Internal Revenue Service

Criminal Investigation

2015 ANNUAL REPORT

Table of Contents:

Chief's Message 1
Investigative Priorities 2
Business Results 2
Staffing 3
Headquarters Organizational Structure 4
Field Office Organizational Structure 5
Legal Source Tax Crimes 6
- General Tax Fraud 6
- Refund Fraud 8
- Identity Theft 8
- Abusive Return Preparer Program 12
- Questionable Refund Program 15
- Abusive Tax Schemes 17
- Non-filer Investigations 18
- Employment Tax 19

Illegal Source Financial Crimes 21
- Financial Institution Fraud 21
- Public Corruption 23
- Corporate Fraud 25
- Gaming 27
- Insurance and Healthcare Fraud 29
- Bankruptcy Fraud 32

International Operations 33
- Narcotics and Counterterrorism 37

Money Laundering & Bank Secrecy Act 40
Warrants and Forfeiture 45
National Forensic Laboratory 46
Technology Operations & Investigative Services 47

Chief's Message – Richard Weber

As we arrive at the end of another fiscal year, we have the opportunity to pause for a moment to look back at the challenges we have faced and the incredible successes we have accomplished together. We began the year facing deep cuts in our budget. Having hired only 45 agents in the last three years, attrition was catching up to us and our staffing levels hit their lowest levels since the 1970's. We finally came to realize that fewer agents and staff really do mean fewer cases. But the story of this year is not told in discussing what we could not do. Instead, it is a story about how much we adapted and accomplished in spite of those challenges. This annual report is an unbelievable reflection of our great cases.

I am proud that we have stayed mission-focused. While our highest priority is to enforce the nation's tax laws, we cannot underestimate the deterrent effect we are having on would-be criminals and the impact we are having on tax administration. A majority of Americans who follow the law would tell you that they want consequences for those who do not. The work we do levels that playing field to ensure that everyone is treated fairly. This annual report includes case summaries that represent the diversity and complexity of those investigations such as tax-related identity theft, money laundering, public corruption, cybercrime and terrorist financing. Despite the budget challenges, our cases touched almost every part of the world. They had a significant impact on tax administration and were some of the most successful in the history of CI.

The unsealing of indictments in May in the FIFA investigation was a game changer. At the time, the investigation involved coordination with police agencies and governments in 33 countries and was one of the most complicated international white-collar cases in recent memory. And while the case involves corruption and money laundering, it started out as a tax evasion case and snowballed into something much more thanks to the analysis of our agents. Ross Ulbricht, the creator and owner of the "Silk Road" website, was sentenced to life in prison and ordered to forfeit more than $183 million. Were it not for the work of one of our agents, Ulbricht may still be free today. A Michigan man, Dr. Farid Fata was sentenced to 540 months in one of the most horrendous cases I've witnessed. The defendant purposefully misdiagnosed people with cancer in order to get rich -- greed being a common link in all financial investigations. A former construction boss in Las Vegas named Leon Benzer was sentenced to 188 months for tax evasion. The Swiss Bank program continued to provide solid leads and information that we are using to develop other cases around the world. Bank Leumi admitted to assisting U.S. taxpayers in hiding assets in offshore bank accounts, disclosed more than 1,500 U.S. account holders and agreed to pay a total of $270 million. This was the first time an Israeli bank has admitted to such criminal conduct.

Identity theft is becoming a more sophisticated crime. Earlier this fiscal year, we arrested 17 individuals, 14 of whom were college students at Miami Dade College, for their involvement in a stolen identity tax refund fraud scheme that utilized students' accounts and implicated 644 victims. And while cases like this are significant and important, IRS-CI is now beginning to focus our efforts on even more complex identity theft investigations involving organized criminal networks with cyber and global connections that victimize American citizens and businesses. The use of the Dark Net has created additional challenges. A new generation of organized criminals is able to steal the personal information of millions of victims from a computer halfway around the world. And virtual currency further disguises the flow of illegal funds. Through all of these challenges, we have continued to produce quality cases and have sent close to 2,000 people to jail in the last three years for identity theft related crimes.

I'm proud of IRS-CI and the reputation that this agency has as the best financial investigators in the world. We have a long and storied history that is only becoming longer as each of you adds another chapter with each success. Regardless of our budget situation, I am proud that we have not lost sight of our relevancy or mission and that the quality of our cases remains high. We need to continue to build on that success looking ahead to Fiscal Year 2016 and beyond. I would like to thank all of CI for their hard work and congratulate them on another amazing year in CI. I'm honored to be the chief and proud of all we have accomplished.

Vision for IRS Criminal Investigation:

Through strategic investments in people, increased communication, enhanced technology, and collaboration with domestic and global law enforcement partners, IRS Criminal Investigation (CI) will continue to be the worldwide leader in tax and financial investigations.

Investigative Priorities:

CI's highest priority is to enforce our country's tax laws and support tax administration.
The Fiscal Year 2015 investigative priorities were:

- Identity Theft Fraud
- Abusive Return Preparer Fraud & Questionable Refund Fraud
- International Tax Fraud
- Fraud Referral Program
- Political/Public Corruption
- Organized Crime Drug Enforcement Task Force (OCDETF)
- Bank Secrecy Act and Suspicious Activity Report (SAR) Review Teams
- Asset Forfeiture
- Voluntary Disclosure Program
- Counterterrorism and Sovereign Citizens

FY 2015 Business Results:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	3853	4297	5314
Prosecution Recommendations	3289	3478	4364
Informations/Indictments	3208	3272	3865
Convictions	2879	3110	3311
Sentenced*	3092	3268	2812
Percent to Prison	80.8%	79.6%	80.1%

- Conviction rate is the percentage of convictions compared to the total number of convictions, acquittals, and dismissals. The conviction rate for FY 2015 is 93.2%, .02% less than the FY 2014 rate (93.4%).

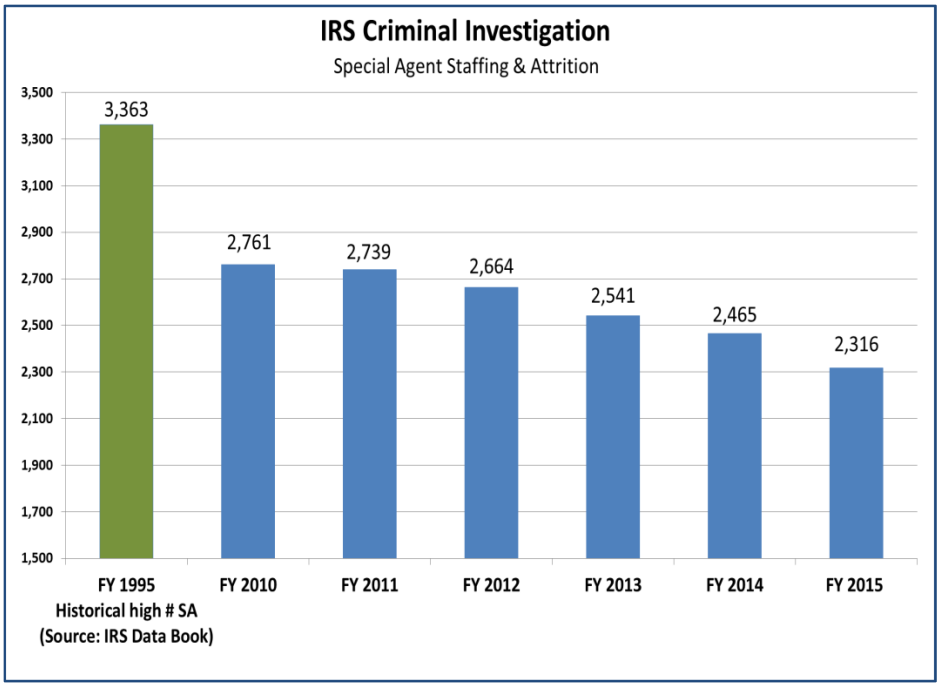
*Sentence includes confinement to federal prison, halfway house, home detention, or some combination thereof.
A fiscal year runs from October 1 through September 30.
Data Source: Criminal Investigation Management Information System
How to Interpret Criminal Investigation Data: Actions on a specific investigation may cross fiscal years; the data shown in investigations initiated may not always represent the same universe of investigations shown in other actions within the same fiscal year.

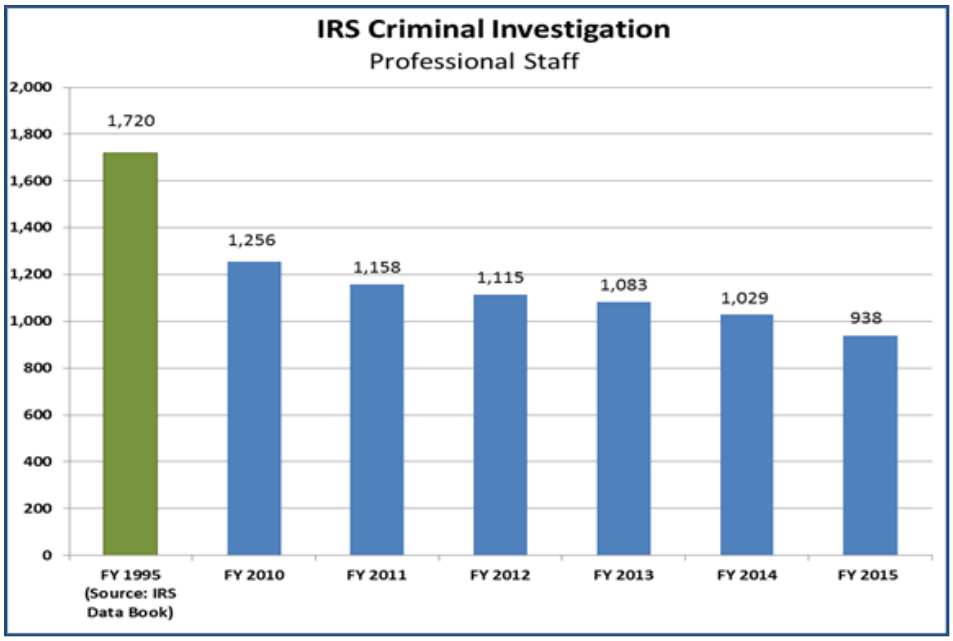
Staffing

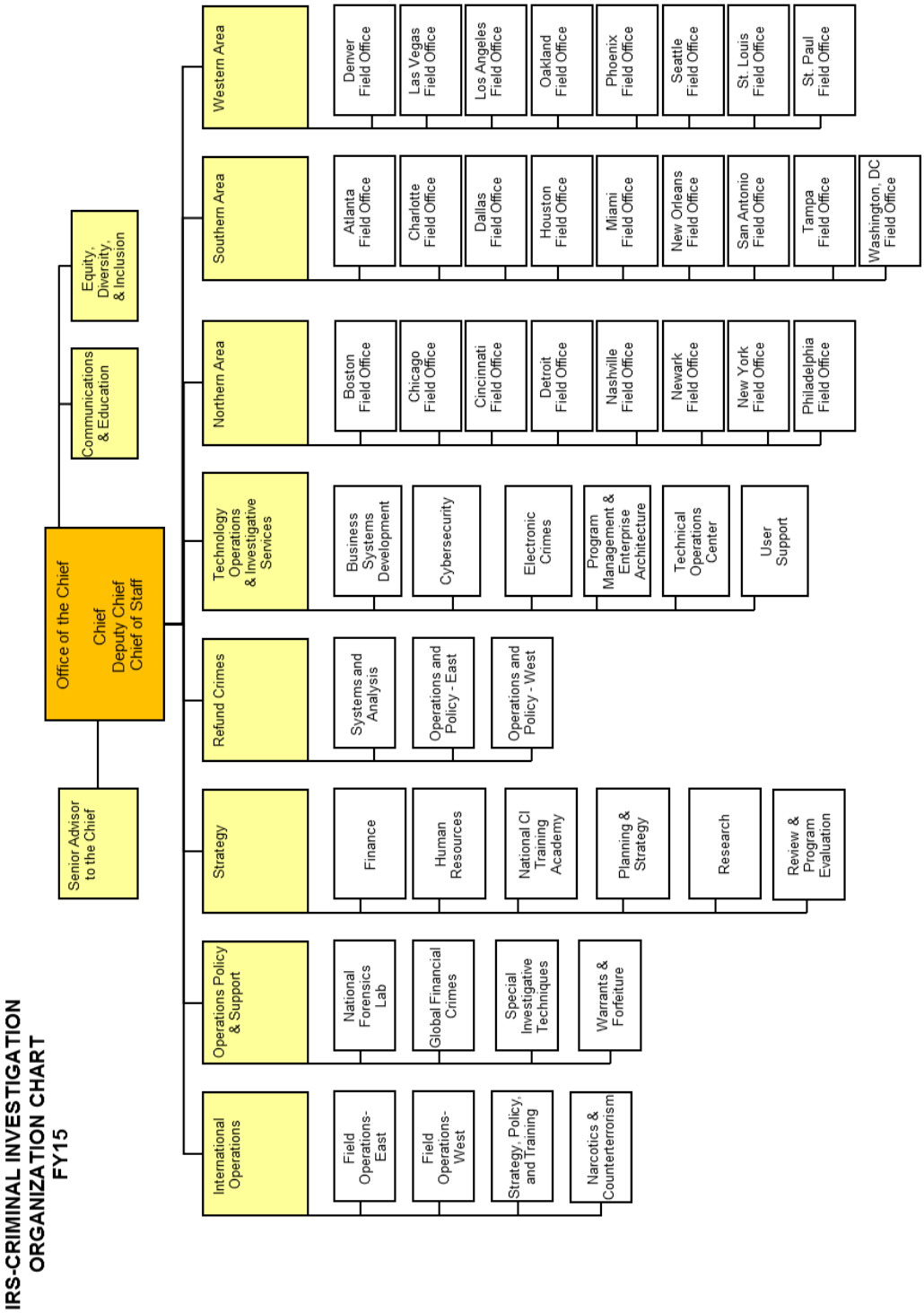
- As of September 30, 2015, IRS CI had 2,316 Special Agents on board, a 6.0% decrease compared to the number of special agents at the conclusion of FY 2014.

- Professional staff personnel on board were 938, reflecting a decrease of 8.8% compared to FY 2014.

  (Total CI Staffing in FY 2015 was 3,254, a 6.9% decrease compared to FY 2014).






IRS-CRIMINAL INVESTIGATION
ORGANIZATION CHART
FY15
Senior Advisor to the Chief
Office of the Chief
Chief
Deputy Chief
Chief of Staff
Communications & Education
Equity, Diversity, & Inclusion
International Operations
Field Operations-East
Field Operations-West
Strategy, Policy, and Training
Narcotics & Counterterrorism
Operations Policy & Support
National Forensics Lab
Global Financial Crimes
Special Investigative Techniques
Warrants & Forfeiture
Strategy
Finance
Human Resources
National CI Training Academy
Planning & Strategy
Research
Review & Program Evaluation
Refund Crimes
Systems and Analysis
Operations and Policy - East
Operations and Policy - West
Technology Operations & Investigative Services
Business Systems Development
Cybersecurity
Electronic Crimes
Program Management & Enterprise Architecture
Technical Operations Center
User Support
Northern Area
Boston Field Office
Chicago Field Office
Cincinnati Field Office
Detroit Field Office
Nashville Field Office
Newark Field Office
New York Field Office
Philadelphia Field Office
Southern Area
Atlanta Field Office
Charlotte Field Office
Dallas Field Office
Houston Field Office
Miami Field Office
New Orleans Field Office
San Antonio Field Office
Tampa Field Office
Washington, DC Field Office
Western Area
Denver Field Office
Las Vegas Field Office
Los Angeles Field Office
Oakland Field Office
Phoenix Field Office
Seattle Field Office
St. Louis Field Office
St. Paul Field Office

CRIMINAL INVESTIGATION FIELD OPERATIONS
December 2012
WESTERN
NORTHERN
SOUTHERN
SEATTLE
OAKLAND
LAS VEGAS
LOS ANGELES
PHOENIX
DENVER
ST. PAUL
ST. LOUIS
CHICAGO
DETROIT
CINCINNATI
NASHVILLE
BOSTON
NEW YORK
NEWARK
PHILADELPHIA
WASHINGTON, D.C.
CHARLOTTE
ATLANTA
NEW ORLEANS
TAMPA
MIAMI
HOUSTON
DALLAS
SAN ANTONIO
MARIANA ISLANDS
PUERTO RICO
U.S. VIRGIN ISLANDS
LEGEND
HEADQUARTERS
SAC

LEGAL SOURCE TAX CRIMES

CI's primary resource commitment is to develop and investigate legal source tax crimes. Typically, legal source tax crimes are committed by people in legally permissible occupations and industries, and their actions violate tax laws or threaten the tax system. Prosecution of these cases supports the overall IRS compliance goals and enhances voluntary compliance with the tax laws. Some of these investigations are worked with our federal, state and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

Fraud Referral Program

CI places a high degree of emphasis on the fraud referral program. One source of investigations comes from civil IRS divisions in the form of a fraud referral. CI works closely with the civil divisions of Small Business/Self-Employed (SB/SE), Wage and Investment (W&I), Large Business & International (LBI) and Tax Exempt and Government Entities (TEGE). It is through these fraud referrals that CI gets some of our core mission tax investigations. CI is committed to timely evaluation of each fraud referral.

General Tax Fraud

General tax fraud investigations are the backbone of CI's enforcement program and have a direct influence on the taxpaying public's compliance with the Internal Revenue Code. Compliance with the tax laws in the United States depends heavily on taxpayer self-assessment of the amount of tax, voluntary filing of tax returns and remittance of any tax owed. This is frequently termed "voluntary compliance." There are individuals from all facets of the economy, whether corporate executive, small business owner, self-employed or wage earner, who through willful non-compliance do not pay their fair share of taxes. CI special agents use their financial investigative skills to uncover and quantify many different schemes, including deliberately under-reporting or omitting income ("skimming"); keeping two sets of books, or making false entries in books and records; claiming personal expenses as business expenses; claiming false deductions or credits against taxes; or hiding or transferring assets to avoid payment.

Examples of general tax fraud investigations adjudicated in FY 2015 include:

Restaurant Chain Accountant Sentenced For Tax Fraud Scheme
On Aug. 6, 2015, in Philadelphia, Pennsylvania, William J. Frio, of Springfield Township, was sentenced to 60 months in prison, four years of supervised release and ordered to pay $1.7 million in restitution. Frio pleaded guilty on Jan. 26, 2015, to conspiracy to commit tax evasion, filing false tax returns, loan fraud and aggravated structuring of financial transactions. Frio was an accountant and income tax preparer who provided services to the Nifty Fifty's organization dating back to 1986. Frio and five others, including the restaurant chain's owners and managers, participated in a long-running scheme to avoid paying millions of dollars in personal and employment taxes. The scheme defrauded the IRS by failing to properly account for more than $15 million in gross receipts. Frio and the owners and principals of Nifty Fifty's conspired in a scheme to use skimmed cash to pay themselves and people and businesses who supplied goods and services to the Nifty Fifty's restaurants. In 2008, Frio submitted a false loan application and other documents to a bank, for a $417,000 mortgage for his personal residence. Between January 2009 and November 2009, Frio knowingly structured transactions with the bank, totaling more than $2.6 million, as part of a pattern of illegal activity involving transactions of more than $100,000 in a 12-month period. Frio used his position as the Nifty Fifty's accountant to embezzle millions of dollars that belonged to the organization.

Former Construction Boss Sentenced for Role In $58 Million HOA Scheme, Tax Evasion
On Aug. 6, 2015 in Las Vegas, Nevada, Leon Benzer, a former construction boss from Las Vegas, was sentenced to 188 months in prison and ordered to pay restitution of $13,294,100. Benzer pleaded guilty on Jan. 23, 2015, to conspiracy to commit mail and wire fraud, wire fraud, mail fraud and tax evasion for his role in a scheme to fraudulently gain control of condominium homeowners' associations (HOAs) in the Las Vegas area in order to secure construction and other contracts for himself and others. Benzer admitted that, from about August

2003 through February 2009, he and an attorney developed a scheme to control the boards of directors of HOAs in the Las Vegas area. As part of the scheme, Benzer and his co-conspirators recruited straw buyers to purchase condominiums and secure positions on HOAs' boards of directors. Benzer paid the board members to take actions favorable to his interests, including hiring his co-conspirator's law firm to handle construction-related litigation and awarding remedial construction contracts to Benzer's company, Silver Lining Construction. Forty-two individuals have been convicted of crimes in connection with the scheme. In addition, beginning around Sept. 25, 2007, Benzer owed the IRS at least $459,204 for his individual income taxes for tax years 2001 through 2005. However, Benzer willfully attempted to evade the payment of these taxes by preparing and causing to be prepared false financial forms with the IRS in order to conceal income and assets. Also, about Sept. 25, 2007, Benzer owed at least $705,982 for employment taxes for tax periods Sept. 30, 2003, Dec. 31, 2003 and March 31, 2004 and for unemployment taxes for tax year 2003. Instead of paying these taxes, Benzer willfully attempted to evade payment by opening a bank account in his name to conceal money and assets and preparing and filing false financial forms with the IRS.

