

IRS: CRIMINAL INVESTIGATION ANNUAL REPORT 2019

100 YEARS 1919-2019

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MESSAGE FROM THE CHIEF



Honor the Badge, Preserve the Legacy, Master Your Craft, Inspire the Future. These are the guiding principles that IRS Criminal Investigation lives by and that 2019 was defined by.

HONOR THE BADGE. I am excited to share the FY 2019 IRS Criminal Investigation Annual Report. While we use this report to highlight our successes during the past year, this particular year had special meaning as we celebrated our 100th year as a law

enforcement agency. In looking through the history of this great agency, it is hard not to be impressed with those who came before us. At times when the country was battling corruption and bribery and other financial crimes, it was IRS-CI who stepped up to solve some of the most notorious crimes of the early 20th Century. 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. CI has an unprecedented level of support from the Commissioner and Deputy Commissioner of the IRS based on our success of the past. It is up to us to continue to earn that respect and trust moving forward.

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 bread and butter tax enforcement mission areas. Our conviction rate is among the highest in federal law enforcement and this year we will hire more agents than we have in the last five years combined. In the past 100 years, many things have changed, but some things have remained constant. Most crimes are still committed for financial gain and we are still the only federal agency that is authorized to investigate and recommend prosecution on federal income tax cases. We take this very seriously and most of these cases ultimately end in convictions and jail time. We are the backbone of the US tax system just as enforcement is the backbone of any effective voluntary compliance tax system.

MASTER YOUR CRAFT. The evolution of financial crime mirrors the evolution of

money movement in general. Criminals stay current with the trends and adopt their methods to match the public's tendencies. 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. Years ago, we had time on our side and we could allow things to play out without losing a trace of a criminal or their proceeds. Now, 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 had to make adjustments to keep up. CI has made significant investments in training our new employees and experienced employees and this investment is unmatched within the IRS. We instituted Master Your Craft training for special agents while introducing new specialized training for our professional staff as well. You can expect these investments to continue.

INSPIRE THE FUTURE. While the tools of the trade may have changed, criminals are still doing the same things they were doing 100 years ago. Skimming money from a business to avoid employment taxes or pretending to be someone else to file their taxes—these are all things criminals have done since our inception. And while it is true that the threat and evolution of cyber-crimes 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, I would say they are wrong. As I said in a recent press conference, criminals used to hide by laundering their money through shell companies around the country, but we traced them. They took their money offshore and hid around the world, but we found them. They went on the dark web thinking that their actions were anonymous, but they weren't, and we again found them. They now deal in crypto-currency, again thinking this will make them anonymous, but



our agents have once again proved that there is nowhere to hide. We will not stop in our pursuit.

I'm proud of all we have accomplished in FY19 and in our 100-year history. I'm proud to lead this agency and I look forward to helping to write the next chapter of investigative excellence for IRS-CI.

—Chief, **Don Fort**



HONOR THE BADGE
PRESERVE THE LEGACY
MASTER YOUR CRAFT
INSPIRE THE FUTURE

MESSAGE FROM THE DEPUTY



2019 was a watershed year for IRS-CI. We continued to focus on better case selection to ensure we added the most egregious tax crimes to our case inventory. 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 that they can hide from us.

We began bringing on a new wave of special agents and professional staff this year—117 special agents and 38 professional staff this year. With plans for 10 more special agent classes in FY20, we are finally in a position to increase our staffing levels and add more cases to our

inventory.

CI Special Agents are in demand. As the Chief said, we are the only ones who can investigate tax crimes, but U.S. Attorneys want IRS-CI agents in all of their financial crime cases. The fact of the matter is, if a case involves money and it's a crime that rises to the federal level, IRS-CI almost always has jurisdiction. There is no better example to this than in tracing cryptocurrency transactions. Cryptocurrencies are undermining the financial and tax system. Companies pay employees in cryptocurrency or receive crypto for goods/services. They do not pay taxes and entities shift income to offshore exchanges with no reporting requirements, utilizing exchanges with little to no AML practices. Understanding the advancements in this area and staying

on top of the criminal methodologies is our bread and butter. We will continue to support cases in this area while looking to use our limited resources to positively affect tax administration in the most impactful way possible.

In the international arena, we continue to work with our partners to break down walls and work together in areas of 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 formed in June of 2018 following a call to action from the Organization for Economic Cooperation and Development (OECD) to do more to battle international tax evasion. The J5 includes IRS-CI and

our counterparts in the United Kingdom, Australia, Canada, and the Netherlands. We have found ways to better share information through appropriate channels but have already done more in this area in the last year than in the previous 10 years combined. The J5 also focuses on enablers of international tax evasion and on the use of crypto-currency to evade international tax obligations. In just 18-months, we are already seeing the benefits to this group both in the development of new tools and in the numbering of real cases. We expect our first operational results from this group in FY20.

This annual report is a proud reflection of the tremendous cases that the Criminal

Investigation Division has worked in all areas during fiscal year 2019. 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 forward to continuing to accomplish great things in FY 2020 and for the next 100 years!

—Deputy Chief, **Jim Lee**



100 YEARS OF CRIMINAL INVESTIGATION

ORGANIZATION AND FUNCTIONS OF THE INTELLIGENCE UNIT

In 1919, Commissioner Daniel C. Roper decided to create an Intelligence Unit to perform similar functions as the Post Office Inspectors for the Bureau of Internal Revenue. Commissioner Roper with the approval of the Secretary of the Treasury and the Postmaster General effected transfers from the Post Office Inspection Service of six experienced Post Office Inspectors to the Bureau of Internal Revenue on July 1, 1919.

Elmer L. Irey was designated as Chief, Intelligence Unit, and shortly thereafter, W H. Woolf, also connected with the Office of the Chief Post Office Inspector, was appointed as Assistant Chief.

During the negotiations for the transfer of Post Office Inspectors to the Bureau of Internal Revenue to create an organization for an Intelligence Unit, it was stipulated by the Postmaster General that Mr. Roper could have "six men of his own choosing but no more."

This enabled Commissioner Roper to choose Post Office Inspectors who had excellent records as investigators and were suited for the work which they would be called upon to perform in this service. This original group of Post Office Inspectors, selected as a nucleus of the newly created Intelligence Unit, became the first Special Agents in Charge of Divisions in the new organization. They were able to establish efficient and practical investigative protocols because of their long experience in conducting thorough and impartial investigations. An esprit de corps developed in the Intelligence Unit because of their success, with the members of the Unit feeling an individual pride in its achievements.

The basic organizational structure of the Intelligence Unit, like the Bureau of Internal Revenue, remained essentially unchanged from 1919 through 1951. Jurisdictionally separate organizations, or "units," administered the different types of tax. Under that arrangement, the Intelligence Unit was a centralized organization. Special agents in the field worked under the Special Agent in Charge of a geographic area. The Special Agent in Charge, in turn, reported directly to the Chief of the Intelligence Unit in Washington, D.C.

TYPES OF SPECIAL INVESTIGATIONS

The files of the Bureau of Internal Revenue detail thousands of reports of investigations which resulted in convictions of tax evaders.

The principal activity of the Intelligence Unit was the investigation of income tax fraud cases. These cases involved prominent individuals in professional, commercial and public life. Large corporations were investigated with success for the Unit. The Unit successfully investigated numerous racketeers and public enemies who had amassed fortunes through their illegal activities.

In 1924, the Unit was also assigned the responsibility of investigating applications of attorneys and agents to practice before the Treasury Department and investigating charges against enrolled agents and attorneys.

During that 1950's, the Intelligence Unit's principal functions continued to be investigating tax fraud, charges against Internal Revenue employees and performing background investigations of applicants for Internal Revenue positions.



THE EARLY YEARS

Al Capone, so called Public Enemy No. 1 and the most notorious leader of organized racketeering in the USA, was investigated by the Intelligence Unit. His conviction on income tax evasion was the first decisive blow against organized crime.

The New York income tax evasion drive against racketeers preying on legitimate industry likewise was very effective. The tax evasion investigation of prominent motion picture stars resulted in several criminal prosecutions and brought to the Treasury substantial amounts in taxes and penalties.

Dishonest public officials including peace officers, judges, mayors of large cities, governors of states, legislators, and members of the United States Senate also were investigated by the Intelligence Unit.

Huey Long was one of the best-known public figures investigated for tax fraud. Long was Governor of Louisiana and was later a United

States Senator. He was assassinated just prior to the time set for presenting evidence to the federal grand jury relative to his tremendous income from "political racketeering."

The Teapot Dome Scandal of the 1920s shocked Americans by revealing an unprecedented level of greed and corruption within the federal government. Albert Fall, a former Secretary of the Interior, was charged with accepting bribes from oil companies in exchange for exclusive rights to drill for oil on federal land. The Teapot Dome investigation resulted in the collection of approximately \$6,000,000 in taxes.

Charles E. Mitchell, a New York banker, brought a change in the income tax law whereby wealthy taxpayers could no longer escape tax liability by claiming fictitious losses from alleged sales of securities.

The American Optical Company was convicted in a scheme to evade income taxes by understating, in its inventory, the accumulation of gold borings and dust which were melted into gold bricks, each weighing one thousand ounces. The income from their sale was diverted to the individual owners of the business.

The Intelligence Unit conducted numerous investigations pertaining to estate tax frauds and attempted evasion of miscellaneous taxes such as gasoline, theater ticket and tobacco taxes.

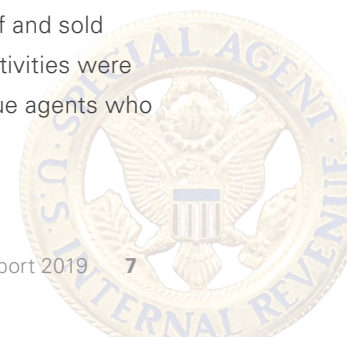
Investigations involving attempted bribes, extortion, embezzlement, irregularities on the part of Internal Revenue employees and collusion between employees and taxpayers or their representatives in various schemes to violate the revenue laws were also common.

During Prohibition, much of the work of the Intelligence Unit concerned investigations of service employee collusion with persons engaged in the illicit trafficking of liquor, liquor permit frauds and major conspiracies to violate the National Prohibition Act.

Edward Donegan who was a casual or odd-job laborer became a millionaire within about four months through bootlegging following the implementation of National Prohibition of alcohol in the U.S. in January 1920. Through the use of an insider within the Bureau of Prohibition, he was able to illegally withdraw alcohol from warehouses ostensibly for legal purposes himself and sold fraudulent permits to other bootleggers. Donegan's activities were discovered after he attempted to bribe Internal Revenue agents who



100 YEARS OF CRIMINAL INVESTIGATION



visited him in connection with another investigation.

The Intelligence Unit, at the direction of the Commissioner of Internal Revenue and the Secretary of the Treasury, frequently conducted special investigations which were not related to tax frauds or personnel delinquency. This phase of Intelligence Unit activity was varied in scope but included the Lindbergh baby kidnapping case.

THE LATE THIRTIES AND FORTIES

From 1935 to 1943, the Intelligence Unit conducted an unprecedented number, nearly 42,000 "miscellaneous" investigations. These were background investigations resulting from the Unit's expanded responsibility, during that period, to investigate applicants for practically all Internal Revenue positions, as well as applicants for positions of importance in other Treasury segments.

During World War II, the Intelligence Unit performed additional duties in the form of assisting Treasury's Foreign Funds Control Unit in locating and freezing funds and other valuables belonging to Axis-power aliens living in the United States. This was done to deprive the enemy of resources that might finance espionage and sabotage.

After World War II, the Intelligence Unit concentrated on tax investigations of individuals who had profited excessively from the war, black market activities, and the unprecedented amounts of currency in circulation. To meet this increased work load, the Intelligence field ranks were increased to more than 1,200 special agents. This rapid expansion necessitated the transfer of investigators from other enforcement agencies.

THE FIFTIES

In the early 1950's, hearings of Senator Estes Kefauver's Committee investigating organized crime generated concern about the limited extent of

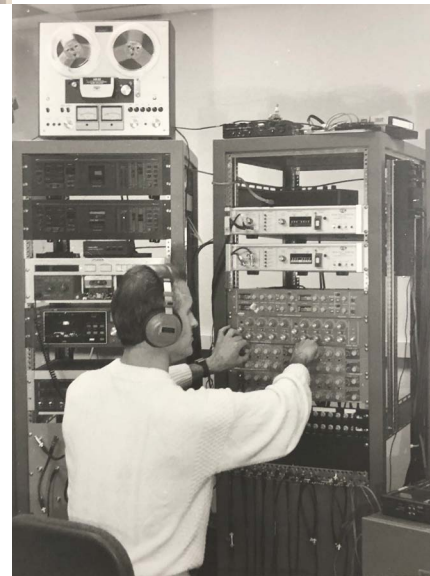
enforcement efforts devoted to Racketeer tax returns.

In April 1951, shortly after the Kefauver Committee's second interim report was issued, Internal Revenue initiated a Special Tax fraud Drive to subject every known racketeer to a thorough tax investigation. A master list of nearly 30,000 names was compiled for this purpose. The director of the drive used the facilities of the Intelligence Unit in the National Office. Racket squads comprised of special agents, revenue agents and deputy collectors were formed in offices throughout the country and were placed under the overall direction of the Intelligence Unit's Special Agents in Charge. Support for the drive diminished rapidly in mid-1952, when Congress did not appropriate the additional funds requested, and officials realized that many of the cases completed involved smalltime criminals and petty gamblers. Soon after, the racketeer program was integrated with the overall Intelligence effort, with emphasis placed on investigating major racketeers.

In 1952, following a series of Congressional investigations into "tax fixing", there was a comprehensive reorganization of the Bureau of Internal Revenue. As part of the reorganization, the Intelligence Unit's organizational name was changed to Intelligence Division. Its criminal investigation program was decentralized through integrating with other field revenue programs under District Directors. In addition, responsibility for conducting character and conduct investigations of employees was reassigned to the recently created Inspection Service.

THE SIXTIES

The 1960's introduced a major drive on organized crime and, later, the beginning of the Strike Force concept.



On January 1, 1960, all investigative functions involving persons enrolled or applying for enrollment to practice before the IRS were transferred to Inspection. This was done to permit Intelligence to concentrate its efforts on investigating criminal tax violations.

The introduction of automatic data processing (ADP) systems within IRS during the 1960's created new tools for Intelligence to ferret out tax fraud. Data was used to detect unreported income and to identify fraudulent returns, false claims for refund and failures to file. It also permitted the high-speed analysis of voluminous business records to establish and document tax evasion. For the first time in modern criminology, data was used to coordinate information that culminated in the 1965 indictment of 86 alleged bookmakers in the New York City area.

In the years following the assassination of President John F. Kennedy in 1963, special agents of the Intelligence Division were called upon to assist the U.S. Secret Service in the protection of the President and other officials.

THE SEVENTIES

The Bank Secrecy Act was enacted in 1970 as a result of concern expressed by law enforcement officials over the laundering of illegal funds through domestic banks and foreign tax havens. Since then, the Act has proven an effective tool for identifying and investigating tax evaders and for cutting the flow of money generated by illegal activities, especially narcotics trafficking.

During a six-month period in late 1970 and early 1971, a number of special agents were detailed with other federal agents as "sky marshals" on international and domestic flights. The detail was ordered by President Richard M. Nixon and prompted by the skyjacking of three U.S. commercial aircraft by Palestinian terrorists

who diverted the planes to the Amman desert and blew them up. Sky marshal duties were subsequently assumed by Customs Security Officers.

On July 2, 1978, the Intelligence Division was renamed the Criminal Investigation Division. This was based on the recommendations of a Service-wide organizational review study group. The group was concerned about the public being misled by the title, "Intelligence," and sought a more proper and understandable title. Although the group had initially recommended the title "Criminal Enforcement," "Criminal Investigation" was eventually adopted.

The 1970's also saw the introduction of a number of other important enforcement efforts. There were two major projects initiated against narcotics traffickers. Jurisdiction over wagering tax enforcement was returned to the Intelligence Division. And significant enforcement actions were started against unscrupulous tax return preparers, multiple tax refund schemes, and promoters of abusive tax shelters.

THE EIGHTIES

In February 1980, the Cash Flow Project was initiated in the Jacksonville District. Its objective was to investigate money launderers and corrupt bank Officials who violated currency laws by using financial institutions to launder large sums of currency generated primarily from narcotics trafficking. Cash Flow was part of Operation Greenback, a coordinated Treasury effort.

On May 27, 1980, the Criminal Investigation Division issued objective prosecution criteria, generally geared to the type of violation and the method of proof.

On March 21, 1982, as part of a reorganization of the IRS National Office, the Criminal Investigation Division was elevated to assistant commissioner level, and the office of Assistant Commissioner (Criminal Investigation) was established.

100 YEARS
CRIMINAL INVESTIGATION



In 1987, development began on the Automation of Criminal Investigation (ACI) Project, which provided a nationwide, integrated computer system to enhance productivity. Among its many planned features were financial analysis tools for computing taxable income and tax; an investigative report generator; a support system to prepare documents such as summonses, requests for returns, and letters; and a case and time reporting system. Also, in the 1980's, a project was undertaken to detect tax evaders through "business opportunities" newspaper ads. The Tax Haven Offshore Bank Project was also established because of the increased use of tax haven countries by U.S. taxpayers.

The Criminal Investigation Division became a founding partner of a major interagency drug investigation project known as the Organized Crime Drug Enforcement Task Force (OCDETF). OCDETF was designed to disrupt major drug trafficking operations and related crimes, such as money laundering, tax and weapon violations, and violent crime.

THE NINETIES

In October 1993, the Assistant Commissioner (CI) implemented a reorganization of CI at the district, regional and national levels. CI district operations were consolidated and reduced in number to 34. The seven CI regional offices were eliminated. In their place, four SES Directors of Investigations (DI) were established: National Training, the National Forensic Laboratory, the National Transcription Center, and Criminal Case Processing Systems.

The National Office was also reorganized. The Division of National Operations was created, with three offices: Narcotics/ Money Laundering, Tax Crimes, and Special Investigative Techniques. The Review Division and the Finance Division were enlarged and made separate.

Later, a Division of Policy and Information was formed.

During the fall of 1997, IRS Commissioner Charles O.

Rossotti vowed to reform and improve the work of the Internal Revenue Service during his Senate confirmation hearing. As a first step to bringing positive change to the IRS, Commissioner Rossotti promised thorough reviews of each of its major components, including the Criminal Investigation Division (CI).

As part of The Restructuring and Reform Act of 1998 (RRA 98), the IRS was redesigned to serve taxpayers and tax practitioners more effectively and efficiently. Included in this redesign was a comprehensive review of the Criminal Investigation Division (CI) lead by Judge William Webster, which made dozens of detailed recommendations including major structural and operational changes.

TWO THOUSAND TO PRESENT

In July 2000, CI finalized the historic reorganization. A number of long sought goals, including line authority over all CI special agents and employees, referral authority to the Department of Justice for CI investigations and a direct reporting relationship to the Commissioner were achieved. Until July 2000, CI personnel reported most directly to multifunctional (i.e., civil and criminal) IRS district directors, a relationship mirrored at IRS headquarters with an Assistant Commissioner for CI reporting to a multifunctional executive subordinate to the Commissioner. As a result of RRA98, all CI resources were placed under the Chief of CI, who in turn reported directly to the IRS Commissioner. Mark Matthews was the first Chief for IRS Criminal Investigation following the reorganization.

Throughout the 21st Century, IRS-CI has continued to support its proud heritage of being the worlds finest financial investigators.

Following the September 11, 2001, terrorist attacks on the United States, CI personnel work diligently with



their counterparts in the law enforcement community to follow the money trail to uncover terrorist financing throughout the world. CI personnel assisted at Ground Zero and associated areas to help uncover evidence from the attack. CI personnel were also assigned in Iraq and Afghanistan to assist with international terrorist financing, money laundering and threat finance activities.

In May 2003, CI special agents were deployed to Iraq to lead the U.S Treasury's financial "jump teams" to uncover the Saddam regime's ill-gotten gains from the Iraqi people. Saddam's regime used proxies, fronts and bank accounts around the globe to hide assets. This required painstaking financial investigative work uncovering hidden and layered assets that Saddam, his family, and associates had nested outside of Iraq. CI special agents played a leading and pivotal role in the U.S Treasury's efforts.

CI special agents helped uncover a variety of illegal activities related to mortgage and financial fraud which caused the financial crisis in 2008, resulting in multiple convictions of fraudsters who helped to perpetuate the financial crisis.

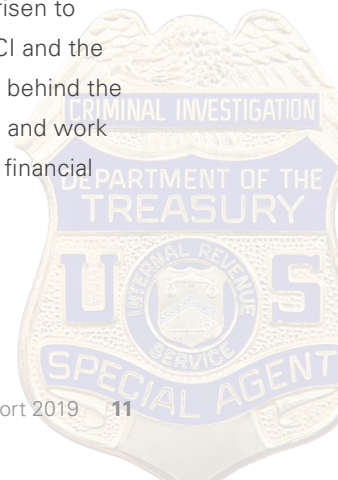
In 2015, IRS-CI was the co-lead agency in the investigation in the corruption by officials and associates connected with the Fédération Internationale de Football Association (FIFA), the governing body of international soccer. Multiple individuals were indicted on wire fraud, racketeering, and money laundering. IRS-CI Chief Richard Weber vowed to "issue Fifa a red card" following the indictment by the US Justice Department for corruption.

IRS-CI has kept pace with the ever changing cyber world by developing a cybercrimes investigative program that has successfully investigated and

prosecuted some of the worlds most wanted Darkweb criminals including Ross Ulbricht aka Dread Pirate Roberts who operated the Silk Road Darkweb market place, Alexandre Cazes aka Alpha02 and Admin who operated AlphaBay, the Largest Online 'Dark Market' as well as investigating numerous other illegal Darkweb sites.

In October 2019, the largest Darkweb child pornography site in the world was taken down. IRS-CI, agents became aware of Welcome to Video, the largest child sexual exploitation market by volume of content, because of their work on previous Darkweb market-places. IRS-CI was able to trace bitcoin transactions on the site to people all over the world who were uploading and downloading this material, as well as find the location of the site administrator. By analyzing the blockchain and de-anonymizing bitcoin transactions, IRS-CI special agents were able to identify hundreds of predators around the world - even though those users thought that they could remain anonymous. As a result of the investigations, Jong Woo Son, 23, a South Korean national, was indicted by a federal grand jury in the District of Columbia for operating the site.

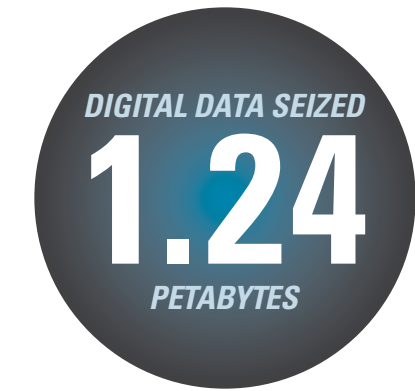
In July 2019, IRS-CI celebrated their 100 Year Anniversary. Over the past century, IRS-CI has worked high profile cases including those involving Huey Long, Leona Helmsley, Whitey Bulger, Michael "The Situation" Sorrentino, Fédération Internationale de Football Association (FIFA), and the Silk Road. But, Chief Don Fort says, "Not every case has grabbed national attention, most every agent and employee that works or has worked for CI has never risen to prominence because of their job with IRS-CI and the cases they worked. In fact, we usually stay behind the scenes doing what we do best – work hard and work every day to protect the integrity of the US financial system." ♦



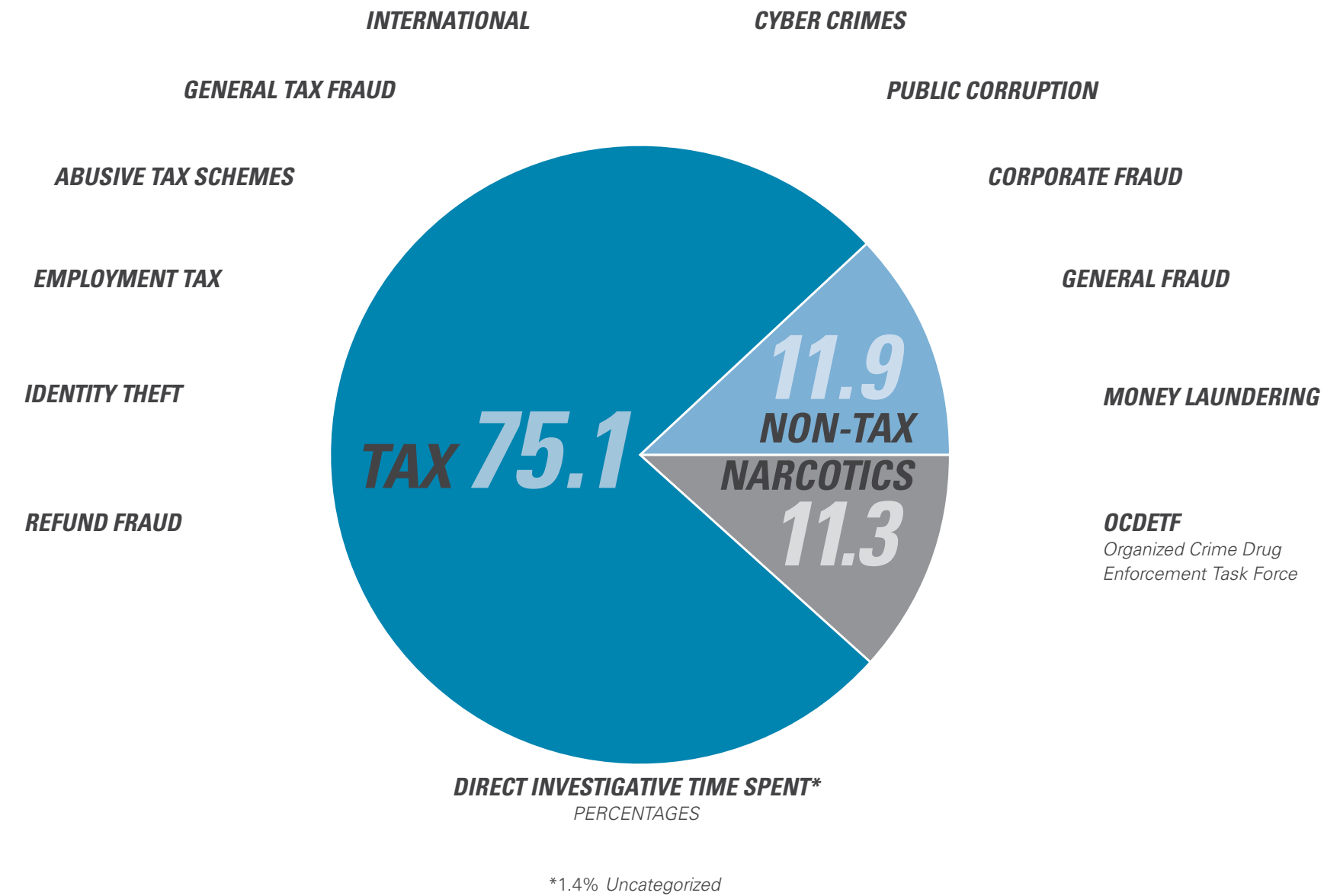
2019 SNAPSHOT

FOR MANY YEARS while practicing on the outside, I admired the investigative abilities and professionalism of every special agent and the overall strength of the entire CI organization. Since coming onboard as Commissioner, my admiration and respect have increased exponentially. CI is the backbone for the entire IRS organization – fair, impartial, diligent and, where appropriate, tenacious! The FY19 Annual Report summarizes various CI activities throughout the year but vastly understates the importance of CI to the overall IRS Mission. CI supports the efforts of compliant taxpayers by visibly demonstrating the risks of noncompliance thereby helping otherwise honest taxpayers stay honest and compliant. The best of the best!

