax loss of over \$1.1 million.

<https://www.justice.gov/usao-ut/pr/utah-financial-advisor-sentenced-prison-tax-evasion-securities-fraud-and-wire-fraud>

Former Las Vegas Strip Club Owner Sentenced for Evading More Than \$1.7 Million in Employment Taxes

On October 27, 2017, Rick Rizzolo, former owner of the Crazy Horse II Gentlemen's Club, was sentenced to 2 years in prison for evading payment of more than \$1.7 million in employment taxes.

Rizzolo paid the club's floor men, bouncers, bartenders, and shift

managers in cash, but did not provide accurate records of these payments to the club's bookkeepers. As a result, Rizzolo caused false employment tax returns to be filed with the IRS.

In 2006, Rizzolo pleaded guilty to conspiring to defraud the United States. Following his plea, however, Rizzolo took steps to conceal his assets and income to thwart the IRS from collecting the delinquent taxes he owed. For example, Rizzolo directed \$900,000 that he received from the sale of the Crazy Horse Club in Philadelphia to an offshore bank account in the Cook Islands. He also withdrew \$50,000 from a bank account and wrote a check to a third party, who returned the money to Rizzolo, thereby avoiding an IRS levy and seizure of the funds. Rizzolo also falsely stated to the IRS that he had no income or assets and no ability to pay the taxes owed.

<https://www.justice.gov/opa/pr/former-las-vegas-strip-club-owner-sentenced-prison-evading-more-17-million-employment-taxes>

Owner of Nevada Home Health Care Firm Sentenced for Employment Tax Fraud

On January 24, 2018, in Las Vegas, Maria Larkin was sentenced to one year and one day in prison and ordered to pay \$1,153,633 in restitution to the IRS for evading payment of employment taxes and penalties.

Larkin owned and operated Five Star Home Health Care Inc. Larkin was responsible for collecting and paying income, Social Security, and Medicare tax withheld from her employees' wages. From 2004 through 2009, Larkin did not pay the IRS the employment taxes she withheld. As a result, the IRS assessed trust fund recovery penalties

LAS VEGAS FIELD OFFICE CASE FILES

(TFRPs) against Larkin for these years making her personally liable for the unpaid employment taxes.

Larkin concealed her assets and income to avoid paying the TFRPs and to obstruct the IRS's efforts to collect the outstanding taxes. She lied to the IRS about her ability to pay, changed the name of her business, placed her business in the name of a nominee, had her employees cash checks for her, and bought a home in the name of a nominee. In total, Larkin evaded more than \$1.6 million in taxes.

<https://www.justice.gov/usao-nv/pr/owner-nevada-home-health-care-firm-sentenced-prison-employment-tax-fraud>

Utah Business Owner Sentenced for Illegally Dealing Firearms and Filing Fraudulent Tax Returns

On December 7, 2017, in Salt Lake City, Adam Webber was sentenced to 4 years in prison and a \$100,000 fine for tax fraud and dealing firearms without a license. Webber paid \$1.8 million in restitution to the IRS before the sentencing hearing.

From 2007 to 2010, Webber earned more than \$10 million in gross receipts from his business, between the legal sale of parts and the illegal sale of firearms. But Webber underreported his income in both his legal and illegal sales, reporting just \$183,397 in gross receipts on tax forms. Webber bought a house for \$670,000 in cash under his wife's name. He sheltered the home with a sham limited liability company and a promissory note and mortgage.

<https://www.justice.gov/usao-ut/pr/utah-business-owner-sentenced-four-years-prison-illegally-dealing-firearms-and-filing>

Nevada Man Sentenced for Conspiracy to Commit Tax Return Fraud Scheme

On February 28, 2018, in Las Vegas, Walter Fabian Guzman, of Pahrump, Nevada was sentenced to over 2 years in prison and ordered to pay \$290,364 to the victims of a \$290,000 income tax return fraud conspiracy he participated in.

Guzman admitted that, from January 1, 2010, to August 9, 2010, he conspired with co-defendants Felix Guzman and Judas Godina to defraud the IRS by submitting false income tax returns for customers. Guzman recruited custom-

ers by telling them he could generate large returns on their individual income tax returns. In support of the scheme, Guzman and others submitted false W-2 forms reporting additional income and withholdings, and false Schedule E forms reporting business losses.

<https://www.justice.gov/usao-nv/pr/man-sentenced-two-years-prison-conspiracy-commit-tax-return-fraud-scheme>



CALIFORNIA

LOS ANGELES FIELD OFFICE

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

CAMARILLO, CA
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LAGUNA NIGUEL, CA
LONG BEACH, CA

SAN BERNARDINO, CA
SAN DIEGO, CA
SAN MARCOS, CA
SANTA ANA, CA

SANTA MARIA, CA
VAN NUYS, CA

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-Mexico border. The LAFO covers two judicial districts in California--the Central and the Southern. The LAFO works a diverse mix of financial investigations across this large

geographic area, including cybercrimes, international tax fraud, identity theft, public corruption, and Bank Secrecy Act violations.

We play crucial roles in the U.S. Attorney's priority task forces, to include the Joint Terrorism Task Force and the Organized Crime Drug Enforcement Task Forces.



LOS ANGELES FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Leader of Violent International Drug Trafficking and Gambling Enterprise Sentenced to More than 21 Years

On December 15, 2017, in San Diego, Owen Hanson, leader of the violent “ODOG” racketeering enterprise, was sentenced to over 21 years in prison and a lifetime of supervised release for leading an international drug trafficking, gambling, and money laundering enterprise that operated in the United States, Central and South America, and Australia from 2012 to 2016. ODOG trafficked thousands of kilograms of cocaine, heroin, methamphetamine, MDMA (also known as “ecstasy”), marijuana, anabolic steroids, and human growth hormone.

As Hanson admitted, ODOG’s drug operation routinely distributed controlled substances at wholesale and retail levels, including selling performing enhancing

drugs to numerous professional athletes. The organization also operated a vast illegal gambling operation focused on high-stakes wagers placed on sporting events. The enterprise used threats and violence against its gambling and drug customers to force compliance.

In addition to his prison sentence, Hanson was also ordered to pay a criminal forfeiture of \$5 million, including \$100,000 in gold and silver coins, a Porsche Panamera, two Range Rovers, luxury watches, homes in Costa Rica, Peru, and Cabo San Lucas, a sailboat, and interests in several businesses.

<https://www.justice.gov/usao-sdca/pr/leader-violent-international-drug-trafficking-and-gambling-enterprise-sentenced-more-21>

San Juan Capistrano Businesswoman Who Stole More than \$1.5 Million from Clients Sentenced to Over 5 Years in Federal Prison

On October 16, 2017, in Santa Ana, California, Elizabeth Jane Mulder, of San Juan Capistrano, was sentenced to over 5 years in prison for embezzling more than \$1.5 million from her bookkeeping clients. Mulder was also ordered to pay \$1,538,781 in restitution to seven victims, including the IRS.

Mulder, the owner of Mulder Financial Consulting, pleaded guilty in June to wire fraud and filing a false income tax return for failing to report the misappropriated funds to the IRS. Mulder got money from small business clients by gaining the trust of their owners, some of whom allowed her to control their financial accounts. She convinced nearly all her victims to make checks payable to “Income Tax Payments” with false promises that she would use

the money to satisfy their past and future tax obligations. Mulder then deposited these checks into the bank account of a fictitious business she created called “Income Tax Payments” and converted the funds for her personal use.

Mulder’s fraudulent scheme resulted in the theft of approximately \$1,538,771 from several Orange County-based businesses. She used the money obtained from her fraudulent scheme for personal expenses, including a rental home in Laguna Beach, cosmetic surgery, and vacations.

<https://www.justice.gov/usao-cdca/pr/san-juan-capistrano-businesswoman-who-stole-more-15-million-clients-sentenced-over-5>

LOS ANGELES FIELD OFFICE CASE FILES

Sun Valley Resident Sentenced to 4½ Years Imprisonment for Role in Identity Theft Scheme Involving \$14 Million in Fraudulent Tax Refunds and International Money Laundering

On February 12, 2018, in Santa Ana, California, Karen Pogolian, of Sun Valley, was sentenced to 4½ years in prison for his participation in a large-scale international identity theft scheme. The scheme laundered more than \$14 million in fraudulently obtained tax refunds by using bogus Republic of Armenia passports. In addition to the prison term, Pogolian was ordered to pay restitution of \$277,617 to the IRS.

The scheme involved over 7,000 false tax returns that claimed approximately \$38 million in refunds. Approximately \$14 million obtained through the fraud scheme was deposited into bank accounts to conceal its illegal source. Pogolian filed the tax returns using identity information stolen from thou-

sands of victims. From August 2012 through March 2014, Pogolian opened mailbox and bank accounts using fraudulent identification with the names and personal information of identity theft victims. Pogolian's use of stolen identities resulted in approximately \$277,617 in losses. In addition, he was illegally in the United States at the time he committed the crimes and had been receiving public benefits.

<https://www.justice.gov/usao-cdca/pr/sun-valley-resident-sentenced-54-months-imprisonment-role-international-money>

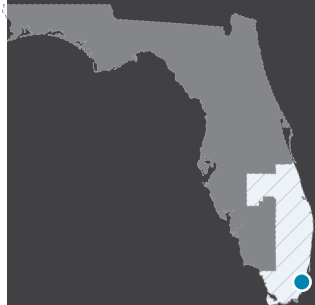
"Bitcoin Maven" Sentenced to One Year in Federal Prison in Bitcoin Money Laundering Case

On July 9, 2018, in Los Angeles, Calif., Theresa Lynn Tetley, the so-called "Bitcoin Maven," who admitted to operating an unlicensed bitcoin-for-cash exchange business and laundering

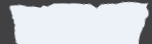
bitcoin that was represented to be proceeds of narcotics activity, was sentenced to 1 year and one day in prison, three years of supervised release, and a fine of \$20,000. Tetley was also ordered to forfeit 40 Bitcoin, \$292,264 in cash, and 25 assorted gold bars that were the proceeds of her illegal activity. The government's case against Tetley is the first of this kind charged in the Central District of California. According to court documents, Tetley offered bitcoin-for-cash exchange services without registering as a money services business with the Financial Crimes Enforcement Network (FinCEN), and without implementing anti money-laundering mechanisms such as customer due diligence and reporting certain transactions required for these types of businesses. Tetley advertised on localbitcoins.com and exchanged, in total, between \$6 and \$9.5 million for customers across the country, charging rates higher than institutions that were registered with FinCEN. As a result of operating this

unregistered business, Tetley facilitated laundering for one individual who is suspected of receiving bitcoin from unlawful activity, such as sales of drugs on the dark web. In the course of her business, Tetley also conducted an exchange of bitcoin-for-cash for an undercover agent who represented that his bitcoin were the proceeds of narcotics trafficking. The government argued that "[i]n light of the growth of the dark web and the use of digital currency, unlicensed exchangers provide an avenue of laundering for those who use digital currency for illicit purposes." The government asserted that Tetley's business "fueled a black-market financial system" that "purposely and deliberately existed outside of the regulated bank industry."

<https://www.justice.gov/usao-cdca/pr/bitcoin-maven-sentenced-one-year-federal-prison-bitcoin-money-laundering-case>



FLORIDA



PUERTO RICO



U.S. VIRGIN ISLANDS

MIAMI FIELD OFFICE

51 SW 1ST AVENUE, MIAMI, FLORIDA 33130 | 954.991.4322

CHRISTIANSTED, VI
GUAYNABO, PR

PLANTATION, FL
PORT ST. LUCIE, FL

ST. THOMAS, VI
WEST PALM BEACH, FL

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 healthcare 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.