Married Lawyer and Doctor Sentenced for Obstructing IRS Audit

On July 31, 2015, in Manhattan, New York, Jeffrey S. Stein and Marla Stein, who are husband and wife, were sentenced to 18 months and 12 months and one day in prison, respectively and ordered to pay restitution of $344,989 to the IRS for obstructing the IRS. Jeffrey S. Stein, a vascular surgeon, and Marla Stein, a New York personal injury lawyer, reported the profits from their medical and law practices, respectively, on separate Schedules C (Profit or Loss From Business) attached to the joint U.S. Individual Income Tax Returns, Forms 1040, that they filed for the tax years 2009-2012. The Steins provided false and fictitious information to their accountant in order to fraudulently reduce the amount of taxes they would have to pay to the IRS. In February 2013, the IRS notified the Steins that their tax returns for the 2010 and 2011 tax years had been selected for audit. In response to requests by an IRS auditor for documents, the Steins created and provided various fabricated and fictitious documents and information as part of a corrupt effort to convince the IRS auditor that the expenses claimed on their respective Schedules C were legitimate. Additionally, for the tax years 2007-2013, the Steins failed to inform their accountant that they employed and paid approximately $15,000 annually in cash wages to a household employee. As a result, the Steins failed to pay to the IRS various employment taxes due and owing to the IRS, and also aided the employee in avoiding detection by the IRS of the employee's failure to report her cash wages to the IRS for the tax years 2007-2013.

Happy's Pizza Founder and Co-Conspirators Sentenced for Multi-Million Dollar Tax Fraud Scheme

On July 10, 2015, in Detroit, Michigan, Happy Asker, of West Bloomfield, was sentenced to 50 months in prison, three years of supervised release and ordered to pay $2.5 million in restitution to the IRS. Asker was convicted of filing false income tax returns for the years 2006 through 2008, aiding and assisting in the filing of false income and payroll tax returns for the years 2006 through 2009, and corruptly endeavoring to obstruct and impede the administration of the Internal Revenue Code. Asker was the president and founder of Happy's Pizza, a chain of restaurants in Michigan, Ohio and Illinois. From 2004 through 2011, Asker, along with certain franchise owners and employees, executed a systematic and pervasive tax fraud scheme to defraud the IRS. Gross sales and payroll amounts were substantially underreported on numerous corporate income tax returns and payroll tax returns filed for nearly all 60 Happy's Pizza franchise locations. From 2008 to 2010, Asker and his co-conspirators diverted for personal use more than $6.1 million in cash gross receipts from approximately 35 different Happy's Pizza stores. In total, Asker and certain employees and franchise owners failed to report approximately $3.84 million of gross income and approximately $2.39 million in payroll taxes from the various Happy's Pizza franchises to the IRS. Maher Bashi, Happy's Pizza corporate chief operating officer; Tom Yaldo, an owner of numerous franchises; Arkan Summa, an owner of numerous franchises; and Tagrid Bashi, a nominee franchise owner; have been sentenced for their roles in the scheme to terms ranging from three years of supervised release to 24 months of prison and ordered to pay total restitution of $1,134,222.

Refund Fraud Program

Refund fraud poses a significant threat to the tax system. Criminal attempts to obtain money from the government under false pretenses via the filing of a fraudulent tax return not only results in the loss of funds needed for vital government programs but can also impact taxpayers confidence in the tax system and their willingness to voluntarily meet tax filing obligations. The Refund Fraud Program is broken down into two distinct categories: the *Questionable Refund Program*, which also includes identity theft investigations and the *Abusive Return Preparer Program.*

The primary focus of the Questionable Refund Program is to identify fraudulent claims for tax refunds. Generally, these schemes involve individuals filing multiple false tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly.

The Abusive Return Preparer Program investigations generally involve the orchestrated preparation and filing of false income tax returns, in either paper or electronic form, by dishonest preparers who may claim inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not have knowledge of the falsity of the returns.

Identity Theft

Identity theft-related crimes continue to be a priority area of investigation for CI. During FY 2015, CI remained committed to investigating egregious identity theft schemes through administrative and grand jury investigations utilizing various field office and multiregional task forces including state/local and federal law enforcement agencies. Currently, CI participates in more than 70 task forces/working groups throughout the country that investigate both financial crimes as well as identity theft crimes.

CI's level of commitment towards the fight against identity theft continues to be evident. There is a designated management official who serves as the National Identity Theft Coordinator. This position is responsible for overseeing CI's national identity theft efforts including formulating policy and procedures. In addition to a national coordinator, there are identity theft coordinators within each of CI's 25 field offices. CI is a key partner on the Commissioner's Security Summit, which includes the IRS, State Divisions of Taxation, and private sector entities who joined in a collaborative effort to share critical information and ideas to combat tax-related identity theft.

Data Compromises: Data compromises, more commonly referred to as data breaches, have impacted all sectors of society. During FY 2015, CI experienced an increase in tax-related identity theft, which was generally linked to compromised personal identifying information acquired via a variety of situations involving compromised detailed financial data. Twenty-two field offices initiated investigations linked to computer intrusions, account takeovers, and data compromises affecting tax administration. CI continued outreach efforts within the IRS, the law enforcement community, and the private sector to acquire information regarding compromised data that could impact tax administration. This information helped CI to proactively identify or prevent successful false claims for refunds utilizing the stolen data. Additionally, CI continues to participate in a cross-functional working group within the IRS to develop new analytical filters, as well as enhanced victim assistance.

Identity Theft Clearinghouse (ITC): The ITC continues to develop and refer identity theft refund fraud schemes to CI field offices for investigation. The ITC serves as a centralized focal point to address incoming identity theft leads from throughout the country. The ITC's primary responsibilities are analyzing identity theft leads and facilitating discussions between field offices with multi-jurisdictional issues.

Law Enforcement Assistance Program (LEAP): In March 2013, IRS announced that the Law Enforcement Assistance Program, formerly known as the "Identity Theft Pilot Disclosure Program," was expanding nationwide. This program was developed jointly by CI and other IRS counterparts as a result of a significant increase in requests from state and local law enforcement agencies for tax return documents associated with identity theft- related refund fraud. The program allows for the disclosure of tax returns and return information associated with accounts of known and suspected victims of identity theft with the express written consent of those victims. To date, more than 1,100 state and local law enforcement agencies from 48 states have participated in this program. In FY 2015 over 6,700

requests for assistance were received representing a 119% increase over FY 2014.

Outreach: CI's outreach strategy included hosting or attending educational events focusing on enhanced IT security efforts, tax-related ID theft investigative techniques and other refund-related frauds. Target audience groups included law enforcement partners, private sector entities involved in tax preparation, payroll service industries and IRS personnel. Local and national events included presentations at the International Association of Financial Criminal Investigators, National Association of Attorneys General, American Payroll Association training seminars and tax practitioner events throughout the country. Additional efforts included creating educational materials regarding LEAP and information on the impact of identity theft/data compromises on tax administration. These included fraud alerts, bulletins, and training materials to regional law enforcement information sharing systems, the International Association for Chiefs of Police and the National Sheriff's Association.

Proactive Prevention: CI continues to receive information from private and public sector sources involving compromised personal identifying information. This information is shared with W&I and allows the IRS to analyze and make necessary adjustments to accounts of taxpayers that are likely victims of identity theft. Additionally, CI collaborates with cross functional partners in the development and implementation of analytical filters designed to identify fraudulent claims at filing and prevent further victimization of impacted individuals.

Examples of identity theft investigations adjudicated in FY 2015 include:

Nine Defendants Sentenced in $24 Million Stolen Identity Tax Refund Fraud Ring

On Sept. 25, 2015, in Montgomery, Alabama, Keisha Lanier, of Newnan, Georgia, was sentenced to 180 months in prison, three years of supervised release and ordered to forfeit $5,811,406 for her role as the ringleader of a stolen identity tax refund fraud conspiracy. Between January 2011 and December 2013, Lanier and co-conspirator, Tracy Mitchell, led a large-scale identity theft ring that filed more than 9,000 false individual federal income tax returns that claimed more than $24 million in fraudulent claims for tax refunds. The IRS paid out close to $10 million in refunds on these fraudulent claims. The defendants obtained the stolen identities from various sources, including from the U.S. Army, several Alabama state agencies, a Georgia call center and employee records from a Georgia company. Mitchell worked at the hospital located at Fort Benning, Georgia, where she had access to the identification data of military personnel. She stole the personal information of the personnel and used it to file false tax returns. In order to file the false tax returns, the defendants obtained several IRS Electronic Filing Numbers in the names of sham tax businesses. The defendants then applied for bank products, to include blank check stock. The defendants directed the IRS to pay the anticipated tax refunds to prepaid debit cards, by U.S. Treasury checks and to financial institutions, which in turn issued the tax refunds via prepaid debit cards or checks. When the refunds were sent through the financial institutions, the defendants simply printed out the refund checks from the check stock that had been sent to their homes. After the financial institutions stopped the defendants from printing out the tax refund checks, the defendants recruited U.S. Postal Service employees. The corrupt postal employees gave the defendants specific addresses along their postal routes for mailing the U.S. Treasury checks. Once the checks came to the address, the postal employees took the checks and turned them over to the defendants for a fee. The scheme also involved a complex money laundering operation. Almost $10 million in fraudulent tax refund checks were cashed at several businesses located in Alabama, Georgia and Kentucky. On Aug. 7, 2015, in Montgomery, Alabama, eight residents of Alabama and Georgia were sentenced for their roles in a $24 million stolen identity refund fraud (SIRF) conspiracy. Sentenced were:

•Tracy Mitchell, 159 months in prison and ordered to pay a forfeiture judgment in the amount of $329,242, which was seized in cash from her residence;
•Talarius Paige, 60 months in prison;
•Mequetta Snell-Quick, 24 months and one day in prison;
•Latasha Mitchell, 36 months in prison;
•Dameisha Mitchell, 65 months in prison;
•Sharonda Johnson, 24 months in prison;
•Patrice Taylor, 12 months and one day in prison; and
•Cynthia Johnson, two years of probation.

Florida Man Sentenced for Stolen ID Theft Scheme, Obstruction of Justice

On Aug. 11, 2015, in Richmond, Virginia, Eddie Blanchard, of Miami, Florida, was sentenced to 204 months in prison, three years of supervised release and ordered to pay $568,625 in restitution for his role in a stolen identity tax refund fraud scheme. Blanchard participated in the Miami-based scheme with three confederates, Ramoth Jean, Junior Jean Merilia, and Jimmy Lord Calixte. The men travelled repeatedly to Richmond in 2012 and used stolen personal identifying information (PII) to file hundreds of fraudulent tax returns, utilizing online tax preparation programs. The men claimed significant refunds on the fraudulent returns and requested the refunds be placed on pre-paid debit cards, which were later mailed to Richmond addresses selected by the conspirators. The scheme began to unravel when a Henrico County, Virginia, police officer encountered Jean removing a box containing stolen PII from a storage unit rented by the co-conspirators. Following Jean's subsequent arrest on June 20, 2013, Blanchard convinced him to mislead federal investigators about the identity of his actual co-conspirators, going so far as to facilitate the creation of a fictional accomplice. Jean ultimately refused to testify before a federal grand jury about this matter. Jean was sentenced on Jan. 9, 2014 to 114 months in prison and subsequently sentenced to an additional eight months on a separate contempt charge for his refusal to testify before the grand jury. Merilia was sentenced on June 19, 2015 to 133 months in prison for his role in the fraud scheme and the subsequent obstruction of justice. Calixte is currently a fugitive.

Four Georgia Residents Sentenced For Filing Over 1,100 Fraudulent Tax Returns

On July 27, 2015, in Albany, Georgia, four defendants were sentenced for their roles in a tax refund fraud conspiracy. Patrice Taylor, of Ashburn, was sentenced to 84 months in prison and ordered to pay $1,107,802 in restitution to the IRS. Her husband, Antonio Taylor was sentenced to 147 months in prison and ordered to pay $1,107,802 in restitution to the IRS. Jarrett Jones, of Ty-Ty, Georgia, was sentenced to 20 months in prison and ordered to pay $94,959 in restitution. Victoria Davis, of Cordele, Georgia, was sentenced to 12 months in prison and ordered to pay $6,256 in restitution. Between January 2011 and February 2013, Patrice Taylor conspired with her husband and Jones to file over 1,100 fraudulent tax returns. At least 1,089 of the returns were filed electronically from two IP addresses registered to Patrice Taylor, both located at their home. From January 2012 to October 2012, a cell phone subscribed to Patrice Taylor was used to call the IRS's Automated Electronic Filing PIN Request 114 times. In addition, Patrice Taylor was employed at Tift Regional Hospital and used the personal identifying information of five patients to file fraudulent federal income tax returns. Also, the identities of 531 sixteen-year-olds were used to file fraudulent federal income tax returns. Finally, in January 2012, Patrice Taylor filed a federal income tax return, which included a dependent she was not authorized by law to claim, and requested a refund in the amount of $6,776.

Ringleader and Conspirators Sentenced in Large-Scale Stolen Identity Refund Fraud Scheme

On July 21, 2015, in Newark, New Jersey, Julio C. Concepcion, of Passaic, was sentenced to 84 months in prison, three years of supervised release and ordered to pay $5,643,695 in restitution. Concepcion previously pleaded guilty to conspiracy to theft of government funds. Concepcion also pleaded guilty to conspiracy to commit wire fraud in connection with his involvement in a separate mortgage fraud scheme. From about October 2009 through May 2013, Concepcion and others participated in a conspiracy to obtain the personal identifying information of other individuals, including residents of Puerto Rico. Conspirators filed false and fraudulent income tax returns using the stolen information, which generated income tax refund checks. Concepcion got the fraudulent refund checks and recruited others to open bank accounts and deposit the checks, sometimes providing them with false identification in order to do so. Other conspirators were sentenced as follows: Concepcion's two sons, Angel Concepcion-Vasquez and Julio Concepcion-Vasquez were each sentenced to 16 months in prison; Jose Zapata and Romy Quezada were sentenced to three years and two years of probation, respectively; and Reyes Flores-Perez was sentenced to 26 months in prison. From January 2008 through March 2010, Concepcion conspired with others to commit wire fraud, specifically mortgage fraud. Concepcion and others caused people to purchase homes and

receive mortgages either by using false identification documents or without the intent to live in the homes or pay off the mortgages.

Tampa Tax Fraudster and Wife Sentenced in Identity Theft Tax Fraud Scheme
On June 30, 2015, in Tampa, Florida, Eneshia Carlyle was sentenced to 138 months in prison and three years of supervised release for wire fraud and aggravated identity theft. In addition, Carlyle received a forfeiture money judgment in the amount of $1,820,759 and ordered to pay restitution in the same amount. Carlyle pleaded guilty on Nov. 26, 2014. On June 19, 2015, her husband, James Lee Cobb III, was sentenced to 324 months in prison, five years of supervised release and ordered to forfeit $1,820,759 in a money judgment and to pay restitution in the same amount. Cobb pleaded guilty on Dec. 1, 2014 to conspiracy to commit mail and wire fraud, wire fraud, aggravated identity theft, and for being a felon in possession of a firearm as an armed career criminal. Cobb and Carlyle conspired with others to use stolen names, dates of birth, and Social Security numbers to file false tax returns and open pre-paid debit cards. He also obtained "burner" phones using stolen identities. From 2011 through November 2013, Cobb and his co-conspirators filed false tax returns claiming approximately $3 million in refunds. During the execution of a search warrant at their residence, law enforcement officers recovered lists and medical records containing the personal identifying information of more than 7,000 victims. Many of the victims had their identities stolen from healthcare facilities, including from the James A. Haley VA hospital; the Florida Hospital (formerly known as University Community Hospital); ambulance services in Virginia, Georgia, and Texas; a local medical billing company; and court records. In addition, a number of deceased victims' names were obtained from genealogy websites. At the time of this offense, Cobb was on supervised release from a prior federal conviction.

Fifteen Georgia Residents Sentenced In Stolen Identity and Tax Fraud Scheme
On June 23, 2015, in Statesboro, Georgia, Stacy Williams, of Statesboro, was sentenced to 94 months in prison, three years of supervised and ordered to pay restitution in the amount of $84,940. Williams was convicted by jury trial on Sept. 23, 2014 of conspiracy, wire fraud, wrongful disclosure of individually identifiable health information and aggravated identity theft. Williams was the last of 15 federal defendants charged in April 2014 for their roles in a large-scale identity theft and tax fraud scheme. In addition to Williams, the other participants convicted and sentenced as part of this prosecution include:

- Angellica Roberts, Claxton, Georgia, 126 months in prison;
- Katrina Beasley, Claxton, 104 months;
- Terry Gordon, Swainsboro, 81 months;
- Santana Lundy, Statesboro, 69 months;
- Aishia Mills, Statesboro, 27 months;
- Latasha Charles, Statesboro, 57 months;
- Chrystal Harlie, Statesboro, 54 months;
- Martisha Hill, Augusta, Georgia, 42 months;
- Monica Whitfield, Statesboro, 42 months;
- Melissa Whitfield, Statesboro, 40 months;
- Candace Hills, Claxton, 36 months;
- Marquita Watson, Claxton, 18 months;
- Deondray Richardson, Keysville, Georgia, five years of probation; and
- Mary McDilda, Claxton, five years of probation.

The following table provides IRS CI's Identity Theft statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	776	1063	1492
Prosecution Recommendations	774	970	1257
Indictments/Informations	732	896	1050
Sentenced	790	748	438
Incarceration Rate	84.6%	87.7%	80.6%
Average Months to Serve	38	43	38

Abusive Return Preparer Program

The Abusive Return Preparer Program investigations generally involve the orchestrated preparation and filing of false income tax returns, in either paper or electronic form, by dishonest preparers who may claim: inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not have knowledge of the falsity of the returns.

Examples of abusive return preparer program investigations adjudicated in FY 2015 include:

Husband and Wife Tax Preparers Sentenced for Tax and Wire Fraud
On Feb. 20, 2015, in Fort Worth, Texas, Jacqueline Morrison and Gladstone Morrison were each sentenced to 187 months in prison and ordered to pay nearly $18 million in restitution. The married couple operated Jacqueline Morrison & Associates (JMA) in Arlington and Fort Worth, Texas. A federal jury convicted Jacqueline and Gladstone Morrison each on one count of conspiracy to aid and assist in the preparation and presentation of false and fraudulent tax returns in October 2014. In addition, they were both convicted of aiding and assisting in the preparation, the presentation of false and fraudulent tax returns and wire fraud. The Morrisons were responsible for filing numerous tax returns that were false and fraudulent to increase client refunds. The Morrisons and JMA tax return preparers, who the Morrisons trained, used the false substantial losses reported to offset wage income, resulting in clients recovering all or most of their tax withholding. As part of the conspiracy, the Morrisons developed a series of forms for the client to sign at the time the return was prepared. These forms were intended to protect the Morrisons by placing all the responsibility for any false information on the client. The Morrisons also attempted to profit by using JMA's fraud to build a large client list, which they then leveraged into a franchise agreement with Express Tax Services. However, after they entered the franchise agreement, the IRS terminated the Morrisons' Electronic Filing Identification Numbers (EFINs) because of their fraudulent activities. To conceal that fact, and perpetuate the continuation of the franchise agreement, the Morrisons provided Express Tax Services EFINs that belonged to a business associate. The franchise agreement included wiring a payment of $750,000 from Express Tax to the Morrisons. In addition, the Morrisons entered into a separate agreement to sell JMA. Gladstone Morrison misled the buyer about the true nature of JMA's relationship with Express Tax by telling the buyer that the arrangement was nothing more than a "co-branding" or "co-marketing" agreement. By entering into parallel agreements with separate entities — Express Tax and an individual buyer, the Morrisons received payments from both entities for the same asset. When the Morrison's agreements with both Express Tax and the buyer fell apart, they again tried to profit by selling JMA to RealTex Ventures LLC for $425,000.

Texas Return Preparers Sentenced for Tax Fraud
On May 13, 2015, in Fort Worth, Texas, Ramona C. Johnson and her daughter-in-law, Nekia N. Everson, both tax return preparers, were sentenced to 170 months and 95 months in prison, respectively. Both women were convicted at trial in November 2014. Johnson and Everson were each convicted on conspiracy to aid and assist in the preparation and presentation of a false tax return. Johnson was also convicted of aiding and assisting in the preparation of a false tax return and filing false tax returns. Johnson managed/ operated a tax preparation business in Fort Worth that was known, among other names, as Tax Office One. Johnson's daughter-in-law, Everson, was a return preparer for the business. Johnson and Everson, and those working with them, prepared and filed false and fraudulent tax returns that included various false and fraudulent schedules, deductions, exemptions, and credits with the goal of reducing the amount of taxes owed by the taxpayers and obtaining larger refunds for the taxpayers than they were entitled to receive. As a result of the larger refunds, Johnson and Everson could charge higher fees for preparing returns, build client loyalty, and increase business through client referrals. For calendar years 2009 and 2010, Johnson filed tax returns where she reported total income of $2,850 and $16,906, respectively, when she well knew that the income amount was understated in that it did not include income she received for her work preparing tax returns. Between January 2008 and October 2011 Johnson's tax preparation business collected more than $1.9 million in tax preparation fees from clients.