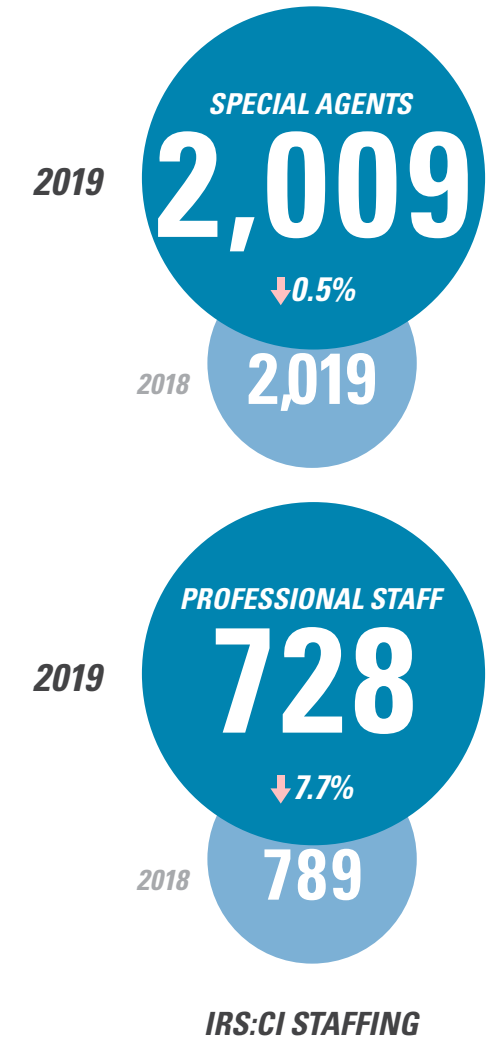
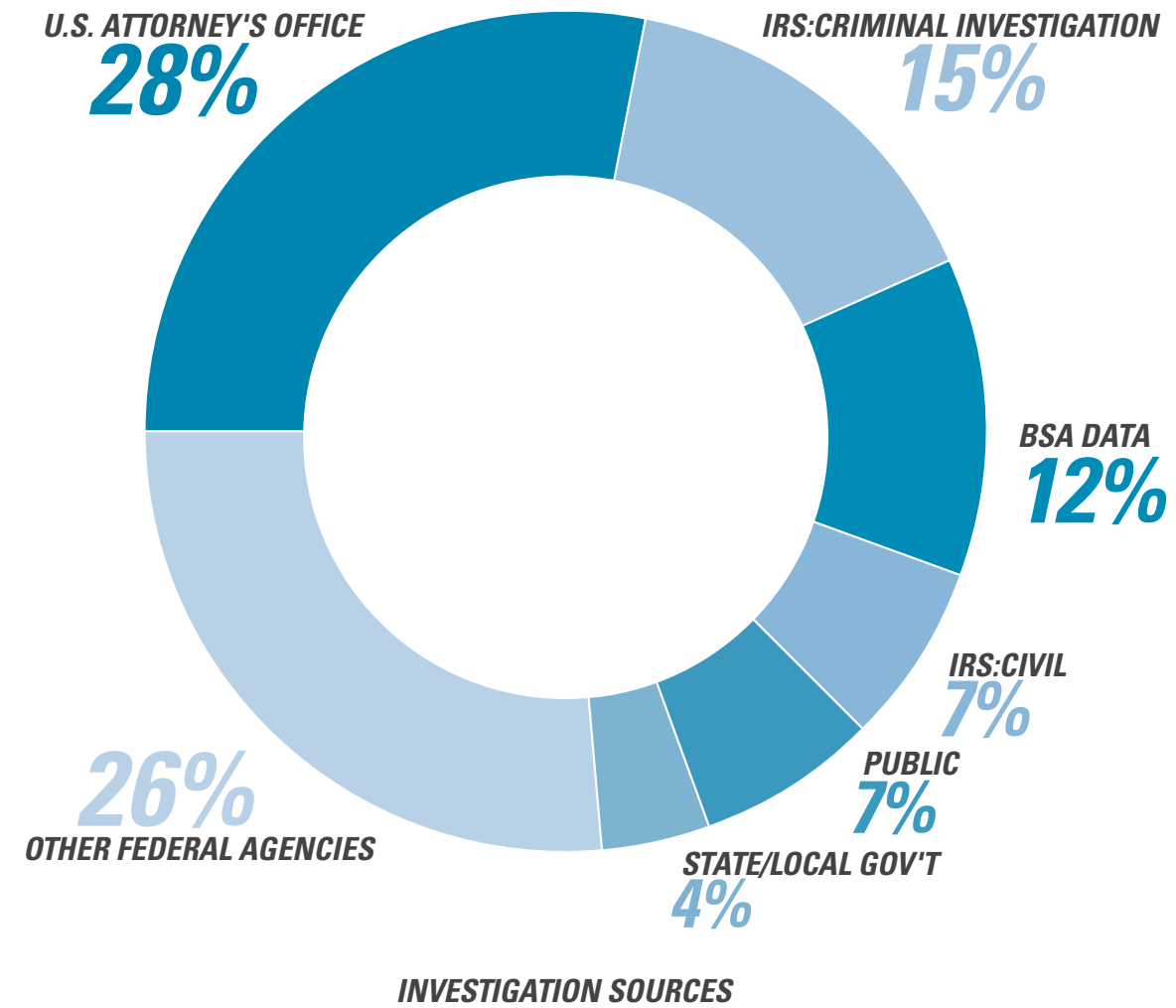
– **CHARLES P. RETTIG** , Commissioner, Internal Revenue Service

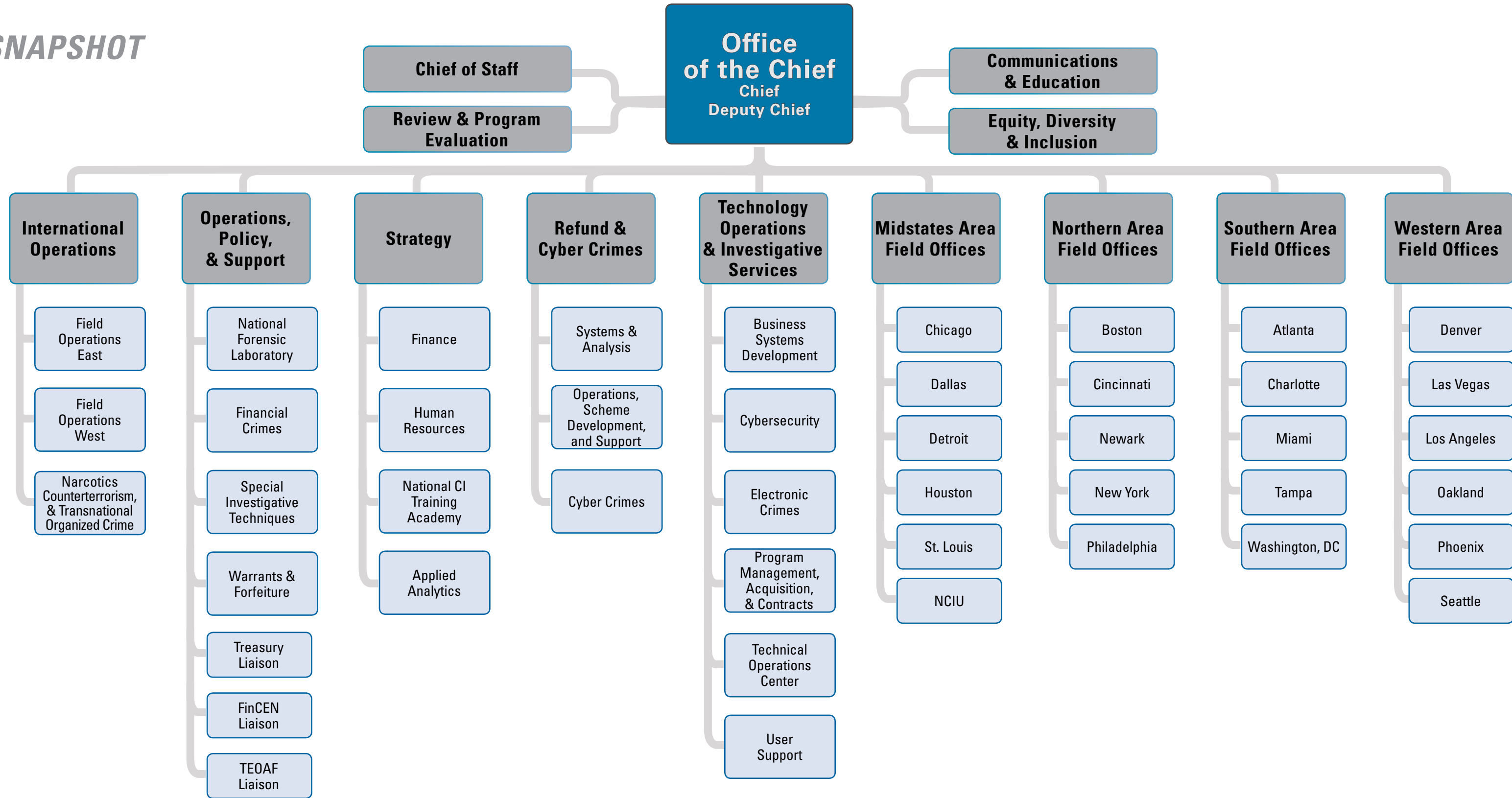


2019 SNAPSHOT



2019 SNAPSHOT







1500

INVESTIGATIONS INITIATED

942

PROSECUTIONS RECOMMENDED

848

SENTENCED

GENERAL TAX FRAUD

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

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.

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

The Illegal Source Financial Crimes Program encompasses tax and tax-related, money laundering and currency violations. These investigations focus on individuals deriving income from illegal

sources, such as money obtained through embezzlement, bribery, and frauds. The individuals can be legitimate business owners but obtain their income through illegal means. These investigations focused on methods through which individuals seek to "launder" their ill-gotten income by making it appear the income is from a legitimate source. Frequent money laundering techniques include the manipulation of currency reporting requirements, layering of transactions and international movement of funds. In these types of investigations, CI Special Agents work together with our federal, state and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

TAX CRIMES

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 is when a business withholds taxes from its employees, but intentionally fails to forward them to the IRS. After a liability accrues, the individual starts a new business and begins to accrue a new liability. Some employers withhold taxes from their employees' paychecks and use the funds for their personal expenses.

Employment taxes include federal income tax withholding, Social Security taxes, and federal unemployment taxes.

IDENTITY THEFT

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



CYBER CRIMES

CYBER CRIMES

Since 2015, CI has been building 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 compromise, phishing schemes, and bank account takeovers victimizing private sector entities involved in the tax eco-system and the IRS. These thefts target detailed financial data, prior year tax returns, and payroll records that criminals use to generate SIRF claims that mirror a victim's actual tax return. During these types of cybercrime investigations, special agents use their close working partnerships with other law enforcement agencies and their capabilities as law enforcement officers to gather valuable information about SIRF, refund fraud crimes, and information that affects the integrity of IRS online systems. They share criminal intelligence in real-time

with their IRS civil counterparts to aid taxpayer and revenue protection efforts. The IRS also uses this information to develop internal defenses that help identify and prevent further losses associated with fraudulent claims.

CI'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

South Korean National and hundreds of others charged worldwide in the takedown of the largest darknet child pornography website, which was funded by bitcoin

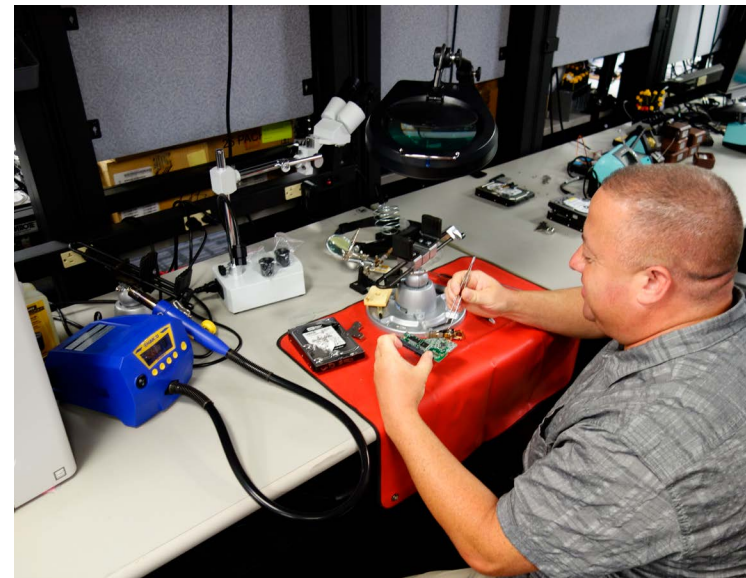
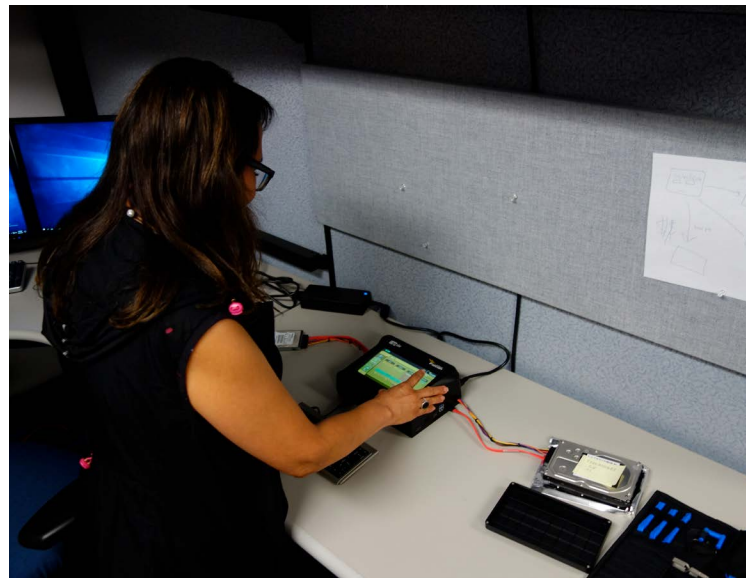
On March 5, 2018, agents from the IRS-CI, HSI, National Crime Agency in the United Kingdom, and Korean National Police in South Korea arrested Jong Woo Son, 23, a South Korean national, for his operation of Welcome To Video. The server that he used to operate this Darknet market, that exclusively advertised child sexual exploitation videos available for download by members of the site, was also seized. The operation resulted in the seizure of approximately eight terabytes of child sexual exploitation videos, the largest child sexual exploitation site of its kind. The images,

which are currently being analyzed by the National Center for Missing and Exploited Children (NCMEC), contained over 250,000 unique videos, and 45 percent of the videos currently analyzed contain new images that have not been previously known to exist.

Welcome To Video offered these videos for sale using the cryptocurrency bitcoin. Typically, sites of this kind give users a forum to trade in these depictions. This Darknet website is among the first of its kind to monetize child exploitation videos using bitcoin. In fact, the site itself boasted over one million downloads of child exploitation videos by users. Each user received a unique bitcoin address when the user created an account on the website. An analysis of the server revealed that the website had more

than one million bitcoin addresses, signifying that the website had capacity for at least one million users.

The agencies have shared data from the seized server with law enforcement around the world to assist in identifying and prosecuting customers of the site. This has resulted in leads sent to 38 countries and yielded arrests of 337 subjects around the world. The operation has resulted in searches of residences and businesses of approximately 92 individuals in the United States. Notably, the operation is responsible for the rescue of at least 23 minor victims residing in the United States, Spain and the United Kingdom, who were being actively abused by the users of the site.



CYBER CRIMES

The xDedic Marketplace, a website involved in the illicit sale of compromised computer credentials and personally identifiable information, Shut Down!

On January 24, 2019, seizure orders were executed against the domain names of the xDedic Marketplace, effectively ceasing the website's operation. The xDedic Marketplace operated across a widely distributed network and utilized bitcoin in order to hide the locations of its underlying servers and the identities of its administrators, buyers, and sellers. Buyers could search for compromised computer credentials on xDedic by desired criteria, such as price, geographic location, and operating system. Based on evidence obtained during the investigation, authorities believe the website facilitated more than \$68 million in fraud. The victims span the globe and all industries, including local, state, and federal government infrastructure, hospitals, 911 and emergency services, call centers, major metropolitan transit authorities, accounting and law firms, pension funds, and universities.

California man pleads guilty to federal narcotics, money laundering charges for running unlicensed bitcoin exchange and ATM

Kunal Kalra – Kalra, AKA “shecklemayne,” “coinman,” or “Kumar,” operated an

unlicensed Money Service Business (MSB) and exchanged at least 25 million dollars for drug dealers, credit card fraudsters, and other illicit activities. Kalra owned and operated a Bitcoin Kiosk (aka Bitcoin ATM) that would exchange large amounts of money with no Know Your Customer requirements or Anti-AML program. This is believed to be the first federal criminal case charging an unlicensed money remitting business that used a Bitcoin kiosk. Kalra plead guilty to distribution of methamphetamine, operating an unlicensed

money transmitting business, laundering of monetary instruments, and failure to maintain an effective anti-money laundering program. Kalra also exchanged bitcoin for U.S. dollars and at the time of his arrest, attempted to exchange over \$400,000 with undercover agents representing the proceeds to be from drug sales. Digital assets, cash, a Bitcoin Kiosk, and money in bank and crypto currency accounts taken at the time of his arrest resulted in approximately 1.2 million dollars in seizures. ♦



EVERY INVESTIGATION CRIMINAL INVESTIGATION conducts involves digital and multimedia evidence. This includes many sources, such as: Personal computers, Mobile devices (phones, tablets, etc.), Small and large business computers/servers, Server farms, Cloud storage, and the Dark net. The proper collection and analysis of digital evidence requires specialized skills and training, allowing this evidence to be admissible in court proceedings.

CI Electronic Crimes' primary function is the forensic acquisition, analysis and testimony of the digital and multimedia evidence related to ongoing criminal investigations. Electronic Crimes (eCrimes) has a presence in 60 CI posts-of-duty across the United States via 73 SA-CIS, five computer investigative forensic analysts (CIFA), senior analysts supporting the SA-CISs in the, forensic assistant contractors, and one administrative support employee. The SA-CISs, Senior Analysts and CIFAs receive advanced training in the proper procedures of collecting, acquiring, analyzing and testifying on digital and multimedia evidence. Additionally, they provide support in drafting search warrants, court orders and subpoenas. They travel across the country to participate on search warrants and conduct the digital and multimedia evidence seizures.

To ensure the highest of digital forensics standards in U.S. law enforcement, the Treasury Computer Forensic Training Program (TCFTP) was created as a joint-agency training program. The TCFTP initiative was formalized in 1997, with its origins reaching back to 1989, as a means of coordinating resources and leveraging assets for law enforcement agencies in the Department of the Treasury. Today, the participating agencies of the TCFTP include CI, Homeland Security Investigations (HSI) and U.S. Secret Service (USSS). All digital forensics training is standardized across the 3 agencies; therefore a Special Agent – Computer Investigative Specialist (SA-CIS) with CI and USSS can work in tandem on the same investigation and ensure the work is done in a uniform fashion. TCFTP receives funding support from the Treasury Executive Office of Asset Forfeiture (TEOAF) who funds the TCFTP through the Treasury Forfeiture Fund.

In FY 2019, eCrimes personnel participated in over 400 search warrants or other digital forensic operations performed at over 525 locations; seized 1.24 petabytes of data from over 2,530 computers, laptops, external devices and 705 mobile devices. Electronic Crimes continues as the premier source for digital and multimedia evidence in IRS-CI. The eCrimes unit is one the premier digital forensics units in all of U.S law enforcement. eCrimes also runs a state of the art forensics lab in Woodbridge, VA, where some of the most complex digital evidence extraction and analysis is performed.

E-CRIMES MEDIA

LOS ANGELES FIELD OFFICE: In Westwood, CA Kunal Kalra 25, known as "Kumar," "shecklemayne" and "coinman agreed to plead guilty to federal criminal charges for owning and operating an unlicensed money transmitting business. He exchanged up to \$25 million in cash and virtual currency for individuals, including Darknet drug dealers and other criminals, some of whom used his bitcoin ATM kiosk.

From May 2015 through October 2017, Kalra operated a virtual currency exchange business where he exchanged U.S. dollars for Bitcoin and vice versa. Kalra charged commissions for exchanging dollars for Bitcoin, and he only dealt with high-volume customers willing to exchange at least \$5,000 per transaction. Kalra established bank accounts in the names of others, including false businesses, which allowed him, to conceal his illicit business activities. Kalra also operated a Bitcoin ATM.

A key element to the success of the case was the technical expertise and ability of the IRS Criminal Investigation Special Agents to seize, image and analyze the Bitcoin ATM that was instrumental in executing this crime. IRS-CI special agents developed procedures enabling the forensic seizure and processing of log files and cryptocurrencies that allowed investigators to "follow the virtual money trail," which led to other valuable

TYPES OF FORENSIC ANALYSIS THE SA-CISS AND CIFAS PERFORM INCLUDE:

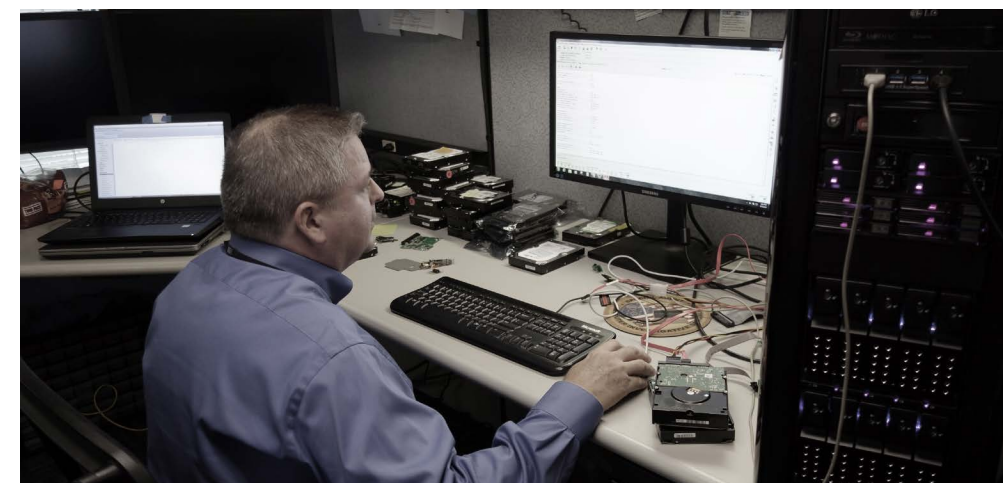
- **Dark web activity**
- **Digital currency identification** (*bitcoin wallets, etc.*)
- **Internet activity and history analysis**
- **Encryption and password recovery**
- **Targeted searches**
- **Data conversion from proprietary formats**
- **Deduplication of large data sets** (*such as email*)
-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

intelligence regarding use of cryptocurrencies to commit crimes.

LAS VEGAS FIELD OFFICE: On January 17, 2019, a second superseding indictment was returned charging Jacob Kingston, Isaiah Kingston, Lev Aslan Dermen (also known as Levon Termendzhyan), Rachel Kingston, and Sally Kingston with conspiracy to commit mail fraud by filing \$1.1 billion in fraudulent claims for refundable renewable fuel tax credits with the IRS and laundering over \$3.1 billion. The 46-count indictment also charged

the defendants variously with aiding in the preparation and filing of false claims and false tax returns, conspiracy to commit money laundering offenses, money laundering, conspiracy to commit obstruction of justice offenses, destroying and concealing records subject to federal search warrants, and witness tampering.

According to the plea agreement, the defendants filed 39 false claims with the IRS seeking \$1,166,792,650 in refundable fuel tax credits. Aligned with the scheme,



the defendants created false paperwork (including production records, blending tickets, and bills of lading), used temporary "burner phones," backdated records and "toll processing" agreements, and engaged in fraudulent financial transactions to make it appear that biodiesel and related products had been bought and sold, all to support the filing of the false claims.

In total, the IRS mailed \$511,842,773 in U.S. Treasury checks to Washakie Renewable Energy. Jacob Kingston, Isaiah Kingston, and Lev Dermen were also charged with conducting \$148,005,592 in international money laundering transactions designed to conceal the location and ownership of their fraud proceeds. The indictment further charged that they conducted money laundering transactions when purchasing luxury assets, including personal residences costing \$3.5 million and \$3.1 million, and a \$1.8 million Bugatti Veyron automobile.

This case required SA-CISs to seize and analyze hundreds of terabytes of data obtained pursuant to nine simultaneous search warrants. In addition, dozens of phones containing relevant text message threads, virtual machines, enterprise level e-mail message archivers and accounting systems were also seized, processed and analyzed. Many of the electronic devices contained key evidence that was instrumental in gaining plea agreements ranging from 15-to-30 years in prison for the defendants. ♦



985

INVESTIGATIONS INITIATED

951

PROSECUTIONS RECOMMENDED

878

SENTENCED

MONEY LAUNDERING

Money laundering, as defined in the National Money Laundering Strategy, is criminal finance. When criminals or criminal organizations seek to disguise the illicit nature of their money by introducing it into the stream of legitimate commerce and finance, they 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 Bitcoin 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 FinCEN is the agency tasked with administering the BSA, they have no criminal enforcement authority. All criminal enforcement of BSA

SPECIAL AGENTS IN the IRS Criminal Investigation (CI) Illegal Source Financial Crimes Program investigates tax and tax related crimes, money laundering, and currency violations. The investigations focus on individuals getting 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.

Frequent money laundering techniques include:

- Manipulating currency reporting requirements,
- Layering transactions,
- Using Black Market Peso, and
- Moving funds internationally.

The law enforcement community recognizes CI’s special agents as the premier experts in money laundering investigations.

NON-TAX CRIMES

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 (FCTF) in all 93 judicial districts across the country. The FCTF and SAR-RT focus on specific geographic areas and involve collaboration between CI and federal, state, and local law enforcement agencies for identifying and investigating financial crimes, including BSA violations, money laundering, narcotics trafficking, and terrorist financing.

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

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 triage's 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, 12% of all CI investigations initiated in fiscal year 2019 were the direct result of BSA data. CI currently has upwards of 175 special agents and investigative analysts working on SAR RTs and FCTF around the country.



PUBLIC CORRUPTION

CI investigates elected and appointed individuals who violate the public's trust. These individuals are from all levels of government including local, county, state, federal, and foreign officials. Public corruption investigations include criminal offenses, such as bribery, extortion, embezzlement, kickbacks, tax fraud, and money laundering.

Corruption by public officials results in the loss of many taxpayer dollars. Public officials that violate the public trust are often prosecuted to the full extent of the law, with large fines and increased jail time for offenders. In addition, the United States is often a desirable destination for the 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.

L.A. County Public Official and Contractor Who Paid Him Bribes Agree to Plead Guilty to Federal Bribery and Tax Charges.

In a plea agreement filed on April 25, 2019, Los Angeles County's Internal Services Department employee, Mohammad R. Tirmazi, 50, of Alta Loma, California, pled guilty to accepting bribes and subscribing to a false 2016 tax return in which he failed to report \$192,800 in income, including approximately \$137,400 in bribe payments from contractor, Enrique Contreras, of Palmdale. Contreras also agreed to plead guilty to paying bribes and subscribing to a false 2015 tax return in which he failed to report \$281,422 in income. According to court documents, from 2014 to 2016, Tirmazi accepted a total of nearly \$300,000 in bribe payments from Contreras, the owner

of Tel-Pro Voice & Data, Inc, a low voltage electrical wiring company, that performed work for the county. In exchange for the bribes, Tirmazi approved change orders requested by Contreras for, among other things, work that did not occur and materials that were not used on county projects. Tirmazi also admitted that he did not report, or force Contreras to correct, violations of the County's Building and Safety Code or the National Electrical Code that Tirmazi discovered during inspections of Tel-Pro's work. Some of those violations related to asbestos removal and Tel-Pro's failure to properly install cables. In his plea agreement, Tirmazi admitted he generally considered Tel-Pro's work to be "shoddy," but he overlooked its poor work because of the bribes he received from Contreras. ♦



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.



INTERNATIONAL OPERATIONS

INTERNATIONAL OPERATIONS

Through collaboration, the operation vigorously confronts crime, such as international tax compliance, narcotics trafficking and terrorism, that threatens the national and economic security of the United States. IRS-CI also partners with criminal tax authorities from the J5 countries, Australia, Canada, The Netherlands, and the United Kingdom. Our alliances have enabled our forces to multiply because we share information and collaborate on international criminal investigations to fight crime on an international scale.

Internationally, IO has special agent attachés strategically stationed in 11 foreign countries (Canada, Mexico, Colombia, Panama, Barbados, The Netherlands–Europol, England, Germany, China, Australia, and 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 2019, IO had several significant accomplishments:

- Expanded its global footprint by opening a new post in Dubai in August 2019.
- Hosted international delegations from The Netherlands, Dominican Republic, Mexico, Iceland, Philippines, Taiwan, Turkey, China, Balkans, Israel, Kenya, and New Zealand. These meetings allowed CI to build closer collaborative relationships, share information including newly-developing trends and investigative techniques.
- Developed cooperation between the J5 countries that enhanced more than 50 investigations. Through this initiative, we exchanged more data in the last year than in the previous 10 years combined. ♦



NARCOTICS, COUNTERTERRORISM, & TRANSNATIONAL ORGANIZED CRIME

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

- President’s Strategy to 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. ♦

GLOBAL ILLICIT FINANCIAL TEAM (GIFT)

GIFT IS AN IRS-CI LEAD 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**

UniCredit Group Banks agree to pay over \$1.3 billion for violating sanctions

UniCredit Bank AG (UCB AG), a financial institution headquartered in Munich, operating under the name HypoVer-einsbank, and part of the UniCredit Group has agreed to enter a guilty plea to conspiring to violate the International Emergency Economic Powers Act (IEEPA) and to defraud the United States by processing hundreds of millions of dollars of transactions through the U.S. financial system on behalf of an entity designated as a weapons of mass destruction proliferator

and other Iranian entities subject to U.S. economic sanctions. UniCredit Bank Austria (BA), another financial institution in the UniCredit Group, headquartered in Vienna, Austria, agreed to forfeit \$20 million and entered into a non-prosecution agreement to resolve an investigation into its violations of IEEPA. UniCredit SpA, the parent of both UCB AG and BA, has agreed to ensure that UCB AG and BA's obligations are fulfilled.

Over the course of almost 10 years, UCB AG knowingly and willfully moved at least \$393 million through the U.S. financial system on behalf of sanctioned entities, most of which was for an entity the U.S. Government specifically prohibited from accessing the U.S. financial system. UCB AG engaged in this criminal conduct through a scheme, formalized in its own bank policies and designed to conceal from U.S. regulators and banks the involvement of sanctioned entities in certain transactions. UCB AG routed illegal payments through U.S. financial institutions for the benefit of the sanctioned entities in ways that concealed the involvement of the sanctioned entities, including through the use of companies that UCB AG knew would appear unconnected to the sanctioned entity despite being controlled by the sanctioned entity.

Standard Chartered Bank admits to illegally processing transactions in violation of Iranian sanctions and agrees to pay more than \$1 billion

Standard Chartered Bank (SCB), a global financial institution headquartered in London, England, has agreed to forfeiture of \$240 million, a fine of \$480 million, and to the amendment and extension of its deferred prosecution agreement (DPA) with the Justice Department for an additional two years for conspiring to violate the International Emergency Economic Powers Act (IEEPA). This criminal conspiracy, lasting from 2007 through 2011, resulted in SCB processing approximately 9,500 financial transactions worth approximately \$240 million through U.S. financial institutions for the benefit of Iranian entities. Additionally, The New York County District Attorney's Office

(DANY) has also agreed to amend its DPA with SCB and extend it for two additional years, with an additional financial penalty of \$292,210,160. SCB has also entered into separate settlement agreements with numerous U.S. and foreign regulators where they agreed to pay additional penalties totaling more than \$477 million. The Justice Department has agreed to credit a portion of these related payments and, after crediting, will collect \$52,210,160 of the fine, in addition to SCB's \$240 million forfeiture.

In connection with the conspiracy, a former employee of SCB's branch in Dubai, United Arab Emirates (UAE), referred to as Person A, pleaded guilty in the District of Columbia for conspiring to defraud the United States and to violate IEEPA. A two-count criminal indictment also charged Mahmoud Reza Elyassi, an Iranian national and former customer of SCB Dubai, with participating in the conspiracy. Elyassi and his co-conspirators registered numerous supposed general trading companies in the UAE, and used those companies as fronts for a money exchange business located in Iran. Between November 2007 and August 2011, Elyassi used a business account at SCB's Dubai branch to cause U.S. dollar transactions to be sent and received through the U.S. financial system for the benefit of individuals and entities ordinarily resident in Iran in violation of U.S. economic

sanctions. The charges in the indictment as to Elyassi are merely allegations, and Elyassi is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

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. The average jail sentence in these types of cases ranges from 6 months to 4 years.

Recent investigative efforts include the indictment of various individuals for willfully attempting to evade or defeat Federal Tobacco Excise Tax and other related violations. These investigations will be further covered in subsequent CI Annual Reports.

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 focus' 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. During FY2019, the ITG spearheaded an effort to train 40 CI Special Agents from across the country

SPECIALIZED UNITS

concerning international tax investigative techniques and related issues that threaten the integrity and fairness of the tax system. Investigations this group initiates are long-term and require agents to use all law enforcement tools at the CI's disposal. Recent investigations include the following:

Walmart agrees to pay \$137 million to resolve foreign corrupt practices act case

Walmart Inc. and a wholly owned Brazil-Based Subsidiary, WMT Brasilia S.a.r.l. (WMT Brasilia), have agreed to pay a combined criminal penalty of \$137 million to resolve the government's investigation into violations of the Foreign Corrupt Practices Act (FCPA). WMT Brasilia pleaded guilty in connection with the resolution. Walmart also entered into a three-year non-prosecution agreement and agreed to retain an independent corporate compliance monitor for two years. The \$137 million penalty includes forfeiture of \$3.6 million and a fine of \$724,898 from WMT Brasilia.

According to Walmart's admissions, from 2000 until 2011, Walmart personnel failed to implement sufficient controls to guard against improper payments to government officials in certain Walmart foreign subsidiaries. Even though senior Walmart personnel knew of these issues, Walmart did not begin to change its internal accounting controls until 2011.

The internal controls failures allowed Walmart foreign subsidiaries in Mexico, India, Brazil and China to hire third party intermediaries (TPIs) without establishing sufficient controls to prevent those TPIs from making improper payments to government officials in order to obtain store permits and licenses. In a number of instances, these control deficiencies were reported to senior Walmart employees and executives. The internal control failures allowed the foreign subsidiaries in these countries to generate additional profits.

