



IRS:CI ANNUAL REPORT 2020

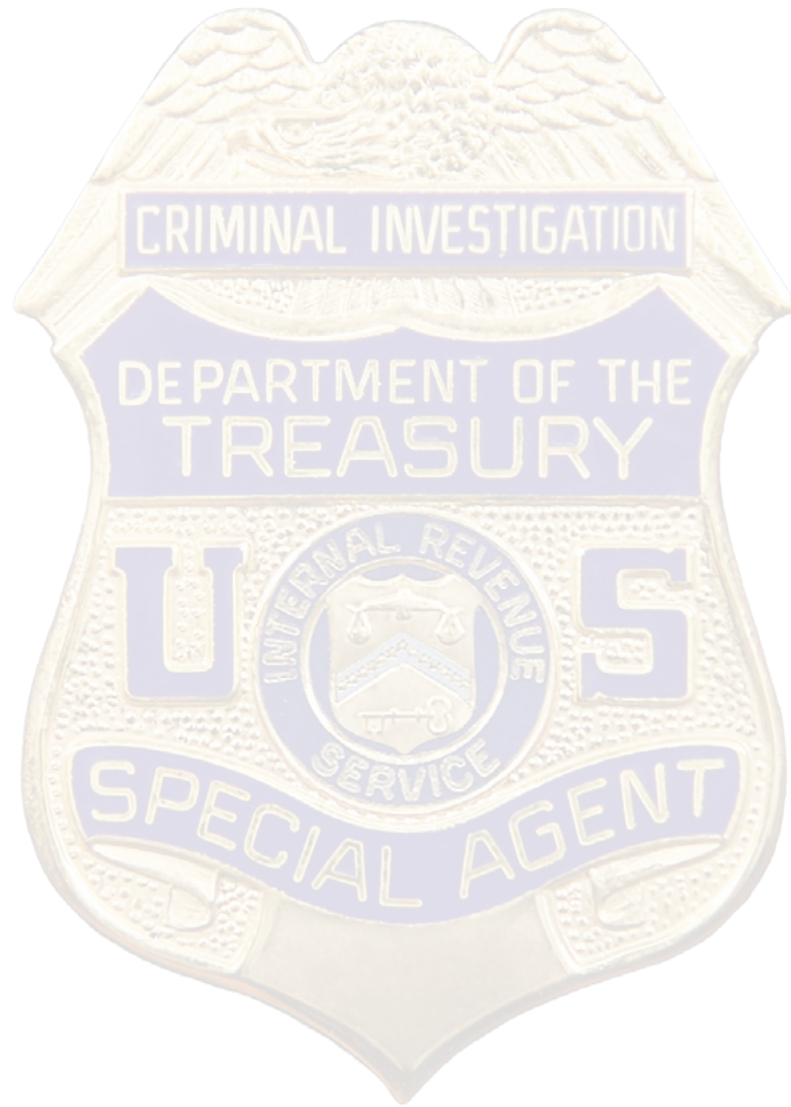


Table of Contents

4	Messages from the Chief and Deputy	46	Field Office Map
6	2020 Snapshot	48	Atlanta
8	Organizational Chart	52	Boston
10	Tax Crimes	56	Charlotte
16	Digital Forensics	60	Chicago
20	Non-Tax Crimes	64	Cincinnati
24	International Operations	68	Dallas
27	Narcotics, Counterterrorism, & Transnational Organized Crime	72	Denver
28	Specialized Units	76	Detroit
29	Asset Forfeiture	80	Houston
30	Nationally Coordinated Investigations Unit	84	Las Vegas
31	Commissioner's Protection Detail	88	Los Angeles
32	Undercover Operations	92	Miami
34	National Forensic Laboratory	96	Newark
36	National CI Training Academy	100	New York
38	Professional Staff	104	Oakland
39	Equity, Diversity & Inclusion	108	Philadelphia
42	Communications & Education	112	Phoenix
43	Outreach/Community Engagement	116	Seattle
		120	St. Louis
		124	Tampa
		128	Washington D.C.
		132	Appendix

Message from the Departing Chief



It has been the honor of my life to lead the men and women of IRS-CI these past three years. It's been an amazing run. In my 29 years with CI, I never imagined I would rise from a grade 5 Special Agent to being the Chief of this great agency. It's truly been an honor.

We have had some tremendous successes over the years, and I attribute those to the great personnel I have worked with in CI, and with our partners around the world. I've followed one simple philosophy: Work hard, surround yourself with greatness and the rest will take care of itself. During my tenure as Chief, we launched some important initiatives and the quality of our cases has never been higher, but it is the people I will miss the most. It is the people who selflessly devote their lives to this mission on behalf of the American people because they believe in the badge and all that it represents.

Throughout my time with CI, I have never forgotten our mission and the important role we play on tax administration. The deterrent effect from our work forms the backbone of our voluntary compliance tax system—a system that funds our government, our military and our infrastructure. While criminals and their methods may change from year to year, following the money still forms the basis for everything we do just as it did 100 years ago. I'm proud of our accomplishments from this year and I look forward to following future successes!

—Don Fort, Departing Chief

Message from the Incoming Chief



The people in CI change throughout the years, but our underlying principles and our mission remain the same. They are what unite us and give us the structure to move forward seamlessly. Honor the Badge, Preserve the Legacy, Master Your Craft, and Inspire the Future are the guiding principles that IRS Criminal Investigation lives by and by which 2020 was defined.

HONOR THE BADGE. As the new Chief, I am excited to share the FY 2020 IRS Criminal Investigation Annual Report. We honor the badge by remembering that the IRS relies on Criminal Investigation's ability to investigate and recommend prosecution of criminal tax violations to the Department of Justice. Criminal Tax cases which are prosecuted and publicized provide a strong deterrent message to would-be tax evaders, helping to ensure the integrity and fairness in the tax system. Our workforce honors the badge by working with a sense of urgency, integrity, and professionalism every day. As we look ahead to develop and deploy the tools that will make us successful in the 21st Century, we must use those lessons learned from the past to inform our investigations and investigative techniques of the future. This is how we continue to honor the badge and our great history.

PRESERVE THE LEGACY. Our cases continue to be some of the most complex and impactful cases in the world and regularly appear on the front page of the nation's largest newspapers and websites. We are working smarter using data analytics to augment good old-fashioned police work

and find those cases that have the biggest impact on tax administration. We are leading the world in our ability to trace virtual currency in financial investigations while still working our foundational tax enforcement mission areas. Our conviction rate is among the highest in federal law enforcement. Although many things have changed, some things have remained constant. That is how we preserve our legacy. Most crimes are still committed for financial gain and we are still the only federal agency authorized to investigate and recommend prosecution on federal income tax cases.

MASTER YOUR CRAFT. The evolution of financial crime mirrors the evolution of money movement in general. The speed at which money moves today is almost instantaneous and the convenience that comes with that opens the door for criminals to exploit the latest technological advancements. Money disappears in the blink of an eye. All that is needed is a smartphone to move money from one location to another, anywhere in the world. The internet and the dark web have facilitated this change and law enforcement has adjusted to keep up. CI made significant investments in training our employees in the latest tactics and techniques to be successful in a digital financial world. These investments will continue.

INSPIRE THE FUTURE. While the tools of the trade may have changed, criminals are still doing the same things they were always doing. Skimming money from a business to avoid employment taxes or pretending to be someone else to file taxes—these are things criminals have done since our inception. And while it is true that the threat and evolution of cybercrimes is real and has impacted all financial crimes, I'm proud of what we have done as an agency to position ourselves to solve these sophisticated crimes. Today's cyber criminals think we cannot catch them, but as evidenced by some of the great casework in this report, it is clear we can. I'm proud of all we have accomplished in fiscal year 2020. I'm proud to lead this agency and I look forward to helping to write the next chapter of investigative excellence for CI.

—Jim Lee, Chief

Message from the Incoming Deputy Chief



In fiscal year 2020, we continued to focus on case selection to make sure we worked the most egregious tax crimes in the country. We continued to pursue the cases that have the biggest impact on tax administration, finding ourselves in the headlines of some of the most talked-about cases of the year. We validated pilot

programs and solidified units designed to better use data to aide in finding and solving the best financial crime cases. We took another step into the center of the world stage in solving some of the most complex cybercrimes. And we nourished international partnerships, broke down barriers of information sharing, and showed the world's criminal population that there is nowhere to hide.

CI Special Agents are in demand when it comes to solving complex financial crimes. As the Chief said, we are the only ones who can investigate tax crimes, but U.S. Attorneys want CI special agents involved in all their financial crime cases. In the international arena, we continue to work with our partners to break down barriers and work together in areas where we share common goals. Perhaps there is no better example of these types of partnerships than our work with the Joint Chiefs of Global Tax Enforcement, or J5. The J5 includes CI and our counterparts in the United Kingdom, Australia, Canada, and the Netherlands and focuses on enablers of international tax evasion and on the use of cryptocurrency to evade international tax obligations.

This annual report is a proud reflection of the tremendous cases the Criminal Investigation Division has worked during fiscal year 2020. The case summaries in this report touch every field office, every state and nearly every region of the world. Though we spend most of our time talking about cases, it should be noted that these successes are a result of having the most sophisticated financial crime law enforcement personnel the world has ever seen. I look proudly at our successes in fiscal year 2020, but also forward to accomplishing great things in fiscal year 2021.

— Jim Robnett, Deputy Chief

2020 Snapshot

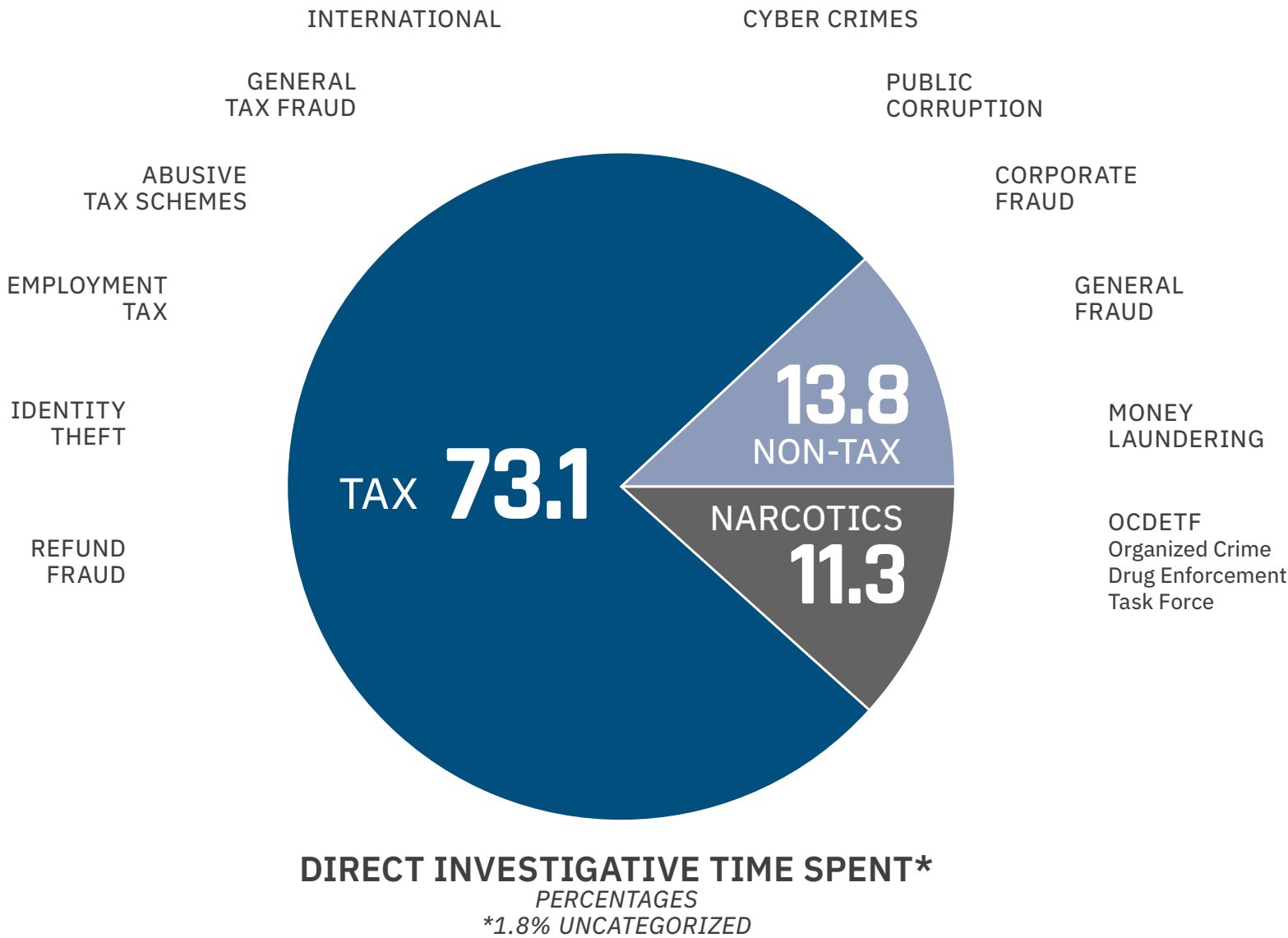
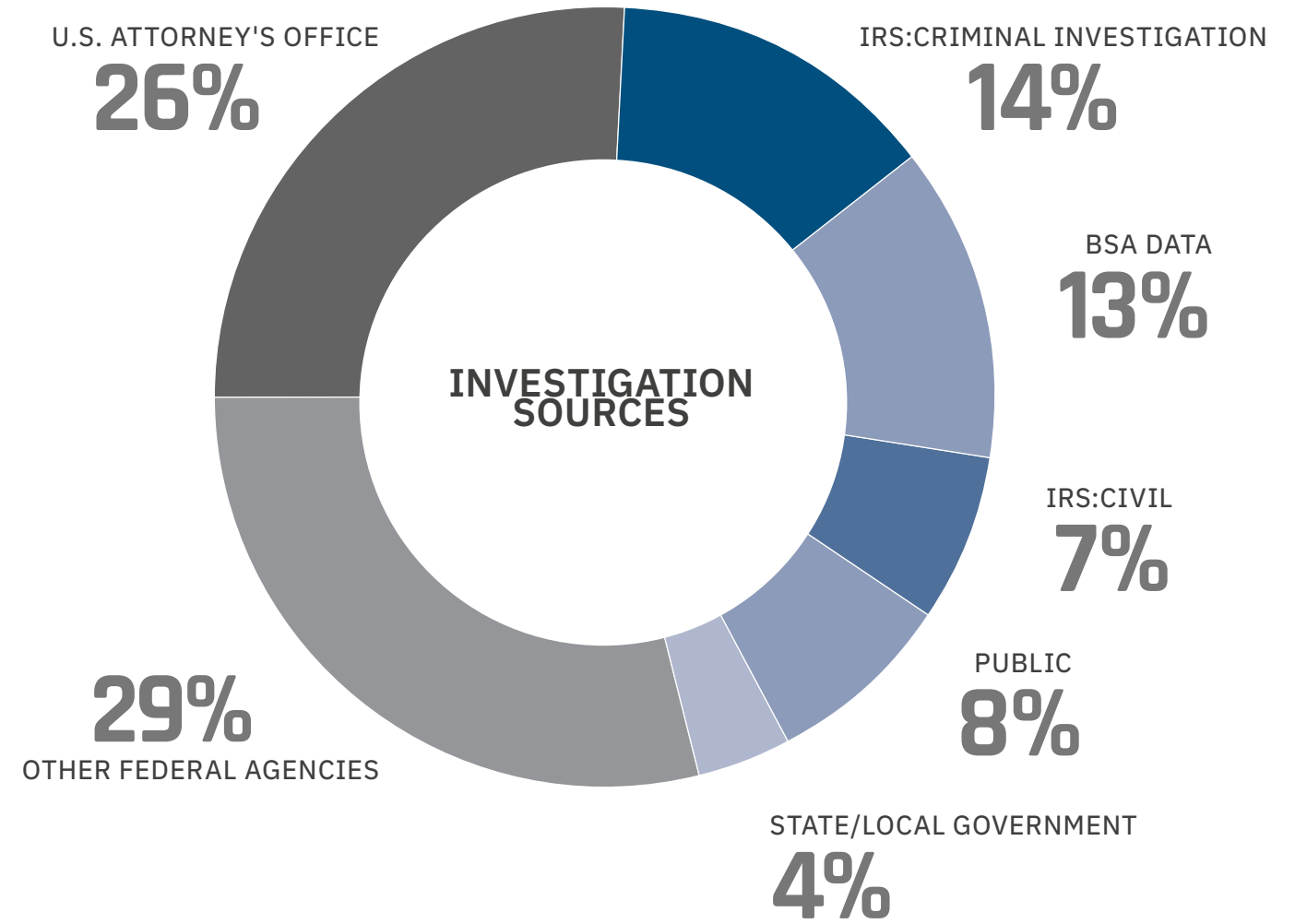
\$2.3B
TAX FRAUD IDENTIFIED

\$8.4B
OTHER FINANCIAL CRIMES

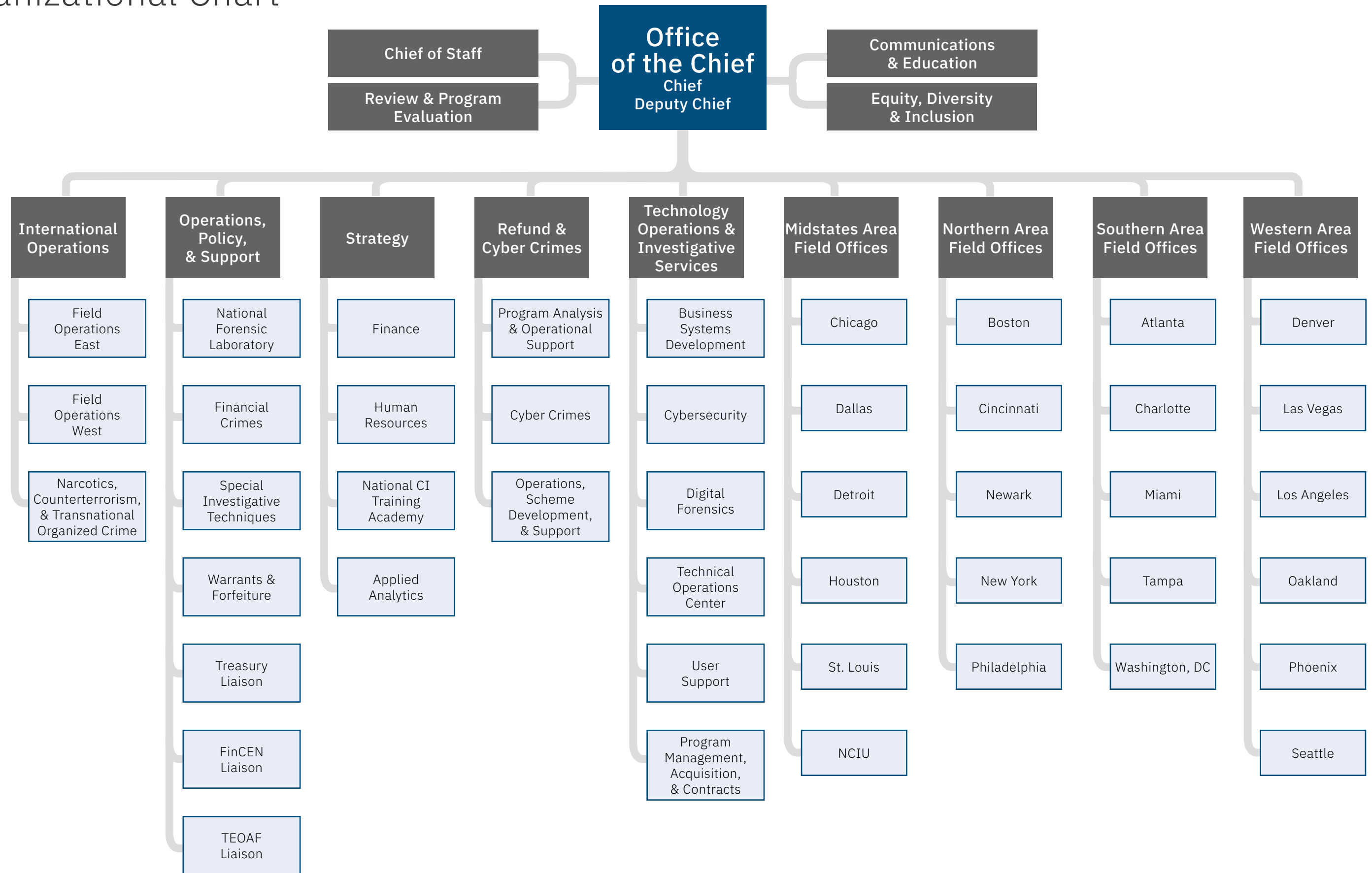
90.4%
CONVICTION RATE

1226
WARRANTS EXECUTED

1.27 PETABYTES
DIGITAL DATA SEIZED



Organizational Chart





1598
INVESTIGATIONS INITIATED

945
PROSECUTIONS RECOMMENDED

593
SENTENCED

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 fraud. The individuals can be legitimate business owners but obtain their income through illegal means. These investigations focus 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.

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 underreport 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 Department of Justice (DOJ) prosecutors to gather the necessary evidence to bring these cases to a successful conclusion.

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) for both Individual Master File (IMF) and Business Master File (BMF). 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 Questionable Refund Program 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 these investigations include cases also considered identity theft investigations (stolen identity refund fraud-SIRF). In contrast, Abusive Return Preparer Program 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.

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 occurs 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 (SSN), address—without permission, to commit fraud or other crimes. These cases are commonly referred to as stolen identity 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 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 continues to build a cybercrimes 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 our Los Angeles and Washington, D.C. Field Offices was part of the initial launch of the program and a headquarters Cyber Crimes office and cybercrimes coordinators in each of our 21 Field Offices followed. 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 CCU focuses its efforts on multijurisdictional investigations posing the most significant threats to the U.S. tax and financial systems. These crimes typically involve the use of crypto currencies to facilitate the criminal activity.

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 several years, CI has seen an increasing growth in the number of criminals using the cyber environment to facilitate Stolen Identity Refund Fraud (SIRF) and other refund fraud schemes. During this same period, data loss incidents reported to the IRS has drastically increased. These data loss incidents include data intrusions,

business email compromises, 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's cybercrime investigative efforts focus on subjects 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 in 1919.

Cyber Crimes

SIGNIFICANT CASES

North Korea Crypto Hackers Charged

On March 2, 2020, two Chinese nationals were charged with laundering over \$100 million worth of cryptocurrency from a hack of a cryptocurrency exchange. In total, nearly \$250 million in cryptocurrency was stolen by North Korean co-conspirators in 2018. The funds were laundered through hundreds of automated cryptocurrency transactions and multiple virtual currency exchanges' Know Your Customer (KYC) controls were circumvented through the use of doctored photographs and falsified identification documentation. A portion of the laundered funds was used to pay for infrastructure used in North Korean hacking campaigns against the financial industry. The U.S Treasury's Office of Foreign Asset Control (OFAC) also imposed sanctions on defendants and numerous cryptocurrency addresses related to their involvement in activities facilitating North Korean sanctions evasion.

Darknet Based Bitcoin Mixing Service Owner Charged with Laundering More Than 300 Million Dollars

On February 13, 2020, Larry Harmon was charged with money laundering conspiracy, operating an unlicensed money transmitting business and conducting money transmission without a D.C. license. Harmon ran both Grams and Helix, respectively a darknet search engine and money laundering service that was integrated into major darknet markets such as AlphaBay, Silk Road II, Abraxxas, and many others. Helix worked by tumbling bitcoins from users and vendors on darknet markets with new, "clean" bitcoin so as to obfuscate the illicit source of the bitcoin. Approximately 356,000 bitcoins moved through the site between July 2014 and December 2017 – valued at over \$300 million at the time of the transactions. Data obtained from these servers will assist investigations all around the world – since criminals use tumblers to obfuscate the crypto trail. Evidence obtained from this investigation will serve as the missing link or puzzle piece in many investigations.



Treasury Secretary Steven Mnuchin presented the Secretary's Honor Award to Special Agent Christopher Janczewski of the Washington Field Office. Christopher was recognized for playing a key role in an international investigation that brought down three terrorist financing schemes, leading to the largest crypto seizures in the history of the U.S. relating to terrorism.

Largest Ever Seizure of Terrorist Organizations Cryptocurrency Accounts Causes Global Terror Disruption

On August 13, 2020, three forfeiture complaints and a criminal complaint were unsealed in the District of Columbia detailing a coordinated effort to dismantle three terrorist financing cyber-enabled campaigns. These campaigns involved the (1) al-Qassam Brigades, Hamas's military wing, (2) al-Qaeda, and (3) Islamic State of Iraq and the Levant (ISIS). These actions represent the government's largest-ever seizure of cryptocurrency in the terrorism context.

These three terror finance campaigns all relied on sophisticated cyber-tools, including the solicitation of cryptocurrency donations from around the world. The action demonstrates how different terrorist groups have similarly adapted their terror finance activities to the cyber age. Each group used cryptocurrency and social media to garner attention and raise funds for their terror campaigns. Pursuant to judicially-authorized warrants, U.S. authorities seized millions of dollars, over 300 cryptocurrency accounts, four websites, and four Facebook pages all related to the criminal enterprise.

Cyber Crimes

AL-QASSAM BRIGADES CAMPAIGN: The first forfeiture complaint involves the al-Qassam Brigades (aQB), Hamas military wing, and its online cryptocurrency fundraising efforts. In early 2019, aQB posted a call on its social media page for bitcoin donations. The aQB then moved the request to its official websites and boasted the donations were untraceable and would be used for violent causes. The websites offered video instructions to make bitcoin donations. With judicial authorization, IRS:CI seized the infrastructure of the aQB websites and subsequently covertly operated one of the websites and a bitcoin wallet. Funds were received from persons seeking to provide material support to aQB and communications from persons seeking to join aQB. Financial accounts were seized and also included hundreds of bitcoin addresses from both donors and aQB in a forfeiture complaint.

AL-QAEDA CAMPAIGN: The second action involves al Qaeda and affiliated terrorist groups, largely based out of Syria. These organizations operated a bitcoin money laundering network using Telegram channels and other social media platforms to solicit cryptocurrency donations. In some instances, they purported to act as charities when, in fact, they were openly and explicitly soliciting funds for violent terrorist attacks. IRS:CI identified and included 155 bitcoin addresses in the forfeiture complaint.

ISIS CAMPAIGN: The final forfeiture complaint involves a scheme by ISIS facilitator, Murat Cakar to sell fake personal protective equipment via website FaceMask-Center.com. The website claimed to sell FDA approved N95 respirator masks, when in fact the items were not FDA approved. Site administrators claimed to have near unlimited supplies of the masks, in spite of such items being officially-designated as scarce. The forfeiture complaint seized Cakar’s website as well as four related Facebook pages used to facilitate the scheme.

Two Turkish Individuals charged as money launderers

Mehmet Akti and Husamettin Karatas were charged in a criminal complaint with acting as related money launderers while operating an unlicensed money transmitting business. Akti operated a prolific virtual currency Money Service Business (MSB) from his account with a virtual currency exchange receiving approximately 2,328 Bitcoin, 2,296 Ethereum, and U.S. dollar wires totaling \$82.8 million. During the same time period withdrawals out of the account were made to more than 250 unique cryptocurrency wallet addresses totaling over \$90 million. Karatas opened an account at a virtual currency exchange which he used to operate a cryptocurrency exchange of his own. In addition to a \$500,000 wire from a company linked to Akti, Karatas received cryptocurrency and fiat currency valued at approximately \$2.1 million into his virtual currency account between April and July 2019. During the same time period Karatas withdrew cryptocurrency valued at approximately \$2.3 million from this account to 17 unique wallet addresses.

HEROCOIN Owner Admits to Operating Unlicensed Crypto ATM Network that Laundered Millions of Dollars of Bitcoin and Cash for Criminals

Kais Mohammad, a.k.a. “Superman29”, ran a variety of Bitcoin ATM-type kiosks under the brand name “Herocoin”. He was charged in a three-count criminal information filed on July 22, 2020, and plead guilty the same day. Mohammad plead guilty to one count of operating an unlicensed money transmitting business, one count of money laundering, and one count of failure to maintain an effective anti-money laundering program.

From December 2014 to November 2019, Mohammad owned and operated Herocoin, an illegal virtual-currency money services business. Mohammad purchased and

Cyber Crimes

advertised on the internet a network of Bitcoin ATM-type kiosks, which were located in malls, gas stations and convenience stores in Los Angeles, Orange, Riverside and San Bernadino counties. These 17 kiosks allowed customers to use cash to buy Bitcoin, an internet-based cryptocurrency, or sell Bitcoin in exchange for cash that is dispensed onsite. The machines were seized by the government. In total, Mohammad admitted he exchanged between \$15 million and \$25 million from in-person exchanges and transactions occurring at his Bitcoin kiosks.

SCAM ALERT! The BitClub Network investment scheme revealed

On December 10, 2019, Matthew Goettsche, Jobadiah Weeks, Russ Medlin, Joseph Abel, and Silviu Balaci were charged for their roles in connection with defrauding BitClub Network investors of at least \$722 million. To date, Balaci and Abel have plead guilty to various charges associated with their roles in the scheme.

From April 2014 through December 2019, the defendants operated BitClub Network, a fraudulent scheme that solicited money from investors in exchange for shares of purported cryptocurrency mining pools and rewarded investors for recruiting new investors. Goettsche, Weeks, and others conspired to solicit investments in BitClub Network by providing false and misleading figures that BitClub investors were told were “bitcoin mining earnings,” purportedly generated by BitClub Network’s bitcoin mining pool. Goettsche discussed with his conspirators that their target audience would be “dumb” investors, referred to them as “sheep,” and said he was “building this whole model on the backs of idiots.” Goettsche directed others to manipulate the figures displayed as “mining earnings” during the course of the conspiracy.

For example, in February 2015, Goettsche directed another conspirator to “bump up the daily mining earnings starting today by 60%,” to which his conspirator warned “that is not sustainable, that is ponzi teritori [sic] and fast cash-out ponzi... but sure.” In September 2017, Goettsche sent an email to another conspirator in which he suggested that Bitclub Network “[d]rop mining earnings significantly starting now” so that he could “retire RAF!!! (rich as f**k).” Weeks sent an email in June 2017 to Goettsche and another conspirator in which he remarked that BitClub selling shares in BitClub and then not using the money to purchase mining equipment was “not right.” Goettsche, Weeks, and others obtained the equivalent of at least \$722 million from BitClub Network investors.

Goettsche, Weeks, Abel, and others also conspired to sell BitClub Network shares – which were securities – notwithstanding that BitClub Network did not register the shares with the U.S. Securities and Exchange Commission. Weeks and Abel created videos and traveled around the United States and the world to promote BitClub Network. In one video, a conspirator espoused that BitClub Network was “the most transparent company in the history of the world that I’ve ever seen.” In another video, Abel assured investors that BitClub Network was “too big to fail.” ♦



IRS:CI'S ELECTRONIC CRIMES section is now Digital Forensics. In fiscal year 2020, Electronic Crimes was restructured to better provide world class digital forensic services to Special Agents and other law enforcement stakeholders. This specialized and highly technical section has been more appropriately named Digital Forensics.

Virtually every criminal investigation now includes some form of digital evidence and a need for digital forensics. Digital forensics can range in complexity from running a simple keyword search on existing data to imaging complex server farms and analyzing terabytes of data in a virtual environment. The Digital Forensics section specializes in extracting evidence from a variety of sources: standalone computers, mobile devices, business computer networks and systems, servers, cloud storage, and even the dark web. As digital technologies

and modes of concealing evidence evolve, CI's Digital Forensic examiners' evolve as well through training and education. Computer Investigative Specialists (CISS) and Computer Investigative Forensic Analysts (CIFAs) continually train and work to advance their technical acumen and skillsets. Training is primarily accomplished through a joint-agency training project known as the Treasury Computer Forensic Training Program (TCFTP), a collaboration with Homeland Security Investigations and the U.S. Secret Service. Through TCFTP training and additional advanced trainings and certifications, IRS:CI's Digital Forensics examiners have quickly become leaders in the identification and extraction of data from common computer and mobile systems to unique devices, such as vehicle infotainment systems, drones, wearables, and various other electronic media known as the Internet of Things.

Digital Forensics

The Digital Forensics section forensically acquires and analyzes digital data and provides testimony in legal proceedings about digital evidence and processes in ongoing criminal investigations. Digital Forensics currently has 68 field CISs in 47 laboratories throughout the United States; these labs will be consolidated to 18 Regional Digital Forensics Laboratories in the coming years. Digital Forensics also has a specialized Digital Forensics Laboratory in Virginia staffed with six CIFAs and two Special Agent Senior Analysts responsible for policy, training, hardware and software testing, as well as serving as a resource in solving complex data extractions, data recovery, and other challenges encountered by CISs in the field.

In FY 2020, Digital Forensics personnel participated in more than 959 search warrants or other digital forensics operations at more than 718 locations and seized over than 1.278 petabytes of data from more than 3,304 computers, laptops, and external devices and 724 mobile devices. The Digital Forensics section is the primary source for digital analysis in IRS:CI, and IRS:CI's Digital Forensics remains one of the premier digital forensic programs in all of U.S. law enforcement.