Louisiana Tax Return Preparer, 12 Co-Defendants Sentenced For $10 Million Tax Fraud, Money Laundering Conspiracies

On Nov. 19, 2014, in New Orleans, Jacqueline J. Arias, a tax return preparer from Spruce Pine, Alabama, was sentenced to 97 months in prison, three years of supervised release and ordered to pay restitution of $10,589,326 for her role in filing false tax returns and money laundering. Arias was also ordered to forfeit nearly $400,000 in cash that was seized as part of the case. On July 8, 2014, Arias pleaded guilty to conspiracy to defraud the United States, mail fraud and money laundering. Arias admitted to her role in a years-long scheme to defraud the United States by filing false income tax returns that fraudulently claimed large tax refunds. Arias, her husband, and 19 other individuals, all of whom were foreign nationals, as well as her tax preparation business were charged as part of the case. Four defendants are fugitives overseas, and one defendant, recently arrested in Panama, is currently set for trial in December. The defendants below, who all previously pleaded guilty, received the following sentences:

- Cesar Alejandro Soriano, 42 months;
- Oscar Armando Perdomo, 42 months;
- Yoni Perdomo, 38 months;
- Arnulfo Santos-Medrado, 38 months;
- Elsides Edgardo Alvarado-Canales, 36 months;
- Eliecer Obed Rodriguez, 34 months;
- Octavio Josue Perdomo, 34 months;
- Elber Mendoza-Lopez, 34 months;
- Aurelio Montiel-Martinez, 24 months;
- Miller Perdomo-Aceituno, 24 months;
- Santos Martin Hernandez, 24 months; and
- Susana Carillo Mendoza, 19 months

Arias and her co-conspirators filed false returns listing Individual Taxpayer Identification Numbers (ITINs). An ITIN is a tax processing number issued by the Internal Revenue Service (IRS) to individuals who do not have, and are not eligible to obtain, a Social Security Number. Arias was a Certified Acceptance Agent, meaning that she was entrusted by the IRS with the responsibility of reviewing the documentation of an ITIN applicant's identity and alien status for authenticity, completeness and accuracy before submitting their application to the IRS. However, Arias filed false applications for ITINs, false income tax returns, and collected preparation fees from the fraudulently-obtained tax refunds. Arias was also charged with filing false tax returns for her corporation, JB Tax Professional Services, and for herself individually.

Former Arkansas Tax Preparer Sentenced for Preparing Fraudulent Tax Returns

On June 18, 2015, in Little Rock, Arkansas, Christopher T. Craig was sentenced to 46 months in prison, one year of supervised release and ordered to pay $1,092,177 in restitution to the IRS. On Aug. 25, 2014, Craig pleaded guilty to aiding and assisting in the preparation of fraudulent income tax returns. Craig, in his capacity as a paid return preparer, prepared false employment tax returns on behalf of other taxpayers for tax years 2010 and 2011. Unknown to the taxpayers, Craig filed the returns in a way that reduced the amount of taxes owed to the IRS by the taxpayers. Craig collected tax payments from the taxpayers for the correct amount of taxes and diverted the difference to between the correct amount owed and the amount paid to the IRS. As a result of Craig's fraudulent conduct, which affected more than 50 victims, the total loss to the government was $1,092,177.

Rhode Island Tax Preparer Sentenced for Stealing and Selling Identities of Minors

On March 13, 2015, in Providence, Rhode Island, Evelyn Nunez was sentenced to 30 months in prison, two years of supervised release and ordered to pay more than $1.4 million in restitution, jointly with her co-conspirators, to the IRS and the State of Rhode Island. Nunez pleaded guilty on Dec. 12, 2014, to conspiracy to defraud the government and aggravated identity theft. Co-conspirator, Tashia Bodden was sentenced to 36 months in prison and two years of supervised release and a third defendant, Wendy Molina, received three years of probation, with the first six months as home confinement. The trio's scheme was to steal the personal identifying information of minors named as dependents on legitimate tax returns prepared by the company, NBP Multiservices (NBP), a tax preparation business in Cranston and then sold the information to other tax filers for use on their tax returns in order to increase tax refunds. The Scheme Development Center, a division of the IRS, conducted an analysis of tax returns prepared by individuals working at NBP and identified questionable use of children claimed as dependents. Between January 2008 and February 2012, taxpayers purchased false dependents for approximately $600 - $700 per dependent. On numerous tax returns the defendants falsely claimed dozens of children as foster children, nieces and nephews of some of

their clients. In reality, they had no relation to the taxpayer. The investigation revealed that the scheme defrauded the IRS of more than $1.34 million and defrauded the State of Rhode Island of more than $65,500.

Missouri Woman Sentenced for Orchestrating Tax Scheme to Obtain "Free Money"

On June 12, 2015, in East St. Louis, Illinois, Tanya Nichols, of St. Louis, Missouri, was sentenced to 57 months in prison, three years of supervised release and ordered to pay $603,898 in restitution. Nichols pleaded guilty on March 5, 2015, to conspiracy to obstruct or impair the IRS in the lawful assessment and collection of income taxes and distribution of tax refunds, mail fraud and theft of government property. Nichols prepared fraudulent income tax returns for individual tax filers in order to generate "refundable tax credits," such as the earned income tax credit and the child tax credit. The false tax returns generated a larger tax refund than the filer was entitled to receive. Nichols shared the proceeds generated from the fraudulent returns with the tax filers, while collecting a fee in excess of that typically charged by legitimate tax preparers. Nichols also paid finders' fees to those who recruited tax filers to participate in the scheme. Nichols and her co-conspirators solicited low-income individuals residing in St. Louis and East St. Louis to participate in this refund scheme by promising IRS tax refunds, sometimes marketed as "free money." Nichols' half-brother Justin Durley, of Hazelwood, Missouri, was charged with theft of government property and was separately sentenced to three months in prison for stealing more than $3,000.

California Tax Return Preparer Sentenced for Tax Fraud

On July 31, 2015, in Oakland, Runnveer Singh, of Hayward, was sentenced to 24 months in prison, one year of supervised release and ordered to pay $124,528 in restitution to the IRS. Singh pleaded guilty to aiding and assisting in the preparation of false tax returns. For tax years 2009 through 2011, Singh prepared false tax returns claiming both false and ineligible deductions and credits for clients. By including these items on his clients' tax returns, he caused the IRS to issue inflated tax refunds of at least $130,435. On Nov. 14, 2012, during a search warrant at Singh's residence, he told IRS Special Agents that he knowingly prepared false tax returns in order to obtain returning customers. Following the execution of the search warrant and his statement to IRS-CI Special Agents, Singh instructed one of his clients to submit both false and ineligible information to an IRS Revenue Agent during the audit of his 2010 income tax return, in order to justify the false and ineligible business expenses Singh reported on the client's 2010 tax return.

The following table provides IRS CI's Abusive Return Preparer Program statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	266	305	309
Prosecution Recommendations	238	261	281
Indictments/Informations	224	230	233
Sentenced	204	183	186
Incarceration Rate	80.4%	86.3%	78.0%
Average Months to Serve	27	28	27

Questionable Refund Program

The primary focus of the Questionable Refund Program is to identify fraudulent claims for tax refunds. Generally, these schemes involve individuals filing multiple false tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly.

Examples of questionable refund program investigations adjudicated in FY 2015 include:

Alabama Woman Sentenced for Leading $4 Million Dollar Stolen Identity Refund Fraud Ring
On June 25, 2015, in Montgomery, Alabama, Tamaica Hoskins, of Phenix City, was sentenced to 145 months in prison, three years of supervised release and ordered to forfeit $1,082,842 in proceeds from the Stolen Identity Refund Scheme she led. Between September 2011 and June 2014, Hoskins, co-conspirators Roberta Pyatt, Lashelia Alexander and others, used stolen identities to file more than 1,000 false federal income tax returns that fraudulently claimed more than $4 million in tax refunds. Hoskins obtained stolen identities from various sources. In order to file the false tax returns, Hoskins and Pyatt obtained two Electronic Filing Identification Numbers using sham tax businesses. On behalf of those sham tax businesses, they also applied to various financial institutions for bank products, such as blank check stock. The conspirators directed the IRS to mail U.S. Treasury checks to addresses under their control and to send the tax refunds to prepaid debit cards and financial institutions where the conspirators maintained and controlled bank accounts using the sham tax businesses. When the tax refunds were deposited into the financial institutions, the conspirators printed the refund checks using the blank check stock and cashed the refunds. In January 2014, Alexander, who worked for a Walmart check cashing center in Columbus, Georgia, was approached by several co-conspirators about cashing fraudulent tax refund checks issued in the names of third parties and in return, Alexander would receive a portion of the refunds. Alexander cashed more than $100,000 in fraudulently obtained third-party refund checks containing forged endorsements. Alexander was sentenced to six months in prison and five years of probation and ordered to pay restitution of $110,804 to the IRS. Pyatt received three years of probation and was ordered to pay $88,155 in restitution to the IRS, joint and several with Hoskins and Alexander.

Texas Men Sentenced for Role in Stolen Identity Refund Fraud Scheme
On Aug. 24, 2015, in Dallas, Reminco Zhangazha was sentenced to 93 months in prison and ordered to pay $2,648,334, joint and several in restitution. Zhangazha's co-defendant, Tonderai Sakupwanya, was sentenced earlier in 2015 to 87 months in prison and ordered to pay more than $2.6 million in restitution. In addition, the defendants will forfeit $10,613 cash seized from Zhangazha's vehicle; $93,513 cash from an apartment; and $4,500 from a residence. Zhangazha and Sakupwanya engaged in a scheme to defraud the IRS by obtaining stolen tax refunds that were generated by e-filing false and fraudulent income tax returns. The defendants rented private mailboxes in the names of aliases by using forged United Kingdom passports. They then established bank accounts using the alias names and mailing addresses. The IRS was directed to electronically deposit refunds into bank accounts the defendants established, as well as to be issued by a treasury check and mailed to an address under the control of the defendants. The income tax returns also directed refunds to accounts established at a third-party financial services company that would enable them to issue a check containing the tax refund. These third party checks and the treasury checks were deposited into bank accounts the defendants established. After the checks were deposited, or the tax refunds were electronically deposited, the defendants would withdraw the funds for their own use and benefit.

New York and Arizona Women Sentenced in Identity Theft Tax Fraud Case
On Aug. 5, 2015, in Utica, New York, Elaine Monique Zavalla-Charres, of Winslow, Arizona was sentenced to 72 months in prison, three years of supervised release and ordered to pay $411,309 in restitution to the IRS. From 2011 through 2013, co-defendant Lacey Hollinger, of Massena, New York, contacted Massena area residents via Facebook and other electronic media to tell them they were eligible for a tax

refund, even though they were unemployed and had no income, as part of a U.S. government "stimulus program." No such program existed. Several dozen people responded and gave Hollinger their personal identifying information. Hollinger forwarded this information to Charres, who used it to create false and fraudulent tax returns that, with others obtained from Arizona residents, generated over $400,000 in tax refunds. Charres, Hollinger, and others involved in the fraudulent scheme stole these funds after they were electronically deposited in bank accounts in Arizona. The Massena area residents never saw the fraudulent tax returns. Some received pre-paid debit cards that Charres directed to them but many got nothing, as Charres and Hollinger kept most of the refund money. Hollinger was sentenced on May 22, 2015 to 36 months in prison, three years of supervised release and ordered to pay restitution.

Georgia Pastor Sentenced for Role in Tax Fraud Scheme

On July 9, 2015, in Savannah, Georgia, Xavier Franklin Lewis, former pastor of the Holy Ghost raise and Deliverance Ministries, was sentenced to 119 months in prison, five years of supervised release and ordered to pay $163,602 in restitution. A jury found Lewis guilty in 2014 for submitting false claims to the IRS, theft of public money, aggravated identity theft, operation of unlicensed money transmitting business and bank fraud. Lewis used a number of separate bank accounts he controlled, including three accounts opened in the name of his church, to negotiate over 90 government-funded tax refund checks. Lewis obtained the checks after they were either generated as the result of submitting a fraudulent income tax return with the IRS or were generated at the legitimate request of a taxpayer, but stolen from the mail before it reached the taxpayer. In total, Lewis fraudulently negotiated nearly $250,000 worth of government-funded checks.

Final Defendants Sentenced for Stolen Identity Refund Fraud Scheme

On July 27, 2015, in Houston, Texas, Jason Maclaskey, of Spring, and Omar Butt, of Brooklyn, New York, were sentenced to 120 months and 40 months, respectively for their roles in a scheme to steal identities and file fraudulent federal tax returns. A third defendant, Heather Dale, of Grant, Alabama, was previously sentenced to 24 months in prison.
The court also ordered them to pay $314,868 in restitution. The defendants unlawfully obtained the names, dates of birth and Social Security numbers from 371 taxpayers and used this information to file false tax returns in 2009. The defendants also used this information to set up fraudulent bank accounts and directed the tax refunds to be sent to debit cards in the taxpayers' names. The defendants then withdrew this money using the debit cards at ATMs and by making purchases at various retail stores. Through this conspiracy, the defendants claimed a total of more than $1.4 million in false tax refunds, succeeded in withdrawing more than $300,000 before the scheme was uncovered.

Former Accountant Sentenced for Tax Fraud Scheme

On Aug. 7, 2015, in Oakland, California, Robert Thomas Doyle, was sentenced to 51 months in prison, three years of supervised release, and pay $142,031 in restitution. Doyle pleaded guilty on Feb. 23, 2015, to wire fraud and aggravated identity theft. During 2011, 2012, and 2013, Doyle implemented an identity theft and tax fraud scheme in which he caused the filing of a number of tax returns claiming fraudulent refunds. As part of his scheme, Doyle, a former certified public accountant, created false businesses and claimed false income and expenses for his clients in order to maximize the Earned Income Tax Credit. The fraudulent income and expenses led to a larger-than-allowed claimed refund. Doyle did not ask his clients about any income earned or current or past employment history. Doyle also used the names and social security numbers of former clients to prepare and file false tax returns without these victims' knowledge or consent. On many of the tax returns, Doyle directed the refunds to be mailed to addresses where he could retrieve them or have the refunds electronically deposited into bank accounts that he controlled.

The following table provides IRS-CI's Questionable Refund Program statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	775	1028	1513
Prosecution Recommendations	780	969	1267
Indictments/Informations	767	928	1056
Sentenced	839	792	485
Incarceration Rate	83.6%	85.5%	76.7%
Average Months to Serve	34	37	35

Abusive Tax Schemes

Within the Abusive Tax Schemes program, CI focuses on the investigation of promoters and clients who willfully participate in domestic and/or offshore tax schemes for the purpose of violating the tax laws. Participants in these abusive schemes usually create structures such as trusts, foreign corporations and partnerships for the purpose of making it appear that 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 United States taxpayer.

Examples of abusive tax scheme investigations adjudicated in FY 2015 include:

Nevada Men Sentenced in Massive Tax Fraud Scheme
In Las Vegas, Nevada, Daniel William Porter, of Chino, California, was sentenced to 55 months in prison and three years of supervised release. Porter was the designer of Tax Break 2000, which sold through the National Audit Defense Network (NADN), and resulted in fraud losses of more than $36 million and an intended tax loss of more than $60 million. On March 11, 2015, three others were sentenced for their role in this tax fraud scheme. Alan Rodrigues, NADN's former general manager and executive vice president, was sentenced to 72 months in prison. Weston Coolidge, a businessman who served as NADN's president, was sentenced to 70 months in prison. Joseph Prokop, who served as the National Marketing Director for Oryan Management and Financial Services, a company affiliated with NADN, was sentenced to 18 months in prison. All three men were also ordered to pay more than $35 million in restitution to the victims. The evidence at trial established that through NADN, the defendants promoted and sold a product called Tax Break 2000 to customers throughout the United States. They falsely and fraudulently told customers that buying the product would allow them to claim legitimate income tax credits and deductions under the Americans with Disabilities Act (ADA). Although the price of the product that was claimed on the tax returns was $10,475, the customers only paid between $2,000 and $2,695 out-of-pocket. The remainder of the cost was covered by a promissory note that customers were not expected to repay. The defendants knew that the websites provided to customers made little, if any, money from sales commissions and that they did not entitle the purchaser to either a tax credit or any deductions. The defendants taught and directed the tax return preparers working for NADN to prepare thousands of tax returns for customers that claimed the fraudulent tax credit and deductions. From 2001 through approximately May 2004, NADN sold the Tax Break 2000 product more than 18,000 times to thousands of customers. As a result of the defendants' fraud, thousands of NADN customers were audited by the IRS.

Minnesota Business Executive Sentenced on Charges of Conspiracy, Tax Evasion and Failure to File Tax Returns
On May 27, 2015, in Minneapolis, Minnesota, Michael Andrew Schlegel was sentenced to 60 months in prison and three years of supervised release. Schlegel was convicted on March 13, 2014, following a seven-day trial, of conspiracy to defraud the United States, tax evasion, and

failure to file tax returns. According to the court documents, from 2002 to 2009, Schlegel controlled NatureRich, Inc., a multi-level marketing company that sold natural and health-related products. At various times between 2002 and 2009, Schlegel and co-defendant Bradley Mark Collin received wages and commission payments from NatureRich that totaled more than $400,000. Schlegel caused NatureRich to pay his commissions to a nominee trust called the "Andrew James Living Trust," from which he then paid his family's expenses. During that time, Schlegel also operated a painting business, receiving more than $400,000 in income from painting contracts. In 2004, the defendants, through the use of nominee entities, began engaging the "warehouse" banking services of Olympic Business Systems and Century Business Concepts. The defendants also filed misleading federal corporate tax returns in the name of NatureRich in an effort to conceal the true extent of their personal interest in, and the income derived, from NatureRich. In all, the defendants attempted to conceal at least $3 million in gross income from the IRS, thereby avoiding income taxes on that amount and also avoiding having those funds seized for payment of their previous tax debts. From 2002 through 2010, Schlegel and Collin conspired with others to defraud the United States by obstructing the IRS in its lawful collection and assessment of individual income taxes. Schlegel failed to make any payments toward the back taxes, interest and penalties levied against him in 2000, which totaled more than $600,000. Schlegel also failed to file federal individual tax returns for tax years 2002-2009. On Nov. 4, 2014, Bradley Mark Collin was sentenced to 24 months in prison and three years of supervised release.

Four Pennsylvania Family Members Sentenced for Tax Fraud
On July 23, 2015, in Allentown, Pennsylvania, four Lancaster County family members were sentenced to prison for their participation in a long-term, complex and concerted effort to avoid taxation. In October 2010, Chester A. Bitterman Jr. and his sons, Craig L. Bitterman, C. Grant Bitterman and Curtis L. Bitterman, were convicted of conspiracy to defraud the United States. Craig Bitterman was additionally convicted of obstruction of justice. Prior to sentencing, the defendants paid $437,000 in restitution to the IRS. The four were sentenced as follows: Craig L. Bitterman was sentenced to 36 months in prison; C. Grant Bitterman was sentenced to 21 months in prison; Curtis L. Bitterman was sentenced to 21 months in prison; and Chester A. Bitterman Jr. was sentenced to three years' probation. According to court documents, from 1996 to 2005, the Bittermans owned and operated the Bitterman Scale Company. To conceal their income and assets from the IRS, the Bittermans used aliases, offshore bank accounts and a complex series of sham paper transactions to disguise income. The defendants transferred their personal and business assets to sham trusts purchased from the Commonwealth Trust Company, an organization that marketed trust products to clients for the purpose of avoiding federal income tax payment. The trusts were used to make it appear as though the defendants had little or no assets or income. In reality, the defendants retained complete access and control over their funds.

Non-filer Investigations

Taxpayers who fail to file income tax returns and effectively stop paying income tax, pose a serious threat to tax administration and the American economy. Their actions undermine public confidence in the Service's ability to administer the tax laws fairly and effectively. Criminal Investigation devotes investigative resources to individuals who simply refuse to comply with the law.

Examples of non-filer investigations adjudicated in FY 2015 include:

Pennsylvania Lawyer Sentenced For Tax Evasion and Fraud Scheme
On Sept. 10, 2015, in Philadelphia, Randolph Scott, of Doylestown, was sentenced to 48 months in prison, three years of supervised release and ordered to pay restitution of $2,317,917. Scott pleaded guilty on March 25, 2015, to mail fraud, tax evasion and attempting to interfere with administration of Internal Revenue laws and failure to file income tax returns. Scott was an attorney and maintained a law office, Randolph Scott Associates, in Warrington. His practice included estate and probate matters. Between December 2005 and October 2011, while representing an estate, Scott diverted approximately $2,317,917 of estate funds to his law office accounts. Because

the estate was valued at more than $6 million at the time of the decedent's death in 2005, federal law required that a federal estate tax return be filed which would have resulted in approximately $520,351 being paid to the IRS. Scott deliberately failed to file the required form in order to maintain sufficient money in the estate to pay its beneficiaries and to avoid detection of the theft. After the estate's executor died in 2009, Scott failed to disclose the executor's death so that Scott could continue to receive money intended for the estate at his law firm. Scott would then forge the deceased executor's signature and deposit funds intended for the estate into accounts under his control. Scott had the successor executor sign a document renouncing the position of successor executor so that Scott could continue to forge the signature of the deceased executor and divert money belonging to the estate.

