




***How to Complete an Effective
SAR
&
How Law Enforcement Uses
Them***

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**IRS and Law Enforcement
Primary Mission**

Promote Voluntary Compliance

Promote Voluntary Compliance

- Education
- Outreach
- Media
- Oversight
- Civil and Criminal Sanctions

Thomas Moriarty

- Special Investigator – US Attorney's Office
- Prior – Criminal Investigator for 25 years IRS –CI
- Lead Investigator on numerous O.C Investigations – including the Rocco Infilise prosecution
- Cadre Instructor who trained over 1,000 agents during his career
- Received numerous awards over his career
- Interviewee on "Dateline" and Discovery Channel regarding combating O.C and his experiences with the Federal Witness Protection Program

David Barth

- Special Agent – IRS Criminal Investigation
- Current Assignment – Head of the SAR – Review Team – Chicago Field Office

Suspicious Activity Reports

- Banks have been filing SARs since 1996
- MSBs and securities brokers have only recently begun filing them.
- The number of SARs filed has grown dramatically over last 8 years.

SARs filed by Year

2000

163,184

2001

204,915

2002

281,373

2003

507,217

2004

689,414

2005

919,230

2006

1,078,894

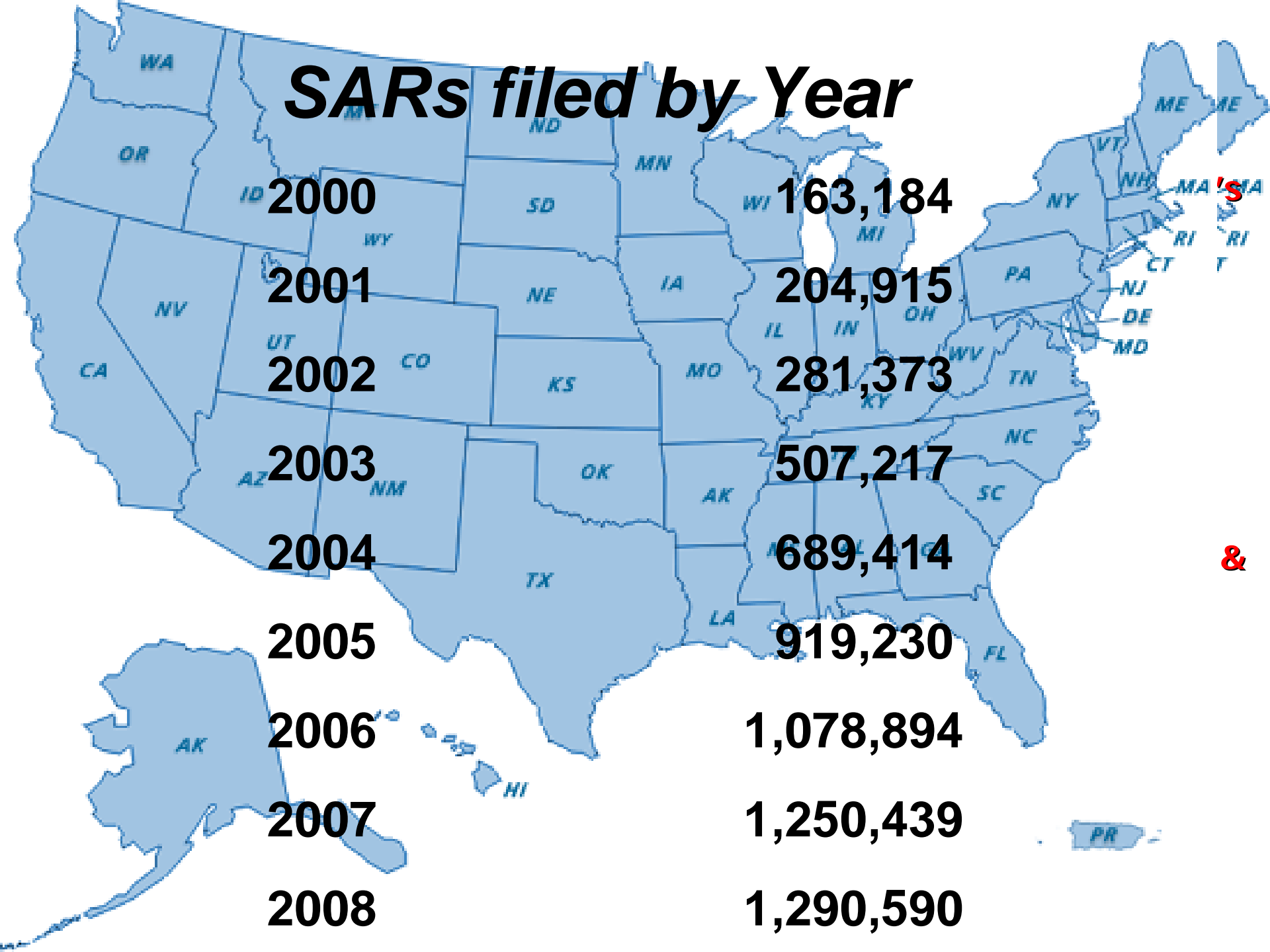
2007

1,250,439

2008

1,290,590

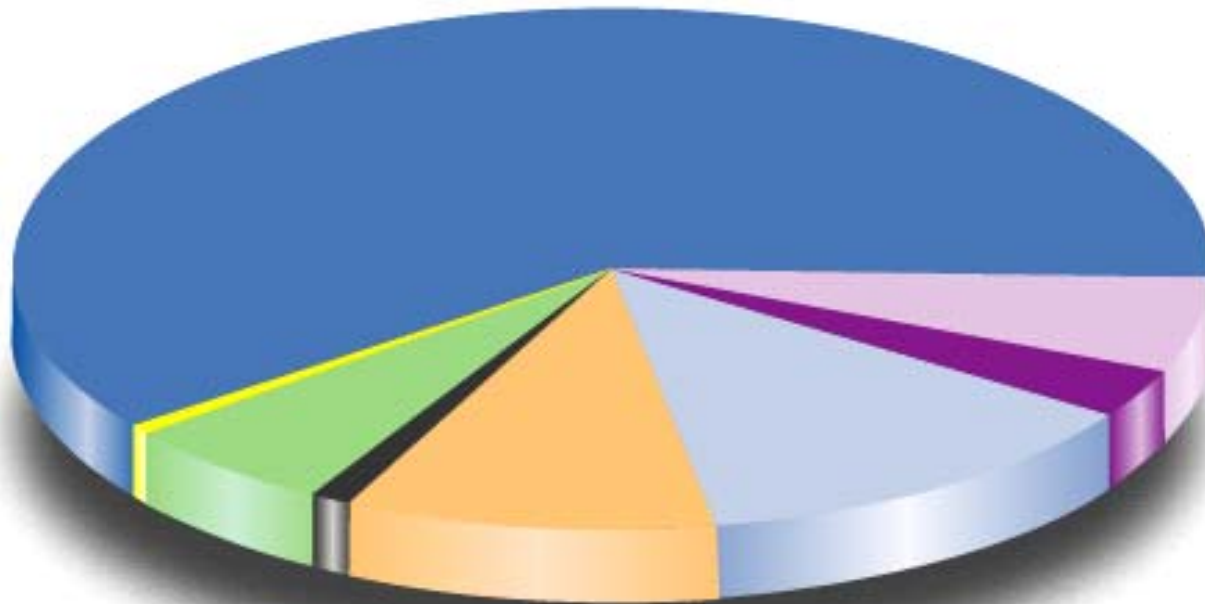
&



Who is Viewing BSA Forms?

CBRS QUERY ACTIVITY

(Oct. 1, 2005 – Sept. 30, 2008)



93% LAW ENFORCEMENT 4,742,920

IRS	3,089,682
DEA	290,168
FBI	163,669
FINCEN	641,273
OTHER LAW ENF	508,881
ICE (US CUSTOMS)	49,247

6% REGULATORS 304,854

FDIC, OFF OF THRIFT, NATL CREDIT UNION, SEC, ETC.

1% OTHER 18,423

DOJ, EOUSA, INSP GEN, TREAS INSP GEN, ETC.