LLB Verwaltung (Switzerland) AG's assistance to U.S. taxpayers to commit tax evasion results in 10.6 million penalty

LLB Verwaltung (Switzerland) AG, formerly known as "Liechtensteinische Landesbank (Schweiz) AG" (LLB-Switzerland), a Swiss-based private bank, reached a resolution with the United States Department of Justice (DOJ), and will

pay a penalty of \$10,680,554.64 to the United States. In addition to paying a penalty, LLB-Switzerland has agreed to cooperate in any related criminal or civil proceedings in return for the DOJ's agreement not to prosecute the company for tax-related criminal offenses committed by LLB-Switzerland.

LLB-Switzerland and some of its employees, including members of the bank's management, conspired with a Swiss asset manager and U.S. clients to conceal those U.S. clients' assets and income from the Internal Revenue Service (IRS) through various means, including using Swiss bank secrecy protections and nominee companies set up in tax haven jurisdictions. At its peak, LLB-Switzerland had approximately one hundred U.S. clients holding nearly \$200 million in assets. The majority of those accounts were in the names of nominee entities. ♦



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. ♦

NATIONALLY COORDINATED INVESTIGATIONS UNIT



IN FISCAL YEAR (FY) 2017, we launched the Nationally Coordinated Investigations Unit (NCIU) as a proof of concept. The NCIU addresses historically persistent challenges to Criminal Investigation's (CI) core mission, which is to identify, select, and develop cases. The NCIU focuses its case development efforts on national initiatives and is at the forefront of the data-driven pilot for the entire agency.

The NCIU is modernizing 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 (BODs) to facilitate a collaborative, service-wide approach to enforcement, and to promote data analytics throughout the entire IRS.

NATIONALLY COORDINATED INVESTIGATIONS UNIT

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: 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.

To further expand CI's data-driven analytics in FY 2019, the NCIU has successfully developed and launched new data models for the following three national initiatives:

International – Foreign Account Tax Compliance Act (FATCA)

International – U.S. Citizens Living Abroad (USCLA)

Virtual Currency

In FY 2019, the NCIU referred a total of 106 cases to all 21 CI field offices, ensuring maximum geographic and program area coverage. The average criminal deficiency for NCIU referrals is approximately \$4.6 million, which is noticeably higher than the average deficiency in traditional tax investigations (at approximately \$2.9 million).

The NCIU works with multiple internal and external stakeholders to advance its mission of data-driven case development. The NCIU is working with multiple CI sections and field offices. Also, it has substantially increased its partnerships within the IRS by participating in, and sometimes leading, cross-BOD working groups. It is also promoting data analytics to the various BODs and their executive leadership.

In order to lead service-wide enforcement efforts in international tax compliance, the NCIU joined, and has become an integral member of the LB&I Joint International Tax Shelter Information Center (JITSIC) group. The NCIU uses its insight and expertise to analyze FATCA data and develop cases from that data. NCIU is also collaborating with LB&I to craft and facilitate a holistic approach for combating non-compliance in the international tax space. In FY 2019, the

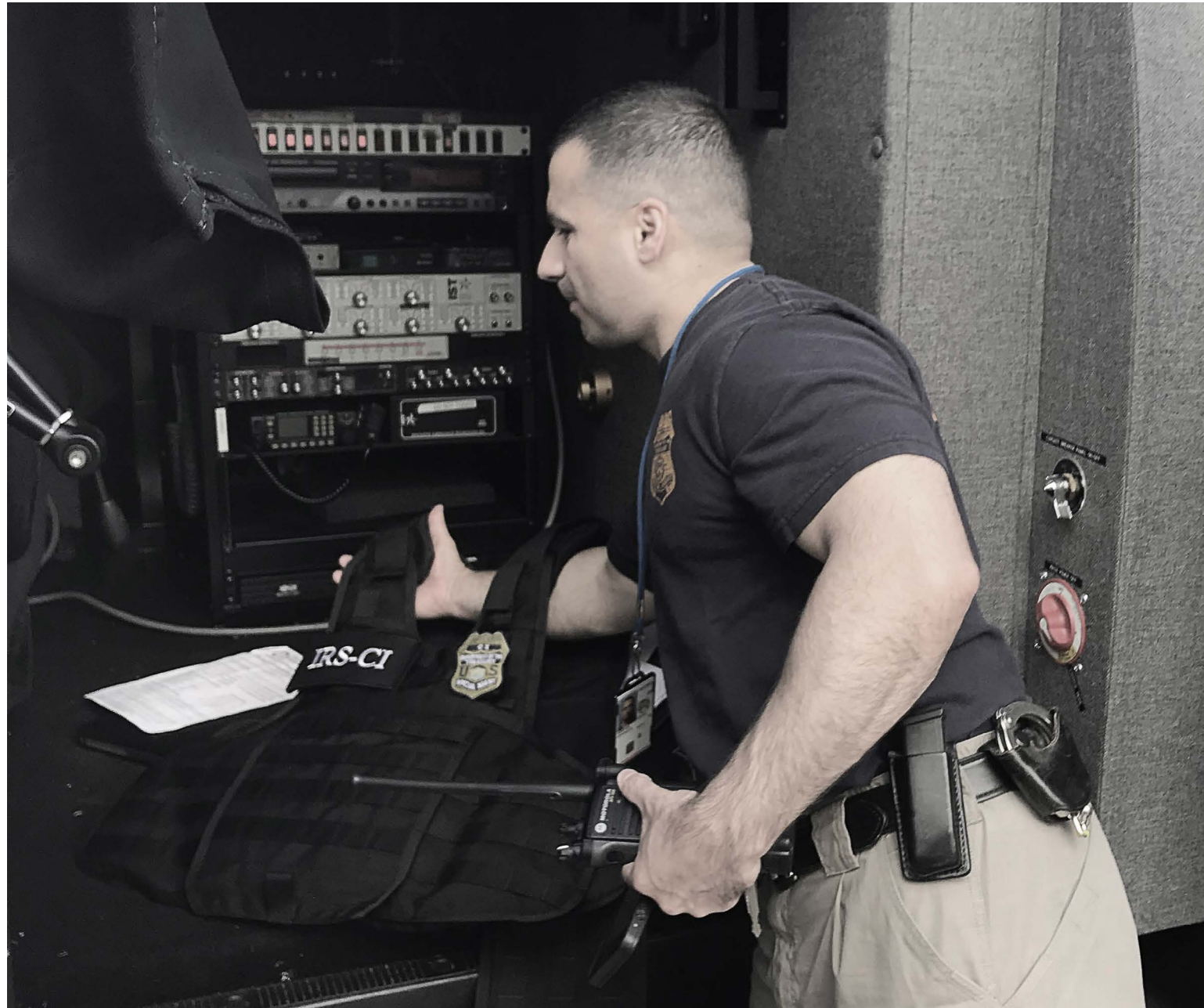
unit has used the NCIU FATCA data model to open and refer 69 investigations to LB&I.

In the virtual currency space, the NCIU leads CI's effort to develop criminal investigations from Coinbase john doe summons data. The unit works closely and collaboratively with LB&I to provide continuous feedback, and to share the knowledge and insight it gains from analyzing the Coinbase data. NCIU is also working with other CI sections such as Refund, Cyber Crimes, and Operations Policy & Support, to create a national virtual currency case development guide for field agents.

In addition to its joint enforcement efforts and bilateral investigative referrals, the NCIU facilitated and managed multiple detail opportunities where IRS employees from different BODs were detailed to CI to learn about the data-driven case development methodology.

The NCIU will continue increasing its footprint and impact by hiring additional personnel and launching initiatives that enhance CI's ability to effectively enforce the nation's criminal tax law and related financial crimes. ♦

UNDERCOVER OPERATIONS



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 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 and some go "shopping" for return preparer schemes. In FY 2019, agents conducted approximately 420 undercover operations and shopped more than 90 return preparers.

UNDERCOVER OPERATIONS

SIGNIFICANT CASE

On August 23, 2019, a court sentenced a Lina Pastars of Federal Way, Washington to one year in prison for 8 counts of aiding and assisting the preparation of false income tax returns. Pastars operated a tax preparation business out of her home and collected higher fees from customers by falsely inflating their deductions, so that her clients received a larger refund.

At the sentencing hearing in U.S. District Court in Seattle, Chief U.S. District Judge Ricardo S. Martinez said Pastars's clients

were primarily immigrants with little knowledge of the tax system and limited language skills. "That population is most vulnerable," Martinez said. "They were left to flounder by themselves when the IRS came knocking at their door."

According to testimony at trial and records filed in the case, the investigation began in 2015, when the IRS audited one of her clients whose 2012 tax return claimed more than \$30,000 in unreimbursed business expenses. The client claimed Pastars had claimed the deductions without their knowledge. In March and April 2015,

undercover IRS Criminal Investigation agents went to Pastars posing as clients for tax preparation. Both were very clear that they had no employee business expenses, and their employers reimbursed all their expenses. Nevertheless, Pastars claimed thousands of dollars in unreimbursed expenses so that the returns showed a refund. Pastars increased the fee that she charged each undercover agent saying, "If I do deduction I charge more." Undercover audio and video of these exchanges were admitted into evidence and played for the jury. ♦

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. ♦

WARRANTS & FORFEITURES



WARRANTS & FORFEITURES

IRS CRIMINAL INVESTIGATION Asset Forfeiture program uses seizure and forfeiture authority as an investigative tool to disrupt and dismantle criminal enterprises. The program seeks to deprive criminals of property used in, or acquired through, illegal activities. 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. In FY19, IRS-CI seized over 500 assets worth an estimated value of \$901.8 million and forfeited approximately \$502.7 million in ill-gotten proceeds.

More than 1,000 people visited the Leawood, Kansas, Hallbrook neighborhood last month to buy \$85,626 worth of imprisoned payday loan businessman Scott Tucker's abandoned possessions at an estate sale, according to a recent court filing. People bought Tucker's professional racing memorabilia, furniture, exercise equipment and other property. IRS-CI special agents took possession of Tucker's

4,500-square-foot house and property in March 2019 after Tucker's wife abandoned the home. She left behind furnishings, an art collection and exercise equipment.

Viewers of the Netflix series, "Dirty Money" may recognize Tucker's Leawood residence, because portions of the documentary were filmed there. Tucker was convicted in 2017 on multiple charges related to \$2 billion payday loan businesses that authorities said extended unethical consumer loans under terms that deceived borrowers. The

businesses were set up on American Indian tribal lands in name only as an attempt to extend loans with rates higher than what some states allow. The businesses actually operated largely out of an office building in Overland Park, Kansas

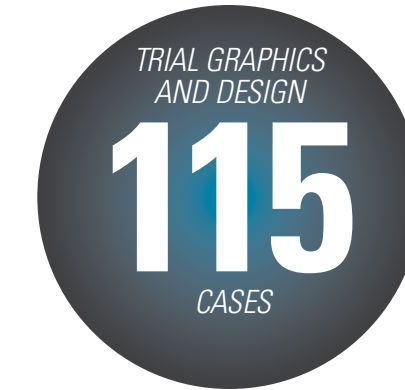
Tucker is serving a 16-year, 8-month federal prison sentence. The forfeiture order grants the government the authority to seize Tucker's proceeds and property he acquired from illegal proceeds he made through his businesses. ♦



NATIONAL FORENSIC LABORATORY



NATIONAL FORENSIC LABORATORY REQUESTS



FOR MORE THAN 40 years, 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 exploring potential criminal violations 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 of, help build, or strengthen an investigation. 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. Although the NFL has just 60 employees, 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, and ink chemistry. 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 assist in the creation of high-level presentations and other special projects. Furthermore, the Data Processing Center 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. ♦



NATIONAL CI TRAINING ACADEMY



IRS CRIMINAL INVESTIGATION (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.

TRAINING AND NCITA

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.

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.

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. ♦



HISTORY OF THE CONSOLIDATED FEDERAL LAW ENFORCEMENT TRAINING CENTER (CFLETC)



BEFORE 1970, THE quality of training received by federal law enforcement officers and agents varied greatly from agency to agency. Standardized training was an unexplored concept, and inadequate facilities and duplication of effort were prevalent as each agency independently trained its own personnel.

Studies conducted in the late 1960s revealed an urgent need for high-quality, cost-effective training by a cadre of professional instructors using modern training facilities and standardized course content. Congress responded by authorizing funds for planning and constructing the Consolidated Federal Law Enforcement Training Center (CFLETC). In 1970, the CFLETC was established as a bureau of the Department of the Treasury (Treasury Order #217) and began training operations in temporary facilities in Washington, DC.

In May 1975, after an extensive review of existing facilities, the former Glynco Naval Air Station near Brunswick, Georgia, was selected. In Summer 1975, the newly renamed Federal Law

Enforcement Training Center (FLETC) relocated from Washington, DC to Glynco, and began training in September. Glynco is the headquarters site and main campus for the FLETC, which has grown to include facilities in Artesia, New Mexico, Charleston, South Carolina, Cheltenham, Maryland, and Gabarone, Botswana.

On September 30, 1970, IRS-CI signed a Memo of Understanding with FLETC to conduct Special Agent Basic Training (SABT) on the FLETC base. IRS-CI has conducted training at FLETC for almost 50 years.

For more information on the FLETC, including its history, please visit www.fletc.gov. ♦



Special Agent Basic Training #1



Special Agent Basic Training #1905

FY 2019 HIGHLIGHTS:

- A total of 34 classroom trainings:
- 8 course development trainings held at NCITA
- 19 slot classes held at NCITA
- 6 special agent basic trainings (SABT) held for approximately 160 new students. For the first time in IRS-CI history, 2 of the SABT classes were held at the Charleston FLETC.
- 4 Naloxone Train the Trainer classes held in Cheltenham, Maryland
- 8 Master Your Craft training classes conducted in Brunswick FLETC, Charleston FLETC and Woodbridge, VA.
- NCITA conducted its first ever Basic Investigative Analyst Training (BIAT) and Advanced Investigative Analyst Training (AIAT) in FY 2019.



PROFESSIONAL STAFF

IRS-CI EMPLOYS 728 professional staff serving in many administrative and investigative capacities. Our budget analysts, management and program analysts, administrative officers, executive secretaries and computer support professionals all work tirelessly behind the scenes to support the mission of IRS-CI. Our staff also actively participates in the Chief's Advisory Council to provide CI leadership with crucial insight on relevant issues from around the country.

Our 296 investigative staff has a tremendous effect on case development and support. These compliance support assistants, tax fraud investigative analysts, and investigative analysts assist special agents with public records research, interviews, bank record scheduling and analysis, and specialized tax and law enforcement data source research.

During 2019, 176 staff in several CI job series received comprehensive training at the Federal Law Enforcement Training Center in Glynco, Georgia. They learned about various investigative data sources and case development tools.

Various field offices throughout the country and Technology Operations & Investigative Services (TOIS) leveraged Operation Warfighter, an umbrella program that enabled CI to recruit 6 interns, who are disabled veterans, from the Department of Defense (DoD) and Department of Veteran's Affairs (VA). The interns volunteered to take challenging assignments involving extraction and analysis of critical information from investigative data sources. Through this program, CI provided training and work experience to those who served our country and have now returned to the federal and civilian workforce. Additionally, through the Veteran Recruitment Act Hiring Authority, CI hired 12 veterans who accepted assignment in field offices and TOIS. This veteran hiring accounted for 13 percent of CI's overall hiring.

Additionally, CI is on course to onboard by the end of FY 2019 20 student volunteers as investigative analysts in the field, and one student volunteer who will work in communications at HQ. CI student volunteers assist special agents and other personnel to plan and complete work assignments on time, collect and analyze information, prepare documents, communicate information clearly and concisely during formal or informal meetings, contribute to team efforts, and use various tools and technologies to prepare and share documents. CI also recruited 2 Pathways Presidential Management Fellows. This is a highly selective program for individuals with a recent graduate degree. CI Presidential Management Fellows perform research and analyst work, while enrolled in a rigorous training curriculum that focuses on accelerating their development.

Professional staff positions are critical to advancing the law enforcement efforts of CI. These staff take assignments in applied analytics, field offices, such as the Nationally Coordinated Investigative Unit (NCIU), Refund Crimes, and International Operations. They use analytical software to develop sophisticated leads and support complex cases for the special agents in the field. Investigative analysts attend training alongside special agents and other professionals to stay current with investigative techniques, report writing and analytic tools. They also support investigations relating to national threats, the opioid crisis, terrorist financing, and other emerging threats through work with the High Intensity Drug Trafficking Areas, Joint Terrorism Task Force and other federal law enforcement task forces. ♦

LEADERSHIP EDUCATION AND DEVELOPMENT



IN FY 2019, IRS Criminal Investigation (CI) developed the Leadership Education and Development (LEAD) unit to provide the framework for developing exceptional leaders with a distinct skillset. These skills are uniquely geared to fulfill CI's organizational commitment to be the worldwide leader in tax and financial criminal investigations.

LEAD provides the mechanism to identify and select leaders early in their careers and progressively develop them for executive leadership positions. LEAD promotes a people-first leadership approach and an ongoing learning environment to encourage diversity, excellence and achievement. LEAD does this using Strategy, Human Resources, and our National Criminal Investigator Training Academy.

Reinvention and relevance in the 21st century require CI to emphasize continuous learning so CI's current and future leaders embrace learning for its personal and professional value. This produces a culture of growth and competitiveness, making CI's leaders more efficient, collaborative, mobile and mission oriented. All these factors are key to enhancing employee engagement. As the goals and investigative work of CI become increasingly complex, the skillset of the leadership team must adapt continuously to meet future challenges. LEAD is designed to provide employees with pathways and opportunities to gain the experience and perspective they'll need to become tomorrow's leaders. In FY 2019, LEAD hosted multiple courses and seminars for future leaders, front line managers and senior leadership. ♦

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. EDI's goal is 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.

EDI is responsible for identifying, examining, and addressing the organization's employment policies, practices, guidelines and procedures to direct the organization to effective affirmative programs. They work to ensure that employment practices and decisions are made with the highest level of integrity and fairness for every employee. EDI also advises CI's senior leadership on strategies for effectively capitalizing on the strengths of all employees while embracing their differences and unique perspectives to create an environment that engages and supports all employees.

EQUITY, DIVERSITY & INCLUSION OFFICE

Additionally, the EDI staff prepares CI's Management Directive 715 (MD 715) report. 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 6 essential elements of a model EEO program as defined by MD 715:

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

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

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

the business environment is about more than one's gender, race and ethnicity. It also includes religious and political beliefs, education, socioeconomic backgrounds, sexual orientation, cultures and disabilities. CI and its senior leadership team are stellar advocates for a workplace where our practices, policies, and procedures unequivocally support and promote a diverse and inclusive workplace, which fills our workplace environment with dynamic and engaging interactions.



CI continues to strive to be an employer of choice with our ongoing commitment to workplace equality, encouragement of work-life balance and flexibility in the workplace, and support of employees at all levels of the organization. We recognize the importance of creating a diverse and inclusive workforce where our employees thrive at any grade level or occupational series. ♦



COMMUNICATIONS & EDUCATION



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

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

Public information officers (PIOs) in each field office and communication specialists at headquarters support CI's communication functions. PIOs are case-working special agents who are also trained to carry out media outreach efforts for cases their field offices work. Headquarters communicators manage websites, write speeches and talking points and support the field in their outreach activities. All CI communicators work to balance media outreach with training and education opportunities to ensure they can react swiftly to unplanned communication

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



The first public information officers group meeting.

OUTREACH/COMMUNITY ENGAGEMENT



IRS-CI RESPONDERS DEPLOYED TO SUPPORT FEMA

In the past 24 months, IRS-CI Special Agents have been answering FEMA's call for help when facing down Mother Nature. Agents responded numerous times to enter harm's way deploying alongside fellow FLEO's as part of the Emergency Support Function #13. When catastrophe strikes the President has the authority to approve sending Federal support to states under assault by natural disasters including hurricanes, tropical storms, flooding and the like. With the 2019 hurricane season in full swing, 17 Special Agents volunteered on extremely short notice to deploy in advance of Hurricane Dorian which reached Category

5 strength. Predictions varied over the lengthy time that Dorian lingered off the eastern coast threatening to make land fall first over Puerto Rico and then the states of Florida, Georgia, and both Carolinas. Our coworkers flew and drove to Florida over Labor Day weekend as Dorian devastated the Bahamas. We now know that Hurricane Dorian slowed and turned north off-shore greatly decreasing what was previously predicted to be heavy damage. All 17 agents demobilized and have safely returned home. A special thanks is owed to all our ESF #13 responders and their families for their outstanding dedication, commitment, and unfaltering representation of Criminal Investigation. ♦

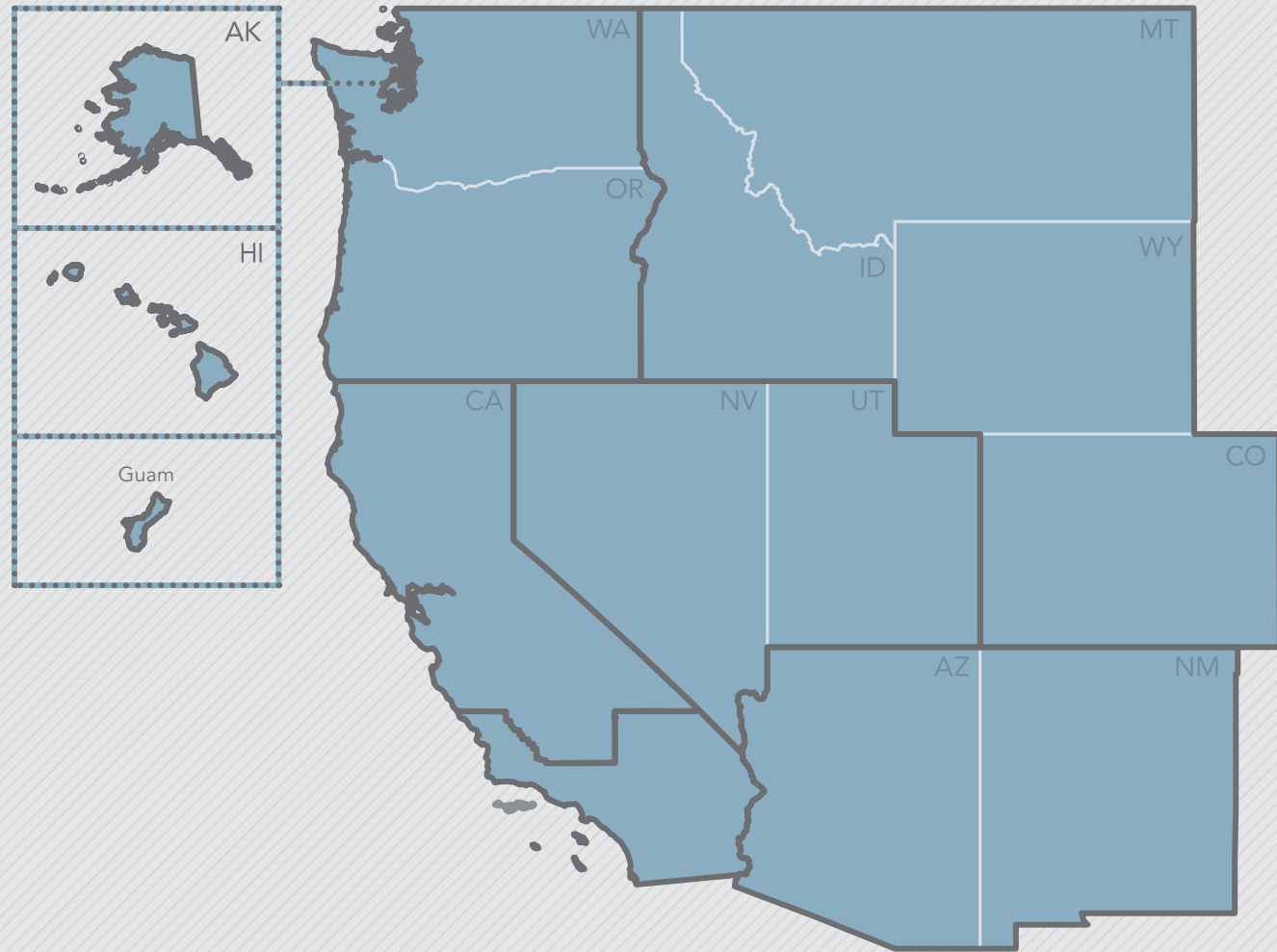
OUTREACH/COMMUNITY ENGAGEMENT



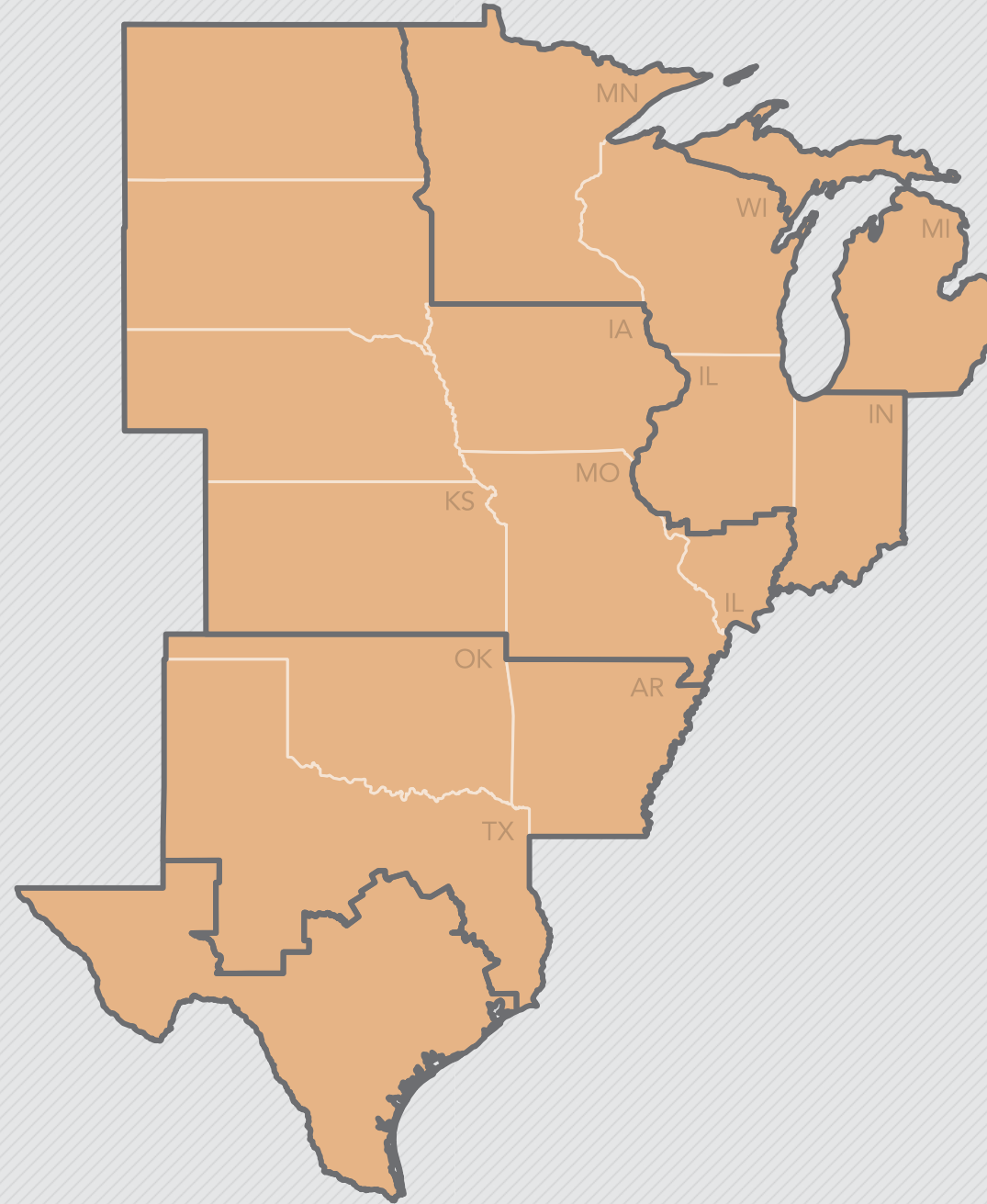
FIELD OFFICE MAP

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

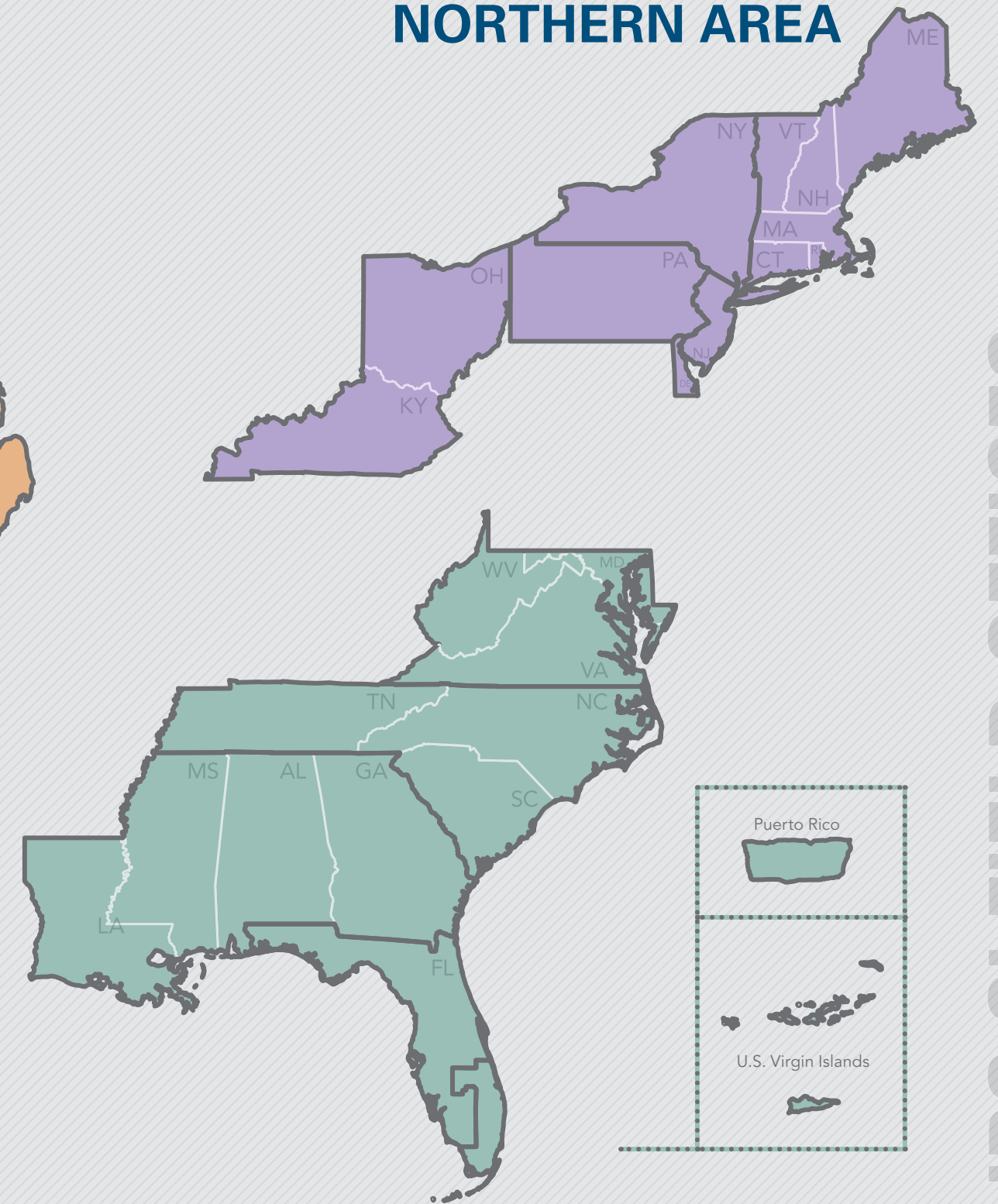
WESTERN AREA



MIDSTATES AREA



NORTHERN AREA



SOUTHERN AREA

IRS-CI FIELD OFFICES

ATLANTA FIELD OFFICE

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

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.