North Carolina Businessman Sentenced for Income Tax Evasion
On Sept. 21, 2015 in Winston-Salem, Thomas Tilley, a millionaire businessman, was sentenced to 32 months in prison, one year of supervised release and ordered to pay $7,676,757 in restitution to the IRS. Tilley pleaded guilty on Nov. 21, 2014, to corruptly endeavoring to impede and obstruct the administration of the Internal Revenue Code. Starting in 1993 and continuing through at least 2010, Tilley sent the IRS fraudulent financial instruments in an attempt to fraudulently discharge his tax debt; used nominee and sham trusts to purchase and sell real estate to conceal his assets; and placed false liens on properties to impede the IRS' collection of his tax debt. Tilley also failed to file federal and state income tax returns for tax years 1994 through 2013, despite earning substantial income. Specifically, in 2009, Tilley claimed a net worth as high as $30 million and annual income of $822,000 on a financial statement. Tilley obstructed justice by providing misleading information to probation and the court after pleading guilty and revoked his acceptance of responsibility credit based on this conduct.

Former Nebraska Man Sentenced for Failing to File Tax Returns
On Aug. 25, 2015, in Omaha, Chet Lee West, of Nebo, North Carolina, was sentenced to 51 months in prison, three years of supervised release and ordered to pay $439,515 in restitution. West was convicted on Feb. 25, 2015 after a jury found him guilty of tax evasion relating to tax years 2007, 2008 and 2009. From 2007 through 2009, West earned taxable income of approximately $272,224 while living and working in Omaha, Nebraska. Upon that income West had a tax due and owing of approximately $52,824. West willfully evaded his personal income taxes by failing to file federal individual income tax returns for tax years 2007 through 2009. After being informed by the IRS that he was required to file federal income tax returns, West continued to submit information to his employer in an attempt to avoid the withholding of any employment taxes from his pay, including numerous letters and purported affidavits stating his position that he was not subject to taxation on his income. Between 2007 through 2009, West deposited personal income into bank accounts opened in the names of companies he created in an effort to hide and conceal his income from the IRS. West had not filed federal individual income tax returns since at least the 2000 taxable year.

Employment Tax Fraud

Employment tax evasion schemes can take a variety of forms. Some of the more prevalent methods of evasion include "pyramiding," employee leasing, paying employees in cash, filing false payroll tax returns or failing to file payroll tax returns. Employment taxes include federal income tax withholding, social security taxes, and federal unemployment taxes. Some business owners withhold taxes from their employees' paychecks, but intentionally fail to remit those taxes to the IRS.

Examples of employment tax fraud investigations adjudicated in FY 2015 include:

Former CEO Sentenced for $25 Million Fraud Scheme
On June 8, 2015, in Nashville, Tennessee, L. Brian Whitfield, formerly of Franklin, was sentenced to 240 months in prison and three years of supervised release. Whitfield was also ordered to pay a $1.8 million money judgment and more than $25.9 million in restitution. On Nov. 7, 2014, a jury found Whitfield guilty of conspiracy, wire fraud, theft from an employee benefit program, filing a false tax return, and money laundering. Whitfield controlled the finances and funds of the Sommet Group LLC, a payroll processing company that operated in

Franklin, Tennessee. From 2008 until 2010, Whitfield diverted millions of dollars of client funds that had been earmarked to fund client employee retirement accounts, to pay health claims, and to pay taxes. Whitfield diverted millions of dollars to prop up affiliated companies that he controlled, spent millions of dollars to acquire the naming rights of Nashville's professional hockey arena and paid for personal expenses. Whitfield also vastly underreported wages and taxes on Sommet's quarterly employer tax return that he personally prepared and filed. Across six quarters from 2008 through 2010, Whitfield's actions resulted in an underpayment of more than $20 million in taxes.

Owner of Employee Leasing Company Sentenced for Immigration and Tax Fraud Scheme

On July 23, 2015, in Philadelphia, Pennsylvania, Kim Meas, of Cambodia, was sentenced to 30 months in prison and ordered to pay $1.7 million in restitution to the IRS and $23 million in forfeiture. On Nov. 24, 2014, Meas pleaded guilty to conspiracy to commit an offense against the United States, transporting illegal aliens and failure to collect and pay federal income and employment taxes. Meas was the managing director of LS Services Corporation, an employee leasing company. Meas negotiated labor leasing contracts with various companies that leased temporary workers from LS. Meas established approximately 14 shell companies to create the illusion that the workers who LS leased to other companies were employees of the shell corporations. As such, the shell corporations, and not LS, would be responsible for collecting and paying employment and income taxes for the employees. Meas attempted to make it impossible for the IRS to determine the identity of the employer of the illegal aliens, as well as the amount of employment and income taxes that the employer of the illegal aliens was required to pay. The companies that leased employees from LS did not withhold federal income taxes on the wages paid to the employees, nor did these companies collect and pay to the IRS, employment taxes on the income earned by the workers.

Tennessee Man Sentenced for Federal Tax Offenses

On July 9, 2015, in Knoxville, Zebbie Joe Usher, III, was sentenced to 70 months in prison, three years of supervised release and ordered to pay $29,174,931 in restitution to the IRS. On June 2, 2014, Usher pleaded guilty to tax evasion and conspiracy to commit tax evasion. Usher was previously the chief executive officer of Service Provider Group and was involved in the management of a number of companies, known as professional employer organizations (PEOs). These companies were engaged in the employee leasing and payroll processing business. The PEOs collected federal payroll taxes from employees and were required to turn over those funds to the IRS in a timely manner. However, Usher and others used the funds for other company and personal expenses. In an attempt to avoid discovery of their nonpayment of payroll taxes, Usher and his co-conspirators submitted false documents to the IRS.

Florida Man Sentenced for Payroll Tax Fraud

On July 10, 2015, in Miami, Sonny Austin Ramdeo, of Sunrise, was sentenced to 240 months in prison, three years of supervised release and ordered to pay $21,442,173 in restitution. Ramdeo previously pleaded guilty to wire fraud and money laundering. From as early as 2005, Ramdeo was employed as the payroll supervisor at Promise Healthcare, Inc. and Success Healthcare Group, both of which owned and operated hospital facilities throughout the United States. As payroll supervisor for these two companies, Ramdeo was responsible for overseeing the payment of bi-weekly wages and related payroll taxes for approximately 4,000 employees. To execute this scheme, Ramdeo incorporated PayServ Tax Inc., and thereafter represented to officers and employees of Promise Healthcare and Success Healthcare that his company would handle the transfer of local, state and federal payroll taxes to the proper agencies. Instead of forwarding all of the monies due to the taxing authorities for employee payroll taxes, Ramdeo stole and embezzled the funds resulting in a $21 million dollar underpayment. By stealing the payroll tax money, Ramdeo caused hospitals to lay off employees, adversely affected the maintenance and operations of 17 acute care hospitals, jeopardized services provided to patients, challenged investors' security, and reduced the amount of money the taxing authorities actually collected. Ramdeo used the proceeds from this fraudulent scheme in order to finance a now defunct charter airline company.

Former Minnesota Real Estate Developer Sentenced for Tax Evasion, Mail and Wire Fraud
On Sept. 9, 2015, in Minneapolis, Bartolomea Joseph Montanari, formerly of Bayport, was sentenced to 78 months in prison, ordered to pay mandatory restitution of $100,000 and, pay more than $1.5 million as a special assessment for the taxes, interest, and penalties owed. On Nov. 25, 2014, a federal jury found Montanari guilty of tax evasion, mail fraud and wire fraud. From 2009 until January 2012, Montanari willfully evaded the payment of employment and excise taxes owed by him and the three businesses he controlled. One of the ways Montanari avoided paying taxes was by transferring over $1.1 million into a bank account in the name of Bella Luca Properties LLC, a shell company used by Montanari to pay personal expenses. Montanari evaded payment of more than $700,000 in taxes. In December 2009, when the IRS attempted to collect taxes and Trust Fund Recovery Penalties (TFRPs), Montanari filed a fraudulent financial statement making numerous misrepresentations to the IRS to avoid paying the taxes he owed.

Montanari also falsely claimed to be living in Bayport, Minnesota, when, in truth, he had already moved into a $1.4 million house he was purchasing in Knoxville, Tennessee. In addition, Montanari lied about the sale price of a Caterpillar bulldozer that he needed to purchase for one of his companies. Montanari submitted a falsified invoice to the dozer financing company, which issued a check for the dozer for $100,000 more than the true purchase price. Montanari kept the extra $100,000 and used it as a down payment for his house in Tennessee.

ILLEGAL SOURCE FINANCIAL CRIMES

The Illegal Source Financial Crimes Program encompasses all tax and tax-related, money laundering and currency violations. These investigations are focused on individuals deriving income from illegal sources, such as dollars obtained through embezzlement, bribery, and illegal gambling operations. The individuals can be legitimate business owners but obtain their income through illegal means. These investigations are also focused on methods through which individuals seek to “launder” their income by making it appear that 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 works hand-in-hand with our federal, state, and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

Financial Institution Fraud

This program addresses criminal violations involving fraud against banks, savings and loan associations, credit unions, check cashers, and stockbrokers. Criminal Investigation is a major contributor in the effort to combat financial institution fraud, and the United States Attorneys’ recognize CI’s financial investigative expertise in this complex area. The ability to bring income tax and money laundering charges augments prosecutors’ effectiveness in combating fraud committed against financial institutions, whether the violators work within or outside of the institution.

Examples of financial institution fraud investigations adjudicated in FY 2015 include:

North Carolina Land Developer and Co-Defendants Sentenced in $23 million Bank Loan Scheme
On June 25, 2015, in Asheville, Keith Vinson, of Arden, was sentenced to 216 months in prison, three years of supervised release and to pay $18,384,584 in restitution. A federal jury convicted Vinson in October 2013 of conspiracy, bank fraud, wire fraud, and money laundering conspiracy. Vinson was sentenced for his role in a scheme involving the development of Seven Falls, a golf course and luxury residential community in Henderson County, North Carolina. On June 2, 2015, five additional individuals were sentenced for their roles in the scheme. Avery Ted “Buck” Cashion III, of Lake Luke, was sentenced to 36 months in prison, three years of supervised release and ordered to pay $14,266,256 in restitution. Raymond M. “Ray” Chapman, of Brevard, was sentenced to 36

months in prison, three years of supervised release and ordered to pay $14,266,256 in restitution. Thomas E. “Ted” Durham Jr., former president of the failed Pisgah Community Bank, of Fletcher, was sentenced to 30 months in prison, three years of supervised release and ordered to pay $6,237,453 in restitution. Aaron Ollis, a former licensed real estate appraiser, of Arden, was sentenced to two years of probation, including 12 months and one day home detention, and ordered to pay $10,199,106 in restitution. In addition, George M. Gabler, a former Certified Public Accountant from Fletcher, was sentenced to two years of probation and fined $5,000. Trial evidence and statements made in court, beginning in 2008, the defendants conspired and obtained money from several banks through a series of straw borrower transactions, in order to funnel monies to Vinson and his failing development of Seven Falls. To advance this scheme Vinson, Chapman, Cashion and others recruited local bank officials including George Gordon “Buddy” Greenwood and Ted Durham, who at the time were presidents of banks. When bank officials realized that they had reached their legal lending limits with respect to some of the straw borrowers, additional straw borrowers were recruited to the scheme to make additional loans. Seven Falls and another luxury residential golf development by Vinson failed, resulting in millions in property losses. In addition, two banks failed and were taken over by the FDIC. Previously, Buddy Greenwood was sentenced to 42 months in prison.

Former Bank Executive Sentenced for Role in Conspiracy and Fraud Involving Investment Contracts

On May 18, 2015, in Asheville, North Carolina, Phillip D. Murphy, a former Bank of America executive, was sentenced to 26 months for his role in a conspiracy related to bidding for contracts for the investment of municipal bond proceeds and other municipal finance contracts. On Feb. 10, 2014, Murphy pleaded guilty to participating in multiple fraud conspiracies and schemes with various financial institutions and brokers from as early as 1998 until 2006. Murphy conspired with employees of Rubin/Chambers Dunhill Insurance Services Inc., also known as CDR Financial Products, a broker of municipal contracts and others. Murphy also pleaded guilty to conspiring with others to make false entries in the reports and statements originating from his desk, which were sent to bank management. Murphy conspired with CDR and others to increase the number and profitability of investment agreements and other municipal finance contracts awarded to Bank of America. Along with bid rigging, Murphy and his co-conspirators submitted numerous intentionally false certifications that were relied upon by both municipalities and the IRS. These false certifications misrepresented that the bidding process had been conducted in a competitive manner that was in conformance with U.S. Treasury regulations. These false certifications caused municipalities to award contracts to Bank of America and other providers based on false and misleading information. The false certifications also impeded and obstructed the ability of the IRS to collect revenue owed to the U.S. Treasury.

Florida Businessman Sentenced for $44 Million Bank Fraud Conspiracy

On April 13, 2015, in Orlando, Florida, Pedro “Pete” Benevides was sentenced to 108 months in prison and ordered to forfeit $44,059,565, including bank accounts containing about $40 million in cash and two exotic sports cars. In addition, Benevides was also ordered to pay full restitution to the financial institutions that were the victims of his offense. From about 2005 through September 2008, Benevides obtained 20 commercial and residential loans and lines of credit from several federally insured financial institutions. Benevides obtained the fraudulent loans by providing the financial institutions with documents that, among other things, contained false information concerning his income and assets or the business that he used to obtain the loans and lines of credit. Once he received the loans, Benevides used the fraudulently obtained funds for his own purposes, including paying the interest and principal on other, earlier loans that he had obtained in order to continue the fraudulent scheme, paying business expenses, paying the other co-conspirators involved in the scheme, and funding living expenses for himself and his family.

Former Federal Credit Union Employee Sentenced for Bank Fraud and Filing False Tax Returns

On March 25, 2015, in Valdosta, Georgia, Kelly Yawn was sentenced to 41 months in prison and

ordered to pay $628,539 in restitution to the fraud victims and $139,865 to the IRS. On Jan. 6, 2015, Yawn pleaded guilty to bank fraud and filing false tax returns. Between February 2008 and November 2011, while employed by a federal credit union Yawn accessed the credit union's computer system to prevent electronic transactions (ACH) and written share drafts from posting to her account. Using that scheme, Yawn was able to misdirect for her own benefit more than 900 share drafts and more than 1,200 ACH transactions, totaling more than $499,000 that were paid from credit union funds. Yawn took additional actions to cover up the transactions so that they would not be discovered by the credit union or outside auditors by posting fraudulent deposits to credit union accounts. Yawn also filed federal income tax returns for 2008 through 2011 and failed to include the money she received from the scheme on her federal tax returns as income in those years.

Ohio Man Sentenced for Defrauding Credit Union
On Feb. 23, 2015, in Cleveland, Ohio, John Struna, of Concord Township, was sentenced to 43 months in prison and ordered to pay more than $2.3 million in restitution. Struna was also ordered to forfeit a restaurant he owned, a condominium and a 2014 Mazda. Struna previously pleaded guilty to conspiracy to commit bank fraud, bank fraud, making false statements and money laundering. Struna defrauded the Taupa Lithuanian Credit Union, based in Cleveland, out of $2.3 million. Credit union CEO Alex Spirikaitis, former teller Michael Ruksenas and Vytas Apanavicius were previously found guilty for their roles in conspiracies related to defrauding the credit union. Struna maintained both personal and corporate accounts at Taupa dating back to 1995. He began a conspiracy with Spirikaitis in 2002 and continued through 2013, during which time Spirikaitis caused Taupa to make approximately 46 fraudulent transfers into Struna's accounts. In 2011, Struna requested and received $112,105 from Spirikaitis for the purchase of a condominium located in Fort Myers, Florida. At no time did Struna submit any credit applications or loan documents. The fraudulent transfers totaled approximately $2.3 million. From 2002 through 2013, Struna repaid only approximately $15,000 of the $2.3 million Spirikaitis transferred into his accounts.

Co-Conspirators Sentenced for Bank Fraud
On Feb. 5, 2015, in New Bern, North Carolina, Joseph Grecco, of DuBois, Pennsylvania, was sentenced to 30 months in prison and three years of supervised release. Grecco pleaded guilty on March 12, 2014 to conspiracy to commit bank fraud. On Jan. 8, 2015, Ronald Doerrer, of Kure Beach, North Carolina, was sentenced to 18 months in prison and three years of supervised release. On Aug. 8, 2014, Edward A. Yates, of Wilmington, North Carolina, was sentenced to 12 months and one day in prison and three years of supervised release. A fourth co-defendant, and leader of the conspiracy, Ronald Hayden Kotler, remains at large. Kotler and Doerrer operated a company, Commercial Loan Solutions (CLS) from 2006 to 2009. CLS offered its services as a broker to provide bank financing for individuals and companies, in exchange for hefty fees, ranging from 15% to 25% of the loan amount. As part of the conspiracy, Kotler and Doerrer helped clients falsify loan applications by submitting false tax returns and vastly inflating the individuals' business income and assets. The scheme involved obtaining money, funds, credits, and other things of value from financial institutions by providing them with materially false information and making fraudulent representations and promises. The financial institutions suffered losses in excess of $4.5 million as a result of the scheme.

Public Corruption

CI continues to pursue investigations involving individuals who violate the public's trust. The individuals include both elected and appointed officials from all levels of government, including local, county, state, federal and foreign officials. Public corruption investigations encompass a wide variety of criminal offenses including bribery, extortion, embezzlement, illegal kickbacks, tax fraud and money laundering.

Examples of public corruption investigations adjudicated in FY 2015 include:

Former Chief of Staff to Connecticut House GOP Minority Leader Sentenced for Kickback Arrangement
On Aug. 27, 2015, in Hartford, Connecticut, George Gallo, of East Hampton, was sentenced

to 12 months and one day in prison, three years of supervised release and ordered to pay restitution of $117,266. On April 27, 2015, Gallo pleaded guilty to one count of mail fraud. Gallo was an employee of the state of Connecticut as the chief of staff to the minority leader of the Connecticut House of Representatives. As part of his responsibilities, Gallo was responsible for the campaign program of the House Republican Campaign Committee ("HRCC"). Gallo made an arrangement with a political campaign direct mail vendor that he would steer business to them through the HRCC program. In exchange, the company would make payments to Gallo equal to 10 percent of the revenue that the company received from candidates participating in the program. Meanwhile, Gallo made false representations to the minority leader of the Connecticut House of Representatives and others that he did not receive any compensation from any HRCC sponsored vendor. From 2008 through 2012, the political campaign direct mail vendor mailed checks made payable to the Vinco Group, a Cromwell based limited liability company in which Gallo was the sole member, totaling approximately $117,266.

Former Baltimore City Official Sentenced for Bribery Scheme

On June 23, 2015, in Baltimore, Maryland, Barry Stephen Robinson, of Accokeek, was sentenced to 12 months and a day in prison, three years of supervised release and ordered to pay forfeiture of $20,000. Robinson was chief of the Division of Transit and Marine Services of the Baltimore City Department of Transportation. In this position, Robinson supervised Baltimore City's "Circulator" and "Water Taxi" programs and had authority to approve contracts with advertisers and vendors and to purchase and pay for goods and services. In January 2014, Robinson offered to cancel $60,000 of debt in return for $20,000 in cash. From January 23 to March 11, 2014, Robinson received four cash payments of $5,000 each. In return, Robinson provided a signed letter on Baltimore City letterhead falsely stating that the $60,000 debt had been paid. In 2011, Robinson arranged for Baltimore City to purchase 13 bus shelters from a Canadian company for $249,290. On April 9, 2014, Robinson illegally sold and accepted $70,000, in return for the city's bus shelters. Seeking to disguise the source of the bribery proceeds, Robinson deposited the cash bribe payments he received into two bank accounts in the name of another person. He used a portion of the proceeds for home improvements and other items. The intended loss to the City of Baltimore from Robinson's schemes was approximately $310,000.

Former Illinois Public Health Chief of Staff Sentenced

On June 23, 2015, in Springfield, Quinshaunta R. Golden, of Homewood, was sentenced to 96 months in prison, three years of supervised release and ordered to pay $1,000,000 in restitution to the Illinois Department of Public Health (IDPH), jointly with Roxanne Jackson. On April 10, 2014, Golden pleaded guilty to taking bribes and kickbacks. Golden served as Chief of Staff at IDPH from 2003 to early 2008. From 2006 to 2008, Golden used her agency position to direct approximately $11 million in grant funds to three not-for-profit organizations and a for-profit corporation controlled by Leon Dingle Jr. As part of the scheme, Golden directed that Roxanne Jackson, a former IDPH administrator, be hired as a paid consultant for Dingle and the three not-for-profit entities. As a result, approximately $772,500 in grant funds disbursed to the three not-for-profit entities was paid to Jackson from July 2007 to April 2008. Golden required that Jackson pay her one-half of whatever she received, less any funds to be withheld for payment of taxes, which were never paid. Golden also directed that Jackson work as a paid consultant for VIP Security. Golden caused approximately $2 million in contract funds to be paid by IDPH to VIP Security and again required Jackson to give her kickback payments. On June 12, 2015, Roxanne Jackson was sentenced to 25 months in prison and ordered to pay $1,000,000 jointly with Golden for her part in the bribery and kickback scheme and filing false income tax returns. Dingle, and his wife Karin, both of Chicago, were convicted of conspiracy to defraud, mail fraud and money laundering will be sentenced at a later date.