TOTAL: 5,066,197

The Use of SARs

- Reactive Approach:
 - Agent consults CBRS on an as-needed basis to gather background financial information about existing target(s) of criminal investigation.
- Proactive Approach:
 - Multi-agency task force systematically reviews SARs to acquire target(s), and launch investigation into crime(s) disclosed by the SAR itself.

SAR REVIEW TEAMS

- *Chicago SAR Review Team, established in 2001, consists primarily of IRS-CID, USAO, and FinCEN representatives.*
- *There is one full time IRS-CI S/A assigned to the SAR Review Team, along with three federally deputized Chicago police officers and one investigator from the Cook County States Attorneys Office.*
- *Includes participation from other agencies including: the Chicago HIDTA; FBI; DEA; ICE; USDA-OIG; USSS; Illinois State Police; Illinois Gaming Board; Cook County State's Attorneys Office; CPD; and the U.S. Postal Inspection Service.*

SAR REVIEW OPERATIONS

- *The SAR-RT and review of BSA information is the most important area addressed by the initiative.*
- *Run by IRS-CID S/A David Barth.*
- *Over 4,000 SAR's from the Northern Illinois area are downloaded on a monthly basis.*
- *SAR's are refined for evaluation by special agents from IRS-CID and the United States Attorney's Office.*
- *Approximately fifty or more SAR's chosen to be further developed and discussed among the SAR-RT members. This list is handed out at the monthly SAR-RT meeting for review by the participating agencies.*
- *At the following monthly meeting these SAR's are reviewed by the participating agencies and deconflicted. Agencies are assigned SAR's based on a variety of factors.*
- *Twenty-one separate agencies are represented on the SAR-RT Task Force.*

SAR REVIEW TEAM OPERATIONS

- *Virtual inter-agency working environment (some co-location)*
- *SAR Review program – major aspect of nationwide HIFCA Operations (IRS-CID/ICE/FinCEN major efforts)*
- *Outreach / Cooperative efforts with Financial Institutions*
- *Cooperative efforts between HIFCA and HIDTA (Management & Operations)*
- *Coordination / De-confliction of Financial Investigations by participants*
- *Information / Operational Resource sharing of participants*

HIFCA CONTACT NUMBERS

- *Special Agent David Barth*
(312) 603-8112
- *Investigative Analyst Walter L. Lowder*
(312) 603-8158
- *Katie Huber, Supervisory Special Agent*
(312) 603-8115
- *HIFCA Fax Number: (312) 603-9838*

Other Coordinators in the Chicago Field Office

- *The IRS-CI Chicago Field Office consists of all of Indiana and Illinois*

James Peacock – Central/Western Illinois – 217-862-6093

Robert Anderson – Southern Illinois – 618-622-2163

Nicolette Droza – Northern Indiana – 219-736-4353

Bill Walls – Southern Indiana – 317-685-7727

How the Review Team or Task Force Operates

- SARs are selected for further investigation based on number of criteria.
- Bank is contacted for supporting docs.
- Work covertly initially...i.e. check law enforcement databases, interview bank tellers, surveillance, undercover ops, etc.

How the Review Team or Task Force Operates

- Search warrants and/or civil seizure warrants used as investigative tools and preventative measures.
- Ultimately may confront or interview the subject of the SAR.

SARs by Category

April 2006 thru December 2007

Rank			Percentage (Overall)
1	BSA/Structuring/Money Laundering	1,847,477	47.56%
2	Check Fraud	405,521	10.44%
3	Other	347,938	8.96%
4	Counterfeit Check	188,226	4.85%
5	Credit Card Fraud	184,397	4.75%
6	Mortgage Loan Fraud	165,881	4.27%
7	Check Kiting	132,664	3.41%
8	False Statement	100,324	2.58%
9	Identity Theft	100,220	2.58%
10	Consumer Loan Fraud	71,336	1.84%
11	Defalcation/Embezzlement	70,595	1.82%
12	Unknown/Blank	66,590	1.71%
13	Wire Transfer Fraud	38,890	1.00%

Nearly 50% of SARs reveal a pattern of structuring

- Cash deposits and/or withdrawals on the same or consecutive days in amounts under the \$10,000 reporting threshold
- Structuring may be associated with all sorts of different criminal activities.
- Funds involved in structuring or money laundering are subject to seizure.

