

## Fraud Detection and Reporting through the Suspicious Activity Report

Jason Webb - SA

IRS Criminal Investigation Jason.Webb@ci.irs.gov (281) 635-5666



# 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.



## 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.



#### **SAR Review Team**

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



#### 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



## **SAR Case Study**

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



#### SAR 1 – Financial Institution 1

• Financial Institution 1 reported numerous tax refunds deposited to SUBJECT account AAAAA and BBBBB.

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



#### 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.



## Initial investigation of SUBJECT

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







## Initial investigation of SUBJECT

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





## SAR Support

Account AAAAA

04/10 ACH deposit US TREASURY 312 TAX REF

Witness 1

IRS

\$10,000.00



#### Return Research

#### Form 1040 Witness 1

12:13:11 PM 07/22/2019

Refund	7	3	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you <b>overpaid</b>	73	20,048
	7	4a	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here	74a	20,048
Direct deposit? See instructions.	•	b	Routing number		
	$\blacktriangleright$	d	Account number		
	7	5	Amount of line 73 you want applied to your 2013 estimated tax . 🕨 75		

#### Form 8888 Witness 1

12:12:18 PM 07/22/2019

1a	Amount to be deposited in first account			10,000
b	Routing number	Reporting Checking Savings		
d	Account number	AAAAA		
2a	Amount to be deposi	ited in second account	2a	10,048
b	Routing number	Witness 1 Account c Checking Savings		
d	Account number			12



#### 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	74a	9,938.
Direct deposit?	<b>▶</b> b	Routing number		
See instructions.	<b>▶</b> d	Account number		
instructions.	75	Amount of line 73 you want applied to your 2013 estimated tax ▶ 75		
Amount	76	Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions	76	0.
You Owe	77	Estimated tax penalty (see instructions)		



## **Undercover Operation**

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



## **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 ▶ □	76a	26.
Direct deposit?	▶ b	Routing number	100	
See	▶ d	Account number		
instructions.	77	Amount of line 75 you want applied to your 2015 estimated tax ▶ 77		

#### Filed With IRS

12:03:40 PM 07/22/2019

	12.03.40 TW 07/22/2013		
Refund	75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	<b>7</b> 5	1,226
	76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here	76a	1,226
Direct deposit?	▶ b Routing number		
See instructions.	d Account number		
	77 Amount of line 75 you want applied to your 2015 estimated tax 🕨 77		



## **Undercover Operation**

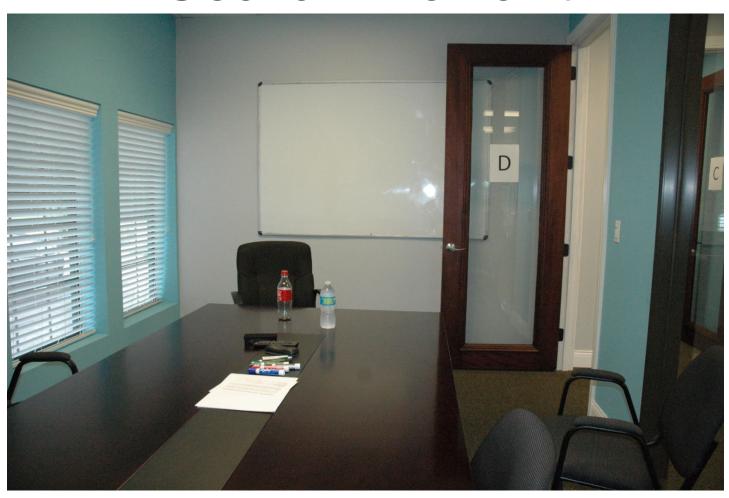
Filed with IRS – Form 8888

12:04:37 PM 07/22/2019

Pa	rt I Direct Deposit		
	Complete this part if you want us to directly deposit a portion of your tax refund to one or more acc	ounts.	
1a	Amount to be deposited in first account (see instructions)	1a	1,200
b	Routing number		
d	Account number		
2a	Amount to be deposited in second account	2a	26
b	Routing number		
d	Account number		

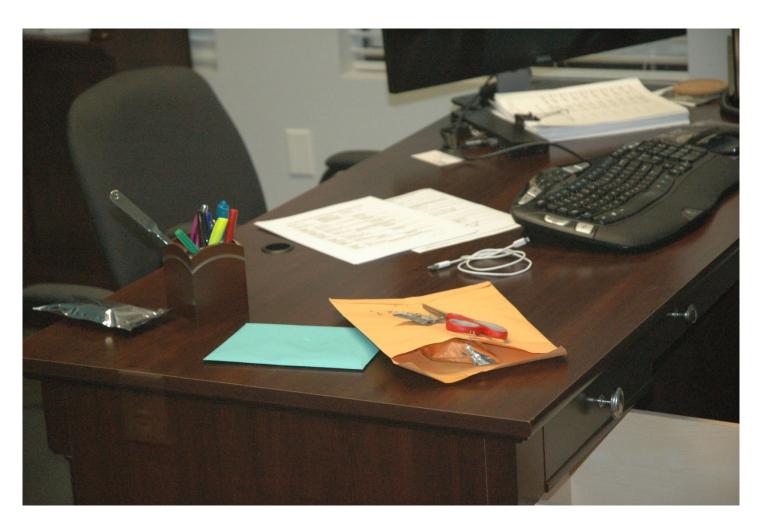


## Search Warrant





### Search Warrant





### Search Warrant





# Search Warrant – Computer and Phone Analysis

 IRS-CI seized SUBJECT'S cell phone, and storage devices.

 IRS identified file names indicative of child exploitation.



## **Exploitation Allegations**

Secondary agency joins the investigation.

 Secondary agency obtains search warrant to review seized evidence.



#### Search Warrant at residence

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



### Disposition

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



## Disposition

12:37:31 PM 07/22/2019

DEFENDANT: CASE NUMBER:

#### **IMPRISONMENT**

	The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a
This	l term of 600 months. s term consists of TWO HUNDRED SEVENTY (270) MONTHS as to each of Counts 1S and 2S, to run consecutively, followed by a secutive term of SIXTY (60) MONTHS as to Count 3S, for a total of SIX HUNDRED (600) MONTHS.
	See Additional Imprisonment Terms.
X	The court makes the following recommendations to the Bureau of Prisons: That the defendant be designated to FCI Bastrop in Bastrop, Texas.
X	The defendant is remanded to the custody of the United States Marshal.

Release Date: 2059



#### Conclusion

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



### **Questions?**



fa4304447 freeart.com ©

Jason.Webb@ci.irs.gov (281) 635-5666