SIGNIFICANT CASES

Northern Pacific Area

On February 25, 2020, Volodymyr Kvashuk, a 25-year-old former Microsoft software engineer was convicted of a scheme to steal over \$10 million in digital currency from Microsoft. Kvashuk was involved in the testing of Microsoft's online retail sales platform and used that testing access to steal "currency stored value" (CSV) gift cards. Kvashuk resold the value on the internet and used the proceeds to purchase a \$160,000 Tesla vehicle and a \$1.6 million-dollar lakefront home.

Initially, Kvashuk started stealing smaller amounts totaling about \$12,000 in value using his own account access. As the thefts escalated into millions of dollars of value, Kvashuk used test email accounts associated with other employees. Kvashuk, a knowledgeable software developer, attempted to mask digital evidence that would trace the fraud and the internet sales back to him. He used a bitcoin "mixing" service in an attempt to hide the source of the funds ultimately passing into his bank account. In all, over the seven months of Kvashuk's illegal activity, approximately \$2.8 million in bitcoin was transferred to his bank accounts. Kvashuk then filed fake tax return forms, claiming the bitcoin had been a gift from a relative.



Digital Forensics

IRS:CI Digital Forensics took the lead as to the acquisition, processing, and analysis of the data from various devices, constituting approximately seven terabytes of data seized as evidence. A Digital Forensics SA-CIS and a special agent from the Western Cyber Crimes Unit worked together on a daily basis to triage and assess digital evidence in the context of the investigation. Information about the tools and means of the fraud that were initially developed via other aspects of the investigation were confirmed and validated through the Digital Forensics' analysis of internet and program artifacts found on the seized devices. For example, use of VPN services; meticulous analysis by the user of possible IP and geolocation information; Microsoft test account access information; stolen CSV codes; screenshots of fraudulent purchases made in the scheme; and a rich variety of data in the forms of significant internet browser history, saved user login/password information, and add-ins designed to thwart identification of the user.

The CIS prepared video recordings of Kvashuk's virtualized computer documenting user attribution and the operation of a custom-built software program used to automate the process of stealing Microsoft CSV codes. The CIS subsequently testified at trial using extracts of the video to show how the information would have appeared to the user behind the keyboard. When sentenced, Kvashuk faces up to twenty years in prison.

Mid-Atlantic Area

Monique Ellis was sentenced to six years in prison for wire fraud and aggravated identity theft. Ellis was convicted following a jury trial in October 2017. Ellis's appeal was denied in September 2019. According to documents filed with the court and evidence presented at trial, Ellis used stolen IDs, including those of prisoners within the Alabama Department of Corrections, to file tax returns with the Internal Revenue Service seeking fraudulent



refunds. Ellis directed the fraudulently obtained refunds to bank accounts that she controlled, causing a tax loss of \$700,933.

A Digital Forensics SA-CIS was tasked with forensically reviewing laptops seized during the execution of a search warrant at Ellis's apartment, including two laptops seized from her bedroom. A forensic review of the laptops revealed that they were used to file over 300 electronic tax returns from 2008 through 2012. The forensic review included identifying TurboTax UIDs from the laptop's internet browser history to identify the filed returns. The forensic review also identified that the laptops accessed the internet provider (IP) address associated with Ellis's apartment over 300 times. The tax returns linked to the laptops shared certain characteristics, such as being filed from one of several IP addresses, including the IP address for Ellis's apartment. The CIS testified at trial, as well as at a pretrial hearing regarding the tools/processes used. In addition to the prison term, Ellis has been ordered to serve three years of supervised release and to pay \$352,183 in restitution.

Mid-Atlantic Area

George David George was indicted in the Middle District of Tennessee by a federal grand jury in May 2015 with securities fraud, mail fraud, wire fraud, and money laundering and subsequently charged with additional counts of wire fraud in February 2017. George plead guilty and was sentenced in March 2019. His appeal was denied in March 2020. George operated a fraudulent investment scheme where he raised money for a social networking platform focused on health and wellness known as Well City. George bilked dozens of investors out of \$3 million. Rather than invest the funds in the business, he diverted a substantial portion to personal uses like gambling and retiring personal debts. In May 2017, George was indicted for failing to appear in U.S. District Court after he failed to appear for a bond revocation hearing and prior to the start of his trial scheduled for May 16, 2017. George, who was out on bail, cut off his ankle monitor and absconded from justice. He spent nineteen months as a fugitive and continued to deceive. He went to Texas, Alabama, and was caught in Jacksonville, FL. He assumed at least two identities while on the run to evade capture. One identity was that of a Harvard-trained psychiatrist where he unlawfully dispensed a prescription drug, Clonazepam, to a sixteen-year-old, landing the boy in the hospital. George had previously taken this medication from a woman he met on Match.com and whom he was having a romantic relationship with while deceiving her as well. George was apprehended and arrested by the US Marshals in January 2019.

Digital Forensics

IRS:CI's Digital Forensics (DF) was tasked with imaging and analyzing devices seized during the arrest under a short deadline. SA-CISs in the Nashville Digital Forensics lab were quickly able to do the necessary analysis. The work of the CISs was crucial as George's computer was a major topic addressed during sentencing. Analysis showed George's internet searches consisted of topics such as how to successfully run from authorities and how to erase search history.

George plead guilty to seven counts of wire fraud, and one count of mail fraud, securities fraud and money laundering in March 2019. George was sentenced to 20 years in federal prison for the fraud scheme and ordered to pay almost \$3 million in restitution. During sentencing, Judge Wilson remarked that George had "larceny in his heart".

Eastern Area

Ryan P. Sheridan operated two drug and alcohol detoxification centers in Ohio under the name Braking Point Recovery Center. Sheridan, with the assistance of multiple co-conspirators, used these detoxification centers to commit health care fraud by submitting false billings to the Ohio Department of Medicaid. On October 4, 2019, Sheridan plead guilty to a 60-count indictment that included various health care fraud charges and 28 money laundering counts. On January 22, 2020, Sheridan was sentenced to serve 90 months incarceration and pay restitution of over \$24 million.

During the course of the investigation, A Digital Forensics SA-CIS captured significant data on various cell phones and computers and elicited essential information during interviews of key witnesses who had text message communications with Sheridan. These text messages provided insight into the relationships Sheridan had with his co-conspirators. The SA-CIS assisted the prosecution team in determining the most efficient way to examine mass amounts of data seized from the electronic devices which proved instrumental to the investigation and subsequent prosecution.

Southeast Area

On July 10, 2020 Wade Ashley Walters, a co-owner of numerous compounding pharmacies and pharmaceutical distributors, pleaded guilty to one count of conspiracy to commit health care fraud and conspiracy to commit money laundering. As part of his guilty plea, Walters admitted that, between 2012 and 2016, he orchestrated a scheme to defraud TriCare and other health care benefit programs by distributing compounded medications that were not medically necessary. As part of the scheme,

Walters among other things, adjusted prescription formulas to ensure the highest reimbursement without regard to efficacy; solicited recruiters to procure prescriptions for high-margin compounded medications and paid those recruiters commissions based on the percentage of the reimbursements paid by pharmacy benefit managers and health care benefit programs, including commissions on claims reimbursed by TriCare; solicited (and at times paying kickbacks to) practitioners to authorize prescriptions for high-margin compounded medications; routinely and systematically waived and/or reduced copayments to be paid by beneficiaries and members, including utilizing a purported copayment assistance program to falsely make it appear as if the pharmacies were collecting copayments. Walters and his numerous co-conspirators effectuated a scheme to defraud health care benefit programs, including the TRICARE program, in the amount of \$287,659,569, with losses to a government health care program exceeding \$20,000,000. Walters obtained over \$40,000,000 in proceeds derived directly or indirectly from the fraud.

Walters is only one of fourteen guilty pleas or trials in which Digital Forensics played a significant part in the investigation. In February 2017, Digital Forensics CISs took the lead in analyzing the 210 terabytes of digital evidence originally seized by the FBI. In conducting the digital review and analysis, CISs used complex forensic software, as well as CI's own internal digital evidence file sharing system known as Electronic Crimes Environment. The three-year review consisted of a team of CISs assisted by technical agents from several other agencies to complete and present the evidence necessary to prove the case.

The IRS:CI Digital Forensics section continues to provide technical assistance to the investigation and US Attorney's as they continue to look into the numerous aspects of this case. ♦





CRIMINAL INVESTIGATION'S (CI) Illegal Source Financial Crimes Program investigates tax and tax related crimes, money laundering, and currency violations. The special agent's investigations focus on individuals who receive income from illegal sources, such as embezzlement, bribery, and fraud. They also focus on money-laundering schemes where individuals launder their ill-gotten gains by making the money appear as if it came from legitimate sources. Sometimes an individual will employ a third party or a professional money launderer.

Frequent money laundering techniques include:

- Manipulating currency reporting requirements
- Layering transactions
- Use of Cryptocurrency
- Using Black Market Peso
- Moving funds internationally

The domestic and international law enforcement community recognize 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. Money laundering creates an underground, untaxed economy that harms our country's overall economic strength. 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 launder money. The traditional image of money laundering portrays someone manually washing drug money from city streets, and turning it into legitimate financial transactions, such as those for bank deposits and other assets.

In contrast, criminals today can press a computer button to move large amounts of criminally derived funds into or through the United States and foreign financial institutions. They launder money through a wide variety of enterprises, such as banks and money transmitters to stock brokerage houses, casinos, and virtual currency exchanges. The flow of illegal funds around the world is estimated to be hundreds of billions of dollars. Whenever money, whether it be legal or illicit, moves through a financial system, it leaves behind a trail of transactions. Uncovered trails identify who willingly enables and finances crime. These people often view crime with deliberate blindness, negligence, or disregard. The trail can also reveal the crooks who made money through crime.

CI special agents are experts at uncovering money trails. They take part 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).

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 analyze BSA information to identify significant financial criminal activity. Although Financial Crimes Enforcement Network (FinCEN) is the agency tasked with administering the BSA, they have no criminal enforcement authority. All criminal enforcement of BSA is delegated by the U.S Treasury Secretary to IRS:CI. Other federal agencies can investigate criminal violations of the BSA, but CI is the only federal agency that actively reviews all BSA data for leads and possible criminal violations. CI uses various data analytics tools to actively analyze BSA data and identify leads for possible investigation. CI leads SAR Review Teams (SAR RTs) and Financial Crimes Task Forces (FCTFs) in all 93 judicial districts across the country.

The FCTFs and SAR-RTs 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.

Non-Tax Crimes

Each of the SAR RTs and FCTFs operate in slightly different fashion, based on direction and oversight from their respective U.S Attorney's offices (USAO), but once CI special agents identify leads in their respective areas, they meet with participating law enforcement agencies to discuss and disseminate the leads for action. It should be noted that all of the major federal agencies use BSA data to supplement their investigations, but only CI regularly triages BSA data for leads and possible criminal violations. CI's financial investigative focus allows them to leverage BSA data better than any other U.S law enforcement agency. As a result, 13% of all CI investigations initiated in fiscal year 2020 were the direct result of BSA data. CI currently has upwards of 200 special agents and investigative analysts working on SAR RTs and FCTFs around the country.

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 FinCEN and other federal law enforcement agencies to provide feedback and outreach to the financial industry. Additionally, CI is collaborating with the financial industry and federal regulators to examine the US Anti-Money Laundering regime to make it more effective and efficient through the BSA Advisory Group.



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 taxpayer dollars. Public officials who 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 monies of corrupt foreign officials. This type of corruption undermines democratic institutions and threatens national security.

Non-Tax Crimes

CORPORATE FRAUD

The Corporate Fraud Program concentrates on violations committed by publicly-traded or private corporations and their senior executives. Some specific criminal acts involving corporate fraud include falsifying, fabricating, or destroying company records. Fraudsters use the false information to complete tax returns, financial statements, and reports for regulatory agencies or investors. Corporate Fraud can also include executives who entitle themselves to unauthorized compensation, or who receive unapproved payments and bonuses, corporate funds, or bogus loans to pay for personal expenses.

GENERAL FRAUD

CI special agents also investigate healthcare and financial institution fraud. When CI brings income tax and money laundering charges to a criminal case, it enhances prosecutors' effectiveness to combat these and other types of fraud. CI special agents work with federal, state, and local law enforcement partners, as well as with foreign tax and law enforcement agencies, to follow and uncover a trail of illicit money in these investigations.

SIGNIFICANT CASE

Former Milton City Mayor and Ex-Head of United Way of Santa Rosa County Sentenced to 51 Months Federal Prison for Fraud and Tax Evasion

Guyland W. Thompson, a former mayor of Milton, Florida, and ex-executive director of the United Way of Santa Rosa County Florida, was sentenced to 51 months in federal prison after pleading guilty to wire fraud and tax evasion in relation to a complex embezzlement scheme. Between at least 2011 and 2018, Thompson embezzled over \$650,000 from the United Way. He used his position and access to the charity's records and bank accounts to steal money from the charity for years by conducting a series of complicated financial transactions to cover his tracks. He also made false representations to board members, employees, bank tellers, and United Way Worldwide to keep his fraud undetected for so long. Thompson then failed to report to the Internal Revenue Service the extra income from his embezzlement scheme.

Prior to sentencing, Thompson pled guilty to 20 counts of wire fraud and three counts of tax evasion stemming from his embezzlement of funds from United Way of Santa Rosa County while he ran the organization. Thompson was ordered to forfeit \$221,868 seized from his bank accounts and pay an additional money judgment of \$430,132. ♦



INTERNATIONAL OPERATIONS



THE GLOBAL FIGHT against tax and economic crimes transcends borders and requires innovative approaches. IRS:CI's Office of International Operations (IO) works collaboratively in support of agency goals, objectives, and activities. IO enhances IRS's international strategy by combating offshore tax, money laundering, transnational organized crime, terrorism financing and other financial crimes. It unites our domestic, foreign tax, and law enforcement agency partners. IO also works with other organizations to leverage bi- and multilateral agreements and resources.

	Headquarters	Attaché	Attaché (J5)	
BRANCH A:	OTTAWA	LONDON	THE HAGUE	DUBAI
	CANBERRA & SYDNEY	MEXICO CITY	PANAMA CITY	BOGOTA
	BARBADOS	FRANKFURT	HONG KONG	

International Operations

Internationally, IO has Special Agent Attachés strategically stationed in 11 foreign countries:

- Mexico
- Canada
- Colombia
- Panama
- Barbados
- China
- Germany
- The Netherlands—Europol
- England
- Australia
- Dubai

Attachés continuously build and maintain strong alliances with foreign governments, and law enforcement and industry partners. These alliances give CI the ability to develop leads for domestic and international investigations that have an international nexus. The vigilance of IRS:CI Special Agent Attachés serves to uncover emerging schemes perpetrated by promoters, professional enablers, and financial institutions. These entities facilitate tax evasion of federal tax obligations by U.S. taxpayers.

IO also educates foreign governments and agencies on crime detection, investigative techniques, case studies, emerging trends, and best practices. Special Agents train foreign governments through collaborative efforts with the International Law Enforcement Academies (ILEA) in Budapest, Hungary; Bangkok, Thailand; San Salvador, El Salvador; and Gaborone, Botswana. In addition, IO conducts training at the International Academy for Tax Crime Investigation at Guardia di Finanza Economic and Financial Police School in Ostia, Italy. The Organization for Economic Cooperation and Development (OECD) and the U.S. Department of State sponsors the training.

In FY 2020, IO had several significant accomplishments:

The Assistant Secretary of the U.S. Treasury and the Ambassador of U.S. Embassy Mongolia were concerned with counter-threat finance, counter narcotics, and border security of Mongolia. They pledged to provide support to Mongolia. Hong Kong Post coordinated a week-long Financial Investigation Technique training in Mongolia. The training was attended by judges, prosecutors and law enforcement from Mongolia's National Police Agency, Dept of Taxation, Financial Regulatory Commission, Financial Intelligence Unit, Independent Authority Against Corruption, General Prosecutors Office, General Intelligence Agency, Judicial General Council and Internal Affairs University of Mongolia.

An important partnership initiative, of CI's International Strategy, involves

strengthening agency participation in The Joint Chiefs of Global Tax Enforcement (J5), is an alliance between the criminal tax authorities of the U.S., Australia, Canada, the Netherlands, and the United Kingdom. J5's focus is combatting international tax and financial crimes through proactive collaboration using each country's collective resources. Areas of emphasis for the J5 presently include:

- Professional Enablers
- Virtual Currency Crimes
- Tax Evasion
- Technology Sharing
- Innovation

The first major operational activity for the J5 occurred on January 23, 2020, when a globally coordinated enforcement activity was carried out in the United Kingdom, Canada, Australia, the Netherlands and the U.S. The action occurred as part of a series of investigations into an international financial institution located in Central America whose products and services are believed to be facilitating money laundering and tax evasion for customers across the globe, using the institution's sophisticated system. The coordinated day of action involved collection of intelligence, and evidence through interviews, search warrants and subpoenas.

On November 22, 2019, Mexico City Post, U.S. Ambassador to Mexico, Christopher Landau, along with the Phoenix Field Office, hosted a meeting with Mexico's Financial Intelligence Unit, Banking Commission, Banking Unit, and AML Compliance Officers of Mexican financial institutions. The Mexico City Post increased communication and collaboration with local bankers, and provided a history of CI, and how they collaborated with AML officials to facilitate the detection and referral of BSA investigative leads to IRS:CI. ♦



NARCOTICS, COUNTERTERRORISM & TRANSNATIONAL ORGANIZED CRIME



IRS:CI NARCOTICS AND COUNTERTERRORISM (NCT) program supports these programs:

- President's Strategy for Transnational Organized Crime
- The U.S. National Drug Control Strategy
- The National Money Laundering Strategy
- The U.S. Government's National Counterterrorism Strategy

IRS:CI contributions include reducing or eliminating the profits and financial gains of individuals, entities, and transnational criminal organizations whose crimes involve financing terrorism, narcotics trafficking, and money laundering. Our special agents investigate criminal violations of the Internal Revenue Code, Bank Secrecy Act and Federal Money Laundering statutes. In addition, we use our unique financial investigation skills to trace profits from illegal activities to individuals or criminal organizations to dismantle or disrupt schemes and prosecute criminals.

NCT assigns CI personnel to the White House Office of National Drug Control Policy to support its related strategy and the National Money Laundering Strategy. Other personnel have assignment to multi-agency task forces. Here are some examples:

- 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)
- El Paso Intelligence Center

IRS:CI focuses its narcotics investigations on high-priority OCDETF investigations because its contributions can have the greatest effect on dismantling large criminal organizations. In 2019, NCT partnered with the Organization for Economic Cooperation and Development (OECD) Task Force on Tax Crimes and Other Crimes to update their Money Laundering and Terrorist Financing Awareness Handbook for tax examiners and tax auditors. The purpose of this handbook is to raise awareness on money laundering and terrorist financing techniques.

One of the largest drug rings ever prosecuted in Buffalo, NY tried to hide their drug proceeds as income from sea cucumbers. While on the witness stand, IRS Special Agent David Turri painted the picture of an organization so big, it shipped its cocaine and heroin – anywhere from 30 to 70 kilograms at a time – on pallets in tractor trailers. Another witness said that in 2013, the organization shipped 100 kilograms of cocaine to a house on Niagara Falls Boulevard in the Town of Tonawanda, New York. During his testimony, Turri took the jury through a series of false bank deposit records and purchase orders to demonstrate how the organization took in \$19 million during a 2-year period ending in 2015. He added that the drug ring laundered its money by setting up front companies in California, such as seafood wholesalers with names like Triton Foods. They relied on sales records to falsely show the distribution of large amounts of sea cucumbers in Buffalo. Indicted with multiple other defendants, the courts accused Herman Aguirre of being a leader of the organization and, with co-defendant Jose Ruben Gil, a link to the Sinaloa cartel. Gil, who claims he met with "El Chapo," pleaded guilty in February 2019 and testified against Aguirre. ♦

SPECIALIZED UNITS



ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

Reminiscent of Eliot Ness and Elmer Irey's "T-Men," IRS: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.

INTERNATIONAL TAX GROUP (ITG)

As the Swiss Bank Program wound down in 2017, CI ramped up an International Tax Group (ITG) to continue their focus on this type of work. 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's focus is on investigations concerning international financial entities, ultra-high net worth individuals, and tax fraud promoters. Additionally, ITG remains involved in CI's J5 tax enforcement efforts with the governments of the United Kingdom, Canada, Australia, and the Netherlands. ♦

GLOBAL ILLICIT FINANCIAL TEAM (GIFT)

GIFT is an IRS:CI-led task force 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

WARRANTS & FORFEITURES



IRS:CI 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. CI takes a leading role in these investigations because of their financial expertise and resources. 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. As of September 30, 2020, IRS:CI seized 775 assets worth an estimated value of \$821 million and forfeited approximately \$162 million in ill-gotten proceeds.

FY2020 Significant Forfeiture - \$71,850,000

HSBC Private Bank (Suisse) SA (HSBC Switzerland), a private bank headquartered in Geneva, entered into a deferred prosecution agreement (DPA) with the Department of Justice in the U.S. District Court for the Southern District of Florida. HSBC Switzerland admitted to conspiring with U.S. taxpayers to evade taxes and, as part of the agreement, HSBC Switzerland will pay \$192.35 million in penalties, to include a civil forfeiture of \$71.8 million, for proceeds illegally derived from their conduct. HSBC Switzerland admitted that between 2000

and 2010 it conspired with its employees, third-party and wholly owned fiduciaries, and U.S. clients to: 1) defraud the United States with respect to taxes; 2) commit tax evasion; and 3) file false federal tax returns. In 2002, the bank had approximately 720 undeclared U.S. client relationships, with an aggregate value of more than \$800 million. When the bank's undeclared assets under management reached their peak in 2007, HSBC Switzerland held approximately \$1.26 billion in undeclared assets for U.S. clients.

FY2020 Significant Forfeiture - \$18,920,865

Thomas Edward Spell Jr., Glenn Doyle Beach Jr., and other co-conspirators pled guilty to their role in a \$200 million compounding pharmacy scheme to defraud health care benefit programs, including TRICARE, which is the program that covers U.S. military service members and their families in the Southern District of Mississippi. The charges consisted of conspiracy to commit health care fraud, conspiracy to commit money laundering and tax evasion. Both Spell and Beach owned and operated separate pharmacies that marketed compounded medications at their respective pharmacies. Rather than formulating compounded medications based on the individualized needs of patients, formulas were selected to maximize profit based upon reimbursements from TRICARE and other health care benefit programs. Numerous assets were seized and forfeited from Spell, Beach and other co-conspirators to include bank accounts, U.S. currency, real estate, and vehicles. ♦

NATIONALLY COORDINATED INVESTIGATIONS UNIT



SINCE ITS LAUNCH IN FISCAL YEAR 2017, the Nationally Coordinated Investigations Unit (NCIU) has continued to provide critical support to Criminal Investigation's (CI) efforts in using a data driven process in identifying, selecting, and developing cases. As in previous years, the NCIU's resources are focused on case development efforts that are national and international initiatives.

The NCIU continues to modernize IRS criminal investigative tools to make them more reliant on data analytics with a centrally led, team-based approach. The NCIU is proactively addressing key issues in non-compliance and emerging threats by building strategic partnerships with internal and external stakeholders. In addition to innovative, national case development, the NCIU offers continuous support to CI field offices by offering initiative-specific training and investigative research. The NCIU also works closely with multiple IRS business operating divisions to facilitate a collaborative, service-wide approach to enforcement, and to promote data analytics throughout the entire IRS.

The NCIU has focused its current case development efforts on several national initiatives that CI's Executive Steering Committee identified as priorities. The unit's current priorities are: COVID-19 related fraud, virtual currency, international tax, significant money laundering, employment tax, the Department of Homeland Security's National Targeting Center, and the Whistleblower Program. The NCIU successfully developed data models for multiple initiatives that lead to significant, impactful investigations in the field. More importantly, the unit demonstrated the power of data analytics and its benefit for law enforcement through the significant number of referrals it made, and through quantitative and qualitative controls.

During FY 2020, the NCIU continued to support the CI field offices through existing national initiatives:

- International – Foreign Account Tax Compliance Act (FATCA)
- International – U.S. Citizens Living Abroad (USCLA)
- Virtual Currency
- Employment Tax

In addition, during FY 2020, the NCIU expanded their data driven methods of case development by adding a new national initiative involving Form 1099K data.

In FY 2020, due to the global COVID-19 pandemic, the NCIU also brought data driven methodologies to identify and develop cases specific to the growing fraud in this area. Several referrals were made to the field offices to include hoarding/price gouging of critical supplies, false applications for Small Business loans, and false claims of tax credits made via the new Form 7200. Creativity and the ability to quickly adjust resources allowed the NCIU to successfully address this emerging threat.

In FY 2020, the NCIU had several notable accomplishments, including the referral of 117 cases to field offices across the country. In addition, the efforts of NCIU team members involved in the employment tax initiative were recognized with a Commissioner's Award in October of 2019 for their innovation and use of data analytics to identify non-compliance.

The NCIU leadership also provided a briefing to United States Treasury Secretary Mnuchin on the Employment Tax Initiative and the data driven process used by the team to identify, select and develop employment tax investigations. ♦

COMMISSIONER'S PROTECTION DETAIL



THE COMMISSIONER'S PROTECTION DETAIL (CPD) is a specially trained cadre of IRS:CI Special Agents, who provide personal security and protection of the IRS Commissioner. Since 1999, this dedicated team has been charged with protecting the Commissioner during official business operations. CPD agents provide protection of the Commissioner within the National Capital Region and while in travel status, foreign and domestically.

As the leader of the IRS, the Commissioner frequently attends meetings, conferences, publicized hearings and speaking engagements in locations such as the White House, U.S. Capitol, U.S. Treasury, and other venues in Washington, D.C., as well as around the globe. In a typical year, the CPD protects the Commissioner on approximately 500 protective movements, 20 domestic trips, and 2-3 international visits.

CPD agents are trained in protective service operations with an emphasis on operational planning, motorcade operations, protective intelligence, and preventing and responding to attacks. Protective operations are a team effort and require detailed advanced preparations aimed at identifying and mitigating potential risks, threats, and vulnerabilities. ♦





CRIMINAL INVESTIGATION (CI) has a long history of using undercover techniques to investigate crime. These techniques are well-documented, and they play a significant role to bring criminals to justice. Special Investigative Techniques (SIT) oversees CI's undercover activities and reviews, approves, funds, and trains special personnel who carry out undercover operations. Special agents and leadership teams initiate and manage day-to-day operations in their respective field offices. CI has a cadre of active undercover agents that use sophisticated means to initiate contact with individuals perpetrating tax crimes and gain evidence needed to prosecute their crimes. In FY 2020, agents conducted approximately 293 undercover operations.

SIGNIFICANT CASES

IN FEBRUARY 2020, the United States District Court out of the Northern District of Illinois sentenced Mohammad Khatib, owner of Trendsetter, a business located in Harvey, Illinois, to 24 months in prison for one count of submitting a false income tax return. Lisa Khatib, Mohammad's wife, also plead guilty to a count of the same and was ordered to serve two years of probation, including 6 months of home confinement and 120 hours of community service. In addition, the two were ordered to pay restitution in the amount of \$822,265.

According to their plea agreements, Mohammad Khatib owned Trendsetter, which sold tobacco products, marijuana paraphernalia, and additives used to cut certain controlled substances, including heroin and cocaine. Lisa Khatib was in charge of bookkeeping, payroll and making bank deposits for the business. Two sets of books were kept for Trendsetter, one which listed the total amount of cash generated from the sale of merchandise and the other which underreported cash sales. The false set of books was provided to their accountant to prepare their U.S. Income Tax Returns for the years 2010 through 2015, resulting in a federal tax loss of \$822,266.

Undercover Operations

During the investigation, IRS undercover agents posed as businesspeople interested in purchasing Trendsetter. In a recorded meeting between Mr. Khatib and the agents at Trendsetter, Mr. Khatib bragged about millions of dollars in income he had concealed from the IRS, and encouraged the agents to run Trendsetter in the same fraudulent way if they purchased it from him: "How are you going to pay taxes on the \$3.5 mill[ion] that I got hidden? I can't pay taxes on that. If you guys want to run it different than what I'm running it, you will be paying over 200 grand." Later the same day, the undercover agents met with Lisa Khatib at the defendants' residence, and she explained to them how she maintained two sets of records to conceal the tax evasion, and doubled down on the concealment by making sure the balances provided to the defendants' accountants reflected what was contained in the false, clean books.

This evidence lead to the Khatibs entering into a plea agreement admitting to violating Title 26, United States Code, Section 7206(1), the submission of a false return.

IN MARCH 2020, the United States District Court of New Hampshire sentenced Michael A. Albert, owner of Mike's Affordable Auto, LLC, a business located in Chichester, New Hampshire, to six months imprisonment and ordered him to forfeit \$434,201 for structuring cash deposits for the purpose of evading bank reporting requirements, money laundering, and evading reporting requirements with respect to cash transactions in excess of \$10,000.

According to the plea agreement, Albert knew that if he deposited cash in amounts more than \$10,000, the bank was required to file reports of those transactions with the IRS. To evade the reporting requirements, he structured cash deposits from his business. Additionally, Albert failed to file required Forms 8300 with the IRS identifying cash receipts in his business in excess of \$10,000.

During the investigation, IRS undercover agents purchased two vehicles from Albert, representing that the cash was proceeds of illegal drug trafficking. In one transaction of \$17,800, Albert instructed the undercover agent to make two payments in amounts less than \$10,000 and said "so I'm not doing over ten grand. I don't have to do nothing." In the other transaction of \$19,500, Albert altered the bill of sale to reflect a paid price of less than \$10,000. Albert failed to file IRS Forms 8300 related to either of the vehicle sales.

CI'S UNDERCOVER PROGRAM HISTORY

In 1929, Michael Malone successfully infiltrated Al Capone's Chicago gang for nearly two years. Because of his work, the government successfully prosecuted Capone and his top enforcer, Frank Nitti, for tax crimes. In 1963, the Undercover Operation (UCO) was centralized into the National Office. UCO focused on illegal gambling and organized crime, and most operations lasted longer than one year. In the late 1960s, CI initiated the Courier Project to corroborate persistent allegations concerning the movement of casino receipts by couriers to offshore tax havens. UCO infiltrated organized crime organizations that used fall guys to operate casinos.

In the late 1970s, the UCO was decentralized. The National Office retained review, approval, funding and training authority, and districts were responsible for the initiation and daily management of the operation. This organization continues today. In the 1980s, UCO focused on offshore banking schemes and illegal tax shelters. The estimated revenue loss from these shelters was about \$120 billion by 1985. With the advent of money laundering laws, undercover agents became proficient at conducting investigations into the laundered illegal proceeds of narcotics traffickers.

Today, CI uses undercover operations in investigations on unscrupulous tax return preparers, offshore tax schemes, money launderers, dark web marketplace operators, and those who seek to conceal the movement of money for illegal purposes, including tax evasion.

This evidence ultimately lead to Albert entering into a plea agreement admitting to violating Title 31, United States Code, Section 5324, Structuring cash deposits to evade bank reporting requirements, Title 18, United States Code, Section 1956, Money laundering and Title 31, United States Code, Sections 5331 and 5322, Failing to file IRS Forms 8300 for cash transactions by a nonfinancial business in excess of \$10,000. ♦



120
SCIENTIFIC SERVICES

147
TRIAL GRAPHICS & DESIGN

59
DATA PROCESSING CENTER

SINCE THE EARLY 1970'S, scientists and technical experts at the National Forensic Laboratory (NFL) have reported the results of forensic testing and technical services to investigators for use in both exploring potential criminal violations and for adjudication of the Internal Revenue Code and related financial crimes. Results of the NFL's work are used by CI Special Agents, or other customers of the laboratory to analyze elements

to provide pivotal direction in their investigations. Often, support provided by the NFL doesn't end with delivery of a scientific report or product. Whether it be a visual information specialist providing and adjusting graphics before or at trial, or a forensic scientist testifying to their findings, an important function of the NFL is to support judicial proceedings where and when required.

The laboratory's work is critical in ensuring the efficient processing of crucial evidence in CI investigations. The NFL consists of three sections, each offering specific scientific or technical services. For instance, the Scientific Services section offers forensic disciplines that include electronics (audio, video, and image intelligibility), latent prints (finger and palm print development and comparison), polygraph, questioned documents, chemistry, and DNA collection. The Trial Graphics and Design section is responsible for breaking down complicated cases into succinct effective visuals that help show, rather than tell, all the elements of extremely complex investigations. Although these services are primarily for CI Special Agents preparing for trial, Trial Graphics and Design also assists in the creation of high-level presentations and other special projects such as CI branding and marketing outreach. Furthermore, the Data Processing Center (DPC) located in Florence, Kentucky is responsible for taking information, either hard copy or electronic, and compiling it into a database that is delivered to the customer and can be used to more efficiently manage and analyze case-related data. By doing so, the DPC saves investigators countless hours of tedious labor, while enabling them to focus their energy on other key areas of the investigation.

