

Law Enforcement Use of SARs & Completing Effective SARs



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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.

Typical SAR Team Comprised of:

- IRS-CI
- ICE
- DEA
- FBI
- USSS
- United States Attorney's Office
- Various Other Federal Agencies
- Regulatory Agencies
- State & Local Law Enforcement

How the Review Team or Task Force Operates

- SARs are selected for further investigation based on number of criteria.
- Bank/MSB 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.

Helpful SAR Tips

WARNING!

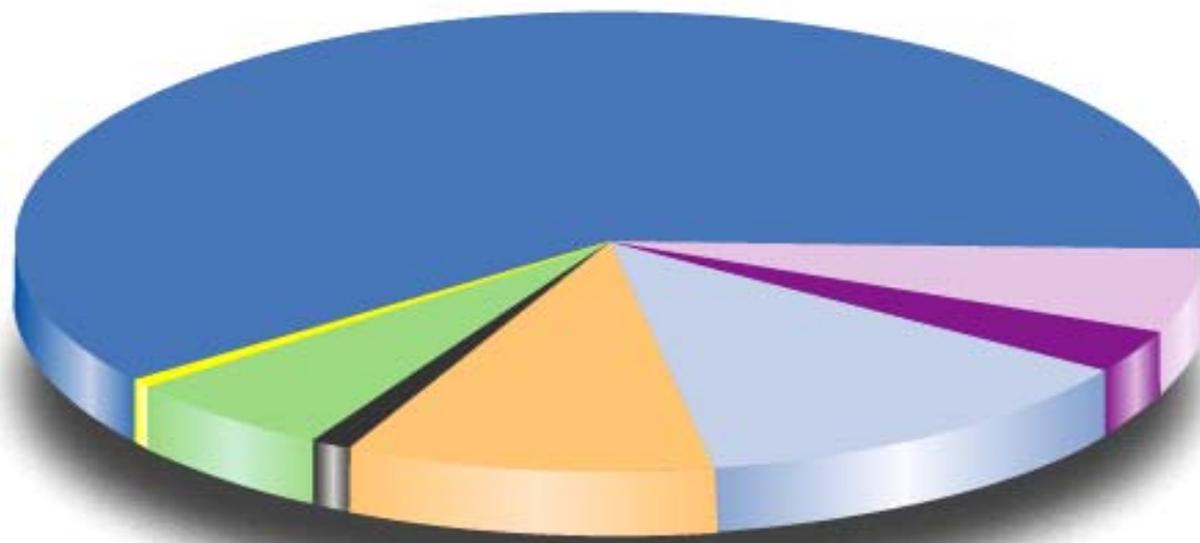
If anything I'm about to say conflicts with your regulator's rules, they are the ultimate authority.

Who is Viewing BSA Forms?

CBRS QUERY ACTIVITY

POST 9/11

FY 2002, 2003, 2004, 2005...2010



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

Indianapolis, Southern Area (Suspect and Branch Zips) Summary SAR Report for 06/01/2010 through 06/01/2010 Excluding Code C: D, F: H; I; J; K; L; P; U For All SARs

Suspect Name/Comments	CI	Suspect TIN	Suspect City	Quizer License #	# of Prev. filed in the last 12 mths
Address: [REDACTED] INDIANAPOLIS IN 462249109	0	[REDACTED]	INDIANAPOLIS	[REDACTED]	1
		Home # [REDACTED]	Work # [REDACTED]	Occupation: TAX PREPARATION SERVICE	004