MIAMI FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Miami-Dade County Resident Sentenced for Structuring and Money Laundering

On April 25, 2018, in Miami, Luis Hernandez-Gonzalez was sentenced to over 5 years in prison and agreed to forfeit over \$18 million. Hernandez-Gonzalez previously pleaded guilty to one count of conspiracy to commit money laundering and one count of causing a financial institution to fail to file a currency transaction report. This activity was part of a pattern of criminal activity involving more than \$100,000 in a 12-month period.

From April through June 2016, Hernandez-Gonzalez assisted marijuana traffickers to cultivate their products. During a search warrant in Tennessee, law enforcement discovered 242 marijuana plants. Hernandez-Gonzalez deposited funds he received from the Tennessee marijuana trafficking activity into business bank accounts he controlled or he purchased money orders from the post office with the narcotics proceeds. The deposits and money order purchases concealed the nature, location, source, ownership, and control of the proceeds of the illegal activity.

On June 28, 2016, law enforcement seized over \$21 million from Hernandez-

Gonzalez's residence; most of which was contained in orange buckets hidden inside walls and in an attic compartment.

In addition, law enforcement seized over \$665,000 in currency and \$42,000 in money orders from the defendant's Miami business. In total, \$17.7 million in currency and more than \$42,000 in postal money orders were traceable to the evasion of the currency transaction reporting requirement. Of that amount, \$300,000 traceable to transactions Hernandez-Gonzalez received from the Tennessee marijuana traffickers.

<https://www.justice.gov/usao-sdfl/pr/miami-dade-county-resident-sen->

[tenced-65-months-prison-structuring-and-money-laundering](#)

Individual Sentenced on Corruption Charge Arising from City of Opa Locka (Florida) Municipal Corruption Investigation

On August 24, 2018, Raul Sosa Sr. was sentenced to 2½ years in prison for his participation in a conspiracy to pay bribes to obtain a contract with the city of Opa Locka, Florida. The judge ordered that Sosa Sr. serve the full sentence consecutively to the 6½ year-sentence he's already serving for an unrelated

"The Miami Field Office is committed to working the most significant income tax and OCDETF (Organized Crime Drug Enforcement Task Force) investigations. We will continue to work with the local U.S. Attorney's Offices and our other law enforcement partners to combat these large-scale fraud schemes. I am proud of the work the field office employees are doing to unravel these complex financial investigations and bring the perpetrators to justice," –Michael J. De Palma, Special Agent in Charge

MIAMI FIELD OFFICE CASE FILES

federal tax conviction in 2016. Sosa Sr. previously pleaded guilty to conspiring to commit federal programs bribery. He and his son, who was the manager of a towing company, conspired with a then-Opa Locka city commissioner and his associate to pay a \$10,000 bribe so the commissioner and his associate would use their positions and influence to ensure the towing company received a city towing contract.

The illegal agreement was finalized at an April 19, 2015 meeting between Sosa Sr., his associates, and the commissioner. The associates arranged for an Opa Locka city employee to assemble and prepare the towing company's bid package. The associates violated the city's purchasing "cone of silence" by contacting a member of the city's committee ranking the towing bids and directing that individual to rank the towing company as the number one company.

To complete the illegal arrangement, the commissioner used his position to vote in favor of the June 24, 2015 resolution authorizing the city manager to enter into towing contracts with Sosa Sr.'s towing company and three other companies. The next day, Sosa's son paid the final installment of the \$10,000 bribe to the associate.

<https://www.justice.gov/usao-sdfl/pr/fourth-individual-sentenced-corruption-charge-arising-opa-locka-municipal-corruption>

Dark Web Vendor Sentenced to 9 Years in Prison for Narcotics Trafficking and Money Laundering Charges

On July 13, 2018, Adam Lemar Miles, also known as "NoStress," was sentenced to 9 years in prison. Miles previously pleaded guilty to one count of conspiracy to distribute a controlled

substance, three counts of distribution of a controlled substance, and one count of conspiracy to commit money laundering. As part of his plea agreement, Miles agreed to forfeit a shotgun, a rifle, two pistols, a revolver, several hundred rounds of ammunition, and \$61,872 in seized U.S. currency.

While investigating vendors who use Dark web marketplaces to advertise and distribute controlled substances, agents identified a vendor using variations of the name "NoStress." The vendor was advertising controlled substances, including methamphetamine and hydrocodone, on Dark web marketplaces.

On three separate occasions, agents purchased and received 7 grams of methamphetamine, 11 hydrocodone pills, and 14 grams of crystal methamphetamine from vendor accounts Miles operated on the Dark web.

On January 10, 2018, agents executed a

search warrant on Miles' home in Riverside, California. Evidence recovered from Miles' home exposed the defendant as the vendor known as "NoStress."

Additional evidence revealed Miles had distributed at least 350 grams of methamphetamine on the Dark web, since 2015.

<https://www.justice.gov/usao-sdfl/pr/dark-web-vendor-sentenced-108-months-prison-narcotics-trafficking-and-money-laundering>

Florida Airplane Broker Sentenced to Prison for Tax and Wire Fraud Charges

On March 16, 2018, Timothy J. Beverley was sentenced to 7½ years in prison and ordered to pay \$634,906 in restitution to the IRS for filing fraudulent tax returns, wire fraud, and filing false monthly reports with the U.S. Probation Office.

MIAMI FIELD OFFICE CASE FILES

Beverley worked as an airplane broker at Majestic Jet, Inc., a company that provided aircraft charters. From 2010 to 2013, Beverley stole more than \$1.5 million from Majestic Jet by directing airplane escrow agents to wire funds from the sale of planes to nominee bank accounts that he controlled. Beverley also stole funds directly from Majestic's business bank accounts and used the money to pay for personal expenses including his boat and rent. Beverley did not report this income on his 2010 through 2013 personal tax returns.

While working at Majestic Jet, Beverley was on supervised release stemming from his federal conviction for money laundering in January 2004. As a condition of his supervised release, Beverley had to file monthly reports with the U.S. Probation Office listing his net earnings from employment. Between November 2009 and October 2012, Beverley did not disclose the money he stole from Majestic Jet on his reports.

<https://www.justice.gov/opa/pr/florida-airplane-broker-sentenced-over-seven-years-tax-and-wire-fraud>

Florida Resident Sentenced for Obstructing the IRS and Stealing Government Funds

On October 27, 2017, David R. Andre was sentenced to 2½ years in prison, ordered to forfeit \$137,582 to the United States, and pay \$485,298 in restitution to the IRS. Andre previously pleaded guilty to theft of government money and corruptly endeavouring to obstruct the due administration of the internal revenue laws. From 2010 to 2015, Andre filed fraudulent personal tax returns seeking more than \$5.6 million in refunds. These returns falsely reported income earned and income tax withheld and the IRS paid Andre more than \$485,000 in refunds. He used the refunds to purchase his residence and luxury vehicles.

In late 2012, the IRS began trying to collect the taxes Andre owed and placed a lien on his residence. Andre filed a form with the IRS that falsely claimed he was making a substantial payment, and the IRS released the lien.

When Andre did not make the payment, the IRS revoked the release and re-filed the lien. In 2015, Andre also made false statements to IRS agents and told them that he purchased his residence with money he inherited, did not recall receiving any large refunds from the IRS, and had not filed a tax return since 2008.

<https://www.justice.gov/opa/pr/florida-resident-sentenced-prison-obstructing-irs-and-stealing-government-refunds>

St. Croix Woman Sentenced in Tax Fraud Scheme

On August 15, 2018, in St. Croix, U.S. Virgin Islands, Indica Greenidge was

sentenced to a year in prison and ordered to pay \$75,171 in restitution for her conviction of conspiring to defraud the United States.

From September 2011 to July 2012, Greenidge and others participated in a scheme to steal money from the United States Treasury by obtaining fraudulent federal income tax refunds. With Greenidge's knowledge, her co-conspirators falsified income earned, tax withholding amounts, credits, and other information on returns they filed for their clients. The co-conspirators designated bank accounts for receipt of the refunds, which Greenidge and her co-conspirators withdrew and spent for personal use.

<https://www.justice.gov/usao-vi/pr/st-croix-woman-sentenced-12-months-tax-fraud-scheme>



NEW JERSEY

NEWARK FIELD OFFICE

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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.

SIGNIFICANT CASES

Former Settlement Agent Gets 12 Years in Prison for Mortgage Fraud and Tax Evasion

On March 12, 2018, in Newark, New Jersey, Mark Andreotti of Wyckoff, New Jersey, was sentenced 12 years in prison, 5 years of supervised release and ordered to pay restitution of over \$2.1 million. Andreotti was previously convicted on all six counts of an indictment charging him with bank fraud, conspiracy to commit bank fraud, tax evasion, and failure to file tax returns.

According to court documents, in January 2010, Andreotti submitted a loan application to a bank requesting \$625,000 to refinance the mortgage on his house. Andreotti, owned and operated Metropolitan Title and Abstract and used Metropolitan as the settlement agent on the transaction.



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After the bank transferred the refinance funds, Andreotti spent the money on personal expenses instead of paying off the first mortgage on the house. In April 2011, Andreotti conspired with a real estate attorney to get \$480,000 by claiming he would use the money to refinance the mortgage on the attorney's house. After the bank transferred the money for the refinance to Metropolitan's escrow account, Andreotti kept \$110,000 for himself before transferring the remaining funds to the other co-conspirator.

In 2010, the IRS initiated collection action against Andreotti for unpaid personal income taxes. Despite numerous liens and levies, and having five rental income properties in addition to his primary residence, Andreotti continued to evade his taxes. He also failed to file tax returns for tax years 2010 and 2011.

<https://www.justice.gov/usao-nj/pr/former-settlement-agent-gets-12-years-prison-mortgage-fraud-and-tax-evasion>

New Jersey Resident Sentenced for Filing False Tax Returns

On January 4, 2018, in Newark, New Jersey, Jose Crespo, of Fort Lee, New Jersey, was sentenced to 3 years in prison, 1 year of supervised release, and ordered to pay restitution of \$164,766.

According to court documents, Crespo filed tax returns fraudulently reporting Original Issue Discount (OID) income and tax withholdings. OID is interest created when a debt is issued at a discount. Debt issuers provide a yearly Form 1099-Original Issue Discount (OID) to bondholders which reports interest income accrued on certain bonds and the federal income tax withheld from that income.

For the 2008 tax year, Crespo filed an amended tax return on which he fraudulently claimed OID interest income of approximately \$89,665 and taxes withheld on that income of approximate-

ly \$80,699, resulting in a fraudulent refund to Crespo of \$59,219.

In addition, Crespo filed corporate income tax returns for Specialty Home Services for tax years 2006, 2007, and 2008. He falsely claimed OID interest income and taxes purportedly withheld on that income that also resulted in fraudulent refunds.

Between 2010 and 2011, Crespo filed corporate income tax returns for various businesses falsely claiming fuel excise tax credits that generated large tax refunds. Crespo's schemes resulted in an approximate tax loss to the IRS of between \$550,000 and \$1.5 million.

New York Man Sentenced to 4½ Years in Prison for Role in Stolen Identity Refund Fraud Scheme

On February 27, 2018, in Newark, New Jersey, Hector Urena, of the Bronx,

New York, was sentenced to 4½ years in prison, 3 years of supervised release, and ordered to pay \$2.78 million in restitution.

According to court documents, Urena and others participated in a classic stolen identity refund fraud (SIRF) scheme. SIRF is a common type of fraud committed against the United States government that involves the use of stolen identities to commit tax refund fraud.

Perpetrators of SIRF schemes obtain personally identifiable information, including Social Security numbers and dates of birth, from unwitting individuals. The perpetrators then complete tax returns using the fraudulently obtained information but they falsify wages earned, taxes withheld, and other data to ensure the tax return generates a refund.