When the experts at the NFL are not working on evidence, they are providing tours to agents and various IRS:CI stakeholders at their building located in downtown Chicago. One of the most effective ways to educate others about the NFL's capabilities is by demonstrating their state-of-the-art equipment and sharing stories.

Thanks to the talented men and women of the NFL and their dedication to science and their technical services, as well as the mission of IRS:CI, the customers of the laboratory have come to know and expect their high-quality work. The successes of the cases they assist in speak for themselves and nothing is more gratifying to the NFL than seeing them get fully adjudicated. But equally important is helping investigators know when to consider closing a case. Bottomline, the NFL adds evidentiary and incriminating value in nearly every case or can aid with the investigator's decision to move onto the next one. ♦





IRS:CI SPECIAL AGENTS are the best trained and finest financial investigators in the world. They begin their training at the National Criminal Investigation Training Academy (NCITA). The NCITA is located at the Federal Law Enforcement Training Center (FLETC) in Brunswick, Georgia and is dedicated to fostering the highest levels of professionalism and ethical behavior throughout the CI workforce. The NCITA's primary focus is training new special agents in the fundamentals of financial investigations. Agents learn to recognize the elements of tax offenses, and methods of proof unique to federal tax investigations. They acquire all the knowledge, skills, and abilities required to be federal law enforcement's finest financial investigators.

New special agents complete six months of training including the 11-week Criminal Investigator Training Program (CITP) run by FLETC. The CITP covers basic criminal investigation skills, federal criminal law, courtroom procedures, enforcement operations, interviewing skills, and firearms training common to all federal law enforcement agents.

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

TRAINING AND NCITA

In addition to SAIT, the NCITA provides advance training to special agents in the use of force, firearms instruction, building entry and defense tactics. The NCITA also provides leadership development programs for all levels, from pre-management through senior management, to ensure the identification and development of future leaders. Each year, the NCITA develops continuing professional education courses for special agents and professional staff with an emphasis on emerging trends such as cybercrime and crypto currencies.



The NCITA also provides foreign governments and agencies training in crime detection, investigative techniques, case studies, developing trends, and best practices. CI trains foreign governments in partnership with the International Law Enforcement Academies located in Budapest, Hungary; Bangkok, Thailand; San Salvador, El Salvador; and Gaborone, Botswana. CI also partners with the Guardia di Finanza Economic and Financial Police School's International Academy for Tax Crime Investigation in Ostia, Italy. The Organization for Economic Cooperation and Development (OECD) sponsors this training.

FLETC cancelled all trainings throughout the United States on March 20, 2020, due to the Covid-19 virus. On June 16, 2020, students were allowed back after new pandemic policies were set in place by FLETC. Despite this setback, the NCITA still trained new employees and trained future IRS:CI leaders. ♦

IRS:CI special agents receive refresher training regularly. They 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 issuing search warrants, arrests, surveillance, armed escorts, dignitary protection, undercover activities and seizures.

FY 2020 HIGHLIGHTS

- 5 Special Agent Basic Training (SABT) classes held for approximately 103 new students.
- 2 Frontline Leadership Readiness Program (FLRP) classes held for future IRS:CI leaders.
- 15 slot classes held at NCITA
- 1 Basic Instructor Facilitator Training (BIFT) class.
- 1 Smith and Wesson Armor Training class.
- 2 Use of Force Instructor Trainings (UOFIT) classes.



PROFESSIONAL STAFF



IRS:CI EMPLOYS 828 professional staff serving in many administrative and investigative capacities. Our Budget Analysts, Management and Program Analysts, Administrative Officers, Secretaries and computer support professionals all work tirelessly behind the scenes to support the mission of IRS CI at Headquarters and in the field offices across the United States and abroad. Professional staff team members actively participate in programs like the Chief's Advisory Council illustrating their hard work and dedication and providing crucial insight to CI leadership.

Our investigative professional staff are critical to advancing the law enforcement efforts of CI and include: Tax Fraud Investigative Assistants (TFIA) and Investigative Analysts (IA). They process and maintain investigative files, conduct extensive research, interview witnesses, schedule and analyze bank records, prepare written summaries of their findings and recommendations, and other actions to support criminal investigations and prosecutions.

Assigned to the field offices, the Nationally Coordinated Investigations Unit (NCIU), Refund Crimes, and International Operations, CI's Investigative Analysts use sophisticated analytical software to develop leads and support complex cases for the special agents in the field. In FY 2020, Analysts attended training at the e-Crimes Lab in Woodbridge, VA, learning about specialized tax and law enforcement research skills and advanced investigative data analysis.

During FY 2020, professional staff in multiple CI job series received comprehensive training in a virtual environment due to COVID travel restrictions. Virtual

training continues into FY2021 ensuring our professional staff have the resources and skills needed to maximize their impact and allowing professional staff to keep abreast of emerging tax fraud trends like crypto-currency and COVID related financial fraud. In addition to core mission tax, Investigative Analysts also support criminal investigations relating to the opioid crisis, terrorist financing, and ID theft through work with the High Intensity Drug Trafficking Areas (HIDTA), Joint Terrorism Task Forces (JTTF) and other federal law enforcement taskforces.

During FY 2020, CI capitalized on the Veteran Volunteer Program, an umbrella program that enabled CI to recruit two disabled veteran interns as volunteers from the Department of Defense (DoD) and Veteran's Affairs (VA). Interns were provided challenging assignments to include extracting and analyzing critical information from investigative databases. Through this program, CI provided training and work experience to those who served our country and have now returned to the civilian workforce. Also, during FY 2020, CI focused on the permanent hiring of veterans and hired 54 new veterans through various programs, 44 of these veterans are disabled veterans. These veterans were placed throughout CI. This veteran hiring accounted for 34% of CI's overall hiring, which greatly exceeded the Treasury FY 2020 veteran hiring goal of 14%. CI also hired several disabled non-veterans through Schedule-A hiring authority.

There are also many specialty professional staff positions related to technology, cyber security, data analytics and other areas. All of our administrative, investigative, and technical professional staff employees are critical to CI accomplishing our law enforcement mission. ♦

EQUITY, DIVERSITY & INCLUSION OFFICE



THE MISSION OF the Criminal Investigation (CI) Equity, Diversity, and Inclusion Office (EDI) 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. We work to ensure that employment practices and decisions are made with the highest level of integrity and fairness for every employee. CI EDI endeavors to provide excellent customer service, advice, and education to management, employees, and stakeholders to ensure compliance with appropriate federal Equal Employment Opportunity (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.

The EDI Director reports directly to the Chief and Deputy Chief and provides strategic advice and assistance on Management Directive 715 (MD-715), diversity strategies, policies, directives, and guidance to the Senior Staff and Senior Leadership Team. EDI staff members also advise managers on how to effectively capitalize on the strengths of all employees while embracing their differences and unique perspectives to create an environment that engages and supports all employees.

CI EDI is dedicated to providing diversity and inclusion training and education, recognizing that education is essential for bringing diversity awareness to the workforce. Our efforts for educating the CI workforce is an ongoing process of creating the awareness needed to manage an inclusive and diverse workforce. Presentations, products/reports, guidance, and seminars are customized and provided to the workforce to ensure that employees have the awareness, skills, and knowledge to carry the message of diversity into their personal work environments. The goal of our diversity training program is to convey the importance of a respectful work environment, thereby maximizing every individual's

potential.

When field offices need to obtain EEO information, we can provide an in-depth demographic report of the field office as well as an overview of the data so the requestor understands the information they have received. We can also give advice, guidance, and recommendations on any EDI Diversity questions concerns you may have while providing you all reference points and sources for any information we provide to you. Part of our job is to educate the employees of where the written and electronic sources can be obtained and what impact it has on their job/role in CI.

EEO PROGRAM STATUS REPORT

Additionally, the EDI staff prepares CI's Federal Agency Annual EEO Program Status report, also known as the Management Directive 715 (MD-715) report. This Directive requires agencies to take appropriate steps to ensure that all employment decisions are free from discrimination. It also sets forth the standards by which EEOC will review the sufficiency of agency Title VII and Rehabilitation Act programs, which include periodic agency self-assessments and the removal of barriers to free and open workplace competition. They also monitor and evaluate the organization's compliance with the directive and other policies established by the Equal Employment Opportunity Commission (EEOC). The directive helps identify program limitations and uncover potential discrimination of equal opportunities for all employees. It also provides EEO plans 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 and Inclusion Office

Demonstrated commitment from agency leadership

This Directive requires agency heads and other senior management officials to demonstrate a firm commitment to equality of opportunity for all employees and applicants for employment. Even the best workplace policies and procedures will fail if they are not trusted, respected and vigorously enforced. Agencies must translate equal opportunity into everyday practice and make those principles a fundamental part of agency culture. This commitment to equal opportunity must be embraced by agency leadership and communicated through the ranks from the top down. It is the responsibility of each agency head to take such measures as may be necessary to incorporate the principles of equal employment opportunity into the agency's organizational structure.

Integration of EEO into the agency's strategic mission

Equality of opportunity is essential to attracting, developing and retaining the most qualified workforce to support the agency's achievement of its strategic mission.

Management and program accountability

A model Title VII and Rehabilitation Act program will hold managers, supervisors, EEO officials and personnel officers accountable for the effective implementation and management of the agency's program.

Proactive prevention of unlawful discrimination

Agencies have an ongoing obligation to prevent discrimination on the basis of race, color, national origin, religion, sex, age, reprisal and disability, and eliminate barriers that impede free and open competition in the workplace. As part of this on-going obligation, agencies must conduct a self-assessment on at least an annual basis to monitor progress, identify areas where barriers may operate to exclude certain groups and develop strategic plans to eliminate identified barriers.

Efficiency

Agencies must have an efficient and fair dispute resolution process and effective systems for evaluating the impact and effectiveness of their EEO programs; and

Responsiveness and legal compliance

Federal agencies must ensure that they are in full compliance with the law, including EEOC regulations, orders and other written instructions.

Other responsibilities include monitoring the organization's effort to enhance diversity initiatives and analyzing trends in the following areas:

- EEO complaints
- Disciplinary actions
- Performance Appraisals
- Promotions
- Awards
- Separations
- Employee development and training
- Recruitment and hiring initiatives and practices
- Retention

EDI SUPPORT DURING THE COVID-19 PANDEMIC

While the CI organization has spread throughout the globe, different segments of our employee population have been impacted by the COVID-19 crisis in drastically different ways. Some employees are dealing with inconveniences while others are seeing their families and communities fight to stay alive. We recognize these situations are impactful on the organization when employees feel isolated during a humanitarian crisis along with feeling marginalized, in forms such as racism, ageism and parental status pertaining to having young children, closed school systems, and ad hoc distance learning.

CI EDI staff works diligently at supporting and coaching managers to incorporate inclusion in a remote and high-stress work environment. It has been a priority to ensure managers know what inclusive behaviors look like in a remote environment, are modeling them properly, are prepared for how they will be tested in a stressed environment and know how they can help all employees to be inclusive. As a result of these overlapping concerns, CI EDI implemented the following steps to assist in addressing these concerns:

CI EDI collaborates with our embedded Human Resources office on expanding opportunities to partner more closely and support critical engagement and employee experience projects, especially in developing emotional well-being resources and remote work best-practices.

Leveraged CI's Communication and Education office to communicate and connect a wider network of employees throughout the organization on EDI concerns/issues and create social connections that might be missing in a remote work environment.

Equity, Diversity and Inclusion Office

The EDI and HR Director facilitated having the IRS EAP representative present several training segments to CI's senior leadership team on topics that help to mitigate the tangible and intangible impact COVID-19 is having not only on employees in their workplace, but also at home.

As multiple inquiries were being received from employees and managers related to their concerns related to the advent of social reform protests and the upcoming election cycle, the CI EDI staff realized that training needed to be provided to employees to help manage their concerns on these pressing issues. In response, the staff created a training presentation on Cultural Competency which was delivered to all 21 Field Offices and HQ organizations. Cultural Competency refers to the ability to interact effectively with people of different cultures.

Cultural competence comprises four components: (a) awareness of one's own cultural worldview; (b) attitude towards cultural differences; (c) knowledge of different cultural practices and worldviews; and (d) cross-cultural skills.

During the monthly meetings with the Special Agents in Charge and in conjunction with requested training presentations, EDI staff members conveyed to all participants that all of the EEO laws, including the ADA and Rehabilitation Act, continue to apply during the time of the COVID-19 pandemic. These laws do not interfere with or prevent employers from following the guidelines and suggestions made by the CDC or state/local public health authorities about steps employers should take regarding COVID-19. ♦

GOALS ALIGNED WITH GUIDING PRINCIPLES

Goal 1: Cultivate a well-equipped, collaborative, and inclusive work environment that leverages diversity and empowers all contributors to Honor the Badge.

CI endeavors to cultivate a culture that encourages collaboration, flexibility, and fairness to enable individuals to contribute to their full potential and further retention. In order to reap the benefits of workforce diversity, work environments must cultivate the facilitating conditions that enable diverse perspectives to be heard and empower all participants to contribute. This requires deliberate efforts by our leadership to provide flexibility with respect to where, when, and how work gets done; promote robust collaboration through teamwork, participatory work processes, and cross-functional work experiences; and engage all employees through cultural competency, leadership development, reasonable accommodation, and constructive conflict management.

Goal 2: Build a diverse, high performing workforce that reflects all segments of society and preserves the CI Legacy.

Federal agencies are required to take appropriate actions to ensure there is equal opportunity in the workplace by identifying and removing barriers to EEO. Actions include comparing the demographic composition of the workforce to the demographic composition of the relevant labor market, removing internal barriers, conducting strategic outreach to communities and utilizing special hiring authorities for members of groups with less than expected participation rates.

Goal 3: Create an environment that maximizes employee engagement in a psychologically safe setting that encourages individual growth toward continuous learning, pursuit of excellence, and engagement with internal and external stakeholders and enables employees to Master Your Craft.

CI will endeavor to develop structures and strategies to equip leaders with the ability to manage diversity and accountability, measure results, refine approaches based on such data, and engender a culture of inclusion. This will facilitate the creation of a workplace approach resulting in the right conditions for employee engagement where employees can give their best each day, committed to the organization's mission, goals and guiding principles. This will motivate employees to contribute to our continued organizational success with an enhanced sense of their own well-being.

Goal 4: Recognize the importance of sustaining the current workforce while cultivating the next generation of managers and leaders that Inspires the Future.

Research has shown that a diverse workforce and inclusive workplace are associated with greater organizational performance. The goal of having a diverse workforce and an inclusive work environment is to deliver better services to our customers (internal and external) and meet the needs of our stakeholders, which come from all segments of society. Effective leadership and accountability are critical to sustaining this organization-wide commitment.

COMMUNICATIONS AND EDUCATION



CRIMINAL INVESTIGATION (CI) serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes. It does so 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 by publicizing CI activities that enforce the laws within its jurisdiction. Making taxpayers aware of the enforcement efforts undertaken by CI is crucial to deterrence. It builds confidence with the public that our tax system is fair and just and that potential violators will be caught and brought to justice.

The Communications and Education Office (C&E) is the function within CI that makes taxpayers aware of these enforcement activities. It 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.

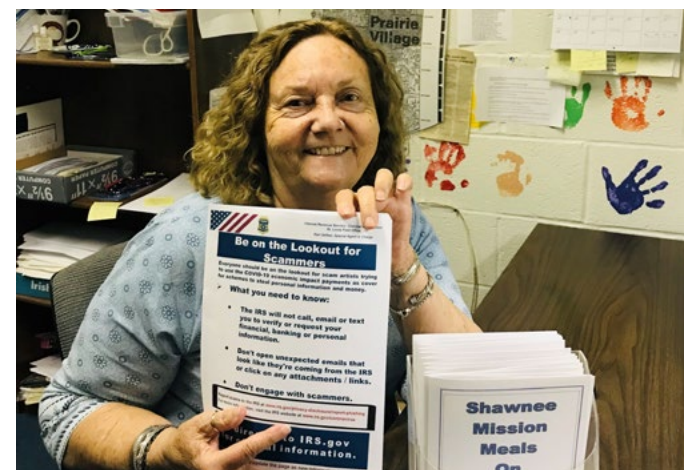
C&E's communication efforts in FY 2020 expanded in two important areas – in the international arena, and on social media. CI's work has an increasingly global reach, and we partner with the Joint Chiefs of Global Tax Enforcement (J5), which is a transnational committee comprised of tax organizations from five countries. The J5 combats tax crime through collaboration, by sharing intelligence, conducting operations and building the capacity of tax

crime enforcement officials. In FY 2020 alone, more information has been shared regarding cryptocurrency, tax crimes, and related enforcement, than in the previous ten years combined.

In May 2020, C&E launched a dedicated IRS:CI Twitter account, [@IRS_CI](#), with the purpose of supplementing IRS compliance and enforcement messaging. This account provides real-time information on criminal cases to the media and public and creates awareness about CI. Since its launch, CI's Twitter account has earned thousands of impressions and generated hundreds of tweets and continues to grow exponentially.

All CI communicators work to balance media outreach with training and education opportunities for the general public, federal and Congressional communities, and our global partners. C&E is structured to 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 surrounding financial crimes and promotes voluntary compliance and confidence in our tax system. ♦

OUTREACH AND COMMUNITY ENGAGEMENT



IN 2020, IRS:CI employees continued to help their communities in time of need. When catastrophe strikes, the President has the authority to approve sending Federal support to states impacted by natural disasters including hurricanes, tropical storms, flooding and the like. As part of the Emergency Support Function #13, IRS Special Agents were deployed to assist with the nation's Coronavirus response. Our agents were deployed to Travis AFB in Fairfield, CA where they worked to cover perimeter security at the base quarantine zone where approximately 845 people were being housed.



IRS:CI employees across the country also assisted their local communities where they live in many different ways. From buying meals for local hospital employees working tirelessly to take care of sick COVID-19 patients to participating in local law enforcement torch run events to support the Special Olympics, IRS CI employees continue to show their human spirit and inherent nature to want to support the communities they serve. ♦



Wildfire Response



COVID-19 Pandemic

AS WE WRAPPED up 2019 by celebrating our 100th year as a law enforcement agency, 2020 began with something unprecedented in our agency's history: the worldwide COVID-19 pandemic. Of utmost importance during the pandemic has been the safety of our employees and their families. Unfortunately, criminals don't stop committing crimes just because there is a national health emergency. In fact, some criminals pounce on the opportunity to take advantage of others as well as government programs designed to help the American people in times of crisis. IRS CI developed a quick plan of action to adapt investigative techniques to this new environment so our employees could continue to do their jobs in a safe and efficient manner.

CI is heading up investigations into fraudulent claims for economic impact payments, Paycheck Protection Program (PPP) loans, and refundable payroll tax credits from the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). The PPP offers billions of dollars in potentially forgivable loans to keep workers on the payroll, guaranteed by the Small Business Administration (SBA).

The division is also exercising its nontax jurisdiction to investigate other pandemic-related fraud, including fake cures and masks. Working with our law enforcement partners, CI has opened investigations involving various allegations of individuals attempting to take advantage of the government programs designed to help struggling individuals and businesses.

Some examples of these investigations include:

The arrest of David T. Hines, 29, of Miami, Florida, who was charged by criminal complaint with fraudulently obtaining \$3.9 million in PPP loans and using those funds, in part, to purchase a 2020 Lamborghini Huracan sports car worth \$318,000. At the time of his arrest, authorities seized the Lamborghini and \$3.4 million in bank accounts from Hines.

Georgia federal prosecutors have accused five individuals with attempting to steal \$4.1 million from the Paycheck Protection Program designed to provide relief to small business owners. The indictment charges these individuals with conspiracy to commit bank and wire fraud, bank fraud, wire fraud, false statements to a financial institution and money laundering. At the time

of their arrests, authorities seized a Range Rover worth approximately \$125,000, jewelry, over \$120,000 in cash, and over \$3 million from ten bank accounts.

The owner of a Florida talent management company and four others were charged in complaints for their alleged participation in a scheme to file fraudulent loan applications seeking more than \$24 million in forgivable PPP loans guaranteed by the SBA under the CARES Act.

Terror groups based in the Middle East are targeting American first responders in an online scam. The groups are allegedly trying to raise money by offering bogus personal protective equipment at a time of desperate shortages amid the coronavirus pandemic. ISIS allegedly used the website facemaskcenter.com as a front for peddling fake N-95 masks. Their targets allegedly included hospitals, nursing homes and first responders. Investigators found that terrorists from al-Qaida and Hamas used social media and cryptocurrency to raise money for weapons and operations. U.S. authorities seized \$2 million and over 300 cryptocurrency accounts in what was described as the biggest case of its kind.

A Washington, D.C., man was arrested and charged by a criminal complaint with fraudulently obtaining over \$2.1 million in PPP loans and Economic Injury Disaster Loans (EIDL). He used those funds, in part, to purchase a \$300,000 yacht, a \$1.13 million rowhouse, and a \$46,000 luxury sports sedan.

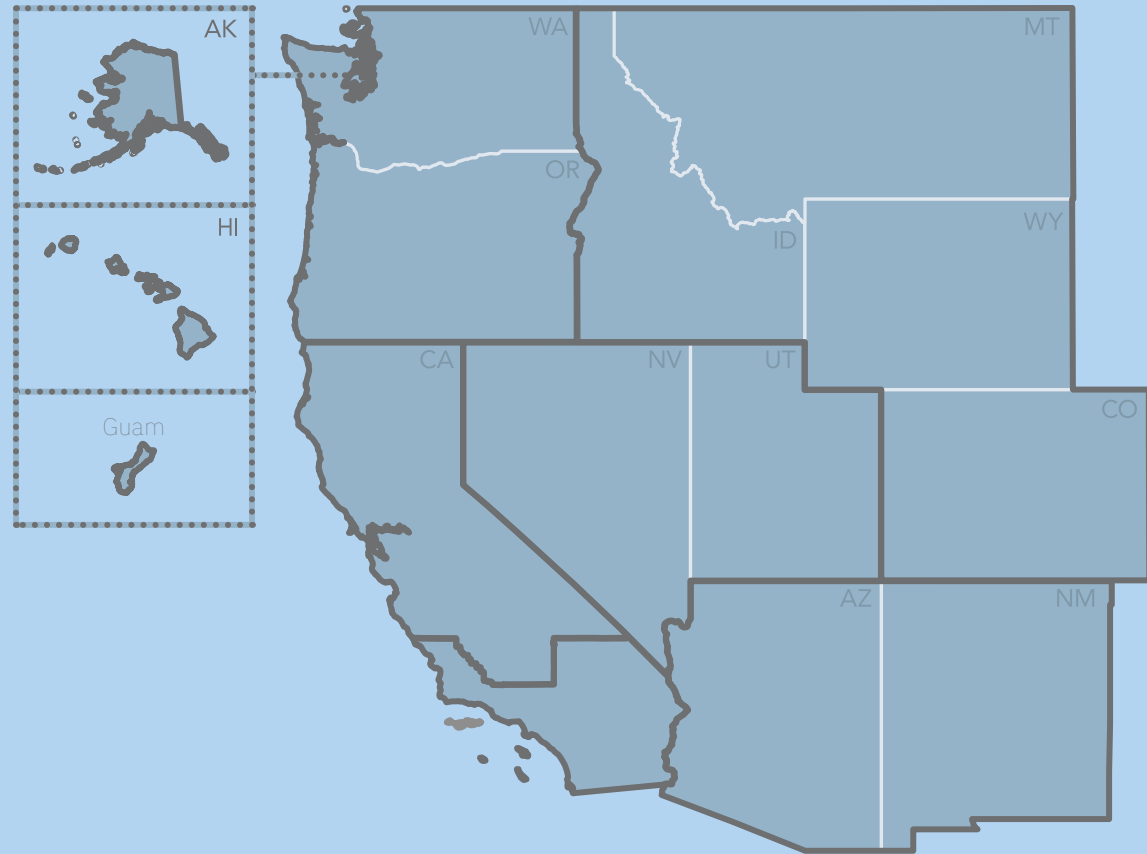
The charges in the case examples above are merely allegations, and the defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law. ♦



FIELD OFFICE MAP

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

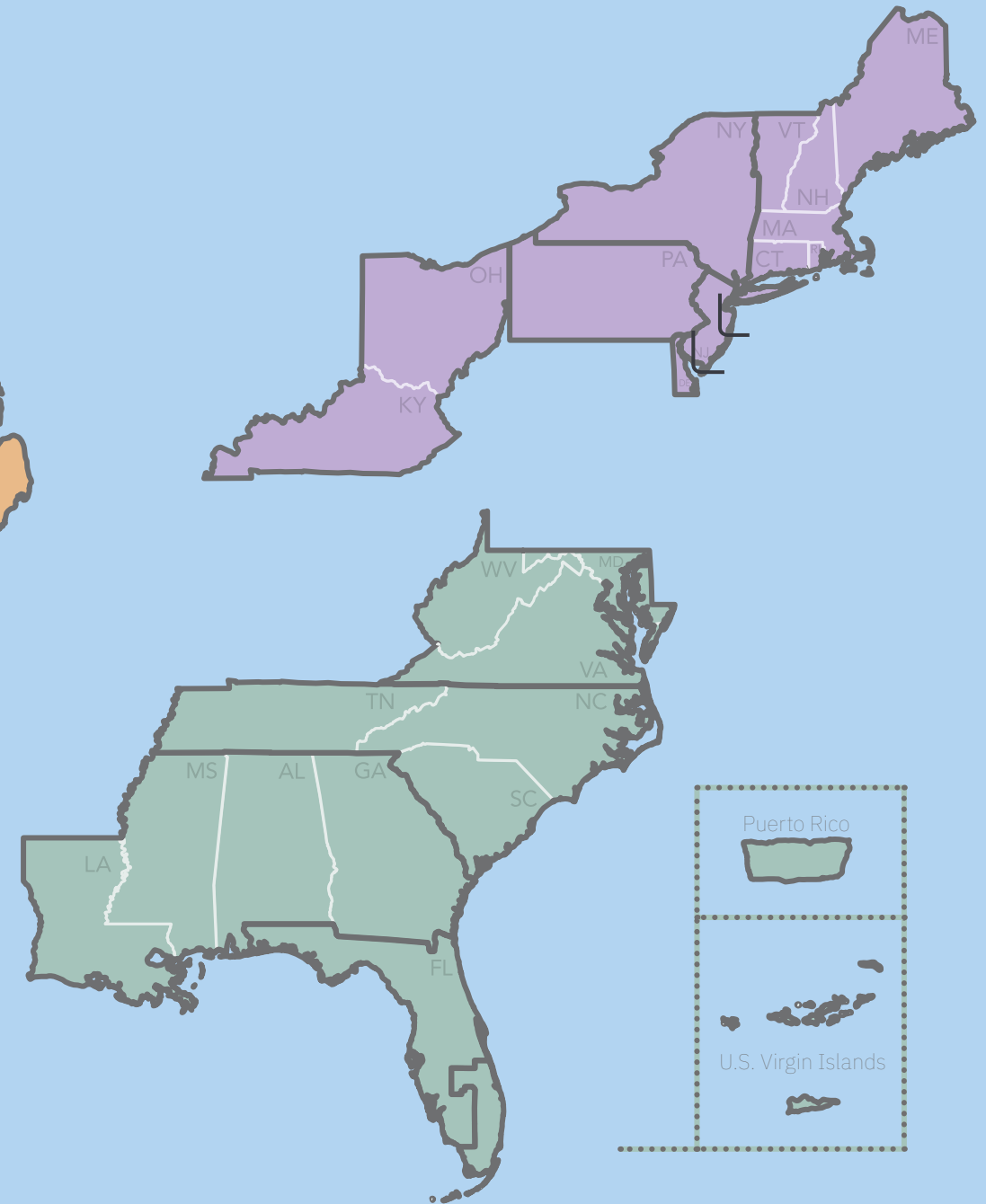
WESTERN AREA



MIDSTATES AREA



NORTHERN AREA



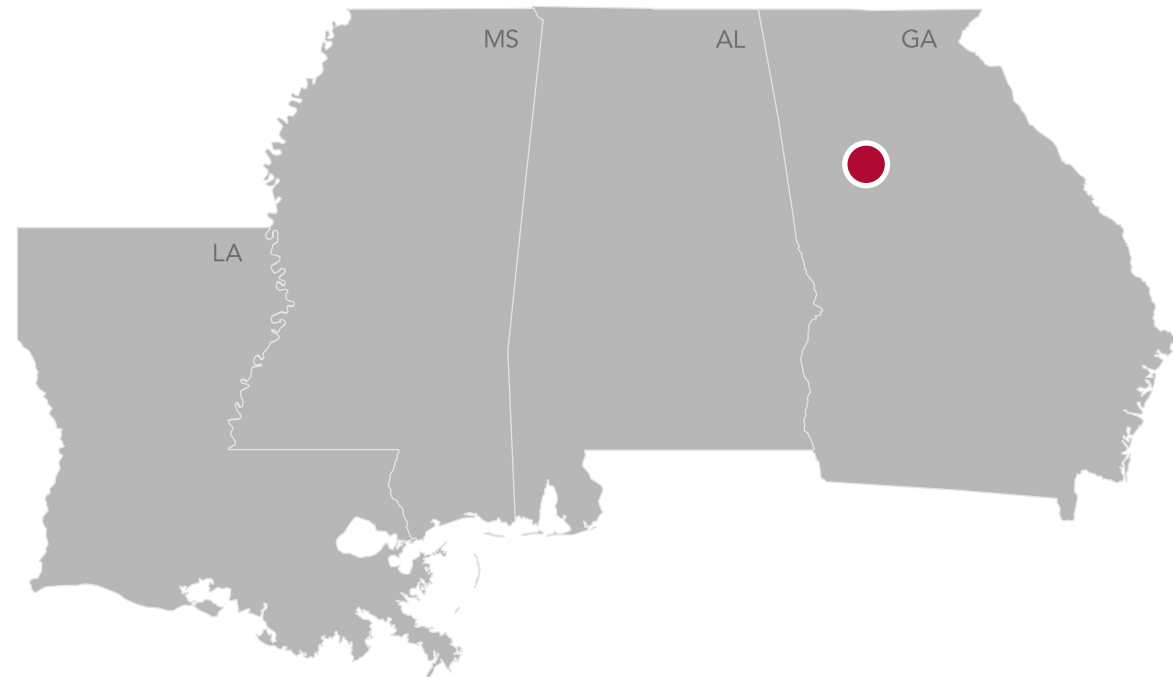
SOUTHERN AREA

ATLANTA FIELD OFFICE

401 W. PEACHTREE STREET NW, ATLANTA, GA 30308 | (470) 639-2228 | AtlantaFieldOffice@ci.irs.gov

AUGUSTA, GA	GULFPORT, MS	LAFAYETTE, LA	NEW ORLEANS, LA
BATON ROUGE, LA	HATTIESBURG, MS	MACON, GA	OXFORD, MS
BIRMINGHAM, GA	HUNTSVILLE, AL	MOBILE, AL	SAVANNAH, GA
COLUMBUS, GA	JACKSON, MS	MONTGOMERY, AL	SHREVEPORT, LA
DECATUR, GA			

THE ATLANTA FIELD OFFICE 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

Mississippi Pharmacy Owners Sentenced in \$200 Million Compounding Pharmacy Scheme

On July 23, 2020, Glenn Doyle Beach, Hope Thomley and Howard "Randy" Thomley, were sentenced for conspiring to commit health care fraud, conspiring to commit money laundering and tax evasion. Beach was sentenced to 13 years in prison; Hope Thomley was sentenced to 14 years in prison and Randy Thomley was sentenced to 8 years in prison. Beach was ordered to pay a monetary judgment of \$9,109,872 along with restitution of \$185,407,641. Hope Thomley was ordered to pay a monetary judgement of \$29,249,018 along with restitution of \$189,200,787. Randy Thomley was ordered to pay a monetary judgement of \$3,651,173, along with restitution of \$3,651,173. Beach and Thomley were both owners of Advantage Pharmacy in Hattiesburg, and Thomley also owned and operated a compound prescription distributor for Advantage Pharmacy. Beach and Hope Thomley were involved in a scheme to defraud health care benefit programs, including TRICARE, out of at least \$200 million. Beach and Hope Thomley were also sentenced for their role in a money laundering and tax evasion scheme that was used to conceal the fraudulent proceeds of the scheme and evade taxes.

Pharmacy Owner Sentenced to 10 Years in Prison for Role in Largest Health Care Fraud Case Ever in Mississippi

On October 31, 2019, Thomas J. Spell, of Ridgeland, Mississippi, was sentenced to 10 years in prison for his involvement in a \$243 million compounding pharmacy fraud scheme. Spell was also ordered to pay \$243,550,503 in restitution and forfeiture of \$26 million. Spell previously pleaded guilty to participating in the scheme to defraud TRICARE, the health care benefit program serving our nation's military, veterans, and their respective family members. From approximately December 2014 and January 2016, Spell owned and operated a pharmacy in Madison County, Mississippi, and several other pharmacies across the United States. Spell and other co-conspirators marketed compounded medications at his pharmacies. Rather than formulating compounded medications based on the individualized needs of patients, formulas were selected to maximize profit based upon reimbursements from TRICARE and other health care benefit programs. The result was that TRICARE reimbursed Spell's pharmacies on these fraudulent claims totaling over \$243 million. Spell's case is part of the largest health care fraud scheme ever investigated and prosecuted in the State of Mississippi. The investigation is ongoing, and prosecutions are continuing nationwide, including in states such as California, Tennessee, Arkansas, and Connecticut.