BANK INVESTIGATION FILE NUMBER [REDACTED] THIS SAR WAS FILED ON [REDACTED] AND ACCOUNT SIGNERS [REDACTED] AND IS PRIMARILY BASED ON A PATTERN OF UNREGISTERED MONEY SERVICE BUSINESS (MSB) ACTIVITY. THE ACCOUNT SIGNERS (EXHIBIT #1) THE SUSPICIOUS ACTIVITY IN CHECKING ACCOUNT NUMBERS [REDACTED] DURING THE REVIEW PERIOD OF [REDACTED] THROUGH [REDACTED]. THIS PATTERN OF SUSPICIOUS ACTIVITY WAS OCCASIONALLY IDENTIFIED AS A RESULT OF HUNTINGTON'S ART MONEY LAUNDERING SOFTWARE GENERATING AN ALERT THAT IDENTIFIED BUSINESSES WHO CONDUCT MULTIPLE WITHDRAWALS FROM AN ACCOUNT OVER A SHORT PERIOD OF TIME WHERE THE AGGREGATED AMOUNT IS GREATER THAN A GIVEN AMOUNT. IT IS BELIEVED THAT THE SUSPECT IS CONDUCTING TRANSACTIONS CONSISTENT WITH THAT OF AN MSB, WHICH IS NOT REGISTERED WITH FINEN. EXHIBITS TO SUPPORT THIS CONCLUSION ARE REFERENCED BY NUMBER IN THE FOLLOWING TEXT AND AVAILABLE UPON REQUEST. PART II OF THIS SUSPICIOUS ACTIVITY REPORT IDENTIFIES THE SUSPECT'S NAME, ADDRESS, TIN AND STATED OCCUPATION OR BUSINESS PROFILE. THE INFORMATION REPORTED IN THIS SECTION WAS VERIFIED EITHER THROUGH AN EXTERNAL SEARCH OF A PUBLIC DATABASE OR A REVIEW OF THE BANK'S INTERNAL RECORDS. THE SUSPECT [REDACTED] HAS THREE BUSINESSES OPERATING IN INDIANAPOLIS, WITH TWO OF THEM WILL BE OPENED AT THE [REDACTED] BANKING OFFICE LOCATED AT INDIANAPOLIS, IN 46214 AND ONE AT THE [REDACTED] BANKING OFFICE LOCATED AT [REDACTED] INDIANAPOLIS, IN 46224 (EXHIBIT #1). ACCOUNT NUMBER [REDACTED] WAS OPENED ON [REDACTED] AND A COPY OF THE SIGNATURE CARD LISTS [REDACTED] AS PRESIDENT [REDACTED] AS TREASURER AND [REDACTED] AS SIGNER (EXHIBIT #2). ACCOUNT NUMBER [REDACTED] WAS OPENED ON [REDACTED] AND A COPY OF THE SIGNATURE CARD LISTS [REDACTED] AS PRESIDENT [REDACTED] AS TREASURER AND [REDACTED] AS SIGNER (EXHIBIT #3). ACCOUNT NUMBER [REDACTED] WAS OPENED ON [REDACTED] AND A COPY OF THE SIGNATURE CARD LISTS [REDACTED] AS PRESIDENT [REDACTED] AS TREASURER AND [REDACTED] AS SIGNER (EXHIBIT #4). ACCORDING TO BANK RECORDS, THE SUSPECT'S TYPE OF BUSINESS IS LISTED AS TAX PREPARATION (EXHIBIT #5). A SEARCH OF THE INDIANA SECRETARY OF STATE WEBSITE FOUND THAT THE BUSINESS IS A FOR-PROFIT DOMESTIC CORPORATION THAT WAS ESTABLISHED ON 1/06/08 (EXHIBIT #6). AN INTERNET SEARCH THROUGH GOOGLE MAPS OF THE ADDRESS FOR THE BUSINESS FOUND THAT THEY ARE LOCATED ON A COMMERCIAL SITE IN A SMALL STAND-ALONE BUILDING (EXHIBIT #7). A SEARCH OF THE BUSINESS THROUGH LEXIS NEXIS SHOWS THAT THE NAME, ADDRESS, AND PHONE NUMBER FOR THE BUSINESS ARE ALL A MATCH TO BANK RECORDS. THE FIRM'S CODICES IN LEXIS NEXIS ARE LISTED AS 47291-TAX RETURN PREPARATION SERVICE, 47303-BUSINESS SERVICES, AND 48721-ACCOUNTING, AUDITING, AND BOOKKEEPING SERVICE (EXHIBIT #8). THE SUSPECT [REDACTED] HAS TWO PERSONAL CHECKING ACCOUNTS (EXHIBIT #9). ACCOUNT NUMBER [REDACTED] WAS OPENED ON [REDACTED] AT THE [REDACTED] BANKING OFFICE LOCATED AT INDIANAPOLIS, IN 46223. A COPY OF THE SIGNATURE CARD LISTS [REDACTED] AS ACCOUNT SIGNERS (EXHIBIT #10). ACCOUNT NUMBER [REDACTED] WAS OPENED ON [REDACTED] AT THE [REDACTED] BANKING OFFICE LOCATED AT INDIANAPOLIS, IN 46223. A SEARCH OF LEXIS NEXIS SHOWS THAT THE SUSPECT'S NAME, SOCIAL SECURITY NUMBER, AND DATE OF BIRTH ARE A MATCH TO BANK RECORDS. THE CUSTOMER'S