SIGNIFICANT CASES

Former State Legislator Sentenced to More Than 2½ Years in Prison for Accepting Bribes

On October 24, 2018, Drummond Coal Company executive, David Lynn Roberson, and Balch & Bingham partner, Joel Iverson Gilbert, received federal prison sentences of 2 ½ years in prison for Roberson, and 5 years for Gilbert. They were involved in a scheme to bribe a state legislator to

use his office to oppose Environmental Protection Agency Actions in north Birmingham. Over the past two years, they bribed former Alabama Representative, Oliver Robinson, with a \$375,000 contract paid to him through his non-profit, Oliver Robinson Foundation. They were convicted on July 23, 2018, of bribery, honest services wire fraud, conspiracy and money laundering conspiracy. Oliver Robinson was sentenced on September 27, 2018, to almost 3 years in prison for his role in the scheme.

ATLANTA FIELD OFFICE CASE FILES

Tax Preparers Sentenced to Federal Prison for Conspiring to Defraud the Government of More Than \$3.8 Million

On November 8, 2018, in Atlanta, Georgia, Joseph Racine and Arnouse Merlien of Boynton Beach, Florida were sentenced to 3 years in prison, 3 years of supervised release, and ordered to pay the IRS \$3,854,915 in restitution, for conspiracy to violate federal income tax laws by purposely

misrepresenting to the IRS that their clients were qualified to receive certain tax credits and deductions on their federal tax returns. Racine owned JSR Westend Tax Services, located in Atlanta, Georgia and JSR Tax Services, located in Greenacres, Florida, and Merlien was the office manager of JSR Tax Services. The investigation revealed that Racine filed fraudulent returns involving multiple credits and deductions, including the fuel tax credit, refundable education

credit, and unreimbursed employee business expenses. Racine requested refunds on 99 percent of the returns, a rate significantly higher than the average over the same years. Racine and Merlien engaged in this scheme to increase the amount of money they could charge their clients for preparing their returns. The fraud perpetrated by Racine and Merlien resulted in losses to the U.S. Government in excess of \$3.8 million.

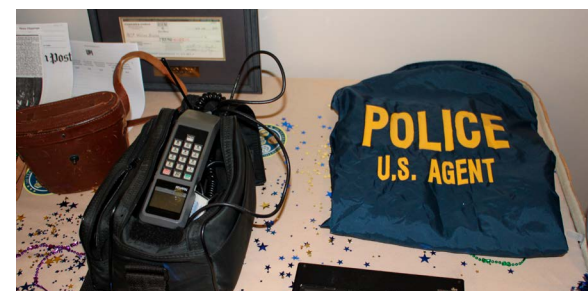


ATLANTA FIELD OFFICE CASE FILES

Judge Sentences Final Defendant in Air Force Base Fraud Case; Individuals, Businesses Ordered to Pay Back Millions

On February 22, 2019, Mark Cundiff, the defendant at the center of a scheme to award millions of dollars in military contracts in exchange for illegal kickbacks at Robins Air Force Base, was sentenced to 3 years in prison, 2 years supervised release, and ordered to pay \$110,050 in restitution to the IRS and \$270,000 to the U.S. Treasury. Two co-defendants and businesses previously entered guilty pleas and were sentenced in this case. Co-defendant Raymond F. Williams of Canton, OH, was sentenced to 5 years in prison, 3 years supervised release and to pay \$870,000 in restitution to the U.S. Department of Defense. In addition, US Technology Corporation (UST) and US Technology Aerospace Engineering Corporation (USTAE), owned by Williams, were ordered to pay \$1,500,000 in fines plus \$870,000 in restitution each. Co-defendant John Christopher Reynolds, of Macon, was sentenced to 1 year and a day. Cundiff was responsible for technical engineering support to military aircraft

maintenance operations, and part of his official duties was to prepare a Performance Work Statement (PWS) when RAFB was soliciting bidders for new contracts. Sometime in 2004 or 2005, Williams requested that Cundiff provide inside help with winning contracts. In exchange for cash payments, Cundiff wrote each PWS so that the contract requirements could only be met by Williams. Starting in 2011, Reynolds submitted fake invoices to Williams' company, UST, to funnel payments to Cundiff from Williams. Reynolds was hired by UST to provide engineering support for \$40,000 a month, but no work was involved in this sub-contract beyond a few small items. In all, Cundiff would receive amounts of between \$2,000 and \$8,000 dollars in kickbacks monthly from when the scheme began until November 2013. Cundiff retired from RAFB in January 2014. During the conspiracy, Williams directed payments from UST in the amount of \$870,000 to pay bribes to Cundiff, and to reward Reynolds and others for serving as intermediaries in the payment of bribes to Cundiff. Williams received benefits from Cundiff's efforts amounting to at least \$14,450,000.



Mississippi Tax Return Preparer Sentenced to Prison for Filing False Tax Returns

On April 30, 2019, Teresa Chism of Durant, Mississippi, was sentenced to 5 years in prison and 3 years supervised release. She was ordered to pay \$135,134 in restitution for preparing and filing a fraudulent claim for a tax refund. From 2005 through 2015, Chism operated tax return preparation businesses in

Mississippi under the names Mo' Money, MoneyCo USA, and Lady T Taxes. Chism falsified her clients' returns in different ways to increase their tax refunds, including reporting false wages, self-employment income and expenses, and education credits. In total, Chism prepared more than 550 false income tax returns, seeking over \$3.5 million in fraudulent tax refunds. ♦

"The men and women who work for IRS Criminal Investigation are some of the most tenacious and impressive criminal investigators in federal law enforcement. These special agents bring tremendous value to complex investigations, innovative ways of looking at and thinking about cases, and a commanding presence which achieves justice at trial. From global healthcare fraud to public corruption at the highest levels to money laundering by drug kingpins to straightforward tax fraud, IRS-CI agents are critical partners in helping the U.S. Attorney's Office deliver justice."
 –Mike Hurst, U.S. Attorney, Southern District of Mississippi



BOSTON FIELD OFFICE

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



MASSACHUSETTS



MAINE



VERMONT



NEW HAMPSHIRE



CONNECTICUT



RHODE ISLAND

BOSTON FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Connecticut Tax Preparer Sentenced to More Than 4 Years for Preparing False Tax Returns

On August 13, 2019, Rolando Russell, of Bridgeport, Connecticut was sentenced to more than four years in prison and one year of supervised release. Russell was also ordered to pay restitution of \$1,501,000. In April 2019, Russell pleaded guilty to two counts of aiding and assisting in the filing of a false tax return. According to court documents, Russell prepared approximately 1,820 federal tax returns for the 2013 through 2016 tax years through a tax return preparation practice he operated in Bridgeport. The returns claimed over \$11.2 million in refunds, of which the IRS issued approximately \$10 million. Many of the tax returns he prepared included false Schedule C forms, false unreimbursed employee expenses and false charitable contributions. Russell's false filings resulted in at least \$1.5 million in losses to the IRS.

Connecticut Man Who Failed to Pay \$4.8 Million in Income Taxes Sentenced to 7 ½ Years in Prison

On November 27, 2018, David Adams, of Old Saybrook, Connecticut, was sentenced to 7 ½ years in prison and three years of supervised release. Adams was also ordered to pay back

taxes, interest and penalties for tax years 2002, 2006, 2007, 2008, 2009, 2011, and 2012, which total \$4,872,172. Interest and penalties will continue to accrue until his tax obligation is paid. In October 2017, Adams pleaded guilty to two counts of tax evasion, three counts of making and subscribing a false tax return and one count of attempting to interfere with the administration of the IRS laws. According to court documents, Adams engaged in a more than 20-year effort to inhibit the IRS's efforts to collect back taxes from him. In the early 1980s, and then continuing from 1996 onward, Adams was substantially delinquent in filing his tax returns and paying amounts owed to the IRS. As part of this tax fraud scheme, Adams engaged the services of a certified public accountant to prepare his personal tax returns but he gave the accountant false information and then blamed the accountant for making errors on his returns. In 2002, Adams sold an online floral business, for which he owed

over \$1.3 million in tax. In 2011, Adams sold his partnership interest in another online floral business and received \$4,708,419 wired into his personal bank account as part of the net proceeds owed to him as a result of the sale. Although he knew that he owed substantial taxes on these business sales, Adams took numerous steps to conceal the income and avoid paying the tax due including filing false tax returns, bouncing checks to the IRS and claiming he lacked the cash to make payments.

Former Quincy Man Sentenced for \$1.9 Million Real Estate Fraud Scheme

On January 28, 2019, Scott J. Wolas, formerly of Quincy, Massachusetts, was sentenced to nearly seven years in prison and three years of supervised release. Wolas was also ordered to pay \$1,949,813 to the victims of his fraud scheme, \$318,266 to the IRS and \$69,768 to Social



BOSTON FIELD OFFICE CASE FILES



Security and Medicare. In June 2018, Wolas pleaded guilty to seven counts of wire fraud, one count of aggravated identity theft, misuse of a Social Security number and tax evasion. According to court documents, Wolas had been a fugitive for more than 20 years prior to his arrest in April 2017. From at least 2009 through 2016, Wolas, using the name Eugene Grathwohl, operated a real estate business known as Increasing Fortune Inc. and worked as a licensed real estate agent for Century 21 in Quincy. From 2014 through 2016, he solicited investments for the development of the Beachcomber Bar property on Quincy Shore Drive and for the construction of a single-family home on the adjacent property. He collected more than \$1.9 million from at least 24

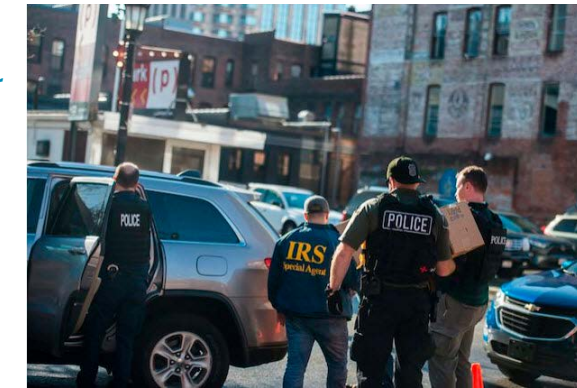
investors and promised each of them a significant return on their investments. He further promised to pay out at least 125% of the profits related to the single-family home construction. However, Wolas used the money mostly for personal expenses unrelated to development of the real estate projects. A week before Wolas was scheduled to close on the Beachcomber property, he left Quincy and ceased all contact with his then-girlfriend, his co-workers, and his investors. Law enforcement then discovered that Grathwohl was actually Wolas, a former lawyer who had been a fugitive since 1997 after being charged with fraud and grand larceny in New York. The real Eugene Grathwohl resided in Florida and was known to Wolas.

Hedge Fund Manager Sentenced for Operating Multi-Million Dollar Ponzi Scheme

On March 21, 2019, Raymond K. Montoya, of Allston, Massachusetts, was sentenced to more than 14 ½ years in prison and three years of supervised release. Restitution will be determined at a later date. In October 2018, Montoya pleaded guilty to three counts of wire fraud, five counts of mail fraud, and two counts of conducting an unlawful monetary transaction. According to court documents, between 2009 and June 2017, Montoya ran a pooled investment hedge fund in Boston called RMA Strategic Opportunity Fund, LLC. Montoya falsely told his investors—including his family, friends, and acquaintances who resided in Massachusetts, Ohio, and California—that the fund was earning substantial returns, when in fact, by 2014, the RMA Fund was sustaining substantial losses. The investors transferred millions of dollars of their personal savings and 401(k) retirement plans to Montoya and the RMA Fund. Montoya told the investors that he would invest their money in stocks and bonds, but he actually invested only a portion of their money, while diverting the rest—totaling millions of dollars—to business and personal bank accounts. Montoya used the diverted money for personal expenses such as luxury vehicles and the mortgage on his son’s residence.

Former State Senator, Businessman Sentenced for Bank Fraud, Tax Crimes

On April 12, 2019, James E. Doyle, a Former Rhode Island state senator and businessman of Pawtucket, Rhode Island, was sentenced to two years in prison. Doyle pleaded guilty in September 2018, to thirty-one counts of bank fraud and one count each of filing a false tax return and failing to file a tax return. According to court documents, Doyle engaged in a \$74 million dollar check-kiting scheme in which he wrote tens of thousands of worthless checks, and failed to report more than \$1 million dollars in income and pay taxes to the IRS. Doyle was the owner of Doyle Respiratory, LLC and Doyle Sleep Solutions, LLC, when he engaged in the criminal conduct. Doyle executed \$74 million dollars in worthless bank transactions through check-kiting schemes at bank accounts he controlled at three banks. Doyle executed the schemes through the use of checks, cash withdrawals, ATM electronic transfers and ACH transfer payments. For tax years 2013 thru 2016, Doyle and his wife failed to report to the IRS more than \$1 million dollars in income and failed to pay \$305,426 in taxes due the IRS.



Photos courtesy of Greg Saulmon, The Republican



Massachusetts Woman Sentenced to More than Three Years for Orchestrating Fraudulent Investment Scheme

On August 7, 2019, Jessica M. Teixeira, 41, was sentenced in Concord, New Hampshire to nearly three and half years in prison and was ordered to pay restitution of \$296,250 to her victims. On March 13, 2019, Teixeira pleaded guilty to wire fraud and money laundering related to a fraudulent investment scheme. According to court documents, between December 2015 and November 2017, Teixeira defrauded two New Hampshire investors by selling them a series of securities that she claimed were guaranteed to generate high rates of return.

Teixeira represented herself as a solicitor of high-yield investment funds with connections to investment groups raising funds associated with domestic and foreign real estate developments, who solicited financing through private investors rather than banks. In fact, Teixeira’s claims about being connected to high-level investment groups were false. The investment contracts and notes she sold were worthless and they generated no returns. Teixeira simply converted the invested funds to her own personal use and benefit, without returning any of the invested funds. In total, Teixeira obtained approximately \$296,250 from the two investors. ♦

“The 100 year anniversary of IRS-CI marked a very special occasion to not only reflect upon the agency’s prior successes, but also to look forward to how IRS-CI will meet the challenges of the future.”
– Kristina O’Connell, Special Agent in Charge, Boston Field Office

CHARLOTTE FIELD OFFICE

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KNOXVILLE, TN
MEMPHIS, TN

MYRTLE BEACH, SC
NASHVILLE, TN
RALEIGH, NC
WILMINGTON, NC

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



CHARLOTTE FIELD OFFICE CASE FILES

SIGNIFICANT CASES

"Sovereign Citizen" Sentenced to Federal Prison for Fraud Scheme

On May 16, 2019, Ronald Allen Wright, of Columbia, SC, was sentenced to 10 years in federal prison after a jury found him guilty of tax fraud and conspiracy to commit wire fraud. His conviction comes from the false and meritless "sovereign citizen" ideology. Individuals that espouse this ideology argue that they are not subject to the laws of the United States of America and that debts can be discharged by accessing secret government bank accounts. Wright also argued that being a sovereign citizen exempted him from paying income taxes. According to court records, Wright owned "Money Solutions," a financial services

business based in Columbia. Between 2013 and 2015, he targeted individuals, some of them elderly, who were experiencing financial difficulties, especially those going through foreclosure on their homes. He used churches and other faith-based organizations to contact them. Wright claimed he knew a method that would allow them to make financial claims against their birth certificates. He said that this could then be used to satisfy the customer's debts and attempted to fraudulently discharge nearly \$15 million of consumer debt. Despite Wright's claimed belief in this payment system, he did not accept this form of payment at Money Solutions and charged individuals over \$140,000 of actual currency to participate in his bogus scheme.

Dickson Attorney Sentenced to Federal Prison for Stealing Over \$1.36 Million From Trust Funds of Clients

On April 22, 2019, in Nashville, Tennessee, Jackie Lynn Garton, of Dickson, Tennessee, was sentenced to more than 7 ½ years in prison for stealing more than \$1.36 million from his client's trust funds. Garton, a practicing attorney in Dickson, pleaded guilty to wire fraud, tax fraud and aggravated identity theft. According to court documents, Garton served as the trustee for several estates, including one for the daughter of a Tennessee State Trooper who was killed in the line of duty in 2005. Beginning in 2009, Garton withdrew funds under false pretenses without the clients' knowledge. Garton converted the funds into cashier's checks and used the money to enrich his



CHARLOTTE FIELD OFFICE CASE FILES



lifestyle. Garton admitted that he stole more than \$1.36 million from his clients. In conjunction with the preparation of his 2016 taxes, Garton under reported his income to the IRS, claiming his total income was \$95,875, while he received at least \$367,223 that included funds he stole from his clients. Garton failed to report the stolen income from 2009 through 2016 and intended to defraud the IRS of more than \$350,000.

Southeastern Provision Owner Sentenced on Employment Tax Charges

On July 31, 2019, James Brantley was sentenced to 18 months in prison and ordered to pay \$1,296,183 in restitution to the IRS relating to his employment of unauthorized aliens at Southeastern Provision Slaughterhouse in Bean Station, Tennessee. On September 12, 2018,

Brantley pleaded guilty to two counts of willful failure to collect or pay over tax, one count of wire fraud, and one count of unlawful employment of unauthorized aliens. Brantley employed at least 150 unauthorized aliens at Southeastern Provision, to reduce the company's expenses, including its taxes, unemployment insurance premiums, and workers' compensation premiums.

Federal Judge Sentences Minister to Prison for Tax Crimes

On January 29, 2019, in Charlotte, N.C., William Todd Coontz was sentenced, to 5 years in prison, one-year supervised release, and ordered to pay \$755,669 in restitution for failure to pay taxes and aiding and assisting in the filing of false tax returns. Coontz was the minister of Rock Wealth International Ministries from 2010 to 2014

and authored numerous books on faith and finances, including "Please Don't Repo My Car," and "Breaking the Spirit of Debt." He operated two for-profit companies: Legacy Media and Coontz Investments and Insurance. He failed to make payments and falsified tax returns to avoid paying taxes he owed. Coontz also engaged in a check-cashing scheme involving payments for travel reimbursements, speaking engagements, which he overcharged churches to boost his income, and for the sale of books and other products. In addition to concealing this income, Coontz also concealed money he gave to his family and used for meals and entertainment. His business expenses included payments totaling more than \$227,700 for clothing purchases, and more than \$140,000 for meals and entertainment expenses, including more than 400 charges at movie

theaters. He concealed his extravagant purchases by making them under the names of companies he owned. The purchases included three BMWs, two Ferraris, a Maserati, a Land Rover and a Regal 2500 boat. In 2012, Rock Wealth Ministries purchased a \$1.5 million condominium as a residence for Coontz.

North Carolina Mental Health Company Owner Sentenced to Prison on Health Care Fraud and Tax Evasion Charges

On March 1, 2019, Catinia Denise Farrington, owner of a North Carolina mental health

company, was sentenced to 5 years in prison and 3 years of supervised release. She was ordered to pay restitution in the amount of \$3,950,656 to NC Fund for Medical Assistance and \$391,747 to the IRS. Farrington, a resident of Cypress, Texas, pleaded guilty to one count of health care fraud conspiracy and one count of tax evasion for the 2014 tax year. According to court documents, Farrington owned Durham County Mental Health and Behavioral Health Services LLC (DCMBHS) in Durham, North Carolina. From 2011 through 2015, Farrington submitted thousands of false claims to Medicaid for services that were

not provided, resulting in approximately \$4 million in wrongful payments to DCMBHS. During the relevant period, Haydn Thomas worked as an office manager for an oral surgeon and provided Farrington with the names and Medicaid identification numbers of dental patients to submit the false claims to Medicaid. In addition, Farrington earned more than \$1.1 million from DCMBHS and evaded income taxes on this money, by transferring funds to various business bank accounts. She paid personal expenses from the business bank accounts while failing to file tax returns. The resulting tax loss is approximately \$391,747. ♦

"IRS-CI and my Office share an important mission: to protect the integrity of our country's tax system and to bring violators to justice. Federal prosecutors rely upon IRC-CI agents' exceptional skillset, their financial investigative expertise, and their commitment to investigations from beginning to end to successfully prosecute federal cases involving violations of the U.S. Internal Revenue Code and related financial crimes."

– Andrew Murray, U.S. Attorney, Western District of North Carolina

CHICAGO FIELD OFFICE

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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.



ILLINOIS



INDIANA



MINNESOTA



WISCONSIN

CHICAGO FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Minnesota Tax Return Preparer Sentenced to More Than 10 Years for Leading a Multimillion Dollar Fraud Scheme against the IRS

On January 28, 2019, Kenneth Mwase was sentenced to more than 10 years in prison and 3 years of supervised release. According to court documents, Mwase was a tax return preparer who managed and directed Primetime Tax Services Inc., a tax preparation business with three storefronts in the Minneapolis area. In April 2014, Mwase was indicted on 70 counts, along with codefendants Ishmael Kosh, Amadou Sangaray, Francis Saygbay and David Mwangi. Together with his co-defendants, Mwase prepared and filed over 2,000 fraudulent individual income tax returns with the IRS for tax years 2006, 2007, and 2008. They also prepared approximately 1,700 fraudulent state of Minnesota income tax returns. In total, they caused a tax loss of over \$2.5 million dollars. In November 2014, Mwase pleaded guilty to one count of conspiracy to defraud the United States and one count of aggravated identity theft. Shortly before his sentencing on August 18, 2016, Mwase fled to South Africa, using a fake identity and a fraudulent passport. He was found and arrested in South Africa in May 2018. Mwase also pleaded guilty to one count of failure to appear at sentencing.

Wisconsin Man Sentenced for Wire Fraud and Tax Fraud Conspiracy

On August 5, 2019, Albert Golant was sentenced to more than 10 years in prison and 3 years of supervised release for wire fraud and conspiracy to commit tax fraud. According to court documents, while on supervised release for a prior conviction, Golant orchestrated a sophisticated Ponzi scheme through which he obtained over \$30

million from at least 40 different victims. Golant engaged in a long-term fraud scheme using his business of purchasing luxury vehicles in the United States and selling them at a substantial profit to foreign buyers overseas. Golant fraudulently obtained funds by claiming that he would use the funds to purchase specific luxury vehicles; but he never did and did not return the money. Golant also pretended to sell the same luxury vehicle to multiple clients. Golant accepted



CHICAGO FIELD OFFICE CASE FILES

money for vehicles he knew had already been sold and exported. He used the funds to support his lavish lifestyle and maintain his wealthy image. Golant used the funds to attempt to sustain his luxury vehicle export businesses. He used client funds to pay off prior loans, using one client's funds to pay debts due to his other clients. In the end, Golant's scheme left at least 22 victims with a net loss of approximately \$17.7 million and the United States with a tax loss of approximately \$5.4 million.

Joaquin "El Chapo" Guzman, Sinaloa Cartel Leader, Sentenced to Life in Prison Plus 30 Years

On July 17, 2019, Joaquin Archivaldo Guzman Loera, known by various aliases, including "El Chapo" and "El Rápido," was sentenced to life in prison plus 30 years



consecutive to the life sentence. Guzman Loera was also ordered to pay \$12.6 billion in forfeiture. On February 12, 2019, Guzman Loera was convicted of all 10 counts of which he was accused, including narcotics trafficking, using a firearm in furtherance of his drug crimes, and participating in a money laundering conspiracy. According to court documents, Guzman Loera was a principal leader of the Sinaloa Cartel, a Mexico-based international drug trafficking

organization responsible for importing and distributing more than a million kilograms of cocaine, marijuana, methamphetamine, and heroin in the United States. Once the narcotics were in the United States, they were sold to wholesale distributors in New York, Miami, Atlanta, Chicago, Arizona, Los Angeles, and elsewhere. Guzman Loera then laundered billions of dollars of drug proceeds using various methods, including bulk cash smuggling from the United States to Mexico, U.S.-based insurance companies, reloadable debit cards, and numerous shell companies, including a juice company and a fish flour company. Guzman Loera and his organization relied on violence to maintain their power throughout the region and beyond. Guzman Loera and his organization also relied on a vast network of corrupt government officials and employees to protect and further the interests of the Sinaloa Cartel.



Recycling Executive Sentenced to 3 Years for Scheming to Re-Sell Potentially Hazardous Waste and Send it to Landfills

On April 12, 2019, Brian Brundage, of Schererville, Indiana, was sentenced to three years in prison and was ordered to pay more than \$1.2 million in restitution to his victims. Brundage pleaded guilty to wire fraud and tax evasion. According to court documents, Brundage, a recycling executive, owned Intercon Solutions Inc. and EnviroGreen Processing LLC, which claimed to recycle electronic waste on behalf of corporate and governmental clients. Brundage told clients that materials would be disassembled and recycled in an environ-

mentally sound manner. Instead, from 2005 to 2016, Brundage caused thousands of tons of e-waste and other potentially hazardous materials to be sent to landfills, stockpiled, or re-sold at a profit to companies who shipped the materials overseas. Brundage concealed the income he earned from re-selling the electronic waste and from paying himself funds that he falsely recorded as Intercon business expenses in order to evade \$743,984 in federal taxes. Brundage used the money he claimed as business expenses for his own personal benefit, including paying wages to a nanny and housekeeper, purchasing jewelry, and paying a casino in Hammond, Ind.

Indiana Man Sentenced to 2 ½ Years for Tax Evasion

On September 5, 2019, Scott C. Cole, of Brownsburg, Indiana, was sentenced to 2 ½ years in prison. Cole pleaded guilty to tax evasion. According to court documents, Cole attempted to evade and defeat tax payments by opening bank accounts under sham company names and directing payment for services he rendered to the same artificial companies. He used third-party business accounts to pay personal expenses, dealt extensively in cash, and filed false 1040 tax returns understating his taxable income. Cole owes the IRS \$2,410,443. ♦



"IRS criminal enforcement investigators have been at the forefront of fighting crime in Chicago since they first opened an office 100 years ago from the investigation of Al Capone to judicial corruption in Operation Greylord to the prosecutions of former Illinois governors Otto Kerner, George Ryan and Rod Blagojevich, IRS-CI has been at the forefront of our collective efforts to root out public corruption. Our office's most significant organized crime, drug trafficking, and gang investigations have also benefited significantly from the investigative work of the IRS."
 – John R. Lausch, Jr., U.S. Attorney, Northern District of Illinois

CINCINNATI FIELD OFFICE

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



CINCINNATI FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Kentucky Man Sentenced for Employment Tax Fraud

On May 23, 2019, Clarence Michel, Jr. was sentenced to almost 6 years in prison, with 3 years of supervised release and was ordered to pay more than \$19 million in restitution to the IRS. In February 2019, Michel pleaded guilty to one count of conspiracy to defraud the IRS with a \$15 million employment tax fraud scheme, and to four counts of aiding and abetting the preparation and filing of fraudulent income tax returns.

Michel was required to pay employment taxes for six staffing companies:

- CJ Michel Industrial Services, LLC;
- CJ Michel Industrial Services, Inc.;
- CJM, LLC;
- JR Payroll Solutions, LLC;
- Michel Mechanical Services, LLC;
- ALR Staffing Services, LLC.

From 2012 through 2016, Michel instructed one of his employees not to file Forms 941 for these companies as required, and not to pay over the employment taxes withheld from employees’ paychecks. In total, the companies failed to pay \$14,671,184 they collectively owed in employment taxes.

Michel later instructed another employee to pay him money from the company’s bank accounts and alter the company’s books to

make it look like income taxes were withheld from the money he took from the company’s accounts. This false information from the company’s books was used to create false W-2’s that made it seem that Michel had met his personal tax obligations, when in reality he underpaid his personal taxes by \$2,410,827 for the 2012 through 2015 income tax years. Michel was ordered to pay an additional \$2,145,365 in restitution as relevant conduct for employment taxes he withheld but failed to deposit with the IRS between August 2017 and July 2018.

Celebrity Business Manager Sentenced to More Than 7 Years for Defrauding Clients and for Bankruptcy and Tax Charges

On May 16, 2019, Kevin Foster was sentenced to over 7 years in prison and was ordered to pay nearly \$8 million in restitution, including more than \$1.4 million to the IRS. In August 2018, a jury convicted Foster of 16 charges, including wire fraud, money laundering, bankruptcy fraud, tax evasion and filing false tax returns in a scheme to defraud his celebrity clients. This case stems from the prior prosecution of Thomas Jackson and Preston Harrison, who under false pretenses collected approximately \$9 million from investors to start and market the sports beverage OXYwater. They used their company, Imperial Integrative Health Research and Development (“Imperial”) to start and market OXYwater. The two were

convicted by a federal jury in March 2015 of multiple wire fraud, money laundering and tax fraud charges.

Foster was the principal of his management and accounting firm, Foster & Firm, Inc., and Shaffer Smith’s (“Ne-Yo”) business manager. Foster used these positions and made false claims to convince Smith to invest \$2 million into OXYwater. Foster also invested an additional \$1.5 million of Smith’s in OXYwater without his knowledge or consent. He also forged Smith’s signature to fraudulently take out \$1.4 million in lines of credit in Smith’s name.

Foster also defrauded a second celebrity client, Brian McKnight, as a way to get money he needed to help keep Imperial solvent. Ne-Yo and McKnight agreed to invest in the company, not knowing that Foster was an officer and controller of Imperial.

Foster also withdrew more money than his victims had authorized him to withdraw from their accounts, and then transferred some of it to one of Imperial’s business associates in order to help keep Imperial afloat. Foster also used the stolen funds to enjoy a lavish lifestyle, with luxury cars – including a Rolls-Royce, Bentley, Jaguar, and Mercedes – a personal driver, extravagant suits and jewelry, season tickets to the New York Giants, courtside season tickets to the New York Knicks, and Super Bowl tickets.

CINCINNATI FIELD OFFICE CASE FILES



Foster continued to divert funds from Ne-Yo and McKnight without their knowledge until Imperial went into receivership. Foster then filed for bankruptcy relief on behalf of Imperial in order to claim himself as the majority owner and made multiple false and misleading statements under oath during his bankruptcy deposition. In addition, Foster failed to report the millions of dollars that he stole from Ne-Yo and McKnight on his 2012 and 2013 tax returns. He also claimed millions of dollars in bogus deductions in order to further reduce his tax liability.

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

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

2017 on prior convictions of paying illegal gratuities to a Social Security Administration (SSA) administrative law judge and theft of more than \$550 million in government money. Conn was also ordered to pay over \$72 million in restitution. This was the largest fraud scheme in the history of the Social Security program.