Atlanta Field Office Case Files

'Sovereign Citizen' Who Targeted Federal Judges and Government Officials Sentenced to 25 Years in Prison

On January 28, 2020, Timothy Pate, aka Akenaten Ali, of Augusta, Georgia, was sentenced to 25 years in prison. Pate was convicted in October 2019 on 15 counts of filing false retaliatory liens against federal officials and five counts of making a false bankruptcy declaration, which stem from his efforts to put federal officials into bankruptcy against their will. Pate filed tax returns from 2016 through 2018 falsely claiming he was owed more than \$7 million in tax refunds. Pate also attempted to have the IRS pay his past-due child support. After the IRS repeatedly rejected his false returns, Pate – a U.S. citizen and Georgia resident who claimed to be a Moorish national not subject to U.S. law – filed a federal civil case against the IRS commissioner seeking tax refunds. Pate attempted to have the court order the arrest of the IRS commissioner and filed false liens against judges, the IRS commissioner and other federal officials.



City of Atlanta Official Sentenced for Wire and Tax Fraud

On January 7, 2020, Larry Scott, the former City of Atlanta Director of the Office of Contract Compliance, was sentenced to 2 years in prison and was ordered to pay \$125,000 in restitution. Scott previously pleaded guilty to wire and tax fraud. The charges stemmed from Scott's failure to disclose to the City of Atlanta that while he served as the Director of Contract Compliance, he also secretly worked as the business manager for consulting firm that was hired by businesses who wanted construction contracts in the Atlanta-metropolitan area. From 2012 to 2017, Scott earned approximately \$220,000 from Cornerstone while serving as a full-time management or executive level employee with the City of Atlanta. Scott never disclosed to the City of Atlanta his employment with and income from Cornerstone. Scott knew that if he had disclosed his income from Cornerstone on his annual Financial Disclosure Statements, the City of Atlanta could have terminated Scott. From 2012 to 2017, Scott also filed six false and fraudulent federal income tax returns – in that Scott failed to report the majority of the income that he earned from Cornerstone on his tax returns. For example, in 2015, Scott earned approximately \$156,036 in income – (a) \$99,136 as the City of Atlanta's Director of Contract Compliance; and (b) \$56,900 as Cornerstone's business manager. Yet, on his 2015 federal income tax return, Scott falsely listed his "total income" as only \$101,630.



Atlanta Field Office Case Files

Former Medical Center Foundation President Sentenced for Wire Fraud and Money Laundering

On October 24, 2019, John Paul Funes, of Baton Rouge, Louisiana, was sentenced to nearly 3 years in prison following his conviction for wire fraud and money laundering. Funes has already forfeited \$796,309, and he was also ordered to pay an additional \$50,000 as a fine. Funes executed a scheme to defraud Our Lady of the Lake Foundation (the "Foundation"), a non-profit organization that supports the Our Lady of the Lake Regional Medical Center. The fraudulent scheme caused a specific loss of \$796,309. Funes prepared, signed, and submitted numerous fraudulent vouchers to cause the Foundation's accounting personnel to issue checks for payees, amounts, and purposes falsely reflected on the vouchers. In furtherance of the scheme, for example, Funes submitted numerous fraudulent vouchers in which he represented that Foundation funds were necessary to pay a charter flight company to make time-sensitive "outbound patient transports" from Our Lady of the Lake Children's Hospital, when in fact Funes was repeatedly using the flight company's services for his own personal benefit, unbeknownst to the Foundation. On numerous occasions, Funes fraudulently caused the Foundation to issue payments to other individuals and he directed those individuals to funnel the majority of the funds back to him. In August of 2018, when the Foundation's finance department began an internal audit of the expenses described above, Funes created numerous false documents in an effort to conceal the scheme.



BOSTON FIELD OFFICE

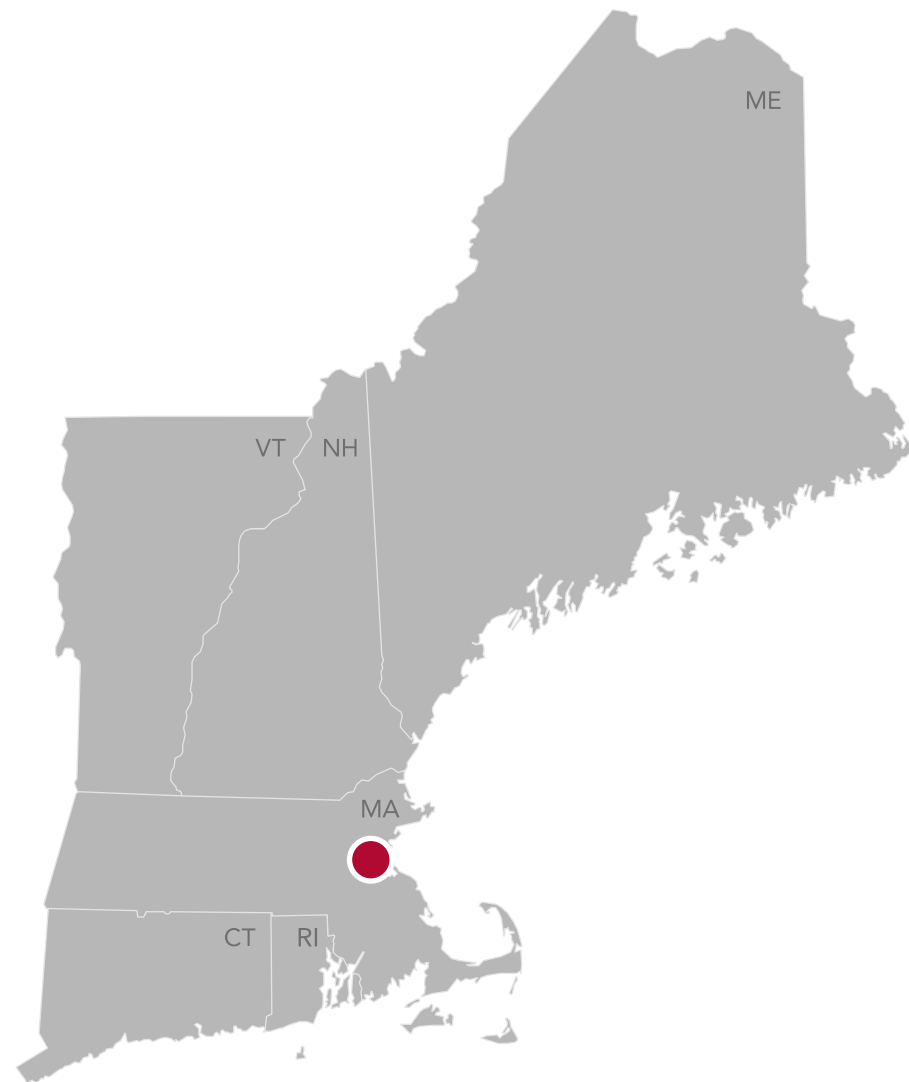
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PORTSMOUTH, NH
SOUTH PORTLAND, ME

SPRINGFIELD, MA
STONEHAM, MA
WARWICK, RI
WORCESTER, MA

THE BOSTON FIELD OFFICE covers 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), Joint Terrorism Task Force (JTTF), cybercrimes, securities fraud and health care fraud.



Boston Field Office Case Files

Varsity Blues - Investigations of College Admissions and Testing Bribery Scheme

Since June 2019, 24 individuals have been sentenced for their involvement in a nationwide conspiracy that facilitated cheating on college entrance exams and the admission of students to elite universities as purported athletic recruits. Athletic coaches from Yale, Stanford, USC, Wake Forest and Georgetown, among others, are implicated, as well as parents and exam administrators.

The investigation into the conspiracy was named Operation Varsity Blues. At least 22 parents have been sentenced. William Rick Singer, the organizer of the scheme, used part of the money to fraudulently inflate entrance exam test scores and bribe college officials. A principal purpose and object of the tax fraud conspiracy was to allow clients of Singer to improperly deduct the cost of the bribes from their federal income taxes, resulting in an underpayment of federal income taxes.

Below is a list of some of the sentenced defendants. These defendants have received sentences ranging from weeks to months of probation and/or prison as well as fines and orders of restitution.

- Abbott, Gregory
- Abbott, Marcia
- Bizzack, Jeffrey
- Buckingham, Jane
- Caplan, Gordon
- Center, Michael
- Flaxman, Robert,
- Henriquez, Elizabeth
- Hodge, Douglas
- Huneeus, Agustin
- Janavs, Michelle
- Klapper, Marjorie
- Littlefair, Karen
- MacFarlane, Toby
- Sartorio, Peter Jan
- Sidoo, David
- Sui, Xiaoning
- Henriquez, Manuel
- Lori Loughlin
- Massimo Giannulli

RI Businesswoman Sentenced in \$10M Ponzi Scheme that Defrauded 23 Individuals

On February 11, 2020, Monique N. Brady, an East Greenwich attorney and businesswoman, was sentenced to 8 years in prison and was ordered to pay back her victims a total of \$4.78 million. Brady duped family members, friends, and business associates as she operated a \$10.3 million Ponzi scheme to help finance an extravagant lifestyle. As part of the scheme, Brady fraudulently told investors that her company, MNB, had secured contracts to perform large scale rehabilitation projects on foreclosed properties in Rhode Island, Connecticut, Massachusetts, and New Hampshire. She represented to a total of 31 investors that payments ranging from approximately \$20,000 to \$80,000 were needed to pay subcontractors. She promised investors a return of fifty percent of the profit realized. In reality, MNB was hired by banks to perform menial tasks, the majority of which were for less than \$1,000. By the time the scheme ended, 23 individuals had lost approximately \$4.8 million. Additionally, Brady attempted to obstruct the IRS criminal investigation by asking investors to delete or destroy all email correspondence, texts, and documents relating to their investments in MNB rehabilitation projects. After Brady became aware of the investigation, she met with the Rhode Island Department of the Attorney General and the Rhode Island State Police to request an investigation of her victims for usury. As the case proceeded toward federal indictment, Brady purchased a one way ticket to Vietnam. Ms. Brady was arrested one day before her scheduled flight.



Boston Field Office Case Files

Former Assistant Director of Real Estate for City of Boston Sentenced for Accepting \$50,000 in Bribes

On January 24, 2020, John M. Lynch was sentenced to more than three years in prison and was ordered to pay restitution of \$14,400 and to forfeit \$50,000. Lynch was a former Assistant Director of Real Estate in the Boston Planning and Development Agency (BPDA). In 2017, a Boston real estate developer sought to sell a parcel of residential real estate in Boston, but needed Boston Zoning Board of Appeals (ZBA) approval to extend a permit that would allow the property to be sold as a multi-unit development. In order to secure a permit extension, the developer agreed to pay \$50,000 in bribes to Lynch, in return for Lynch using his influence at the BPDA to secure a vote from a ZBA member. In May 2017, the ZBA member voted to grant the permit extension, enabling the developer to sell the property at an additional half a million dollar profit that the developer otherwise would not have received. Per their agreement, the developer then paid Lynch \$25,000 in cash and gave Lynch a \$25,000 check. Lynch then failed to report those and another \$10,000 payment he had received from the real estate developer on his 2018 tax returns.



Stamford Man Sentenced to 9 Years in Prison for Surgical Glove Investment Scheme

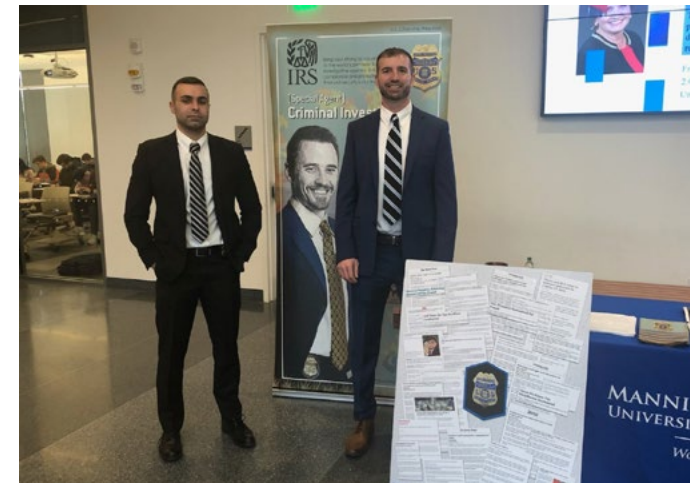
On December 19, 2019, Thomas J. Connerton was sentenced to nine years in prison for operating an investment scheme that defrauded more than 70 individuals, including several women he met on a dating website, of more than \$2 million. Connerton was the founder, president, and CEO of Safety Technologies, LLC ("Safety Tech"), a Connecticut company. Safety Tech was founded in 2006, purportedly for the purpose of developing and commercializing what was represented to be a highly durable material to be used in the surgical glove market and other related markets. Connerton made numerous false representations to fraudulently induce victim-investors to provide him funds and to purchase Safety Tech securities. Connerton actually used invested funds to pay personal expenses and to repay loans to an earlier investor. Through this scheme, Connerton defrauded more than 70 victim-investors of more than \$2.2 million. Additionally, Connerton willfully failed to pay \$293,033 in federal income taxes between 2003 and 2015. The government is seeking full restitution for the victim-investors and forfeiture of the two engagement rings that Connerton purchased with proceeds of the fraud scheme. Connerton also owes more than \$500,000 in back taxes, interest and penalties.



Boston Field Office Case Files

Portland Tax Return Preparer Sentenced to Prison for Preparing False Returns

On February 25, 2020, Ashraf Eldeknawey was sentenced to six months in prison and was ordered to pay \$97,191 in restitution to the IRS. Eldeknawey operated a tax return preparation business located inside the Ahrum Halal Market in Portland from 2015 to 2018. He prepared fraudulent tax returns for clients on which he reported self-employment income that they did not earn. As a result, the clients received tax refunds to which they were not entitled. Eldeknawey also filed a 2014 tax return for himself on which he overstated the expenses associated with a painting business he operated.



CHARLOTTE FIELD OFFICE

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CHATTANOOGA, TN	JOHNSON CITY, TN	NASHVILLE, TN
COLUMBIA, SC	KNOXVILLE, TN	RALEIGH, NC
GREENSBORO, NC	MEMPHIS, TN	WILMINGTON, NC
GREENVILLE, SC		

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 OCEDTF.



Charlotte Field Office Case Files

Charlotte Man Sentenced for Conspiring to Defraud the Government

On November 12, 2019, Arthur Joseph Gerard III, of Charlotte, NC, was sentenced to nearly four years in prison and was ordered to pay \$567,665 in restitution to the IRS. Gerard was previously convicted of conspiracy to defraud the U.S. Government. Gerard conspired with a client to hide over \$2.7 million in gross receipts earned by his client from the IRS. He assisted his client in funneling income through multiple layers of straw companies and bank accounts held by nominees for a fee of between \$1,000 and \$2,500 for each straw company. He assisted his client in preparing and filing false documents with the IRS. Additionally he assisted in filing false liens to give the appearance that his client had no equity in his property in effort to avoid IRS debt collection.

Tennessee Woman Sentenced for Wire Fraud and Tax Evasion

On November 1, 2019, Barbara Butler, of Murfreesboro, Tennessee, was sentenced to two years in prison. Butler was also ordered to pay more than \$1.3 million in restitution to Davis Stokes Collaborative, P.C., and \$521,207 in restitution to the IRS. Butler previously pleaded guilty to wire fraud and tax evasion. Butler had been the comptroller for D.S. Collaborative in Brentwood, Tennessee, for over 20 years and was responsible for all of the company's financial affairs. Between December 2009 and July 2016, Butler wrote company checks to herself and used the company's credit cards for personal use and for the use of her family members, without the knowledge or approval of the company's owners. She also opened additional credit cards in the company name and those credit lines were used to make personal purchases for herself and family. During the course of the scheme, Butler embezzled more than \$1.8 million from the company. In 2016, after learning that the company was subjected to an IRS audit, Butler provided false financial documents to the IRS auditor in an attempt to conceal the fact that she had written company checks to herself, and she altered general ledgers to make it appear as though the checks were written to legitimate vendors. During tax years 2010-2015, Butler failed to report to the IRS the income resulting from the embezzlement and caused a tax loss of \$521,207.



Charlotte Field Office Case Files

Multi-Million Dollar Investment Fraud Scheme and Income Tax Evasion Nets Nearly 22 Years in Prison

On August 29, 2019, Treyton Lee Thomas was sentenced to nearly 22 years in prison for wire fraud and income tax evasion. Thomas was also ordered to pay approximately \$7.3 million in restitution to the victims of the investment and bank fraud schemes, the IRS and the U.S. Attorney's Office and to forfeit an additional \$7.3 million to the United States. Thomas, who represented himself as a successful Harvard-educated investment advisor, defrauded his father's used car warranty company, several of its customers, his wife and his father-in-law. Thomas claimed he was conservatively investing their money, but instead, he conducted risky trades in the commodities and futures market. Thomas provided victims and various financial institutions with false information and fabricated bank and brokerage statements. Thomas used the same false information and fabricated statements to defraud financial institutions out of approximately \$1.9 million in loan proceeds. In addition to losing the victims' money in risky trades, Thomas spent more than \$1.6 million to pay personal expenses. Thomas failed to file tax returns or pay taxes for two decades. To conceal his income, Thomas used offshore entities in the Cayman Islands, the British Virgin Islands and Nevis, and employed individuals from offshore corporation management companies to act as his nominee in numerous business ventures. These foreigners opened and managed bank accounts through which Thomas moved the victims' funds in and out of the United States.



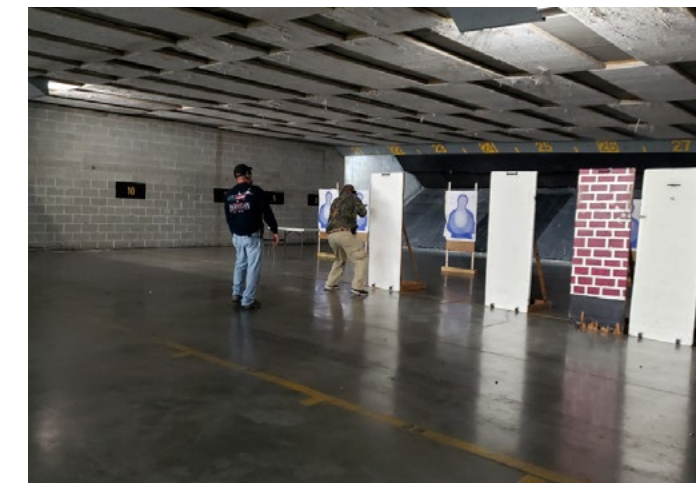
South Carolina Drug Dealer Sentenced to 35 Years in Prison After Offering Cellmate \$10,000 to Kill Prosecutor and Witness

On March 13, 2020, Detric McGowan, aka "Fat," of Piedmont, South Carolina, was sentenced to 35 years in prison. McGowan pleaded guilty to participating in a drug conspiracy involving cocaine, heroin, fentanyl, and tramadol; possessing a kilogram or more of heroin with the intent to distribute; conspiring to launder money; obstruction of justice/witness tampering; and obstruction of justice/retaliation. McGowan was a member of a drug trafficking organization operating in the Upstate of South Carolina, primarily in Laurens and Greenwood Counties. The organization was responsible for the distribution of in excess of \$1 million dollars' worth of heroin, cocaine, and/or fentanyl in the Upstate and elsewhere. McGowan was indicted along with several co-conspirators in February 2019 and taken into custody. In July 2019, McGowan began to discuss with a person who was incarcerated about his desire to have his prosecutor and a witness killed. McGowan was recorded agreeing to pay the person \$10,000 to kill the prosecutor and witness and providing information about how to find the targets.

Charlotte Field Office Case Files

Former Controller Sentenced For Embezzlement Scheme

On July 17, 2020, Shain A. Chappell, formerly of Johnson City, Tennessee, was sentenced to more than 3 years in prison. Chappell was ordered to pay restitution of over \$1 million to the victim and over \$350,000 to the United States. In October 2015, Greentech Environmental LLC hired Chappell as its controller. During his time at Greentech, Chappell developed a scheme to deceive Greentech into paying for Chappell's personal credit card purchases, subsequently hiding the thefts by showing the payments as purchases of inventory in Greentech's books and records. By July 2017, less than two years after his hiring, Chappell had embezzled over a \$1 million from his former employer, using the embezzled funds to pay for lavish lifestyle expenditures. In addition to stealing from Greentech, Chappell filed false tax returns for 2017 and 2018 that failed to include as income the money he stole from his employer, resulting in additional income tax owed of over \$350,000.

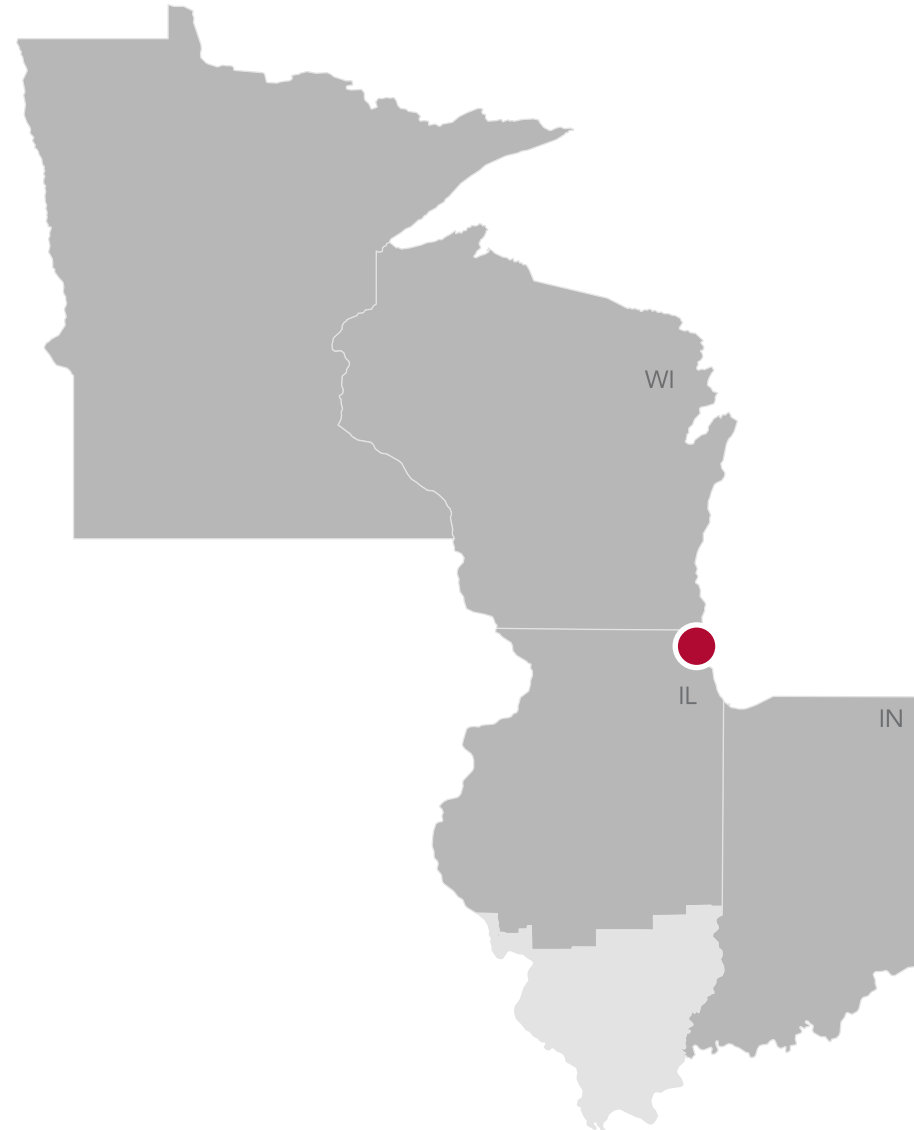


CHICAGO FIELD OFFICE

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EAU CLAIRE, WI	MADISON, WI	ORLAND PARK, IL	SOUTH BEND, IN
EVANSVILLE, IN	MATTESON, IL	PEORIA, IL	SPRINGFIELD, IL

THE CHICAGO FIELD OFFICE is one of the largest field offices in the country consisting of sixteen groups of agents and professional staff. We cover a large geographical area working in the states of Illinois, Indiana, Minnesota, and Wisconsin with seven judicial districts. We investigate a wide variety of cases and have excellent relationships with the U.S. Attorney's Offices. Our agents participate in numerous task forces including HIDTA, OCDETF, JTTF, cybercrimes, and political corruption. We work complex and diverse investigations such as tax evasion, corporate fraud, employment tax fraud, public corruption, cybercrimes, health care fraud, and drug trafficking. The field office has exceptional partnerships, both internally working with our civil counterparts, and externally with other federal, state, and local law enforcement agencies.



Chicago Field Office Case Files

Former Lawyer Sentenced for Tax Evasion on Income Received over Two Decades, Including Income Derived From Illinois Tobacco Litigation

On March 3, 2020, Daniel Soso, of Alsip, Illinois was sentenced to 2 years in prison and was ordered to pay nearly \$1.8 million in restitution to the IRS. Soso, was an associate of former Alderman Edward R. Vrdolyak. Soso previously pleaded guilty to one count of tax evasion in connection with payments both he and Vrdolyak received from Illinois' multibillion-dollar settlement negotiated with tobacco companies. The investigation was centered on the state of Illinois' \$9.2 billion court settlement with tobacco companies decades ago, which included payments to outside law firms that helped with the litigation. Soso was not authorized to perform any work for the State of Illinois on the lawsuit against the tobacco companies. Vrdolyak paid Soso \$1.9 million between 2000 and 2005.

Husband and Wife Sentenced to Prison for Attempting to Bilk the IRS out of \$1.3 Million

On December 19, 2019, Tillman Liggins III was sentenced to more than 5 years in prison and his wife, Chinita Williams-Liggins, was sentenced to 3 ½ years in prison. The couple was also ordered to pay \$331,154 in restitution to the IRS. The couple obtained personal identifying information, including names, Social Security numbers, and dates of birth, of at least ten individuals without their knowledge or consent. They used that information to prepare and file false and fraudulent individual federal income tax returns (Forms 1040) for the tax years 2011, 2012, 2013, and 2014. In total, the pair caused to be filed with the IRS at least 219 false and fraudulent tax returns seeking refunds of approximately \$1,323,793. As a result of the scheme, the IRS deposited approximately \$331,154 in fraudulent refunds into bank accounts controlled by the couple and others.



Chicago Field Office Case Files

Leader of Drug Trafficking Organization Sentenced to 30 years in prison

On October 30, 2019, Ricardo Ochoa-Beltran, of San Mateo, California, was sentenced to 30 years in federal prison. Ochoa-Beltran was the leader of a drug trafficking and money laundering organization that operated out of California and Indiana to distribute methamphetamine, heroin, and cocaine. Ochoa-Beltran's drug trafficking organization obtained drugs in various ways, including via packages shipped from California to Indiana. Law enforcement intercepted hundreds of thousands of dollars' worth of controlled substances over the course of their two-year investigation. Ochoa-Beltran laundered the funds generated by the drug trafficking organization by funneling drug proceeds through 30 different individual bank accounts, sending international wire transfers to Mexico (primarily, Sinaloa) using false sender names through InterCambio Express wire transfers, and by smuggling cash in bulk across the country.

The remaining defendants were sentenced as follows:

- Joel Alvarado-Santiago, 7 ½ years
- Miguel Lara-Leon, more than 21 years
- Angelica Guzman-Cordoba, 20 years
- Cesar Salgado, more than 11 years
- Megan Castleton, 7 ½ years
- Bryan Stocker, 5 years
- Lissa Garcia, more than 3 years
- Roberto Martinez-Hernandez, 1 ½ years



Wisconsin Man Sentenced to 12 Years for Mortgage Rescue Fraud Scheme

On March 17, 2020, Aston Wood, of New Richmond, Wisconsin and Miami, Florida, was sentenced to 12 years in prison for a mortgage rescue scheme. Wood pleaded guilty to wire fraud and bankruptcy fraud on January 6, 2020. Between 2014 and 2019, Wood defrauded more than 70 Wisconsin homeowners out of approximately \$390,000. Many homeowners unfortunately lost their homes in connection with the scheme. Using the names ASC Financial, LLC and Maywood Capital II, LLC, Wood solicited people facing the possibility of foreclosure and falsely represented to them that he could help them stay in their home by obtaining loan refinancing or modification. He told customers to immediately make mortgage payments to businesses he controlled while he worked out the details. Although the homeowners believed their payments were going to their mortgage lenders, Wood spent their money on his own travel and living expenses. Wood defrauded some homeowners out of additional money even after they lost their homes by falsely telling them that he would use the money to help them buy back their foreclosed property or use the money to sue the mortgage companies.

As part of his fraud scheme, Wood advised many customers to file bankruptcy. The automatic stay triggered by the bankruptcy filings temporarily stalled the foreclosures, which extended the time in which Wood could collect the monthly mortgage payments. Despite a court order barring Wood from these actions, Wood continued to engage in mortgage rescue fraud under a new business name.



Chicago Field Office Case Files

La Crosse Dentist Sentenced for Tax Evasion

On May 19, 2020, Frederick G. Kriemelmeyer, of La Crosse, Wisconsin, was sentenced to 6 years in prison and was ordered to pay \$226,839 in restitution to the United States. Kriemelmeyer, a dentist, took a number of actions to evade paying the taxes he owed. By 2012, the IRS had assessed Kriemelmeyer for more than \$450,000 in taxes, interest, and penalties. From at least 2013 through 2015, Kriemelmeyer did not file tax returns reporting the income from his dental practice, directed his patients to pay him in cash or by check with blank payee lines, and paid his business and personal expenses with third-party checks and cash.



CINCINNATI FIELD OFFICE

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CANTON, OH	FLORENCE, KY	TOLEDO, OH
CLEVELAND, OH	INDEPENDENCE, 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

Ohio Woman Sentenced to 17 Years in Prison for Stealing the Identities, Filing False Tax Returns

On October 4, 2019, Aesha Johnson was sentenced to more than 17 in prison and was ordered to pay \$63,708 in restitution to the IRS for stealing the identities of more than a dozen people and filing false tax returns. Johnson was previously convicted on one count of conspiracy to commit wire fraud, 14 counts of wire fraud, and 14 counts of aggravated identity theft relative to stealing the identities of more than a dozen people and filing false tax returns. Aesha’s daughter, Brittany Williams, was sentenced to three years of probation and was ordered to pay \$63,708 in restitution to the IRS on one count of conspiracy to commit wire fraud, 14 counts of wire fraud, and 14 counts of aggravated identity theft. Williams and Johnson, when she was living in West Virginia, conspired together to use stolen identities to file false tax returns with the IRS, seeking tax refunds. Johnson acquired many of these identities through a previous criminal fraud scheme. Johnson and Williams used an address in Cleveland associated with the family as the address of record for many of the false tax returns. They often communicated with each other using a code that referred to the victims using numbers 1 through 31 and created and used fictitious email accounts in the names of the victims to communicate with the IRS. Williams filed the false tax returns online, obtained prepaid debit cards in the names of the identity-theft victims, and requested the IRS deposit the refunds onto those cards. Williams then withdraw cash or made purchases with the cards.

Ohio Glass Company Owner Sentenced for Not Paying Employment Taxes

On October 29, 2019, Gail Cooper was sentenced to more than a year in prison and was ordered to pay restitution to the IRS of \$659,262 for failing to truthfully account for and pay over employment taxes. Cooper was the owner of Greenville Architectural Glass (GAG). GAG paid wages to its employees during the years 2013 through 2015, and as the person responsible for GAG’s finances, Cooper was required to withhold federal income taxes and Social Security and Medicare taxes from the employees’ wages and pay those amounts over to the IRS. Cooper was also required to file quarterly employment tax returns with the IRS. Although Cooper caused GAG to withhold taxes from employees’ wages, she neither filed the required quarterly returns for the first quarter of 2013 through the second quarter of 2015, nor paid the withheld amounts over to the IRS. Cooper also failed to pay over to the IRS unemployment taxes. In all, Cooper caused more than \$280,000 in payroll taxes not to be paid.

Cooper also filed false individual income tax returns for 2008, 2009, and 2010, on which she understated GAG’s gross receipts and overstated its expenses. Cooper caused GAG’s bookkeeper to manipulate and delete entries in the company’s accounting records. Specifically, she directed the bookkeeper to delete invoices from the software after GAG received payment from a client to make it appear as if GAG had not received the payment. Cooper also paid personal expenses with business funds, including utility bills for her residence and rental properties, and caused these to be classified as business expenses. After filing fraudulent returns for 2008-2010, Cooper did not file any individual income tax returns for the next several years. In total, Cooper’s conduct caused a tax loss of \$587,516 to the United States.