Former Executive Director of the Virgin Islands Legislature Sentenced for Bribery and Extortion

On May 14, 2015, in St. Thomas, U.S. Virgin Islands, former executive director of the Virgin Islands Legislature, Louis "Lolo" Willis was sentenced to 60 months in prison. On Nov. 19, 2014, a jury in the Virgin Islands convicted Willis of federal programs bribery and extortion under color of official right. Willis was the executive director of the Legislature between 2009 and

2012. His responsibilities included oversight of the major renovation of the Legislature building and awarding and entering into government contracts in connection with the project. Willis was also responsible for authorizing payments to the contractors for their work. Willis accepted bribes, including $13,000 in cash and checks, from contractors in exchange for using his official position to secure more than $350,000 in work for the contractors and to ensure they received payment upon completion.

Four Sentenced for Role in Rocky Boy's Corruption Probe

On March 11, 2015, in Great Falls, Montana, Mark Craig Leischner and Tammy Kay Leischner, of Laurel, were sentenced to 24 months in prison and three years' supervised release. Mark Leischner was also ordered to pay $281,313 in restitution, and Tammy Leischner was ordered to pay $375,092 in restitution. Mark Leischner pleaded guilty to embezzlement of over $200,000 in funds from the Chippewa Cree Tribe Rodeo Association, federal student financial aid fraud, and obstruction of justice. Tammy Leischner pleaded guilty to aiding the embezzlement of $311,000 in federal funds, bankruptcy fraud, federal student financial aid fraud, and blackmail. Tammy Leischner's brother, Dr. James Howard Eastlick, was also sentenced to 72 months in prison, three years supervised release and ordered to pay $424,800 in restitution. Eastlick, the former psychologist for the Rocky Boy Health Clinic pleaded guilty to charges of bribery relating to a federally funded program, bribery of a councilman and income tax evasion. On March 10, 2015, Bruce Sunchild, was sentenced to 34 months in prison, three years supervised release, and ordered to pay $370,088 in restitution. Sunchild pleaded guilty to bribery, embezzlement and tax evasion. All four sentencings were a result of the Rocky Boy's Corruption Probe.

Former Virginia Governor and First Lady Sentenced for Public Corruption

On Jan. 6, 2015, in Richmond, Robert F. McDonnell, former Virginia governor, was sentenced to 24 months in prison and two years of supervised release. On Feb. 20, 2015, in Richmond, the former First Lady of Virginia, Maureen G. McDonnell, was sentenced to 12 months and one day in prison. The McDonnells were convicted on Sept. 4, 2014, following a jury trial of conspiracy to commit honest-services wire fraud and conspiracy to obtain property under color of official right. From April 2011 through March 2013, the McDonnells participated in a scheme to use the former governor's official position to enrich themselves and their family members by soliciting and obtaining payments, loans, gifts and other things of value from Star Scientific and Jonnie R. Williams Sr., then CEO of Star Scientific. The McDonnells obtained these items in exchange for the former governor performing official actions to legitimize, promote and obtain research studies for Star's products, including the dietary supplement Anatabloc. The McDonnells obtained from Williams more than $170,000 in direct payments as gifts and loans, thousands of dollars in golf outings, and numerous items. As part of the scheme, Robert McDonnell arranged meetings for Williams with Virginia government officials, hosted and attended events at the Governor's Mansion designed to encourage Virginia university researchers to initiate studies of Star's products and to promote Star's products to doctors, contacted other Virginia government officials to encourage Virginia state research universities to initiate studies of Star's products, and promoted Star's products and facilitated its relationships with Virginia government officials. The McDonnells attempted to conceal the things of value received from Williams and Star by routing gifts and loans through family members and corporate entities controlled by the former governor to avoid annual disclosure requirements.

Corporate Fraud

The Corporate Fraud program concentrates on violations of the Internal Revenue Code (IRC) and related statutes committed by publicly traded or private corporations, and/or by their senior executives. Some of the specific criminal acts within a corporate fraud investigation include falsifying and fabricating or destroying company records for the purpose of falsifying tax returns, financial statements or reports to regulatory agencies or investors. It also includes conduct by executives to enrich themselves by attempting to derive unauthorized compensation through unapproved payments or bonuses, payment of personal expenses with corporate funds or bogus loans. Many corporate fraud investigations are joint efforts involving other federal agencies.

Examples of corporate fraud investigations adjudicated in FY 2015 include:

Former CEO Sentenced for $25 Million Fraud Scheme
On June 8, 2015, in Nashville, Tennessee, L. Brian Whitfield, formerly of Franklin, was sentenced to 240 months in prison and three years of supervised release. Whitfield was also ordered to pay a $1.8 million money judgment and more than $25.9 million in restitution. On Nov. 7, 2014, a jury found Whitfield guilty of conspiracy, wire fraud, theft from an employee benefit program, filing a false tax return and money laundering. Whitfield controlled the finances and funds of the Sommet Group LLC, a payroll processing company that operated in Tennessee. From 2008 until 2010, Whitfield diverted millions of dollars of client funds that had been earmarked to fund client employee retirement accounts to pay health claims and to pay taxes. Instead of using these client funds as Sommet had promised, Whitfield diverted millions of dollars to prop up affiliated companies that he controlled, spent millions of dollars to acquire the naming rights of Nashville's professional hockey arena and to pay personal expenses. Whitfield also vastly underreported wages and taxes on Sommet's quarterly employer tax return that he personally prepared and filed. Across six quarters from 2008 – 2010, Whitfield's actions resulted in an underpayment of more than $20 million in taxes. In July 2013 D. Edwin Todd, a part owner of Sommet, pleaded guilty to conspiracy in this case, and Marsha Whitfield, Sommet's vice president of payroll, pleaded guilty to conspiracy and wire fraud. On June 25, 2015, Marsha Whitfield was sentenced to five years of probation with the first six months spent in a half-way house and ordered to pay $3,736,653 in restitution. Todd awaits sentencing.

Washington Man Sentenced for Evading Taxes on Money Stolen from Investors
On June 10, 2015, in Spokane, Washington, Michael Peter Spitzauer, of Kennewick, Washington, was sentenced 48 months in prison, one year of supervised release and ordered to pay $10,365,000 in restitution to the victims of his fraud scheme, and $2,585,177 in restitution to the IRS. Spitzauer previously pleaded guilty to filing a false tax return and failing to file a tax return. Spitzauer served as the CEO and President of Green Power, Inc., a biodiesel fuel business, which Spitzauer asserted possessed the technology to turn waste into biofuel. Spitzauer defrauded various investors by representing that he would maintain their investment deposits in accounts controlled by an attorney, and not be utilized without the parties' written agreement. In fact, Spitzauer controlled the bank accounts, and spent the investors' deposits in unauthorized ways, such as on luxury goods and repaying prior investors who sought return of their funds. Spitzauer also defrauded additional investors by falsely representing that their funds would be used to pay state agency fees or insurance bonds. From 2007 to 2013, Spitzauer stole more than $10.3 million from the various victims, who reside across the globe, including in China, Spain, the Netherlands, Ireland, Australia, Slovenia, Canada, Texas, and Maryland. Spitzauer filed false tax returns for tax years 2007 and 2009, when he reported that he received no income and failed to disclose the funds he fraudulently obtained from his investors, which totaled approximately $4.5 million in taxable income for 2007 and 2009. For tax year 2008, Spitzauer failed to file a tax return, despite receiving approximately $3.2 million in taxable income, which represented funds he stole from the defrauded investors. As a result, Spitzauer evaded the assessment of approximately $2.5 million in taxes.

Associates of Bernard L. Madoff Investment Securities Sentenced for Roles in the Fraud
On Dec. 15, 2014, in Manhattan, New York, Joann Crupi, who managed hundreds of millions of dollars in fictitious investments for Bernard L. Madoff Investment Securities LLC, was sentenced to 72 months in prison, four years of supervised release and ordered to forfeit $33.9 billion. Several other employees of Bernard L. Madoff's fraudulent investment advisory business were recently sentenced, including Daniel Bonventre, the former Director of Operations, who was sentenced on Dec. 8, 2014, to 120 months in prison, two years of supervised release and ordered to forfeit more than $155.5 billion. Annette Bongiorno, the manager of the fraudulent investment advisory business, was sentenced on Dec. 9, 2014, to 72 months in prison, two years of supervised release and ordered to forfeit more than $155 billion. Bonventre was previously convicted of securities fraud, bank fraud, tax fraud, falsifying

the books and records of Madoff Securities, making false filings with the United States Securities and Exchange Commission, and conspiracy. Bongiorno and Crupi were convicted of securities fraud, falsifying the books and records of Madoff Securities, conspiracy and tax fraud. Crupi was also convicted of bank fraud. Bongiorno, an employee of the business for 40 years, managed hundreds of investment advisory accounts, supervised employees and was for many years the head of the fraudulent investment business. While managing several investment accounts, Bongiorno and Crupi backdated the purchase dates of purported trades so that they could control the amount of gains reflected in the investment advisory accounts, including, at least on one occasion, a back-dated trade of more than 12 years. Bonventre, while responsible for maintaining and supervising the production of the principal internal accounting documents, directed that false entries be made that concealed the scope of fraudulent investment advisory operations and understated liabilities by billions of dollars. Finally, Bonventre, Bongiorno and Crupi also filed false income tax returns on their own behalf, in which they failed to report income they received from Madoff Securities.

California Investment Manager Sentenced for $33 Million Ponzi Scheme
On Dec. 17, 2014, in Salt Lake City, Utah, Robert L. Holloway, of San Diego, was sentenced to 225 months in prison and ordered to pay $15.2 million in restitution for orchestrating a $33 million Ponzi scheme resulting in $15.2 million in losses to investors. Holloway was found guilty on Aug. 5, 2014, of wire fraud and making a false income tax return. Holloway served as the chief executive officer and managing partner of US Ventures LC between May 2005 and April 2007. From October 2005 until at least April 2007, Holloway recruited investors by making false representations, including that US Ventures used proprietary trading software that was consistently profitable, that US Ventures generated returns of 0.8% per trading day and that US Ventures would retain a 30% share of investors' profits as a management fee. Holloway also generated and distributed reports to investors showing false daily returns on their investments. Between October 2005 and April 2007, contrary to the returns shown on the false reports, US Ventures lost more than $10 million in trading, and the "profit" figures on the investor reports were fabricated. US Ventures raised more than $33 million from investors for its purported trading activities. Holloway and US Ventures made "profit distributions" to investors from funds solicited from new investors, and Holloway misappropriated investors' funds for a variety of personal expenses. During 2006 alone, Holloway diverted more than $1.2 million in investor funds to a "business" account that he used as a personal account and falsely claimed a gross income of only $27,500 on his personal tax return.

Gaming

CI focuses on the enforcement of tax, money laundering and related financial crimes to combat illegal activity within the gaming industry, as well as to uncover and shutdown illegal gaming operations. The use of the Internet has greatly increased the reach of domestic and international gaming operations. Illegal gambling operations can be found in a number of different forms, including bookmaking, numbers, online gaming and some charitable gaming operations. CI's gaming program consists of a two-faceted, proactive approach to industry compliance. First is the investigation of entities suspected of violating tax, money laundering, or related laws. Second are liaison activities with federal, state, and tribal gaming boards, licensing commissions, industry regulators, gaming operators, gaming industry suppliers, and other law enforcement. A critical component of both facets is CI's coordination with the civil functions of the IRS in addressing trends and concerns in the gaming industry.

Examples of gaming investigations adjudicated in FY 2015 include:

Brothers Sentenced on Gambling Charges
On April 15, 2015, in Rochester, New York, Joseph Ruff was sentenced to 41 months prison and three years of supervised release. Joseph Ruff was also ordered to forfeit $1,230,489 in addition to other funds and a lakefront residence. On March 25, 2015, in Rochester, Mark Ruff, of Connecticut, was sentenced to 108 months in prison, three years of supervised release and ordered to forfeit $230,000. Both men were previously convicted of conducting an illegal gambling business and conspiracy to commit

money laundering. Mark Ruff conducted an illegal gambling business with his brother, Joseph, and Paul Borrelli, both of Rochester. The gambling operation involved sports betting through multiple offshore internet gambling websites. Mark Ruff also conspired with his brother and others to launder $230,000 in illegal gambling proceeds. Mark Ruff transferred the gambling proceeds from Rochester to an associate in Connecticut to conceal their source by depositing proceeds into a credit line and making subsequent cash withdrawals and writing checks from the credit line for himself and his brother. Those checks included $40,000 to a local country club for Joseph Ruff that the federal government seized Aug. 11, 2014. On Sept. 8, 2015, Borrelli was sentenced to eight months home confinement, three years of supervised release and pay a judgement of $1.2 million.

Leader of Sports Betting Ring Sentenced on Racketeering and Related Charges

On Feb. 17, 2015, in Philadelphia, Pennsylvania, Joseph Vito Mastronardo Jr., of Meadowbrook, was sentenced to 20 months in prison, three years of supervised release and ordered to forfeit approximately $3.7 million. Mastronardo pleaded guilty on Jan. 31, 2014, to conspiring to participate in a racketeering enterprise (RICO), conducting an illegal gambling business, conducting four conspiracies to launder money, interstate travel in aid of racketeering, transmitting wagering information and aggravated structuring of cash deposits. Mastronardo Jr. was the leader of the Mastronardo Bookmaking Organization, a multi-million dollar sports betting operation with bettors throughout the United States. At its peak, the Mastronardo Bookmaking Organization had more than 1,000 bettors and was generating millions of dollars a year. Between Jan. 1, 2005 and Jan. 1, 2011, the organization used Internet websites and telephone numbers that allowed bettors to place sports bets on football, baseball, basketball, golf, horse racing and other sporting events. Residents of Costa Rica staffed the Internet websites and answered the telephones. In 2006 and 2010, law enforcement seized more than $2.1 million that Mastronardo hid in and around his home, including in specially-built secret compartments and in PVC pipes that were buried in his backyard. The Mastronardo Bookmaking Organization laundered the gambling proceeds by using a check cashing agency, two private bank accounts and numerous international bank accounts. On occasion, Mastronardo Jr. also provided instructions so that a losing bettor could pay a gambling debt through a charitable donation.

Colorado Man Sentenced for Running an Illegal Gambling Business

On Jan. 5, 2015, in Denver, Colorado, Kerwin Dale Sande was sentenced to 15 months in prison and three years of supervised release. In addition, Sande agreed to the forfeiture of $2 million in cash and assets for conspiring to own and operate an illegal gambling business and money laundering. Starting in the summer of 2006 and continuing through October 2013, Sande operated a gambling business out of his home. His business focused primarily on sports bookmaking, which included wagers on a variety of sporting events to include major league baseball games and golf, as well as professional and collegiate football, basketball and hockey. Sande recruited, entertained and interacted with bettors at exclusive golf and country clubs. He assigned a given bettor a credit limit within which the bettor was authorized to place bets and accepted bets through various means including on the telephone, through at least five or more "bet-takers", and over the internet using an off-shore internet betting website which he controlled. The website was housed and maintained through computer servers registered in Costa Rica. Sande collected gambler's debts in a variety of ways including taking cash payments directly from bettors at golf clubs, private parties or other public locations. He also accepted checks from bettors that would commonly be made out to his company, KDS Enterprises., Inc., as well as collecting wire transfers. Sande paid bettors their winnings in cash, but occasionally he would write checks and he would sometimes send cash payments directly to bettors using federal express where he would conceal the cash in the sealed pages of a magazine. Sande drove and owned several high-end sports and luxury cars, a number of which contained built-in, hidden lock boxes which he utilized to transport and transfer large sums of bulk currency for his unlawful gambling operation.

Three Sentenced in Illegal Gambling Operation in Guam

On Oct. 8, 2014, in Hagatna, Guam, three individuals were sentenced in a criminal conspiracy to conduct an illegal gambling business at the former MGM Spa in Tamuning. Jimmy Hsieh was sentenced to 24 months in

prison and ordered to pay a $423,640 money judgment. In addition, Hsieh agreed to forfeit $178,113 from personal accounts and that three of his condos are subject to possible forfeiture proceedings. Hsieh pleaded guilty to gambling conspiracy and money laundering. William Perez, the manager and supervisor of the MGM poker operation in 2010, was sentenced to six months in prison, six months home confinement and three years of supervised release for conspiring to operate the illegal gambling business. Pauline Perez was sentenced to one year of probation and community service. According to court documents, from at least January 2006 until December 2010, the defendants conspired to offer card games of chance, including baccarat and poker, at the MGM Spa building. The defendants took a percentage of the winnings from each game. They knowingly conducted financial transactions involving the proceeds from the illegal gambling operation.

Insurance Fraud & Healthcare Fraud

The Insurance Fraud Program addresses criminal tax and money laundering violations relative to insurance claims and fraud perpetrated against insurance companies. Insurance fraud covers a wide variety of schemes, including phony insurance companies, offshore/unlicensed Internet companies and staged auto accidents.

The Healthcare Fraud Program involves the investigation of individuals who bill healthcare insurance companies for medical expenses never incurred or for unnecessary medical procedures and medical equipment.

Examples of insurance fraud and healthcare fraud investigations adjudicated in FY 2015 include:

New York Pharmacist Sentenced for Multimillion-Dollar Medicare/Medicaid Fraud Scheme
On March 26, 2015, in Manhattan, New York, Purna Chandra Aramalla, of Port Washington, was sentenced to 36 months in prison, ordered to forfeit $7,503,605, pay restitution to his victims in the same amount, file amended tax returns for the years 2010 through 2012 and pay back taxes and applicable penalties. Aramalla was sentenced for conducting a scheme to defraud Medicaid, Medicare, and the New York State-funded AIDS Drug Assistance Program ("ADAP") through the purchase and sale of illegally diverted prescription drugs, including HIV medication. Aramalla was also sentenced for tax evasion. Aramalla, a pharmacist, owned and operated A Fair Deal Pharmacy Inc. in Queens, New York, and Quality Drug Inc. in the Bronx, New York. Using these pharmacies, Aramalla carried out a multimillion-dollar scheme to defraud the New York State Medicaid, Medicare, and ADAP programs through the sale of diverted prescription drugs, that is, drugs not obtained from legitimate sources. Further, Aramalla signed and filed a false U.S. Individual Income Tax Return, Form 1040, for the 2011 calendar year. Aramalla falsely underreported business income by $2,164,545 which resulted in tax due and owing of $757,591.

Dallas County Man Sentenced for Role in Staged Accident Fraud Scheme
On Jan. 5, 2015, in Dallas, Texas, Leroy Nelson, of DeSoto, Texas, was sentenced to 108 months in prison and ordered to pay $4,973,046 in restitution and agreed to forfeit several vehicles, a motor home, a boat and trailer and real estate. Nelson pleaded guilty in March 2014 to mail fraud and engaging in illegal monetary transactions. Beginning in 2005 and continuing through 2012, Nelson engaged in a scheme to defraud automobile insurance companies by fabricating and submitting false and fraudulent claims for damage to technical equipment damaged in fictitious road accidents. As part of the scheme, Nelson promised cash payments to individuals he recruited for them to falsely report to their automobile insurance company that, while driving, they inadvertently damaged a piece of equipment. Nelson would instruct the individual on how to make the telephone call to the insurance company. Nelson then prepared and submitted the claims for property damage in the name of a "DBA" he created. The claim would include a photo of the equipment and a fictitious repair estimate that Nelson prepared. Nelson opened private mailboxes in numerous states to receive the insurance checks. The mailboxes were opened under an assumed business name that Nelson used as the owner of the damaged equipment in the claims. Nelson also used the addresses of two warehouses in

Dallas and directed that mail received at the private mailboxes be forwarded to one of those two addresses. The cumulative total of the insurance claims prepared and submitted to insurance companies by Nelson from 2005 to 2012 totaled approximately $5 million.

Three Chiropractors Sentenced in Staged Automobile Accident Scheme

On Oct. 14, 2014, in West Palm Beach, Florida, three chiropractors were sentenced for their participation in a massive staged automobile accident scheme. Kenneth Karow, of West Palm Beach, was sentenced to 132 months in prison; Hermann J. Diehl, of Miami, was sentenced to 108 months in prison; and Hal Mark Kreitman, of Miami Beach, was sentenced to 96 months in prison. All three men were convicted of mail fraud and money laundering. Between October 2006 and December 2012, the defendants and their co-conspirators staged automobile accidents and caused the submission of false insurance claims through chiropractic clinics they controlled.