From October 2004 to December 2017, Conn participated in a scheme with former SSA Administrative Law Judge David Black Daugherty, multiple doctors, including clinical psychologist Alfred Bradley Adkins, and others, in which they submitted thousands of falsified medical documents to the SSA to fraudulently obtain disability benefits for thousands of individuals, totaling more than \$550 million.

A now former SSA employee discovered information about the scheme and provided it to federal agents. Conn and former SSA Administrative Law Judge Charlie Paul Andrus conspired and acted to have the employee terminated to discredit the employee.

Conn fled the country across the Mexican border with the help of Curtis Lee Wyatt before his original sentencing date. Conn was sentenced in absentia to 12 years in prison in July of 2017. In December of 2017, Conn was apprehended and returned to the United States from Honduras. Andrus was

sentenced to 6 months in prison; Daugherty was sentenced to 4 years in prison; Adkins was sentenced to 25 years in prison, and Wyatt was sentenced to 7 months in prison.

Two Costa Rican Residents Sentenced to Lengthy Prison Terms in Connection with a \$10 Million International Telemarketing Scheme

On April 30, 2019, Andrew Smith and Christopher Lee Griffin, both of San Jose, Costa Rica, were sentenced to 25 years and 20 years in prison, respectively. Smith was ordered to pay over \$10 million in restitution jointly and severally with his co-conspirators and to forfeit \$406,324.96. Griffin was ordered to pay over \$9 million in restitution jointly and severally with his co-conspirators and to forfeit \$182,439.

Following a three-day jury trial in February 2018, Smith and Griffin were each convicted of one count of conspiracy to commit wire fraud, eight counts of wire fraud, one count of conspiracy to commit money laundering, and seven counts of international money laundering for their roles in a \$10 million telemarketing scheme that operated from call centers in Costa Rica to defraud primarily elderly victims in the United States. Evidence presented at trial showed that both Smith and Griffin worked in a call center in Costa Rica at which conspirators operated. The conspirators posed as representatives

of the U.S. Securities and Exchange Commission (SEC) and the Federal Trade Commission (FTC) and contacted victims in the United States to tell them that that they had won a substantial “sweepstakes” prize. After convincing victims, many of whom were elderly, that they stood to receive a significant financial reward, the conspirators told victims that they needed to make a series of up-front payments before collecting their supposed prize, for items like supposed insurance fees, taxes, and import fees. Conspirators used a variety of means to conceal their true identities, such as Voice Over Internet Protocols (VOIP), which made it appear that they were calling from Washington, DC, and other locations in the United States.

At trial one elderly victim testified that when she was going to stop paying, a conspirator warned her that they knew where she and her family lived. Evidence presented at trial showed that Smith and Griffin arranged for victims to make payments directly to Costa Rica through international wire transfers or through “runners,” who collected money from victims in the United States and forwarded the payment to Smith, Griffin and others in Costa Rica. Evidence also showed

these runners were dispatched by Smith and his co-conspirators to meet elderly victims at their homes, where they collected bags of cash, which they then sent to Costa Rica.

Former Chief Operating Officer of MetroHealth Hospital System Sentenced to More than 15 Years for his Role in a Conspiracy to Defraud the Hospital and Others Through a Series of Bribes and Kickbacks

On April 10, 2019, Edward Hills, former Chief Operating Officer of MetroHealth Hospital System, was sentenced to over 15 years in prison for his role in a conspiracy to defraud the hospital and others of hundreds of thousands of dollars through a series of bribes and kickbacks related to the hospital’s dental program. Hills will pay no more than \$1,042,684 in restitution, \$80,426 of which is for taxes due.

A jury found Hills, Sari Alqsous, Yazan Al-Madani, and Tariq Sayegh guilty of:

- one count of RICO conspiracy
- one count of conspiracy to commit extortion
- one count of conspiracy to commit money and property mail and/or wire fraud
- one count of conspiracy to commit honest services and/or property mail fraud
- four counts of money and property mail fraud

“IRS-CI is a vital partner in our mission to protect the public. Whether it’s a kickback scheme involving public officials, a tax case, a cyber fraud case operating overseas, or any of the numerous other cases, IRS-CI agents play a vital role in following the money.”
– Justin Herdman, United States Attorney, Northern District of Ohio

- one count of conspiracy to solicit, receive, offer, and pay health care kickbacks
- seven counts of receipt of kickbacks in connection with a federal health care program
- one count of conspiracy to obstruct justice and tamper with witnesses
- three counts of filing false tax returns

Hills worked in various capacities at MetroHealth, including as Chief Operating Officer and Director of MetroHealth Dental. He also served as interim President and Chief Executive Officer from December 2012 through July 2013. Alqsous, Al-Madani and Sayegh are dentists who worked for MetroHealth. Hills, Alqsous and Al-Madani engaged in a racketeering conspiracy from 2008 through 2016 involving a series of elaborate bribery conspiracies, witness tampering and other crimes. The bribes Hills solicited included cash, checks, a \$3,879 Louis Vuitton briefcase, a 55-inch television, airline flights, and use of a downtown apartment for Alqsous, Al-Madani and others. In return, Hills took official actions on the payor’s behalf, including allowing payors to work at their private dental businesses during regular business hours while also receiving a full-time salary from MetroHealth. ♦



DALLAS FIELD OFFICE

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AMARILLO, TX
BEAUMONT, TX
FARMERS BRANCH, TX
FAYETTEVILLE, AR
FORT SMITH, AR

FORT WORTH, TX
IRVING, TX
LITTLE ROCK, AR
LUBBOCK, TX

MUSKOGEE, OK
OKLAHOMA CITY, OK
TULSA, OK
TYLER, TX

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



TEXAS



OKLAHOMA



ARKANSAS

DALLAS FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Former Dallas Mayor Pro Tem Dwaine Caraway Sentenced to More Than 4½ Years in Bribery Scheme

On April 5, 2019, former Dallas City Councilman and Mayor Pro Tem Dwaine Caraway was sentenced to more than 4½ years in prison for tax evasion and conspiracy to commit wire fraud. According to his plea agreement, Caraway accepted roughly \$450,000 in bribes from Force Multiplier Solutions CEO Robert Leonard, an entrepreneur who sold faulty stop-arm cameras for use on Dallas County school buses. In return for the kickbacks, Caraway voted to promote and continue Dallas County Schools' stop-arm camera program, which relied on equipment sold by Force Multiplier. The majority of bribes from Leonard to Caraway – which the former Mayor Pro Tem admits he omitted from his tax returns – were funneled through a sham consulting firm. The rest was doled out in the form of custom-made suits, fully funded trips, casino chips, fake loans, funeral expenses, and cash payments. Dallas County Schools, which collected property taxes to purchase stop-arm cameras for its fleet of about 2,000 buses, closed in November 2017, saddled with approximately \$103 million in debt.

Former Councilman Larry Duncan Sentenced to 6 Months House Arrest in Public Corruption Probe

On April 9, 2019, former Dallas City Councilman Larry Duncan was sentenced to 6 months of house arrest and 3 years of supervised release on charges stemming from the public corruption investigation into Dallas County Schools (DCS). Duncan, a former DCS Board of Trustees President, previously pleaded guilty to tax evasion. According to court documents, between 2012 and 2016, Duncan accepted nearly \$250,000 in campaign contributions from Force Multiplier Solutions CEO Robert Leonard, who was pursuing lucrative stop-arm camera contracts with DCS. Instead of putting Leonard's money toward legitimate campaign expenses associated

with his DCS re-election bid, Duncan used at least \$184,726 for personal benefit, such as taking out cash withdrawals, giving money to his wife, and even using funds to pay car-related expenses. He then failed to disclose the money he diverted from the campaign on his tax returns, hiding the income from the IRS.

Former Oklahoma City Company President and CEO Sentenced for Tax Fraud

On February 7, 2019, Gregory Damien Lorson, of Panama City Beach, Florida, was sentenced to 5 years in prison for not paying federal payroll taxes withheld from employees' wages. According to court documents, Lorson was the President and CEO of Oklahoma City based TEEMCO, LLC, which provided environmental services



DALLAS FIELD OFFICE CASE FILES



to oil and gas companies. From 2010 to 2015, TEEMCO deducted and withheld payroll taxes from its employees' wages. Instead of paying the withheld payroll taxes to the IRS, Lorson used the money to fund TEEMCO's extensive advertising campaign and to pay other creditors and expenses. Lorson directed TEEMCO employees not to report the withheld payroll taxes to the IRS. Lorson agreed to pay more than \$3 million in restitution to the IRS and an additional \$542,162 to the Oklahoma Tax Commission.

Arkansas Man Sentenced to 3 Years for Willful Failure to Collect and Pay Employment Taxes

On May 21, 2019, Rodney Minner, of Eureka Springs, Arkansas, was sentenced to 3 years in prison, 3 years of supervised

release, and ordered him to pay more than \$1 million in restitution. In October 2018, Minner pleaded guilty to willful failure to collect and pay employment taxes. According to court records, Minner owned and operated four restaurants known as "The Rowdy Beaver." The restaurants were located in Eureka Springs, Arkansas, Cassville, Missouri, and Branson, Missouri. The defendant was responsible for handling the business taxes and filing Forms 941, and for collecting and paying all of the employment taxes owed, including any trust fund taxes. Minner withheld employment taxes from Rowdy Beaver employees' paychecks but paid neither the employer nor the employee portions of outstanding employment taxes. The total tax loss from this scheme ranges from \$500,000 to \$1,500,000.

Four Sentenced to a Total of 16 Years for Steroid Distribution and Money Laundering

Between April 23, 2019, and June 17, 2019, a court sentenced four defendants for their roles in a steroid-distribution and money-laundering ring. Christopher Thomas Caplinger of Edmond, Oklahoma; Donald Ray Vincent Jr. of Edmond, Oklahoma; Deborah Ann Crawford of Oklahoma City; and, Michael Brandon Schott, of Newport News, Virginia, received prison sentences totaling 16 years. Additionally, law enforcement seized \$387,216 during their investigation, and \$840,000 was ordered in money judgments. All 4 defendants previously pleaded guilty.

On March 20, 2019, a federal jury returned a 23-count indictment against all four defendants. In addition to allegations of illegally conspiring to distribute anabolic steroids, a Schedule III controlled substance, the indictment charged distribution of steroids to an undercover officer, manufacturing of steroids, maintaining a drug-involved premises, a conspiracy to

commit money laundering and international money laundering. According to court documents, Caplinger, Vincent and Crawford concealed the proceeds of their illegal activity by depositing money into bank accounts in the names of third parties and storing bulk cash at residences, including about \$250,000 buried in Caplinger's back yard. From April 2015 until November 2017, Caplinger rented space in Oklahoma City to manufacture and distribute steroids. Caplinger and Crawford transferred funds to China to conceal their crimes. Caplinger and Vincent manufactured anabolic steroids and conspired to launder the proceeds. Crawford pleaded guilty to the money-laundering conspiracy, and Schott admitted to conspiring to distribute anabolic steroids.

- Caplinger was sentenced to 9 years in prison, and ordered to forfeit \$287,743 seized by law enforcement and to pay a \$740,000 money judgment.
- Vincent was sentenced to 3 years in prison and ordered to forfeit \$99,473 seized by law enforcement and to pay a \$100,000 money judgment.
- Schott was sentenced to a 1½ years in prison.
- Crawford was sentenced to 2½ years in prison.



Four Tax Preparers Sentenced for Tax Fraud Offenses

Four tax preparers associated with Tax Genius, were sentenced for preparing false and fraudulent income tax returns and conspiracy to defraud the IRS. According to court documents, Jimmy Luis Briseno owned and operated Tax Genius, dba K&J Tax Service and Anchondo Tax Service, both located in Garland, Texas. Tax Genius operated out of a used car dealership located on North Central Expressway in Richardson, Texas. Mike Cano, Christopher Lee DeLeon and Rene N. Barrera Sr. were employed as tax preparers with Tax Genius. Briseno trained each co-defendant how to



file false tax returns. From January 2011 through April 2013, the four tax preparers filed at least 36 fraudulent tax returns resulting in a total tax loss of approximately \$229,449. The four were sentenced as follows:

- On November 29, 2018, Mike Cano was sentenced to more than a year in prison and was ordered to pay restitution of \$524,195 to the IRS.
- On December 20, 2018, Rene N. Barrera Sr. was sentenced to 2 years in prison and was ordered to pay restitution to the IRS of \$1,507,312.
- On February 8, 2019, Christopher Lee DeLeon was sentenced to a year in prison followed by one year of supervised release and ordered to pay \$430,176 in restitution.
- On September 7, 2018, Jimmy Luis Briseno was sentenced to 5 years in prison and was ordered to pay restitution of \$846,482. ♦

DENVER FIELD OFFICE

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BILLINGS, MT
BOISE, ID
CHEYENNE, WY
COEUR D'ALENE, ID

COLORADO SPRINGS, CO
DURANGO, CO
FORT COLLINS, CO
GRAND JUNCTION, CO

HELENA, MT
MISSOULA, MT
WESTMINSTER, CO

THE DENVER FIELD OFFICE covers a large geographic area (approximately 432,500 square miles) that includes the states of Colorado, Montana, Idaho and Wyoming. 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.

SIGNIFICANT CASES

Six More Defendants Sentenced for Embezzlement from the Ute Mountain Ute Tribe

16 defendants, including 11 tribal members were sentenced to prison terms ranging from 3 years of probation to 41 months in prison for their roles in an extensive embezzlement scheme targeting the Ute Mountain Ute Tribe in Towaoc, Colorado. The tribe has benefit accounts set up for each of its members to assist payment of utility bills as well as family plan accounts established for each tribal member's child to assist with the purchase of items such as vehicles, home furnishings and computers when the child reached 18 years old. Beginning in 2011 and continuing through approximately October 2015, employees of the tribe's Financial Services

Department caused fraudulent tribal checks to be generated in the names of certain selected people. These checks were cashed and usually shared with the Financial Services employee who provided the check. While initially attributing the fraudulent checks to the utility benefits or family plan accounts who did not request the checks, eventually checks were generate without being attributed to any tribal member. In certain instances, funds were sent via Western Union to selected recipients who would in turn provide a portion of the funds back to the employee who sent the wire. On other occasions one defendant wired funds to Federal Bureau of Prisons inmates who were not Ute Mountain Ute tribal members and not entitled to any Ute Mountain Ute tribal funds. Final restitution ordered for this case totaled \$1,139,996.

DENVER FIELD OFFICE CASE FILES

Former Casper Dr. Shakeel Kahn Sentenced to 25 Years for Prescription Drug Conspiracy

On August 12, 2019, Dr. Shakeel Kahn was sentenced to 25 years in prison for conspiracy to distribute oxycodone and other drugs resulting in death, possession of a firearm during a drug-trafficking crime, money laundering, and other drug crimes. Between 2011 and November 30, 2016, Kahn prescribed 2,170,275 pills in over 31,000 prescriptions and was found

responsible for the overdose death of an Arizona woman. When defense counsel asked the court to not put Kahn in the same category as cartel dealers, the judge noted the law would convert the 2 million pills to 200,000 kilograms of generic drug weight which "puts him right up there with (Joaquin "El Chapo") Guzman. Kahn was also ordered to pay the deceased woman's funeral expenses. Kahn's brother, Nabeel Kahn, was sentenced to 15 years in prison for his role in the drug conspiracy.

Monument Man Sentenced to Prison for Tax Fraud

On February 25, 2019, in Denver Colorado, Craig Walcott, a health care products business owner, was sentenced to 36 months in prison, 3 years of supervised release and ordered to pay \$628,733 in restitution to the IRS. Walcott pleaded guilty on Nov. 27, 2018, to one count of attempting to evade the payment of his federal income taxes. According to court documents, in April 2010, Walcott was notified by the Internal



DENVER FIELD OFFICE CASE FILES

Revenue Service (IRS) that he owed taxes and penalties for the years 2005, 2006 and 2007, totaling \$458,569. After receiving this notice, Walcott took a series of steps to prevent the IRS from collecting those taxes. He recorded fictitious deeds of trust against four properties he owned, so that they would be unattractive targets for IRS tax liens and transferred other properties he owned to nominee entities to make it appear to the IRS that he no longer had an ownership interest in the properties. Walcott also filed false tax returns for the tax years 2005- 2007 that underreported his income for those years.

Kalispell man sentenced to prison for mineral lease fraud scheme; firearms possession

On January 30, 2019, in Great Falls, Mont., John Kevin Moore was sentenced to more than 10 years in prison, ordered to pay \$2,222,817 in restitution, as well as a forfeiture of \$1,926,725. Moore was convicted in August 2018 on 21 counts in an indictment, including wire fraud, money



laundering and making a false statement to a federal agent. In the firearms case, Moore pleaded guilty in September 2018 to being a felon in possession of firearms. In the fraud case, prosecutors presented evidence that Moore set up two companies, Big Sky Mineral Resources, LLC, and Glacier Gala and used them to solicit money from investors by purporting to buy oil and gas leases and to buy and sell lucrative art work. Instead, Moore used investors' money to pay off earlier investors and to pay for personal expenses, including payments on multi-million-dollar properties. To convince

investors to give him money and to provide a sense of comfort about their investments, Moore would reference his wealth and connections with influential people, Moore received more than \$2 million from investors based on false claims he made regarding the mining of oil and gas and minerals and the sale of art work. Moore returned some of the money to investors after they raised concerns about the legitimacy of Big Sky Mineral Resources. Other times, rather than return the money, Moore promised to repay investors through alternative means and then failed to do so.



Colorado Springs Chiropractor Sentenced for Conspiracy and Filing False Income Tax Returns

On April 15, 2019, Thomas Forster Gehrman, Jr. was sentenced to 2 years in prison and ordered to pay \$88,063 in restitution to the IRS for conspiracy and filing false tax returns. Gehrman handled day-to-day operations of Atlas Chiropractic Center at Briargate, Inc. and SpineMed Decompression Centers of Colorado LLC which shared employees, business bank accounts, an outside bookkeeper and CPA and other resources. While cash, check, credit cards and third-party payer payments were accepted, a sign at the front desk requested patients make checks

payable to the individual doctors instead of a business entity. All checks payable to SpineMed or Atlas, along with all credit card payments were deposited into business bank accounts. Cash payments and checks payable to Gehrman were kept separate in the "cookie jar" located in his office. Once a week the cash payments were divided by Gehrman and two other chiropractors. Gehrman kept track of the cash payment distributions in a book entitled "Secret Records". Cash and payments payable to Gehrman personally were not deposited into the business bank accounts and were not reported on the business tax returns or Gehrman's personal income tax returns. ♦

"When you start to investigate a complicated financial crime, having an IRS-CI agent on the case is a must. They work well with other law enforcement agencies and Assistant United States Attorney's from my office, not to receive credit for a job well done, but to deliver justice. IRS-CI Special Agents and their staff are consummate professionals."
 – Jason R. Dunn, U.S. Attorney, District of Colorado

DETROIT FIELD OFFICE

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ANN ARBOR, MI

CLINTON TOWNSHIP, MI

EAST LANSING, MI

FLINT, MI

GRAND RAPIDS, MI

PONTIAC, MI

TRAVERSE CITY, MI

THE DETROIT FIELD OFFICE area of responsibility encompasses the state of Michigan and its two judicial districts. With Michigan's diverse cultures and proximity to the Canadian international border, Detroit CI special agents are involved in a variety of criminal investigations including traditional tax, corporate fraud and money laundering. To address the various priorities affecting 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

SIGNIFICANT CASES

Michigan Resident Sentenced for Tax Evasion

On March 19, 2019, Mersed Bebanic, of Shelby Township, Michigan, was sentenced to more than a year in prison for tax evasion. Bebanic was also ordered to pay restitution and a \$20,000 fine. According to court documents, Bebanic owned and operated three businesses, including Century Trucking Inc., Century Trucking Services LLC, and Century Innovations. In April 2014, Bebanic prepared and filed a Form 1040, Individual Income Tax Return, that underreported his total income. Bebanic reported his taxable

2013 income as \$34,073 and the total taxes on his income as \$10,790 although he knew his total income for 2013 was substantially higher. As a result, the tax due and owing on his income for 2013 was also substantially higher, totaling \$281,368. Factoring in penalties, the loss associated with Bebanic's tax evasion scheme from 2011 through 2014 totaled \$1,224,461.

Metro Detroit Area Tax Preparer Sentenced for Filing Fraudulent Tax Returns

On April 24, 2019, Gary Hairston was sentenced to 2½ years in prison, one year of supervised release and was ordered to pay \$118,048 in restitution to the IRS.

Hairston was previously found guilty at trial of 25 counts of preparing false federal income tax returns. According to court documents, Hairston owned and operated Gary Y Hairston & Co PLLC, a tax return preparation business located in Inkster, Michigan. From 2010 through 2014, Hairston prepared and filed false tax returns with the IRS on behalf of his clients, charging up to \$925 per fraudulent return. Hairston falsified the returns to inflate his clients' refunds or help them get refunds to which they were not entitled. In some cases, to facilitate the scheme, he would create false Schedule C businesses for clients. Hairston sought more than \$175,000 in fraudulent refunds.



DETROIT FIELD OFFICE CASE FILES

Fraudulent Tax Returns Nets Detroit Man Prison Term

On May 20, 2019, Juan Carlos Pena-Lora, of Detroit, Michigan, was sentenced to more than 4 years in prison and was ordered to pay \$14,286,166 in restitution. According to court documents, from 2011 through 2012, Pena-Lora negotiated over 2,000 U.S. Treasury income tax refund checks in Michigan. As Pena-Lora was well aware, the Treasury checks were the result of the filing fraudulent tax returns. On the returns, he claimed refunds filed in the names and associated Social Security numbers of citizens from Puerto Rican. However, he used residential addresses in the continental United States. Pena-Lora cashed the Treasury tax refund checks at local check cashing stores in the city of Detroit, which Pena-Lora knew were proceeds of illegal activity.

Michigan Attorney Sentenced for Defrauding Clients and Filing False Federal Income Tax Returns

On June 17, 2019, Jeffrey J. Palmer, a resident of Holland, Michigan, was sentenced to 3 years in prison and was ordered to pay restitution to his victims and \$55,511 to the United States for tax due. Palmer previously pleaded guilty to making a false statement on a federal income tax return and executing a scheme to defraud

two of his clients. According to court documents, Palmer embezzled \$339,520 of client trust funds between 2012 and 2016, while licensed and practicing as an attorney in Michigan. He did not disclose to his clients that he was withdrawing their funds for his own personal use and benefit. One of Palmer's victims was vulnerable because he was living in a nursing home and lacked the ability to care for himself or manage his finances. In addition to the scheme to defraud his clients, Palmer failed to report as income the funds he embezzled on his federal income tax returns. In so doing, he filed false returns that underreported his income. Upon pleading guilty, Palmer received an automatic interim suspension from practicing law and faces disbarment.



Former Operators of Michigan Adult Foster Care Homes Sentenced for Income and Employment Tax Crimes

On August 28, 2019, Jeremiah Cheff was sentenced to more than 2 years in prison and 2 years of supervised release. Nicolette Cheff was sentenced to 2 years of probation. Both were ordered to pay restitution of \$199,647 to the IRS. On May 20, 2019, a jury found Jeremiah Cheff guilty of 60 counts of willfully failing to account for and pay over payroll taxes. He was also convicted of corruptly endeavoring to obstruct the IRS and failing to timely file his 2013 through 2015 individual income tax returns. On April 11, 2017, Nicolette Cheff pleaded guilty to failing to file an Employer's Quarterly Federal Tax Return and failing to file an Individual Income Tax Return.

According to court documents, the Cheffs owned and controlled the financial and business operations of 16 foster-care homes that cared for individuals with mental illnesses and developmental and physical disabilities. From September 2010 through September 2014, the Cheffs withheld payroll taxes from employees' paychecks, but failed to timely file payroll tax returns and pay over the withheld funds to the IRS. Jeremiah Cheff also failed to file several individual income tax returns and, when the IRS attempted to collect unpaid payroll taxes, he sent the IRS a false financial instrument claiming to be worth \$80,000 and falsely claimed to a revenue officer that he had paid the taxes due. ♦

HOUSTON FIELD OFFICE

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AUSTIN, TX
BROWNSVILLE, TX
CORPUS CHRISTI, TX

EL PASO, TX
LAREDO, TX
MCALLEN, TX

SAN ANTONIO, TX
WACO, TX

THE HOUSTON FIELD OFFICE area of responsibility encompasses the Southern and Western judicial Districts of Texas. Due to the proximity to the Mexican international border and having some of the fastest-growing cities and counties in the United States within its jurisdiction, Houston special agents are able to work a variety of cases with emphasis in traditional tax-related crimes such as employment tax, corporate fraud, identity theft, unscrupulous return preparers and general fraud. The Houston Field Office also provides crucial support to their respective U.S. Attorney's priority task forces involving counterterrorism, public corruption, human trafficking, drugs and complex money laundering violations.

SIGNIFICANT CASES

Houston Man Sentenced to Life for Racketeering Schemes Involving the Attempted Capital Murder of State District Judge

On October 2, 2018, Chimene Hamilton Onyeri was sentenced to life in prison for his leadership role in carrying out fraud and racketeering schemes that involved the attempted capital murder of State District Court Judge Julie Kocurek in November of 2015. Onyeri was also ordered to pay restitution of \$178,374. On April 26, 2018, a jury convicted Onyeri of one count of conspiracy to violate the Racketeering Influenced Corrupt Organization (RICO) statute, one count of conspiracy to commit mail fraud, two counts of conspiracy to commit wire fraud, seven counts of aggravated identity

theft, and six counts of witness tampering. According to court documents, from January 2012 to November 2015, Onyeri, Marcellus Antoine Burgin, of Cypress, Texas, and Rasul Kareem Scott of Marrero, Louisiana, conspired to commit various fraudulent schemes for financial gain in Austin, Houston, the state of Louisiana and surrounding areas. Schemes included converting stolen debit card numbers obtained from skimming devices into cash, and Stolen Identity Refund Fraud (SIRF), through the use of the U.S. Mail. Their racketeering enterprise involved mail fraud, bribery of a public official, wire fraud, document fraud, access device fraud, money laundering and attempted murder. When the existence of the criminal enterprise was threatened, Onyeri responded with violence. On the night of November 6, 2015, Onyeri attempted to murder State District Court Judge Julie Kocurek,

HOUSTON FIELD OFFICE CASE FILES

whom Onyeri believed was going to sentence him to prison, by shooting Judge Kocurek while she sat in her car outside her home in Austin. As a result of the incident, Kocurek suffered serious bodily injury from multiple gunshots and resulting shrapnel. In September 2016, Onyeri attempted to contact six witnesses by smuggling a note out of jail and corruptly persuade them not to talk about Onyeri's criminal activities to investigators in this case.

Federal Court Sentences Business Owner for \$20 Million Tax Fraud

On February 14, 2019, Jonathan Adam Van Pelt was sentenced to two and a half years in prison and three years of supervised release for willfully failed to truthfully account for and pay over employment taxes to the IRS. Van Pelt was also ordered to pay restitution to the United States of more than \$20 million. Van Pelt, the former owner of Stat Source, pleaded guilty on November 8, 2018. According to court documents, Van Pelt failed to pay more than \$20 million in employment taxes to the IRS for Stat Source Inc. This amount consisted of the taxes owed for 18 employment tax quarters running from the third quarter of 2011 through the fourth quarter of 2015. Van Pelt spent the money owed on the unpaid employment taxes on various luxury items, such as luxury automobiles, expensive furniture, leather goods, jewelry,

an expensive home, lavish vacations and various entertainment venues.

Long-Time Houston Physician Ordered to Prison for Tax Evasion

On February 6, 2019, Edward J. Crouse was sentenced to a year and a half in prison and one year of supervised release. Prior to today's hearing, Crouse paid restitution of \$678,103. On August 28, 2018, Crouse, a doctor who practiced in Houston for more than 30 years, pleaded guilty to tax evasion. According to court documents, Crouse had not timely filed a U.S. individual income tax return since 1997. Crouse earned more than \$4.4 million in years 2009 through 2012. Crouse consistently committed numerous affirmative acts of tax evasion over the years to conceal his true income from the IRS, including concealing the complete

business records of his medical practice for calendar years 2006 through 2012 from his bookkeeping and tax return preparation firm. Crouse signed an IRS Collection form on or about May 1, 2010, in which he understated the amount of his income from his medical practice available for payment of taxes and household expenditures. Crouse agreed that the total intended tax loss in his case was approximately \$678,103.

Former U.S. Congressman Sentenced to 10 Years in Prison for Extensive Fraud, Tax, and Election Crimes Scheme

On November 7, 2018, former U.S. Congressman Stephen E. Stockman was sentenced to 10 years in prison and ordered to pay \$1,014,718 in restitution. Stockman was convicted in Houston on April 12, of 23 counts of mail fraud, wire fraud,



HOUSTON FIELD OFFICE CASE FILES



evidence presented at trial, from May 2010 to February 2014, Stockman and his co-defendants, Thomas Dodd and Jason T. Posey, solicited \$1,250,571 in donations from charitable organizations and the individuals who ran those organizations based on false pretenses, then used

conspiracy to make conduit contributions and false statements to the Federal Election Commission, making false statements to the Federal Election Commission, making excessive coordinated campaign contributions, money laundering, and filing a false tax return. According to the

a series of sham nonprofit organizations and dozens of bank accounts to launder the money before it was used for a variety of personal and campaign expenses. Stockman failed to pay taxes on any of the \$1,250,571 in fraudulently acquired donations. In addition, during the early

stages of the investigation, Stockman directed Posey to flee to Cairo, Egypt, for two and a half years so that Posey could not be questioned by law enforcement.