*** Structuring SARs ***

Anecdotal Evidence indicates:

- Approximately 50% are rooted in Tax Evasion.
- Approximately 40%+ involve ignorance.
- Less than 10% involve another illegal activity or ill intent.

Structuring Cases

- Banks should make appropriate use of the FinCEN “CTR Reference Guide.” It is important to law enforcement that this is documented.
- FinCEN’s Regulatory Helpline at (800) 949-2732
- Please consider contacting law enforcement before closing customer accounts.

Other SARs disclose illicit money transmitting operations

- Many crooks have fled traditional banks because of the BSA reporting requirements.
- It is believed only 20% of MSBs are legally registered and licensed.
- Consistent pattern of overseas wires, often to a single foreign account holder.
- Odd patterns of deposits and withdrawals.

Beware of possible hawala or terrorist financing activity

- Large currency deposits followed by outgoing wires to geographically sensitive regions.
- Deposits made by individuals into bank accounts held by third parties
- Cash deposits followed by outgoing wires for suspicious purposes, i.e. donations to international "charity" or to purchase gold, etc
- Large currency deposits and numerous checks paid to foreign names.

Still others disclose financial activity consistent with narcotics activity

- Trade-based money laundering
- Large currency deposits into bank account by individual or business that lacks legitimate source of income
- Customer “reeks” of dope

The Importance Of BSA Data

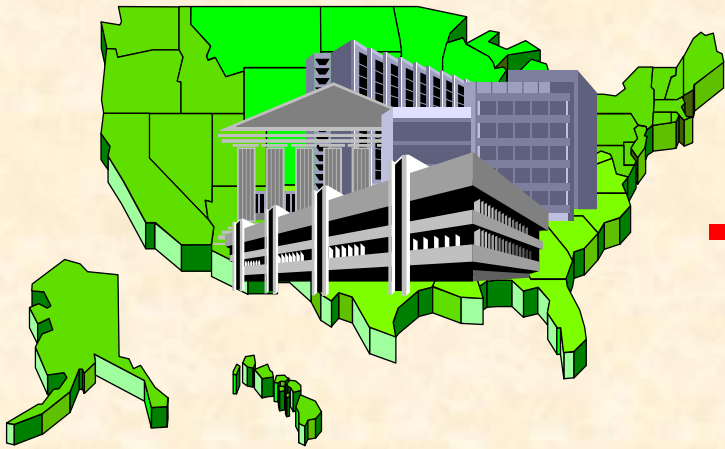
In addition to identifying potential illegal activity and unreported income, SARs can also aid investigators in the following:

- Establish emerging threats through analysis of patterns and trends
- Reveal bank accounts and financial relationships

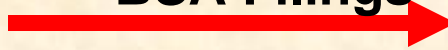
The Importance Of BSA Data

- Reveal flow of illicit funds
- Identify and provide leads to assets purchased with illicit proceeds that may be seized
- Corroborate witnesses and cooperating defendants