ADDRESS IN BANK RECORDS IS NOT A MATCH TO LEXIS NEXIS, HOWEVER THE BANK ADDRESS IS LISTED IN LEXIS NEXIS AS OF JANUARY 2010 AND SHOWS THAT IT WAS CHANGED IN MARCH 2010 (EXHIBIT #11). THE SUSPECT [REDACTED] HAS TWO PERSONAL CHECKING ACCOUNTS (EXHIBIT #12). THE ACCOUNT NUMBERS LISTED ABOVE [REDACTED] ARE THE ACCOUNTS THAT THIS SUSPECT IS ALSO A SIGNER ON. ACCORDING TO BANK RECORDS THIS CUSTOMER IS LISTED AS EMPLOYED BY [REDACTED] (EXHIBIT #13). A SEARCH OF LEXIS NEXIS SHOWS THAT THE SUSPECT'S NAME, SOCIAL SECURITY NUMBER, AND DATE OF BIRTH ARE A MATCH TO BANK RECORDS. THE CUSTOMER'S ADDRESS IN BANK RECORDS IS NOT A MATCH TO LEXIS NEXIS, HOWEVER THE BANK ADDRESS IS LISTED IN LEXIS NEXIS AS OF JANUARY 2010 AND SHOWS THAT IT WAS CHANGED IN [REDACTED] (EXHIBIT #14). THE SUSPECT [REDACTED] HAS ONE ACCOUNT WITH [REDACTED] (EXHIBIT #15). THE ACCOUNT IS AN INSTALLMENT LOAN THAT WAS OPENED ON [REDACTED] FOR THE PURCHASE OF A 2010 FORD [REDACTED] WITH A TERM OF [REDACTED] MONTHS (EXHIBIT #16). ACCORDING TO BANK RECORDS THE CUSTOMER IS EMPLOYED BY [REDACTED] (EXHIBIT #17). A SEARCH OF LEXIS NEXIS SHOWS THAT THE CUSTOMER'S NAME, ADDRESS, SOCIAL SECURITY NUMBER, AND DATE OF BIRTH ARE ALL A MATCH TO BANK RECORDS (EXHIBIT #18). THE SUSPECT [REDACTED] HAS ONE CHECKING ACCOUNT THAT WAS OPENED ON [REDACTED] AT THE [REDACTED] BANKING OFFICE LOCATED AT INDIANAPOLIS, IN 46278 (EXHIBIT #19). ACCORDING TO THE SIGNATURE CARD THIS CUSTOMER IS THE SOLE SIGNER ON THE ACCOUNT (EXHIBIT #20). ACCORDING TO BANK RECORDS THIS CUSTOMER IS LISTED AS EMPLOYED BY [REDACTED] (EXHIBIT #21). A SEARCH OF LEXIS NEXIS SHOWS THAT THE CUSTOMER'S NAME, ADDRESS, SOCIAL SECURITY NUMBER, AND DATE OF BIRTH ARE ALL A MATCH TO BANK RECORDS (EXHIBIT #22). A SEARCH OF WORKSHEET CHECK FOR THE BUSINESS AND THE ACCOUNT SIGNERS DID NOT FIND ANY MATCHES (EXHIBIT #23). THIS REVIEW WILL ONLY FURTHER DETAIL ACCOUNT NUMBERS [REDACTED] AND [REDACTED] AS THE ACTIVITY OCCURRING IN THE OTHER ACCOUNTS IS NOT SUSPICIOUS AT THIS TIME. A REVIEW OF THE DEPOSIT HISTORY INDICATES THAT THE SUSPECT MAY BE CONDUCTING TRANSACTIONS CONSISTENT WITH THAT OF A MONEY SERVICE BUSINESS (MSB). DURING THE REVIEW PERIOD, A RANDOM SAMPLING OF SINGLE DAY DEPOSITS ITEMS INCLUDED 3RD PARTY CHECKS FOR AMOUNTS GREATER THAN \$1,000 TO A PERMANENT OR SINGLE BUSINESS DAY, ONE OR MORE TRANSACTIONS. IT IS BELIEVED THAT THESE CHECKS WERE CASHED BY THE SUSPECT'S BUSINESS AND DEPOSITED INTO ACCOUNT NUMBERS [REDACTED] AND [REDACTED]. THE CUSTOMER CONDUCTED SEVENTY-ONE DEPOSITS DURING THE REVIEW PERIOD FOR AN AGGREGATE OF [REDACTED]. THE DEPOSITS CONTAINED CASH FOR AN AGGREGATE OF [REDACTED] THAT RANGE IN AMOUNTS FROM \$1,000 TO \$5,000. THE FOLLOWING DEPOSITS ARE EXAMPLES OF THE SINGLE DEPOSITS IN AN AMOUNT GREATER THAN \$1,000 THAT WERE FOUND TO HAVE BEEN INCLUDED IN THE DEPOSITS OF THIS CHECK WASHING BUSINESS: DEPOSIT DATED 12/15/09 FOR \$5,878.73 CONTAINED A CHECK FOR \$2,685, WHICH IS A US TREASURY TAX REFUND CHECK MADE PAYABLE TO [REDACTED] (EXHIBIT #24); DEPOSIT DATED 1/23/09 FOR \$1,567.61 CONTAINED A CHECK FOR \$1,567.61, WHICH IS A US TREASURY TAX REFUND CHECK MADE PAYABLE TO [REDACTED] (EXHIBIT #25); DEPOSIT DATED 01/04/10 FOR \$9,363.87 CONTAINED A CHECK FOR \$2,259 WHICH IS A US TREASURY CHECK TAX