Cincinnati Field Office Case Files

Ohio Man Sentenced for \$2.6 Million Auto Loan Scheme

On January 7, 2020, Albert Watson, of Columbus, Ohio, was sentenced to 5 years in prison and was ordered to pay \$2,680,423 in restitution to the victim financial institutions on one count of conspiracy to commit bank fraud and one count of conspiracy to commit money laundering relative to an auto-loan scheme in Texas and Columbus, Ohio. From at least August 2014 through April 2018, Watson recruited people who were qualified for membership in eligibility-based financial institutions like USAA, Navy Federal Credit Union and Pentagon Federal Credit Union to create accounts at those institutions. Watson then caused fraudulent loan applications to be submitted to the financial institutions. Initially, he simply inflated the sales price of actual vehicle sales to pocket the difference. Eventually, loan applications were submitted when there was no actual transfer of vehicle. In many cases, multiple fraudulent auto loan applications were submitted on a single vehicle, with no intention that the vehicle's ownership would transfer in accordance with the information submitted on the auto loan applications. The loans obtained were as large as \$40,000.



Man Sentenced in Costa Rica-Based Telemarketing Scheme

On April 22, 2020, Nicholas Richer, of Nashua, New Hampshire, was sentenced to more than 4 years in prison and was ordered to pay restitution, jointly and severally, of \$1,102,448 on one count each of international money laundering, conspiracy to commit money laundering, and conspiracy to commit wire and mail fraud relative to his role in a Costa Rica-based telemarketing scheme that defrauded victims in the United States, including the elderly. Richer participated and facilitated a sweepstakes telemarketing scheme from call centers located in Costa Rica that convinced U.S. residents to pay money in an effort to claim a fictitious sweepstakes prize. Richer worked as a bridge defrauding the victims in the U.S. and sending victims' money to Costa Rica. The scheme involved telephoning U.S. residents from call centers in Costa Rica and falsely informing them that they had won second prize in a lottery or sweepstakes. The victims were told that in order to receive the prize money they had to pay a purported tax or fee via Western Union, MoneyGram, bank wire transfers, or through shipment of postal money orders. Once a victim made an initial payment, the victim received additional calls claiming a mistake had been made and that the victim had actually won first prize of a greater amount, or an issue had occurred, and the victim needed to pay additional fees to claim the prize. Calls were made to the victims for as long as those victims were willing and able to continue to transfer funds. Richer and his co-conspirators kept the victims' funds and never provided any prizes to them.



Cincinnati Field Office Case Files

Kentucky Man Sentenced to Wire and Tax Fraud

On May 11, 2020, Joseph Peavler was sentenced to 2 ½ years in prison for committing wire fraud and assisting in the preparation of a false income tax return. Peavler was also ordered to pay an excess of \$1.6 million in restitution, of which, \$246,637 is payable to the IRS. Between 2004 and 2018, Peavler managed a warehouse owned by someone else and, during that time, he devised a plan to rent space in the warehouse to two separate entities, keeping the money for himself without knowledge or authority by the owners. Peavler's fraud scheme was furthered by interstate wire communications. Peavler also admitted to failing to declare this rent money on his tax returns, for each of the years he received the rent.



DALLAS FIELD OFFICE

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FARMERS BRANCH, TX	LITTLE ROCK, AR	TULSA, OK
FAYETTEVILLE, AR	LUBBOCK, TX	TYLER, TX
FORT SMITH, AR		

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

Forest Park Anesthesiologist Sentenced to 5 ½ Years in Prison

On August 10, 2020, Richard Ferdinand Toussaint Jr. was sentenced to 5 ½ years in prison and ordered to pay more than \$82.9 million in restitution. Toussaint, an anesthesiologist, was at the center of the \$200 million Forest Park Medical Center fraud. Before this sentencing, Toussaint had already been sentenced to more than 3 years in prison for a separate health care fraud conviction and he will serve the two sentences concurrently. In March 2018, Toussaint pleaded guilty to his involvement in the Forest Park scheme, admitting to conspiracy to pay health care bribes and kickbacks and illegal remuneration under the Travel Act. In 2008, Dr. Toussaint teamed up with co-defendant Dr. Wade Neal Barker, a bariatric surgeon, to launch Forest Park Medical Center, a physician-owned hospital for bariatric and spinal surgery patients. Together with Forest Park hospital manager Alan Andrew Beauchamp, Dr. Toussaint, Dr. Barker, and their colleagues conspired to steer lucrative patients – particularly those with high-reimbursing, out-of-network private insurance – to the now defunct hospital by paying surgeons for referrals. Most of the kickbacks, which totaled more than \$40 million, were disguised as consulting fees or “marketing money,” doled as a percentage of surgeries each doctor referred to Forest Park. Dr. Toussaint was one of 18 convicted in the scheme.

Tax Preparer Sentenced for Claiming \$35 Million in Fraudulent Refunds

On January 9, 2020, Ebenezer Olayiwola, was sentenced to 5 years in prison and was ordered to pay more than \$30 million in restitution to the IRS. Olayiwola owned and operated Peak Insurance and Tax Service. Between 2010 and 2013, Olayiwola and his preparers filed thousands of tax returns claiming more than \$35 million in fraudulent tax refunds. Olayiwola trained his preparers to prepare fraudulent tax returns. Olayiwola's organization generated millions of dollars in tax preparation fees during that period. Juana Gabriela Ortiz, who worked for Ebenezer Olayiwola, prepared a significant number of false tax returns, and was ordered to pay restitution totaling nearly \$4 million.



Dallas Field Office Case Files

Beaumont Family Sentenced for Tax Evasion and Laundering of Gambling Proceeds

On June 12, 2020, Tillery, a Beaumont businessman, was sentenced to nearly 3 years in prison. Tillery was also ordered to pay restitution of \$1,000,040 and to forfeit approximately \$2 million in cash, jewelry, and sports memorabilia that were proceeds of his illegal gambling enterprise. Additionally, he was ordered to pay a money judgment of \$32,758,541. From 1985 until April 2017, Larry Tillery was engaged in the business of accepting illegal wagers on sporting events. Tillery owned and operated Daylight Motors, a used car dealership, and Lamar Capital, a holding company for Daylight Motors, and used these two companies as a front to launder illicit proceeds from his illegal gambling enterprise. Between 2011 and 2016, Larry Tillery accepted at least \$52 million in illegal wagers on sporting events. Larry did not report these wagers to the IRS or pay gross excise taxes. The gross wagering taxes that resulted from wagers Larry Tillery accepted between 2011 and 2016 total \$1,040,000. The investigation traced a total of 125 financial transactions in excess of \$10,000 derived from illegal gambling that utilized the United States banking system. These financial transactions total \$32,383,841 and occurred between 2010 and 2016.

Judy Tillery assisted her husband in laundering cash proceeds of his illegal gambling activities by structuring deposits into her personal bank account (in amounts under \$10,000 to evade federal currency transaction reporting requirements) and then writing checks to bank accounts controlled by her husband. Judy Tillery was sentenced to 2 years of probation and shares the forfeiture judgment with her husband. Brian Tillery took various actions to aid his father's bookmaking enterprise. Brian Tillery was sentenced to 2 years of probation and was ordered to forfeit approximately \$245,477 and a residence with an appraised value of approximately \$600,000.



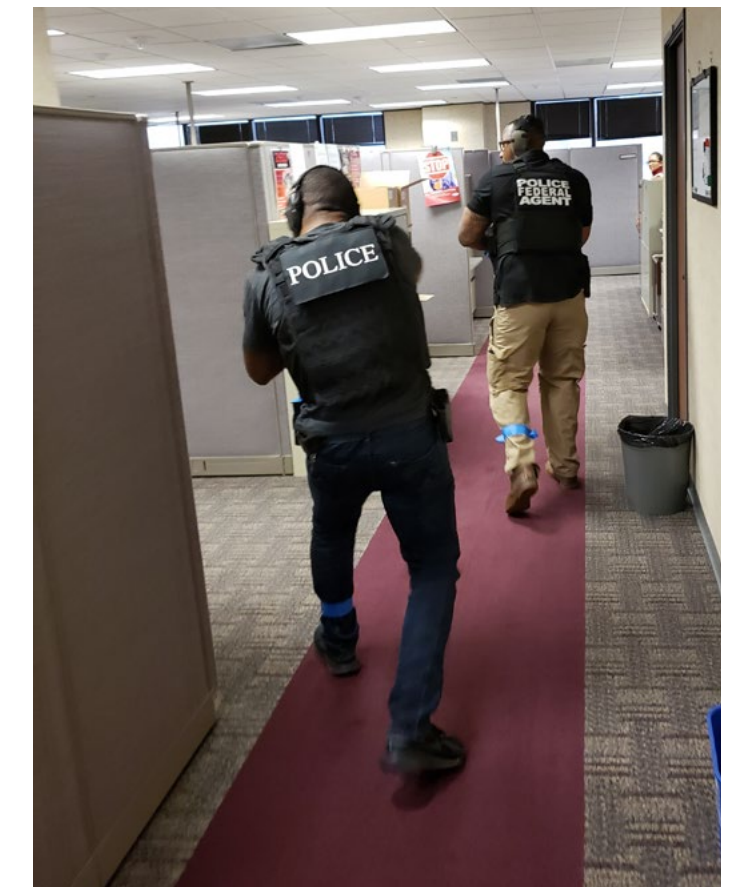
Dallas Field Office Case Files

Tulsa Software Developer Sentenced for \$1 Million Payroll Tax Fraud

On October 29, 2019, Earenest J. Grayson Jr. was sentenced to 2 years in prison and was ordered to pay restitution of 904,091. Grayson, a computer software development company owner, failed to account for and pay over employment taxes withheld from his employees' wages. As the owner and operator of Tulsa-based Zealcon Corporation, Grayson was responsible for withholding, accounting for and paying over to the IRS payroll taxes and withholdings due on the wages paid to Zealcon employees. From January 2014 through June of 2016, Grayson caused a total tax loss of approximately \$1 million by intentionally not paying to the IRS income, Social Security and Medicare taxes withheld from Zealcon employees' wages and Social Security and Medicare taxes due from Zealcon on those wages.

Northwest Arkansas Man Sentenced to 14 Years in Prison for Drug Trafficking and Money Laundering

On March 12, 2020, Bryant Keethe Smith Ford, of Fayetteville, Arkansas, was sentenced to 14 years in prison and was ordered to pay a \$20,000 fine for conspiracy to distribute more than 100 kilograms of marijuana. Ford was also sentenced to 10 years in prison for money laundering. The sentences will run concurrently. From around the beginning of January 2017, and continuing into July 2019, the Bryant Ford Drug Trafficking Organization (DTO) operated in Arkansas and was responsible for trafficking large quantities of marijuana into the Fayetteville, Arkansas area from other states. Once the marijuana was brought to Fayetteville by Ford, he, or others he directed, distributed the marijuana to others. Ford used proceeds from his unlawful marijuana sales to pay for luxury cars in cash and he then titled the luxury vehicles in another individual's name. As a result of search warrants conducted on the day of his arrest, more than \$260,000 in U.S. Currency, two loaded firearms, and three luxury vehicles were seized. During the course of the investigation, over 300 pounds of marijuana were seized.

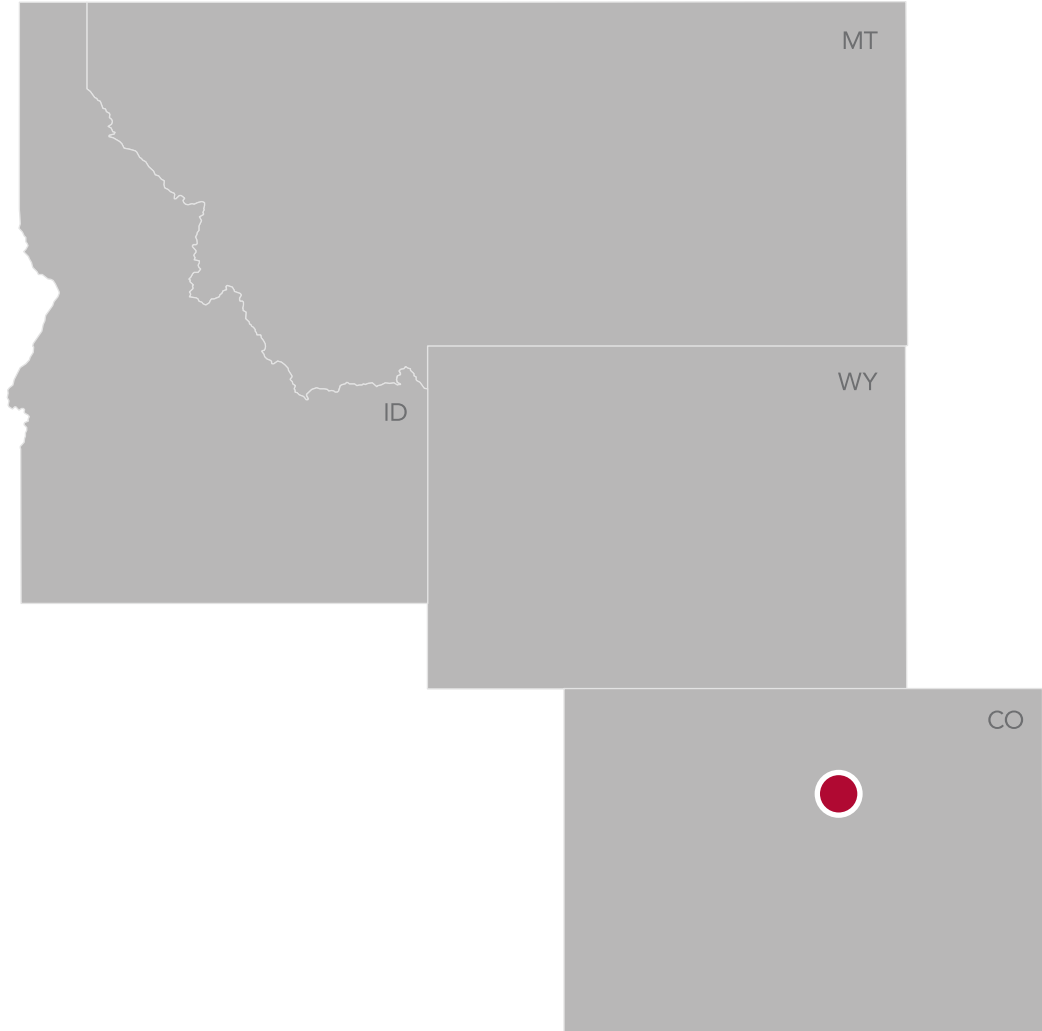


DENVER FIELD OFFICE

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|-------------------|----------------------|-----------------|
| BILLINGS, MT | COLORADO SPRINGS, CO | HELENA, MT |
| BOISE, ID | DURANGO, CO | MISSOULA, MT |
| CHEYENNE, WY | FORT COLLINS, CO | WESTMINSTER, CO |
| COEUR D'ALENE, ID | GRAND JUNCTION, 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. Our Special Agents work a varied mix of criminal investigations including all manners of tax fraud, money laundering and other federal frauds with a financial nexus which impact regional and national priorities based on our diverse geographic region.



Denver Field Office Case Files

VA Employee Sentenced for Orchestrating \$19 Million Corruption Scheme

On June 11, 2020, Joseph Prince, of Aurora, Colorado was sentenced to 16 years in prison for health care fraud, conspiracy, payment of illegal kickbacks and gratuities, money laundering, and conflict of interest charges. Prince was also ordered to pay \$18,777,134 in restitution to the Veteran’s Health Administration. Prince, as a Veteran’s Administration Spina Bifida (SB) Health Care Benefits Program beneficiary specialist, recruited family and friends, including Roland Vaughn, to open “home health agencies” knowing they lacked the proper licensing or credentials to fraudulently bill the VA for SB beneficiaries home services. Between June 2017 and June 2018, Prince referred approximately 45 SB beneficiaries to the sham home health entities which then submitted claims totaling over \$20 million to the VA. Prince received approximately \$1.5 million in kickbacks from two of the home health entities in a six month period. Co-conspirator, and long-time friend, Roland Vaughn was sentenced on June 25, 2020, to 8 months in prison and was ordered to pay \$1,007,205 in restitution for paying an illegal gratuity to a public official.

Denver CPA Sentenced for Conspiracy to Defraud Xcel Energy and the IRS

On June 15, 2020, Stephen Yobst, a former CPA, of Denver, Colorado, was sentenced to more than 2 years in prison for wire fraud, conspiracy to defraud the United States, filing false tax returns and theft of government funds. Yobst was also ordered to pay restitution totaling \$1,167,273, including \$806,216 to Xcel Energy and \$361,057 to the IRS. While working for Xcel Energy, Yobst, and co-conspirator James Brittain, created an entity, Pacific Exchange Group (PEG) to hold proceeds from the sale of utility properties, such as vehicles and transformers, until Xcel needed the funds to purchase replacement assets. Yobst and Brittain failed to provide an accounting of the funds to Xcel and instead used the proceeds to support their personal lifestyles while failing to report this income on their individual income tax returns. Brittain was sentenced on June 21, 2019, to a year in prison and was ordered to pay restitution of \$806,216 to Great American Insurance Company and \$215,094 to the IRS.



Denver Field Office Case Files

Colorado Tax Defier Sentenced for Tax Evasion

On October 31, 2019, Lawrence Martin Birk, homebuilder and owner of Tarryall River Log Homes was sentenced to 5 years in prison. Birk was also ordered to pay restitution of \$1,858,826 for tax evasion. Birk operated a profitable business but did not voluntarily pay taxes on its income. When IRS began collection efforts, Birk contracted a tax firm to prepare eight years' delinquent returns but failed to provide pertinent information, including funneling \$400,000 of retirement funds through a sham company. Birk also sent the IRS threatening correspondence containing frivolous tax arguments and purchased cashier's checks to thwart collection efforts.



Fairfield Man Who Defrauded Family of More Than \$700,000 Sentenced

On May 7, 2020, Michael Lee Van Auken was sentenced to more than 2 years in prison and was ordered to pay restitution of \$719,340 to the victimized family and \$165,195 to the IRS. Van Auken, posing as a financial services manager with both law and accounting degrees, offered various financial services, including investments opportunities, filing personal and business tax returns, and wealth management planning as part of the scheme. Van Auken created various business entities to perpetrate the embezzlement while failing to provide the promised services. He used the funds for personal expenses and investing in foreign currency trading. The investigation also showed that Van Auken owed \$165,195 in taxes for the years 2013-2015.



Denver Field Office Case Files

Coeur d'Alene Woman Sentenced for Embezzling More Than a Million Dollars

On October 2, 2019, Sue Ann Larson was sentenced to more than 3 ½ years in prison for embezzling funds from her employer and subsequently failing to report the illegal income on her personal income tax returns. Larson was ordered to pay restitution to her employer of \$1,281,552 and restitution to the IRS of \$175,054. Larson, a bookkeeper for a local custom cabinet shop, embezzled over \$1.2 million from her employer between 2009 and February 2018. During that time, Larson also falsified her tax returns, failing to pay \$175,000 in taxes.



DETROIT FIELD OFFICE

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ANN ARBOR, MI

FLINT, MI

PONTIAC, MI

CLINTON TOWNSHIP, MI

GRAND RAPIDS, MI

TRAVERSE CITY, MI

EAST LANSING, 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 Michigan, agents are embedded on a variety of task forces such as the Joint Terrorism Task Force (JTTF), Public Corruption, Organized Crime Drug Enforcement Task Force (OCDETF), Border Enforcement Security Task Force, Southeast Michigan Trafficking and Exploitation Crimes Task Force, Cybercrimes Task Force, and the Healthcare Fraud Strike Force.



Detroit Field Office Case Files

Former Director of Finance Sentenced to Three Years in Prison for Wire and Tax Fraud

On June 3, 2020, Brian John Scalabrino, formerly of East Grand Rapids, Michigan, was sentenced to 3 years in prison for committing wire and tax fraud. He was also ordered to pay \$348,365 in restitution to Metal Standard, and pay \$112,363 in restitution to the IRS. Scalabrino, who was the former Director of Finance for Metal Standard Corporation of Holland, altered his payroll records to show a negative federal income tax withholding amount for most pay periods. This fraudulently raised his income so that his net income exceeded his reported gross income. He used this method to fraudulently increase his annual pay by approximately \$50,000 each year. Scalabrino filed false federal income tax returns, causing a loss to taxpayers of \$112,363. He also submitted false IRS Form W-2 Wage and Tax Statements which showed fictitious amounts of federal tax withheld from his paychecks.

Physician Sentenced for Obstructing Tax Investigation

On July 21, 2020, Richard MacAuley, M.D., of Farmington Hills, Michigan, was sentenced to 2 years in prison. MacAuley previously pleaded guilty to corruptly endeavoring or obstruct and impede the due administration of the internal revenue laws, including by misleading IRS officers, withholding records from the IRS, and providing a false document in response to an IRS summons. In December 2017, the IRS was investigating Dr. MacAuley's chain of sleep study clinics, Sleep Diagnostics of Michigan, P.C. ("SDM"), for failing to pay over \$500,000.00 in federal payroll taxes. The IRS sought to determine whether there was any basis to transfer and collect SDM's outstanding taxes from an Okemos-based provider, Advanced Sleep Diagnostics of Michigan, P.C. ("ASDM"). While Dr. MacAuley was ASDM's owner on paper, he withheld the ownership document from the IRS and falsely denied any relationship between the companies. Dr. MacAuley then falsely claimed that he sold SDM's assets to ASDM in 2016. When the IRS issued a summons for the sales contract—a document that did not exist—two individuals created a fraudulent and backdated Asset Purchase Agreement for Dr. MacAuley to give the IRS. Dr. MacAuley signed the fake Asset Purchase Agreement and gave it to the IRS in May 2018 along with a cover letter claiming that the agreement was "in effect as of July 18, 2016."



Detroit Field Office Case Files

Former Senior UAW Official Sentenced to 28 Months for Taking Over \$1.5 Million in Bribes and Kickbacks

On February 19, 2020, Michael Grimes, a former high-level official in the UAW’s General Motors Department, was sentenced to more than 2 years in prison and was ordered to forfeit money and real property totaling over \$1.5 million. Grimes conspired with other UAW officials to engage in honest services fraud by taking over \$1.5 million in bribes and kickbacks from UAW vendors and contractors and for conspiring to launder the proceeds of the scheme. In September, Michael Grimes, of Ft. Myers, Florida, who is a native of Grand Blanc, Michigan, pleaded guilty to conspiring with two other high-level UAW officials—Joseph Ashton and Jeffrey Pietrzyk—to take millions of dollars in bribes and kickbacks from vendors doing business with the joint UAW-GM Center for Human Resources (CHR). Ashton, of Ocean View, New Jersey, and Pietrzyk, of Grand Island, New York, have since pleaded guilty. This “pay to play” scheme which began in 2006, and lasted over twelve years, reaped Grimes over \$1.5 million which he spent on property, houses, cosmetic surgery for a relative, and a host of other items which never benefited the UAW membership. In another scheme to defraud, Grimes, Ashton and Pietrzyk demanded kickbacks on a \$3.9 million contract for the CHR to buy 58,000 watches for all UAW members employed by GM. The UAW officials demanded over \$300,000 in kickbacks on the watch contract.

Grimes also conspired to launder the proceeds of the kickback scheme by using a series of complicated schemes, including funneling the money through a sham consulting company run by a relative, to conceal and disguise the bribes and kickbacks.

Grimes is one of many to plead guilty and be sentenced in connection with the ongoing criminal investigation into corruption within the UAW. The following individuals have already been sentenced for their roles in the scheme:

- former FCA Vice President for Employee Relations Alphons Iacobelli (66 months in prison),
- former FCA Financial Analyst Jerome Durden (15 months in prison),
- former Director of FCA’s Employee Relations Department Michael Brown (12 months in prison),
- former senior UAW officials Virdell King (60 days in prison),
- Keith Mickens (12 months in prison),
- Nancy A. Johnson (12 months in prison),
- Monica Morgan, the widow of UAW Vice President General Holiefield (18 months in prison),
- former UAW Vice President Norwood Jewell (15 months in prison),
- and most recently, former UAW Region 5 Director Vance Pearson pleaded guilty last week.



Detroit Field Office Case Files

Ludington Man Sentenced to More Than 5 Years in Prison for Embezzling from The Lake Michigan Carferry and Filing False Tax Return

On September 4, 2020, Paul Patrick Piper, of Ludington, Michigan, was sentenced to more than 5 years in prison on charges of bank fraud and filing a false federal income tax return. Piper served for many years as the financial controller for Lake Michigan Carferry, the company operating the SS Badger ferry between Ludington, Michigan, and Manitowoc, Wisconsin. Between 2007 and May 2018, Piper embezzled in excess of \$1,700,000, by overriding normal company accounting systems and writing checks directly to himself and to two of his affiliated businesses, Piper Tax & Accounting and Piper Group. Piper either forged the signatures of company owners on these checks or used a signature stamp without the authorization of the owners. Piper hid these transactions in the accounting system by booking these checks to an insurance expense code and by otherwise making false entries to balance company accounts. Additionally, Piper filed false personal income tax returns with the IRS because he knowingly failed to include the income he stole from the Carferry, and other income earned from his tax business, on his federal income tax returns.

As part of his sentence, Piper is required to pay a forfeiture money judgment of \$1,740,037. Piper also forfeited a 2018 Ram Truck, a 2008 Glacier Bay 5th Wheel Recreational Vehicle, and cash in lieu of the forfeiture of other assets. Additionally, the court will impose mandatory restitution for the victim of at least \$1,740,037.



Detroit Man Sentenced for Drug Trafficking and Money Laundering

On November 26, 2019, Sedrick Jackson was sentenced to 12 years in prison for conspiracy to distribute controlled substances and conspiracy to commit money laundering. Jackson, a drug dealer, distributed and possessed with the intent to distribute controlled substances, including cocaine and fentanyl. Jackson conspired with others, including a former Detroit Police officer, Christopher Staton. Jackson was assisted by Staton on various occasions. For example, Staton conducted a staged traffic stop of Jackson, who was transporting drugs and/or drug proceeds, in order to fool a drug supplier to think that police had taken the drugs and the money.



HOUSTON FIELD OFFICE

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AUSTIN, TX EL PASO, TX SAN ANTONIO, TX
BROWNSVILLE, TX LAREDO, TX WACO, TX
CORPUS CHRISTI, TX MCALLEN, 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

Texas Businessman Sentenced to Nearly 6 Years in Prison for Venezuela Bribery Scheme and Obstruction of Justice

On February 19, 2020, Alfonzo Eliezer Gravina Munoz, of Katy, Texas, was sentenced to nearly 6 years in prison and was ordered to pay \$214,849 in restitution to the IRS. Gravina previously forfeited \$590,446 in connection with this case. Gravina was a former procurement officer of Venezuela’s state-owned and state-controlled energy company, Petroleos de Venezuela S.A. (PDVSA). While employed as a purchasing manager at PDVSA, Gravina accepted bribes from U.S.-based businessmen Abraham Jose Shiera Bastidas and Roberto Enrique Rincon Fernandez to enable their companies to win lucrative energy contracts with PDVSA. Gravina accepted over \$590,000 in bribes from 2007 to 2014.

In order to conceal the corrupt payments, Gravina received the funds in accounts outside of the U.S. in the names of Gravina’s associates and relatives. Gravina underreported his income by not reporting the bribe payments as income on his 2010 tax return.

“Compound King” and Wife Sentenced in \$21 Million Health Care Fraud Scheme; Fugitive Sought

On June 25, 2020, pharmacist George Philip Tompkins, of Houston, Texas, the self-proclaimed “Compound King” and former owner of Piney Point Pharmacy, was sentenced to 10 years in prison. His wife, Marene Kathryn Tompkins, the former vice president of Piney Point Pharmacy, was sentenced to 30 days of home confinement and three years of supervised release. George Tompkins was ordered to pay restitution (and forfeiture) of \$12.3 million and Marene Tompkins was ordered to pay restitution (and forfeiture) of \$950,745. The pair were sentenced for their roles in a \$21.8 million Department of Labor (DOL) - Office of Workers Compensation Programs and Federal Employees Compensation Act fraud scheme.

George Tompkins and others billed the DOL for medically unnecessary compound gels and creams that were predicated on illegal kickback payments. George Tompkins and Anoop Chaturvedi, a legal permanent resident from India who remains a fugitive on related charges, created the scheme to generate compounded pain cream prescriptions and bill health care programs for injured state and federal employees. George Tompkins and Chaturvedi used separate entities—including George Tompkins’s company, Wellington Advisors—to receive and launder the proceeds of their crimes.



Houston Field Office Case Files

Owner of Bullion Direct, Inc. Sentenced Investment and Wire Fraud Scheme

On February 13, 2020, Charles McAllister was sentenced to ten years in prison and three years of supervised release. McAllister was also ordered to pay restitution of \$16,186,212 to over 5,800 victims. McAllister, the CEO and owner of Bullion Direct, Inc. (BDI), was convicted by jury of two counts of wire fraud and one count of engaging in a monetary transaction with criminally derived property. From at least January 2009 through July 2015, McAllister perpetrated a scheme that falsely represented that funds obtained from individual customers would be used to purchase precious metals on behalf of the customer and either shipped directly to the customer or stored in BDI's vault. Instead of buying the precious metals with the customer's funds and storing customer metals, McAllister spent customer property on BDI corporate expenses, on other investment activities, and for his own personal use and benefit.

Texas Tax Return Preparer Sentenced for Defrauding the United States

On October 9, 2019, Stacey Anderson was sentenced to more than 7 years in prison and was ordered to pay restitution of \$8,100,492. Anderson owned a tax return preparation business, Anderson Professional Tax Services, and operated the business out of her residence. With the assistance of co-defendant Janell Lightner, Anderson prepared tax returns claiming false business items and/or education tax credits, in order to fraudulently increase their clients' tax refunds. These returns were prepared for clients in Texas, Maryland, and the District of Columbia. Anderson also filed a false 2014 tax return for herself. The total tax loss generated from this scheme exceeded \$10 million.



Houston Field Office Case Files

Texan Sentenced for Fraudulent "Sweepstakes" Scheme

On March 9, 2020, Akintola Akinmadeyemi was sentenced to 10 years in prison for his role in an estimated \$340 million intended-loss fraudulent "sweepstakes" scheme. Akinmadeyemi was also ordered to pay \$111,870 in restitution. Akinmadeyemi, and others, carried out a sweepstakes fraud by sending letters to victims notifying them that they had won a sweepstakes. Each mailer included a fraudulent check issued in the name of the victim, usually in the amount of \$8,000, and a pre-addressed envelope. Victims were instructed to deposit the check into their bank account, immediately withdraw between \$5,000 and \$7,000 dollars in cash or money orders and send the money to a "sweepstakes representative" to facilitate the victim collecting his or her prize. By the time the victim was notified by the bank that the deposited check was fraudulent, the cash or money order had been sent by the victim and received by the defendants or conspirators. The intended loss from this scheme was in excess of \$250 million, with an actual loss of more than \$900,000.



LAS VEGAS FIELD OFFICE

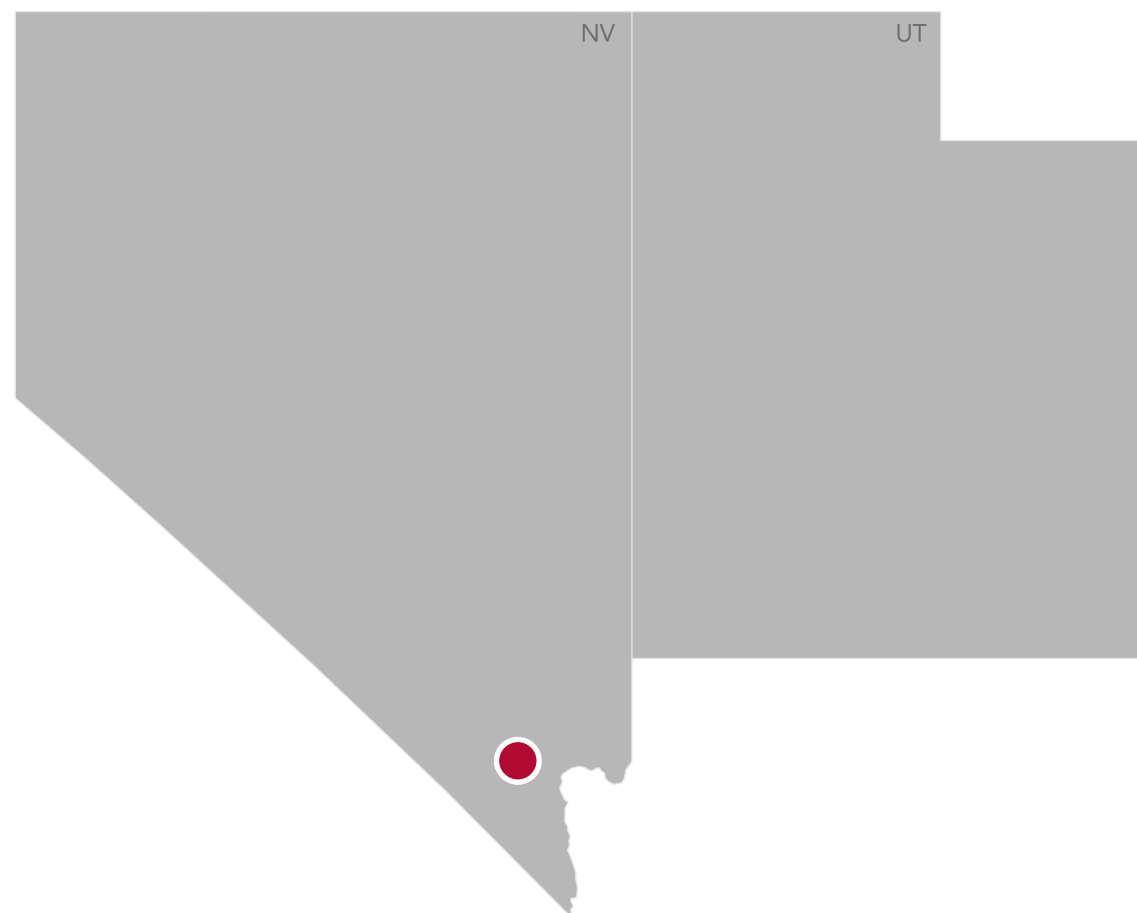
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OGDEN, UT

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.



