



NEWS RELEASE

Internal Revenue Service Criminal Investigation
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IRS-Criminal Investigation: Following the Drug Cartel's Money Trail

It's really pretty simple: No matter what the source of the illicit money—most of it needs to find a way into the banking system. And this creates a real problem for drug dealers. What are they going to do with their money -- so that IRS won't find it?

All financial transactions leave a money trail. IRS Criminal Investigation ("IRS CI") follows the money trail, tracing the profits from the illegal activity back to the criminal. IRS CI often assists federal prosecutors and our law enforcement counterparts in the prosecution of drug cartel members and their leaders for money laundering crimes. Special agents utilize their financial expertise to work alongside other agencies to bring criminals to justice. The major goal in a financial investigation is to identify and document the movement of money during the course of a crime.

Erick Martinez, Special Agent in Charge for IRS Criminal Investigation, commented: "Documents don't lie. The money trail often brings the bigger story into focus. Money laundering charges are now an essential part of trafficking cases and often are the most convincing and reliable evidence in a case that might otherwise be unable to stand alone."

A past trend uncovered by special agents was that some narcotics traffickers transport drug proceeds through bulk currency from the United States to Mexico. The bulk currency was used to pay for additional narcotics and have currency available to pay bribes and other narcotics related expenses. Recently, a more sophisticated means to transfer drug proceeds has also been uncovered. Rather than transporting the bulk currency, drug traffickers use wire transfers, nominee bank accounts and other means to hide their drug proceeds and assets. Moreover, because cash deposit limitations were recently imposed in Mexican financial institutions, some narcotics traffickers have been depositing narcotics proceeds into multiple U.S. nominee bank accounts in a structured manner. Subsequently, drug traffickers wire transfer the funds to Mexico.

Another money laundering trend observed by special agents is the "mirror" method, similar to a Hawala, where money is transferred without any actual movement. For example, if \$50,000 in U.S. currency is located in the U.S. and the currency is designated for payment in Mexico, a business and or individual located in Mexico releases \$50,000 in U.S. currency and/or pesos once the narcotics are delivered. This method minimizes the risk of the currency physically moving from one country to another which helps minimize being detected and/or seized by law enforcement.

CI's contribution to the battle against major drug cartels is vital but sometimes difficult to recognize, because the work of IRS CI's special agents usually don't make the headlines. The long hours of tracking down and documenting financial leads aren't glamorous, but it does allow an investigation to go right to the door of the leader of the drug trafficking organization. A complete financial analysis and reconstruction of a drug organization's financial activity as it relates to unreported income and money laundering can often be critical to obtaining the conviction.

IRS Criminal Investigation (IRS CI) continues to support national law enforcement initiatives by investigating and recommending prosecution of domestic and international narcotics traffickers and money launderers. The following

narcotics-related financial investigations were investigated by IRS Criminal Investigation in Southern California alongside FBI and DEA (Drug Enforcement Administration), in conjunction with the United States Attorney's Office for the Southern and Central Districts of California. Below are a few cases in which the IRS money laundering aspect made a difference:

Operation Canadian Connection (3:13-cr-00789)

San Diego- On July 9, 2014, United States District Judge Cathy Ann Bencivengo sentenced **Jose Isidro Rodriguez-Lara** to 180 months imprisonment and five years of supervised release following imprisonment. On June 5, 2014, Rodriguez-Lara pleaded guilty to one count of Conspiracy to Distribute Methamphetamine and Cocaine and one count of Conspiracy to Launder Money. The investigation of Rodriguez-Lara stems from investigation "Operation Canadian Connection," whereby nineteen defendants were indicted on February 15, 2013 on charges of Conspiracy to Distribute Methamphetamine and Cocaine and Conspiracy to Launder Money. According to court records, Rodriguez-Lara coordinated via telephone with other conspirators to bring cocaine and methamphetamine from Tijuana, Mexico into various locations in San Diego County. Rodriguez-Lara also conspired with other defendants as a money courier for narcotics proceeds.

Operation Team America (Case#: 3:11-cr-01926 and 3:14-cv-00326)

San Diego- On June 26, 2014, U.S. District Judge Marilyn L. Huff sentenced **Jose Benjamin Valdez-Bernal** to 70 months imprisonment followed by three years of supervised release for his role in a money laundering conspiracy. On February 18, 2014, Valdez-Bernal pleaded guilty to Conspiracy to Launder Money. The investigation originated from "Operation Team America." On July 21, 2011, 29 defendants in investigation "Operation Team America" were charged in a 51 count indictment on numerous charges including cocaine trafficking and conspiracy to commit money laundering. Operation Team America focused on the investigation of the cocaine trafficking proceeds and laundering the narcotics proceeds in the form of bulk currency. The bulk currency was being deposited into a bank account located in San Diego. Subsequently the proceeds were wire transferred to bank accounts, or physically delivered to persons, designated by the drug trafficking organizations (DTOs).