The product information was collected and obtained under provisions of the Bank Secrecy Act (BSA) and U.S. Department of Treasury regulations implementing the BSA. See 31 U.S.C. 5311, et seq.; 31 CFR 101.10. The information is sensitive in nature and should be handled accordingly. The information may be used only for purposes related to a criminal, civil, regulatory investigation or proceeding, or in the conduct of intelligence or counterintelligence activities to protect national information from loss. See 31 U.S.C. 5311. The information cannot be further disseminated or transmitted without prior approval of the Secretary of the Treasury or his authorized delegate. Suspicious activity reports filed under the BSA must be treated with confidentiality and may be disseminated to other agencies or persons only if the act may have been filed, may not be disclosed by a government employee to any person involved in the transaction, other than as necessary to fulfill the official duties of such officer or employee. 31 U.S.C. 5316 (a)(2)(ii). This authorized release of information collected pursuant to the BSA may be disclosed to the extent shown.

SARs by Category

April 2006 thru December 2010

Rank			Percentage (Overall)
1	BSA/Structuring/Money Laundering	2,806,517	46.39%
2	Check Fraud	610,354	10.09%
3	Other	547,745	9.50%
4	Counterfeit Check	333,202	5.51%
5	Credit Card Fraud	283,572	4.69%
6	Mortgage Loan Fraud	262,883	4.35%
7	Check Kiting	211,921	3.50%
8	Identity Theft	191,584	3.17%
9	False Statement	189,028	3.12%
10	Consumer Loan Fraud	118,859	1.96%
11	Defalcation/Embezzlement	87,367	1.44%
12	Wire Transfer Fraud	76,530	1.27%
13	Unknown/Blank	71,155	1.00%

Helpful SAR tips:

- 5 W's...and don't forget HOW.
- Why do you believe it is suspicious?
Remember...you DON'T have to prove the allegation.
- Explain where the money came from/went, if known

Helpful SAR tips:

- Narrative should be a concise SUMMARY, not a novel!
- State the allegation at the beginning.
- 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

- Retain Video Surveillance Tapes or Photos
- Detail any conversations w/transactor(s). Does he/she know about reporting requirements?
Source of Cash?
- Describe history/background/business of customer and ...is this normal?
- Gather identifying information-vehicle, plate #

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.

SAR Evaluation

- With regard to Structuring SARs only, anecdotal evidence indicates....*
- 50% are rooted in tax evasion
- 40% may involve ignorance or fear.
- 10% involve SUAs or ill intent

*Estimated statistics based on our best guess and has no foundation in any actual statistic

Preliminary Investigation

- Contact & request supporting documentation from the respective bank(s), including account balances.
- Ask for bank videos or photos.
- Create spreadsheet of structuring activity.
- Deconflict w/other agencies
- Discuss w/AUSA

SAR Investigations

Because there is better than a 90% chance that any given structuring case involves tax evasion or ignorance...

- Early interviews are encouraged.
- Warning letters are issued in cases of ignorance.

Additional Preliminary Investigative Steps

- Surveillance/Drive-bys
- Criminal history
- Teller interviews
- Trash runs

Ways MSB's & Could Be Used To Launder Money

- Serve as a conduit to move money around
- Convert the money's form
- Make the money appear legitimate
- Hide the money



What MSBs Offer

- **Currency dealers or exchanges**
- **Check cashers**
- **Sellers of Money Orders, Traveler's Checks, Stored Value cards**
- **Money Transmitters**

Why MSBs????

