"Third Anniversary Celebration and Law Enforcement Appreciate Night"

December 14, 2017

Moderator: Matthew Kirsch, Esq. First Assistant U.S. Attorney, District of Colorado
ACAMS Law Enforcement Appreciation Night 2017
Drug Enforcement Administration

- Controlled Substances Act of Title 21 USC
  - Prohibited Acts (21 USC 841)
  - Prohibited Acts B (21 USC 842)
  - Ongoing Criminal Enterprise (21 USC 848)

- DEA conducts both civil and administrative investigations
Drug Enforcement Administration

- Elements of 21 USC 841
  - Knowingly manufacture, distribute, or dispense a controlled substance or counterfeit substance

- Elements of 21 USC 842
  - Addresses conduct by entities/persons who are registered by DEA to distribute or dispense a controlled substance
Drug Enforcement Administration

• SARs useful in investigations
  – Documenting structuring
  – Establishing associations
  – Identifying additional accounts and/or financial activity
  – Identifying purchases of equipment or supplies

• POC: Maryann Harmon, Senior Investigator
  Financial Investigations Group
  720-895-4221
  Maryann.R.Harmon@usdoj.gov
ACAMS Law Enforcement Appreciation Night 2017
Title 18 U.S. Code § 1343
Fraud by wire, radio, or television

- Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation occurs in relation to, or involving any benefit authorized, transported, transmitted, transferred, disbursed, or paid in connection with, a presidentially declared major disaster or emergency, or affects a financial institution, such person shall be fined not more than $1,000,000 or imprisoned not more than 30 years, or both.
Elements of Wire Fraud

- First, the defendant *knowingly* [participated in] [devised] [intended to devise] a scheme or plan to defraud, or a scheme or plan for obtaining money or property by means of false or fraudulent pretenses, representations, or promises[, or omitted facts.] [Deceitful statements of half-truths may constitute false or fraudulent representations];

- Second, the statements made or facts omitted as part of the scheme were *material*; that is, they had a natural tendency to influence, or were capable of influencing, a person to part with money or property;

- Third, the defendant acted with the *intent* to defraud, that is, the intent to deceive or cheat; and

- Fourth, the defendant used, or caused to be used, an interstate [or foreign] *wire* communication to carry out or attempt to carry out an essential part of the scheme.
Case Examples Using SAR Data

- The Spongebuddy LLC (Case Initiation)
- BEC/EAC (Case Background & Expansion)
- Ronald Catrell (Case initiation & Expansion)

SSA Brian Blauser
FBI Denver
Complex Financial Crimes Squad
(303) 630-6501
bblauser@fbi.gov
Law Enforcement Appreciation Night
ACAMS Colorado Chapter
December 14, 2017
18 USC § 1956 Laundering of Monetary Instruments

• Involves the use of proceeds of unlawful activity to conduct or attempt to conduct a financial transaction to further promote the unlawful activity or to conceal the source or nature of the proceeds. It also includes conducting transactions to avoid reporting requirements or evade taxes.

18 USC § 2251 Sexual Exploitation of Children

• Involves the use of any minor to engage in, or assist another person to engage in, any sexually explicit conduct for the purpose of producing any visual depiction of such conduct, or for the purpose of transmitting a live visual depiction of such conduct. This also includes the transportation of a minor in or affecting interstate or foreign commerce, with the intent to engage in such conduct.

18 USC § 1590 Trafficking with Respect to Peonage, Slavery, Involuntary Servitude, or Forced Labor

• Involves recruiting, harboring, transporting, providing or obtaining by any means, any person for labor or services. These can include recruiting under false pretenses, human smuggling which turns into human trafficking, or even kidnapping. Many times this involves women and children who are trafficked into sex slavery.
Elements of the Offenses

• 18 USC 1956
  – Knowingly conduct, or attempt to conduct, a financial transaction with proceeds from an SUA with intent to promote specified unlawful acts (SUA), conceal or disguise the source or nature of proceeds, or evade reporting requirements, or evade taxes.

• 18 USC 2251
  – Knowingly using a minor to take part in sexually explicit conduct, or have a minor assist another person to engage in sexually explicit conduct, or transport a minor for the purpose of producing a visual depiction of such conduct, knowing the visual depiction would be distributed in some fashion.

• 18 USC 1590
  – Knowingly recruit, harbor, transport, provide, or obtain by any means, any person for labor or services. Aggravating factors include violations resulting in death, kidnapping or attempts to kidnap, aggravated sexual abuse, attempted aggravated sexual abuse, or the attempt to kill.
As part of an ongoing effort, HSI is currently investigating individuals responsible for promoting child sex shows on the internet. Based on information provided within SARs, agents have been able to identify and further investigate individuals, foreign and domestic, who are part of these organizations. To date, information developed through SAR reviews and investigative efforts has led to the dismantlement of four (4) international sex trafficking rings, the arrests of eleven (11) suspects overseas, and the identification and rescue of eleven (11) children.

During an intellectual property rights (IPR) investigation, HSI agents used SAR information to identify an organization responsible for importing approximately $10 million worth of counterfeit merchandise. This information led to the execution of damming warrants, and the arrests and convictions of four members of the ring, including a Lieutenant with a local police department.