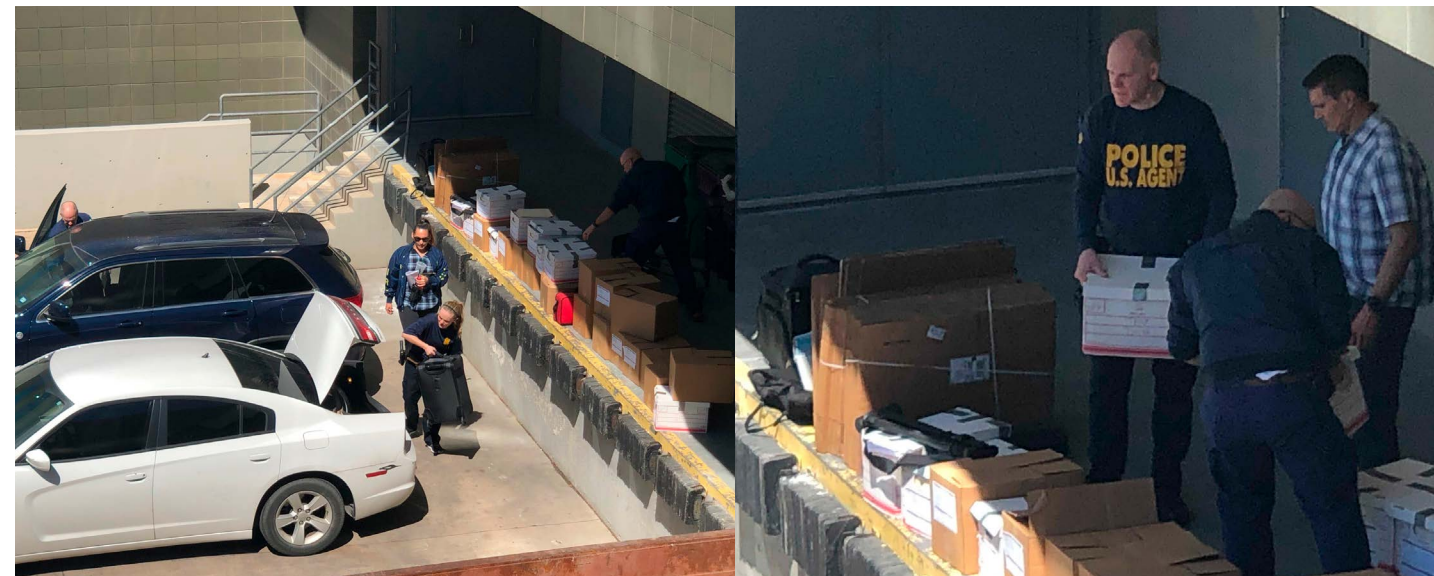
Prison for Operation "Tres Equis" Defendants

On May 17, 2019, Daniel Laurel, of Laredo, Texas, was sentenced to more than 12 and ½ years in prison for money laundering conspiracy and money laundering concealment. As part of his sentence, Laurel also received a \$285,500 money judgement or forfeiture of funds involved in his money laundering. Laurel was convicted in June 15, 2018, for having successfully laundered drug proceeds for the Romero

Drug Trafficking Organization (DTO). The DTO used Laurel's bank account and those of his recruits to funnel drug proceeds from various geographic locations for immediate withdrawal in Laredo. Once the proceeds were withdrawn, they were provided to other Laredo co-conspirators and often taken into Mexico to leaders of the organization. Laurel is one of several identified through a long term Organized Crime Drug Enforcement Task Force (OCDETF) investigation dubbed Tres Equis. These co-conspirators engaged in a scheme to distribute cocaine, methamphetamine, heroin and fentanyl through the use the U.S. Postal Service or other means such as Federal Express. They also used various U.S. bank accounts to transfer

drug proceeds from distribution hub cities to cities along the Mexican border, including Laredo, and to places outside the United States, including Mexico and Ecuador. The 22 others sentenced include Antonio Romero Jr., of Orlando, Florida, who occupied a leadership position in the DTO and received a sentence of more than 24 years. The other prison sentences range from one year to 17 ½ years based on their roles in the organization. Two others received probation. As part of their respective sentences, most received a hefty money judgment or forfeiture of funds

involved or traceable to drug trafficking which ranged from \$1000 to \$1.08 million. Additionally, non-U.S. citizen defendants are expected to face deportation proceedings and possible cancellation or denial of any previously granted visa or legal residency status. ♦



LAS VEGAS FIELD OFFICE

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

OGDEN, UT

RENO, NV

SALT LAKE CITY, UT

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

SIGNIFICANT CASES

Oregon Tax Fraud Promoter Sentenced to Prison for Sending Fraudulent Financial Instruments and Failing to File Tax Returns

On October 22, 2018, Winston Shrout, a Hillsboro, Oregon, tax fraud promoter was sentenced to 10 years in prison, 5 years supervised release and pay restitution to the IRS for submitting fraudulent financial instruments to financial institutions and the U.S. Treasury and failing to file income tax returns. According to court documents, from approximately 2008 through 2015 Shrout created and submitted

more than 300 fraudulent financial instruments with the intent of defrauding financial institutions and the U.S. Treasury. Shrout held seminars and private meetings to promote and market the use of these fraudulent financial instruments to pay off debts, including federal taxes. Shrout sold recordings of his seminars, templates for fraudulent financial instruments and other materials through his website. Shrout failed to file his 2009 through 2014 tax returns despite earning substantial income from seminars, licensing fees associated with the sale of his products and annual pension payments. Shrout admitted during trial that he had not paid income tax for at least twenty years.

LAS VEGAS FIELD OFFICE CASE FILES

Northern Nevada Tax Return Preparer Sentenced to Prison For Tax Fraud Conspiracy and Theft of Elder Client's Money

On January 29, 2019, in Reno, Nev., Thomas Michael Bidegary, former IRS employee who co-owned Winnemucca Tax and Bookkeeping Service, was sentenced to 5 years in prison and 3 years of supervised release for his role in a tax return conspiracy. Bidegary previously pleaded guilty to conspiracy to commit tax fraud and theft of government money, related to two separate criminal indictments. Bidegary conspired with a co-defendant to prepare and file fraudulent individual income tax returns on behalf of clients. Beginning in at least 2009 and continuing through December 2014, he advised clients that by making small

"investments" into various businesses he owned, the clients could decrease their annual taxable income and increase their tax refunds. As part of the scheme, after receiving checks from clients, Bidegary would prepare false tax forms for the corresponding tax year that included large fictitious business losses in order to reduce the client's taxable income and obtain a larger refund than what the client was entitled to receive. As a result of the false tax returns, he caused a tax loss of approximately \$259,880. In a separate criminal case filed against Bidegary, he prepared and filed an unauthorized tax return on behalf of an elderly woman in Battle Mountain, Nevada. After receiving the \$12,500 tax refund, he deposited the check into a bank account which was then converted for his own personal use.

Three Las Vegas Family Members Sentenced for Multi-Million Dollar Tax Fraud Scheme

On April 10, 2019, Chanh Trinh and Cannedy Trinh were sentenced to 8½ years in prison and 2 years in prison, respectively. On May 15, 2019 Elizabeth Trinh was sentenced to 1½ years in prison. Chanh V. Trinh, Cannedy Trinh, and Elizabeth Trinh each pleaded guilty to conspiring to defraud the United States by fraudulently obtaining the payment of income tax refunds. Chanh V. Trinh also pleaded guilty to aggravated identity theft involving the use of his deceased brother's identity. According to documents filed with the court, Chanh V. Trinh, Cannedy Trinh, and Elizabeth Trinh, conspired to file federal corporate and individual income tax returns reporting false income tax withholdings and



NEVADA



UTAH



LAS VEGAS FIELD OFFICE CASE FILES



payments, which fraudulently caused the IRS to issue income tax refunds. The Trinh's filed the fraudulent returns in the names of fictitious business entities, their own names, and the names of other individuals, including a long-deceased family member. Chanh V. Trinh prepared and filed the returns. All three defendants deposited or cashed the fraudulently obtained refund checks using bank accounts and check-cashing businesses in Las Vegas. The defendants regularly concealed the funds by purchasing cashier's checks, which they used to obtain gambling chips at Las Vegas casinos. The conspiracy resulted in false claims of more than \$6 million, and more than \$2 million in fraudulent refunds paid out by the IRS. In addition to prison, the three will serve

three years of supervised release and were ordered to pay a total of about \$3.8 million in restitution.

Former Las Vegas Valley Water District Employee Sentenced to Prison For \$6.7 Million Ink/Toner Cartridge Scheme and Tax Evasion

On January 29, 2019, in Las Vegas, Nev. Jennifer J. McCain-Bray, aka JJ McCain, was sentenced to 51 months in prison for committing mail fraud and tax evasion as part of a scheme to defraud the Las Vegas Valley Water District (LVVWD) of over \$6.7 million. McCain-Bray previously pleaded guilty to mail fraud and subscribing to a false tax return. In addition to the prison term, McCain-Bray

was ordered to pay \$6,715,531 as part of a criminal forfeiture money judgment. McCain-Bray, a purchasing analyst for the LVVWD admitted that between January 1, 2007 to about December 7, 2015, she devised a scheme to defraud the LVVWD by falsely representing that purchases of ink and toner cartridges were for the LVVWD, when she knew that the products were actually purchased for a New Jersey company which received and then resold the cartridges for its own profit. McCain-Bray instructed the vendor to ship the ink and toner cartridges from California and other locations to her at her LVVWD office in Las Vegas. She then relabeled the packages and shipped them to the New Jersey company. In exchange, the New Jersey company transferred money

to McCain-Bray's personal PayPal account. Financial records indicate that McCain-Bray used the fraud proceeds for personal expenses and purchases, including extensive home remodeling and improvements, trips, gifts to family members and friends, and other lifestyle expenses. Between 2007 and 2015, McCain-Bray fraudulently purchased approximately \$6.7 million in ink and toner cartridges with LVVWD funds. McCain-Bray also failed to report her profits from the scheme on her personal tax returns for tax years 2011 to 2015. For those years, she

failed to report a total of \$2,339,156 in taxable income to the IRS.

Salt Lake City Man Sentenced on Narcotics and Money Laundering Charges

On October 17, 2018, in Salt Lake City, Salvador Ocampo-Banuelos was sentenced to 16 ½ years in prison for the distribution of heroin and for money laundering. Ocampo was the leader of a very large heroin and methamphetamine trafficking organization that was located in Salt Lake City. Ocampo

was one of 21 defendants who were indicted during the investigation. Ocampo admitted that in 2017, he used numerous means to launder drug proceeds from Utah to Mexico by arranging bulk cash shipments, wire transfers, and bank deposits. In addition, the investigation revealed that Ocampo and his Mexican drug suppliers participated in a Black Market Peso Exchange scheme to laundering drug proceeds from Utah to Sinaloa, Mexico. During the investigation, agents seized approximately 13 pounds of heroin and 22 pounds of methamphetamine. ♦



*"IRS-CI agents consistently deliver outstanding investigations and tireless trial support to our office. They investigate some of the most difficult schemes in Utah, and expose those who attempt to exploit the Treasury and the public. We are proud to work with them in our shared pursuit of justice."
– John Huber, United States Attorney, District of Utah*

LOS ANGELES FIELD OFFICE

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

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SAN DIEGO, CA

SAN MARCOS, CA

SANTA ANA, CA

SANTA MARIA, CA

VAN NUYS, 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

SIGNIFICANT CASES

Man Sentenced to More than 8 Years in Prison for Illegally Importing, Selling Male Sexual Enhancement Pills Branded as 'Herbal' Medicine

On August 19, 2019, in Los Angeles, John Seil Lee, of Walnut, California, was sentenced to more than 8 years in prison for illegally importing from China and selling \$11 million worth of pharmaceutical-grade erectile dysfunction drugs that were falsely marketed as herbal remedies for men, some of whom suffered permanent injuries after consuming them. Lee was also ordered to pay more than \$552,000 in restitution to his victims. Lee pleaded guilty to three felony counts of conspiracy, importing contraband into the United States, and filing a false tax return. From 2011 through early 2017, Lee illegally imported shipments of powder Tadalafil, a prescription drug used to treat erectile dysfunction and sold under the brand name Cialis, from suppliers in China. Lee then manufactured the powder Tadalafil into at least 5.5 million pills that he sold to distributors across the United States. In order to boost sales, Lee made the pills with up to 14 times the level of Tadalafil contained in Cialis. Lee sold at least \$11 million worth of pills across the United States, under names such as "X Again," "X Monster" and "Royal Master", with labels that did not disclose the presence of Tadalafil and falsely

stated that no prescription was necessary. Lee continued selling the pills despite FDA announcements that the pills were tainted because they contained undeclared Tadalafil. In order to evade federal regulators, Lee relabeled the tainted pills in response to FDA announcements about their safety. For the 2016 tax year, Lee willfully omitted income of over \$1.1 million.

Nigerian Man Sentenced to Prison for Role In \$8.3 Million Medicare Fraud Scheme and Related Money Laundering

On August 19, 2019, in Los Angeles, Ayodeji Temitayo Fatunmbi, of Nigeria, was sentenced to almost 4 years in prison for his role in a durable medical equipment (DME) scheme in which more than \$8 million was fraudulently billed to Medicare for DME that was not medically necessary. Fatunmbi pleaded guilty to conspiracy to commit health care fraud and conspiracy to commit money laundering. As part of his guilty plea, Fatunmbi admitted that he and others paid cash kickbacks to patient recruiters and physicians for fraudulent prescriptions for DME such as power wheelchairs, which the Medicare beneficiaries did not have a legitimate medical need. Fatunmbi and co-conspirators caused Lutemi Medical Supply (Lutemi), a DME supply company that he co-ran, to submit approximately \$8.3 million in claims to Medicare, which resulted in the company being paid over \$3.5



million. Fatunmbi further admitted that he was responsible for \$2,090,434 in false and fraudulent claims for medically unnecessary DME and that as a result of his conduct, Medicare paid Lutemi a total of \$1,076,893. Fatunmbi and a co-conspirator also wrote checks from Lutemi's bank account to Lutemi employees and others, and were instructed that those monies be returned to him to pay the illegal cash kickbacks to the patient recruiters and doctors. Fatunmbi admittedly directed others at Lutemi to engage in these transactions to conceal the nature and source of the proceeds of the health care fraud conspiracy.

Federal Law Enforcement Official Sentenced to Prison for Large-Scale Interstate Narcotics Trafficking Operation

On April 18, 2019, in Los Angeles, Manuel Porras Salas, a 25-year veteran officer of U.S. Customs and Border Protection (CBP) who worked at Los Angeles International Airport, was sentenced to more than

LOS ANGELES FIELD OFFICE CASE FILES



12 years in prison for helping to move hundreds of kilograms of cocaine, heroin and marijuana from Southern California to Chicago as part of a narcotics distribution ring. Also sentenced to more than 12 years in prison was his former wife, Sayda Powery Orellana. A federal jury found Salas and Orellana guilty of conspiracy to distribute controlled substances, conspiracy to commit money laundering, and making false statements to law enforcement. The jury also found Orellana guilty of four additional money laundering counts. According to court records, Salas, who also previously worked as a CBP officer at John Wayne and Ontario International airports, and Orellana, obtained kilogram quantities of narcotics and provided them to a commercial truck driver who delivered the narcotics from California to Illinois. The defendants also laundered

the hundreds of thousands of dollars they received in compensation by using bank accounts in the names of Orellana and others. The conspiracy began to unravel on March 11, 2012, when a commercial truck driver was stopped in Gallup, New Mexico with approximately 260 kilograms of narcotics – including heroin, cocaine, and marijuana – that was valued at approximately \$1.5 million. The commercial truck driver told law enforcement that he had worked with Salas and Orellana transporting narcotics to Chicago on multiple occasions, and that he would receive the drug sales proceeds and deposit them into various bank accounts at Salas and Orellana’s direction. The driver later pleaded guilty to possession with intent to distribute controlled substances. Salas and Orellana lied to law enforcement that they didn’t know the commercial truck driver and that the money deposited into Orellana’s bank account was intended for someone else.

Riverside County Resident Sentenced to Federal Prison in Tax Fraud and Identity Theft Scheme Which Claimed Nearly \$2 Million in Fraudulent Tax Refunds

On March 18, 2019, in Riverside, California, Charlene Castrejon, of Hemet, California,

was sentenced to 4 years in prison and ordered to pay \$563,587 in restitution, with \$20,000 to be paid immediately. Castrejon pleaded guilty in August of 2018 to one count of wire fraud and one count of aggravated identity theft. According to documents filed with the court, Castrejon and her three co-defendants participated in a scheme to defraud the IRS in order to obtain money from the United States Department of the Treasury. As part of their fraudulent scheme, Castrejon and her co-defendants obtained the names, Social Security numbers, and dates of birth of individuals without the individuals’ knowledge or consent. With Castrejon’s knowledge, the co-defendants prepared false and fraudulent federal income tax returns in the names of the identity theft victims with false income, dependent, earned income credit, education credit and child tax credit information. As a result, the fraudulent tax returns included claims for fraudulent tax refunds. With Castrejon’s knowledge, the co-defendants then filed the fraudulent tax returns with the IRS through internet tax preparation software, without the knowledge or consent of the identity theft victims who were named as taxpayers in the fraudulent tax returns. By filing these

fraudulent tax returns, the co-defendants caused the IRS to either mail the claimed refund payment checks to the purported taxpayer addresses that were controlled by Castrejon and the co-defendants, or deposit the claimed refunds directly into the purported taxpayer debit card accounts that Castrejon and the co-defendants controlled. The defendants filed fraudulent income tax returns claiming nearly \$2 million in tax refunds. The defendants ultimately got away with over \$550,000.

San Marcos Man Sentenced to Prison for Stealing the Identities of Charities as Part of a Tax-Fraud Scheme

On February 22, 2019, in San Diego, California, Robert Holcomb, was sentenced in to almost 4 years in prison and ordered to pay a fine of \$600,000, for misappropriating the identities of charities and using them to open bank accounts as part of a long-running tax fraud scheme. Holcomb, was convicted of making false statements to a financial institution. According to court records, Holcomb held himself out as an “asset protection” specialist who had the ability to use charitable trust accounts to reduce the tax liability of clients. Holcomb convinced his clients to forward him the profits from their businesses, which he then cycled through a series of bank accounts, with names that sounded like charities, and then returned the funds, minus a commission, with the

assurance that they no longer constituted taxable income. Holcomb’s clients then filed tax returns that substantially underreported their true income, resulting in millions of dollars in lost income to the IRS. Over the course of a decade, Holcomb transferred more than \$12 million in otherwise taxable income through his accounts, collecting “commissions” from his clients of more than \$1 million dollars. In 2011, after a number of Holcomb’s bank accounts were frozen, he was forced to open dozens of new accounts to keep the tax-evasion scheme operating. To do so, Holcomb began creating corporate entities whose names matched those of existing charities; misappropriating the taxpayer identification information from those charities; and then using their names and identification numbers to open new bank accounts.

Los Angeles-Area Clothing Outlets Owner Gets One-Year Prison Sentence for Failing to Report Nearly \$4 Million in Income to IRS

On December 4, 2018, in Los Angeles, Jose Martin Andrade Flores, owner and operator of American Superior Used Clothing, Inc., was sentenced to 1 year and one day in federal prison for not reporting nearly \$4 million in corporate income to the Internal Revenue Service. Flores pleaded guilty to one count of subscribing to a false corporation income tax return that he filed



for American Superior for 2013. In that year, American Superior had income of approximately \$3,440,769, but Flores instead reported only \$2,505,183, omitting income of \$935,586. According to court documents, part of American Superior’s business model was to recycle used clothing, then resell it at retail stores located on Melrose Avenue, Hollywood, Echo Park and Pasadena. The company also engaged in bulk wholesale transactions with international buyers and sold merchandise at Rose Bowl swap meets and on East Los Angeles sidewalk locations. From 2012 through 2016, Flores concealed from his corporate tax preparer cash sales and deposits into foreign bank accounts that were made on behalf of American Superior. As a result, the tax returns he filed for American Superior failed to report a total of \$3,966,473 in income to the IRS. As part of this case, Flores agreed to pay all back taxes, interest and penalties associated with his willful failure to accurately report American Superior’s income. ♦

“No matter a case’s size, complexity or publicity, the IRS-CI agents in our district exude the same high levels of diligence and professionalism. Their attention to detail is second to none as is their determination to do justice. The results of IRS-CI’s quiet labors are criminals behind bars, satisfaction for prosecutors, and relief for crime victims.”
– Nichola T. Hanna, U.S. Attorney, Central District of California

MIAMI FIELD OFFICE

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

GUAYNABO, PR
PLANTATION, FL

PORT ST. LUCIE, FL
ST. THOMAS, VI

WEST PALM BEACH, FL

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



MIAMI FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Miami CPA Sentenced to Prison for Tax Evasion

On March 7, 2019, Darryl Sharpton, a Certified Public Accountant (CPA), was sentenced to over 3 years in prison and ordered to pay \$1.3 million in restitution to the IRS. Sharpton previously pled guilty to willfully evading the payment of federal income taxes for tax years 2004 through 2008 and 2010. Sharpton was an owner of a company that specialized in financial and management consulting, audit and attestation, and tax and wealth planning. Sharpton filed personal income tax returns for years 2004 through 2008 and 2010, but willfully evaded payment of the taxes he owed for those years. To facilitate his fraud, Sharpton caused his company to pay his personal expenses through its corporate bank accounts, and then falsely stated to an IRS Revenue Officer that he did not pay his personal expenses from the corporate bank accounts. After the IRS issued levies and liens against Sharpton to collect his unpaid tax liabilities, Sharpton took affirmative steps to evade the IRS's collection efforts, including removing himself from his company's payroll after the IRS issued a levy against his wages in 2007. Sharpton also admitted to not filing personal income tax returns for the years 2009 and 2011 through 2016. Sharpton also failed to pay over to the

IRS payroll taxes for the quarters ending December 31, 2012 through December 31, 2013 and December 31, 2014 through December 31, 2017.

South Florida Doctor Sentenced to Prison for Tax Evasion And Disability Fraud

On April 29, 2019, in Miami, Florida, Arthur John Kranz, a south Florida doctor, was sentenced to over 4 years in prison, 3 years of supervised release and ordered to pay \$1 million in restitution, for tax evasion, wire fraud, and Social Security disability fraud. According to court documents Kranz was a doctor specializing in psychiatry. Beginning in 2002, Kranz made a claim on his private disability policy that he was unable to work, and began receiving disability payments from his insurance company. In December 2003, Kranz submitted an application to the Social Security Administration (SSA) for disability benefits. The SSA approved his

application. Kranz then began receiving SSA disability payments, in addition to the private disability insurance payments. Because of the disability payments, Kranz was required to notify his insurance company and the SSA if he returned to work. From January 2006 to March 2013, Kranz worked as a psychiatrist at a hospital in Pennsylvania and earned over \$1.6 million in income. Kranz did not report his employment to either the SSA or his insurance company. Rather, in order to continue collecting disability benefits, Kranz took steps to conceal his income from the insurance company, the SSA, and the Internal Revenue Service (IRS). He directed that his income be paid to nominee individuals and sham corporations he had created to receive his payments. Kranz also filed false personal tax returns that did not report the income from his work as a psychiatrist and provided fraudulent documentation to his insurance company that falsely stated that he was not working.



MIAMI FIELD OFFICE CASE FILES

Executive Director and CEO of Sponsor Organization Sentenced to Prison for Roles in \$26 Million Scheme to Defraud Federal Food Program for Underprivileged Children

On June 26, 2019, Sandra Ruballo, of Davie, Florida, was sentenced to 10 years in prison followed by 3 years of supervised release. Ruballo was also ordered to pay restitution and a forfeiture money judgment of \$26 million. For more than six years, Ruballo and other conspirators defrauded the federally funded Child Care Food Program, which provides free and reduced meals to underprivileged children at hundreds of daycare centers in Florida. As part of the scheme, the conspirators falsified paperwork, entered into various kickback arrangements, manipulated the catering contract bid process, and inflated annual budgets, all in order to receive millions of dollars of falsely and fraudulently obtained federal funds for their own personal use and benefit.

South Florida Resident Sentenced For \$100 Million International Fraud Scheme That Led to The Collapse of One of Puerto Rico's Largest Banks

On July 2, 2019, Jack Kachkar, of Key Biscayne, Florida and the former CEO and Chairman of a now-bankrupt multinational pharmaceutical company was sentenced to 30 years in prison, 5 years of supervised release, and ordered to pay \$103,490,005 in restitution to the FDIC, as receiver for Westernbank. Kachkar participated in a \$100 million scheme to defraud Westernbank of Puerto Rico (Westernbank). The losses triggered a series of events leading to Westernbank's insolvency and ultimate collapse. From 2005 to 2007, Kachkar served as chairman and CEO of Inyx Inc., a publicly traded multinational pharmaceutical manufacturing company. In early 2005, Kachkar caused Westernbank to enter into a series of loan agreements in exchange

for a security interest in the assets of Inyx and its subsidiaries. Under the loan agreements, Westernbank agreed to advance money based on Inyx's customer invoices from "actual and bona fide" sales to Inyx customers. Kachkar orchestrated a scheme to defraud Westernbank by causing numerous Inyx employees to make tens of millions of dollars worth of fake customer invoices purportedly payable by customers in the United Kingdom, Sweden and elsewhere. Kachkar caused these invoices to be presented to Westernbank as valid invoices. Kachkar made false and fraudulent representations to Westernbank executives about purported and imminent repayments from lenders in the United Kingdom, Norway, Libya and elsewhere in order to lull Westernbank into continuing to lend money to Inyx. In fact, these lenders had not agreed to repay Westernbank's loan. Kachkar made false and fraudulent representations to Westernbank executives

that he had additional collateral, including purported mines in Mexico and Canada worth hundreds of millions of dollars, to induce Westernbank to lend additional funds. Kachkar caused Westernbank to lend approximately \$142 million, primarily based on false and fraudulent customer invoices and diverted tens of millions of dollars for his own personal benefit. In 2007, Westernbank declared the loan in default and ultimately suffered losses exceeding \$100 million, these losses later triggered a series of events leading to Westernbank's insolvency and ultimate collapse. At the time of its collapse, Westernbank had approximately 1,500 employees and was one of the largest banks in Puerto Rico.

participation in the long-running Opa Locka municipal corruption conspiracy and his failure to file federal income tax returns. Starks was also ordered to forfeit \$45,700 to the United States to pay restitution to the victims of the corruption scheme and was ordered to pay \$39,416 in restitution to the IRS for unpaid taxes. Starks conspired with the former Opa Locka City Commissioner, former City Manager, and former Opa Locka Assistant Public Works Director to use the

official positions and authority that these individuals had with the City of Opa Locka to solicit, demand, and obtain personal payments from businesses and individuals in exchange for taking official actions to assist and benefit those businesses and individuals in their official dealings with the City of Opa Locka. Starks also willfully failed to file federal income tax returns for the tax years 2014, 2015 and 2016. ♦



Seventh Individual Sentenced to Prison for Role in Opa Locka Municipal Corruption Investigation

On November 14, 2018, Dante Starks, an influential figure in Opa Locka, FL and close associate of the former City Commissioner, was sentenced to 5 years in prison for his



"Our local IRS-CI partners strike at the heart of the pervasive fraud schemes that target our South Florida residents and communities. In addition to being an integral part of the Transnational Elder Fraud Strike Force, the South Florida IRS-CI team targets international money laundering schemes, investment fraud schemes that steal millions from investors, health care fraud schemes that divert money from governmental programs, and schemes that compromise the integrity and fairness of our nations' tax system. From the dedicated agents who build these important cases alongside the prosecutors, to the forensic investigators and administrative staff who work behind the scenes to help gather the evidence, IRS-CI works tirelessly to protect our tax dollars and identities. We are grateful that under IRS-CI SAC De Palma's leadership, the U.S. Attorney's Office continues to have a strong ally and crime-fighting partner."

– Fajardo Orshan, U.S. Attorney, Southern District of Florida

NEWARK FIELD OFFICE

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

CHERRY HILL, NJ
EDISON, NJ
FREEHOLD, NJ

MAYS LANDING, NJ
PATERSON, NJ

SPRINGFIELD, NJ
TRENTON, NJ

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.

"White collar crimes – and tax crimes in particular – have always struck me as especially egregious because they frequently involve defendants who are educated and successful, but who decide they need to game the system to put a little more money in their pockets. They never seem to run out of new ways to cheat other, law-abiding taxpayers. Fortunately, IRS – Criminal Investigation, under Special Agent in Charge Tafur here in New Jersey, is always working to stop them in their tracks. We respect the incredible work that IRS has done for 100 years, and that they continue to do every day. We value the partnership we've developed with them in bringing these criminals to justice."

– Craig Carpenito, U.S. Attorney, District of New Jersey



NEW JERSEY

NEWARK FIELD OFFICE CASE FILES

SIGNIFICANT CASES

[Michael 'The Situation' Sorrentino and his Brother, Marc Sorrentino, Sentenced on Tax Charges](#)

On October 5, 2018, in Newark, New Jersey, television personality Michael "The Situation" Sorrentino was sentenced to 8 months in prison, 2 years of supervised release, 500 hours of community service, \$337,693 in restitution and was fined \$10,000. Michael's brother, Marc Sorrentino was sentenced to 2 years in prison, one year of supervised release and was fined \$7,500, with restitution to be determined later.

Michael Sorrentino previously pleaded guilty to tax evasion. Marc Sorrentino pleaded guilty to aiding in the preparation of a false and fraudulent tax return. According to court documents, Michael Sorrentino was a reality television personality who gained fame on "The Jersey Shore," which first appeared on the MTV network. He and his brother, Marc, created businesses, such as MPS Entertainment LLC and Situation Nation Inc., to take advantage of Michael's celebrity status. Michael Sorrentino admitted that in tax year 2011, he earned taxable income, including some that was paid in cash, and that he took certain actions to conceal some of his income to avoid paying the full amount of taxes he owed. He made cash deposits into bank accounts in amounts less than

\$10,000 each so that these deposits would not come to the attention of the IRS. Marc Sorrentino admitted that during tax years 2010, 2011 and 2012, he earned taxable income and that he assisted his accountants in preparing his personal tax return for those years, willfully providing them with false information. His personal tax returns under-reported his total income and taxable income.

[Former Executive of New York Hotel Company Sentenced for Stealing \\$13.8 Million from Employer](#)

On October 11, 2018, in Newark, New Jersey, George Dfouni, of Wayne, was sentenced to nearly 4 years in prison and 2 years of supervised release for embezzling millions of dollars from a New York-based hospitality company where he was the chief operating officer. Dfouni previously pleaded guilty to tax evasion and wire fraud. According to court documents, from 1996 through 2015, Dfouni worked as the chief operating officer for a company which owns and operates hotels in New York and New Jersey. From 2007 through September 2015, Dfouni negotiated multiple contracts on behalf of his employer, whereby two other companies leased New York hotel properties from Dfouni's employer. As consideration for the leases, the other companies agreed to pay millions of dollars to Dfouni's employer. Each contract included a signing bonus for

Dfouni, who arranged for the companies to transmit their payments directly to him in New Jersey. Dfouni was expected to keep his signing bonus and pay the remaining balances to his employer. Instead, Dfouni skimmed a portion of the payments to support his lavish lifestyle and gambling expenses. In total, Dfouni embezzled \$13.8 million from his employer. Dfouni willfully failed to report \$27,739,114 in income to the IRS between 2007 and 2014, including the funds that he embezzled.

[New Jersey Investment Adviser Sentenced to Eight and a Half Years for Investment Fraud Scheme, Aggravated Identity Theft and Preparing Phony Tax Returns](#)

On November 20, 2018, in Trenton, New Jersey, Scott Newsholme, of Farmingdale, was sentenced to 8 ½ years in prison and 3 years of supervised release for perpetrating a long-running scheme to defraud investment clients out of millions of dollars, forging an attorney's signature without authorization in connection with that scheme and preparing false tax returns for his clients. Newsholme previously pleaded guilty to preparing fraudulent tax returns, wire fraud and aggravated identity theft.

According to court documents, since 2002, Newsholme owned and operated at least three different financial advisory and tax return preparation businesses. Between

NEWARK FIELD OFFICE CASE FILES

2007 and 2017, Newsholme recommended to multiple clients that they invest their money with him, which he would use on their behalf to invest in various securities and other investments. Rather than invest the money as he represented, Newsholme used the funds for personal expenses. Newsholme concealed his scheme by diverting incoming investment funds to pay other clients who had requested to withdraw funds from their investment portfolios. Newsholme also provided his clients phony account statements, security instruments, and other documentation that falsely represented to the clients the status of their investments. Newsholme misappropriated more than \$3.1 million from his investment clients, resulting in net investment losses of more than \$1.8 million.