They direct the IRS to mail refund checks to locations the perpetrators control or can access. With the fraudulently

NEWARK FIELD OFFICE CASE FILES

obtained refund checks in hand, SIRF perpetrators deposit the checks into bank accounts they control or cash the checks at check cashing businesses.

Urena's co-conspirators obtained stolen identities to file fraudulent tax returns. He and his co-conspirators then used false documents to convert treasury checks into cash or other proceeds for their own profit at a check cashing business Urena owned. From August 2013 through May 2015, the scheme caused more than \$2.7 million in tax losses.

Newark Non-Profit Director and Political Fundraiser Sentenced for Wire Fraud and Tax Evasion

On April 18, 2018, in Newark, New Jersey, Kiburi D. Tucker was sentenced to over 3 years in prison and 3 years of supervised release. He was also ordered

to pay restitution of \$133,624 to the IRS and forfeit \$334,116. Tucker, the former executive director of a Newark-based childcare and community program, and a partner in a political fundraising and consulting company, was convicted of wire fraud and tax evasion.

According to court documents, as the executive director of The Centre Inc., Tucker embezzled its funds through ATM, debit card, and bank withdrawal transactions to fund personal expenditures, including gambling, travel, and furnishing his home.

Tucker defrauded The Centre of \$332,116 from 2012 through 2015. In addition, Tucker, who received an annual salary from his employment at the Passaic Valley Sewerage Commission, filed false personal income tax returns in which he intentionally under-reported both the proceeds that he embezzled from The Centre and income from his partnership in Elite Strategies, a political fundraising and consulting company.

Tucker under-reported \$177,040 in income from these sources for the 2015 tax year, resulting in a tax loss of \$56,509.

<https://www.justice.gov/usao-nj/pr/newark-non-profit-director-and-political-fundraiser-sentenced-38-months-prison-wire-fraud>

Mercer County, New Jersey, Man Sentenced for Tax Evasion

On May 1, 2018, in Newark, New Jersey, Albert Chang, of Princeton Junction, New Jersey, was sentenced to almost 2 years in prison and 3 years of supervised release. Restitution will be determined at a later date. Chang was convicted of failing to report over \$1.5 million in income he fraudulently diverted to overseas shell companies.

According to court documents, Chang and Michael Q. Fu, of Cranbury

Township, New Jersey, co-owned and operated United Products and Instruments Inc. (UNICO) located in Dayton, New Jersey. Chang and Fu established UNICO in 1991 and primarily engaged in the sale and export of microscopes and centrifuges for medical purposes.

Chang and Fu created two shell companies headquartered in China, Action Towers and Bench Top Laboratories. Chang and Fu then diverted business income to themselves by funneling money to the shell companies' bank accounts and deducting the diverted funds from UNICO's corporate tax return as the cost of goods sold or commission.

Chang and Fu also had Shanghai Electric, a Hong Kong-based utility company, overbill UNICO by approximately five percent on legitimate invoices. Once UNICO paid the invoices, they directed Shanghai Electric to wire the overbilled amount to their accounts in China, which they used for their personal benefit.

NEWARK FIELD OFFICE CASE FILES

Chang and Fu failed to report any of that income on their federal income tax returns. In total, Chang failed to report \$1,559,200, resulting in a tax loss of \$237,064. Fu failed to report \$1,570,000, resulting in a tax loss of \$321,141. Fu previously pleaded guilty to his role in the conspiracy and was sentenced to over 3 years in prison on January 24, 2107.

<https://www.justice.gov/usao-nj/pr/mercer-county-new-jersey-man-sentenced-21-months-prison-tax-evasion>

New Jersey Man Sentenced for Defrauding Two International Companies of \$3 Million and Failing to Pay More Than \$880,000 in Taxes

On September 12, 2018, in Newark, New Jersey, Philip Charles de Gruchy, of Park Ridge, New Jersey, was sentenced to 5 years in prison and 3 years of supervised release.

According to court documents, from August 2007 through April 2, 2010, de Gruchy's then-wife Barbara Brown was employed by "Company A." Brown caused Company A to enter a business relationship with CEM Inc., an entity that she and de Gruchy secretly controlled. CEM submitted approximately 170 invoices to Company A totaling more than \$3 million for work that was unnecessary, worthless, or never completed. Company A issued checks to CEM that de Gruchy and Brown ultimately used for personal purposes.

From July 2010 through November 11, 2011, de Gruchy was employed by "Company B." Without revealing his relationship with Brown, de Gruchy got approval from his employer to hire her to assist him. Company B paid \$216,825 for Brown's work that was unnecessary, worthless, or never completed. de Gruchy also filed false federal tax returns for 2009 and 2010, in which he knowingly overstated expenses and under-

stated gross receipts, including receipts from the fraudulent conduct involving Company A and Company B. de Gruchy also filed false federal corporate income tax returns for 2009 and 2010 for CEM Inc. and Silk Farm Inc., in which he falsely claimed certain payments as business expenses.

De Gruchy acknowledged he owes the IRS \$882,844 in additional taxes for 2009 and 2010. Brown, who was charged with de Gruchy in the principal indictment, passed away in May 2017, and the charges against her were dismissed.

<https://www.fbi.gov/contact-us/field-offices/newark/news/press-releases/two-people-charged-in-a-scheme-to-defraud-their-former-employers-of-millions-of-dollars>



NEW YORK

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

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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.



NEW YORK FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Recording Artist and Performer DMX Sentenced for Tax Fraud

On March 28, 2018, in New York, New York, Earl Simmons, of Yonkers, New York, was sentenced to 1 year in prison, 3 years of supervised release and ordered to pay \$2,292,200 in restitution to the IRS.

Simmons is an internationally known recording artist, performer, and actor known professionally as “DMX” and “X.”

According to court documents, because of the income Simmons earned from sources including musical recordings and performances, from 2002 through 2005 he incurred federal income tax liabilities of approximately \$1.7 million. Those liabilities went unpaid, and in 2005, the IRS began efforts to collect them.

From 2010 through 2015, Simmons earned more than \$2.3 million, but did not file personal income tax returns. Instead, he orchestrated a scheme to evade payment of his outstanding tax liabilities, largely by maintaining a cash lifestyle, avoiding the use of a personal bank account, and using the bank accounts of nominees, including his business managers, to pay personal expenses.

Simmons filed a false affidavit in U.S. Bankruptcy Court that listed his income as “unknown” for 2011 and 2012, and as \$10,000 for 2013. In fact, Simmons received hundreds of thousands of dollars of income in each of those years.

<https://www.justice.gov/usao-sdny/pr/recording-artist-and-performer-dmx-sentenced-manhattan-federal-court-1-year-prison-tax>

Illegal Alien Sentenced to More than 7 Years in Prison for \$20 Million Stolen in Identity Refund Fraud Scheme

On March 16, 2018, in Pittsburgh, Abiodun Bakre, of Ozone Park, New York, was sentenced to over 7 years in prison and 3 years of supervised release. Bakre was convicted of conspiracy to commit wire fraud and aggravated identity theft.

According to court documents, Bakre, who was in the United States illegally, participated in a wire fraud conspiracy that involved over \$69 million in attempted losses with more than \$20 million in fraudulently obtained federal tax refunds. The fraudulent activity affected over 11,000 victims. Bakre opened numerous bank accounts using stolen identities and used them as repositories for fraudulently obtained federal tax refunds. Bakre’s residence stored multiple ledgers containing hundreds of stolen identities and

numerous false identification documents used in the conspiracy.

<https://www.justice.gov/usao-wdpa/pr/illegal-alien-sentenced-more-7-years-prison-20m-stolen-identity-refund-fraud-scheme>

New York Woman Sentenced for Stealing \$3.1 Million From Her Employer

On November 28, 2017, in Albany, New York, Diane Backis, of Athens, New York, was sentenced to 5 years in prison, 2 years of supervised release, and ordered to pay \$3.5 million in restitution to Cargill, an agricultural services conglomerate based in Minnetonka, Minnesota.

On November 28, 2016, Backis pleaded guilty to charges of mail fraud and filing a false income tax return. According to court documents, Backis stole \$3.1

NEW YORK FIELD OFFICE CASE FILES

million from her employer, Cargill, and caused over \$25 million in additional losses. Backis performed accounting functions for Cargill's grain operations in Albany. She stole customer payments sent to Cargill and deposited them into her personal bank accounts.

Backis also regularly created fraudulent invoices and mailed them to Cargill's customers. The fraudulent invoices charged Cargill's customers prices substantially less than what Cargill paid to acquire the grain products, causing Cargill significant financial losses. The fraudulent invoices also directed Cargill's customers to send payment directly to Backis.

Backis made false entries into Cargill's accounting software to make it appear that customers were paying prices higher than those in her fraudulent invoices, and that customers owed Cargill millions of dollars for delivered grain products. Backis then later reversed those false entries. As a result, Cargill lost at least \$25 million.

Backis also filed a false 2015 individual income tax return declaring only \$61,208 in income and omitting over \$450,000 in additional taxable income she received by stealing customer payments intended for Cargill.

<https://www.justice.gov/usao-ndny/pr/greene-county-woman-sentenced-60-months-stealing-31-million-her-employer>

New York Man Who Flew Country Sentenced for Wire Fraud

On April 4, 2018, in Buffalo, New York, Michael Wilson, formerly of Hamburg, New York, was sentenced to 9 years in prison. A judgement of \$5,617,750 has been entered against Wilson, and he was also ordered to forfeit his interest in two condominiums, a bank account in Singapore containing over \$60,000, and \$50,000 in lieu of two villas he had built in Vietnam.

The government also seized and forfeited Wilson's luxury automobiles, expensive artwork, and four bank accounts which contained approximately \$950,000. Restitution will include all these forfeited proceeds.

According to court documents, Wilson defrauded investors of more than \$10 million between June 2008 and July 2010. Wilson created several fraudulent investment companies known collectively as "New Frontier" located adjacent to his residence.

Wilson induced individuals and companies to invest in financial instruments with complex sounding names, such as "leveraging agreements," that promised high-yield earnings and returns. Rather than investing clients' money, the defendant spent it on personal items.

In January 2009, Wilson paid an actor to portray a person named "George Possiodis," an alias and persona Wilson used during his scheme.

<https://www.justice.gov/usao-wdny/pr/hamburg-man-who-fled-country-sentenced-wire-fraud>

Mexican Citizen Sentenced to Nearly 5 Years in Prison for Money Courier Role in Cocaine Conspiracy

On March 19, 2018, in Albany, New York, Eduardo Nunez Serna, a citizen of Mexico, was sentenced to nearly 5 years in prison, 3 years of supervised release, and ordered to forfeit \$355,000 in drug proceeds.

According to court documents, Nunez Serna, an illegal alien, acted as a money courier based in Chicago, where he lived. Nunez Serna picked up cash sent by a money laundering and drug trafficking organization from the sale of marijuana in northern New York on at least two occasions. He forwarded this money to a cocaine supplier based in Acapulco, Mexico.

NEW YORK FIELD OFFICE CASE FILES

When law enforcement searched Nunez Serna's residence, they found \$710,827 in cash and a money ledger showing transactions. Nunez Serna also had cellophane wrapping, duct tape, rubber bands, a heat sealer, money counter, and other packaging items used to count and repackage the cash.

<https://www.justice.gov/usao-ndny/pr/mexican-citizen-sentenced-57-months-money-courier-role-cocaine-conspiracy>

Former CFO of Not-For-Profit Organization Sentenced for Wire Fraud and Making a False Tax Return

On October 27, 2017, in Brooklyn, New York, Paul Cronin was sentenced to

2 years in prison and ordered to pay more than \$1.3 million in restitution to United States Council for International Business (USCIB) and \$229,364 in outstanding taxes.

In May 2017, Cronin pleaded guilty to wire fraud and making a false tax return relating to his conduct as Chief Financial Officer (CFO) of USCIB, a not-for-profit organization that advocates for international business and trade.