Operation End Game (CASE #: 3:11-cr-00733)

San Diego- On May 29, 2014, U.S. District Judge Barry Ted Moskowitz sentenced **Hector Cedano-Medina** to 46 months imprisonment and five years of supervised release following imprisonment. On April 4, 2012, Cedano-Medina pleaded guilty to one count of Conspiracy to Distribute Methamphetamine, Heroin, and Cocaine and one count of Conspiracy to Launder Money. On November 16, 2012, thirteen defendants were indicted in investigation "Operation End Game," the investigation of a Tijuana based drug trafficking organization. According to court records, Hector Cedano-Medina and others conspired to import, store, and distribute narcotics. Money laundering methods included nominee bank accounts, wire transfers, and bulk cash transactions. As part of the conspiracy, Cedano-Medina assisted his father in the distribution of narcotics once they crossed into the U.S.

Operation Never Ending Story (Case#: 3:11-cr-01826)

San Diego- On March 3, 2014, United States District Judge Irma E. Gonzalez sentenced **Jose Alfredo Barba-Silva** to 64 months imprisonment followed by five years of supervised release. On January 6, 2014, Barba-Silva pleaded guilty to one count of Conspiracy to Distribute Methamphetamine and one count of Conspiracy to Launder Money. According to the plea agreement, Barba-Silva in furtherance of the conspiracy to distribute narcotics, transported proceeds of drug trafficking in the form of currency or gave currency, to other coconspirators for delivery to Mexico. The investigation of Barba-Silva was part of "Operation Never Ending Story," which surrounded the investigation of a narcotics and money laundering organization. On May 6, 2011, and June 10, 2011 thirteen defendants in this investigation were indicted on charges of conspiracy to import methamphetamine into the US and money laundering the narcotics proceeds through wire transfers and nominee bank accounts both in the US and Mexico.

Operation Bumper Locker (Case#: 3:12-cr-02412)

San Diego- On April 23, 2014, United States District Judge Dana M. Sabraw sentenced **Octavio Garcia-Corona** to 108 Months imprisonment followed by five years of supervised release for his role in his conspiracy to distribute Controlled Substances and Criminal Forfeiture. On February 1, 2014, Garcia-Corona pleaded guilty to one count of conspiracy to Distribute controlled Substances and Criminal Forfeiture. The investigation originated from "Operation Bumper Locker" whereby on June 15, 2012, five defendants were indicted on charged of conspiracy to import methamphetamine into the US and money laundering the narcotics.

Operation Magic Mile (Case#: 3:12-cr-01111)

San Diego- On January 31, 2014, United States District Judge Barry Ted Moskowitz sentenced **Dennis J. Sittman** to 51 months imprisonment and three years of supervised release following imprisonment for his role in a Conspiracy to Distribute Methamphetamine and Conspiracy to Launder Money. On April 23, 2013, Sittman pleaded guilty to one count of Conspiracy to Distribute Methamphetamine and one count of Conspiracy to Launder Money. Sittman conspired with others in "Operation Magic Mile" to use wire transfer payments as a money laundering method. According to the plea agreement, as part of the conspiracy to distribute methamphetamine and money laundering, Sittman used wire transfer

payments to his co-conspirator, at times, in another individual's name in an effort to conceal the true sender of the funds. The funds were later used to pay off drug debts owed and purchase additional methamphetamine to be sold.

Operation Equinox (Case # CR 08-713)

Los Angeles- On January 27, 2014, United States sentenced **Jesus Ruiz-Sandoval**, also known as "Jorge Cuevas-Mares," "Jorge Cabas," "Chuy," "Pitufo," and "Lica," to 121 months imprisonment followed by 10 years of supervised release. Ruiz-Sandoval pled guilty in 2009 to one count of Conspiracy to Distribute and Possess Cocaine and Methamphetamine. Ruiz-Sandoval admitted that he used various co-conspirators to transport drugs into the United States from Mexico, and then distribute the drug in the Los Angeles area, and to co-conspirators in the San Francisco Bay area.

For more information see <http://www.irs.gov/uac/Statistical-Data-Narcotics-Related-Financial-Investigations> and [http://www.irs.gov/uac/Narcotics-Related-Financial-Investigations-Criminal-Investigation-\(CI\)](http://www.irs.gov/uac/Narcotics-Related-Financial-Investigations-Criminal-Investigation-(CI)).

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