



Internal Revenue Service

Criminal Investigation

Fraud Detection and Reporting through the Suspicious Activity Report

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Internal Revenue Service Criminal Investigation Mission

Criminal Investigation serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law.



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Objectives

- Discuss the government's use of the Suspicious Activity Reports (SAR) as a fraud detection tool.
- Overview of an adjudicated case initiated based on SARs.



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SAR Review Team

- The BSA program is comprised of 94 SAR Review Teams – one in each judicial district.



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SDTX SAR Review Team

US Attorney's Office, Army-CID, ATF, DEA, DOD, DOL-OIG, DOMEX, DSS, FBI, FRB-OIG, HC Const, Pct 1, HHS-OIG, HSI, HUD-OIG, ICE-ERO, IRS-CI, IRS-SEP, NASA-OIG, Pearland PD, SBA-OIG, SSA-OIG, TABC, TIGTA, TxDPS, TX-OAG, USCG-OIG, USDA-OIG, USPIS, USSS



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SAR Case Study

- IRS-CI initiated a criminal tax investigation on the SUBJECT based on SAR reporting.
- The following summarizes that investigation.



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SAR 1 – Financial Institution 1

- Financial Institution 1 reported numerous tax refunds deposited to SUBJECT account AAAAAA and BBBB.

Account	Tax Refunds	Sum of deposits
AAAAA	50	\$151,075.54
BBBBB	37	\$74,811.67



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SAR 2 – Financial Institution 2

- SUBJECT opened 41 accounts at Financial Institution 2
- SUBJECT told Financial Institution 2 the deposits represented repayment for tax refund loans he extended to his clients.



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Initial investigation of SUBJECT

- SUBJECT operated a tax preparation firm in a suburb of Houston.





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Initial investigation of SUBJECT

- Many of the returns filed by SUBJECT'S firm allocated refunds via Form 8888.





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SAR Support

- Account AAAAAA

04/10	ACH deposit US TREASURY 312	TAX REF	\$10,000.00
<i>Witness 1</i>	IRS		



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Return Research

- Form 1040 Witness 1

12:13:11 PM 07/22/2019

Refund	73 If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	73	20,048
	74a Amount of line 73 you want refunded to you . If Form 8888 is attached, check here . . . <input checked="" type="checkbox"/>	74a	20,048
Direct deposit? See instructions.	b Routing number <input type="text"/>	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	d Account number <input type="text"/>		
	75 Amount of line 73 you want applied to your 2013 estimated tax . . . <input type="checkbox"/>	75	

- Form 8888 Witness 1

12:12:18 PM 07/22/2019

1a Amount to be deposited in first account	1a	10,000
b Routing number <input type="text" value="Reporting Institution"/>	c <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number <input type="text" value="AAAAA"/>		
2a Amount to be deposited in second account	2a	10,048
b Routing number <input type="text" value="Witness 1 Account"/>	c <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number <input type="text"/>		



Return Research

- Witness 1 interviewed and provided his 1040.

5:03:26 PM 09/15/2019

Refund	73	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	73	9,938.
	74a	Amount of line 73 you want refunded to you . If Form 8888 is attached, check here ▶ <input type="checkbox"/>	74a	9,938.
Direct deposit? See instructions.	▶ b	Routing number <input type="text"/>	▶ c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
	▶ d	Account number <input type="text"/>		
	75	Amount of line 73 you want applied to your 2013 estimated tax ▶ 75		
Amount You Owe	76	Amount you owe . Subtract line 72 from line 61. For details on how to pay, see instructions ▶	76	0.
	77	Estimated tax penalty (see instructions) 77		



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Undercover Operation

- IRS-CI sent a Special Agent to SUBJECTS business to have a tax return prepared.



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Undercover Operation

- Client Copy

12:02:24 PM 07/22/2019

Refund	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75	26.
	76a	Amount of line 75 you want refunded to you . If Form 8888 is attached, check here ▶ <input type="checkbox"/>	76a	26.
Direct deposit? See instructions.	▶ b	Routing number <input type="text"/>	▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	▶ d	Account number <input type="text"/>		
	77	Amount of line 75 you want applied to your 2015 estimated tax ▶	77	

- Filed With IRS

12:03:40 PM 07/22/2019

Refund	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75	1,226
	76a	Amount of line 75 you want refunded to you . If Form 8888 is attached, check here . . . ▶ <input checked="" type="checkbox"/>	76a	1,226
Direct deposit? See instructions.	▶ b	Routing number <input type="text"/>	▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	▶ d	Account number <input type="text"/>		
	77	Amount of line 75 you want applied to your 2015 estimated tax ▶	77	



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Undercover Operation

- Filed with IRS – Form 8888

12:04:37 PM 07/22/2019

Part I Direct Deposit

Complete this part if you want us to directly deposit a portion of your tax refund to one or more accounts.

1a	Amount to be deposited in first account (see instructions)	1a	1,200
b	Routing number <input type="text"/> <i>Subject's Account</i> ▶ c <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings		
d	Account number <input type="text"/>		
2a	Amount to be deposited in second account	2a	26
b	Routing number <input type="text"/> <i>Undercover Account</i> ▶ c <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings		
d	Account number <input type="text"/>		



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Search Warrant





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Search Warrant





Search Warrant





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Search Warrant – Computer and Phone Analysis

- IRS-CI seized SUBJECT'S cell phone, and storage devices.
- IRS identified file names indicative of child exploitation.



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Exploitation Allegations

- Secondary agency joins the investigation.
- Secondary agency obtains search warrant to review seized evidence.



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Search Warrant at residence

- Search Warrant executed at SUBJECT'S residence.
- Additional evidence of child exploitation seized from residence.
- SUBJECT arrested on criminal complaint.



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Disposition

- SUBJECT pleads guilty:
 - Two counts of exploitation.
 - One count of filing a false claim.



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Disposition

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DEFENDANT:
CASE NUMBER:

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of 600 months.

This term consists of TWO HUNDRED SEVENTY (270) MONTHS as to each of Counts 1S and 2S, to run consecutively, followed by a consecutive term of SIXTY (60) MONTHS as to Count 3S, for a total of SIX HUNDRED (600) MONTHS.

- See Additional Imprisonment Terms.
- The court makes the following recommendations to the Bureau of Prisons:
That the defendant be designated to FCI Bastrop in Bastrop, Texas.
- The defendant is remanded to the custody of the United States Marshal.

- Release Date: 2059



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Conclusion

- The BSA data reported through FINCEN is used to identify violations.



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Questions?



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