According to court documents, Cronin abused his position to misappropriate more than \$1.3 million in funds to pay for personal expenses. Cronin perpetrated this scheme to defraud in several ways, specifically by using company funds to pay his personal credit card debts, writing checks from USCIB to himself, and making purchases on USCIB credit cards for personal purposes.

To conceal his scheme, Cronin falsified entries in USCIB bookkeeping records. He further sought to conceal his criminal conduct by failing to report the embezzled funds as income to the IRS.

<https://www.justice.gov/usao-edny/pr/former-cfo-not-profit-organization-sentenced-24-months-prison-wire-fraud-and-making>

[sentenced-24-months-prison-wire-fraud-and-making](https://www.justice.gov/usao-edny/pr/former-cfo-not-profit-organization-sentenced-24-months-prison-wire-fraud-and-making)

Manhattan Tax Attorney Sentenced to Prison for Participation in Multimillion-Dollar Tax Evasion Scheme and Lying to the IRS

On October 11, 2017, in New York, New York, Harold Levine, a Manhattan tax attorney, was sentenced to 2 years in prison and 3 years of supervised release. Levine must also pay restitution of \$1,519,306. Levine was convicted of tax evasion and obstruction of the IRS.

According to court documents, between 2004 and 2012, Levine, former head of the tax department at a major Manhattan law firm, schemed with co-defendant Ronald Katz, a certified public accountant, to obstruct the due administration of the Internal Revenue laws. Levine and Katz evaded income

taxes on millions of dollars of fee income generated from tax shelter and related transactions that Levine worked on while a partner of the law firm.

Levine failed to report approximately \$3 million in income to the IRS on his personal tax returns during 2005—2011. He routed most of the fee income he failed to report through a limited liability company he controlled, which a family member nominally owned.

Levine's scheme also involved making false statements to IRS auditors and urging a witness to provide false testimony to the same IRS auditors investigating his receipt of the fees. For his part, co-defendant Ronald Katz, was sentenced on November 17, 2017, to 9 months in prison, 3 years of supervised release, and ordered to pay restitution of \$727,518.

<https://www.justice.gov/usao-sdny/pr/manhattan-tax-attorney-sentenced-two-years-prison-participation-multimillion-dollar-tax>



CALIFORNIA

OAKLAND FIELD OFFICE

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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.



OAKLAND FIELD OFFICE CASE FILES

SIGNIFICANT CASES

California Resident Sentenced in \$1.2 Million Tax Fraud Scheme

On March 22, 2018, Yvonne Palmore was sentenced to 2½ years in prison and ordered to pay \$366,269 in restitution for conspiracy to file false claims.

Palmore filed 131 federal income tax returns using the names and identities of individuals without their knowledge or consent. The false tax returns claimed tax refunds of \$1,348,693. Palmore directed the refunds into accounts that she controlled. The IRS paid \$366,269. Palmore used the deposited funds to purchase postal money orders that she deposited into her bank account for her personal use.

<https://www.justice.gov/usao-ndca/pr/oakley-resident-sentenced-30-months-prison-conspiracy-file-false-federal-tax-returns>

Priest Sentenced in Fraud Scheme

On October 3, 2017, Hien Minh Nguyen was sentenced to 3 years in prison for bank fraud and tax evasion. Nguyen was a priest for the Diocese of San Jose, and served as a pastor of St. Patrick's Church and the director of the Vietnamese Catholic Center, also known as the Trung Tam Cong Giao (VCC).

As a priest in the diocese, Nguyen received cash donations for St. Patrick's and the VCC from parishioners, some of which he stole. Nguyen also signed checks drawn on VCC's bank accounts to pay his personal expenses and deposited checks made payable to the VCC into his personal bank account.

In addition to the prison term, Nguyen was also ordered to pay \$1,883,883 in restitution, including \$1,449,365 to the Diocese of San Jose, and \$434,518 to the IRS.

<https://www.justice.gov/usao-ndca/pr/san-jose-cleric-sentenced-three-years-prison-bank-fraud-and-tax-evasion>

California Resident Sentenced in Tax and Million Dollar Investment Fraud Scheme

On February 5, 2018, in Fresno, California, Marie E. Sherrill was sentenced to 4 years in prison for tax fraud and wire fraud. Sherrill, a registered tax return preparer, operated a bookkeeping and tax preparation business in Porterville, California, under the name Sherrill Financial Services.

Between January 2011 and December 2014, Sherrill prepared false tax returns for her clients containing false deductions to maximize their tax refunds, causing a loss to the IRS of approximately \$255,900. Sherrill also used the intimate financial knowledge she gained

from her clients to identify victims for her investment fraud scheme.

She told victims she would put their money into "pooled investments" with the money of other investors to earn a high rate of return. However, Sherrill never put the money into investments, but instead used it to pay her personal expenses or to make lulling payments to earlier investors to make them believe their money was earning a profit. The victims of this scheme were defrauded of at least \$1.3 million.

<https://www.justice.gov/usao-edca/pr/tulare-county-resident-sentenced-4-years-prison-tax-and-investment-fraud>

California Businessman Sentenced to Prison for Underreporting More than \$4 Million in Income

On May 4, 2018, in Oakland, California, Shiv D. Kumar, the former president

OAKLAND FIELD OFFICE CASE FILES

and sole shareholder of A-Paratransit Inc. (API), was sentenced to almost 1½ years in prison and 1 year of supervised release for filing a false corporate tax return. Kumar pleaded guilty on April 20, 2018, to underreporting income on API's 2010 corporate tax return.

Kumar, the sole shareholder and president of API, a multi-million-dollar company that provided transportation services to disabled individuals in the Bay Area, filed false corporate returns with the IRS for tax years 2008 through 2010.

The returns underreported API's gross receipts by more than \$4 million, resulting in a tax loss to the United States of more than \$1.4 million. Kumar deposited API's gross receipts into multiple bank accounts, concealed millions of dollars in gross receipts, and provided API's tax return preparer with doctored and incomplete bookkeeping records showing less in gross receipts than API received. Kumar admitted he used the unreported

gross receipts to purchase real property in California.

<https://www.justice.gov/usao-ndca/pr/dublin-man-sentenced-16-months-prison-filing-false-corporate-tax-return>

California Resident Sentenced for Stealing Homeless Individuals' IDs and Using Them to Seek Fraudulent Tax Refunds

On November 14, 2017, Diep Vo, aka Nancy Vo, was sentenced to 4½ years in prison for mail fraud, aggravated identity theft, conspiring to file false claims for tax refunds, and submitting false claims for tax refunds. She was also ordered to pay \$700,816 in restitution to the IRS. Vo, of San Jose, California, conspired with co-defendant Trong Nguyen, aka John Nguyen, to use the personally identifiable information of homeless and unemployed individuals in the San

Jose area to file fraudulent claims for refunds with the IRS. Vo went to homeless shelters and halfway houses and told individuals that she could get them money from a government program designed to assist non-working people. Vo convinced people to write down their names and Social Security numbers and to sign blank income tax returns.

Vo and Nguyen then falsified the signed returns by including false income and income tax withheld amounts. The defendants sought fraudulent refunds totaling approximately \$3.4 million. Vo and Nguyen directed the IRS to send the refund checks to private mailboxes they controlled.

<https://www.justice.gov/usao-ndca/pr/san-jose-resident-sentenced-using-identities-homeless-individuals-file-fraudulent-tax>



PENNSYLVANIA



DELAWARE

PHILADELPHIA FIELD OFFICE

600 ARCH ST, PHILADELPHIA PA, 19106 | 267.941.6187

BETHLEHEM, PA

CRANBERRY TOWNSHIP, PA

ERIE, PA

HARRISBURG, PA

JOHNSTOWN, PA

KING OF PRUSSIA, PA

NEWARK, DE

PITTSBURGH, PA

SCRANTON, PA

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



PHILADELPHIA FIELD OFFICE CASE FILES

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).

SIGNIFICANT CASES

Delaware County Man Sentenced to 10 Years in Prison for Running Tax Fraud Scheme

On November 6, 2017, in Philadelphia, Mohamed Mansaray, of Springfield, Pennsylvania, was sentenced to 10 years in prison and ordered to pay \$5,277 in restitution to the IRS. Mansaray was convicted of conspiring to defraud the

IRS, aiding and abetting the preparation of false federal income tax returns, wire fraud and aggravated identity theft.

According to court documents, Mansaray, a former social worker, owned Medman's Financial Services, a tax preparation service with offices in Philadelphia. Medman's filed false federal income tax returns which generated fraudulent tax refunds, some as large as \$9,000. Mansaray and his co-conspirators at Medman's obtained stolen personally identifiable information of foster children and used that information to claim fraudulent dependents on income tax returns prepared for Philadelphia clients.

Gebah Kamara, a former social services employee, who was previously sentenced to 2½ years in prison purchased the stolen identities. Kamara was paid approximately \$200 to \$300 for each child's identity. Mansaray charged clients as much as \$800 for fraudulently including a false dependent on an income tax

return. Over 300 foster children's identities were stolen and misused during the scheme.

<https://www.justice.gov/usao-edpa/pr/delaware-county-man-sentenced-10-years-running-tax-fraud-scheme>

Judge Sentences Pennsylvania Investment Advisor to Prison for Fraud and Filing False Tax Returns

On October 16, 2017, in Pittsburgh, Bernard Parker, of Indiana County, was sentenced to over 7 years in prison, 3 years of supervised release, and ordered to pay \$1,212,663. Parker was convicted at trial of one count of securities fraud, one count of mail fraud, and four counts of filing false tax returns.

According to court documents, Parker, the principal of Parker Financial Services, solicited his clients by signing of "Investors Contracts" to invest in

tax lien certificates, municipal bonds, computer software, real estate, and other undefined investments. Parker then used most of the money taken from these investors for his personal expenses instead of the various investments agreed upon with his clients. Further, Parker filed false federal tax returns for tax years 2010 through 2013, each of which failed to report his income.

<https://www.justice.gov/usao-wdpa/pr/judge-sentences-indiana-investment-advisor-prison-fraud-and-filing-false-tax-returns>

Pennsylvania Woman Sentenced to Nearly 6 Years in Prison for Embezzling \$4.3 Million from Her Employer

On April 10, 2018, in Harrisburg, Pennsylvania, Donna Marie Wozniak, of New Freedom, Pennsylvania was sentenced to nearly 6 years in prison and 3 years of

PHILADELPHIA FIELD OFFICE CASE FILES

supervised release. Wozniak previously pleaded guilty to a 2-count criminal information charging her with embezzlement relating to healthcare and tax evasion.

According to court documents, Wozniak managed Susquehanna Valley Surgery Center (SVSC) in Harrisburg from 2000 through 2014. As part of Wozniak's job duties, she received invoices from SVSC vendors, which she reviewed and paid from SVSC's general operating account. Wozniak obtained blank checks supposedly for payment to the vendors, however, she made a portion of the signed, blank SVSC checks payable to herself. She cashed or deposited a total of \$4.3 million using multiple bank accounts she maintained.

To conceal her theft, Wozniak created false invoices from legitimate SVSC

vendors. She then falsified entries into SVSC's accounting system, showing the checks and payments as made to the vendors. Wozniak admitted to the theft of SVSC funds and was terminated from SVSC in November 2014.

<https://www.justice.gov/usao-mdpa/pr/new-freedom-woman-sentenced-71-months-imprisonment-embezzling-43-million-her-employer>

Scranton Man Sentenced to Nearly 6 Years in Prison for \$3.5 Million Tax Fraud Scheme

On November 2, 2017, in Scranton, Pennsylvania, Brian Reyes was sentenced to nearly 6 years in prison and ordered to pay restitution of \$3,606,435.

Reyes previously pleaded guilty to conspiring to defraud the United States with fraudulent tax claims based on his participation in a tax refund conspiracy involving stolen identities.

