Keynote Address

The Evolution of Financial Crime

By Don Fort
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KEYNOTE ADDRESS

The Evolution of FinCrime

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CRIMINAL INVESTIGATION
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CI as a Federal Law Enforcement Agency

**Mission**
To serve the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law.

**Organization / History**
- Formed in 1919, 6th largest Federal Law Enforcement Agency
- Jurisdiction includes tax, money laundering and Bank Secrecy Act (BSA) laws
- Notable cases: Al Capone, John Gotti, Vice President Spiro Agnew, FIFA, Leona Helmsley, Pete Rose, Chuck Berry and Willie Nelson.

**Program Areas**
- Employment Tax
- International Tax Fraud
- Virtual Currency
- Refund Fraud
- Terrorism
- Abusive Tax Schemes
- Public Corruption
- Cyber Crimes
- QRP/RRP
- OCDETF

**Direct Investigative Time**
- 75% of Direct Investigative Time on tax
- 11% high level OCDETF/Narcotics
- 14% other significant financial crimes (high level money laundering, terrorist financing, cyber crimes, BSA violations.)

**Investigative Jurisdiction**
CI is the only federal agency authorized to investigate potential criminal violations of the Internal Revenue Code
1920’s – 1940’s

The World’s Most Notorious Criminals
Are Brought To Justice
70s, 80s, and 90s

John "Teflon Don" Gotti

Studio 54

And Various Drug Lords
Into The 21st Century
CI Helps Combat Foreign Threats
And Domestic Threats

The “Queen of IRS Fraud”*  Identity Theft Creates Massive Tax Fraud Cases

- Rashia Wilson (pictured left)
- Poster child for ID theft and refund fraud – Operation Rain Maker
- Plead Guilty to stealing $3 million from Government
- IRS joins forces with local law enforcement as many violent criminals turned to refund fraud as a new stream of illegal income
Financial Institutions Investigated

Just to name a few…

$780M

$2.6B

$8.9B
IRS CI – The Unsung Heroes of Federal Law Enforcement

World Futbol Organization Rocked By Corruption Scandal

“Real Housewives” Stars Convicted of Tax Fraud and Bankruptcy Fraud

IRS CI Plays A Critical Role In Significant Cases Everyday
CI Areas, Field Offices, and International Posts
## Investigative Priority

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<th>Investigative Priority</th>
<th>Case Examples</th>
<th>Highlights</th>
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<td>GENERAL FRAUD</td>
<td>Bill Melot – New Mexico Farmer</td>
<td>Sentenced to 14 years in prison for tax evasion and program fraud; Ordered to pay restitution to IRS of $18.4 million</td>
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<td>RETURN PREPARATOR FRAUD</td>
<td>Gladstone &amp; Jacqueline Morrison</td>
<td>Sentenced to 187 months each; Order to pay nearly $18 million on restitution</td>
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<td>ABUSIVE TAX SCHEMES</td>
<td>Credit Suisse</td>
<td>Guilty plea - conspiracy to aid U.S. taxpayers in filing false returns; agreed to pay $2.6 billion</td>
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<td>Bank Julius Baer</td>
<td>Deferred Prosecution Agreement and admitted to helping US taxpayers file false tax returns; $547 million restitution</td>
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<td>EMPLOYMENT TAX FRAUD</td>
<td>Tammy Devier</td>
<td>Sentenced to 60 months and convicted of Failure to Pay Over Employment Taxes</td>
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<td>CYBER CRIMES AND VIRTUAL CURRENCY</td>
<td>Liberty Reserve and Silk Road</td>
<td>LR: was one of the world’s largest virtual currency companies, indicted for allegedly running $6B money laundering scheme. SR: used by more than 100,000 users to buy and sell illegal drugs and other unlawful goods and services</td>
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<td>TERRORIST FINANCING</td>
<td>Jimenez and Robertson</td>
<td>Guilty of filing false returns to fund travel to Syria</td>
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<td>PUBLIC CORRUPTION</td>
<td>Kwame Kilpatrick</td>
<td>Sentenced to 336 months</td>
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<td>TRANSNATIONAL ORGANIZED CRIME</td>
<td>FIFA</td>
<td>Uncovered widespread corruption in international soccer. Forty-two subjects charged to date. Restitution exceeds $190 million</td>
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<td>FRIVOLOUS ARGUMENTS</td>
<td>Ronald Joling</td>
<td>Sentenced to 97 months for obstructing the IRS; Restitution of $1.2 million</td>
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<td>ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCES</td>
<td>Edgar Manual Valencia Ortega – Sinaloa Cartel money launderer</td>
<td>Sentenced to 96 months for laundering money on behalf of Chapo Guzman</td>
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<td>IDENTITY THEFT</td>
<td>Rashia Wilson, Self-Proclaimed Queen of Tax Fraud</td>
<td>Serving 21 year prison term</td>
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Criminal Tax Administration
(Overview)