New Jersey CPA Sentenced for Filing False Tax Return

On May 14, 2019, in Newark, New Jersey, Amit Govil, of New Brunswick, was sentenced to more than 2 years in prison and one year of supervised release. Govil previously pleaded guilty to making and subscribing a false tax return. According to court documents, Govil, a licensed CPA in New York and New Jersey, operated P&G Associates, which provided risk management and audit services to community banks. For the tax year 2010, Govil underreported and failed to report the gross receipts or sales of P&G Associates on Schedule C of his personal tax return, avoiding more than \$672,000 in taxes.



Former Ocean County Chiropractor Sentenced to Five Years for Income Tax Evasion and Failure to File Report of Russian Bank Account

On May 7, 2019, in Trenton, New Jersey, Carlo Amato, of Beachwood, was sentenced to 5 years in prison and 3 years of supervised release. Amato previously pleaded guilty to tax evasion and failure to file a report of foreign financial account (FBAR) while violating another law of the United States. These crimes were part of a pattern of illegal activity involving more than \$100,000 in a 12-month period.

According to court documents, from 2012 through 2015, Amato operated a chiropractic office in Lakewood through two entities: Chiropractic Care Consultants Inc. and Accident Recovery Physical Therapy. He deposited, or engendered deposits of checks for chiropractic services into accounts held in the names of his minor children. Amato knew that these checks were taxable as income, but he did not disclose the payments to his accountant, nor did he report them on his tax returns. Amato also failed to report as taxable income certain additional funds that were deposited into Chiropractic Care's and Accident Recovery's business bank accounts. For example in 2014, Amato claimed he had no taxable income and no tax

due, when in fact his taxable income was \$561,258 and his tax due and owing to the IRS was \$197,036. Amato also evaded more than \$300,000 in taxes for the tax years 2012, 2013, and 2015.

Additionally, in 2014, Amato, a U.S. citizen, had an account at UniCredit Bank in Russia. He wired more than \$1.5 million to Russian bank accounts, and although he knew that he was obligated to report any foreign bank account with an aggregate value of more than \$10,000, he failed to file a report of foreign account, commonly known as an FBAR, for the year 2014. The funds Amato failed to report were the product of a fraudulent scheme in which he overbilled at least six insurance companies by more than \$1 million by billing for services that were never rendered. ♦



NEW YORK FIELD OFFICE

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



NEW YORK FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Manhattan Art Gallery Owner Mary Boone Sentenced for Filing False Tax Returns

On February 14, 2019, in New York City, Mary Boone, a Manhattan art gallery owner, was sentenced to 2 ½ years in prison and one year of supervised release. Boone previously pleaded guilty to two counts of filing false tax returns in 2011. According to court documents, Boone, the owner of Mary Boone Gallery, engaged in a multi-year tax fraud scheme that cost the U.S. Treasury over \$3 million for calendar years 2009 through 2011. During each of these years, Boone regularly provided false records to her accountant causing the accountant to prepare false tax returns for Boone and the Gallery.

Boone's tax fraud scheme had two principal components. First, Boone converted the Gallery's funds to her own personal use and then falsely claimed these personal expenses as business deductions. In 2011 alone, Boone used business funds to pay approximately \$1.28 million in personal expenses. In addition, Boone withdrew over \$560,000 in cash from the Gallery's accounts between 2009 and 2011. Second, Boone artificially inflated the Gallery's stated expenses and, to a lesser degree, the Gallery's stated income, in order to fraudulently generate business losses. However,

in reality, the Gallery was generating profits each year. In addition to this aspect of the tax fraud scheme, Boone engaged in complex financial maneuvers and further falsification of the check registers that she provided to her accountant. Boone has now paid the court-ordered restitution to the IRS of \$3,097,160, which represents the additional tax due and owing as a result of Boone filing false individual and corporate income tax returns for calendar years 2009, 2010, and 2011.

Michael Cohen Sentenced to 3 Years in Prison

On December 12, 2018, Michael Cohen of New York City was sentenced to 3 years in prison and 3 years of supervised release for tax evasion, making false statements to a federally insured bank, and campaign finance violations. Cohen was also ordered to pay a fine of \$50,000, to forfeit \$500,000, to pay \$1,393,858 in restitution to the IRS and to pay a mandatory \$800

special assessment. Cohen pleaded guilty on August 21, 2018, to an eight-count information.

According to court documents, between 2012 and 2016, Cohen concealed more than \$4 million in personal income from the IRS, avoiding more than \$1.3 million in income tax. Cohen also made false statements to a federally insured financial institution to obtain a \$500,000 home equity loan. Finally, in 2016, Cohen made or caused two separate payments to women to ensure that they did not publicly disclose their alleged affairs with a presidential candidate in advance of the election.



NEW YORK FIELD OFFICE CASE FILES

Baltimore Man Sentenced for Running IRS Tax Refund Scheme in Central New York

On June 11, 2019, in Syracuse, New York, Arkmallah Hilliard, of Baltimore, Maryland, was sentenced to 5 years in prison, 3 years of supervised release and was ordered to pay \$943,597 in restitution to the IRS. Hilliard previously pleaded guilty to conspiring to defraud the U.S. government. According to court documents, Hilliard conspired with former Utica resident Anas Wilson and others to defraud the IRS by filing false and fraudulent income tax returns in the names of various individuals and obtaining tax refunds to which they were not entitled.

Hilliard used his own bank accounts and others he controlled that were opened by co-conspirators to receive the tax refunds, after which Hilliard and others withdrew, spent, and transferred the money for their own purposes. The conspiracy netted Hilliard, Anas Wilson, and others a total of more than \$900,000 in tax refunds from the IRS based on their filing of over 400 fraudulent income tax returns. Wilson previously pleaded guilty to similar charges in federal court in Syracuse and is currently serving a 12-year prison sentence.

Former College Controller Sentenced for Failure to Pay Payroll Taxes and Securities Fraud

On August 28, 2019, in New York City, Keith Borge, the former controller of the College of New Rochelle (CNR), was sentenced to three years in prison for failing to pay more than \$20 million in payroll taxes and for securities fraud. In addition to the prison term, Borge, of Valley Cottage, New York, was sentenced to three years of supervised release and ordered to pay a fine of \$25,000. Borge pleaded guilty to both charges in March 2019. According to court documents, from about 2011 to about August 2014, Borge was the vice president for financial affairs at CNR, a private college with its main campus in New Rochelle, New York. Between approximately August 2014 and June 2016, Borge was CNR's controller. As controller, Borge managed CNR's financial affairs and was responsible for paying over withheld payroll taxes and contributions. From the third quarter of 2014 through the second quarter of 2016, Borge failed to do so. By the end of the second quarter of 2016, Borge had failed to pay more than \$20 million in combined federal and state payroll taxes and contributions. Borge also made false entries into CNR's books and records to conceal the college's actual financial condition. As a result, CNR's financial statements for its fiscal year ending June 30, 2015, reported the college had net assets of \$25 million, which was an overstatement by at least \$24 million.



New Jersey Man Sentenced to 86 Months in Prison for Defrauding Investors in Binary Options and Cryptocurrency Scheme

On July 1, 2019, in Central Islip, New York, Blake Kantor, also known as Bill Gordon, of Fort Lee, New Jersey, was sentenced to more than 7 years in prison and 3 years of supervised release. Kantor was also ordered to pay restitution of \$806,405 to the victims of his crime, forfeiture of \$1.5 million and forfeiture of approximately \$153,000 of stolen proceeds.

According to court documents, in March 2014, Kantor established a binary options company known as Blue Bit Banc and Blue Bit Analytics (BBB). From approximately 2014 to 2017, he and others solicited and

received approximately \$1.5 million from more than 700 investors in BBB's binary options. Kantor told investors that they could place binary option trades, or a BBB representative could do so for them, and that the predetermined profits promised them would be based on the actual prices of securities, currencies and other investments at particular points in time. However, Kantor did not inform the investors that a BBB computer software program fraudulently altered data associated with binary options investments, so that the probability of investors earning a profit favored BBB and disadvantaged investors. Kantor also fraudulently persuaded several BBB investors to convert their BBB investments into ATM Coin, a worthless cryptocurrency that he claimed was worth as much as \$600,000. ♦



OAKLAND FIELD OFFICE

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REDDING, CA

SACRAMENTO, CA
SAN FRANCISCO, CA
SAN JOSE, CA

SAN RAFAEL, CA
SANTA ROSA, CA

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.



CALIFORNIA

OAKLAND FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Cotati Resident Sentenced to Prison for Filing False Returns

On March 6, 2019, Stanley Charles was sentenced to 33 months in prison and ordered to pay \$657,888 in restitution. For the tax years 2009 through 2015, Charles prepared and filed 428 false and fraudulent federal income tax returns requesting false deductions and credits on behalf of other taxpayers. For example, Charles prepared and filed a fraudulent federal income tax return for a husband and wife without their knowledge or permission. The tax return falsely reported that the couple had \$8,000 in qualified higher education expenses. Along with the false return,

Charles filed a document directing the IRS to pay \$5,447 of the refund to the couple, and the remaining \$1,235 to his own bank account. In addition, Charles prepared and filed with the IRS a false 2011 Amended U.S. Individual Income Tax Return regarding his own income. Charles knew he was entitled to an American Opportunity Credit of no more than \$2,500 and nevertheless falsely reported a credit of \$9,873.

Former San Pablo Resident Sentenced to Prison and Ordered to Pay More Than \$1 Million For Filing False Tax Returns

On May 31, 2019, Marcus Wilson was sentenced to 30 months in prison and was ordered to pay \$1,026,340 in restitution for filing false claims. During 2011 and 2012

Wilson filed numerous false tax returns on behalf of others. Wilson told people that they may qualify for "Obama Stimulus" or "Renter's Rebates" if they had not filed any tax return in a given year. In reliance on his representations, the individuals provided Wilson with information enough for him to file a tax return on their behalf. Nevertheless, the individuals generally did not provide any financial or other tax-related information; instead, Wilson falsified information regarding the individuals' wage and business income so he could obtain refunds from the IRS. Wilson caused the IRS to fund over \$1 million worth of refunds to numerous individuals for tax year 2011 by presenting tax returns he knew contained false information.



OAKLAND FIELD OFFICE CASE FILES



Salinas Resident Sentenced to Prison for Tax Scheme

On Nov. 14, 2018, in San Jose, Calif., Norma Morfin, aka Norma Morfin Mandujano, of Salinas, was sentenced to 60 months in prison, 3 years of supervised release and ordered to pay \$7,505,519 in restitution for filing false tax returns. Morfin admitted that, during 2012, she conspired with her co-defendants to obtain the personal identifying information of others, and to use that information to file more than 2,300 fraudulent income tax returns with the Internal Revenue Service. These returns reported false wages, dependents, education expenses, and tax credits, and claimed fraudulent tax refunds of more than \$9 million, of which more than \$7.5 million were paid. Co-defendants Jackie Ramos, Antonio Ahumada, and Ana Bajo have also pleaded guilty and are awaiting sentencing.



Woman Behind Dixon, Vallejo Movie Studio Scams Sentenced to Prison

On November 16, 2018 Carissa Carpenter was sentenced to 78 months in prison and ordered to pay \$3,642,755 in restitution in connection with her conviction for mail fraud and lying to a federal agent. From 1997 until October 24, 2014, Carpenter represented to investors and others that she had a project to build a movie studio in Northern California. Carpenter claimed that her projected movie studio complex was supported by well-connected people in the entertainment industry and that she had invested hundreds of millions of dollars of her own money in the project. She also claimed that she had arranged financing for the project but needed investment or bridge loans until the alleged financing was complete. Additionally, Carpenter represented that reputable architecture, construction, design, and public relations firms were involved in the project,

and that she had or was in the process of finalizing the purchase of the land where the studio would be built. As a result, investors gave Carpenter millions of dollars to invest in her studio project. As a result of the scheme, investors, firms who did work for Carpenter and municipalities collectively lost millions on the project. In fact, Carpenter used investor money to fund her personal expenses and extravagant lifestyle. Contrary to her claims, the Hollywood people were not involved in the project at all or had little involvement. Similarly, the architecture, construction, design, and public relations firms were not involved or had done only preliminary work on the project. Carpenter also did not own or purchase property for the studio. Further, during the investigation in July 2013, Carpenter told an FBI agent that she told investors that she was going to use their money for personal expenses and that she had used 50 to 75 percent of investor money for the project. These statements were false.

Marijuana Distributor Sentenced to Two Years in Prison for Tax Fraud

On November 1, 2018, Charles T. Woods, a real estate salesperson from Santa Rosa, California, was sentenced to 24 months in prison for filing a false income tax return that did not report income earned from the sale of marijuana. From 2012 to 2014 Woods deposited more than \$1 million dollars in cash earned from his marijuana distribution business into over 25 bank accounts he controlled. Woods hid this income from his tax return preparers by providing them with incomplete financial information, which in turn caused the filing of false tax returns for tax years 2012, 2013, and 2014. The total tax loss caused by Woods' conduct was over \$450,000. Woods was also ordered to serve one year of supervised release and pay \$466,707 in restitution to the Internal Revenue Service. ♦



PHILADELPHIA FIELD OFFICE

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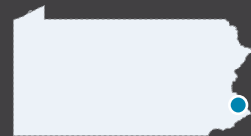
KING OF PRUSSIA, PA

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).



PENNSYLVANIA



DELAWARE

PHILADELPHIA FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Philadelphia-Area Restaurateur Sentenced for Tax Fraud

On November 26, 2018, in Philadelphia, Pennsylvania, Giuseppe "Pino" DiMeo, of Eagleville, was sentenced to 2 years in prison, 3 years of supervised release and was ordered to pay \$463,738 in restitution to the IRS. According to court documents, DiMeo and his business partners at restaurants defrauded the IRS of income taxes and payroll taxes. From 2008 through 2014, DiMeo took cash from his restaurants and paid many of his employees in cash under the table. He hid his "cash skim" and the cash payroll payments from his accountant and from the IRS to evade

paying income and payroll taxes. In total, DiMeo did not report to the IRS approximately \$2 million in gross receipts from his stores. DiMeo's cash skim and cash payroll payments occurred at DiMeo's Pizza of Lafayette Hill, Pennsylvania (closed); Pizzeria DiMeo's of Philadelphia (now sold); Allegro Pizza of Philadelphia (closed); and DiMeo's Pizzaioli Napulitani of Wilmington, Delaware.

Philadelphia Business Man Sentenced for Honest Services Fraud, Tax Crimes, and Conspiracy

On March 1, 2019, in Philadelphia, Pennsylvania, James Davis, the former vendor who operated Sheriff Sales for the Philadelphia Sheriff's Office, was sentenced

to more than 10 years in prison, ordered to pay \$872,395 in restitution to the IRS and more than \$1.7 million in forfeiture. In April 2018, Davis was convicted of conspiracy, honest services wire fraud, filing false federal tax returns for 2007 and willful failure to file federal tax returns for 2008, 2009, and 2010.

Evidence presented during Davis' trial showed that Davis and his family used Davis' businesses' credit cards to pay for personal expenses; some of which included docking and maintenance fees for Davis' yacht in Florida, diamond/jewelry purchases, and family vacations to Florida and Jamaica. Davis deducted these personal expenses as legitimate business expenses on his businesses' tax return.



PHILADELPHIA FIELD OFFICE CASE FILES

According to court documents, Davis gave Philadelphia Sheriff John Green a hidden stream of personal benefits in exchange for Davis and his companies to maintain and receive increased business and fees from the Sheriff's Office. For example, Davis purchased, renovated and sold a home to Green. Davis even hired and paid Green's wife more than \$89,000 to be a subcontractor, Davis also facilitated more than \$65,000 in hidden campaign contributions and paid more than \$148,000 in advertising to assist Green's 2007 reelection campaign. Finally, Davis gave Green \$320,000 as gifts and interest-free loans to help Green purchase a retirement home in Florida.

NEPA Doctor Sentenced to Over 27 Years in Prison for Drug Distribution Resulting in Tax Evasion, Money Laundering and Death

On April 3, 2019, in Scranton, Pennsylvania, Fuhai Li, of Milford, Pennsylvania, was sentenced to more than 27 years in prison and 6 years of supervised release. According to court documents, Li owned and operated the Neurology and Pain Management Center in Milford, Pennsylvania. Li, a licensed physician, repeatedly prescribed oxycodone and other opioids for illegitimate medical purpose beyond the usual course of his medical practice. Li unlawfully prescribed the drugs to 23 former patients. One Honesdale woman died because of taking the pills. The courts charged Li with money laundering



related to Li's use of proceeds from his illicit activities to pay off the mortgage on his East Stroudsburg residence and to purchase his Milford office. Li was also convicted of tax evasion for the tax years 2011, 2012, and 2013. Li underreported his taxable income

for those years by more than \$800,000. The jury's verdict also included the forfeiture to the United States of \$1,030,960 in cash that was seized from Li's two residences; \$1,036,079.36 seized from various bank accounts; real property located at 200 3rd

Street, Milford (Li's medical office); and real property located at 4005 Milford Landing Drive, Milford.

Cambria County Investment Advisor Sentenced for \$4.5 Million Fraud Scheme

On June 12, 2019, in Johnstown, Pennsylvania, Douglas P. Simanski, of Lilly, was sentenced to 6½ years in prison and 3 years of supervised release on his conviction of securities fraud, wire fraud, and filing false income tax returns. According to court documents, between February 2002 and May 2016, Simanski, an investment advisor and broker, devised and executed a scheme to fraudulently obtain approximately \$4.5 million from various investors. As part of his scheme, Simanski fabricated "tax free investment" contracts and fake certificates of deposit (CDS), which listed guaranteed rates of return and payouts. He used the documents to attract unknowing investors. To make the investments seem legitimate, Simanski used portions of the funds to pay fabricated "returns" to some investors. He also used some of the funds to purchase personal items and home improvement projects, and he

deposited some of the funds into his personal E*Trade account. In addition, Simanski filed false income tax returns for 2012, 2013, and 2014.

Former Bucks County Judge Sentenced to 6½ Years for Public Corruption

On June 10, 2019, in Philadelphia, Pennsylvania, John Waltman, of Trevose, Pennsylvania, was sentenced to 6½ years in prison. In January 2019, Waltman pleaded guilty to conspiracy to commit money laundering and Hobbs Act Extortion Under Color of Official Right.

According to court documents, from 2011 to December 2016, Waltman served as a magisterial district judge in Bucks County, Pennsylvania. He and his co-defendants,

Bernard Rafferty and Robert Hoopes, extorted bribes and kickbacks in a scheme that exploited Bucks County businessmen. They also conspired to launder money for individuals they believed were engaged in narcotics trafficking and health care fraud. From June 2016 to August 2016, Waltman, Hoopes, and Rafferty laundered \$400,000 in cash, represented to be proceeds from health care fraud and illegal drug trafficking, and took money laundering fees totaling \$80,000 in cash. ♦



"Please accept my sincere congratulations as you celebrate the 100th anniversary of the Internal Revenue Service – Criminal Investigations Unit. This agency plays a key role in partnership with my Office and U.S. Attorney's Offices across the country in prosecuting criminal violations of the revenue code, and in the last several years EDPA has brought some major cases that would not have been possible without the terrific work of your agents. The work that you do ensures the integrity and fairness of our tax system."
 – William M. McSwain, U.S. Attorney, Eastern District of Pennsylvania

PHOENIX FIELD OFFICE

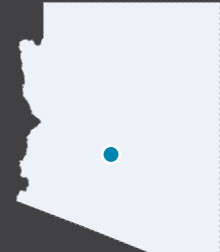
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LAS CRUCES, NM
MESA, AZ

SANTA FE, NM
TUCSON, AZ

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



ARIZONA



NEW MEXICO



PHOENIX FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Long-Time Tax Preparer Receives 18 Months' Imprisonment for Tax Fraud

On February 20, 2019, in Phoenix, Arizona, Elias Bermudez, of Phoenix, Ariz., was sentenced to 18 months in prison and ordered to pay \$131,651 in restitution to the United States. Bermudez worked as a tax preparer in Arizona for over 20 years and owned a tax preparation and immigration services business called The Help Center (aka El Centro de Ayuda), which prepared approximately 3,000 to 4,000 income tax returns each year between 2007-2010. Bermudez admitted to filing fraudulent tax returns by including the Additional Child Tax Credit when he knew the credit didn't apply.

Tucson Resident Sentenced to Prison for Tax Fraud

On November 15, 2018, in Tucson, Ariz., Clariace Burden-Stelly, was sentenced to almost 2 years in prison and ordered to pay over \$19,000 in restitution to the U.S. Treasury as a result of her role in a tax fraud scheme. Burden-Stelly had previously pleaded guilty to false claims and wire fraud. Burden-Stelly filed false federal income tax returns for tax years 2012 through 2014. Burden-Stelly caused the filing of false federal tax returns under her name and the names and social security numbers of others to obtain fraudulent federal income tax refunds. Burden-Stelly fraudulently used the IRS Employer Identification Numbers (EIN's) of her former employers to report false wage and withholding information. The

fraudulent tax refunds were disbursed on pre-paid cards or by check. The total amount of false claims for federal tax refunds in this scheme to defraud is \$271,270.

Paul Donisthorpe Sentenced to Prison for Scheme to Embezzle Millions from Client Trust Accounts

On February 22, 2019, in Albuquerque, N.M., Paul Donisthorpe, of Bloomfield, N.M., was sentenced to 12 years in prison for wire fraud and money laundering. Donisthorpe entered into a plea agreement admitting that he embezzled more than \$4.8 million from client trust accounts managed by Desert State Life Management (DSLML), a company he operated and controlled. Donisthorpe was the sole owner and operator of DSLML,



PHOENIX FIELD OFFICE CASE FILES



Multiple Arizona Residents Sentenced to Prison for Using the Dark Web to Distribute Heroin, Methamphetamine, and Cocaine Throughout the United States

On August 21, 2019, in Phoenix, Arizona, Kevin McCoy, of Tucson, Ariz., was sentenced to 15 years in prison after previously pleading guilty to conspiracy to distribute controlled substances and launder proceeds from drug distribution. Between 2015 and 2017, McCoy was part of a drug trafficking organization that sold heroin, methamphetamine, and cocaine on various dark web marketplaces, including AlphaBay, Hansa, and Dream Market. The defendants used the United States Postal Service to ship drugs from the Phoenix metropolitan area to locations throughout the United States. To conceal and launder proceeds they generated through drug distribution, the defendants used encrypted technology, sold cryptocurrency through peer-to-peer exchangers, and created bank accounts for non-existent businesses. Law enforcement officials seized a Seattle Seahawks Super Bowl XL ring, numerous gold, silver, and platinum bars, and an extensive collection of firearms, including a Texas Weapons System AK-47, a Mossberg 12 gauge shotgun, and a .50 caliber Bohica sniper rifle.

which provided trustee and representative payee services for people needing assistance with their financial affairs. Donisthorpe perpetuated a decade-long fraudulent scheme in which he transferred millions of dollars from client trust accounts into accounts he controlled. Donisthorpe then used the money for

personal matters. Donisthorpe concealed his fraudulent scheme by causing his accounting staff to falsify clients' balances in DSLM records and by presenting false and fraudulent documents to the Financial Institutions Division of the New Mexico Regulations and Licensing Department.

Arizona Cousins Sentenced for Methamphetamine Distribution and Money Laundering

On December 3, 2018, in Tucson, Arizona, cousins Daniel Morales Cordova Jr. and Roberto Rey Cordova were sentenced to 180 months in prison and 120 months in prison, respectively. Both men previously pleading guilty to conspiracy to possess with intent to distribute methamphetamine and conspiracy to commit laundering of monetary instruments. Daniel Cordova also pleaded guilty to possession of a firearm during a drug crime. Both men were ordered to forfeit their interest in \$878,334 and Daniel Cordova was also ordered to forfeit 10 firearms and a 2015 GMC Sierra. The two men were engaged

in a methamphetamine smuggling scheme from May 2014 through July 2017. Daniel Cordova would coordinate the transportation of approximately 20 pounds of methamphetamine to a co-defendant in Idaho every three to four weeks. Daniel Cordova enlisted the assistance of Roberto Cordova to physically transport the methamphetamine to Idaho through the use of vehicles with hidden compartments. Daniel Cordova would also utilize the postal service to ship packages of methamphetamine to Idaho and other locations throughout the United States. Daniel Cordova admitted that he was responsible for smuggling more than 500 pounds of methamphetamine to the Idaho area from January 2015 through July of 2017. ♦

"When IRS-CI was established a hundred years ago, no one could have envisioned the kinds of work its agents would be engaged in today – investigations that run the gamut from Internet scams, to trafficking in PII, to virtual currency schemes, to terrorist financing, to laundering of narco-dollars. What has not changed in a hundred years is the extraordinary dedication of your agents, and the extremely high quality of your work product. My AUSAs know that when they work with IRS-CI, they are working with the best. Congratulations on a century of outstanding law enforcement work!"
 – John C. Anderson, United States Attorney, District of New Mexico



SEATTLE FIELD OFFICE

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BEND, OR
EUGENE, OR

HONOLULU, HI
MEDFORD, OR
PORTLAND, OR

SPOKANE, WA
TACOMA, WA
VANCOUVER, WA

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



SEATTLE FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Multi-Agency Investigation in Kodiak Leads to Sentencing of Anchorage Man for Federal Drug Trafficking, Money Laundering, and Firearm Crimes

On March 8, 2019, in Anchorage, Alaska, Christopher Arndt was sentenced to 9 years in prison and 4 years of supervised release for his role in a money laundering and drug conspiracy. Arndt was one of 13 individuals from Kodiak, Alaska, sentenced for drug trafficking, money laundering, and firearms-related charges. Arndt lived and worked in Kodiak as a fisherman. In the summer and fall of 2016, he found himself in the middle of the drug trade in Alaska. Arndt was a well-known and notorious drug dealer in the Kodiak area who primarily sold methamphetamines. Prosecutors petitioned the court for a significant sentence due to Arndt's criminal history, his connections with other drug dealers, and the fact that he made multiple threats of violence against co-conspirators and victims. Following his prison sentence, Arndt will be subject to 4 years of supervised release.

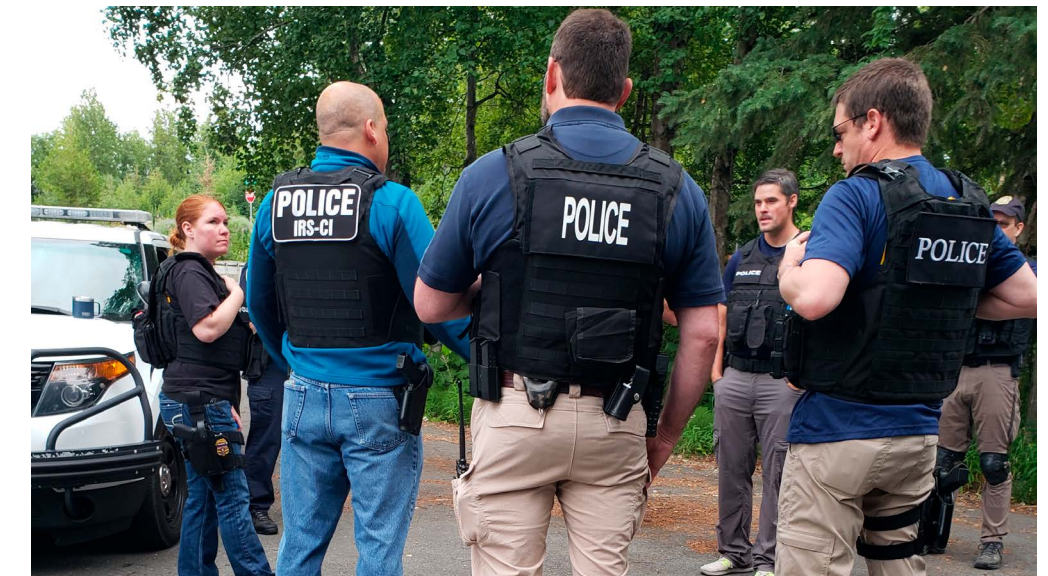
Owner of Engineering Firm Sentenced to Five Years for Tax Scheme

On June 27, 2019, in Honolulu, Hawaii, Wagdy A. Guirguis was sentenced to 5 years in prison and 3 years of supervised release

and ordered to pay \$3,308,868 in restitution to the IRS and \$6,730 in prosecution costs. On November 20, 2018, Guirguis was convicted of conspiracy to defraud the United States, filing false corporate income tax returns, failure to file a corporate income tax return, tax evasion, corruptly endeavoring to obstruct and impede the IRS, and witness tampering. The convictions arose from a scheme to divert funds from Guirguis' business entities for his own personal benefit, and to avoid the payment of federal employment taxes, corporate and individual income taxes, and IRS penalties. Guirguis used nominee entities to divert more than \$1 million in funds from his businesses for his personal use. Guirguis made many false statements to IRS employees over the years when they attempted to collect taxes.

Kirkland, Washington Business Owner Sentenced to Prison for Two Decade Scheme to Avoid Paying Income Taxes

On December 7, 2018, in Seattle, Washington, Daniel Nix, of Kirkland, Washington, was sentenced to 5 years in prison for 25 federal felonies related to a 22-year scheme to avoid paying more than \$560,000 in income taxes. Nix was convicted of multiple counts of tax evasion, providing fictitious financial obligations, and corrupt interference with the administration of the Internal Revenue Code. The court also ordered Nix to pay restitution of \$851,904 for back taxes and interest. Nix operated Dannix Design, an interior design firm for medical offices. As early as 1998 and from 2000 to 2013, Nix refused to pay his taxes on \$3.9 million in gross income and \$1.9



SEATTLE FIELD OFFICE CASE FILES

million in net profit. Nix used a variety of strategies to hide his income and evade his tax obligations, including setting up sham religious entities and transferring assets into the names of those sham religious entities to frustrate IRS efforts to put liens on his assets. In February 2013, Nix paid an Arizona man to send fake money orders to the IRS, which exceeded \$1 million. He intended to make it appear as if he were paying his tax obligations. On several occasions, Nix harassed IRS and Department of Revenue agents, filing fraudulent liens against them. He also called other unrelated individuals who were subject to IRS liens and falsely claimed the liens filed by the government were invalid.



Oregon Woman Sentenced to Prison for Tax Evasion and Money Laundering

On January 10, 2019, Pamela S. Hediger, of Corvallis, Oregon, was sentenced to almost 4 years in prison, ordered to pay \$1.9 million in restitution, \$471,399 in outstanding federal income tax, and forfeit

her Corvallis home. Hediger worked from 2010 to 2017 as an attorney, president and managing shareholder at Evashevski, Elliott, Cihak & Hediger law firm, focusing on personal injury cases. While at the firm, she embezzled money from the firm's client trust and business operating accounts. Hediger used the funds for vacations, home improvements, travel and more. In

November 2018, Hediger, pleaded guilty in federal court to attempting to evade or defeat taxes and engaging in monetary transactions with property derived from unlawful activity. Hediger, who surrendered her state bar license last year, further failed to file income tax returns on nearly \$2.2 million between 2011 and 2017, evading more than \$471,000 in taxes due.