According to court documents, Reyes owned and operated Reyes Services LLC, a check cashing business. From January 2011 to June 2015, Reyes and his co-conspirators used stolen identities to prepare and file false federal income tax returns, without their victims' knowledge. Reyes's co-conspirators obtained the refund checks from those fraudulent returns and provided them to Reyes, who cashed the checks at his business. Reyes kept a portion of each check cashed. The scheme netted \$3,655,368 in false claims paid by the U.S. Treasury. The government seized \$48,933 during the investigation.

<https://www.justice.gov/usao-mdpa/pr/scranton-man-sentenced-70-months-imprisonment-35-million-tax-fraud-scheme>

Former Philadelphia District Attorney Rufus Seth Williams Sentenced to 5 Years in Prison for Federal Bribery Charge

On October 24, 2017, in Philadelphia, Rufus Seth Williams was sentenced to 5 years in prison and 3 years of supervised release. He was also ordered to pay forfeiture of \$33,009 and restitution of \$58,422.

According to court documents, Williams, a former Philadelphia District Attorney, accepted tens of thousands of dollars in concealed bribes in exchange for

"Philadelphia Field Office has a rich tradition of impactful white collar investigations, as well as numerous other types of investigations. The success of the Field Office is a direct result of the hard work and dedication of the Special Agents and professional staff." –Guy Ficco, Special Agent in Charge

PHILADELPHIA FIELD OFFICE CASE FILES

his agreement to perform official acts. He also defrauded a nursing home and family friends of money earmarked for a family member's care, and used political action committee funds and official government vehicles for his personal benefit.

From July 2010 through May 2015, Williams, while serving as the Philadelphia District Attorney, had an arrangement with Mohammad N. Ali, to accept items of value in exchange for performing and agreeing to perform official acts on behalf of Ali. One such act included contacting a Philadelphia police official to pressure the official to assist Ali with airport security screenings.

Williams also agreed to assist with criminal charges brought by the Philadelphia District Attorney's office against Ali's associate. From March 2012 through July 2015, Williams, with Michael Weiss, accepted items of value in exchange for performing and agreeing to perform official acts on behalf of

Weiss. These acts included appointing him as Special Advisor to the Philadelphia District Attorney's office and providing an official letter to the California Department of Alcoholic Beverage Control to influence a pending hearing to revoke or suspend Weiss' California liquor license.

In July 2015, Williams also obtained a police accident report at Weiss' request. In addition, from February 2012 through November 2013, Williams diverted his mother's pension and Social Security payments to pay for his personal expenses instead of applying them to his mother's nursing home costs, as he agreed to do.

After accepting \$10,000 from his mother's friends intended to cover expenses for her nursing home care, Williams spent that money on personal expenses. From August 2010 through August 2016, Williams also defrauded the "Committee to Elect Seth Williams"

by using its funds for personal expenses and then providing false or incomplete reports to the commonwealth of Pennsylvania and to the city of Philadelphia.

Lastly, Williams engaged in a scheme to use official vehicles provided by the city of Philadelphia and a federal narcotics law enforcement program for his personal benefit.

<https://www.justice.gov/usao-nj/pr/former-philadelphia-district-attorney-rufus-seth-williams-sentenced-five-years-prison>



ARIZONA



NEW MEXICO

PHOENIX FIELD OFFICE

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

ALBUQUERQUE, NM
GLENDALE, AZ

LAS CRUCES, NM
MESA, AZ

SANTA FE, NM
TUCSON, AZ

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).



PHOENIX FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Former Real Estate Investor Sentenced to 17 Years in Prison for Multiple Fraud Schemes

On December 19, 2017, in Phoenix, Yomtov Scott Menaged was sentenced to 17 years in prison for orchestrating multiple fraud schemes resulting in more than \$30 million in losses. Menaged was also ordered to pay the victims \$33,558,407 in restitution.

Menaged operated a real estate investment business and retail furniture stores. He embezzled millions in loans meant for real estate purchases and provided

fake real estate purchase documents to conceal the fraud. Menaged used the embezzled money to support his lavish lifestyle that included travel, million-dollar homes, and luxury vehicles.

When Menaged no longer had access to the embezzled funds, he orchestrated an elaborate identity theft scheme involving purported customers of his various retail furniture stores. Menaged obtained the names and personally identifiable information of recently deceased individuals and used their information to submit fake credit applications from his furniture stores to various banks. In fact, no furniture purchases ever took place. The

identity theft scheme resulted in more than \$2 million in losses to the banks.

<https://www.justice.gov/usao-az/pr/former-real-estate-investor-sentenced-17-years-prison-multiple-fraud-schemes>

California Woman Sentenced to Lengthy Prison Term for Tax Evasion and Fraud

On March 28, 2018, Farzaneh Akhavi was sentenced to 7 years in prison and ordered to pay \$1.7 million in restitution. Akhavi used her influence to systematically defraud victims out of \$1.7 million.

She convinced victims to move from Orange County, California, to the Phoenix metropolitan area, using one victim's name and Social Security number to open credit accounts and take out loans. Akhavi used the victims' money on travel-related expenses and to buy a car and a house for herself, two properties for her daughter, and items at high-end clothing stores.

She also convinced the victims to give her additional money by falsely promising to form a business partnership that included operating a restaurant and museum in Mesa, Arizona. She exaggerated her political connections to convince the victims that she would advance their political careers in Arizona. In addition,

"I'm proud to lead a group of employees that understand their responsibility of protecting the residents of Arizona and New Mexico. During 2018, investigative staff of the Phoenix Field Office conducted complex financial investigations, including many with an international nexus. Individually and in partnership with fellow law enforcement agencies, the investigative work of CI's PHXFO protected the Southwest Border of the United States from threats posed by organized criminal groups, rendered justice to victims of financial fraud, and fostered confidence in the U.S. tax system." –Ismael Nevarez Jr., Special Agent in Charge

PHOENIX FIELD OFFICE CASE FILES

Akhavi committed tax evasion by failing to file taxes and account for the money she stole from the victims.

<https://www.justice.gov/usao-az/pr/california-woman-sentenced-lengthy-prison-term-fraud-and-tax-evasion>

Scottsdale Man Sentenced for Embezzlement

On April 18, 2018, John Arthur Anderson, of Scottsdale, Arizona, was sentenced to 7 years in prison and ordered to pay nearly \$3.5 million in restitution.

Anderson, as the chief financial officer of a Scottsdale-based company known as EventPro Solutions, used his position to embezzle millions of dollars. He did so by acquiring unauthorized loans in the name of EventPro, having funds wired to accounts under his control, illegally

wiring money to an offshore investment opportunity, and instituting unauthorized increases in his salary.

Anderson used the stolen money to live a lavish lifestyle that included expensive vacations, a vacation home, a Harley-Davidson motorcycle, and considerable expenditures at local restaurants and clothing stores.

Nationwide Methamphetamine and Marijuana Traffickers Sentenced

On November 16, 2017, in Phoenix, Ramon Llamas, of Phoenix, was sentenced to 14 years in prison for his role in a drug trafficking organization.

Llamas, along with co-defendants Donald Hamilton, of Philadelphia, and Orencio Ruelas, conspired to distribute methamphetamine and to launder money. Hamilton was sentenced to

8 years in prison, and Ruelas was sentenced to 19½ years in prison for their roles in the conspiracy.

Fourteen other defendants convicted in the case for various drug trafficking and money laundering crimes received sentences ranging from probation to 10 years in prison.

<https://www.justice.gov/usao-az/pr/nationwide-methamphetamine-and-marijuana-traffickers-sentenced>

Chandler Man Sentenced to 3 Years in Prison for Tax Evasion

On May 1, 2018, William “Larry” Dorsey, of Chandler, Arizona was sentenced to 3 years in prison and ordered to pay \$7.3 million in restitution to the IRS. Dorsey had previously pleaded guilty to tax evasion.

Dorsey owned and operated several professional employment organizations, including Pinnacle Employee Group, Inc. (PEG) and Pinnacle Planning Group, Inc. (PPG), which contracted with small business owners to provide payroll services. Dorsey, through PEG and PPG, collected federal employment taxes from his clients but, instead of paying the taxes to the IRS, he kept a significant portion of them for his personal use and to fund other business ventures.

To conceal his theft, Dorsey filed false employment tax returns with the IRS, which underreported the taxes due from PEG and PPG. From 2011 through 2014, Dorsey underreported and underpaid approximately \$7.3 million in federal employment taxes owed by PEG and PPG.

<https://www.justice.gov/usao-az/pr/chandler-man-sentenced-three-years-prison-tax-evasion>



WASHINGTON

ALASKA

HAWAII

GUAM

MARIANA ISLANDS

SEATTLE FIELD OFFICE

915 SECOND AVE, SEATTLE WA, 98174 | 206.464.4915

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PORTLAND, OR

SAIPAN, MP
SPOKANE, WA
TACOMA, WA
VANCOUVER, WA

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.



SEATTLE FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Corvallis Man Receives Federal Prison Sentence for Defrauding Local Company

On March 13, 2018, Matthew Linderman, of Corvallis, Oregon, was sentenced to a 1½ years in prison and 3 years of supervised release for wire fraud and filing a false tax return. Linderman was also ordered to pay over \$1.7 million in restitution.

According to court documents, Linderman used his position as business area manager at Corvallis-based Trimble Forestry Automation to approve invoices from companies with whom he was personally associated. He used his knowledge of Trimble's invoicing procedures to ensure that he alone would be required to authorize the expenditures.

Linderman received a substantial amount of each vendor payment in the form of kickbacks to companies he owned including Strategic Enterprises and Santiam Organics. A detailed financial analysis discovered that J. Waldien Designs received payments of \$850,000. More than \$763,000 of those payments were based on fraudulent invoices, and approximately \$636,000 was transferred to Strategic Enterprises, which Linderman used to start Santiam Organics.

The analysis further discovered over \$1 million in fraudulent payments to another Waldien company, Precision Mobile Integration. Linderman used most of the money for business and personal expenses. Linderman pleaded guilty to one count each of wire fraud and filing a false federal income tax return on September 15, 2016. Co-conspirator Jeffery Waldien pleaded guilty and was sentenced in a separate case in January 2018.

<https://www.justice.gov/usao-or/pr/corvallis-man-receives-federal-prison-sentence-defrauding-local-company>

Former Washington State Auditor Sentenced to One Year in Prison for Tax and False Statement, Fraud Crimes Committed While Serving in Washington Legislature

On June 29, 2018, former Washington State Auditor Troy X. Kelley was sentenced to one year in prison for possession of stolen property, making false declarations in a court proceeding, and tax fraud. Kelley was convicted of eight federal felonies in December 2017, following a 5-week trial.

According to the evidence, between 2003 and 2008, Kelley operated a business that monitored real estate filings on county websites. Kelley agreed with escrow companies that his business

would charge a flat fee of \$15 or \$20 for each real estate transaction it monitored for the escrow companies' customers. In addition to the flat fee, the escrow companies also gave Kelley \$100-\$150 of customer money for each transaction, which he agreed to use to pay expenses. Kelley agreed to refund the money to the homeowners if there were no expenses. However, beginning in 2005, with almost every case he handled, he kept the full amount withheld on each transaction, thereby stealing nearly \$3 million.

Kelley spent the stolen money on personal expenses and his campaign for state auditor. To hide the fact this was money he had stolen years earlier, Kelley claimed on his tax returns that he was continuing to perform real estate services and to earn income through his business. . He claimed tens of thousands of dollars of business deductions for personal items like spa treatments, a family trip, and household purchases such as sheets and toys.