For additional information or questions, please contact Special Agent Kelly Hernandez at 303-721-3041 or Kelly.A.Hernandez@ice.dhs.gov.
KEY CRIMES INVESTIGATED BY IRS-CI

- Title 26 USC §7201—Tax Evasion
- Title 18 USC §1957—Money Laundering
ELEMENTS OF THE OFFENSE

• 26 USC §7201—Tax Evasion
  1. An attempt to evade or defeat a tax or the payment of a tax
  2. A additional tax due and owing
  3. Willfulness

• 18 USC §1957—Money Laundering
  1. Knowingly engage or attempt to engage in monetary transaction
  2. Knowledge that the property involved in the monetary transaction is criminally derived property
  3. Property involved is of a value greater than $10,000
  4. Property involved in the monetary transaction is derived from specified unlawful activity (SUA)
  5. Monetary transaction took place in the U.S.; or outside the U.S. and the defendant is a U.S. person
BSA DATA THAT HELPS INVESTIGATE THESE CRIMES

- SARs (used as leads), CTRs, FBARs, and CMIRs are all valuable BSA tools when working tax evasion and money laundering investigations.
- Some activities that can be indicative of tax evasion and money laundering behavior would include:
  - **Structured cash deposit/withdrawals**
  - **Using nominees** (shell corporations, nominee signor, stamped signature)
  - **Business activity in a personal bank account**
  - **Comingling business and personal funds/expenses**
  - **Illogical or abnormal wires or account transfers** (especially to purchase high end assets)
  - **Sweeping accounts regularly** (i.e.: depositing funds, purchasing cashier’s checks, then redepositing cashier’s checks at a later date)
  - **Cash intensive businesses with no cash activity in business bank account** (i.e.: retail, bars, dry cleaners, etc.)
  - **Admissions or statements from account holders**

Direct questions or inquiries to SSA Ryan Rickey at 303-603-4951 or ryan.rickey@ci.irs.gov
THE U.S. POSTAL INSPECTION SERVICE: WHO WE ARE, WHAT WE DO
Nicole Gray Davis, A/Inspector in Charge, Denver Division
Our Mission:

SUPPORT and PROTECT the U.S. Postal Service and its employees, infrastructure, and customers.

ENFORCE the laws that defend the nation’s mail system from illegal or dangerous use, and

ENSURE public trust in the mail.
WE ENFORCE OVER 200 LAWS

WE INVESTIGATE:

• mail theft
• mail fraud
• financial crimes
• violent crimes
• dangerous mailings
• prohibited mailings
Money Order Sales

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>Mid-Year FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Sold</td>
<td>92,867,954</td>
<td>90,289,174</td>
<td>43,917,417</td>
</tr>
<tr>
<td>Value</td>
<td>$20.8 Billion</td>
<td>$20.8 Billion</td>
<td>$10.3 Billion</td>
</tr>
</tbody>
</table>

Money Orders Identified in SAR Filings

<table>
<thead>
<tr>
<th>Number of MOs in SARs</th>
<th>799,073</th>
<th>999,564</th>
<th>918,140 (at Mid-Year FY2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase from previous FY</td>
<td></td>
<td>25%</td>
<td>**</td>
</tr>
</tbody>
</table>

Suspicious money orders may be deposited or cashed at banking institutions.
US Postal Inspectors have tools to investigate money laundering.
Pam Durkee  
Team Leader/ Mail Fraud  
PADurkee@uspis.gov  
303-313-5397

Andrew Jones  
Team Leader/ Prohibited Mailings Narcotics  
ABJones@uspis.gov  
303-313-5342

Steve Hodges  
Team Leader/ Mail Theft  
SLHodges@uspis.gov  
303-313-5355

postalinspectors.uspis.gov  
1-877-876-2455
ACAMS Law Enforcement Appreciation Night 2017
U.S. Secret Service Criminal Statutes

18 USC 470 – 493 Counterfeiting U.S. Obligations
18 USC 871 – Threats Against the President

18 USC 1028 – False Identification
18 USC 1029 – Access Device Fraud
18 USC 1030 – Computer Fraud
18 USC 1343 – Wire Fraud
18 USC 1344 – Bank Fraud

Bank Secrecy Act / Money Laundering / RICO
Elements of the Crime

- Counterfeiting U.S. Currency – New Bank Procedures
  - Central Counterfeit Processing Facility – Summer 2018
  - USDollars.usss.gov

- Access Device Fraud
  - Knowingly with intent to defraud produces, uses, traffics counterfeit devices / unauthorized devices

- Computer Fraud
  - Intentionally access a computer without authorization or exceeds authorization…
  - Knowingly causes the transmission of a program, code or command causing damage…

- Racketeering
  - Knowingly conducts, controls, manages, supervises, directs, owns all or part of an unlicensed money transmitting business….
U.S. Secret Service - Investigations

**ACTIVE**
- Investigative Analyst reviewing SARs – linked 12
- $175 million through one account
- Unlicensed Money Transmittal Business (Racketeering)

**MAO PENG**
- Identity Theft/Wire Fraud – Trade Based Money Laundering Scheme.
- Laundered funds from China / straw buyers
- $9.5 million in losses and $3+ million forfeiture

**ATSAIC IKE BARNES**
Electronic Crimes Task Force
(303) 850-2714

**ATSAIC JASON KROUT**
Financial Crimes Task Force
(303) 850-2712

**DENVER FIELD OFFICE**
24 HR (303) 850-2700
“Third Anniversary Celebration and Law Enforcement Appreciate Night”

December 14, 2017
5:30PM – 8:30PM