Criminal Tax Prosecutions
- Criminal tax cases drive the deterrent message to all taxpayers and U.S. citizens
- Over 150M Returns filed, over 350M US Citizens
- CI is the BACKBONE of Voluntary compliance
- Around 800 tax cases referred to DOJ in 2018

Sources of Investigation
- Law Enforcement Partners
- Whistleblowers/Informants
- Fraud Referrals
- Nationally Coordinated Investigations Unit
- International Tax & Financial Crimes Group

International Presence
- Only IRS division with a physical international presence
- Attachés located in 11 countries (Germany, China, England, Australia, the Netherlands, Colombia, Barbados, Mexico, Canada, UAE and Panama)

Department of Justice Partnerships
- 94 U.S. Attorney’s offices prosecute CI cases
- All CI cases require DOJ approval to include Tax & Tax Related prosecutions which require DOJ Tax approval
“Welcome to Video”

THIS HIDDEN SITE HAS BEEN SEIZED

as part of a law enforcement operation by the United Kingdom, United States, Germany and the Republic of Korea.

한국·미국·영국 법집행기관의 공조수사로
이 사이트는 폐쇄되었습니다

With cooperation from our international partners, arrests have taken place in:

Austria  Brazil  Canada  Czechia  Finland  France  Hungary
Ireland  Italy  Poland  Saudi Arabia  Spain  Sweden  United Arab Emirates
Cyber Crimes

Cyber Presence
- CI special agents possess critical cyber crime investigative skills, honed through their work on cyber related identity theft investigations.
- Cyber Structure: CI Headquarters Cyber Section, Cyber Crimes Units, and Cyber Crimes coordinators in each field office

Cyber Strategy, Training and Coordination
- Provide training, tools and resources necessary to combat cyber crimes
- Communicate pressing items, hot topics, and methodologies of bad actors
- Coordinate with internal/external stakeholders to include training other agencies and foreign law enforcement

Cyber Priorities – Cryptocurrency, Tax Administration, and Cyber Terrorism
- Approximately 7% (21 million) U.S. citizens own cryptocurrency
- In 2015, less than 900 taxpayers filed a Form 8949 (Sales and Other Dispositions of Capital Assets) which is used to declare cryptocurrency.
Cyber Crimes

Cyber Fusion Team
- CI plays a significant role in cyber security by focusing on real-time threats against IRS and the tax ecosystem
- Cross functional group co-led by CI along with several IRS business operating divisions (BODs)

Notable Cases
- CI Special Agents have been instrumental in solving some of the U.S.’s most significant cyber crimes including:
  - **Silk Road**: used by more than 100,000 users to buy and sell illegal drugs and other unlawful goods and services
  - **BTC-e**: large illicit cryptocurrency exchanger
  - **AlphaBay**: one of the largest illicit dark net marketplaces – drugs, weapons, illegal goods
  - **Welcome 2 Video**: World’s largest child exploitation site on the dark web taken down. CI de-anonymized the bitcoin transactions and traced website administrator. 23 children rescued, hundreds of arrests worldwide.
IRS-CI and the Future of Data Analytics

- Using Data Analytics to find non-compliance
- New Applied Analytics section
- Hired “data scientists”
- Use of Palantir
- NCIU
- Collaboration with other IRS BODs
- Collaboration with LEAs
- Collaboration with academia
NCIU and Employment Tax

- Cutting edge, future of IRS-CI: Nationwide impact by using DATA to identify and develop areas of non-compliance
- Moving to better manage and leverage all available data to better select criminal cases.
- Primary goal – ensure nationwide coverage of all program areas.
  - NCIU Employment Tax Model
  - Focus on internal datasets with a new approach
  - Combine and add in law enforcement/FinCEN Data
- New Cases Developed Versus Traditional Methods
  - Close to 80 referrals with an average tax loss of approximately $2.9M
IRS-CI is Hiring!

INTERNAL REVENUE SERVICE
CRIMINAL INVESTIGATION

HIRING SPECIAL AGENTS, GL-1811-7/9

OPEN: NOVEMBER 22, 2019
12-MONTH CONTINUOUS ANNOUNCEMENT
HIRING NATIONWIDE

APPLY NOW!

THIS ANNOUNCEMENT IS POSTED ON USAJOBS