SEATTLE FIELD OFFICE CASE FILES

<https://www.justice.gov/usao-wdwa/pr/former-washington-state-auditor-sentenced-one-year-prison-fraud-tax-and-false-statement>

Nigerian Leader of Nationwide Identity Theft and IRS Tax Fraud Scheme Sentenced to Federal Prison

On June 20, 2018, in Eugene, Oregon, Emmanuel Oluwatosin Kazeem, of Bowie, Maryland, and Nigeria, was sentenced to 15 years in prison and ordered to pay restitution of more than \$12 million. Kazeem will be subject to deportation when released from prison.

In May 2013, a victim in Oregon notified the IRS that someone filed false federal and Oregon state tax returns electronically using her and her husband's personally identifiable information (PII). An IRS investigation showed Kazeem and his co-conspirators possessed the stolen PII of more than 259,000 victims.

Kazeem shared the stolen identities with other co-conspirators who used them to file fraudulent tax returns between 2012 and 2015. In carrying out the scheme, he trained and directed his co-conspirators to use stolen PII to obtain thousands of electronic filing PINs to bypass IRS authentication procedures. Kazeem also used taxpayers' PII to gain unauthorized access into many taxpayers' IRS transcripts.

Conspirators also used pre-paid debit cards with the victims' stolen identities to receive tax refund deposits from the IRS. Kazeem was linked to 10,139 fraudulent federal tax returns attempting to get over \$91 million in refunds and successfully receiving over \$11.6 million.

Kazeem sent at least 2,000 wire transfers from false refunds totaling over \$2.1 million dollars to Nigeria. Five other co-conspirators, Oluwaseunara Osanyinbi, Oluwatobi Dehinbo, Lateef Animawun, Oluwamuyiwa Olawoye, and

Michael Kazeem, previously received federal prison sentences for their roles in the same conspiracy.

<https://www.justice.gov/usao-or/pr/nigerian-leader-nationwide-identity-theft-and-irs-tax-fraud-scheme-sentenced-federal>

Washington Man Sentenced to 10 Years for Defrauding Alaskans Out of Approximately \$2.7 Million

On December 12, 2017, a Washington man received a sentence of 10 years in prison for defrauding Alaskans with an advance fee scheme where he promised investors a significant return on an investment that did not actually exist.

Floyd Jay Mann, Jr., 56, of Puyallup, Washington, was sentenced to serve 10 years in prison, followed by a term of supervised release. He was also

ordered to pay full restitution to the victims.

Mann pleaded guilty in July 2017 to 11 counts of wire fraud and 8 counts of money laundering in Alaska. Mann defrauded individuals in Dillingham and elsewhere of approximately \$2.7 million by falsely leading the victims to believe he was the recipient of a multimillion-dollar settlement from a class-action lawsuit against a pharmaceutical company. Mann told victims that if they helped pay his medical bills and other lawsuit-related expenses, he would repay them plus a substantial return on their money, but only after the court released his multimillion-dollar settlement.

In fact, Mann did not use the victim's money to pay medical bills. A lawsuit settlement did not exist, and Mann used the money he got from the victims to gamble, collecting over \$1 million in jackpots while receiving need-based social security benefits.

SEATTLE FIELD OFFICE CASE FILES

The scheme started when Mann first convinced an elderly neighbor who had cancer, that he too had cancer. Once Mann gained the neighbor's sympathy and trust, Mann convinced the neighbor of the legitimacy of his fraudulent lawsuit. The neighbor gave so much money to Mann's scheme he lost his house and then succumbed to his cancer.

Meanwhile, Mann moved on to the elderly neighbor's friends and relatives in Dillingham. Mann carried out his scheme over six years. He created fraudulent court documents that co-conspirators assisted him with, pretending to be judges and federal agents to corroborate his fraudulent stories to the victims.

"Floyd Mann preyed upon the sick and elderly. He ruined the lives of those who sadly placed their trust in him," said First Assistant U.S. Attorney Bryan Wilson. "I commend the members of this office and our law enforcement partners in

their efforts to obtain this conviction and sentence."

In imposing the sentence, Judge Burgess referred to Mann as a "dogged, determined, charlatan" who caused "permanent financial and emotional damage to "dozens of people." Judge Burgess also commented that Mann was "sophisticated, devious, and calculating."

<https://www.justice.gov/usao-ak/pr/washington-man-sentenced-10-years-defrauding-alaskans-out-approximately-27-million>

Honolulu Husband and Wife Sentenced for Filing False Tax Returns

On October 19, 2018, in Honolulu, Lorraine Yamauchi and Jiitsu Yamauchi, both of Honolulu, were each sentenced to 2 years in prison and 1 year of

supervised release for filing a false tax return. They previously paid restitution of \$621,986 to the IRS.

The Yamauchis operated an Oahu-based church. Jiitsu Yamauchi served as the church's bishop and Lorraine Yamauchi served as the church's bookkeeper. They accepted millions of dollars in donations from church members and used a large portion of those donations for their personal benefit, including the purchase of 25 luxury vehicles and a 4.2 carat diamond ring.

When filing their tax returns for tax years 2008 through 2014, the Yamauchis failed to include approximately \$2.3 million of church-related income.

<https://www.justice.gov/usao-hi/pr/honolulu-husband-and-wife-sentenced-24-months-prison-filing-false-tax-returns>

Julian Robles Sentenced to 20 Years Federal Prison for Drug Trafficking Crime

On December 27, 2017, Julian Robles was sentenced to serve 20 years in prison for his role in a drug conspiracy. In an earlier plea, Robles admitted that beginning in 2009, he flew to California to purchase methamphetamine. He broke the meth into small quantities of about 13 grams each, which he mailed to Guam.

Co-conspirators distributed the meth for Robles. He mailed the drugs in envelopes he created using logos of real companies. The co-conspirators wired money to others for payment of the drugs and to enable Robles to purchase more drugs.

<https://www.justice.gov/usao-gu/pr/julian-robles-sentenced-federal-prison-drug-trafficking-crime>

SEATTLE FIELD OFFICE CASE FILES

California Man Sentenced for Identity Theft, Conspiracy as Part of Scheme to File False Income Tax Returns

On January 19, 2018, in Anchorage, Alaska, Demetrick Ruffin, from Los Angeles, was sentenced to serve almost 8 years in prison for his scheme to use illegally obtained personally identifiable information to prepare false W-2s and false individual income tax returns. As a condition of his supervised release, Ruffin is prohibited from accessing the internet.

Ruffin conspired with others to obtain identity information, such as names, dates of birth, and Social Security numbers, to prepare false W-2 forms containing fabricated wage and withholding information. The co-conspirators took the identity information and falsified documents to tax return preparation services in Anchorage, Eagle River, and Palmer, Alaska, as well as in Los Angeles and Orange County, California, to have

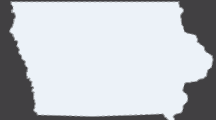
tax returns prepared and electronically submitted to the IRS. The false returns requested refunds totaling between \$1,400 and \$8,600. In some instances, Ruffin and his co-conspirators used the stolen identity information to claim the “taxpayers” had dependent children that they did not have.

By claiming additional dependents, the co-conspirators increased the amount of refunds. In many cases, the defendants applied for refund anticipation loans and had the fraudulently obtained tax refunds loaded onto stored value cards. This practice allowed them instant access to the money even if the IRS later rejected the falsely filed returns.

<https://www.justice.gov/usao-ak/pr/california-man-sentenced-identity-theft-conspiracy-part-scheme-file-false-income-tax>



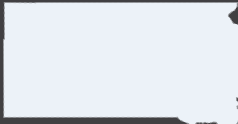
MISSOURI



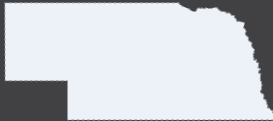
IOWA



NORTH DAKOTA



SOUTH DAKOTA



NEBRASKA



KANSAS



ILLINOIS

ST. LOUIS FIELD OFFICE

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

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SIOUX FALLS, SD
SPRINGFIELD, MO
WICHITA, KS

THE ST. LOUIS Field Office covers the states of Missouri, Iowa, Kansas, Nebraska, North Dakota, South Dakota, and Southern Illinois which comprises nine 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.



ST. LOUIS FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Owner of Kansas Tax Preparation Firm Sentenced for Filing Fraudulent Tax Returns

On January 17, 2018, in Kansas City, Kansas, Alfred Reece, a former resident of Overland Park, Kansas, was sentenced to 8 years in prison, 1 year of supervised release, and ordered to pay \$648,442 in restitution to the IRS. Reece owned and operated a tax preparation business in Kansas City.

From approximately 2013 through 2015, Reece prepared federal tax returns for individuals, claiming false business income and losses, medical and dental expense deductions, job-related expenses, charitable donations, and other fraudulent items. Reece concealed

himself as the preparer on these fraudulent returns by falsely claiming they were self-prepared. Reece admitted to causing a tax loss of between \$550,000 and \$1.5 million.

<https://www.justice.gov/usao-ks/pr/kansas-business-owner-pleads-guilty-filing-fraudulent-tax-returns>

Lexington Business Owner Sentenced for Failing to Pay \$1.7 Million in Payroll Taxes

On April 17, 2018, in Kansas City, Missouri, Randy K. Small was sentenced to 3 years in prison and ordered to pay \$1,694,725 in restitution. On June 20, 2017, Small pleaded guilty to failure to pay

\$1.7 million to the IRS in payroll taxes.

Small was the owner of RSB Leasing, a transportation business that provided school bus service to multiple school districts in Missouri. Small admitted his criminal conduct resulted in an aggregate tax loss of at least \$1,457,483. However, Small has continued to violate tax laws since his change-of-plea hearing. IRS investigators uncovered \$237,242 in additional tax harm for employment taxes that he did not pay to the IRS for employees of RSB Leasing, resulting in a total tax liability of \$1,694,725.

<https://www.justice.gov/usao-wdmo/pr/lexington-business-owner-sentenced-failing-pay-17-million-payroll-taxes>

Kansas Men Sentenced for Running \$3.5 Billion Unlawful Internet Payday Lending Enterprise

On January 5, 2018, in New York, New York, Scott Tucker, of Leawood, Kansas, and Timothy Muir, of Overland Park, Kansas, were sentenced to over 16 years and 7 years in prison, respectively, for operating a payday lending enterprise that evaded state laws to charge illegal interest rates on loans.

From 1997 through at least 2013, Tucker and Muir, the general counsel for Tucker's payday lending businesses, routinely charged interest rates of 600 to 700 percent, and sometimes higher than 1,000 percent.

In response to complaints that Tucker

Payday Lenders were extending abusive loans in violation of

“The St. Louis Field Office continues to investigate and recommend prosecution on a number of diverse and significant cases. I could not be more proud of the Special Agents who conduct business with professionalism and integrity each day.” –Karl Stiften, Special Agent in Charge

ST. LOUIS FIELD OFFICE CASE FILES

their usury laws, several states began to investigate the company. To thwart these actions, starting in 2003, the defendants formed sham relationships with Native American tribes and laundered the billions of dollars they took from their customers through nominally tribal bank accounts to hide Tucker's ownership and control of the business.

Muir, and other counsel for Tucker, prepared and submitted false declarations from tribal representatives to state courts claiming that tribal corporations substantially owned, controlled, and managed the portions of Tucker's business targeted by state enforcement actions. As a result, when states sought to enforce laws prohibiting Tucker's loans, he would claim sovereign immunity.

Tucker opened bank accounts to receive the profits of the payday lending enterprise and received over \$380 million from these accounts to spend on lavish personal expenses. Some of these

expenses included a fleet of Ferraris and Porsches, sponsorship of a professional auto racing team, a private jet, a luxury home in Aspen, Colorado, and his personal income taxes.

<https://www.justice.gov/usao-sdny/pr/scott-tucker-sentenced-more-16-years-prison-running-35-billion-unlawful-internet-payday>

NBA Player Sentenced for False Tax Returns, Identity Theft Related to Charity Fraud Scheme

On July 9, 2018, in Kansas City, Missouri, Kermit Alan Washington, of Las Vegas, was sentenced to 6 years in prison for an extensive charity fraud scheme. Washington was also ordered to pay \$967,158 in restitution.