Las Vegas Field Office Case Files

Nevada Return Preparer Sentenced to More than 3 Years in Prison for Tax Crimes

On January 30, 2020, Michael A. Sandoval, of Las Vegas, Nevada, was sentenced to more than 3 years in prison. Sandoval was also ordered to pay restitution of \$281,630 to a client and \$100,138 to the United States. Sandoval previously pleaded guilty to tax evasion, aiding and assisting in the preparation and filing of a false tax return and making and subscribing a false tax return. Sandoval, a tax return preparer, provided payroll and tax preparation services for individuals and companies through his business, Nevada Financial Solutions Inc. (NFS). When two of Sandoval's clients provided NFS with \$471,178 in payments to be forwarded to the IRS as money due for their quarterly employment taxes, Sandoval did not provide those payments to the IRS, but instead spent the funds for his personal benefit. At NFS, Sandoval also filed and caused the filing of false individual income tax returns for a substantial number of clients by reporting fraudulent deductions, including false Schedule C business losses, charitable contributions, and state and local tax deductions. These fraudulent deductions caused a tax loss of over \$2.8 million. On his own individual tax returns, Sandoval fraudulently understated his income from NFS for the years 2010 through 2017, causing an additional tax loss of \$100,138. In total, Sandoval caused a tax loss totaling \$3,425,654 to the IRS.

Utah Man Sentenced for Conducting Fraudulent Investment Scheme

On October 15, 2019, Claud R. ("Rick") Koerber was sentenced to more than 14 years in prison and was ordered to pay more than \$45 million in restitution to his victims. Koerber was previously convicted on charges of fraud in the offer or sale of securities, wire fraud and money laundering. From approximately 2004 to 2008, Koerber ran an investment scheme with his businesses Franklin Squires and Founders Capital. Through real estate seminars and other means, Koerber solicited investment in a real estate scheme he dubbed the "equity mill." Koerber described the equity mill as the "holy grail" of real estate investing and claimed investor money would be used to make "hard money" or bridge loans to acquire residential real estate. As part of the inducement, Koerber presented his scheme as being wildly profitable and promised investors exorbitant monthly returns, typically between 1-5% per month. In total, from 2004 to 2007, Koerber raised approximately \$98.6 million for the scheme. However, in reality, Koerber's businesses and scheme were not profitable. And he spent only a fraction of the \$98.6 million on real estate. Instead, without telling investors, Koerber used a substantial portion of the money raised to (1) make interest payments to earlier investors, (2) buy expensive cars, (3) mint his own coins, and (4) fund pet projects that included a hamburger chain, an unprofitable academy, and a movie, among other things. He also used investor money for various personal expenses, including fixing his teeth.



Las Vegas Field Office Case Files

Former IRS Employee Sentenced to Prison for Tax Evasion

On October 22, 2019, Craig Orrock, of Salt Lake City, Utah, was sentenced to nearly 3 years in prison for tax evasion and obstructing the IRS. Orrock was also ordered to pay \$923,666 in restitution. Orrock, a former IRS employee and former attorney evaded the payment of federal income taxes and obstructed IRS efforts to collect those taxes. Orrock filed tax returns for the years 1993 through 2015, but did not pay the income taxes reported as due on those returns. Orrock attempted to prevent the IRS from collecting the reported income taxes by using entities, bank accounts, and trusts in other names to hide his income and assets from IRS collection officers, filing frivolous bankruptcy petitions, and filing an offer-in-compromise falsely representing to the IRS that he had virtually no assets. For example, Orrock used an entity known as Arville Properties, LLC to conceal from the IRS his ownership of real property that he sold in 2007 for \$1.5 million. In all, Orrock evaded the payment of over \$500,000 in federal income taxes.



Man Sentenced for Utah Drug and Money Laundering Conspiracies

On November 6, 2019, Randall Heath was sentenced to 13 years in prison for conspiracy to distribute Fentanyl and conspiracy to commit money laundering. From approximately October 2015 through at least May 2017, Heath and other co-conspirators distributed 400 grams or more of a substance containing Fentanyl. Heath also conspired to launder the proceeds of unlawful Fentanyl and marijuana sales. Heath conspired to engage in various financial transactions to promote the drug trafficking efforts and conceal the nature of the drug proceeds. The conspirators transferred money in and out of bank accounts with business names to attempt to make the money appear to be derived from lawful commerce.



Las Vegas Field Office Case Files

Former Intelligence Officer Sentenced to 10 Years in Prison for Attempted Espionage

On September 24, 2019, Ron Rockwell Hansen, of Syracuse, Utah, was sentenced to 10 years in prison and was ordered to forfeit property acquired from or traceable to his offense, including property used to facilitate the crime. Hansen, a former Defense Intelligence Agency (DIA) officer, pleaded guilty in March 2019, to attempting to communicate, deliver, or transmit information involving the national defense of the United States to the People's Republic of China. Hansen was arrested June 2, 2018, on his way to the Seattle-Tacoma International Airport in Seattle, Wash., as he was preparing to board a flight to China while in possession of secret military information.

Hansen pleaded guilty to the lead count of a 15-count indictment returned in June 2018, charging him with attempt to gather or deliver defense information, acting as an agent of a foreign government, bulk cash smuggling, structuring monetary transactions, and smuggling goods from the United States.

Hansen retired from the U.S. Army as a Warrant Officer with a background in signals intelligence and human intelligence. He speaks fluent Mandarin-Chinese and Russian, according to court documents. Upon retiring from active duty, DIA hired Hansen as a civilian intelligence case officer in 2006. Hansen held a Top Secret clearance for many years and signed several non-disclosure agreements during his tenure at DIA and as a government contractor.

In early 2014, agents of a Chinese intelligence service targeted Hansen for recruitment, and he began meeting with them regularly in China. During these meetings, the agents described to Hansen the type of information that would interest Chinese intelligence. Hansen stipulated that during the course of his relationship with Chinese intelligence, he received hundreds of thousands of dollars in compensation for information he provided them.

Between May 24, 2016, and June 2, 2018, Hansen solicited national security information from an intelligence case officer working for the DIA. Hansen knew the Chinese intelligence services would find the information valuable, and he agreed to act as a conduit to sell that information to the Chinese. He advised the DIA case officer how to record and transmit classified information without detection, and how to hide and launder any funds received as payment for classified information. Unbeknownst to Hansen at the time, the DIA case officer reported his conduct to the DIA and subsequently acted as a confidential human source in the investigation.

Hansen met with the DIA case officer on June 2, 2018 and receiving individual documents containing national defense information that he had previously solicited. The documents he received were classified. The documents included national security information related to U.S. military readiness in a particular region -- information closely held by the federal government. Hansen did not possess a security clearance, nor did he possess a need to know the information contained in the materials.

Hansen reviewed the documents, queried the case officer about their contents, and took written notes which contained information determined to be classified. He advised the DIA case officer that he would remember most of the details about the documents he received that day and would conceal notes about the material in the text of an electronic document he would prepare at the airport before leaving for China. He intended to provide the information he received to the agents of the Chinese Intelligence Service with whom he had been meeting. He also knew the information was to be used to the injury of the United States and to the advantage of a foreign nation.



LOS ANGELES FIELD OFFICE

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LAGUNA NIGUEL, CA	SAN MARCOS, CA	VAN NUYS, CA
LONG BEACH, CA		

AS THE NATION'S largest field office by population, 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 cybercrime, 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, including the Joint Terrorism Task Force (JTTF) and the Organized Crime Drug Enforcement Task Force (OCDETF).



Los Angeles Field Office Case Files

Goldman Sachs Charged in Foreign Bribery Case and Agrees to Pay Over \$2.9 Billion

On October 22, 2020, the Goldman Sachs Group Inc. (Goldman Sachs or the Company), a global financial institution headquartered in New York, New York, and Goldman Sachs (Malaysia) Sdn. Bhd. (GS Malaysia), its Malaysian subsidiary, admitted to conspiring to violate the Foreign Corrupt Practices Act (FCPA) in connection with a scheme to pay over \$1 billion in bribes to Malaysian and Abu Dhabi officials to obtain lucrative business for Goldman Sachs, including its role in underwriting approximately \$6.5 billion in three bond deals for 1Malaysia Development Bhd. (1MDB), for which the bank earned hundreds of millions in fees. Goldman Sachs will pay more than \$2.9 billion as part of a coordinated resolution with criminal and civil authorities in the United States, the United Kingdom, Singapore, and elsewhere.

Goldman Sachs entered into a deferred prosecution agreement in connection with a criminal information charging the Company with conspiracy to violate the anti-bribery provisions of the FCPA. GS Malaysia pleaded guilty to conspiracy to violate the anti-bribery provisions of the FCPA. In addition to these criminal charges, in excess of \$1 billion in assets for Malaysia associated with and traceable to the 1MDB money laundering and bribery scheme have been recovered.

Former Tax Lawyer Sentenced to 5 Years in Prison for Evading Back Taxes Owed to IRS

On February 3, 2020, James Roy McDaniel, of Long Beach, was sentenced to 5 years in prison and was ordered to pay \$1.54 million in restitution. McDaniel previously pleaded guilty to tax evasion. McDaniel, a former tax and estate-planning lawyer, set up shell companies to evade the payment of more than \$1.4 million he owed to the IRS. This was McDaniel's second criminal tax offense. In 2004, McDaniel pleaded guilty to filing a false income tax return for failing to report income he earned from 1997 – 2001, creating a tax loss of \$677,368. In that case, McDaniel was sentenced to 2 years in prison and he was ordered to surrender his law license in California. IRS assessed McDaniel more than \$1.4 million in taxes, interest and penalties. Following this conviction, McDaniel attempted to evade payment of the \$1.5 million he owed the IRS by creating two shell companies – Davis Bell Consulting LLC and James Roy Consulting LLC – where he directed payments for tax and estate planning consulting work he performed after he was released from prison. Between May 2008 and late 2018, McDaniel attempted to mislead federal tax authorities and conceal his income by directing other people to sign documents identifying themselves as the sole managing members of the shell companies. McDaniel directed them to open bank accounts where he deposited checks for his tax and estate planning work.



Los Angeles Field Office Case Files

Inglewood-based Tax Preparer Sentenced to More Than 5 Years in Prison for Scam that Sought \$5.6 Million in Bogus Tax Refunds

On December 16, 2019, Cubby Wayne Williams, of Alhambra, was sentenced to more than 5 years in prison and was ordered to pay \$490,289 in restitution to the United States Treasury. Williams was previously found guilty of 22 counts of assisting in the preparation of false tax returns for his clients and four counts of subscribing to false tax returns for himself. Williams owned and operated a tax services company, Williams Financial Network; he formerly worked at the California Franchise Tax. Williams fraudulently claimed OID withholdings on 22 tax returns for his clients and sought hundreds of thousands in bogus tax refunds. Williams took a cut of many of these refunds often by directing the IRS to deposit a portion into a bank account under his control. Between 2012 and 2019, Williams submitted 222 false client tax returns claiming approximately \$5,648,809 in fabricated income tax withholdings.

L.A. County Public Official Sentenced to One Year in Federal Prison for Accepting Bribes and Cheating on Income Tax Returns

On June 23, 2020, Mohammad R. Tirmazi, a Los Angeles County Internal Services Department official, was sentenced to 12 months in federal prison for accepting nearly \$300,000 in bribes from an electrical contractor. Tirmazi committed tax evasion for failing to report the income he received from the accepted bribes as well as additional illegal income from a side business on his federal tax returns.



Man Sentenced for Role in International Money Laundering Scheme

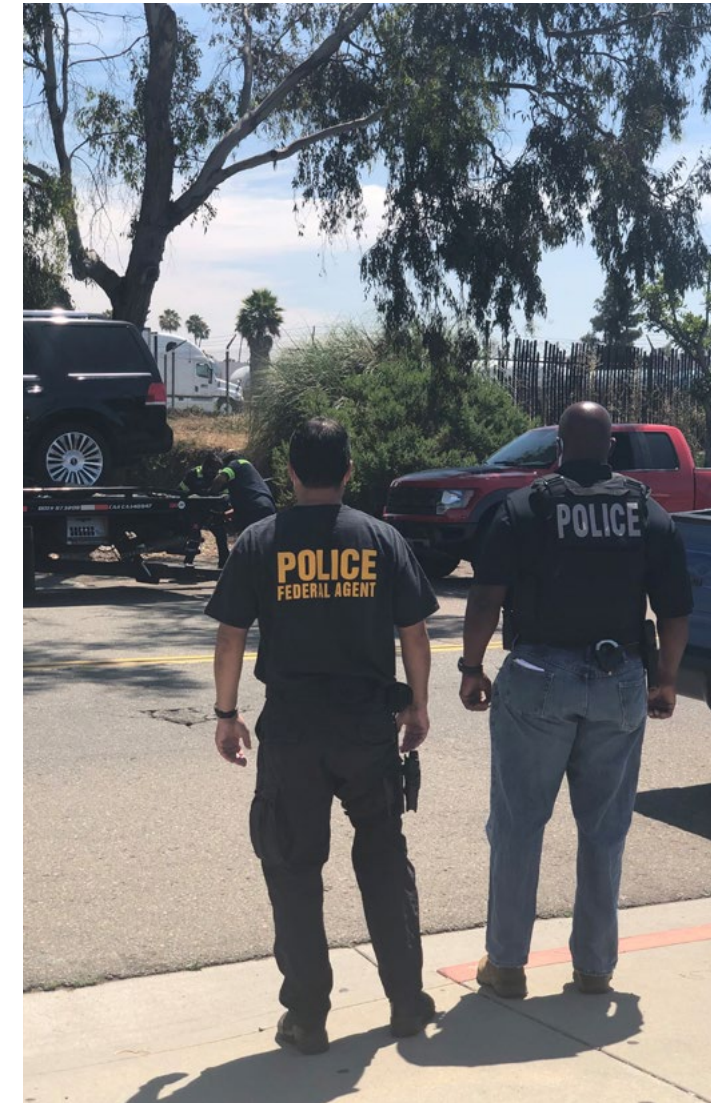
On July 16, 2020, Juan Duarte-Tello was sentenced to 18 years in prison for his role in a drug trafficking organization (DTO) that engaged in laundering narcotics proceeds for the Sinaloa Drug Cartel. Duarte-Tello was part of an indictment unsealed on March 8, 2018, charging 40 members of the DTO with conspiring to launder tens of millions of dollars in drug money. In addition to the indictments in San Diego, a total of 75 defendants nationwide have been charged across the United States with crimes ranging from drug distribution to money laundering, all stemming from this investigation, including defendants in the Southern District of Ohio, the Eastern District of Kentucky, the District of Kansas, and the Eastern District of Washington.



Los Angeles Field Office Case Files

Former Homeland Security Investigator Sentenced to More Than 10 Years for Money Laundering, False Statements and Tax Evasion Convictions

On August 5, 2020, Tyrone Cedric Duren, of Bonsall, California, was sentenced to more than 10 years in prison. Duren was also ordered to forfeit his primary residence, pay a money judgment of \$275,000 and pay restitution to the IRS. Duren previously pleaded guilty to 19 counts including charges of money laundering, making false statements, and tax evasion. While working as a federal agent specializing in the investigation of bulk cash smuggling, Duren stole money from individuals smuggling drug proceeds to Mexico. Duren then laundered those funds by depositing them into personal and business accounts, and used the stolen cash for personal purchases. Over several years, Duren used his position as a federal agent to place GPS trackers on vehicles used to transport proceeds from drug sales. Duren then took some of the drug money after it was seized, laundered it into his own accounts, and spent it on real estate and international travel.



MIAMI FIELD OFFICE

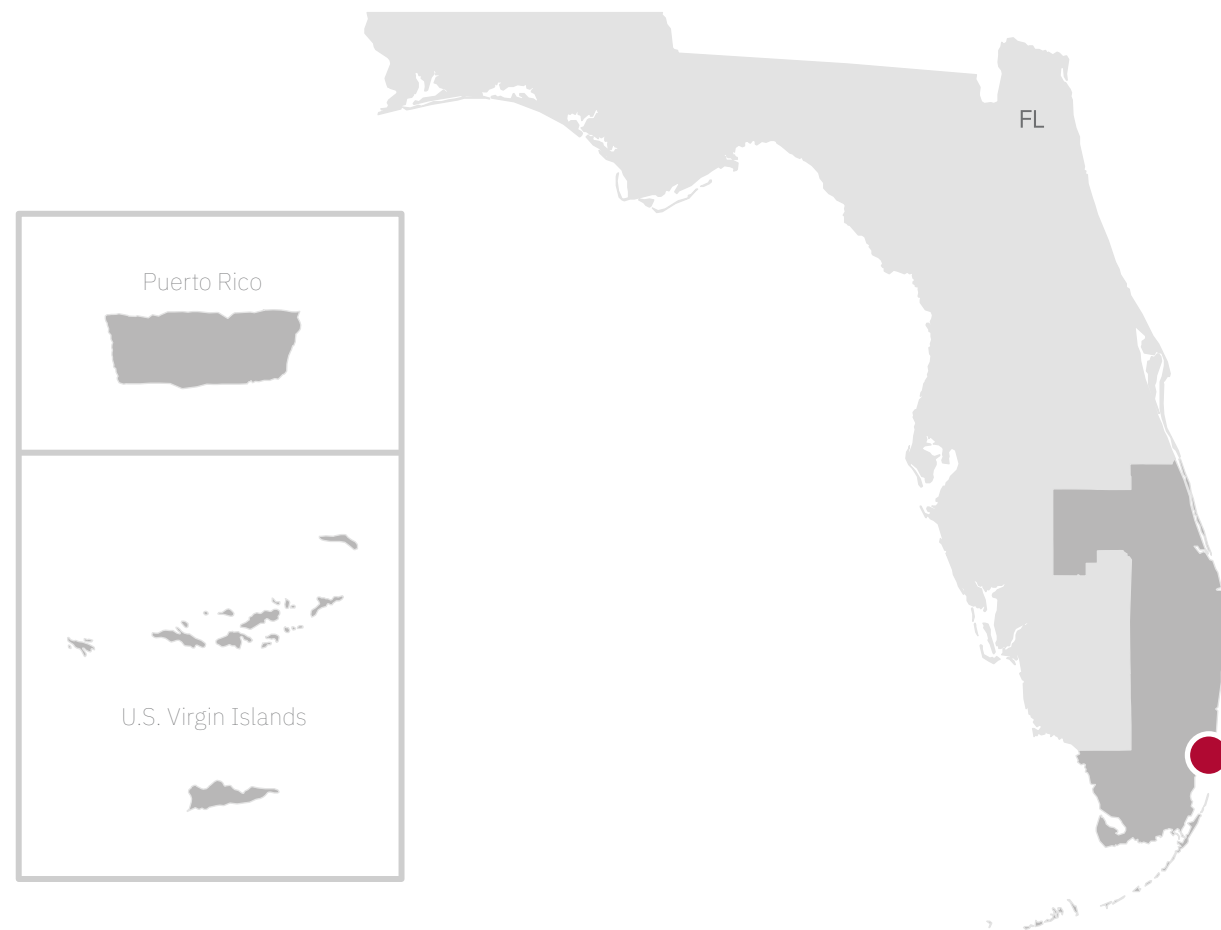
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WEST PALM BEACH, FL

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

Mastermind of \$1.3 Billion Investment Fraud (Ponzi) Scheme - One of the Largest Ever - Sentenced to 25 Years in Prison for Conspiracy and Tax Evasion

On August 8, 2019, in Miami, Florida, Robert Shapiro was sentenced to 25 years in prison. Shapiro, a Sherman Oaks, California native, previously pleaded guilty to orchestrating and leading a massive investment fraud scheme, in which more than 7,000 victims suffered financial losses, as well as tax evasion. Shapiro is the former owner, president, and CEO of Woodbridge Group of Companies LLC (“Woodbridge”). Shapiro spearheaded and concealed an enormous Ponzi scheme through his business, Woodbridge. Woodbridge employed approximately 130 people and had offices located throughout the United States. The scheme ran from at least July 2012 to December 2017, when Woodbridge filed for Chapter 11 bankruptcy and defaulted on its obligations to investors.

Throughout the conspiracy, Woodbridge’s main business model was to solicit money from investors and, in exchange, issue investors promissory notes reflecting purported loans to Woodbridge that paid high monthly interest rates. Shapiro and his co-conspirators falsely claimed that Woodbridge was profitable, however, there was insufficient cash to pay investors. To make up for the cash deficiency, Shapiro and his co-conspirators resorted to making Ponzi payments, whereby hundreds of millions of dollars invested by new investors were used to pay “returns” to older, existing Woodbridge investors. The Woodbridge sales operation functioned as a “boiler room” and featured high-pressure sales tactics, deception, and manipulation.

In total, Shapiro and his co-conspirators convinced more than approximately 9,000 investors to invest more than \$1.29 billion to Woodbridge, including many who invested their retirement savings. Of that, Shapiro misappropriated approximately \$25 million to \$95 million in investor money for himself and for the benefit of his immediate family members. Shapiro spent millions on personal expenditures, such as \$3.1 million for chartering private planes and travel, \$6.7 million on a personal home, \$2.6 million on home improvements, \$1.8 million on personal income taxes, and over \$672,000 on luxury automobiles.

Shapiro also pled guilty to tax evasion based upon his failure to pay more than \$6 million in taxes due and owing to the IRS for calendar years 2000 through 2005.

As part of his plea, Shapiro and his wife agreed to forfeit certain assets, including, but not limited to: artworks by Pablo Picasso, Alberto Giacometti, Marc Chagall, and Pierre-August Renoir; a collection of 603 bottles of wine; a 1969 Mercury convertible; and luxury jewelry and diamonds.

Florida Man Sentenced for Participation in Narcotics Organization

On October 4, 2019, Cory Lamar Johnson aka “ThePartyFactory” was sentenced to more than 12 ½ years in prison. Johnson was also ordered to forfeit all funds held in several bank accounts. Johnson participated in a conspiracy to distribute heroin, cocaine, MDMA, LSD and 28 grams or more of cocaine base and conspiracy to commit money laundering. Johnson mass marketed his narcotics distribution business by means of computer.



Miami Field Office Case Files

Tax Preparer Sentenced to More Than Eight Years in Federal Prison for Tax Fraud Scheme

On January 28, 2020, in Fort Myers, Florida, Augustin Dalusma was sentenced to 8 years in prison for filing false claims and tax fraud. Dalusma was also ordered to pay more than \$2 million to the IRS in restitution. Dalusma was found guilty on November 1, 2019. According to court documents, between 2012 and 2015, Dalusma falsified information in tax returns for at least 630 of his clients, fraudulently qualifying them for thousands of dollars in tax refunds that they were not lawfully entitled to collect. Additionally, Dalusma falsified his own tax returns from 2012 through 2014, significantly underreporting his own income to evade more than \$30,000 in personal income tax in each of those years.

Palm Beach County Tax Return Preparer Sentenced for Filing False Tax Returns and Theft of Government Funds

On February 21, 2020, Paul Senat was sentenced to 7 ½ years in prison for aiding and assisting in the preparation of false tax returns and theft of government funds. Senat was also ordered to pay nearly \$10,000 in restitution. From at least 2012 to 2016, Paul Senat was the owner and operator of multiple tax return preparation businesses in Palm Beach and surrounding areas. Through the businesses, Senat falsified his clients' returns by reporting fictitious business losses and false education credits in order to fraudulently inflate their refunds.



Fort Lauderdale Father and Daughter Sentenced for Involvement in \$100 Million Fraudulent Tax Refund Scheme

On February 21, 2020, Danielle Takeila Edmonson and Kenneth Roger Edmonson, both of Fort Lauderdale, Florida, were sentenced to prison for their involvement in a scheme that involved the filing of false and fraudulent tax returns seeking large-dollar tax refunds. D. Edmonson was sentenced to 6 years in prison and K. Edmonson was sentenced to more than 4 years in prison. From 2015 through 2018, D. Edmonson and K. Edmonson filed large-dollar tax refund claims with the IRS totaling over \$100 million, including individual refund claims ranging from hundreds of thousands of dollars to as high as eighty million dollars. The Department of Treasury paid out approximately \$3.4 million in refunds through the issuance of U.S. Treasury checks. D. Edmonson was convicted on four counts of filing false, fictitious and fraudulent claims, two counts of mail fraud, and one count of false statements. K. Edmonson was convicted at trial of two counts of filing false, fraudulent, and fictitious claims, one count of mail fraud, and one count of false statements.



Miami Field Office Case Files



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.



Newark Field Office Case Files

Monmouth County Man Sentenced to Two Years in Prison for Evading More Than \$2 Million in Taxes

On November 5, 2019, Tito Viteri, of Cream Ridge, New Jersey, of Monmouth County, New Jersey, was sentenced 2 years in prison for evading more than \$2.3 million in personal and corporate income taxes between 2002 and 2011, and in 2015. Since 2002, Viteri was the owner and operator of numerous commercial trucking companies that performed delivery services. Between 2002 and 2011, and in 2015, Viteri evaded the payment of more than \$2 million in personal and business-related taxes by:

- “pyramiding” companies and using nominees as the purported owners of several of the companies in order to shield business assets while incurring employment tax liabilities;
- failing to file timely and accurate quarterly federal tax returns by falsely categorizing employees as independent contractors, for whom employment taxes did not have to be paid;
- receiving unreported kickback income from an employee;
- concealing personal income and assets by using nominees, and depositing substantial amounts of income into nominee bank accounts and failing to report that income on his personal tax returns.

In 2008, an IRS audit determined that Viteri owed approximately \$785,000 in unpaid taxes for one of his companies, and that he himself owed approximately \$315,000 in unpaid personal income taxes.

Although Viteri began making payments to the IRS in August 2011, he stopped making those payments in December 2013, claiming he was not “bringing enough money home.”

Despite his claims, from February 2013 to February 2016 Viteri made approximately \$111,000 in rental payments (approximately \$3,000 per month) for a property in Chesterfield. In 2016, although he still had substantial outstanding tax liabilities, Viteri purchased a home in Cream Ridge for more than \$920,000. To conceal from the IRS the source of the funds used to purchase the home, Viteri arranged for the home to be purchased in his mother’s name.

Tax Preparer Sentenced to 2 ½ Years in Prison for Tax Fraud Scheme and Witness Tampering

On October 25, 2019, Samuel Davis Jr., a Plainfield, New Jersey, tax preparer was sentenced to 2 ½ years in prison for conspiring to defraud the IRS, falsifying his tax returns, and witness tampering. Davis was also ordered to pay restitution of \$71,558 to the IRS. Davis was an active detective sergeant in the N.J. State Police while also owning and operating a tax preparation business, Get Organized Tax & Accounting (GOTA). He retired from the state police in 2016 after 28 years. For tax years 2011 to 2016, Davis and a conspirator prepared false individual income tax returns for various GOTA clients.



Newark Field Office Case Files

They used a number of fraudulent practices, including falsely claiming deductions, fabricating educational credits, and submitting fake receipts, in order to obtain refunds for their clients in amounts substantially greater than those to which the taxpayers were entitled. For tax years 2012 through 2014, Davis also filed false personal income tax returns by underreporting business income that he derived from GOTA, defrauding the IRS of tens of thousands of dollars in taxes. In October 2018, Davis discovered that his son had received a subpoena to appear and testify before a grand jury, and he attempted to persuade his son to provide false testimony.

Bergen County Man Sentenced to 6 Years in Prison for Filing Phony Tax Returns Using Information Stolen from U.S. Service Members

On February 21, 2020, Shope Oluwo, of Fort Lee, New Jersey, was sentenced to 6 years in prison for generating phony tax refunds using personal identifying information stolen from current and former members of the U.S. army. Oluwo was also ordered to pay \$11,170 in restitution. From January through February 2016, Oluwo conspired with others, including Dermot Sutherland, of Philadelphia, to obtain personal identifying information that was stolen from current or former members of the U.S. Army. Oluwo used that stolen information to create fake military identification cards and fraudulent W-2 forms bearing the victims' names. Oluwo provided the phony cards and W-2 forms to Sutherland, who posed as the victims and filed phony returns with a tax preparation company. Afterwards, Sutherland received debit cards from the tax preparation company that contained the ill-gotten refunds. Sutherland previously pleaded guilty to his role and was sentenced in February 2019 to three years of probation.



Tax Preparer Sentenced to Four Years in Prison for Conspiring to File False Income Tax Returns

On April 29, 2020, Tony V. Russell, of Stone Mountain, Georgia, was sentenced to 4 years in prison for conspiring to defraud the United States by filing false income tax returns. Russell was also ordered to pay restitution of \$241,185. Russell was a former employee of Tax Pro's and Tax Solutions & Associates, tax preparation businesses located in Essex and Union counties. From at least 2009 to April 2015, to boost their business, Russell conspired with others, including Joseph Kenny Batts, the owner of the businesses, to falsify their clients' federal income tax returns to generate refunds from the IRS in amounts that their clients were not entitled to receive. Russell and other members of the conspiracy also permitted, Batts to use their Preparer Tax Identification Numbers (PTIN) – the identification number that paid tax preparers are required to place on tax returns they have prepared – when preparing tax returns to conceal Batts' identity as the actual tax return preparer; Batts had a prior federal tax fraud conviction. After law enforcement executed a search warrant at Tax Pro's in April 2015, Batts opened Tax Solutions and Associates in Union, where Russell, and others, continued preparing false federal income tax returns. By fraudulently inflating the amounts of the tax refunds, the conspirators caused a total tax loss to the IRS in excess of \$900,000. Other members of the conspiracy, including Damien Askew, of Union, New Jersey; Rudolph Sanders, of Newark, New Jersey; Joseph Kenny Batts, of Elkridge, Maryland; and Angelo K. Thompson, of Reisterstown, Maryland, await sentencing.



Newark Field Office Case Files

Delaware County Business Owner Sentenced to 4+ Years in Prison for Stealing Funds from Clients, Filing False Forms with the IRS

On February 14, 2020, Myles Hannigan, of Newtown Square, Pennsylvania, was sentenced to more than 4 years in prison and was ordered to pay \$3,270,566 in restitution for filing false tax information with the IRS on behalf of his clients. Hannigan pleaded guilty in July 2019 to obstructing the due administration of the IRS and seventeen counts of preparing materially false income tax returns, in connection with owning and operating Payroll Professionals, Incorporated ("PPI") located in Media, Pennsylvania. PPI is a third-party payroll processor, which assists its clients by issuing payroll checks and forwarding tax payments to federal, state, and local authorities. PPI's clients were small- to medium-sized businesses, and the clients relied on Hannigan to prepare and file tax Form 941, among others, with the IRS. Form 941 details employee wages that were paid by a company, and payroll tax withheld and paid to the IRS based on those wages.

Beginning in January 2012 until December 2016, Hannigan prepared and submitted Forms 941 that falsely reported information to the IRS. Hannigan reported depositing more money to pay tax debt than he had actually sent to the IRS, causing 35 of PPI's client companies (who are considered victims in this case) to collectively underpay the IRS \$3,270,566 for those tax years. These victims/companies gave Hannigan access to all necessary funds to pay the full tax debt, but Hannigan failed to do so. Hannigan hid his behavior from these victims/companies by presenting bogus documents that purported to be confirmation of payments he had made to the IRS on their behalf, and by re-directing IRS correspondence to his business address.



NEW YORK FIELD OFFICE

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STATEN ISLAND, NY
SYRACUSE, NY
WHITE PLAINS, NY

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

Manager of Medical Clinics Sentenced to 13 Years in Prison for Multimillion-Dollar Money Laundering and Health Care Kickback Scheme

On August 31, 2020, Aleksandr Pikus was sentenced to 13 years in prison for his role in a massive healthcare kickback and money laundering conspiracy. Pikus was also ordered to pay restitution of \$23 million to Medicare, \$16 million to Medicaid, \$433,297 to the IRS and forfeit \$2,614,233. Pikus was convicted by a federal jury in November 2019 of one count of conspiracy to commit money laundering, two counts of money laundering, one count of conspiracy to pay and receive health care kickbacks and one count of conspiracy to defraud the United States by obstructing the IRS.