- Many of the crooks have fled traditional banks because of the BSA reporting requirements.
- They are moving their money through MSBs, Stored Value, and Bulk Cash Smuggling.
- We have to develop new & innovative ways to deal with the large volumes of MSB SARs.
- Traditional “Brick and Mortar” now moving to prepaid cards, Internet payment, mobile payment.
- Criminals increasingly misuse new systems as they mature.....best ways to work for them..

MSBs-The Next Challenge

- Crooks often “micro-structure” at the MSBs.
- Much easier for crooks to corrupt MSB owners.
- Better yet, the crooks can create their own MSB.
- Crooks using fronts such as jewelry stores, gas stations, import/export business, grocery markets, video stores, to own and move \$\$ through.

MSBs-The Next Challenge

- It is believed that only 20% of MSBs are legally registered and licensed.
- 18 USC 1960 prohibits unlicensed MSBs from operating.
 - FinCEN Registration
 - State Licensing
- Informal Value Transfer Systems (Hawala)

18 USC 1960 MSB Violation

- Knowingly conducts, controls, manages, supervises, directs, or owns all or part of unlicensed money transmitting business-----
 - 1. Operates without state licensing –whether or not knowledge of state requirement
 - 2. Fails to comply with Fincen registration

18 USC 1960 (Con't)

- 3. Involves the transportation or transmission of funds that are known to the defendant to have been derived from a criminal offense or are intended to be used to promote or support the illegal activity.
- Fined or prison for up to 5 years or both.

Retail Store Owner Guilty of Operating Unlicensed Hawala Operation

- Bank SARs filed on a retail store
- Not licensed by the state and did not register with FinCEN
- Admitted to transferring over \$10 million to Middle Eastern countries through his hawala for over a year

- **FinCEN Assesses Civil Money Penalty Against Michigan-Based Unregistered Money Transmitter**
- Vienna, Va. – The Financial Crimes Enforcement Network (FinCEN) today announced an assessment of civil money penalties totaling \$40,000 against brothers Omar Abukar Sufi and Mohamed Abukar Sufi, for non-compliance with Bank Secrecy Act (BSA) money transmitter registration requirements.

The Sufi brothers, doing business as Halal Depot of Wyoming, Michigan operated a money transmission business at their grocery store by sending funds on behalf of their customers to beneficiaries in Yemen, Somalia, Sudan, Kenya, Saudi Arabia, Uganda, Ethiopia, Qatar, Europe and the United Arab Emirates. At no time did the Sufi brothers register with FinCEN as a money services business (MSB) as required by the BSA.

The Sufi brothers facilitated the transfer of tens of thousands of dollars over the course of multiple years. The brothers accepted cash and other instruments, such as food stamp proceeds, and charged fees of 6-7 percent per transaction to facilitate these transfers.

They recently pled guilty in United States District Court for the Western District of Michigan to federal criminal charges of food stamp fraud and operating an unlicensed money transmitting business, among other charges.

The brothers were sentenced to five years in prison and required to pay restitution to the U.S. Department of Agriculture which funds the food stamp program.

Tax Evasion

- SARMs filed on business owner who owed over \$1 million in taxes
- Business owner was wiring the profits from the business to offshore bank accounts
- Business owner sentenced to more than 5 years in prison for structuring and tax evasion

Launderland

CHECKS CASHED



Check Cashing Services

- Bank filed SAR on convenience store that offered check cashing services to select customers, mainly construction companies
- Bank noticed large deposits of 3rd party checks and corresponding withdrawals
- Audit showed the convenience store did not consistently complete CTRs
- Some CTRs completed were not sent to FinCEN



Check Cashing Services, cont.

- Multiple construction companies cashed checks at a convenience store
- Cash was used to pay illegal aliens
- Avoided the payment of payroll taxes – specifically workers compensation insurance



Questions to Ask Yourself

- Were checks cashed within the footprint of the business area?
- Who was cashing/frequency of checks cashed?
- Is business a legitimate store?
Other accounts?
Services provided?
- Multiple locations on same date?
- Same individual receiving multiples?

Charitable Organization

- Bank filed on individual for structuring cash into account
- Owns a fundraising business
- Sends money collected to brother's charity
- All employees cashed checks at same check cashing business

Questions?



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