Washington was among 11 defendants convicted in several cases arising from

the investigation of one of the largest software piracy schemes ever prosecuted by the U.S. Department of Justice.

Investigators seized more than \$20 million in assets from co-conspirators who sold more than \$100 million worth of illegal, unauthorized, and counterfeit software products to thousands of online customers.

Washington's charity, Sixth Man Foundation, doing business as Project Contact Africa, operated an eBay store and used a PayPal account to accept payments. The store sold approximately \$12 million of counterfeit software and software components. Customers of the store were under the impression that "100 percent" of the sales proceeds were intended to go to the charity when, in fact, only a portion of the proceeds went to the charity.

Washington admitted that he stole funds from the charity's bank account

to pay himself or for personal spending, such as rent, credit card payments, vacation trips, and plastic surgery for his then-girlfriend. Washington claimed to pay the rent and school fees for a family in Africa when, in fact, these payments were made to a former prostitute.

Washington also admitted to referring professional athletes to attorney Ronald Jack Mix, of San Diego, so that Mix could file workers' compensation claims in the state of California on behalf of the athletes. Mix made approximately \$155,000 in donations to Washington's charities, which were kickbacks for the referrals. Washington took those funds from the charity's bank account for his personal use.

Washington admitted he stole charity proceeds and failed to declare this income on federal income tax returns from 2010 through 2014. During this time, Washington also improperly

ST. LOUIS FIELD OFFICE CASE FILES

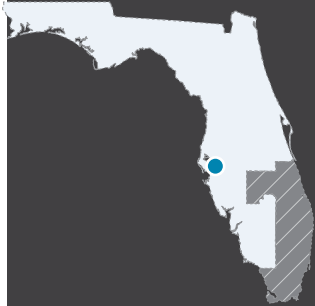
claimed tens of thousands of dollars in personal charitable deductions. The accumulated tax loss for 2010 through 2014 was \$976,158.

Washington pleaded guilty to filing a materially false individual tax return on February 18, 2014, and to filing a materially false Form 990-EZ for his tax-exempt organization on August 20, 2012. Washington also pleaded guilty to using the name, personal address, and business address of another person without lawful authority in numerous state and federal filings on behalf of the charity.

The identity theft victim, identified in court documents as "T.G.," was a resident of Oregon. Washington admitted that he used her personally identifiable information so that Project Contact Africa could maintain its active status within the state of Oregon, which enabled the charity to receive the chari-

table donations and maintain the charity store on eBay.

<https://www.justice.gov/usao-wdmo/pr/former-nba-player-sentenced-false-tax-returns-identity-theft-related-charity-fraud>



FLORIDA

TAMPA FIELD OFFICE

9450 KOGER BLVD, ST. PETERSBURG FL, 33702 | 941.378.6416

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GAINESVILLE, FL
JACKSONVILLE, FL**

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**ST. PETERSBURG, FL
TALLAHASSEE, FL**

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.



TAMPA FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Former U.S. Congresswoman Corrine Brown and Conspirators Sentenced for Fraud Scheme

On December 4, 2017, in Jacksonville, Florida, former U.S. Congresswoman Corrine Brown was sentenced to 5 years in prison, 3 years of supervised release, and ordered to pay \$515,166 in restitution to her victims, including \$62,650 to the IRS.

On May 11, 2017, Brown was convicted of participating in a conspiracy involving a fraudulent education charity, concealing material facts in required financial

disclosure forms, obstructing the due administration of internal revenue laws, and filing false tax returns. She was also found guilty of violating the Ethics in Government Act by concealing certain income in required annual financial disclosure forms she had submitted to the U.S. House of Representatives.

Between late 2012 and early 2016, Brown participated in a conspiracy and fraud scheme involving One Door for Education – Amy Anderson Scholarship Fund. In this scheme, Brown, Brown’s co-conspirators, and others acting on their behalf solicited more than \$800,000 in charitable donations. They falsely claimed the donations would be used for college scholarships and school

computer drives, among other charitable causes.

Brown and her co-conspirators solicited donations from individuals and corporate entities that Brown knew by her position in the U.S. House of Representatives. They led donors to believe that One Door was a properly registered 501(c)(3) non-profit organization when, in fact, it was not. Contrary to Brown’s representations, Brown and others used most of One Door donations for their personal and professional benefit, including tens of thousands of dollars in cash deposits made to Brown’s personal bank accounts. Brown and a co-defendant had used the outside consulting company of one of Brown’s

employees to funnel One Door funds to Brown and others for their personal use. More than \$300,000 in One Door funds were used to pay for events hosted by Brown, or held in her honor.

Despite raising over \$800,000 in donations, One Door granted only two scholarships totaling \$1,200 to cover expenses related to attending a college or university. Additionally, Brown failed to disclose the reportable income she received from One Door. She also claimed false deductions on her tax returns for charitable donations to One Door, local churches, and non-profit organizations in the Jacksonville area.

"The Tampa field Office is responsible for detecting, investigating, and assisting in the prosecution of criminals in the Middle and Northern Districts of Florida, some of the largest and busiest judicial districts in the country. Our uniquely trained agents and professional staff fearlessly dedicate their efforts to thwarting high-profile tax cheats, corrupt politicians, sophisticated cyber criminals, unscrupulous return preparers, feckless fraudsters, and heartless narcotics traffickers. Our agents and staff form a cohesive team devoted to educating the public and putting criminals beyond bars, all in an effort to guard the integrity of our economy and the interest of the taxpaying public."

TAMPA FIELD OFFICE CASE FILES

<https://www.justice.gov/opa/pr/former-us-congresswoman-corrine-brown-and-two-others-sentenced-prison-fraud-scheme-involving>

New York Man Sentenced to Prison for Multi-State Biodiesel Fraud Scheme

On February 6, 2018, Andre Bernard, of Mount Kisco, New York, was sentenced to over 7 years in prison and a judgment of \$10,500,497 for his role in a multi-state scheme to defraud biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and claiming tax credits.

Bernard and his co-conspirators engaged in a scheme to defraud biodiesel credit (known as “RIN” credits) buyers and U.S. taxpayers. The conspiracy involved having Gen-X Energy Group and its subsidiary, Southern Resources and Commodities (SRC), generate fraudulent RINs and tax credits multiple times on

the same material. Bernard and his co-conspirators operated several shell companies that claimed to purchase and sell the renewable fuel. The co-conspirators also cycled the funds through these shell companies’ bank accounts to perpetuate the fraud scheme and conceal its proceeds.

From March 2013 to March 2014, the co-conspirators generated at least 60 million RINs based on fuel that was either never produced or was merely re-processed at the Gen-X or SRC facilities. The co-conspirators received at least \$42 million from the sale of these fraudulent RINs to third parties. In addition, Gen-X received approximately \$4,360,724 in false tax credits for this fuel. Six of Bernard’s co-conspirators were previously sentenced for their roles in this scheme receiving prison terms ranging from 6½ years to 11 years.

<https://www.justice.gov/usao-mdfl/pr/new-york-man-sentenced-more-seven->

[years-multi-state-biodiesel-fraud-scheme](#)

Two Executives Sentenced for Promoting Fraudulent Offshore Tax Shelter Scheme

On October 13, 2017, Duane Crithfield and Stephen P. Donaldson Sr. were sentenced to 4½ years and 6 years in prison, respectively, for their roles in a conspiracy to defraud the United States using an offshore tax shelter scheme. Restitution is \$4,086,656.10

From 2001 to at least March 2008, Crithfield and Donaldson, and others, through Foster & Dunhill, Offshore Trust Service, Fidelity Insurance Company (FIC), and Citadel Insurance Company (CIC) marketed and implemented a fraudulent offshore tax strategy known as the Business Protection Plan (BPP). The fraudulent BPP strategy enabled

the defendants' affluent clients to claim business expense deductions based on sham “BPP insurance premium” payments. These payments made to offshore entities FIC and CIC were intended to substantially reduce the clients' taxable income.

Crithfield and Donaldson conspired together, and with others, to create and promote the offshore BPP tax shelter strategy. The strategy, however, was nothing more than self-insurance and lacked any economic substance, and the so called “BPP insurance premiums” were not based on any business risks. After getting the benefit of a tax deduction on a client's corporate income tax return, the client would later receive approximately 85 percent of the premium back. Thus, the premium amounts were not ordinary and necessary business expenses that were deductible under Section 162(a) of the Internal Revenue Code.

TAMPA FIELD OFFICE CASE FILES

<https://www.justice.gov/usao-mdfl/pr/two-executives-sentenced-promoting-fraudulent-offshore-tax-shelter-scheme>

Orlando Lawyer Sentenced to Three Years for Tax Evasion

On February 1, 2018, William B. Pringle, III was sentenced to 3 years in prison and ordered to pay \$1,650,744 in restitution to the IRS. On November 3, 2017, a federal jury found Pringle guilty of tax evasion.

According to evidence presented at trial, Pringle owed more than \$2.1 million in federal income taxes, interest, and penalties for 1996 and 1998 through 2010. Over a period of at least nine years, he avoided paying income taxes by hiding his substantial income and luxury assets from the IRS, and by engaging in tactics to stop the IRS from locating and seizing his assets to pay the taxes he owed.

<https://www.justice.gov/usao-mdfl/pr/orlando-lawyer-sentenced-three-years-tax-evasion>

Orlando Woman Sentenced to Nearly Twenty Years for Tax Refund Fraud and Aggravated Identity Theft

On March 16, 2018, Jeanine Jeanty was sentenced to over 19 years in prison for conspiracy to steal tax refunds, theft of tax refunds, and aggravated identity theft. As part of her sentence, the court also entered a money judgment of \$1,774,376, representing the proceeds of the charged criminal conduct.

A jury found Jeanty guilty on December 15, 2017. According to court documents, Jeanty was the leader of a sophisticated criminal enterprise that stole federal tax refunds by filing false tax returns using stolen identity information. The organization also purchased fraudulently obtained

U.S. Treasury tax refund checks from others for a fraction of their face value. In less than two years, Jeanty and her co-conspirators stole more than \$2.7 million in tax refunds.

<https://www.justice.gov/usao-mdfl/pr/orlando-woman-sentenced-nearly-twenty-years-tax-refund-fraud-and-aggravated-identity>



WASHINGTON D.C.



MARYLAND



VIRGINIA



WEST VIRGINIA

WASHINGTON D.C. FIELD OFFICE

1200 FIRST ST. NE, WASHINGTON DC, 20002

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VIENNA, VA

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, the Alcohol and Tobacco Tax and Trade Bureau Group, and the International Tax and Financial Crimes 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.



WASHINGTON D.C. FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Suffolk Woman Sentenced for \$1.6 Million Tax Return Fraud

On December 6, 2017, Brenda Benn was sentenced to almost 5 years in prison for her role in a fraud scheme that prepared hundreds of false tax returns resulting in a loss of approximately \$1.6 million to the United States.

According to court documents, Benn was the owner of A Plus Tax Service, later renamed NN Financial, which operated as a tax preparation business at different periods between July 2009 and February 2014. Benn, along with co-defendants Kevin Towns and Stephanie Towns, conspired to operate a business based on creating false tax returns that generated inflated refunds for their clients to cultivate goodwill and generate repeat business. They used methods such as claiming false education-related

expenses, stating excessively high amounts of charitable contributions, and manipulating the amount of income to take advantage of certain tax credits. The customers did not persuade or instruct the tax preparers to generate the false returns.

Kevin Towns was sentenced to over 3 years in prison for his role in the conspiracy. Stephanie Towns was sentenced to 10 months in prison followed by 1½ years of home detention. All three defendants have been ordered to pay the government \$1,683,159 in restitution.