Former Owner and Operator of New York Health Clinics Sentenced for $30 Million Medicare Fraud Scheme

On Aug. 25, 2015, in Manhattan, New York, Oscar Huachillo was sentenced to 87 months in prison, three years of supervised release and ordered to pay $3,454,244 in restitution and $31,177,987 in forfeiture, including forfeiture of approximately $14 million of assets that were seized at or around the time of Huachillo's arrest in August 2013. Huachillo previously pleaded guilty to orchestrating a scheme to defraud Medicare out of more than $31 million and evading more than $3.4 million in federal income taxes by falsely underreporting his income. Huachillo set up and operated multiple health care clinics in New York City that purported to provide injection and infusion treatments to Medicare-eligible HIV/AIDS patients, but that were, in reality, health care fraud mills that routinely billed Medicare for medications that were never provided or were provided at highly diluted doses, and that were often unnecessary because the person being "treated" did not medically need the treatments. In addition, Huachillo willfully evaded over $3.4 million in taxes owed to the IRS during the tax years 2009 through 2011 by falsely underreporting his taxable income, including income he had obtained through fraudulent Medicare claims.

Michigan Oncologist Sentenced for Healthcare Fraud, Money Laundering

On July 10, 2015, in Detroit, Michigan, Farid Fata, of Oakland Township, was sentenced to 540 months in prison and ordered to forfeit $17.6 million. Fata, a Detroit area hematologist-oncologist, pleaded guilty in September 2014 to health care fraud, conspiracy to pay or receive kickbacks and money laundering. Fata was a licensed medical doctor who owned and operated a cancer treatment clinic, Michigan Hematology Oncology P.C. (MHO), which had various locations in Michigan. He also owned a diagnostic testing facility, United Diagnostics PLLC, located in Rochester Hills, Michigan. Fata prescribed and administered unnecessary aggressive chemotherapy, cancer treatments, intravenous iron and other infusion therapies to 553 individual patients in order to increase his billings to Medicare and other insurance companies. Fata then submitted approximately $34 million in fraudulent claims to Medicare and other insurers for these unnecessary treatments. Furthermore, Fata used the proceeds of the health care fraud at his medical practice, MHO, to promote the carrying on of additional health care fraud at United Diagnostics, where he administered unnecessary and expensive positron emission tomography (PET) scans for which he billed a private insurer.

Doctors, Salesman Sentenced for Accepting Bribes for Test Referrals

In the course of a long-running and elaborate scheme operated by Biodiagnostic Laboratory Services LLC (BLS), of Parsippany, New Jersey, its president and numerous associates, 38 people – 26 of them doctors – have pleaded guilty in connection with the bribery scheme, which its organizers have admitted involved millions of dollars in bribes and resulted in more than $100 million in payments to BLS from Medicare and various private insurance companies. The defendants sentenced so far include:

- On July 8, 2015, Frank Santangelo, of Boonton, was sentenced to 63 months in prison, three years of supervised release and ordered to forfeit more than $1.8 million
- On June 23, 2015, Douglas Bienstock, of Wayne, was sentenced to 37 months in prison, one year of supervised release and ordered to pay a $75,000 fine and forfeit $79,695.

- On June 17, 2015, Len Rubinstein, of Holmdel, was sentenced to 37 months in prison, one year of supervised release, ordered to forfeit $250,000 and pay a $10,000 fine.
- On June 2, 2015, Richard Goldberg, of Weston, Connecticut, was sentenced to 20 months in prison, three years of supervised release and ordered to pay a $5,000 fine. Gary Leeds, of Greenwich, Connecticut, was sentenced to 20 months in prison, one year of supervised release and ordered to pay a $15,000 fine. Goldberg and Leeds must each forfeit $108,000.
- On May 5, 2015, Eugene DeSimone, of Eatontown, and Franz Goyzueta, of New York, were each sentenced to 37 months in prison and one year of supervised release. Additionally, DeSimone was ordered to forfeit $260,500 and Goyzueta was ordered to forfeit $72,000.
- On March 31, 2015, Wayne Lajewski, of Madison, and Glenn Leslie, of Ramsey, were sentenced to 14 months and 24 months in prison, respectively. In addition to the prison term, both were sentenced to one year of supervised release and fined $10,000.
- On Dec. 16, 2014, Demetrios Gabriel, of Brooklyn, New York, was sentenced to 37 months in prison, one year of supervised release and fined $75,000.

Former President of Houston Hospital, Son and Co-Conspirator Sentenced in $158 Million Medicare Fraud Scheme

On June 9, 2015, in Houston, Texas, Earnest Gibson III, former president of a Houston hospital, his son, Earnest Gibson IV, and Regina Askew, a co-conspirator, were sentenced to 540 months, 240 months and 144 months in prison, respectively, for their roles in a $158 million Medicare fraud scheme. In addition, Gibson III was ordered to pay restitution in the amount of $46,753,180; Gibson IV was ordered to pay restitution in the amount of $7,518,480; and Askew was ordered to pay restitution in the amount of $46,255,893. On Oct. 20, 2014, following a jury trial, Gibson III, Gibson IV and Askew were each convicted of conspiracy to commit health care fraud, conspiracy to pay and receive kickbacks, as well as related counts of paying or receiving illegal kickbacks. Both father and son were also convicted of conspiracy to commit money laundering. Co-defendant Robert Crane, a patient recruiter, was also convicted of conspiracy to pay and receive kickbacks, and is scheduled to be sentenced in December 2015. Gibson IV is the operator of Devotions Care Solutions, a satellite psychiatric facility of Riverside General Hospital and Askew is the owner of Safe and Sound group home. From 2005 until June 2012, the defendants and others engaged in a scheme to defraud Medicare by submitting to Medicare, through Riverside and its satellite locations, approximately $158 million in false and fraudulent claims for partial hospitalization program (PHP) services. A PHP is a form of intensive outpatient treatment for severe mental illness. However, Medicare beneficiaries for whom the hospital billed Medicare did not qualify for, or need, PHP services. Moreover, the Medicare beneficiaries rarely saw a psychiatrist and did not receive intensive psychiatric treatment. Gibson III paid kickbacks to patient recruiters and to owners and operators of group care homes, including Askew, in exchange for those individuals delivering ineligible Medicare beneficiaries to the hospital's PHPs. Gibson IV also paid patient recruiters, including Robert Crane and others, to deliver ineligible Medicare beneficiaries to the specific PHP he operated. Another co-conspirator, Mohammad Khan, was sentenced on May 21, 2015, to 480 months in prison for his role in the scheme. William Bullock, Leslie Clark, Robert Ferguson, Waddie McDuffie and Sharonda Holmes, who were involved in paying or receiving kickbacks, also have pleaded guilty to participating in the scheme and await sentencing.

Southern California Medical Supply Company Owner Sentenced for Medicare Fraud Scheme

On May 13, 2015, in Los Angeles, California, Olufunke Ibiyemi Fadojutimi, of Carson, was sentenced to 48 months in prison and ordered to pay $4,372,466 in restitution, with a co-defendant. Fadojutimi was convicted by a jury on July 31, 2014, of conspiracy to commit health care fraud, health care fraud and money laundering. Fadojutimi, a registered nurse and the former owner of Lutemi Medical Supply, fraudulently billed Medicare for more than $8 million of durable medical equipment that was not medically necessary. Specifically, between September 2003 and May 2010, Fadojutimi and others paid cash kickbacks to patient recruiters

in exchange for patient referrals, and additional kickbacks to physicians for fraudulent prescriptions for medically unnecessary durable medical equipment, such as power wheelchairs. Fadojutimi and others then used these prescriptions to support fraudulent claims to Medicare. As a result of this fraud scheme, Fadojutimi and others submitted approximately $8.3 million in false and fraudulent claims to Medicare, and received almost $4.3 million on those claims.

Bankruptcy Fraud

According to the United States Bankruptcy Court, there were 860,182 bankruptcy filings in FY 2015. Bankruptcy fraud results in serious consequences that undermine public confidence in the system and taint the reputation of honest citizens seeking protection under the bankruptcy statutes. Since the IRS is often a creditor in bankruptcy proceedings, it is paramount that tax revenues be protected.

Examples of bankruptcy fraud investigations adjudicated in FY 2015 include:

Connecticut Couple Sentenced for Bankruptcy and Tax Fraud Schemes
On Aug. 3, 2015, in Hartford, Connecticut, Jason Sheehan, of New Haven, was sentenced to 37 months in prison and three years of supervised release for engaging in an extensive bankruptcy and tax fraud scheme. Sheehan's wife, Glorvina Constant was sentenced to one year of probation for participating in a related mortgage fraud scheme. Restitution will be determined at a later date. On Oct. 8, 2014, Sheehan pleaded guilty to willful failure to collect, account for and pay tax, embezzlement from a bankruptcy estate and making a false declaration statement under penalty of perjury in a bankruptcy case. On Oct. 7, 2014, Constant pleaded guilty to conspiracy to commit bank fraud. Sheehan was the sole member of a limited liability company known as Infinistaff, LLC, which provided temporary workers to employers. In September 2010, Infinistaff filed a voluntary chapter 11 bankruptcy petition. As part of the bankruptcy case, Sheehan filed operating reports that falsely claimed that another company was being paid to process Infinistaff's payroll checks, and prepare and file its payroll tax returns and tax payments although the arrangement was terminated at that time. Sheehan filed these reports in order to conceal his embezzlement of more than $1 million from Infinistaff's bankruptcy estate. In addition, between 2011 and 2013, Infinistaff failed to account for and pay to the IRS more than $2.5 million in employment taxes the company had withheld from employee paychecks, and also failed to pay approximately $1.4 million in employer payroll taxes. Constant received Infinistaff payroll checks totaling $354,000 during the bankruptcy proceedings even though she performed no work for the company. Additionally, in 2013, Constant purchased a home using proceeds from a mortgage loan she obtained from a local bank, as well as approximately $260,000 embezzled by Sheehan from the Infinistaff bankruptcy estate. On two mortgage loan applications Constant falsely stated that she was employed by Infinistaff and earned a substantial salary.

Former Arkansas Business Developer Sentenced For Fraud
On Oct. 28, 2014, in Fort Smith, Arkansas, Brandon Lynn Barber, of New York, New York, was sentenced to 65 months in prison and three years of supervised release. On July 31, 2013, Barber pleaded guilty to conspiracy to commit bankruptcy fraud, conspiracy to commit bank fraud and money laundering. From approximately 2005 through 2009, Barber was involved in several schemes to defraud banks, creditors and the Federal Bankruptcy Court. Barber provided false financial information and statements to banks for loans to finance the Legacy Condominium building and the Bellafont project in Fayetteville. Barber also concealed assets and income from creditors and the bankruptcy court by transferring funds to other co-defendants or accounts controlled by them and using those funds for his own personal benefit and expenses.

Former Leader and Former Chief Executive Officer of Hindu Temple of Georgia Sentenced for Fraud and Obstruction
On April 13, 2015, in Atlanta, Georgia, Annamalai Annamalai, aka Dr. Commander Selvam, aka Swamiji Sri Selvam Siddhar, former leader of the now defunct Hindu Temple of Georgia and a resident of Baytown, Texas, was sentenced to 327 months in prison. Annamalai was convicted on Aug. 25, 2014 for bank fraud and tax fraud offenses. Co-defendant Kumar Chinnathambi, also of Baytown, was arrested and pleaded guilty to conspiracy to commit

bankruptcy fraud on July 17, 2014. Chinnathambi was sentenced on May 1, 2015 to 24 months in prison, three years of supervised release and jointly ordered to pay $318,781 in restitution. Around Oct. 12, 2008, Chinnathambi was listed as the Chief Executive Officer of the Hindu Temple of Georgia, a position previously held by Annamalai. On or about Aug. 30, 2009, another individual was listed as the Chief Financial Officer and Secretary. About Aug. 31, 2009, the Hindu Temple filed for Chapter 11 bankruptcy. Annamalai signed the voluntary petition for bankruptcy on behalf of the Hindu Temple as President and Chief Executive Officer. About a Nov. 9, 2009, five days after a trustee was appointed to oversee the Hindu Temple's property in bankruptcy, Chinnathambi registered new temple with the Georgia Secretary of State, called Shiva Vishnu Temple of Georgia, Inc. (Shiva Vishnu), which listed the other individual as the Chief Executive Officer. About Nov. 12, 2009, Annamalai, Chinnathambi and anther individual opened a bank account in the name of Shiva Vishnu. From about Nov. 25, 2009, through about Oct. 25, 2010, Annamalai and Chinnathambi caused credit card receipts and donations that were intended for the Hindu Temple to be diverted and deposited into Shiva Vishnu's bank account, without disclosing the funds to the trustee charged with control of the debtor Hindu Temple's property in bankruptcy, or creditors of the Hindu Temple or the United States Trustee. Annamalai was also convicted on obstruction and false statements in connection with the grand jury investigation and the bankruptcy proceeding. Annamalai transmitted a fraudulent email to an IRS CI Special Agent, which was falsely made to appear as if the email had been written and authored by a witness of the criminal investigation. Annamalai submitted a false affidavit to the grand jury, and a false affidavit to the Bankruptcy Court in connection with the Hindu Temple's bankruptcy proceeding.

Prominent Businessman for Private Consulting Group Sentenced after Bilking Elderly Victim of $1.1 Million

On March 31, 2015, in Portland, Oregon, Robert L. Keys was sentenced to 70 months in prison, three years of supervised release, and ordered to pay $1.1 million in restitution. Keys pleaded guilty on Sept. 9, 2014 to wire fraud, money laundering and bankruptcy fraud. In 2008, as Keys' business ventures were failing, he turned to one of his long-term clients, a widow in her mid-80s, and persuaded her to loan $1.1 million to co-defendant William Kearney, now deceased. Keys lied to his client about the terms of the loan, such as the existence of treasury bonds as collateral for the loan, and he failed to disclose important facts to her in order to fraudulently obtain money for his benefit and that of Kearney. Keys also received over $100,000 in kickbacks as part of the scheme. Those kickbacks were wired to him by Kearney the day after Keys persuaded his client to loan Kearney the $1.1 million. In addition, Keys and his wife filed for bankruptcy in 2010, and Keys fraudulently attempted to discharge $148 million in debt by lying to the Bankruptcy Court, concealing assets and income, and filing false documents with the court.

INTERNATIONAL OPERATIONS

The immense growth in the utilization of global financial markets presents new challenges to tax administration worldwide. CI's Office of International Operations (IO) promotes a comprehensive international strategy in responding to global financial crimes and provides support in combating offshore tax evasion. Since the means to evade taxes and commit fraud is not limited by sovereign borders, international collaboration is vital to CI's efforts to combat offshore tax evasion and fraud committed by individuals.

CI has special agent attachés strategically stationed in 10 foreign countries. Attachés continue to build strong alliances with our foreign government and law enforcement partners. These strong alliances provide CI with the ability to develop international case leads and to support domestic investigations with an international nexus. CI attachés are especially focused on promoters from international banking institutions who facilitate United States taxpayers in evading their United States tax requirements. There are several senior analysts assigned to CI headquarters who are responsible for managing program areas designed to generate investigative leads.

In 2015 IO created the Investigation Development and Support Unit (IDS). The IDS is a newly created section of IO that was formed when the former International Lead Development Center (ILDC), Offshore Voluntary Compliance group and the Counterterrorism Center (CTC) were merged together and placed under one management structure. This new unit is located in the Office of International Strategy and Policy. The new unit continues to offer its resources to the field in a case support capacity while also focusing on developing significant financial investigations independent of the leads being received.

The growth of the CI footprint internationally has increased the opportunities for case development. The IDS is specifically tasked with conducting research on potential international criminal investigations. In addition, CI has personnel assigned to Interpol and the International Organized Crime Intelligence and Operations Center (IOC-2) to combat the threats posed by international criminal organizations, assist in joint investigations and the apprehension of international fugitives.

As part of IO, the Narcotics and Counterterrorism section provides policy guidance and operational coordination support to the field for the investigation of domestic and international narcotics traffickers and related money laundering organizations and investigations of individuals and organizations believed to be involved in, or supporting, terrorist activities.

Examples of international investigations adjudicated in FY 2015 include:

Tax Return Preparers Sentenced for Hiding Offshore Account and Assisting Wealthy Clients to Hide Millions in Secret Accounts
On Aug. 10, 2015, in Los Angeles, California, David Kalai was sentenced to 36 months in prison, three years of supervised release, with a condition of home confinement to last the entire term of release, and ordered to pay a $286,000 fine. Nadav Kalai, David Kalai's son, was sentenced to 50 months in prison, three years of supervised release and ordered to pay a $10,000 fine. The Kalais were principals of United Revenue Service Inc. (URS), a tax return preparation business with 12 offices located throughout the United States. On Dec. 19, 2014, the Kalais were convicted of conspiracy to defraud the IRS and two counts of willfully failing to file a Report of Foreign Bank and Financial Accounts (FBAR). The Kalais advised and assisted their high net-worth clients in concealing millions of dollars of assets and income in secret foreign bank accounts and filing false federal income tax returns. The Kalais also maintained a secret offshore account of their own at Bank Leumi in Luxembourg in the name of a foreign sham corporation and failed to disclose the account to the IRS or the U.S. Treasury. The Kalais purposefully prepared false individual income tax returns for their URS clients that did not disclose the clients' foreign financial accounts nor report the income earned from those accounts. In order to conceal the clients' income, ownership and control of assets from the IRS, the Kalais incorporated offshore companies in Belize and elsewhere and helped clients open secret bank accounts at the Luxembourg locations of two Israeli banks, Bank Leumi and Bank B. Three URS clients who testified at the Kalais' trial have pleaded guilty to tax felonies arising from their participation in the scheme. The Kalais each failed to file an FBAR for calendar years 2008 and 2009 with respect to a foreign account held at Bank Leumi in Luxembourg.

Commerzbank AG Pleads Guilty to Violating U.S Economic Sanctions and Bank Secrecy Act
On March 12, 2015, in Washington, D.C., Commerzbank AG, a global financial institution headquartered in Frankfurt, and its U.S. branch, Commerzbank AG New York Branch, entered into a deferred prosecution agreement for violations of the International Emergency Economic Powers Act (IEEPA) and the Bank Secrecy Act (BSA) and agreed to pay a total of $1.45 billion. Commerzbank admitted and accepted responsibility for its criminal conduct in violation of IEEPA and the BSA, and Commerz New York admitted its criminal conduct in violation of the BSA. According to court documents, Commerzbank AG processed billions of U.S. dollar transactions through the U.S. financial system on behalf of Sudanese and Iranian entities subject to U.S. economic sanctions from 2002 to 2008. In addition, since 2008, and continuing until at least 2013, Commerz New York violated the BSA and its implementing regulations. Specifically, Commerz New York failed to maintain adequate

policies, procedures and practices to ensure its compliance with U.S. law, including its obligation to detect and report suspicious activity. As a result of the wilful failure of Commerz New York to comply with U.S. law, a multibillion-dollar securities fraud was operated through Commerzbank and Commerz New York. Olympus, a Japanese-based manufacturer of medical devices and cameras, used Commerzbank and Commerz New York to perpetrate a massive accounting fraud. Commerz New York, through its branch and affiliates in Singapore, loaned money to off-balance-sheet entities created by or for Olympus to perpetrate the accounting fraud. Commerz New York transacted more than $1.6 billion in furtherance of the fraud.

New York Man Sentenced for Role in Multimillion-Dollar International Cybercrime Scheme

On April 14, 2015, in Trenton, New Jersey, Oleg Pidtergerya, of Brooklyn, New York, was sentenced to 92 months in prison, three years of supervised release and ordered to pay restitution of $1,758,127 and a forfeiture judgment of $250,000. Pidtergerya, a member of an international cybercrime, identity theft and credit card fraud conspiracy, previously pleaded guilty to wire fraud conspiracy and conspiracy to commit access device fraud and identity theft. Oleksiy Sharapka, of Kiev, Ukraine, allegedly directed the conspiracy with the help of Leonid Yanovitsky, also of Kiev. Pidtergerya managed a cash-out crew in New York for Sharapka and Yanovitsky. The conspirators used information hacked from customer accounts held at more than a dozen banks, brokerage firms, payroll processing companies and government agencies in an attempt to steal at least $15 million from American customers. Conspiring hackers first gained unauthorized access to the bank accounts of customers then Sharapka and Yanovitsky diverted money from the hacked accounts to bank accounts and pre-paid debit cards they controlled. They employed crews of individuals known as “cashers” to withdraw the stolen funds from the fraudulent accounts by, among other ways, making ATM withdrawals and fraudulent purchases in New York, Massachusetts, Georgia and elsewhere. Pidtergerya was aware the fraudulent accounts and cards were created without the consent of the individuals in whose names they were opened. Pidtergerya coordinated ATM and bank withdrawals of the stolen funds. He then sent the proceeds of the fraud to Sharapka and Yanovitsky in Ukraine.