"In addition to leading investigations on tax violators and white collar criminals, IRS-CI agents are often the unsung heroes in a variety of cases. Their expertise on money laundering is invaluable in drug trafficking cases, including cases with significant violent crime. Our IRS-CI team in Alaska are some of the brightest, most dedicated law enforcement officers in the state."
– Bryan Schroder, U.S. Attorney, District of Alaska

Former Anchorage Resident Sentenced to Federal Prison for International Money Laundering Conspiracy

On December 7, 2018, in Anchorage, Alaska, Mitchell Zong was sentenced to 2½ years in prison for conspiracy to commit money laundering with his father, Kenneth Zong. Mitchell Zong laundered approximately \$980,000 of Iranian-derived funds knowing the funds came from his father's illegal transactions with Iranian nationals. Kenneth Zong is currently under indictment in the District of Alaska for 47

violations of the International Emergency Economic Powers Act (IEEPA), for providing unlawful services to the government of Iran, conspiracy to commit money laundering, and money laundering. Mitchell Zong and other members of his family were ordered to forfeit to the United States approximately \$10 million in assets, which were purchased with funds traceable to Kenneth Zong's 2011 IEEPA activity in Seoul, South Korea. In addition, a civil forfeiture complaint was filed in July 2018, seeking to seize \$20 million currently held in a sovereign wealth fund in the United Arab Emirates. The funds are also

traceable to Kenneth Zong's illegal activity with three Iranian nationals in South Korea. He and his Iranian co-conspirators used part of the money for a down payment on the purchase of a Sheraton Hotel in Tbilisi, Georgia. ♦



ST LOUIS FIELD OFFICE

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

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OMAHA, NE
OVERLAND PARK, KS

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SIOUX FALLS, SD
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WICHITA, KS

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

SIGNIFICANT CASES

South Dakota Man Sentenced for Tax Fraud

On January 4, 2019, Jacques Eviglo, d/b/a Global Income Tax Services, was sentenced to 9 years in prison and 2 years of supervised release. Eviglo, of Sioux Falls, South Dakota, was also ordered to pay restitution of \$2,543,286.41, and a special

assessment to the Federal Crime Victims Fund of \$3,000. Eviglo was previously convicted of 25 counts of false claims, and 5 counts of wire fraud. According to court documents, between February 21, 2015, and March 14, 2017, Eviglo was doing business as Global Income Tax Services, preparing and electronically filing federal income tax returns for clients. Eviglo claimed large, false itemized deductions on hundreds of those returns in order to



ST. LOUIS FIELD OFFICE CASE FILES

lower the federal tax liability on the returns and falsely inflate the refund amounts.

The clients did not provide Eviglo with the false information he submitted to the U.S. government. Eviglo then used a third-party company as an intermediary to receive and disburse his clients' federal income tax refund payments instead of having the payments directly deposited into his clients' bank accounts. Unbeknownst to his clients, Eviglo skimmed additional money (so-called fees) from the refund payments and kept the skimmed portion for himself. The total amount Eviglo skimmed exceeded \$800,000 during a 4-year period.

Tax Preparer Sentenced for Falsifying Tax Returns and Stealing Identities

On April 22, 2019, Kela Burns, of Bridgeton, Missouri, was sentenced to nearly 4 years in prison. Burns pleaded guilty in December 2018 to 7 counts – one count of preparing a fraudulent tax return; one count of access device fraud; 2 counts of Social Security fraud; 2 counts of bank fraud; and one count of aggravated identity theft. According to court documents, between January 1, 2016 and April 15, 2018, Burns fraudulently prepared federal tax returns and used identifying information of others through her business, Priority Tax Services. In addition, between May 27, 2016 and November 16, 2016, she fraudulently used Social Security numbers to commit bank fraud. After her guilty plea, Burns continued to file fraudulent

tax returns on behalf of previous clients.

Pharmacy Owner Sentenced for Health Care Fraud and Filing False Tax Returns

On August 16, 2019, Rehan A. Rana, of Ellisville, Missouri, was sentenced to 2 years in prison and 3 years of supervised release. He was also ordered to pay a \$100,000 fine, restitution of \$751,787 to the IRS, and \$526,285 to the Medicare Program. According to court documents, between 2009 and 2012, Rana and others associated with Allegiance Medical Services, a medical testing laboratory, paid illegal kickbacks to doctors and marketers in exchange for blood and urine specimens that they sent or referred to the lab. Allegiance Medical Services concealed the illegal kickbacks from Medicare and Medicaid, which would not pay for tests of specimens obtained by the payment of illegal kickbacks. For tax years 2013, 2014, and 2015, Rana, who is also the owner of St. Louis Hills Pharmacy, filed false tax returns. He indicated his taxable distributions from his pharmacy to be only \$300,000 in 2013, \$150,000 in 2014, and \$217,500 in 2015. However, he actually had received \$1,993,600 in 2013, \$1,328,924 in 2014, and \$1,253,372 in 2015.

Kansas Attorney Sentenced for Federal Tax Evasion

On October 29, 2018, David B. Mandelbaum, of Leawood, Kansas, was sentenced to a year and a half in prison and ordered to pay

restitution of more than \$202,000, which includes penalties and interest. Mandelbaum previously pleaded guilty to tax evasion. According to court documents, Mandelbaum owed more than \$132,000 from the 2005, 2006, 2007, 2009 and 2010 tax years. He concealed his assets and income from the IRS by setting up bank accounts under other identities and making false statements. He also kept personal money in a trust account that was supposed to include only funds belonging to clients, in order to hide that money from the IRS.

Missouri Husband, Wife Sentenced for Failure to Pay \$328,000 in Business Taxes

On November 8, 2018, William Mack Gilreath, also known as "Billy," was sentenced to one year in prison and 3 years of supervised release. On the same day, his wife, Malaika Gilreath was sentenced to 5 years of probation. The Gilreaths are jointly and severally liable to pay \$328,351 in restitution to the IRS and the state of Missouri. The Gilreaths, of Kansas City, Missouri, previously pleaded guilty to failing to pay more than \$328,000 in payroll and other taxes for their construction business. According to court documents, the Gilreaths are co-owners of M.S. Consulting, L.L.C., a construction business in Kansas City. Despite notification by their tax preparer of their tax responsibilities, and nine notices from the IRS, the Gilreaths willfully failed to pay a total of \$328,351 in employment and other taxes that were due. ♦

TAMPA FIELD OFFICE

9450 KOGER BLVD, ST. PETERSBURG FL, 33702 | 941.378.6416

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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.

"Financial crimes and fraud investigations comprise a large portion of the Middle District of Florida's portfolio. These cases are often complex and require arduous attention to detail, expert analysis, and impeccable investigative skills. The IRS-Criminal Investigation Division has been unwavering in its commitment, resources, and support in bringing these cases to successful conclusions. Because of these efforts, the citizens of Florida are better served."
– U.S. Attorney Maria Chapa Lopez, Middle District of Florida



TAMPA FIELD OFFICE CASE FILES

SIGNIFICANT CASES

EMPLOYMENT TAX SHELL COMPANIES

During FY 2019, the Tampa FO discovered a unique scheme proliferated throughout Florida. The scheme facilitated the employment in the construction industry of undocumented aliens living and working illegally in the United States. Construction contractors and subcontractors entered into an agreement with a shell company to provide workers, most of whom were undocumented aliens, for contractors and subcontractors. By obtaining and paying the workers through the shell company, the contractors and subcontractors could disclaim responsibility for ensuring that (1) the workers were legally authorized to work in the United States, (2) required state and federal payroll taxes were paid, and (3) adequate workers' compensation insurance was provided.

The shell company obtained a worker compensation insurance certificate at drastically reduced numbers. The shell company then "rented" the insurance policy to numerous construction contractors and subcontractors who employed hundreds of workers, causing the insurance company to send a certificate of insurance to the contractors and subcontractors as purported proof of sufficient workers' compensation insurance.

The contractors and subcontractors wrote payroll checks to the shell company for work performed by the workers. The shell company cashed the checks and distributed the cash to construction crew leaders, who then paid the workers in cash. No state or federal payroll taxes, such as for Medicare and Social Security, were deducted from the workers' pay. The shell company kept a certain amount of each payroll check as a "rental" fee.

While the scheme was similar, the perpetrators were not always associated. Multiple cases have been sentenced, to include:

- Fanny Melina Zelaya-Mendez was sentenced to four years in federal prison for three counts of conspiracy to commit wire fraud, one count of conspiracy to defraud the IRS, and one count of aggravated identity theft.
- Roger Omar Zelaya-Mendez was sentenced to two years in prison for one count of conspiracy to commit wire fraud and one count of conspiracy to defraud the IRS. The court further ordered the Zelaya-Mendezes to forfeit \$399,776.43 and two vehicles, all of which was seized during the investigation. The court also ordered them to forfeit a total of \$1,033,485 in proceeds from the wire fraud offenses and to pay restitution to the IRS for a tax loss totaling \$6,536,796.

Alachua County Man Sentenced to Prison for Harboring Undocumented Aliens and Evading Workers' Compensation and Payroll Taxes

On March 26, 2019, in Gainesville,

Florida, Mac Johnson was sentenced to 1 year and a day in prison, after pleading guilty to tax fraud, wire fraud, structuring financial transactions to evade reporting requirements, and harboring undocumented aliens. As part of Johnson's plea, he agreed to make restitution to the IRS. Johnson, a roofing, tree service, and dumpster business employer, devised a scheme to conceal the amount of wages earned by his undocumented alien employees to avoid paying more than \$1.7 million in federal income, Medicare, and social security taxes, as well as more than \$1 million in Florida worker's compensation premiums. Johnson concealed the wages from the State of Florida by inaccurately and incompletely identifying all employees, representing that lower wages were paid than the true amounts, and paying by cash or a non-payroll check in amounts of less than \$10,000 to avoid reporting requirements.

Honduran Citizen Sentenced to Prison for Scheme to Facilitate Employment of Undocumented Aliens in Construction Industry and Evasion of Payroll Taxes and Workers' Compensation Laws

On December 20, 2018, Oscar Arnelson Rodriguez-Cruz was sentenced to more than 2 years in prison for conspiracy to commit wire fraud and conspiracy to defraud the IRS of federal payroll taxes. The court also ordered Rodriguez-Cruz to forfeit

WASHINGTON D.C. FIELD OFFICE

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RICHMOND, VA

ROANOKE, VA
SALISBURY, MD
VIENNA, VA

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



WASHINGTON D.C. FIELD OFFICE CASE FILES

SIGNIFICANT CASES

Former Tidewater Virginia Businessman Sentenced for Tax and Fraud Crimes

On July 9, 2019, Byron Hale Delavan was sentenced to more than 12 years in prison and 3 years of supervised release for conspiracy to defraud the United States, aiding and abetting in the preparation of false tax returns, mail fraud, wire fraud, and money laundering. Delavan was ordered to pay \$1,584,469 in restitution, joint and severally with co-defendant Neil Curry Smith. The evidence at trial revealed Delavan offered a fraudulent tax program to various individuals in the Tidewater area and elsewhere. Individuals paid Delavan between \$10,000 and \$12,500 to obtain fraudulent losses, which they used to offset income on their tax returns. To do this, Delavan deducted bad business debts from non-operational entities he controlled. He passed these losses through to his clients' returns, as if they were involved in these entities. Delavan also solicited business loans and investments from some of these same clients, plus other clients. He falsely represented how the loans and investments would be used for business purposes. Delavan used the funds for personal use, including the repayment of prior clients and personal expenses, such

as private school tuition. Finally, Delavan purported to sell gold to certain clients, but falsely represented its value or denied existence of the gold and how he would use the funds generated by the sales.

Fraudster Sentenced to Prison for Stealing the Identities of Hundreds of Victims to Fraudulently Obtain More Than \$2.2 Million in Tax Refunds

On May 3, 2019, Toyosi Alatishe was sentenced to more than 11 years in prison and 3 years of supervised release for conspiracy to commit access device fraud, aggravated identity theft, and wire fraud. Alatishe was ordered to pay restitution of \$2,287,959. Alatishe misused his position as a caretaker for residents of a group home for individuals suffering from severe mental and physical disabilities. He used their personal information to file fraudulent tax returns with the IRS and the State of Maryland. Alatishe also obtained access to the personal identifying information of other mentally disabled Maryland victims, who lived at group homes run by a company where Alatishe's ex-wife worked. After filing the fraudulent tax returns through an online tax filing company, Alatishe had the tax refunds deposited into bank accounts he controlled, including an account opened using a fraudulent

Nigerian passport in the name of Felix Victor Johnson.

HOPE Clinic Physician Sentenced for Money Laundering Conspiracy

On January 10, 2019, in Beckley, West Virginia, Dr. John Pellegrini, D.O., of Huntington, West Virginia, was sentenced to more than 7 years in prison for conspiracy to launder money. Pellegrini was also ordered to forfeit \$574,507 to the United States. Pellegrini was a contract physician employed by a third-party contracting agency at the HOPE Clinic in Beckley, West Virginia. HOPE Clinic portrayed itself as a clinic specializing in the treatment of chronic pain through opioids. Pellegrini admitted that many of the prescriptions he wrote for HOPE Clinic customers were illegal, because they were written outside the usual course of professional practice, and not for a legitimate medical purpose. In return for these illegal prescriptions, the HOPE Clinic and the company that managed its operations, Patients, Physicians and Pharmacists Fighting Diversion Inc. (PPPPD), received payments from the customers. Pellegrini received bonuses for his work at the HOPE Clinic from the customer payments. Pellegrini's bonuses were based upon the number of customers visiting the clinic

WASHINGTON D.C.



WEST VIRGINIA

WASHINGTON D.C. FIELD OFFICE CASE FILES

each month. Pellegrini admitted that the bonus he received encouraged him to write more illegal prescriptions for highly addictive controlled substances, without a legitimate medical purpose and outside the usual course of professional practice, because the bonuses increased as the number of customers visiting the HOPE Clinic increased.

Paul Manafort Sentenced

On March 7, 2019, a federal judge in the Eastern District of Virginia sentenced Paul Manafort to almost 4 years in prison for multiple financial fraud charges. On March 13, 2019, a federal judge in the District of Columbia sentenced the former campaign manager for President Donald Trump to more than 6 years in prison for charges of unregistered foreign lobbying and witness tampering. Manafort will serve more than 7 years in prison because part of the first sentence runs concurrently with the second sentence.

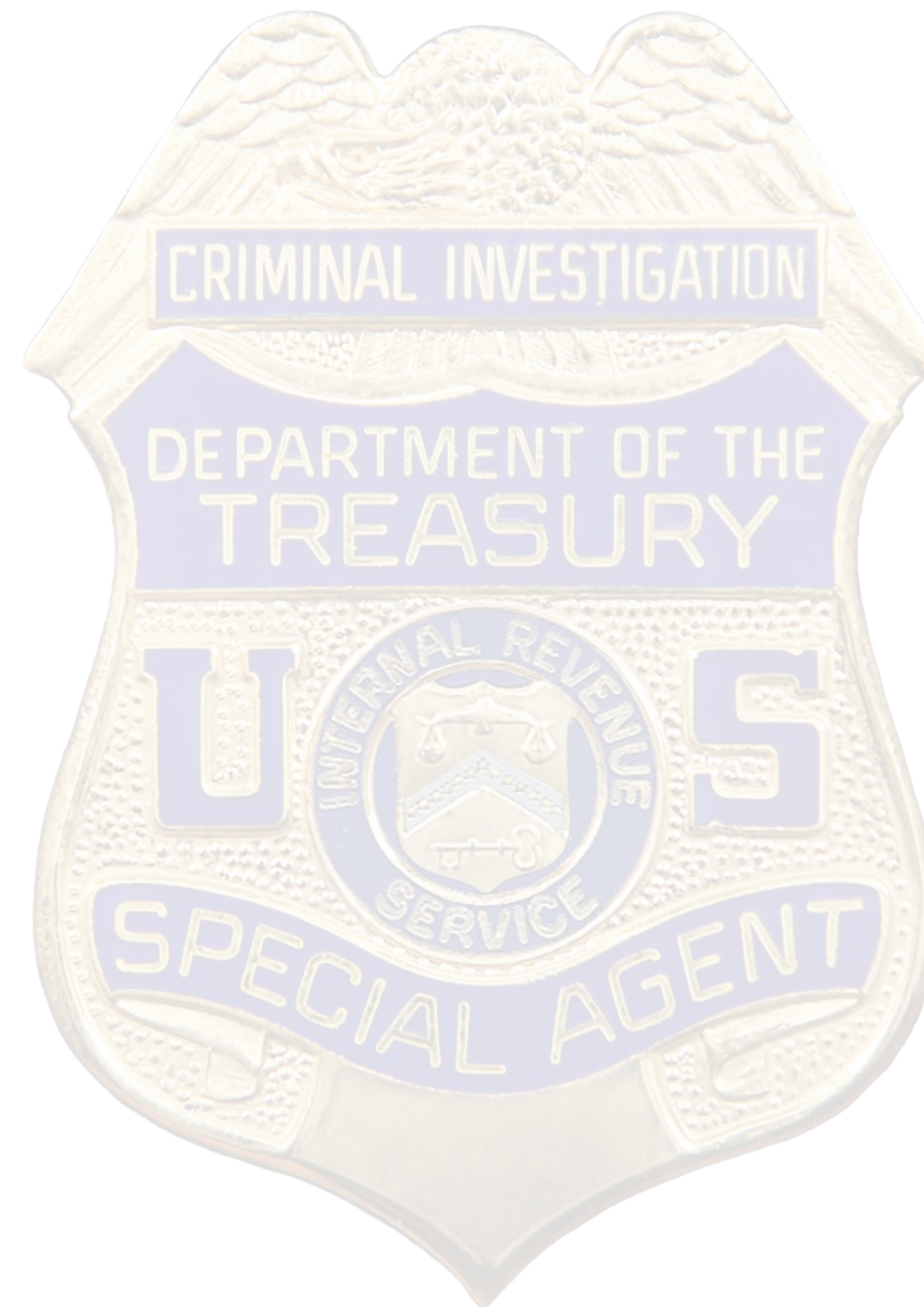
Virginia Pharmacy Owner Sentenced to Prison For \$5 Million Employment Tax Fraud

On November 16, 2018, Jerry R. Harper, a Collinsville, Virginia pharmacist, was sentenced to nearly 6½ years in prison for failing to account for and pay over employment taxes. Harper owned and operated Family Discount Pharmacy Inc. (FDP) in Stanleystown, Virginia. The FDP had multiple pharmacy locations in Stuart, Rocky Mount, Chatham and Brosville, Virginia. As owner of FDP, Harper was responsible for collecting and paying over FDP's employment taxes. From 1998 through 2014, FDP accrued employment tax liabilities of more than \$5 million. Harper withheld these taxes from FDP employees' wages but did not pay the taxes to the IRS. During more than a 15-year time span, Harper filed only one quarterly employment tax return with the IRS. He admitted that instead of paying the employment taxes to the IRS, he used FDP funds to pay his personal expenses.

including the purchase of a Jeep Grand Cherokee and a jet ski. Harper also wired more than \$1 million to his personal bank account, made more than \$500,000 in stock market investments, spent more than \$100,000 on his son's pharmacy school tuition, and purchased more than \$370,000 of real property in Virginia and North Carolina. ♦



“ IRS-CI has been and continues to be a critical law enforcement partner. From fraud schemes to public corruption to filing false tax returns, IRS-CI plays an integral role in maintaining the rule of law. As IRS-CI celebrates its 100th anniversary, prosecutors will continue to rely on IRS-CI agents to pursue criminals that perpetrate fraud schemes and to recover money stolen from victims and the United States Treasury.”
– Robert K. Hur, U. S. Attorney, District of Maryland



APPENDIX

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

FY 2019 Combined Results

	2019	2018	2017
Investigations Initiated	2485	2886	3019
Prosecution Recommendations	1893	2130	2251
Informations/Indictments	1800	2011	2294
Sentenced	1726	2111	2549
Incarceration Rate	79%	82%	80%
Average Months to Serve	43	45	42

Abusive Return Preparer Program

	2019	2018	2017
Investigations Initiated	163	224	304
Prosecution Recommendations	203	177	200
Informations/Indictments	138	170	169
Sentenced	154	148	194
Incarceration Rate	78%	78%	75%
Average Months to Serve	24	25	26

Abusive Tax Schemes

	2019	2018	2017
Investigations Initiated	69	80	77
Prosecution Recommendations	45	34	38
Informations/Indictments	25	37	44
Sentenced	34	36	48
Incarceration Rate	71%	72%	69%
Average Months to Serve	31	28	24

Bank Secrecy Act (BSA)

	2019	2018	2017
Investigations Initiated	424	515	499
Prosecution Recommendations	285	285	391
Informations/Indictments	268	278	390
Sentenced	287	345	409
Incarceration Rate	76%	79%	78%
Average Months to Serve	34	38	38

Corporate Fraud

	2019	2018	2017
Investigations Initiated	57	74	48
Prosecution Recommendations	32	48	42
Informations/Indictments	32	47	46
Sentenced	57	35	25
Incarceration Rate	72%	83%	80%
Average Months to Serve	25	32	54

Employment Tax

	2019	2018	2017
Investigations Initiated	250	207	162
Prosecution Recommendations	104	81	59
Informations/Indictments	73	64	60
Sentenced	50	48	77
Incarceration Rate	84%	77%	78%
Average Months to Serve	23	21	21

Financial Institution Fraud

	2019	2018	2017
Investigations Initiated	37	46	45
Prosecution Recommendations	26	39	37
Informations/Indictments	24	45	35
Sentenced	33	40	51
Incarceration Rate	79%	70%	67%
Average Months to Serve	35	36	53

Healthcare Fraud

	2019	2018	2017
Investigations Initiated	67	105	124
Prosecution Recommendations	71	95	94
Informations/Indictments	70	83	89
Sentenced	48	84	92
Incarceration Rate	83%	80%	86%
Average Months to Serve	54	44	67

APPENDIX

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

Identity Theft

	2019	2018	2017
Investigations Initiated	93	164	374
Prosecution Recommendations	137	222	403
Informations/Indictments	177	217	484
Sentenced	226	387	550
Incarceration Rate	81%	86%	88%
Average Months to Serve	39	40	34

International Operations

	2019	2018	2017
Investigations Initiated	214	233	283
Prosecution Recommendations	185	218	176
Informations/Indictments	190	210	211
Sentenced	149	148	152
Incarceration Rate	85%	84%	80%
Average Months to Serve	57	55	43

Money Laundering

	2019	2018	2017
Investigations Initiated	856	1054	1096
Prosecution Recommendations	780	901	886
Informations/Indictments	706	851	845
Sentenced	508	617	720
Incarceration Rate	87%	87%	84%
Average Months to Serve	74	70	67

Narcotics

	2019	2018	2017
Investigations Initiated	636	723	735
Prosecution Recommendations	558	634	581
Informations/Indictments	511	610	585
Sentenced	472	550	615
Incarceration Rate	85%	88%	87%
Average Months to Serve	79	77	80

Non-Filer

	2019	2018	2017
Investigations Initiated	271	254	206
Prosecution Recommendations	128	128	113
Informations/Indictments	114	110	106
Sentenced	111	104	159
Incarceration Rate	78%	80%	84%
Average Months to Serve	26	34	37

Public Corruption

	2019	2018	2017
Investigations Initiated	73	107	75
Prosecution Recommendations	58	69	60
Informations/Indictments	67	51	63
Sentenced	59	64	54
Incarceration Rate	81%	86%	74%
Average Months to Serve	36	40	34

Questionable Refund Program

	2019	2018	2017
Investigations Initiated	65	149	280
Prosecution Recommendations	94	195	328
Informations/Indictments	151	205	390
Sentenced	204	382	555
Incarceration Rate	76%	81%	85%
Average Months to Serve	31	36	30

Terrorism

	2019	2018	2017
Investigations Initiated	30	34	28
Prosecution Recommendations	18	18	19
Informations/Indictments	20	23	16
Sentenced	14	15	14
Incarceration Rate	86%	80%	71%
Average Months to Serve	52	32	9

LINDBERGH KIDNAPPER JAILED – RANSOM MONEY FOUND HIDDEN UNDER GARAGE FLOOR IN EAST BRONX • AL CAPONE CONVICTED OF DODGING TAXES – SENTENCED TO 11 YEARS • DOGGED I.R.S. INQUIRY ON TAX CHEAT’S SPENDING HABITS LED TO HIS CONVICTION • QUEEN OF MEAN GUILTY OF TAX EVASION • CRIME FAMILY BOSS FAILED TO FILE FEDERAL INCOME TAX RETURNS • TAX CHEAT SENTENCED TO 6 YEARS FOR DEFYING I.R.S. • “HOLLYWOOD MADAM” SENTENCED ON TAX EVASION CHARGES IN CONNECTION WITH HER HIGH-PROFILE PROSTITUTION RING • BASEBALL GREAT CONVICTED OF FAILING TO PAY TAXES • “SURVIVOR” WINNER SENTENCED TO 51 MONTHS IN PRISON • FAMOUS HOLLYWOOD ACTOR GETS 3 YEARS FOR NOT FILING TAX RETURNS • U.S. INDICTS FORMER ILLINOIS GOVERNOR FOR ALLEGED PUBLIC CORRUPTION DURING TERMS AS SECRETARY OF STATE AND GOVERNOR • 50 YEAR TERM FOR MINNESOTA MAN IN \$3.7 BILLION PONZI FRAUD • FORMER TULSAN SENTENCED FOR \$2 MILLION WIRE FRAUD SCHEME AND \$500,000 TAX EVASION CASE • FORMER ILLINOIS U.S. REPRESENTATIVE SENTENCED TO 30 MONTHS FOR MISUSING CAMPAIGN FUNDS • BEANIE BABIES CREATOR SENTENCED FOR TAX EVASION • FIFA CORRUPTION CHARGES “WORLD CUP OF FRAUD” IRS CHIEF SAYS • IRS AGENT DISCOVERS THE IDENTITY OF A SILK ROAD KINGPIN • TAX PREPARERS SENT TO PRISON FRAUD GOVERNMENT OF MORE THAN \$3.8 MILLION • THE IRS IS CLOSING IN ON CASES INVOLVING BITCOIN INCOME REPORTING • LOUISIANA RETURN PREPARER SENTENCED TO SEVEN YEARS IN PRISON FOR FILING FRAUDULENT TAX RETURNS • RESTAURANT OWNER SENTENCED FOR MULTIPLE FRAUD SCHEMES • LOS ANGELES RETURN PREPARER SENTENCED TO PRISON • NORTH CAROLINA RETURN PREPARER SENTENCED FOR FILING FRAUDULENT RETURNS • CIRCLEVILLE BUSINESSMAN SENTENCED FOR TAX FRAUD • STAPLETON COUPLE SENTENCED FOR INCOME TAX EVASION AND BANKRUPTCY FRAUD • LAS VEGAS MAN SENTENCED FOR MASSIVE TAX FRAUD • MAYOR’S EX-CAMPAIGN TREASURER SENTENCED FOR EMBEZZLEMENT • MINNESOTA TEMPORARY AGENCY OWNER SENTENCED TO PRISON FOR FAILING TO PAY TAXES • REAL ESTATE APPRAISER GETS PRISON TIME FOR ID THEFT AND TAX FRAUD • KANSAS BUSINESS OWNER SENTENCED FOR MAKING FALSE STATEMENT ON TAX RETURN • SENTENCE HANDED DOWN IN MULTI-MILLION DOLLAR SCHEME TO DEFRAUD BIBB COUNTY SCHOOLS AND TAXPAYERS • VIRGINIA PHARMACY OWNER SENTENCED TO PRISON FOR \$5 MILLION EMPLOYMENT TAX FRAUD • ARIZONA WOMAN SENTENCED FOR MONEY LAUNDERING • EXECUTIVE WITH SOUTH CAROLINA TIES SENTENCED FOR STEALING \$25 MILLION LINDBERGH KIDNAPPER JAILED – RANSOM MONEY FOUND HIDDEN UNDER GARAGE FLOOR IN EAST BRONX • AL CAPONE CONVICTED OF DODGING TAXES – SENTENCED TO 11 YEARS • DOGGED I.R.S. INQUIRY ON TAX CHEAT’S SPENDING HABITS LED TO HIS CONVICTION • QUEEN OF MEAN GUILTY OF TAX EVASION • CRIME FAMILY BOSS FAILED TO FILE FEDERAL INCOME TAX RETURNS • TAX CHEAT SENTENCED TO 6 YEARS FOR DEFYING I.R.S. • “HOLLYWOOD MADAM” SENTENCED ON TAX EVASION CHARGES IN CONNECTION WITH HER HIGH-PROFILE PROSTITUTION RING • BASEBALL GREAT CONVICTED OF FAILING TO PAY TAXES • “SURVIVOR” WINNER SENTENCED TO 51 MONTHS IN PRISON • FAMOUS HOLLYWOOD ACTOR GETS 3 YEARS FOR NOT FILING TAX RETURNS • U.S. INDICTS FORMER ILLINOIS GOVERNOR FOR ALLEGED PUBLIC CORRUPTION DURING TERMS AS SECRETARY OF STATE AND GOVERNOR • 50 YEAR TERM FOR MINNESOTA MAN IN \$3.7 BILLION PONZI FRAUD • FORMER TULSAN SENTENCED FOR \$2 MILLION WIRE FRAUD SCHEME AND \$500,000 TAX EVASION CASE • FORMER ILLINOIS U.S. REPRESENTATIVE SENTENCED TO 30 MONTHS FOR MISUSING CAMPAIGN FUNDS • BEANIE BABIES CREATOR SENTENCED FOR TAX EVASION • FIFA CORRUPTION CHARGES “WORLD CUP OF FRAUD” IRS CHIEF SAYS • IRS AGENT DISCOVERS THE IDENTITY OF A SILK ROAD KINGPIN • TAX PREPARERS SENT TO PRISON FRAUD GOVERNMENT OF MORE THAN \$3.8 MILLION • THE IRS IS CLOSING IN ON CASES INVOLVING BITCOIN INCOME REPORTING • LOUISIANA RETURN PREPARER SENTENCED TO SEVEN YEARS IN PRISON FOR FILING FRAUDULENT TAX RETURNS • RESTAURANT OWNER SENTENCED FOR MULTIPLE FRAUD SCHEMES • LOS ANGELES RETURN PREPARER SENTENCED TO PRISON • NORTH CAROLINA RETURN PREPARER SENTENCED FOR FILING FRAUDULENT RETURNS • CIRCLEVILLE BUSINESSMAN SENTENCED FOR TAX FRAUD • STAPLETON COUPLE SENTENCED FOR INCOME TAX EVASION AND BANKRUPTCY FRAUD • LAS VEGAS MAN SENTENCED FOR MASSIVE TAX FRAUD • MAYOR’S EX-CAMPAIGN TREASURER SENTENCED FOR EMBEZZLEMENT • MINNESOTA TEMPORARY AGENCY OWNER SENTENCED TO PRISON FOR FAILING TO PAY TAXES • REAL ESTATE APPRAISER GETS PRISON TIME FOR ID THEFT AND TAX FRAUD • KANSAS BUSINESS OWNER SENTENCED FOR MAKING FALSE STATEMENT ON TAX RETURN • SENTENCE HANDED DOWN IN MULTI-MILLION DOLLAR SCHEME TO DEFRAUD BIBB COUNTY SCHOOLS AND TAXPAYERS • VIRGINIA PHARMACY OWNER SENTENCED TO PRISON FOR \$5 MILLION EMPLOYMENT TAX FRAUD • ARIZONA WOMAN SENTENCED FOR MONEY LAUNDERING • EXECUTIVE WITH SOUTH CAROLINA TIES SENTENCED FOR STEALING \$25 MILLION