Over the course of nearly a decade, Pikus and his co-conspirators perpetrated a scheme through a series of medical clinics in Brooklyn and Queens that employed doctors, physical and occupational therapists and other medical professionals who were enrolled in the

Medicare and Medicaid programs. In return for illegal kickbacks, Pikus referred beneficiaries to these health care providers, who submitted claims to the Medicare and Medicaid programs. Pikus and his co-conspirators then laundered a substantial portion of the proceeds of these claims through companies he controlled, including by cashing checks at several New York City check-cashing businesses. Pikus also failed to report the cash income to the IRS. Instead, Pikus used the cash to enrich himself and others and to pay kickbacks to patient recruiters, who, in turn, paid beneficiaries to receive treatment at the medical clinics. Pikus and his co-conspirators used sham shell companies and fake invoices to conceal their illegal activities. Pikus used violent threats to protect his scheme.

More than 25 other individuals have pleaded guilty to or been convicted of participating in the scheme, including physicians, physical and occupational therapists, ambulance drivers and the owners of several of the shell companies used to launder the stolen money.



New York Field Office Case Files

Cooperstown Man Sentenced to 78 Months for Money Laundering, Filing False Tax Return

On December 11, 2019, Thomas K. Lagan, of Cooperstown, New York, and formerly of Slingerlands, New York, was sentenced to 6 ½ years in prison for money laundering and filing a false tax return in connection with the theft of approximately \$11.8 million from estates for which he served as a fiduciary. Lagan was also ordered to pay \$7.7 million in restitution, and to forfeit the following as proceeds of his crimes: 10 bank and brokerage accounts; an additional \$255,000 already paid to the Government; three properties in Otsego County; a 2016 Mercedes Benz S550; a 2015 Jeep Wrangler Sport; a 2015 Lexus RX450; and a 2015 Sea-Doo jet ski and accompanying trailer. In a related case, Lagan pleaded guilty to grand larceny in the first degree, and was sentenced to 4 to 12 years in prison. The federal and state terms of imprisonment will run concurrent to one another.

Lagan, an investment advisor and attorney, conspired with Richard J. Sherwood, also an attorney, to steal millions of dollars and launder the scheme proceeds. Starting in 2006, Lagan and Sherwood provided estate planning and related legal services to philanthropists Warren and Pauline Bruggeman, and to Pauline's sister, Anne Urban. After Pauline Bruggeman's death, Lagan and Sherwood stole millions of dollars from her estate as well as from Anne Urban, who died in 2013. Their conspiracy came to include the diversion and transfer to themselves of several million dollars belonging to Julia Rentz, a resident of Ohio, who was suffering from dementia at the

time of the thefts and died in 2013. Lagan and Sherwood stole nearly \$12 million, and nearly \$6.3 million was transferred outright to him. Lagan also filed false federal tax returns in 2013 and 2015 which did not reflect the millions of dollars that he received from the fraudulent scheme.

Williamsville Man Sentenced for Wire Fraud – Again

On January 16, 2020, Robert C. Logel, of Williamsville, New York, was sentenced to more than 4 years in prison for wire fraud and tax evasion. Logel was previously sentenced in 2009 to 4 years in prison for wire fraud related to defrauding two victims out of nearly \$3 million. Logel told the victims that he invested their money in various businesses when, in fact, he used the funds himself.

Within months of being released from prison, Logel entered into a scheme involving the production, distribution, and sale of two skin and healthcare products. During the course of the scheme, the defendant made false representations regarding his ability to distribute and market such products. As a result, victims, including QuadPharma, a pharmaceutical manufacturing company, transferred funds to Logel which they believed would be used to ready the products for distribution and sale. Instead, Logel used the vast majority of the funds for his personal use. QuadPharma suffered a loss of approximately \$417,120. Six other victims suffered a total loss of approximately \$143,176. In addition, Logel failed to file income tax returns for the tax years 2004 through 2007, resulting in a loss of more than \$5.5 million to the IRS.

New York Field Office Case Files

Member Of Eastern European Organized Crime Syndicate Sentenced to 16½ Years in Prison for Racketeering and Other Violent Crimes

On December 3, 2019, Leonid Gershman, aka "Lenny," a leading member of a violent, Brooklyn-based Eastern European organized crime syndicate was sentenced to 16½ years in prison following his conviction for racketeering – including predicate acts of illegal gambling, loansharking, extortion, arson and marijuana distribution – and conspiring to traffick firearms.

Between 2011 and May 2017, Gershman and his co-conspirators, born in states of the former Soviet Union, including Russia, Ukraine and Moldova, operated as a racketeering syndicate. The syndicate members were linked to high-level members of Russian organized crime, known as "thieves in law," or "thieves," who authorized syndicate members to use violence to protect their criminal activities.

Beginning in 2016, Gershman partnered in an illegal high-stakes poker game on Coney Island Avenue that generated substantial profits for the syndicate. Gershman's syndicate was responsible for the complete destruction by arson of a mixed-use building that housed a rival poker game in the spring of 2016. Two residents of the building, including a young boy, were trapped

in their apartment by the resulting fire, and had to be rescued by firefighters. Both residents and firefighters suffered smoke inhalation, and one firefighter's injuries required surgeries. The families living in the building were displaced from their homes due to the damage from the fire.

Gershman's syndicate also preyed upon extortion victims. For example, Gershman enlisted the help of "thieves" in Russia to locate the father of an extortion victim in Moscow to locate his son, who owed the syndicate more than \$40,000. After locating the victim, Gershman was recorded on a wiretap stating, the "Thieves have found him... in Israel," and "they were at [his] place today."

Rochester Man Sentenced to 10 Years in Prison for Wire Fraud and Identity Theft

On October 2, 2019, Emanuel Guobadia, of Atlanta, Georgia, was sentenced to 10 years in prison for wire fraud and identity theft. Guobadia obtained the personal information of thousands of individuals across the country and used that information to file over 880 fraudulent tax returns. The refunds were transferred through victims' accounts in Rochester, New York, and laundered into Guobadia's bank account in Georgia. In total, Guobadia attempted to obtain \$2.8 million in fraudulent tax refunds. The IRS denied most of the requests.



OAKLAND FIELD OFFICE

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REDDING, CA

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SAN JOSE, CA

SAN RAFAEL, CA
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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

East Bay Resident Sentenced in Scheme to Sell Fraudulent Financial Instruments

On October 18, 2019, Kenneth Taylor, was sentenced to 3 years in prison and ordered to pay \$90,000 in victim restitution for conspiracy to commit wire fraud and \$1,100,774 in restitution to the IRS for tax fraud. From 2009 through 2012, Taylor conspired with his codefendants to sell to customers fraudulent standby letters of credit and proof of funds statements for submission to banks. These financial instruments were fraudulent because they reported false client credit-worthiness and client balances that exceeded Success Bullion USA, LLC's (SBUSA) assets. The fraudulent financial instruments were issued by SBUSA, an entity for which Taylor established a website, and which falsely purported to be an authorized U.S. subsidiary of a large Hong Kong financial institution. The fraudulent financial instruments were transmitted to banks by Centerlink LLC, another entity Taylor controlled, in a format that rendered the instruments unenforceable. Taylor sent proceeds he received through SBUSA and Centerlink to an account in Belize that he controlled. Taylor received more than \$3 million from the scheme and that his false returns caused a tax loss of more than \$550,000.

Former General Manager of Car Dealerships Sentenced for Embezzlement Scheme

On October 29, 2019, Amir Bakhtiari, of Newport Beach, California, was sentenced to 4 ½ years in prison. Bakhtiari was also ordered to pay \$6,618,639 in restitution to Sonnen and \$1,443,911 in restitution to the IRS for embezzling millions of dollars from auto dealerships in Marin County, California. Bakhtiari orchestrated an embezzlement scheme at Sonnen Motorcars ("Sonnen"). Sonnen owned and operated three car dealerships in Marin County—Sonnen, Audi Marin, and Porsche Marin. From 2009 to 2016, Bakhtiari managed the Volkswagen and Audi dealerships. Bakhtiari took advantage of his role to initiate a scheme wherein Sonnen made payments on fraudulent invoices to fake advertising shell companies under the control of his friends, who then forwarded the majority of the proceeds back to Bakhtiari. Bakhtiari also initiated other fraudulent payments to himself, including fake bonus payments. Between 2010 to 2016, Bakhtiari directed approximately \$6.6 million in fraudulent transfers from Sonnen. Bakhtiari also filed multiple years of false tax returns by intentionally failing to report the millions of dollars in proceeds he made from the fraud scheme, causing over \$1.4 million in losses to the IRS.



Oakland Field Office Case Files

Stockton Woman Sentenced for Two Separate Fraud Conspiracies

On November 19, 2019, Kioni M. Dogan was sentenced to 4 years in prison for criminal conspiracies to submit false claims for federal income tax refunds and to commit mail fraud in connection with California state unemployment insurance benefits. For over five years Dogan was the driving force in two schemes seeking over \$2 million from the California and federal governments through fraud. From May 2011 through April 2012, Dogan filed at least 98 fraudulent tax returns \$940,000 in refunds, of which approximately \$708,188 was paid out by the IRS. Dogan and other conspirators obtained personal identifying information from family, friends, and others, and then submitted returns containing false statements regarding income, withholding, and losses. From 2010 through 2015, Dogan filed over 100 fraudulent unemployment insurance claims with the California Employment Development Department (EDD) seeking \$1.29 million using fictitious businesses. Dogan created fictitious employers with EDD and then caused the submission of information for employees of the fictitious entities. Dogan subsequently filed unemployment claims in the names of the fake employees. Approximately \$972,319 was paid out by EDD.



Part Owner of International Trading Business Sentenced to Three Years in Prison for Tax Fraud

On February 11, 2020, Jyh-Chau "Henry" Horng was sentenced to 3 years in prison and was ordered to pay restitution of \$1.1 million to the United States. Horng was a minority owner of a home-based international trading business that sold scrap metal to China while that country was undergoing its economic and infrastructure boom. From 1999 through 2008, Horng failed to report on his tax returns millions of dollars in profits from the business. Horng and his wife used the business profits to buy residential properties in New York City and the San Francisco Bay area, invest over \$5 million in a Milpitas shopping center, and purchase a Bentley. During an IRS audit of the returns, Horng made false statements to the IRS, including that neither he nor his wife had any foreign bank accounts. After the audit, Horng failed to file any tax returns from 2009 through 2018.



Oakland Field Office Case Files



PHILADELPHIA FIELD OFFICE

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BETHLEHEM, PA

CRANBERRY TOWNSHIP, PA

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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 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).



Philadelphia Field Office Case Files

Former CEO of Lancaster County Oil & Gas Company Sentenced to 14 Years in Prison for \$65 Million Bank Fraud

On July 15, 2020, Jeffrey Lyons, of Lancaster, Pennsylvania, was sentenced to fourteen years in prison, and ordered to pay restitution of \$53 million to Fulton Bank and \$550,000 to the IRS. In October 2019, Lyons pleaded guilty to one count of defrauding Fulton Bank of over \$65 million between 2003 and 2018. Lyons also pleaded guilty to one count of tax evasion.

Lyons was the former CEO of Worley & Obetz, an oil and gas company in Manheim, Pennsylvania, that provided services and home heating oil, gasoline, diesel, and propane to its customers. Lyons, along with Worley & Obetz's two controllers, Karen Connelly and Judith Avilez, committed bank fraud by providing Fulton Bank with dozens of fraudulent financial statements and a fraudulently altered supply agreement between Worley & Obetz and its largest customer, Giant Food.

Fulton Bank relied on the fraudulent financial statements when it lent Worley & Obetz over \$65 million. Lyons used the Fulton loans to pay Worley & Obetz expenses, which included his annual salary of over \$500,000. He also used the borrowed money to make Worley & Obetz appear profitable when it was actually operating at a loss, to pay interest on the earlier loans he borrowed from Fulton and to fund some of his personal expenses including real estate worth millions. Additionally, from 2012 through 2017, Lyons failed to report over \$1.4 million of income to the IRS.

After Lyons' scheme was discovered, Worley & Obetz and its related companies did not have the assets to repay the massive amount of Fulton loans that Lyons had accumulated. In June 2018, Worley & Obetz declared bankruptcy. It notified its approximately 275 employees that they no longer had jobs and, after 72 years, the family-owned company closed its doors forever.

As a result of Lyons' fraud, many in the Manheim, Pennsylvania, community suffered greatly – both financially and emotionally.



Philadelphia Field Office Case Files

Pennsylvania Man Sentenced to 14 Years in Prison for Money Laundering Conspiracy

On June 23, 2020, Jonathan Jacome, of Mountain Top, Pennsylvania, was sentenced to more than 14 years in prison. Jacome was also ordered to pay over \$7.7 million in restitution and he must forfeit certain properties acquired with stolen funds. Jacome was a leader and organizer in a sophisticated scheme that used stolen identities to file fraudulent tax returns in 2011 and 2012, and obtained over \$7.7 million in fraudulent federal tax refunds. Jacome opened three check cashing businesses in Luzerne County solely to carry out the fraud scheme, and through which he processed the fraudulently obtained Treasury checks. Jacome committed underlying crimes of theft of public money, wire fraud and bank fraud. Jacome also conspired with others to present false testimony to a federal grand jury investigating the scheme. The fabricated testimony was intended to hide the fact that Jacome used stolen funds to purchase a house in Mountaintop, and to otherwise shield Jacome from criminal liability. Jacome's sentence reflected an enhancement for the obstruction.

Philadelphia Bookkeeper Sentenced to 8 ½ Years in Prison for Embezzling Almost \$1.6 Million from Former Employer

On October 17, 2019, Peter Goodchild, of Philadelphia, Pennsylvania, was sentenced to 8 ½ years in prison. He was also ordered to pay \$1,589,315 restitution. Goodchild engaged in a scheme to embezzle from his former employer, QwikSource, over a ten-year period from 2005 until 2015. Goodchild was convicted in April 2019 on 48 counts of wire fraud, 10 counts of money laundering, one count of aggravated identity theft and six counts of filing false income tax returns. As the former bookkeeper for QwikSource LLC/GMI Technical Sales LLC of Florham Park, New Jersey, Goodchild operated his scheme by opening various PayPal accounts. He used the accounts to move funds from his employer's bank account through various PayPal accounts then finally to one of his personal bank accounts. Goodchild further concealed the embezzlement by making false financial entries on files he maintained for QwikSource that increased the cost of goods sold by the same amount of money that he had stolen from QwikSource's bank account.

Philadelphia Field Office Case Files

Insurance Company Owner Sentenced to Prison for Tax Evasion

On March 5, 2020, Robert Rionda Jr., of Pittsburgh, Pennsylvania, was sentenced to 2 ½ years in prison and fined \$10,000. Rionda solely owned and operated Arms Insurance Group, Inc. (Arms Inc.), a subchapter S corporation, from 2002 through May 2014. In October 2011, the Collection Division of the IRS opened a case on Rionda for unpaid income taxes for the 2009, 2010 and 2011 tax years. In May 2012, after several attempts to receive payments from Rionda, the IRS levied his personal bank accounts for unpaid taxes. Rionda then directed the controller/bookkeeper of Arms Inc. to do several things, such as stop salary checks to Rionda and his wife and to start to pay all of Rionda's personal bills from the company's bank accounts rather than his personal bank account. Over the next several years, Rionda continued to file apparently accurate corporate returns on behalf of Arms Inc., as well as personal income tax returns, but he only made minimal payments to the IRS for his personal income taxes and he took multiple actions to evade collection of his taxes. Rionda sold Arms Inc. to his son and he stayed on as a part owner of the son's new business, Arms Insurance Group, LLC (Arms LLC). After the sale of the business, Arms LLC began making payments to Rionda but, despite

receiving very large distributions, Rionda chose not to make substantial payments towards his taxes. Rionda did, however, make payments towards his personal expenses and transferred millions of dollars - at least \$2.7 million of his own funds - to an associate, Joseph Duva, as a purported investment. The total criminal tax loss, including assessed interest and penalties, was \$1,539,117.

Delaware Businessman Sentenced to Federal Prison for Tax Fraud

On February 14, 2020, Peter Coker, of Dover, Delaware, was sentenced to 21 months in prison for willfully failing to pay over \$1.1 million in payroll taxes to the IRS. In addition to the term of incarceration, Coker was also ordered to pay \$1.145 million in restitution. According to court documents, Coker was the sole owner of Sitework Safety Supplies Inc., a flagging company in Delaware. Between tax years 2012-2014 and 2016, Coker willfully failed to remit federal income, Medicare, and Social Security taxes he withheld from Sitework employees' paychecks, as well as Sitework's taxes due and owing, to the IRS.



PHOENIX FIELD OFFICE

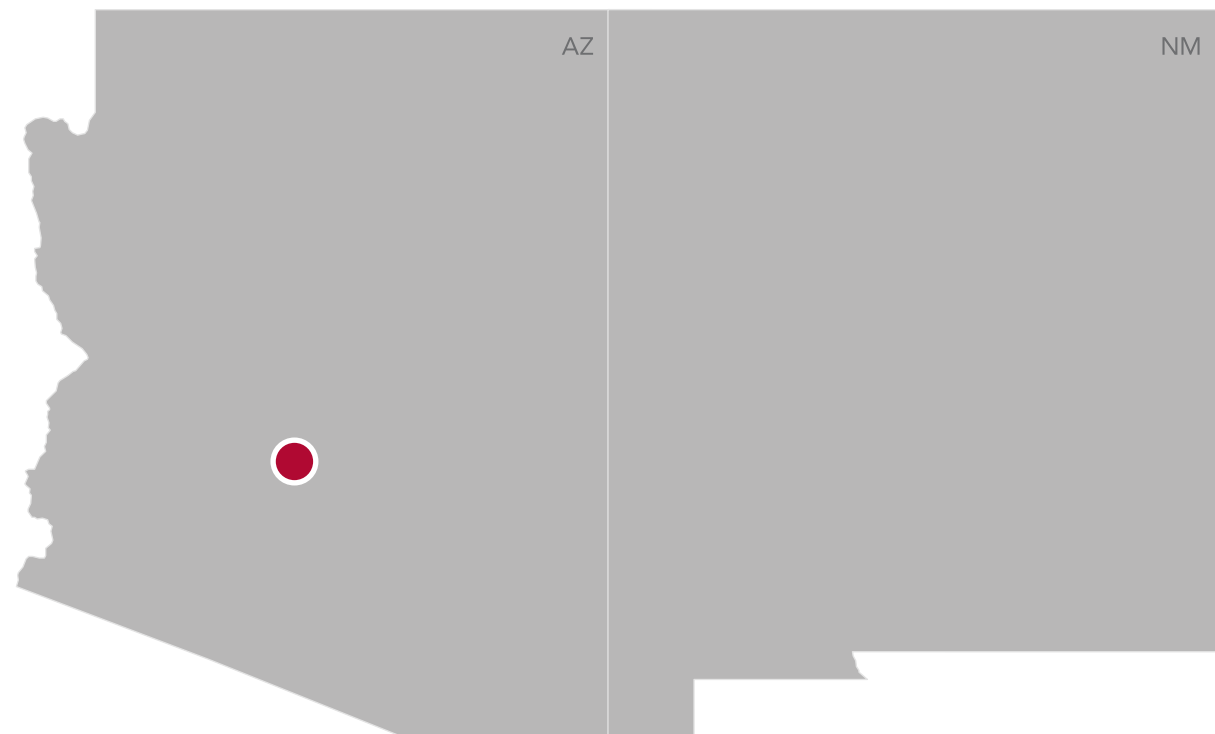
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GLENDALE, AZ

LAS CRUCES, NM
MESA, AZ

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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

Valley Man Sentenced to 30 Months in Prison for Filing False Claims with the IRS

On March 2, 2020, Kevin Jeffery Rocheteau was sentenced to 2 ½ years in prison and was ordered to pay restitution of \$11,255. Rocheteau previously pleaded guilty to false claims. Beginning in 2016, Rocheteau, through video calls from a Maricopa County jail facility, recruited Kathie Bonenberger to file false claims with the IRS at his direction. Rocheteau and Bonenberger did this by preparing false federal tax returns and filing these false returns with the IRS. On the two occasions when the scheme was successful, Bonenberger, acting at Rocheteau's direction, also received tax refund checks related to these returns, endorsed the checks, and deposited the checks into bank accounts that Bonenberger owned and controlled. During the course of the false tax filings in the name of third parties, Bonenberger at Rocheteau's direction filed 35 false tax returns and claimed \$165,000 in refunds. Rocheteau directed the use of several techniques in order to falsely inflate the tax refunds, including claiming wages from fake or out-of-business employers, claiming wages on behalf of a person who never worked for a particular employer, and arranging to send the returns to multiple IRS Service Centers in an effort to conceal the scheme.

Jewelry Store Owner from Albuquerque Sentenced for Tax Evasion

On March 10, 2020, David Castle, of Albuquerque, New Mexico, was sentenced to more than 2 years in prison for federal tax evasion. Castle previously pleaded guilty to this offense on December 3, 2019. Between 2010 through 2013, Castle was the sole owner and operator of Gold and Silver Exchange (GSE), a business in Albuquerque specializing in the purchase, sale, and repair of jewelry. Castle did not file any tax returns for his business, his business provided no tax withholdings to the IRS, and he paid no taxes either for his business or his household. Castle acknowledged relying on cash transactions to operate GSE and using bank accounts that appeared to be unassociated with GSE to conceal the business's revenue. Castle's criminal conduct during tax years 2010 through 2013 resulted in a tax loss to the United States of \$211,829.



Phoenix Field Office Case Files

Defendants Sentenced for Roles in \$11 Million Ayudando Guardians Financial Fraud Scheme

On March 2, 2020, Sharon A. Moore, of Albuquerque, New Mexico, was sentenced to 20 years in prison for conspiracy and other financial crimes committed in connection with the operation of Ayudando Guardians, Inc., a non-profit corporation based in Albuquerque that previously provided guardianship, conservatorship, and financial management to hundreds of people with special needs. Moore and co-defendant Susan Harris admitted to conspiracy, mail fraud, aggravated identity theft, money laundering, and conspiracy to commit money laundering. Susan Harris was the 95% owner of Ayudando and acted as president; Moore was a 5% owner and acted as chief financial officer of Ayudando. They engaged in a decade-long pattern of sophisticated criminal conduct from November 2006 to July 2017. This included unlawfully transferring money from client accounts to a comingled account without any client-based justification as part of the fraud scheme and money laundering conspiracy. Moore and Harris wrote and endorsed numerous checks, often of more than \$10,000, from these comingled accounts to themselves, family members, cash, and other parties where payment would benefit their families. The stolen funds were used to fund a luxury lifestyle and were used to purchase homes, vehicles, luxury RVs and cruises, as well as a private box at “the Pit” at the University of New Mexico. The stolen funds were also utilized to pay off more than \$4.4 million in American Express charges incurred by the defendants and their families. [Co-defendant Craig Young was sentenced to nearly 6 years in prison.](#)



Defendant Sentenced for Laundering Funds from Lottery Fraud Scheme Targeting the Elderly

On February 6, 2020, Morgan Alek Forrester was sentenced to more than 1 ½ years in prison and was ordered to pay \$176,000 in restitution. Forrester previously pleaded guilty to conspiracy to commit money laundering. Forrester participated in scheme where Jamaican-based scammers called elderly U.S. victims and falsely stated they had won a lottery. In order to receive their winnings, the elderly victims were told they must first submit money for taxes and fees. Forrester’s role in this conspiracy was to help launder the fraudulent proceeds to Jamaica.



Phoenix Field Office Case Files

Arizona Man Sentenced for Role in Drug Trafficking Organization

On February 3, 2020, in Phoenix, Arizona, Juan Labrada-Zazueta was sentenced to 11 years in prison. Labrada-Zazueta previously pleaded guilty to conspiracy to possess with intent to distribute controlled substances. From March of 2017 and continuing until March of 2018, Juan Labrada-Zazueta, aka “Chapo,” was part of a Phoenix-based drug trafficking organization that imported methamphetamine and cocaine into Arizona from Mexico, for further distribution throughout the United States. The drug trafficking organization was also responsible for sending drug proceeds back to Mexico. In addition, \$272,960 in currency, five handguns, and three rifles were forfeited by the government.

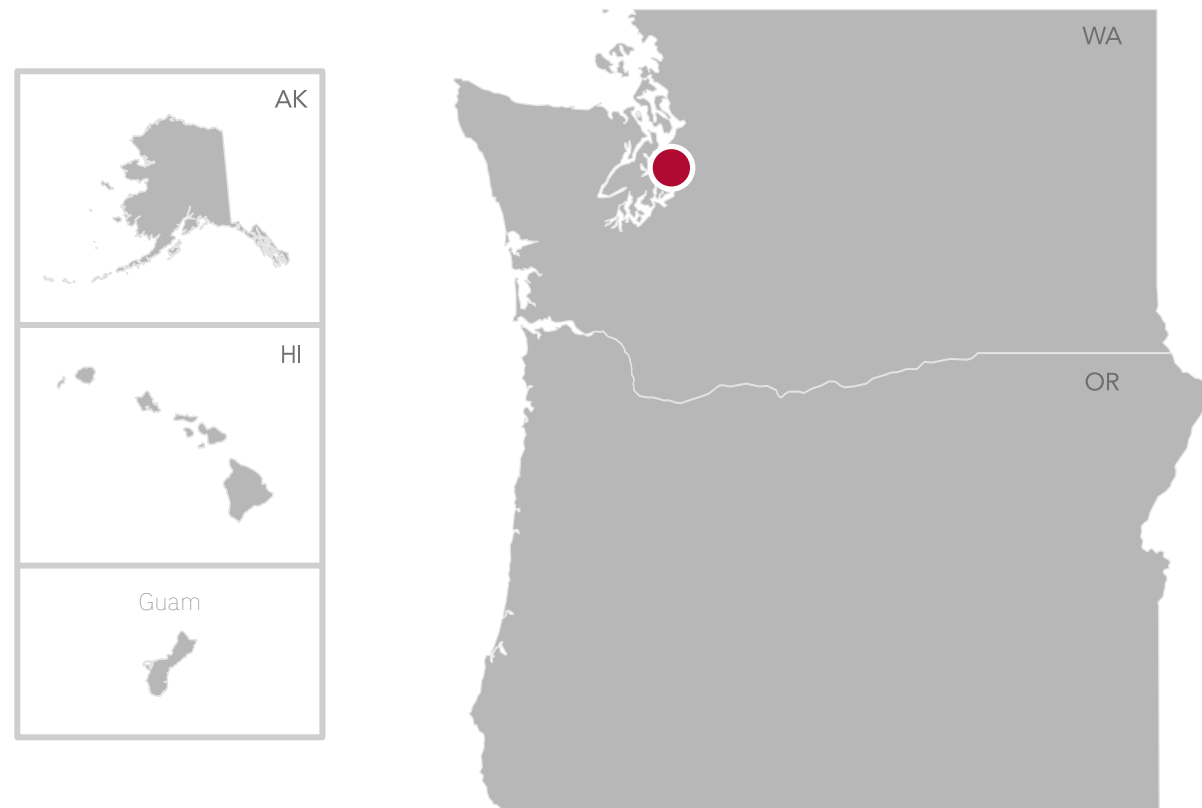


SEATTLE FIELD OFFICE

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EUGENE, OR		

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, cybercrime 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

Los Angeles Man Sentenced to 10 Years in Prison for Drug and Money Laundering Conspiracies

On October 8, 2019, Michael Joseph Nicholson, of Los Angeles, California, was sentenced to 10 years in prison. Nicholson participated in a drug and money laundering conspiracy that distributed cocaine, heroin, and methamphetamine in Anchorage, Alaska. Nicholson, along with Wendy Del Carmen Recinos, Jonathan Toliver Jr. and Reon Jordan, were part of a drug and money laundering conspiracy that began in 2016 and continued through 2017. The conspirators agreed to distribute heroin and cocaine in Alaska. Members of the conspiracy flew back and forth between California and Alaska to distributed these illegal controlled substances. The conspirators used multiple methods to launder their drug proceeds, including deposits into bank accounts, wire transfers and shipments of bulk currency between Alaska and California. The deposited drug proceeds were used to pay travel expenses of the drug trafficking conspiracy. Approximately \$147,998 in U.S. currency, a Rolex “Sky Dweller” wristwatch, and four firearms were seized by the government as property constituting proceeds of the drug trafficking. The other conspirators were sentenced to terms ranging from probation to six years in prison.

Washington State Couple and Companies Sentenced for Fraud and False Statement in Connection With Renewable Energy Fraud Scheme

On January 23, 2020, Hector Garza was sentenced to 2 years in prison for his role in a biofuel fraud scheme. Hector’s wife, Tammy Garza, was sentenced to four months in prison and their companies, HTG Trucking, LLC and Freedom Fuel, Inc., were sentenced as well. The defendants were ordered to pay restitution to the U.S. Treasury of \$284,546 and a fine of \$100,000.

Hector and Tammy Garza and their companies, HTG Trucking and Freedom Fuel, were participants in a conspiracy involving Gen-X Energy Group Inc. (Gen-X), a renewable energy company formerly located in Pasco and Moses Lake, Washington. Between January 2013 and April 2013, Hector Garza and his co-conspirators falsely claimed the production of hundreds of thousands of marketable renewable energy credits, which they then sold for more than \$296,000, and filed false claims with the IRS for \$284,546 in excise credit refunds. Throughout this period, much of the renewable fuel claimed to be produced at the Gen-X facilities was either not produced or it was re-processed multiple times. Hector Garza conspired to use the Garzas’ companies to “round” supposed renewable fuel by driving the same material back and forth between Gen-X’s Moses Lake facility and the Garzas’ businesses in Othello, Washington. This activity enabled the conspirators to generate fraudulent renewable energy credits and tax credits each time the material was “rounded.”



Seattle Field Office Case Files

Oregon Physician Sentenced to Prison for Tax Evasion

On November 22, 2019, Kenneth Wenberg, a medical doctor from Heppner, Oregon, was sentenced to a year in prison for failing to report income resulting in a tax loss of approximately \$128,000. On February 12, 2019, Wenberg pleaded guilty to one count of tax evasion. Dr. Wenberg created nominee entities to hide assets and income he personally earned while serving as a physician at the Morrow County Health District (MCHD) and Urgent Health Care Center (UHCC) in Heppner. Dr. Wenberg instructed MDHD and UHCC to make payments for services he performed directly to sham entities to avoid income tax liabilities. Dr. Wenberg opened numerous bank accounts and purchased real property in the names of his nominee entities. He also paid for his and his family's personal living expenses out of the nominee accounts. Dr. Wenberg failed to report his income to the IRS, despite knowing he owed taxes. Wenberg was ordered to pay \$128,964 in restitution to the IRS.



Former Union Official Sentenced for Identity Theft and Failure to File Tax Returns

On January 29, 2020, Nathan Y.G. Lum, of Honolulu, Hawaii, was sentenced to 2 ½ years in prison. Lum was also ordered to pay restitution of \$314,178. On March 28, 2019, Lum pleaded guilty to aggravated identity theft in connection with theft of government funds and failure to file a tax return. Lum was the former division director of the International Longshore and Warehouse Union Local 142, Longshore Division (ILWU). From 2011 through 2017, Lum willfully failed to file any federal or State of Hawaii tax returns that should have reported his income from the ILWU and other sources. In failing to do so, he failed to pay the IRS and State of Hawaii approximately \$280,743 that he owed in taxes. Further, after Lum's father passed away, between 2013 and 2016, Lum forged his father's signature on over fifty checks that Lum wrote from his deceased father's bank account and deposited into Lum's personal account. In total, Lum obtained approximately \$33,435 in his father's Social Security benefits that Lum was not entitled to receive. Lum spent these funds on his personal expenses.



Seattle Field Office Case Files

Guam Ambulance Company Owners Sentenced to Prison

On June 30, 2020, Clifford P. Shoemake, of Guam, was sentenced to nearly 6 years in prison and Kimberly Clyde "Casey" Conner, of Saipan, was sentenced to more than 5 years in prison. Both were ordered to pay nearly \$11 million in restitution and to forfeit the same amount. Shoemake and Conner were owners Guam Medical Transport (GMT). For approximately four years, the pair engaged in a conspiracy to defraud Medicare and TRICARE by submitting claims for reimbursement for medically unnecessary ambulance services that GMT provided to patients. The pair were aware that GMT was transporting patients who did not qualify for ambulance transportation and, as part of the scheme, the defendants directed GMT employees to change patient information in internal documents. GMT submitted claims to Medicare totalling approximately \$32 million, which resulted in improper payments to GMT of approximately \$10.8 million. The pair further conspired to engage in money transactions involving the proceeds of their health care fraud scheme. They used the proceeds of their health care fraud scheme to pay for personal expenses, such as vacations, personal income taxes, a personal residence and other items. They then caused these expenses to be falsely categorized as business expenses of GMT, thereby improperly reducing GMT's taxable income and GMT's corresponding tax liability.