Former SSA Employee and Eight Others Sentenced In Fraudulent Income Tax Refund Scheme

On March 11, 2015, in Atlanta, Georgia, Marcus Behling, of Powder Springs, Georgia, was sentenced to 39 months in prison and ordered to pay $698,249 in restitution for his role in the scheme. From approximately January 2011 until March 2012, Shawn Brown led a criminal organization that used stolen personal identification information from more than 1,000 victims, along with fake wage and withholding information, to prepare and electronically file fraudulent returns claiming more than $5 million dollars in tax refunds. Brown and co-conspirator Maurice Pollock recruited Ronald Bennett, an employee of the United States Social Security Administration (SSA) in Jacksonville, Florida, to improperly access an SSA computer database to steal identities. Brown also recruited Christopher Edwards, an employee of an asset recovery company, to steal identities from a computer database he accessed through his employer. The stolen identities obtained by Bennett and Edwards were used to file fraudulent income tax returns. Brown also recruited Sergey Krayev, a naturalized U.S. citizen from Moldova, to employ individuals in Russia to file fraudulent income tax returns. More than 70 fraudulent returns were filed from Russia and refunds associated with those returns were electronically deposited into bank accounts Brown controlled. On March 6, 2015, Shawn Brown was sentenced to 160 months in prison and ordered to pay $1,230,021 in restitution. Also sentenced on March 6 were: Maurice Pollock to 70 months in prison and ordered to pay $888,697 in restitution;

- Jonathan Stubbs to 73 months in prison and ordered to pay $659,599 in restitution;
- Nyron Nelson to 37 months in prison and ordered to pay $98,671 in restitution;
- Kelly Lonas to 29 months in prison and ordered to pay $98,671 in restitution;
- Ronald Bennett to 27 months in prison and ordered to pay $3,000 in restitution;
- Christopher Edwards to 24 months in prison and ordered to pay $9,265 in restitution; and
- Sergey Krayev to 12 months’ probation and ordered to pay $31,036 in restitution.

Massachusetts Man Sentenced for Role in Multimillion-Dollar International Cybercrime Scheme

On Oct. 24, 2014, in Trenton, New Jersey, Robert Dubuc, of Malden, was sentenced to 21 months in prison, three years of supervised release and ordered to pay restitution of $338,685. Dubuc previously pleaded guilty to wire fraud conspiracy and conspiracy to commit access device fraud and identity theft. Dubuc was a member of an international cybercrime, identity theft and credit card fraud conspiracy that used information hacked from customer accounts held at more than a dozen banks, brokerage firms, payroll processing companies and government agencies to attempt to steal at least $15 million from American customers. Dubuc controlled a cash-out crew in Massachusetts for the organization. Conspiring hackers first gained unauthorized access to the bank accounts of customers then diverted money to other bank accounts and pre-paid debit cards they controlled. They implemented a sophisticated “cash-out” operation, employing crews of individuals known as “cashers” to withdraw the stolen funds from the fraudulent accounts, among other ways, by making ATM withdrawals and fraudulent purchases. Dubuc was aware the fraudulent accounts and cards were created without the consent of the individuals in whose names they were opened. He coordinated ATM and bank withdrawals of the stolen funds and sent proceeds of the fraud to co-conspirators in the Ukraine.

Two Colombian Citizens Sentenced for International Money Laundering Conspiracy

On July 20, 2015, in Miami, Florida, Leonardo Forero Ramirez and Ubaner Alberto Acevedo Espinosa were sentenced to 37 months and 18 months in prison, respectively, and ordered to serve one year of supervised release. Both defendants previously pleaded guilty to conspiracy to commit money laundering. Both Acevedo and Forero were Colombian citizens residing in Bogota. During 2008 and 2009, Acevedo handled customer accounts at a stock brokerage firm that offered accounts that could be used by customers to receive deposits, wire transfers, and other credit or money, and to disburse the funds through wire transfers and cash or other withdrawals. The stock brokerage firm was authorized to receive funds in U.S. dollars, provided that they were properly documented and justified as being for legitimate business transactions. Forero was one of Acevedo's customers. During the course of his participation in this scheme, Forero received approximately $1.2 million from IRS undercover accounts that he passed on to the people designated to receive it. Acevedo was involved in the transfer of approximately $335,000 from IRS undercover accounts in the United States to the stock brokerage firm in Colombia, and the conversion of the dollars into pesos and the subsequent withdrawal of the monies by Forero. Both Acevedo and Forero knew that the money was derived from criminal activity.

Creator and Operator of the “Silk Road” Website Sentenced

On May 29, 2015, in Manhattan, New York, Ross Ulbricht, aka “Dread Pirate Roberts,” of San Francisco, California, was sentenced to life in prison and ordered to forfeit $183,961,921. On Feb. 5, 2015, Ulbricht was found guilty of distributing narcotics, distributing narcotics by means of the Internet, conspiring to distribute narcotics, engaging in a continuing criminal enterprise, conspiring to commit computer hacking, conspiring to traffic in false identity documents, and conspiring to commit money laundering. Ulbricht created Silk Road in January 2011, and owned and operated the underground website until it was shut down by law enforcement authorities in October 2013. Silk Road served as a sophisticated and extensive criminal marketplace on the Internet where unlawful goods and services, including illegal drugs of virtually all varieties, were bought and sold regularly by the site’s users. While in operation, Silk Road was used by thousands of drug dealers and other unlawful vendors to distribute hundreds of kilograms of illegal drugs and other unlawful goods and services to more than 100,000 buyers, and to launder hundreds of millions of dollars deriving from these unlawful transactions. Ulbricht sought to anonymize transactions on Silk Road by operating Silk Road on a special network of computers on the Internet, distributed around the world, designed to conceal the true IP addresses of the computers on the network and thereby the identities of the networks’ users. Ulbricht also designed Silk Road to include a Bitcoin-based payment system that concealed the identities and locations of the users transmitting and receiving funds through the site.

Former Bechtel Executive Sentenced in Connection with Kickback Scheme
On March 23, 2015, in Greenbelt, Maryland, Asem Elgawhary, of Potomac, Maryland, was sentenced to 42 months in prison and ordered to forfeit $5.2 million. Elgawhary, the former principal vice president of Bechtel Corporation and general manager of a joint venture operated by Bechtel and an Egyptian utility company, pleaded guilty on Dec. 4, 2014, to mail fraud, conspiracy to commit money laundering, obstruction and interference with the administration of the tax laws. From 1996 to 2011, Elgawhary was assigned by Bechtel as the general manager at Power Generation Engineering and Services Company (PGESCo), a joint venture between Bechtel and Egypt's state-owned and state-controlled electricity company, known as EEHC. PGESCo assisted EEHC in identifying possible subcontractors, soliciting bids and awarding contracts to perform power projects for EEHC. Elgawhary accepted a total of $5.2 million from three power companies, who paid to secure a competitive and unfair advantage in the bidding process. One of the power companies, Alstom S.A., pleaded guilty on Dec. 22, 2014, to violations of the Foreign Corrupt Practices Act (FCPA) in connection with a scheme to pay bribes to foreign officials, including Elgawhary, in various countries. Elgawhary attempted to conceal the kickback scheme by routing the payments through various off-shore bank accounts under his control. In addition, Elgawhary obstructed and interfered with tax laws by failing to report any of the kickback payments as income for the tax years 2008 through 2011 and providing false information about foreign bank accounts.

Narcotics and Counterterrorism

CI's Narcotics and Counterterrorism Program support the goals of the President's Strategy to Combat Transnational Organized Crime, the U.S. National Drug Control Strategy, the National Money Laundering Strategy, and the U.S. Government's National Counterterrorism Strategy. CI contributes to the strategies by seeking to reduce or eliminate the profits and financial gains of individuals, entities, and Transnational Criminal Organizations (TOC) involved in the financing of terrorism, narcotics trafficking, and money laundering. CI Special Agent's expertise in "following the money" is vital to fulfilling the goals of U.S. government narcotics and counterterrorism strategies. CI special agents utilize their unique financial investigative expertise to trace the profits from an illegal activity back to an individual or criminal organization.

CI is an integral partner in combatting the trafficking of narcotics and the financing of terrorism by investigating criminal violations of the Internal Revenue Code, Bank Secrecy Act and Federal Money Laundering statutes. Since its inception in 1982, CI has participated in the Organized Crime Drug Enforcement Task Force (OCDETF) program by focusing its narcotics efforts almost exclusively on high-priority OCDETF cases where its contributions have the greatest impact. The FY 2015 goal for CI's Direct Investigative Time (DIT) in narcotics investigations ranged between 11-12.5% of the agency's total DIT. At fiscal year-end, CI achieved its goal with a final rate of 11.4% of DIT charged to narcotics investigations. In addition, the FY 2015 goal of 90% of all narcotics investigation dedicated to the OCDETF program was reached with a final 91.4%.

CI's Narcotics Program also supports the National Drug Control Strategy and the National Money Laundering Strategy through the assignment of CI personnel to the White House Office of National Drug Control Policy as well as the assignment of personnel to multi-agency task forces, including OCDETF, OCDETF Fusion Center (OFC), High Intensity Drug Trafficking Area (HIDTA), High Intensity Financial Crimes Area (HIFCA), Drug Enforcement Administration Special Operations Division, (SOD), and the El Paso Intelligence Center (EPIC).

The goals of the U.S. Government's National Counterterrorism Strategy are guided by several key principles, including but not limited to harnessing every tool at the U.S. Government's disposal, including intelligence, military, and law enforcement. The CI special agent's expertise in tracking financial records is vital to the goal to disrupt, dismantle, and prosecute individuals, entities and TOC groups that finance terrorism. CI contributes to the strategy's goal by having its special agents use their financial investigative expertise to identify and investigate terrorism financing schemes. CI also supports the U.S. Government's National Counterterrorism

Strategy by assigning personnel to a number of FBI-led Joint Terrorism Task Forces (JTTF). Due to CI's mission and current limited resources, it's unable to participate in all of the JTTFs. However, CI plays a prominent role in many investigations of individuals and organizations believed to be involved in or supporting international terrorist activities. During FY2015, CI partnered with IRS's Tax Exempt and Government Entities (TEGE) to identify then investigate and/or sanction tax exempt, 501(c)(3), entities that are knowingly facilitating the financing of terrorist activity through their entity's financial infrastructure. Furthermore, CI's IDS proactively develops terrorism related investigative leads for investigation by CI special agents. The IDS also provides investigative support to CI special agents that investigate terrorism cases.

Examples of narcotics and counterterrorism investigations adjudicated in FY 2015 include:

Pill Mill Operator and Two Others Sentenced for Conspiracy to Dispense Controlled Substances

On Aug. 27, 2015, in Chattanooga, Tennessee, Barbara Lang, aka "Aunt Bea," of Rossville, Georgia, was sentenced to 280 years in prison. Lang was convicted of conspiring to distribute and dispense Schedule II and IV controlled substances, outside the scope of professional practice and not for a legitimate medical purpose; maintaining a premise for the purpose of distributing controlled substances; and structuring financial transactions to evade reporting requirements. Lang's daughter, Faith Blake, pleaded guilty to conspiring to illegally distribute drugs through pain clinics she operated, obstructing the IRS and failing to appear for a federal court proceeding. Sentencing for Blake is set for later this year. Dr. Jerome Sherard, a medical director, pleaded guilty to conspiring to illegally distribute drugs and was sentenced to 60 months in prison and ordered to forfeit $192,956. Charles Larmore, a nurse practitioner, pleaded guilty to conspiring to illegally distribute drugs and was sentenced to 156 months in prison, fined $20,000 and ordered to forfeit $375,829.

Drug Trafficker Sentenced for Drug Distribution and Money Laundering Conspiracies

On July 23, 2015, in Greenbelt, Maryland, Anthony Torrell Tatum, of Arlington, Virginia, was sentenced to 324 months in prison for conspiracy to distribute cocaine and heroin, possession of a gun in furtherance of a drug trafficking offense and money laundering conspiracy. Tatum was ordered to pay a $108 million money judgment, as well as a forfeiture order for personal property seized during the investigation, including $328,700 in assorted jewelry, over $1 million in cash or deposited in bank accounts and a luxury vehicle. From at least January 2011 through his arrest on Sept. 6, 2013, Tatum conspired with Ishmael Ford-Bey and others to distribute cocaine and heroin. In May 2013, Tatum rented a storage unit in Maryland using an alias. Between August 2013 and October 2013, search warrants were executed at several locations and uncovered large quantities of cocaine, heroin, drug paraphernalia, weapons, cash, jewelry and heat sealers. Latent fingerprints recovered from the heat sealers were identified as belonging to Tatum and Ford-Bey. At one location, law enforcement discovered a fake driver's license bearing Tatum's picture. Tatum was present at the location and arrested. In an effort to disguise and hide their drug proceeds, Tatum and others created numerous business entities, including 1001 Solutions, Beauty International Supply, Inc. and Going Green Towing, which had little, if any, legitimate business. They set up bank accounts in the names of each business and deposited their drug proceeds into those business accounts. Tatum used the drug proceeds to purchases several vehicles and expensive jewelry.

North Carolina Man Sentenced For Narcotics Distribution and Money Laundering

On July 15, 2015, in Wilmington, James Rodrequias Pressley, of Dunn, was sentenced to life in prison and and five years of supervised release. Pressley was convicted by jury trial for conspiracy to distribute and possess with intent to distribute cocaine base (Crack) and five kilograms or more of cocaine and conspiracy to commit money laundering. From at least 1999 to 2012, Pressley was a drug trafficker responsible for possessing and distributing crack cocaine and cocaine. Pressley received these narcotics from several suppliers. Pressley used numerous others to distribute his drugs throughout eastern North Carolina. Between Dec. 12, 2011, and Feb. 1, 2012, investigative agents used a confidential informant to conduct several controlled purchases of crack cocaine from

Pressley. Several of the controlled buys occurred at Pressley's residence. The IRS determined that Pressley had no verifiable employment history during the time of the offense; however, between June 12, 2009, and Aug. 17, 2010, Pressley purchased several properties in Dunn for a total of $10,500. Pressley subsequently made additions and/or renovations to the properties valued at $12,000. Pressley used these properties to sell and store cocaine and crack cocaine, and store proceeds from his drug-trafficking activities. During the drug conspiracy, Pressley ostensibly operated a legitimate music business, Blackbird Entertainment (BE), as well as a landscaping business in Dunn. Pressley used drug proceeds to pay for concerts and production costs in an attempt to promote BE. He also used $7,860 in drug proceeds to purchase equipment for his landscaping business. In order to conceal the source of illegal proceeds, between Jan. 5, 2009 and Nov. 22, 2011, Pressley made deposits totaling $29,805 to the bank account of his girlfriend, deposits totaling $20,060, to his landscaping account, and deposits totaling $15,000 to his account at Bank of America. Investigators also determined that between Sept. 5, 2009, and Feb. 28, 2011, Pressley used $26,912 in drug proceeds to purchase at least three vehicles.

Head of a Gulf Cartel Sentenced for Drug Trafficking, Money Laundering

On June 30, 2015, in Beaumont, Texas, Juan Francisco Saenz-Tamez, of Camargo, Tamaulipas, Mexico, was sentenced to 360 months in prison and ordered to pay a money judgment of $100 million. Saenz-Tamez pleaded guilty on Jan. 13, 2015 to distribution and possession with intent to distribute cocaine, conspiracy to distribute and possession with intent to distribute marijuana, and conspiracy to commit money laundering. A federal investigation into the large-scale trafficking of illegal drugs from Mexico into the Eastern District of Texas revealed that Saenz-Tamez was responsible for the shipment of one-half ton of cocaine and 90 tons of marijuana into the area and then onto locations across the nation. As a result of this scheme, $100 million was laundered by Saenz-Tamez and his drug trafficking organization.

Former Ringleader of Albuquerque-Based Drug Trafficking Organization Sentenced

On July 28, 2015, in Albuquerque, New Mexico, Christopher Roybal, the former leader of an Albuquerque-based drug trafficking organization, was sentenced to 168 months in prison, five years of supervised release and required to pay a $184,080 money judgment. On Feb. 25, 2015, Roybal pleaded guilty to a second superseding indictment, charging him with participating in a cocaine trafficking conspiracy, three money laundering conspiracies, and a substantive money laundering offense. Christopher Roybal admitted that between Aug. 2011 and Dec. 2012, he conspired with others to distribute large quantities of cocaine in Albuquerque and Las Vegas. He also admitted participating in three conspiracies that laundered the proceeds of his drug trafficking organization. One conspiracy involved the transportation of drug proceeds from Albuquerque to California to pay for marijuana that was distributed by Christopher Roybal's organization. The second and third conspiracies involved the laundering of Christopher Roybal's drug proceeds through accounts at a bank and a credit union. Roybal agreed to forfeit his Albuquerque residence and a 1967 Chevrolet Camaro. The charges filed in the case were the result of a 16-month multi-agency investigation into a drug trafficking organization headed by Roybal.

Law School Graduate Sentenced for Conspiring to Launder Drug Money

On April 23, 2015, in Kansas City, Kansas, Mendy Read-Forbes, a law school graduate, was sentenced to 240 months in prison. Read-Forbes, of Platte City, Missouri, pleaded guilty to conspiracy. In March 2012, Read-Forbes began meeting with an agent posing as a drug dealer. Read-Forbes, a law school graduate who was not licensed to practice law, operated Forbes & Newhard Credit Solutions, Inc., a nonprofit corporation registered in Missouri to provide educational and social welfare services. The agent told Read-Forbes he had assets to conceal from the sale of marijuana. She said she could use her legal training and her connections with federal attorneys and law enforcement officers to help him launder the money. She told the agent she would launder his cash by running it through her business. The plan also involved her listing the agent as an employee of her business and putting him on her company's board of directors. As part of the scheme, she created a fictitious company called Maximus Lawn Care LLC. Over the course of the investigation, she laundered more than $200,000

in purported drug funds. She also agreed to invest $40,000 of her money with the agent for the purchase of marijuana.

Austinite Sentenced for Attempting to Travel to Syria to Join ISIL/ISIS
On June 5, 2015, in Austin, Texas, Michael Wolfe (aka "Faruq") was sentenced to 82 months in prison and five years of supervised release for attempting to provide material support and resources to a foreign terrorist organization. In June 2014, Wolfe pleaded guilty to the charge, admitting that from Aug. 2013 to June 17, 2014, he planned to travel to the Middle East to provide his material support to the Islamic State of Iraq and the Levant (ISIL), also known as the Islamic State of Iraq and al-Sham/Syria (ISIS). Wolfe previously acknowledged that he applied for and acquired a U.S. passport, participated in physical fitness training, practiced military maneuvers and made efforts to conceal his communications about his plans to travel overseas to engage in violent jihad. Wolfe also purchased airline tickets so that he could travel to Europe to meet an FBI undercover employee, whom the defendant then believed would facilitate travel to Syria through Turkey. In furtherance of his attempt to provide material support to ISIL, Wolfe travelled to Houston and was apprehended on June 17, 2014, on the jet-way, as he attempted to board a flight to Toronto, Canada. His ticketed itinerary had him traveling through Iceland and arriving in Copenhagen, Denmark, on June 18, 2014. He then planned to make his way to Syria to join with ISIL and engage in the armed conflict.

The following table provides IRS CI's International Operations statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	186	226	284
Prosecutions Recommendations	168	203	214
Indictments/Informations	166	199	184
Convictions	145	150	149
Incarceration Rate	78.4%	80.0%	70.4%
Average Months to Serve	36	57.9	51

MONEY LAUNDERING AND BANK SECRECY ACT (BSA)

In partnership with other law enforcement agencies and the Department of Justice, CI seeks to protect the United States financial system through the investigation and prosecution of individuals and organizations that are attempting to launder their criminally derived proceeds. CI also seeks to deprive individuals and organizations of their illegally obtained cash and assets through effective use of the federal forfeiture statutes. In money laundering cases, the money involved is earned from an illegal enterprise and the goal is to give that money the appearance of coming from a legitimate source. Money laundering is one means by which criminals evade paying taxes on illegal income by concealing the source and the amount of profit.

The Third Party Money Laundering (3PML) initiative was created in 2014 in conjunction with the Treasury Executive Office for Asset Forfeiture. In FY 2015, 3PML case initiations continued to increase. Major Case funding continues to be made available to combat the high costs generally associated with these complex financial investigations with asset forfeiture potential.

CI has also been working in conjunction with Department of Treasury to comply with the Financial Action Task Force (FATF) audit of the United States. The objectives of the FATF are to

set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

Virtual Currency

Since 2013, CI has pursued investigations into

the use of virtual currency for illicit purposes. Virtual currency is any medium of exchange that operates like a fiat currency but does not have legal tender status in any jurisdiction. As with any money, virtual currency can be used in a wide variety of crimes involving tax fraud, money laundering, and other financial crimes. CI has had substantial roles in many virtual currency investigations. One example is the investigation of Carl Mark Force, a corrupt DEA agent who transferred bitcoins into his personal wallet while investigating Silk Road. CI was able to successfully follow the bitcoin transfers through the blockchain.

In FY 2015, IRS-CI continued to focus on financial crimes that involved virtual currency by collaborating with FinCEN and other federal law enforcement agencies to identify the movement of illegal monies utilizing virtual currency. In addition, IRS-CI continued its collaboration efforts with other Business Operating Divisions (BOD) within IRS to include SB/SE and LBI to evaluate the effect of the virtual currency guidance issued by IRS in March 2014 and to investigate those individuals who use virtual currency as a tool to evade taxes.