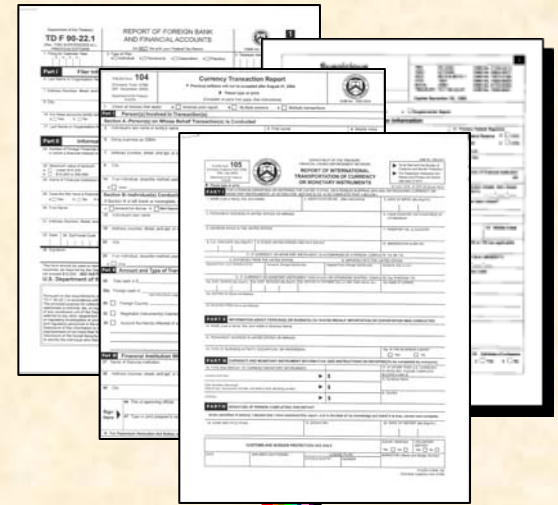
BSA Sharing



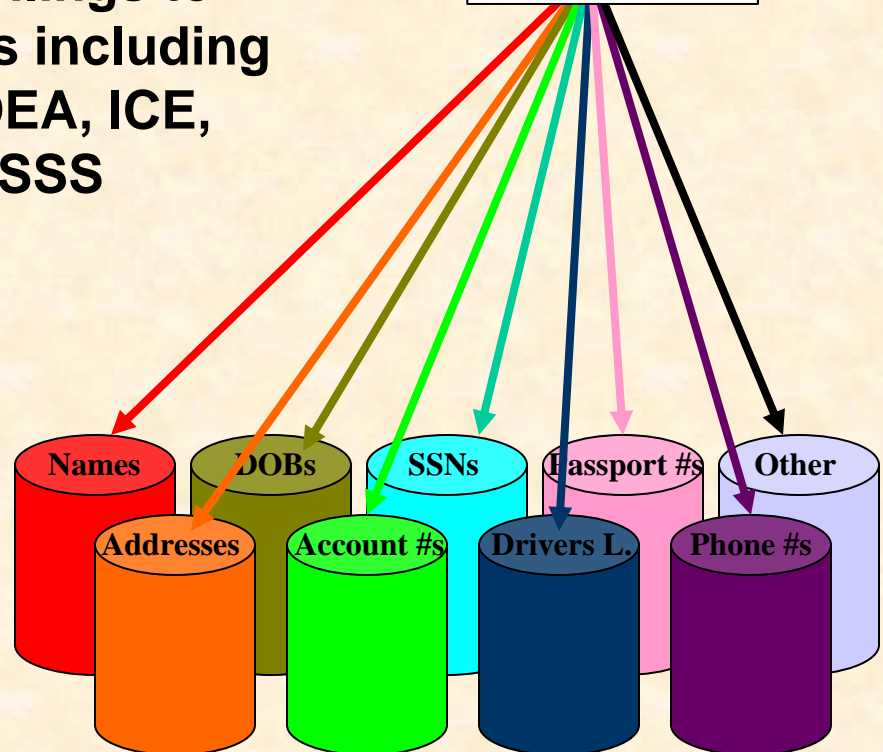
**Banks and
Financial
Institutions submit
BSA Filings**



**FinCEN provides
electronic copies of
BSA Filings to
agencies including
FBI, DEA, ICE,
USSS**



**Specific information
is electronically
extracted from the
BSA Filings and
compared against
agency databases**





Internal Revenue Service

Criminal Investigation

Linked Databases Include:

- **Criminal Records**
- **Income Tax Records**
- **Terrorist Databases**
- **Narcotics Activity**
- **Public Records**

Helpful SAR tips:

WARNING!

If anything I'm about to say
conflicts with your
regulator's rules, they are the
ultimate authority.

Helpful SAR tips:

- Narrative should be a concise SUMMARY, not a novel!
- If your narrative is longer than a page, consider beginning the narrative with a summary paragraph.
- Remember your SAR may be competing for attention against hundreds or thousands of others.

Helpful SAR tips:

- Succinctly describe the suspicious transactions, but..
- No lengthy list of transactions; Be prepared to provide the comprehensive list.
- Use narrative to reference additional info, such as account-opening documents, signature cards, correspondence, customer file, etc.

Helpful SAR tips:

- 5 W's...and don't forget WHY.
- Why do you believe it is suspicious?
Remember...you DON'T have to prove the allegation.
- This can set your SAR apart from the many "defensive" SARs.

Helpful SAR tips:

- Retain Video Surveillance Tapes or Transactional Photos
- Describe *other* account activity
- Describe history of customer and account...is this normal?

Helpful SAR tips:

- Known background/business of subject (KYC)
- Name Bank Employees with personal knowledge
- Detail any conversations w/transactor(s). Does he/she know about reporting requirements?

Helpful SAR tips:

- Include Current balance & Average balance.
- If multiple SARs have been filed, include both Accumulated amount and Single SAR amount.

Helpful SAR tips:

- Don't be afraid to use "Other" violation code; No need to speculate or guess.
- Name all Authorized Signers on the acct.
- Give all contact info, i.e. addresses, phone numbers, E-Mail addresses, etc.

Helpful SAR tips:

- Use Key words in narrative
- Describe Supporting Documentation
- Cannot use attachments

Helpful SAR tips:

- If emergency, call your local LE agent w/SAR info; Send copy to agent.
- In instances where you have filed multiple SARs, call your local LE agent to inquire about their interest, or lack thereof.