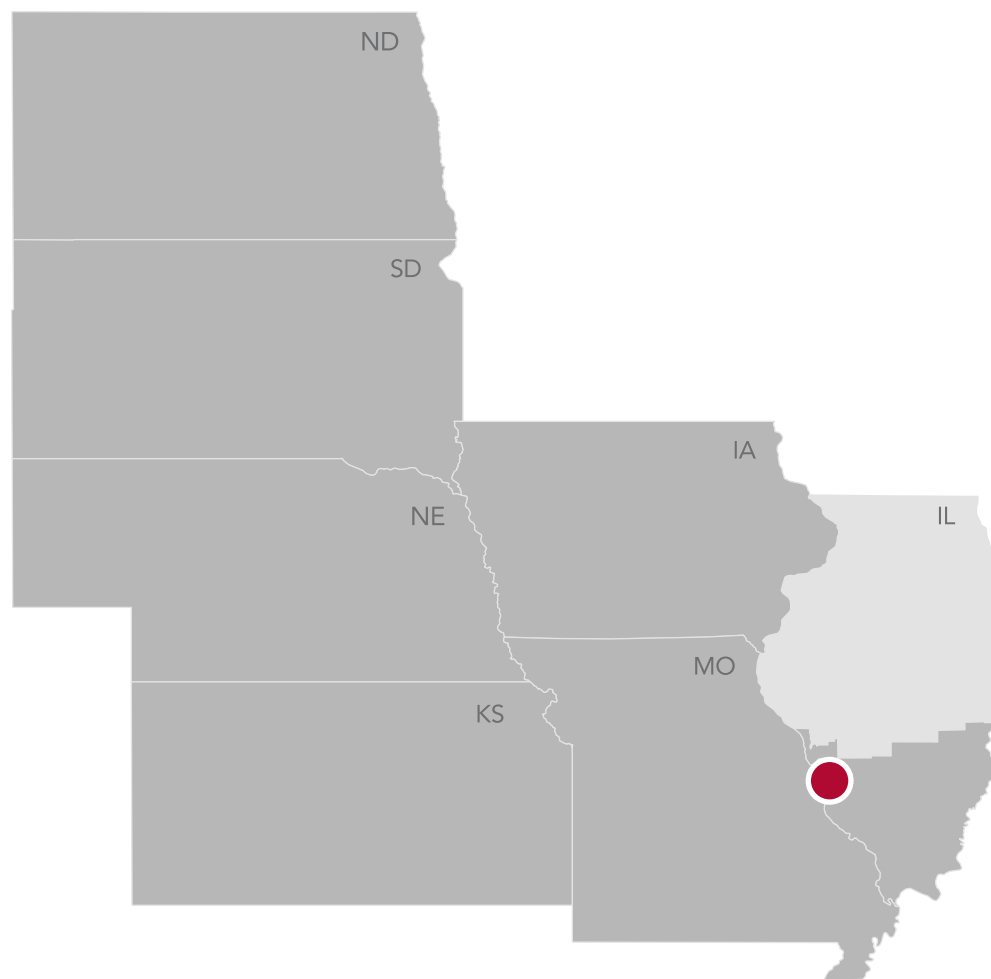


ST. LOUIS FIELD OFFICE

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CHESTERFIELD, MO	JEFFERSON CITY, MO	SIOUX FALLS, SD
DAVENPORT, IA	LEE'S SUMMIT, MO	SPRINGFIELD, MO
DES MOINES, IA	OMAHA, NE	WICHITA, KS
FAIRVIEW HEIGHTS, IL	OVERLAND PARK, 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

KC Man Sentenced for \$2.5 Million Tax Fraud Scheme

On June 19, 2020, Michael A. Kheop, of Kansas City, Missouri, was sentenced to 8 ½ years in prison. Kheop was also ordered to pay restitution of \$24,322. Kheop was convicted for a scheme to attempt to obtain more than \$2.5 million in fraudulent federal income tax refunds, in part by stealing his children's identities. The sentence includes an enhancement for obstruction of justice because Kheop testified falsely at his trial that he paid income tax withholding. Kheop created a fraudulent business entity in 2013. He then created fraudulent W-2 forms that contained false income and withholding in order to fraudulently claim refunds in his own name and using his three minor children's names. Kheop filed 12 fraudulent claims for refunds on behalf of his three minor children for tax years 2014 through 2017. He filed four fraudulent claims for refunds in his own name for tax years 2015 through 2017. By filing the 15 fraudulent claims for refunds, Kheop attempted to defraud the government of \$2,591,706 and actually received fraudulent refunds of \$24,322.

Bettendorf Doctor Sentenced to Prison for Failure to Pay Employment Taxes

On January 16, 2020, Narinder Kumar, a physician, was sentenced to 6 months in prison. Kumar previously pleaded guilty to failing to pay employment taxes on four businesses. Kumar was also ordered to pay \$721,394 in restitution, which has been paid in full. In July of 2014 Kumar was responsible for paying withheld employment taxes on behalf of Jai Mata Lakshmi, doing business as Echelon Sports Bar and Embers of Phoenix. Kumar willfully failed to pay the second quarter 2014 employment taxes on behalf of Jai Mata Lakshmi. From 2010-2016, Kumar was responsible for paying employee withholding taxes for four businesses: Bettendorf Pediatric, Echelon Sports Bar, Embers of Phoenix and Funky Desi. In total \$461,390 in employment taxes were not paid. Also, \$260,004.16 in Social Security and Medicaid taxes were not paid. Kumar's license to practice medicine was suspended.



St. Louis Field Office Case Files

Payroll Tax Executive Sentenced for His Role in a \$9 Million Scheme

On March 10, 2020, David L. Downey, of Indianapolis, Indiana, was sentenced to 6 years in prison and was ordered to pay restitution of nearly \$9 million to clients of his payroll service. Downey ran a payroll services business in Indiana under the name Time Payroll from 2013 to 2017. He had clients in Indiana, Illinois, Kentucky and Missouri. Downey deflected money from his clients' accounts to his brokerage accounts and failed to pay substantial amounts of those client funds to the IRS for the clients' employment taxes. Downey effectively ran a Ponzi scheme with his client's money and funded exotic travel to destinations such as St. Bart's with the stolen funds. Downey caused a loss to the clients and to the IRS of \$9,428,160. After closing his business in late 2017, Downey cashed out his remaining brokerage and bank accounts and headed to California. There he attempted to get a U.S. passport using his brother's name and a recently-issued California driver's license showing his brother's name and Downey's picture. Special Agents from the IRS Criminal Investigation unit in St. Louis tracked Downey to California and, on November 16, 2018, arrested him.

Downey was in possession of \$955,956 in cash at the time of his arrest. He had also used \$53,990 in cash to purchase a 2018 Jeep Cherokee in California. The vehicle was bought in his brother's name. The cash and the vehicle were seized by the IRS Special Agents. The court ordered the cash and the car to be forfeited for the benefit of his clients.

Business Owner Sentenced for False Tax Return

On October 23, 2019, Steven J. Strauss, of Paola, Kansas, was sentenced to more than 2 years in prison and was ordered to pay \$684,792 in restitution. Strauss, who owns and operates Classic Tree Care, pleaded guilty on January 23, 2019, to filing a false tax return. Strauss did not provide accurate information to his tax preparer. Strauss vastly understated the gross receipts for his business, which caused corresponding understatements of taxable income and tax liability. From 2012 through 2015, Strauss deposited approximately \$1,467,682 in business income into his bank account, over and above what was reported on his tax returns. As a result of his fraudulent conduct in understating his tax liabilities, Strauss owed \$684,792 to the IRS.

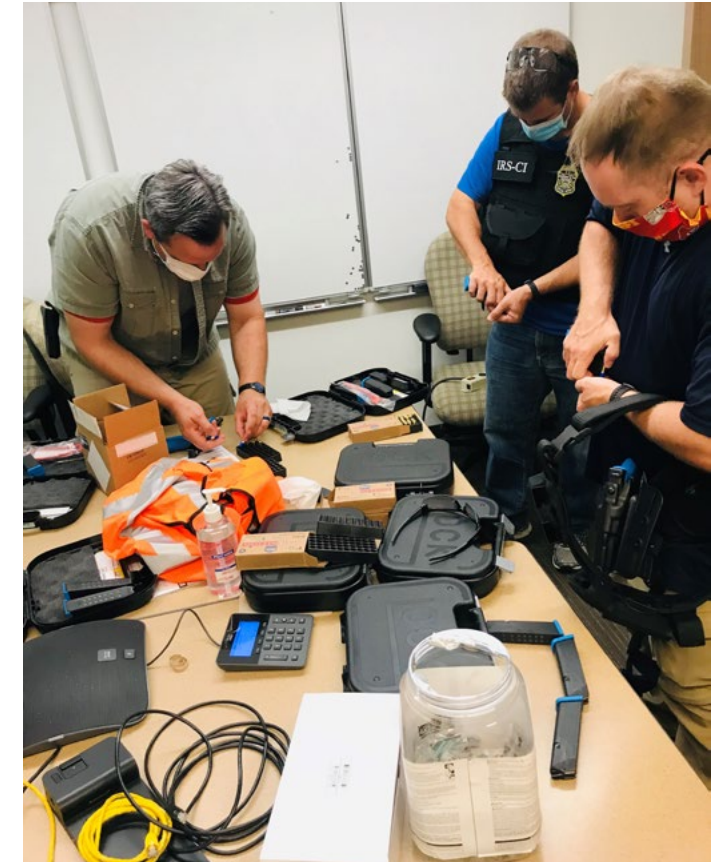
St. Louis Field Office Case Files

Sioux Falls Man Sentenced for Wire Fraud and Money Laundering

On July 6, 2020, Paul Erickson, of Sioux Falls, South Dakota, was sentenced to 7 years in prison. Erickson previously pleaded guilty to wire fraud and money laundering. Erickson solely operated a business venture to develop land in the Bakken oil fields in North Dakota. He solicited numerous individuals about investing in his business. He falsely represented to investors that he would use the money to purchase real estate and build single-family homes in North Dakota. Instead, he defrauded investors of \$5.3 million. Former classmates, family members and even Erickson's godmother were victims of his investment schemes.

Man Sentenced for Large-Scale Meth Conspiracy

On February 10, 2020, Justin Christensen was sentenced for his involvement in a large-scale conspiracy to distribute methamphetamine. He was sentenced to 280 months in prison and 10 years probation after release.



TAMPA FIELD OFFICE

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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

Jacksonville Man Sentenced to 10 Years in Prison

On November 5, 2019, Duane Allen Sikes, of Jacksonville, Florida was sentenced to 10 years in prison for mail fraud, embezzlement of credit union funds and filing a false federal income tax return. Sikes was ordered to pay more than \$1 million in restitution to the IRS in addition to restitution of \$178,161 to VyStar Credit Union and more than \$5 million to CUMIS Insurance Society, Inc. Sikes was also ordered to forfeit two pieces of real property, which are traceable to proceeds of the offenses, and pay a forfeiture money judgment in the amount of \$3,663,200, the proceeds of the charged criminal conduct.

Over a 10-year period, Sikes, a mailroom employee of Vystar Credit Union, embezzled funds intended for Vystar's postage costs. Sikes used the funds to purchase U.S. Postal Service stamps, which he sold to a third-party vendor. Sikes then used the proceeds from the stamp sales for his own benefit. This included grooming and enticing young boys to engage in sexual acts for money. Upon discovery of the crime, Vystar Credit Union alerted the authorities and assisted with the investigation. The embezzlement did not impact account holders' accounts but rather internal Vystar accounts. Additionally, Sykes failed to report the funds he had embezzled on his federal income tax returns for the years 2007 through 2017, resulting in a total tax loss to the government of \$1,009,175.

CEO Sentenced For Wire, Tax and Bankruptcy Fraud

On November 13, 2019, David Martin "Marty" Golloher was sentenced to 3 years in prison for wire fraud, tax fraud, and bankruptcy fraud. Golloher was the President and Chief Executive Officer of OATH Corporation, a bullet-manufacturing company based in Brevard County. In that capacity, Golloher recruited individuals to invest significant sums of money in OATH Corporation. He defrauded two investors through embezzlement and false representations. In addition, for six quarters in 2015 and 2016, Golloher collected payroll taxes on behalf of OATH Corporation employees, but failed to pay over that tax to the IRS. Golloher also failed to pay over OATH Corporation's payroll tax obligations, resulting in a total tax loss of more than \$458,000. Eventually, Golloher filed for bankruptcy on behalf of OATH Corporation. During the course of the bankruptcy proceeding, Golloher knowingly made false declarations by understating his compensation from OATH Corporation.

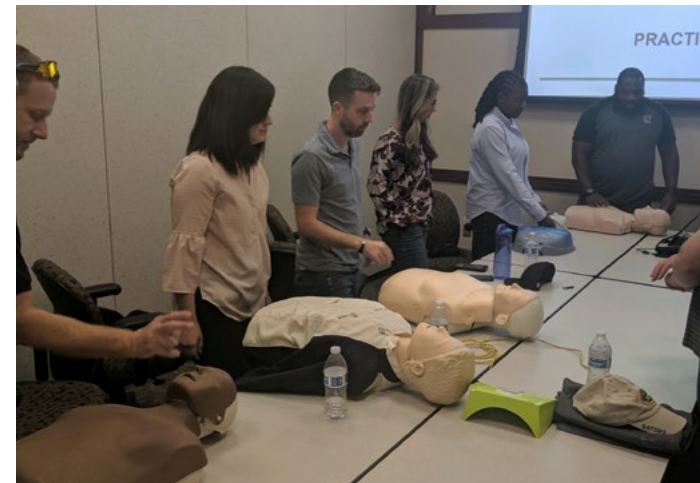


Tampa Field Office Case Files

Former Milton Mayor And Ex-Head of United Way of Santa Rosa County Sentenced for Fraud and Tax Evasion

On January 19, 2020, Guyland W. Thompson, a former mayor of Milton, Florida, and ex-executive director of the United Way of Santa Rose County, was sentenced to more than 4 years in prison. Thompson was also ordered to forfeit \$221,868 seized from his bank accounts and pay an additional money judgment of \$430,132. Thompson previously pleaded guilty to 20 counts of wire fraud and three counts of tax evasion stemming from his embezzlement of funds from United Way of Santa Rosa County while he ran the organization. Between at least 2011 and 2018, Thompson embezzled over \$650,000 from the charity. He used his position and access to the charity's records and bank accounts to steal money from the charity for years by conducting a series of complicated financial transactions to cover his tracks. He also made false representations to board members, employees, bank tellers, and United Way Worldwide to keep his fraud undetected for so long. Thompson then failed to report to the IRS the extra income from his embezzlement scheme.

As a result of Thompson's crimes, United Way of Santa Rosa County lost its charter with the international organization and was forced to close. The restitution Thompson was ordered to pay will be divided between United Way of Santa Rosa County and 15 local charities that previously had been supported by it.



Marketing Firm Owner Sentenced for Healthcare Fraud

On December 18, 2019, Frank V. Monte was sentenced to 2 years in prison for conspiracy to offer and pay health care kickbacks, solicit and receive health care kickbacks and health care fraud. Monte was also ordered to pay \$4.6 million in restitution to TRICARE. Monte was the president of Centurion Compounding, Inc., a marketing company. Centurion recruited over 2,000 marketing representatives as independent contractors to market expensive compounded medications, such as creams for pain and scars, to beneficiaries of healthcare benefit programs, primarily TRICARE. Centurion directed the patient recruits and the physicians in its "network" to send all of their prescriptions to Centurion, which, in turn, sent the prescriptions to LifeCare Pharmacy to be filled. LifeCare was owned and operated by pharmacists who were co-conspirators of Monte. LifeCare agreed to pay Centurion a percent of each claim that Centurion submitted, a violation of federal anti-kickback laws. Because the creams were inexpensive to make relative to their reimbursement rates, the profit on these TRICARE claims was over \$10.35 million. Monte used his proceeds from the scheme to purchase real estate, throw a party and buy luxury vehicles.

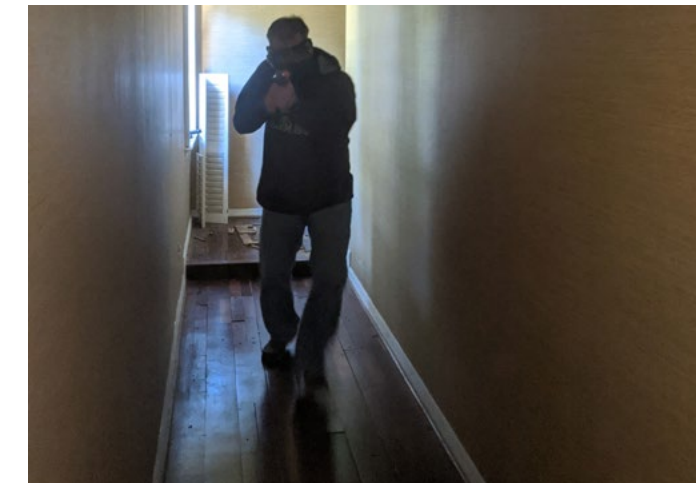


Tampa Field Office Case Files

Canadian Citizen Sentenced for Role in Complex International Fraud and Money Laundering Ring

On August 7, 2020, Brooks Thomas Nesbitt, of Ontario, Canada, was sentenced to 10 years in prison for conspiracy to commit wire fraud. Nesbitt was also ordered to forfeit various assets, and entered a money judgment of \$500,000, representing the proceeds of the charged criminal conduct. In addition, Nesbitt was ordered to pay more than \$14 million in restitution to the victims. Nesbitt was a member of a large, international fraud and money-laundering ring, led by Mary Kathryn Marr. Between at least 2014 and 2019, Nesbitt operated boiler rooms located outside of the United States. He set up the boiler rooms, recruited their sales agents and other employees, and oversaw their operations. Nesbitt contracted with Marr so that, for a set percentage, she and her network could launder the fraud proceeds that his boiler rooms had obtained from victims.

The co-conspirators employed a mass marketing scam in which high-pressure sales techniques originating out of so-called "boiler rooms" were used to defraud individuals who believed that they were investing substantial amounts of money in regulated financial products or markets, particularly shares of stocks. In reality, however, the investments were a sham and the victims received nothing. In total, Nesbitt, Marr, and their co-conspirators unlawfully obtained approximately \$14.5 million from victims through various boiler room fraud schemes. On January 30, 2019, Thai authorities provisionally arrested Nesbitt at his residence in Hua Hin, Thailand. Nesbitt was subsequently extradited to the United States for prosecution.

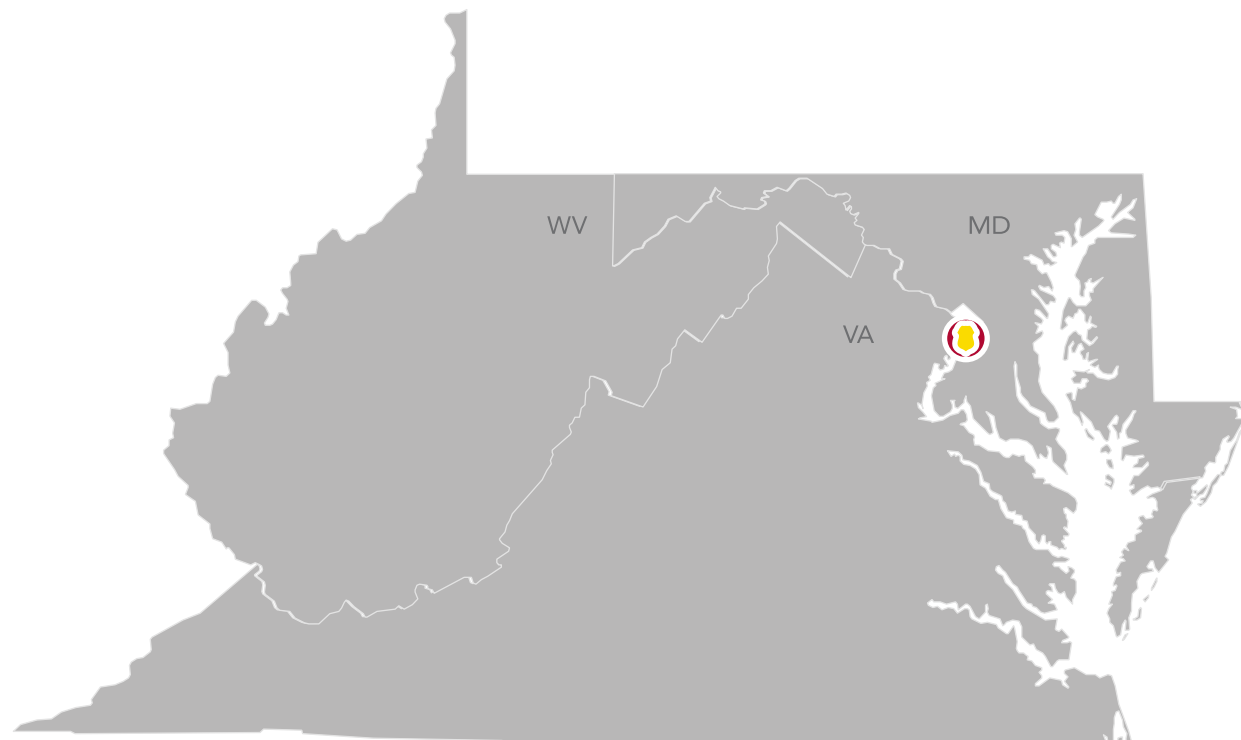


WASHINGTON D.C. FIELD OFFICE

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BALTIMORE, MD	LANDOVER, MD	ROANOKE, VA
BRIDGEPORT, WV	NORFOLK, VA	ROCKVILLE, MD
CHARLESTON, WV	PARKERSBURG, WV	SALISBURY, MD
FREDERICK, MD	RICHMOND, VA	VIENNA, VA
HAMPTON, 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 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

West Virginia Pharmacist Sentenced to 10 Years for Drug Charges

On January 29, 2020, Scott D. Tingler, of Morgantown, West Virginia, was sentenced to more than 10 years in prison for illegally distributing oxycodone and filing false tax returns. Tingler was ordered to pay \$507,942 in restitution to the IRS and former employees. Additionally, Tingler was ordered to pay a money judgement of \$1,845,000. Tingler, who was a pharmacist, conspired with others to distribute more than 7,400 grams of oxycodone in Monongalia County and elsewhere from August 2014 to August 2018. Tingler also filed a false tax return in April 2015, grossly understating his taxable income. Also as part of the plea, Tingler agreed to relinquish his pharmacy license and he will not seek to reinstate it, nor will he seek any future employment that would require him to handle or dispense controlled substances during incarceration or his period of supervised release.

Ericsson Agrees to Pay More Than \$1 Billion to Resolve Foreign Corrupt Practices Act Case

On December 6, 2019, Ericsson Egypt Ltd. was charged with, and pled guilty to, one count of conspiring to violate the anti-bribery provisions of the FCPA in the Southern District of New York. Ericsson Egypt Ltd. and its parent company, Telefonaktiebolaget LM Ericsson ("Ericsson") entered into a deferred prosecution agreement and will pay a total criminal penalty of \$520,650,432 to the United States, which includes a \$9,520,000 criminal fine which Ericsson agreed to pay on behalf of Ericsson Egypt Ltd. From approximately 2000 to 2016, Ericsson and Ericsson Egypt, through various executives, employees, and affiliated entities, used third-party agents and consultants to bribe foreign government officials and/or manage off-the-books slush funds in countries where it pursued contracts to conduct telecommunications business. The agents were often engaged through sham contracts and paid pursuant to false invoices, with those payments accounted for improperly in Ericsson's books and records. As part of the agreement, Ericsson will must implement rigorous internal controls, retain an independent compliance monitor for a term of three years, and cooperate fully with the Government in any ongoing investigations. Ericsson also reached a civil resolution with U.S. Securities and Exchange Commission in which it will pay \$539,932,000.



Washington D.C. Field Office Case Files

Former Baltimore Mayor Catherine Pugh Sentenced to Three Years in Prison for Fraud Conspiracy and Tax Charges

On February 27, 2020, Catherine Elizabeth Pugh, of Baltimore, Maryland, was sentenced to 3 years in prison for conspiracy to commit wire fraud, conspiracy to defraud the United States and two counts of tax evasion. Pugh was also ordered to pay \$411,948 in restitution and to forfeit \$669,688 including property on Ellamont Road in Baltimore and \$17,800 from the Committee to Re-elect Catherine Pugh. In December 2016, Pugh became mayor of Baltimore. Pugh owned Healthy Holly, LLC, a company formed in Maryland on January 14, 2011. She used the company to publish and sell children’s books she had written. Pugh did not maintain a personal bank account, instead she used her business bank accounts for personal and business finances. Between June 2011 and August 2017, four Healthy Holly books were published, with each book listing “Catherine Pugh” as author. The vast majority of books published by Healthy Holly were marketed and sold directly to non-profit organizations and foundations, many of whom did business or attempted to do business with the Maryland and Baltimore City governments. From November 2011 until March 2019, Pugh conspired with Gary Brown, to defraud purchasers of Healthy Holly books in order to enrich themselves, promote Pugh’s political career, and fund her campaign for mayor. Brown was Pugh’s legislative aide to Pugh from 2011 to 2016. Pugh also conspired to evade taxes on the income received from the sales of Healthy Holly books. Pugh filed false income tax returns for 2015 and 2016, in which she underreported her income. For example, for tax year 2016 Pugh claimed her taxable income was \$31,020 and the tax due was \$4,168, when in fact, Pugh’s taxable income was \$322,365, with an income tax due of approximately \$102,444.



Businessman Sentenced for Fraud that Targeted Elderly Homeowners

On May 5, 2020, Gregory J. Ziglar, of Virginia Beach, Virginia, was sentenced to 11 years in prison for conducting a home modification loan fraud scheme that primarily targeted elderly homeowners in the Tidewater area. In January 2020, Ziglar was convicted at trial on 16 counts, including money laundering and failure to file income tax returns. From 2014 to 2017, Ziglar orchestrated the extensive home improvement loan fraud scheme. Ziglar conducted this scheme in the guise of a legitimate business using various company names and a fake name for himself in dealing with clients, banks and contractors. He exploited a federal program designed to assist homeowners and tradesmen and falsely advertised to homeowners that such funds could be used for any purpose. In order to obtain these loans, Ziglar submitted false estimates or purported agreements from contractors to justify these improvements. The homeowners received the loans and paid Ziglar an unlawful service fee for moving their loan application through the bank. They also paid him for the home improvements he promised to get done, but many times little or no work was done leaving the individual homeowners with a loan debt and no improvements, while leaving Ziglar with thousands in loan proceeds which he failed to report to the IRS.

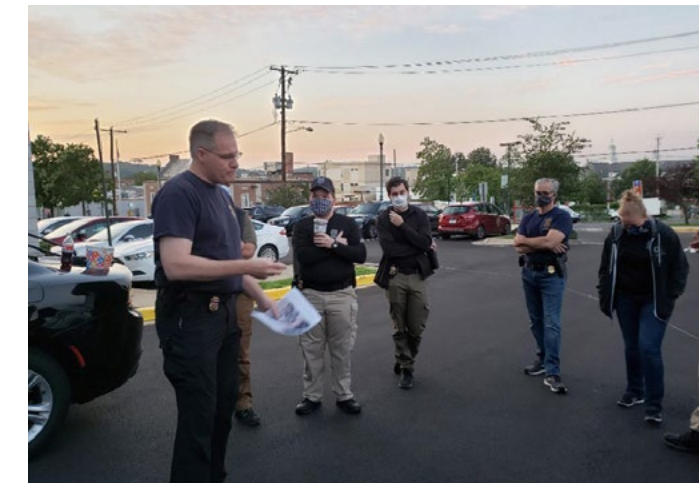


Washington D.C. Field Office Case Files

Former Billings coal mining official sentenced to prison for \$20 million wire fraud scheme, false kidnapping

Larry Wayne Price Jr., [John Howard Boothe Jr.](#), and others, engaged in monetary and financial transactions by using the proceeds of a Specified Unlawful Activity, namely Wire Fraud, for the years 2013 – 2018, in violation of Title 18, United States Code Section 1956(h), which is Conspiracy to Commit Money Laundering. Larry Wayne Price Jr. was the Vice President of Surface Mining Operations for Signal Peak Energy (SPE) located Billings, Montana. Price used his position as VP of Surface Mining Operations to defraud SPE of approximately \$31,000,000 by using various entities over which he exercised control, several Co-Conspirators and the Co-Conspirators’ entities. Boothe waived his indictment and has worked out a plea deal with prosecutors who said Boothe and two others developed a scheme to defraud Signal Peak Energy of \$10 million and deposit that money into bank accounts in Southwest Virginia.

[Boothe was sentenced to 36 months](#) on September 29, 2020 and ordered to pay \$285,000 to SPE. Price was sentenced to 60 months on October 2, 2020. The ruling on restitution is reserved; amount still to be determined.



Appendix

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

FY 2020 Combined Results

	2020	2019	2018
Investigations Initiated	2596	2485	2886
Prosecution Recommendations	1859	1893	2130
Informations/Indictments	1512	1800	2011
Sentenced	1226	1726	2111
Incarceration Rate	80%	79%	82%
Average Months to Serve	44	43	45

Abusive Return Preparer Program

	2020	2019	2018
Investigations Initiated	140	163	224
Prosecution Recommendations	145	203	177
Informations/Indictments	128	138	170
Sentenced	112	154	148
Incarceration Rate	80%	78%	78%
Average Months to Serve	21	24	25

Abusive Tax Schemes

	2020	2019	2018
Investigations Initiated	109	69	80
Prosecution Recommendations	45	45	34
Informations/Indictments	26	25	37
Sentenced	26	34	36
Incarceration Rate	85%	71%	72%
Average Months to Serve	32	31	28

Bank Secrecy Act (BSA)

	2020	2019	2018
Investigations Initiated	489	424	515
Prosecution Recommendations	345	285	285
Informations/Indictments	253	268	278
Sentenced	226	287	345
Incarceration Rate	75%	76%	79%
Average Months to Serve	34	34	38

Corporate Fraud

	2020	2019	2018
Investigations Initiated	55	57	74
Prosecution Recommendations	48	32	48
Informations/Indictments	38	32	47
Sentenced	21	57	35
Incarceration Rate	76%	72%	83%
Average Months to Serve	23	25	32

Employment Tax

	2020	2019	2018
Investigations Initiated	298	250	207
Prosecution Recommendations	151	104	81
Informations/Indictments	67	73	64
Sentenced	52	50	48
Incarceration Rate	83%	84%	77%
Average Months to Serve	18	23	21

Financial Institution Fraud

	2020	2019	2018
Investigations Initiated	50	37	46
Prosecution Recommendations	33	26	39
Informations/Indictments	22	24	45
Sentenced	21	33	40
Incarceration Rate	86%	79%	70%
Average Months to Serve	44	35	36

Healthcare Fraud

	2020	2019	2018
Investigations Initiated	69	67	105
Prosecution Recommendations	63	71	95
Informations/Indictments	63	70	83
Sentenced	46	48	84
Incarceration Rate	89%	83%	80%
Average Months to Serve	58	54	44

Appendix

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

Identity Theft

	2020	2019	2018
Investigations Initiated	124	93	164
Prosecution Recommendations	100	137	222
Informations/Indictments	106	177	217
Sentenced	108	226	387
Incarceration Rate	82%	81%	86%
Average Months to Serve	37	39	40

International Operations

	2020	2019	2018
Investigations Initiated	242	214	233
Prosecution Recommendations	213	185	218
Informations/Indictments	180	190	210
Sentenced	138	149	148
Incarceration Rate	77%	85%	84%
Average Months to Serve	47	57	55

Money Laundering

	2020	2019	2018
Investigations Initiated	838	856	1054
Prosecution Recommendations	745	780	901
Informations/Indictments	650	706	851
Sentenced	379	508	617
Incarceration Rate	83%	87%	87%
Average Months to Serve	66	74	70

Narcotics

	2020	2019	2018
Investigations Initiated	587	636	723
Prosecution Recommendations	513	558	634
Informations/Indictments	463	511	610
Sentenced	336	472	550
Incarceration Rate	82%	85%	88%
Average Months to Serve	78	79	77

Non-Filer

	2020	2019	2018
Investigations Initiated	279	271	254
Prosecution Recommendations	146	128	128
Informations/Indictments	96	114	110
Sentenced	80	111	104
Incarceration Rate	83%	78%	80%
Average Months to Serve	36	26	34

Public Corruption

	2020	2019	2018
Investigations Initiated	73	73	107
Prosecution Recommendations	63	58	69
Informations/Indictments	51	67	51
Sentenced	40	59	64
Incarceration Rate	68%	81%	86%
Average Months to Serve	21	36	40

Questionable Refund Program

	2020	2019	2018
Investigations Initiated	70	65	149
Prosecution Recommendations	81	94	195
Informations/Indictments	75	151	205
Sentenced	107	204	382
Incarceration Rate	80%	76%	81%
Average Months to Serve	30	31	36

Terrorism

	2020	2019	2018
Investigations Initiated	41	30	34
Prosecution Recommendations	41	18	18
Informations/Indictments	22	20	23
Sentenced	15	14	15
Incarceration Rate	53%	86%	80%
Average Months to Serve	51	52	32