CI is a member of IRS' Virtual Currency Issue Team that looks into issues related to virtual currency, including how taxpayers can use virtual currency as a tool to evade the payment of taxes. On Sept. 17, 2015, IRS-CI participated in a formal CENTRA virtual currency course with the IRS Virtual Currency Issue team. The Financial Crimes section has also provided virtual currency presentations to several CI field offices to give a basic awareness of virtual currency, how it works and how it has been used for illicit purposes. In FY 2016 IRS-CI will continue to provide training into virtual currency and incorporate advanced training that will include how to analyze the blockchain.

In FY 2016, CI will continue to focus on financial crimes that involve virtual currency by collaborating with FinCEN and other federal law enforcement agencies to identify the movement of illegal monies utilizing virtual currency. In addition, CI will continue its collaboration efforts with other BODs. CI will also seek to work with private companies and organization, such as Coinbase and the Blockchain Alliance to stay current on the threats posed by the use of virtual currency.

Bank Secrecy Act

The Bank Secrecy Act (BSA) mandates the reporting of certain currency transactions conducted with a financial institution, the disclosure of foreign bank accounts, and the reporting of the transportation of currency across United States borders. Through the analysis of BSA data, CI has experienced success in identifying significant and complex money laundering schemes and other financial crimes. CI is the largest consumer of BSA data.
The CI BSA Program has grown substantially since its inception in the early 2000s when CI helped establish the initial 41 Suspicious Activity Report Review Teams (SAR-RT). The mission then, as it is today, was to scrutinize BSA data to identify and target significant illicit financial criminal activity. The current BSA program is comprised of participation in 94 SAR-RTs (one in each judicial district and led by the responsible U.S. Attorney Office), and sponsorship and management of 55 Financial Crimes Task Forces (FCTF) throughout the country. The FCTF involves collaboration between CI and state or local law enforcement agencies for the purpose of identifying and investigating specific geographic area illicit financial crimes, including BSA violations, money laundering, narcotics trafficking, terrorist financing and even tax evasion. More than 150 state or local agencies have joined FCTFs across the country and have detailed more than 350 law enforcement officers to become Task Force Officers. The Task Force Officers are granted the authority to investigate money laundering and BSA violations under the direction of CI. All task force investigations are conducted at the federal level and IRS-CI policies regarding authorized investigative techniques, enforcement actions, and seizures are followed by all the participants. CI strengthens the BSA program area by maintaining excellent working relationships with anti-money laundering officials within the financial industry. Additionally, CI also maintains excellent relationships with IRS civil functions responsible for Title 31 Compliance and other external sources. These relationships are developed at the headquarters and field office levels through outreach activities.

In addition, during FY 2015, CI hosted two bank forums to help strengthen relationships with officials within the financial industry. The bank forums provide an opportunity for CI and the Anti-Money Laundering officials to discuss emerging trends of criminal activity.

In FY 2015, FinCEN approved two Geographic Targeting Orders (GTOs). On Oct. 2, 2014, FinCEN approved a GTO for certain businesses located within the Los Angeles Fashion District. The order imposes additional reporting and recordkeeping obligations on certain trades and businesses located within the Los Angeles Fashion District. The GTO will enhance the IRS' ability to identify and pursue cases against person and businesses engaged in the illicit movement of U.S. currency to Mexico and Columbia using the black market peso exchange, sometimes known as trade based money laundering. In February 2015, the order was extended for another 180 days. On April 21, 2015, FinCEN approved a GTO for the Miami area (including surrounding counties) to enforce additional record keeping requirements on check cashing businesses/MSBs. To help combat identity theft and refund fraud, FinCEN added additional requirements for cashing Treasury checks and Refund Anticipation Loans (RAL). Additional record keeping requirements include but are not limited to requesting the customer provide two forms of identification, a photo ID and a fingerprint on the check.

Examples of money laundering investigations adjudicated in FY 2015 include:

Long-Time Drug Trafficker and Money Launderer Sentenced

On Sept. 14, 2015, in Anchorage, Alaska, Steven Nicholas Taylor was sentenced to 180 months in prison and five years of supervised release. Taylor agreed to forfeit and abandon any interest in his Seattle home. Taylor previously pleaded guilty to conspiracy to distribute controlled substances and conspiracy to commit money laundering. In a separate, but related, case arising in Missouri, Taylor was sentenced on his plea of guilty to drug trafficking conspiracy. Taylor and his accomplices were major sources of cocaine in Alaska going back 20 years. In the late 1990's, Taylor was convicted of drug conspiracy, money laundering, and interstate travel in aid of racketeering, and served 121 months in federal prison. In 2009, shortly after court-ordered supervision was terminated in the Seattle case, Taylor resumed drug trafficking operations with several of same accomplices, and supplied cocaine and other drugs to Alaska and Missouri. In the Alaska case, Taylor directed the activities of Timothy Northcutt, Joseph Irving, Etienne Devoe, Leonard Charles, Joshua Haynes, and others. In total, Taylor admitted to supplying between 15 and 50 kilograms of cocaine to Alaska, as well as an additional 5 to 15 kilograms to Missouri. Taylor also directed and instructed his co-conspirators on money laundering for the continuation of Taylor's drug conspiracy operation, from which Taylor was the primary beneficiary. Devoe, Northcutt, Leonard, and Charles participated in the money laundering activities, including exchanging text messages with Taylor on how to launder the money, and what bank accounts to use. Taylor's co-defendants in the case received the following sentences: James Brown, Sr., 56 months, Leonard D. Charles, 60 months; Etienne Q. Devoe, 126 months; Shawn Cortez Cloyd, 36 months; Timothy W. Northcutt, 72 months; Joshua J. Haynes, 30 months; Gabrielle P. Haynes, 18 months; Joseph E. Irving, 21 months.

Second Missouri Man Sentenced for $1.2 Million K2 Distribution

On Sept. 8, 2015, in Springfield, Eric Scott Reynolds, of Lebanon, was sentenced to 72 months in prison. On Oct. 15, 2015, Reynolds pleaded guilty to his role in a mail fraud conspiracy and a money laundering conspiracy that involved the distribution of more than $1.2 million of synthetic marijuana, commonly referred to as K2, from a head shop in Lebanon, Missouri. Reynolds was employed at Lucky's Novelties and distributed synthetic drugs from the head shop. His brother and co-defendant, Stephen Brian Reynolds, of Camdenton, was the owner of Lucky's Novelties. Stephen Reynolds was sentenced on June 29, 2015, to 72 months in prison and ordered to forfeit $1,167,990, as well as real estate, funds in bank accounts, approximately $128,000 that was seized from his residence, a car, motorcycle, and several guns. Both men participated in the conspiracy to commit mail fraud from March 1, 2011, to Dec. 11, 2012. They defrauded the Food and Drug Administration and the public by using mail deliveries in a conspiracy to distribute several products that were labeled as "incense" or "potpourri" and "not for human consumption," when in reality these substances were synthetic marijuana intended for human consumption as a drug. In addition, between Sept. 15, 2011, and July 25, 2012, Stephen and Eric Reynolds deposited $1,245,761 in proceeds from the distribution of K2 into bank accounts and a safety deposit box.

California Woman Sentenced for Role in Offshore Sweepstakes Scheme
On Aug. 11, 2015, in Asheville, North Carolina, Patricia Diane Clark, of Sacramento, California, was sentenced to 130 months in prison and ordered to pay $642,032 in restitution and to forfeit the same amount jointly with her co-defendants. Clark pleaded guilty to conspiracy to commit wire fraud, wire fraud and conspiracy to commit money laundering. From about 2007 through February 2013, Clark and her co-conspirators called U.S. residents from Costa Rican call centers, falsely informing them that they had won a cash "sweepstakes." The victims, many of whom were elderly, were told that in order to receive the prize, they had to send money for a purported "refundable insurance fee." Clark picked up money from the victims and sent it to her co-conspirators in Costa Rica. Clark also managed others who picked up money from the victims in the US and she kept a portion of the victims' payments. Once the victims sent money, Clark's co-conspirators contacted the individuals again and falsely informed them that the prize amount had increased, either because of a clerical error or because another prize winner was disqualified. The victims then had to send more money to pay for "new" fees to receive the larger sweepstakes prize. The attempts to collect additional money from the victims continued until an individual either ran out of money or discovered the fraudulent nature of the scheme. Clark, along with her co-conspirators, was responsible for approximately $640,000 in losses to more than a hundred U.S. citizens.

Two Colombian Citizens Sentenced for International Money Laundering
On July 20, 2015, in Miami, Florida, Leonardo Forero Ramirez and Ubaner Alberto Acevedo Espinosa were sentenced to 37 months and 18 months in prison, respectively, and ordered to serve one year of supervised release. Both defendants previously pleaded guilty to conspiracy to commit money laundering. Both Acevedo and Forero were Colombian citizens residing in Bogota. During 2008 and 2009, Acevedo handled customer accounts at a stock brokerage firm that offered accounts that could be used by customers to receive deposits, wire transfers, and other credit or money, and to disburse the funds through wire transfers and cash or other withdrawals. The stock brokerage firm was authorized to receive funds in U.S. dollars, provided that they were properly documented and justified as being for legitimate business transactions. Forero was one of Acevedo's customers. During the course of his participation in this scheme, Forero received approximately $1.2 million from IRS undercover accounts that he passed on to the people designated to receive it. Acevedo was involved in the transfer of approximately $335,000 from IRS undercover accounts in the United States to the stock brokerage firm in Colombia, and the conversion of the dollars into pesos and the subsequent withdrawal of the monies by Forero Both Acevedo and Forero knew that the money was derived from criminal activity.

Pennsylvania Man Sentenced for Violating Drug, Gun and Money Laundering Laws
On July 7, 2015, in Pittsburgh, Omali P. McKay, a citizen of Trinidad who formerly resided in Lower Burrell and Arnold, was sentenced to 180 months in prison, five years of supervised release and ordered to forfeit vehicles, a residence and $272,000 in cash. McKay was previously convicted of violating narcotics, firearms and money laundering laws. McKay conspired with others from 2006 to Aug. 25, 2012, to distribute cocaine and crack cocaine. McKay admitted possessing, with intent to distribute, cocaine seized from his Lower Burrell residence on Aug. 25, 2012, while simultaneously possessing an assault rifle in furtherance of the drug crime. Finally, McKay admitted to conspiring with others to launder his drug trafficking proceeds. He used those laundered funds to purchase the Lower Burrell residence for $243,000 in cash in August 2011.

The following tables provide IRS CI's money laundering and Bank Secrecy Act (BSA) statistics over the past three fiscal years:

Money Laundering Investigations	FY 2015	FY 2014	FY 2013
Investigations Initiated	1436	1312	1596
Prosecution Recommendations	1301	1071	1377
Indictments/Informations	1221	934	1191
Sentenced	691	785	829
Incarceration Rate	84.1%	82.2%	85.4%
Average Months to Serve	65	66	68

Bank Secrecy Act (BSA) Investigations*	FY 2015	FY 2014	FY 2013
Investigations Initiated	613	809	922
Prosecution Recommendations	519	677	771
Indictments/Informations	533	608	693
Sentenced	557	535	453
Incarceration Rate	72.4%	74.8%	70.6%
Average Months to Serve	31	35	36

*BSA statistics include investigations from Suspicious Activity Report (SAR) Review Teams, violations of BSA filing requirements, and all Title 31 and Title 18-1960 violations.

Frivolous Arguments Working Group

In FY 2013, CI created a working group to develop recommendations on tracking investigations and sharing information about potential safety concerns against the law enforcement community, IRS employees and other government officials. Some members of the sovereign citizen movement espouse frivolous arguments opposing the tax laws, as well as other laws.

Examples of frivolous argument investigations adjudicated in FY 2015 include:

Tax Defier Sentenced for Failing to Pay Federal Taxes
On Aug. 4, 2015, Minneapolis, Minnesota, Tami Mae May was sentenced to 24 months in prison for failing to pay federal taxes for more than seven years. May pleaded guilty on June 9, 2014, to obstruction of due administration of Internal Revenue laws. From 1998 through 2004, May failed to file any income tax returns for the excavating business she ran with her husband, despite that fact that the business earned substantial income during that time. When notified by the IRS in April 2005 that the business owed tax debt, penalties and interest, May embarked on an eight-year campaign of frivolous filings, in an effort to obstruct the administration of Internal Revenue laws. May filed a host of fake documents with the IRS, including a "zero income" tax return, Forms 1099-OID falsely claiming that her husband had made payments to various IRS Revenue Officers, falsely claiming that the Mays or their business had received "original issue discounts" and had "federal tax withheld" by various banks and credit card companies, and forms claiming that the Mays were not United States Citizens, but instead were permanent residents of the "Kingdom of Heaven." May also made nonsensical tax-defier-scheme-related statements to the IRS, including that her social security number was her "corporate fiction's" social security number, that her family's business was a foreign trust of which she was the trustee, and that there is no such thing as money.

Members of Sovereign Citizen Movement Sentenced for Scheme to Defraud the IRS
On June 18, 2015, in Phoenix, Arizona, Gordon Leroy Hall, of Mesa, Arizona, was sentenced to 96 months in prison. Gordon Hall's business partner, Brandon Adams, of Albuquerque, New Mexico, was sentenced to 40 months in prison. Gordon Hall's son, Benton Hall, was sentenced to 27 months in prison. Gordon Hall partnered

with Adams after they met at various seminars associated with the sovereign citizen movement. They devised a plan to create fictitious money orders to submit to the IRS in an attempt to eliminate Hall's and Hall's clients' tax debts. The scheme operated out of Hall's office and home in Mesa, Arizona, where Hall's children, including Benton Hall, acted as office managers. Adams created all of the fictitious money orders based on information provided by Hall's staff. In all, Hall and Adams created and caused the submission to the IRS of 149 fictitious money orders totaling approximately $93 million.

Tax Fraud Promoters Sentenced for Conspiring to Defraud Internal Revenue Service

On May 20, 2015, in Salt Lake City, Utah, Gerrit Timmerman III, of Midvale, was sentenced to 48 months in prison and three years of supervised release. Carol Jean Sing, of Henderson, was sentenced to 36 months in prison and three years of supervised release. In February 2015, Timmerman and Sing were convicted at trial by a federal jury of conspiracy to defraud the United States. Between April 23, 2004 and March 5, 2007, Timmerman and Sing conspired to defraud the United States by marketing "corporations sole" as part of their scheme to evade the assessment and payment of federal income taxes. Timmerman and Sing falsely told their clients that corporations sole were exempt from United States income tax laws, had no obligation to file tax returns and had no obligation to apply for tax exempt status. They further claimed that individuals taxable by assigning it to the corporation sole, could draw a tax-free stipend from their corporation sole, and could render property immune from IRS collection activity by transferring property to the corporation sole. Sing used Trioid International Group Inc. as a resident could render their own income non- agent for corporations sole and other business entities for their clients. Timmerman assisted others in evading their state and federal income tax liabilities and recommended the corporation sole to his clients as another way to impair the IRS. Both defendants referred customers to one another and paid each other referral fees.

WARRANTS AND FORFEITURE

Criminal Investigation uses asset forfeiture statues to disrupt and dismantle criminal enterprises by seizing and forfeiting their assets or property used or acquired through illegal activities. Criminal Investigation also maintains an active fugitive program and coordinates information with other law enforcement agencies in order to identify and apprehend fugitives from justice where the fugitive has been charged with violations of the Internal Revenue laws and related offenses. The chart below summarizes the seizures and forfeitures during Fiscal Year 2015.

The charts below show the number of investigations involved and the number of assets seized and forfeited.

Seizures		
Count of Investigations	Count of Assets	Total Asset Appraisal Value
276	866	$638,275,025

Forfeitures		
Count of Investigations	Count of Assets	Total Forfeited Value
385	1,055	$4,305,844,067

Examples of investigations involving forfeitures during FY 2015 include:

Edgar Paltzer (New York FO) - On Nov. 25, 2014, a Stipulation and Order of Settlement was filed forfeiting more than $12 million, to the United States. Edgar Paltzer was an attorney in Switzerland who also operated as a financial intermediary. In his capacity as a financial intermediary, Paltzer assisted U.S. taxpayer clients in maintaining undeclared accounts in Switzerland. Paltzer pleaded guilty to conspiring with certain U.S. taxpayers and others to defraud the IRS of taxes due and owing and filing false tax returns.

DaVita Inc. (Denver FO) – On Jan. 13, 2015, a Final Judgement was filed forfeiting $39 million to the United States. DaVita Healthcare Partners, Inc. is one of the leading providers of dialysis services in the United States and agreed to pay $350 million to resolve claims that it violated the False Claims Act by paying kickbacks to induce the referral of patients to its dialysis clinics. DaVita has also agreed to a Civil Forfeiture in the amount of $39 million based upon conduct related to two specific joint venture transactions entered into in Denver, Colorado. DaVita is headquartered in Denver, Colorado and has dialysis clinics in 46 states and the District of Columbia.

BNP Paribas S.A. (Washington DCFO) – On May 1, 2015, BNP Paribas was sentenced to a five-year term of probation and ordered to forfeit more than $3.9 billion. BNP Paribas is the largest bank in France and one of the five largest banks in the world in terms of total assets. The sentencing is the first time a financial institution has been convicted and sentenced for violations of U.S. economic sanctions and the total financial penalty including the forfeiture and criminal fine is the largest financial penalty ever imposed in a criminal case.

Victor Anthony Nottoli (Oakland FO) – On May 31, 2015, Nottoli forfeited more than $6.6 million to the United States. Nottoli pleaded guilty to conspiracy to defraud the United States by interfering with the lawful governmental regulatory and enforcement functions of FDA and DEA and one count of causing misbranded smokable synthetic cannabinoids (SSC) to be introduced into interstate commerce.

ING Bank N.V. (Washington DC FO) – On June 19, 2015, ING Bank, N.V., forfeited $309.5 million to the United States. ING Bank, N.V., entered into a Deferred Prosecution Agreement in the District of Columbia on June 12, 2012. ING Bank, N.V. was charged with conspiring to violate the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA).

NATIONAL FORENSICS LABORATORY

The IRS CI National Forensic Laboratory (NFL) has been discussing accreditation for more than 25 years, closely following changes in forensic laboratory accreditation programs. However, developments within the forensic community, particularly over the course of the last five years, have made the need to earn accreditation unavoidable. For the past two years the NFL has dedicated significant time and resources preparing for the accreditation process.

For example, since the start of FY 2014, a total of eight manuals and 29 forms have been drafted, reviewed, and finalized. Multiple internal audits have been conducted by laboratory personnel to ensure compliance with new laboratory policies and procedures as well as the accreditation standards. Laboratory team members also audited case files and prepared the laboratory space to accommodate the on-site assessors.

A pre-assessment was held in February 2015, resulting in very few opportunities for improvement being noted. The official assessment was held in May 2015 and the laboratory received compliments from the assessment team on the quality of the work performed by our employees. Accreditation was officially awarded on May 26, 2015—almost three months before the projected timeline date. Although the NFL is a small branch of CI, its work is critical in ensuring the efficient processing of crucial evidence in our investigations.

TECHNOLOGY OPERATIONS AND INVESTIGATIVE SERVICES

Technology continues to play an important investigative role as the sophisticated nature of financial crimes changes and evolves. CI's Technology Operations & Investigative Services (TOIS) division is responsible for outfitting Special Agents with the most effective technologies to do their job and supporting CI's financial investigations by collecting and analyzing its reams of digital evidence. TOIS' Electronic Crimes Office has special agents trained in the recovery and preservation of hardware and software evidence. In Fiscal Year 2015, the amount of seized electronically stored information/data for investigations totaled over 1,400 terabytes.

The majority of CI Special Agent-Computer Investigative Specialists (CIS) are certified in the use of top-level forensic software, thus raising proficiency and providing an important certification for judicial proceedings. Forensic training for mobile devices continues to be a pressing emphasis for TOIS' Electronic Crimes Office. In FY 2015, Special agent-CISs saw a 30% annual increase in the number mobile devices (non-laptop) that needed to be forensically imaged and analyzed.

The vision of TOIS is to provide innovative solutions that make the CI crime fighter more effective.

Electronic Crimes Statistics for FY 2015

Electronic Crimes Enforcement Statistics	FY15 Totals
Total Operations/Search Warrants	419
Total Sites	650
Total CISs Deployed	638
Total Systems Imaged	4319
Total Volume of Data (terabytes)	1439

TOIS' Four Strategic Themes:

1. Mobile Information Availability: CI Special Agents use their smartphones to access more data about their cases than ever, so that more time is spent in the field than in the office.

2. Office Anywhere Collaboration: ATLAS, CI's investigative support tool, enables Special Agents to collaborate and de-conflict on cases across the country by having one common application to store and organize their investigations. ECE, CI's digital evidence collection and analysis tool, centrally stores digital evidence using the latest in virtual environment technologies.

3. More Efficiently Operating Technology: TOIS engages in activities to reduce its year-over-year operations and maintenance costs as part of being a steward of scarce financial resources

4. Supporting the Advancement of Financial Investigations through Technology: CI's Lead and Case Analytics took identifies the criminal relationships and schemes behind the illicit activities that thwart our nation's tax system. TOIS's special agent-CIS's will leverage their technical forensic expertise to build CI's cybercrime knowledge and capability.