<https://www.justice.gov/usao-edva/pr/suffolk-woman-sentenced-16-million-tax-return-fraud>

Former UVA Football Player Sentenced to 40 Years for \$10 Million Fraud

On December 7, 2017, Merrill Robertson, Jr., was sentenced to 40 years in prison

for his role in a \$10 million fraud scheme. On August 24, 2017, a federal jury convicted Robertson of 15 offenses, including conspiracy to commit mail and wire fraud, conspiracy to commit bank fraud, mail fraud, wire fraud, bank fraud, and money laundering.

According to court records, Robertson started Cavalier Union Investments, LLC, with co-conspirator Sherman Carl Vaughn. From 2009 through 2016, Robertson and Vaughn made numerous misrepresentations to persuade individuals to invest with their company, including telling them they could rollover their retirement savings. Robertson identified potential investors through various contacts, including contacts he developed playing football at Fork Union Military Academy, the University of Virginia, and in the National Football League. Vaughn focused on developing investment opportunities.

Robertson and Vaughn fraudulently obtained more than \$10 million from

over 60 investors, spending much of the money on their own personal living expenses, including mortgage and car payments, school tuitions, spa visits, restaurants, department stores, and vacations. Once Robertson began having trouble raising new investor capital, he became involved in a loan fraud scheme. Robertson approached Cavalier investors and others and suggested he could help them get loans and lines of credit. Robertson and his co-conspirators then submitted falsified loan applications to banks and credit unions. The applications included false statements about the borrowers' personal financial status, the purpose of the loan, and whether the loan was secured by collateral.

<https://www.justice.gov/usao-edva/pr/former-uva-football-player-sentenced-40-years-10-million-fraud>

WASHINGTON D.C. FIELD OFFICE CASE FILES

Maryland Man Sentenced to Over 8½ Years in Prison for His Role in Scheme That Used Stolen Identities to Fraudulently Seek Tax Refunds

On March 1, 2018, Brian Bryant was sentenced to over 8½ years in prison, 3 years of supervised release, and ordered to pay \$650,003 in restitution to the IRS and a forfeiture money judgment of \$176,624. Bryant was convicted for conspiring to commit theft of government funds and defraud the United States, theft of public money, and aggravated identity theft.

Bryant was part of a massive, sophisticated refund scheme involving stolen identities. The scheme involved a network of more than 130 people, many of whom were receiving public assistance. Coconspirators 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. According to the evidence presented at trial, from approximately April 2010 through June 2012, Bryant and others collectively claimed \$4,959,310 in fraudulent refunds, of which the IRS paid out approximately \$2,285,717. The case involved the filing of at least 12,000 fraudulent federal income tax returns that sought at least \$42 million in refunds.

<https://www.justice.gov/usao-dc/pr/maryland-man-sentenced-100-months-prison-his-role-scheme-used-stolen-identities>

Former Secret Service Agent Sentenced In Scheme Related To Silk Road Investigation

On November 7, 2017, Shaun W. Bridges, a former U.S. Secret Service special agent, was sentenced to 2 years in prison on charges of money laundering. The judge ordered Bridges to serve that sentence consecutively to a previous sentence that he is currently serving. Bridges was also ordered to forfeit approximately 1,500 bitcoin and other fiat currency, which has a current value of approximately \$10.4 million.

Bridges had been a special agent with the U.S. Secret Service for approximately six years in the Baltimore field office. Between 2012 and 2014, he was assigned to the Baltimore Silk Road Task Force, a multi-agency group investigating illegal activity on the Silk Road, a covert online marketplace for illicit goods, including drugs. Bridges’ responsibilities included conducting forensic

computer investigations in an effort to locate, identify, and prosecute targets of the Baltimore Task Force, including Ross Ulbricht, also known as “Dread Pirate Roberts,” who ran the Silk Road from the Northern District of California.

In 2015, Bridges was arrested and taken into custody on charges related to the theft of approximately 1,600 bitcoin from a digital wallet belonging to the U.S. government. Bridges admitted to using a private key to access the digital wallet, and subsequently transferring the bitcoin to other digital wallets at other bitcoin exchanges to which only he had access.

<https://www.justice.gov/usao-ndca/pr/former-secret-service-agent-sentenced-scheme-related-silk-road-investigation>

WASHINGTON D.C. FIELD OFFICE CASE FILES

Former Virginia Software Company CEO Sentenced to Prison for Employment Tax Fraud

On June 29, 2018, Robert Lewis, former Chief Executive Officer (CEO) of Enterworks, Inc., a software company, was sentenced to almost 2 years in prison, 3 years supervised release, and ordered to pay \$1,812,706 in restitution for conspiring to defraud the government by failing to pay employment taxes to the IRS.

From January 2011 to February 2013, Lewis conspired with Kristie McDonald, Enterworks' Vice President of Finance and Administration, to defraud the United States by failing to pay over to the IRS more than \$1.8 million in payroll taxes withheld from employee paychecks. The pair circumvented the company's normal payroll and accounting procedures by paying some employees with manual paychecks. The employees still received the correct pay after withholdings, but by bypassing the accounting system,

Lewis and McDonald were able to hide the fact that the withholdings were not being paid over to the IRS. The practical effect of their scheme was to conceal the company's failing financial condition from its Board of Directors. They also caused the company to file false quarterly employment tax returns with the IRS that underreported the amount of tax due.

During this same period, Lewis and McDonald failed to remit the full amount of employee retirement contributions to the company's retirement plan. Through their actions, the company failed to transfer nearly \$225,000 in voluntary employee retirement withholdings. Lewis and McDonald used the misappropriated money to pay the operating expenses of the company, which included their own six figure salaries and salary raises for other employees. McDonald was previously sentenced to over a year in prison, 3 years of supervised release, and ordered to pay \$1,812,706 in restitution.

<https://www.justice.gov/opa/pr/former-virginia-software-company-ceo-sentenced-prison-employment-tax-fraud>

Korean National Sentenced to Prison for Role in Scheme that Avoided Paying Excise Taxes on Millions of Cigarettes

On May 8, 2018, Un Hag Baeg, a Korean national who was living in the United States as an illegal alien, was sentenced to almost 4 years in prison for participating in a scheme to defraud the United States by evading millions of dollars in federal excise taxes due on 143 million cigarettes. Baeg was also ordered to pay \$7.26 million in restitution to the U.S. Alcohol and Tobacco Tax and Trade Bureau. Baeg operated Far East Marine Ship Supply Company, a ship dealer that provided supplies to cargo vessels. Between 2012 and 2015, Baeg and others conspired to divert

approximately 143 million export-only cigarettes from an export warehouse near the Port of Los Angeles. Baeg purchased the cigarettes under the pretext that they would be provided to various ships sailing out of the United States. In fact, the cigarettes were sold in the United States, which resulted in millions of dollars in lost federal and state excise taxes.

Baeg and his co-conspirators subsequently hid their fraud by preparing false paperwork indicating the cigarettes had been delivered to the various ships. To make these bogus documents appear legitimate, the conspirators stamped the paperwork with fabricated rubber stamps bearing the names of cargo vessels. The conspiracy resulted in the evasion of \$7,260,203 in federal excise taxes and \$5,986,458 in California excise taxes.

<https://www.justice.gov/usao-cdca/pr/korean-national-sentenced-nearly-4-years-prison-role-scheme-avoided-paying-excise-taxes>

APPENDIX

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

FY 2017 Combined Results

	2018	2017	2016
Investigations Initiated	2886	3019	3395
Prosecution Recommendations	2130	2251	2744
Informations/Indictments	2011	2294	2761
Sentenced	2111	2549	2699
Incarceration Rate	82%	80%	80%
Average Months to Serve	45	42	41

Abusive Return Preparer Program

	2018	2017	2016
Investigations Initiated	224	304	252
Prosecution Recommendations	177	200	174
Informations/Indictments	170	169	204
Sentenced	148	194	202
Incarceration Rate	78%	75%	73%
Average Months to Serve	25	26	22

Abusive Tax Schemes

	2018	2017	2016
Investigations Initiated	80	77	56
Prosecution Recommendations	34	38	35
Informations/Indictments	37	44	35
Sentenced	36	48	47
Incarceration Rate	72%	69%	77%
Average Months to Serve	28	24	25

Bank Secrecy Act (BSA)

	2018	2017	2016
Investigations Initiated	515	499	504
Prosecution Recommendations	285	391	411
Informations/Indictments	278	390	399
Sentenced	345	409	449
Incarceration Rate	79%	78%	75%
Average Months to Serve	38	38	36

Corporate Fraud

	2018	2017	2016
Investigations Initiated	74	48	62
Prosecution Recommendations	48	42	59
Informations/Indictments	47	46	49
Sentenced	35	25	33
Incarceration Rate	83%	80%	97%
Average Months to Serve	32	54	37

Employment Tax

	2018	2017	2016
Investigations Initiated	207	162	137
Prosecution Recommendations	81	59	77
Informations/Indictments	64	60	71
Sentenced	48	77	87
Incarceration Rate	77%	78%	70%
Average Months to Serve	21	21	14

APPENDIX

Financial Institution Fraud

	2018	2017	2016
Investigations Initiated	45	46	66
Prosecution Recommendations	39	37	53
Informations/Indictments	45	35	46
Sentenced	40	51	64
Incarceration Rate	70%	67%	75%
Average Months to Serve	36	53	37

Healthcare Fraud

	2018	2017	2016
Investigations Initiated	105	124	127
Prosecution Recommendations	95	94	101
Informations/Indictments	83	89	90
Sentenced	84	92	46
Incarceration Rate	80%	86%	85%
Average Months to Serve	44	67	41

Identity Theft

	2018	2017	2016
Investigations Initiated	164	374	573
Prosecution Recommendations	222	403	566
Informations/Indictments	217	484	649
Sentenced	387	550	613
Incarceration Rate	86%	88%	88%
Average Months to Serve	40	34	40

International Operations

	2018	2017	2016
Investigations Initiated	233	283	221
Prosecution Recommendations	218	176	221
Informations/Indictments	210	211	187
Sentenced	148	152	154
Incarceration Rate	84%	80%	83%
Average Months to Serve	55	43	45

Money Laundering

	2018	2017	2016
Investigations Initiated	1054	1096	1201
Prosecution Recommendations	901	886	1010
Informations/Indictments	851	845	979
Sentenced	617	720	668
Incarceration Rate	87%	84%	84%
Average Months to Serve	70	67	62

Narcotics

	2018	2017	2016
Investigations Initiated	723	735	788
Prosecution Recommendations	634	581	684
Informations/Indictments	610	585	721
Sentenced	550	615	635
Incarceration Rate	88%	87%	86%
Average Months to Serve	77	80	69

APPENDIX

Non-Filer

	2018	2017	2016
Investigations Initiated	254	206	206
Prosecution Recommendations	128	113	137
Informations/Indictments	110	106	157
Sentenced	104	159	159
Incarceration Rate	80%	84%	80%
Average Months to Serve	34	37	38

Public Corruption

	2018	2017	2016
Investigations Initiated	107	75	84
Prosecution Recommendations	69	60	59
Informations/Indictments	51	63	61
Sentenced	64	54	57
Incarceration Rate	86%	74%	81%
Average Months to Serve	40	34	29

Questionable Refund Program

	2018	2017	2016
Investigations Initiated	149	280	495
Prosecution Recommendations	195	328	514
Informations/Indictments	205	390	594
Sentenced	382	555	669
Incarceration Rate	81%	85%	85%
Average Months to Serve	36	30	34

Terrorism

	2018	2017	2016
Investigations Initiated	34	28	42
Prosecution Recommendations	18	19	33
Informations/Indictments	23	16	19
Sentenced	15	14	--
Incarceration Rate	80%	71%	100%
Average Months to Serve	32	9	84

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>