Common Investigative Obstacles

- Poorly written or incomplete SAR narratives
- Deposit slips do not identify depositor of structured cash; branch surveillance video is destroyed.
- Banks often limit access to tellers and other employees.

Common Investigative Obstacles

- Delay in getting subpoena responses to requests for bank account information.
- "Teller told me to do it" and similar defenses.
- Obtaining records from foreign banks

Our Experience

- Perhaps half of all structuring cases are indicative of some sort of income tax dodge.
- Of those, a large portion involve legal income.

Our Experience

- In structuring cases, we frequently interview the subjects, but the SAR filing is NEVER revealed.
- Many sharp defense attorneys will (correctly) speculate that a SAR was filed on their client....Don't be intimidated!

Our Experience

- SARs can indicate all kinds of criminal activity. We've seen these and more...
 - Income Tax Fraud
 - Narcotics Trafficking
 - Bankruptcy Fraud
 - Investment Fraud
 - Prostitution
 - Burglary
 - Embezzlement
 - Terrorism

Success Stories

- Several SARs were filed for structuring activity on two individuals who owned three car dealerships on Chicago's west side. Further investigation revealed that the two men assisted gang members in using the proceeds of heroin and cocaine sales to purchase luxury vehicles such as Jaguars, BMWs and Cadillacs. In February 2007, the two were convicted by a Federal Jury on 98 counts including Racketeering, money laundering and structuring

Prostitution Prosecution

SAR indicated:

- A number of Korean “bath-houses” in a strip shopping center.
- Structured \$242,000 currency over 10-week period.
- 4 Bank Accounts, both business & personal.

Prostitution Prosecution

- Police Vice Squad had targeted these locations on numerous occasions, but they continued to operate.
- Subjects structured the cash deposits derived from their prostitution business.
- They used illegal aliens as prostitutes; most could not speak English.

Prostitution Prosecution

- Bank accounts were seized.
- The proprietors (husband and wife) pled guilty to Title 31 conspiracy charges.
- Two commercial buildings, various vehicles, and bank accounts valued at \$1.6 million were forfeited; Neighborhood has been transformed.

Burglary Ring Busted

SAR indicated:

- Nearly \$700K of checks, each for \$9,800, were cashed over an 8-month period.
- Checks, many in sequential order, were written by a precious metals dealer.
- The checks were payable to a paroled burglar, who was cashing them one at a time.

Burglary Ring Busted

- Cash was traced to purchase of a new ski boat & a new Hummer, which were both seized.
- Precious Metals dealer agreed to cooperate but insisted he didn't know about burglaries.
- Diamonds sold to the dealer were identified from a recent store burglary.

Burglary Ring Busted

- Search warrant executed at suspect's house. Over 250 diamonds and other gems found in carpet.
- Suspect was arrested on state burglary charges; Suspected of being involved in at least 20 jewelry store burglaries.
- Defendant also charged with federal felony structuring.

Tax Cheat

SAR indicated:

- Wealthy business owner wrote forty-seven \$9,700 checks to Smith Construction over a 6-month period.
- Mr. Smith of Smith Construction cashed each of these checks as he received them.

Tax Cheat

- Wealthy business owner was interviewed at his business.
- He acknowledged writing and signing each check, but...he "couldn't recall" the purpose of the checks or why he wrote them sequentially for \$9700 apiece.

Tax Cheat

- Interviewed Mr. Smith the next morning...he said he was paid for Hurricane Rita debris removal.
- He was paid with \$9700 checks because he understood that "banks wouldn't cash" checks over \$10,000.
- When asked about his own tax returns, he became very nervous & asked for a lawyer.

Tax Cheat

- Mr. Smith then decided to come clean...
Admitted \$9000 kickbacks to the wealthy businessman.
- Wealthy businessman pled guilty to Structuring charge and forfeited \$480,000.
- He also had to amend his tax return and pay an additional \$1.2 million tax.

Cop Steals 454,000 from Evidence Room and City -

- Three banks issue SARs on Law Enforcement Officer
- SARs were for relatively small amounts
- S/A investigated further due to subjects occupation
- Search Warrant and Interviews at Police Station revealed Police Officer was stealing from Evidence Room and Police Bank Account

THE END

