

# IRS-Criminal Investigation BSA/Bank Forum Outreach



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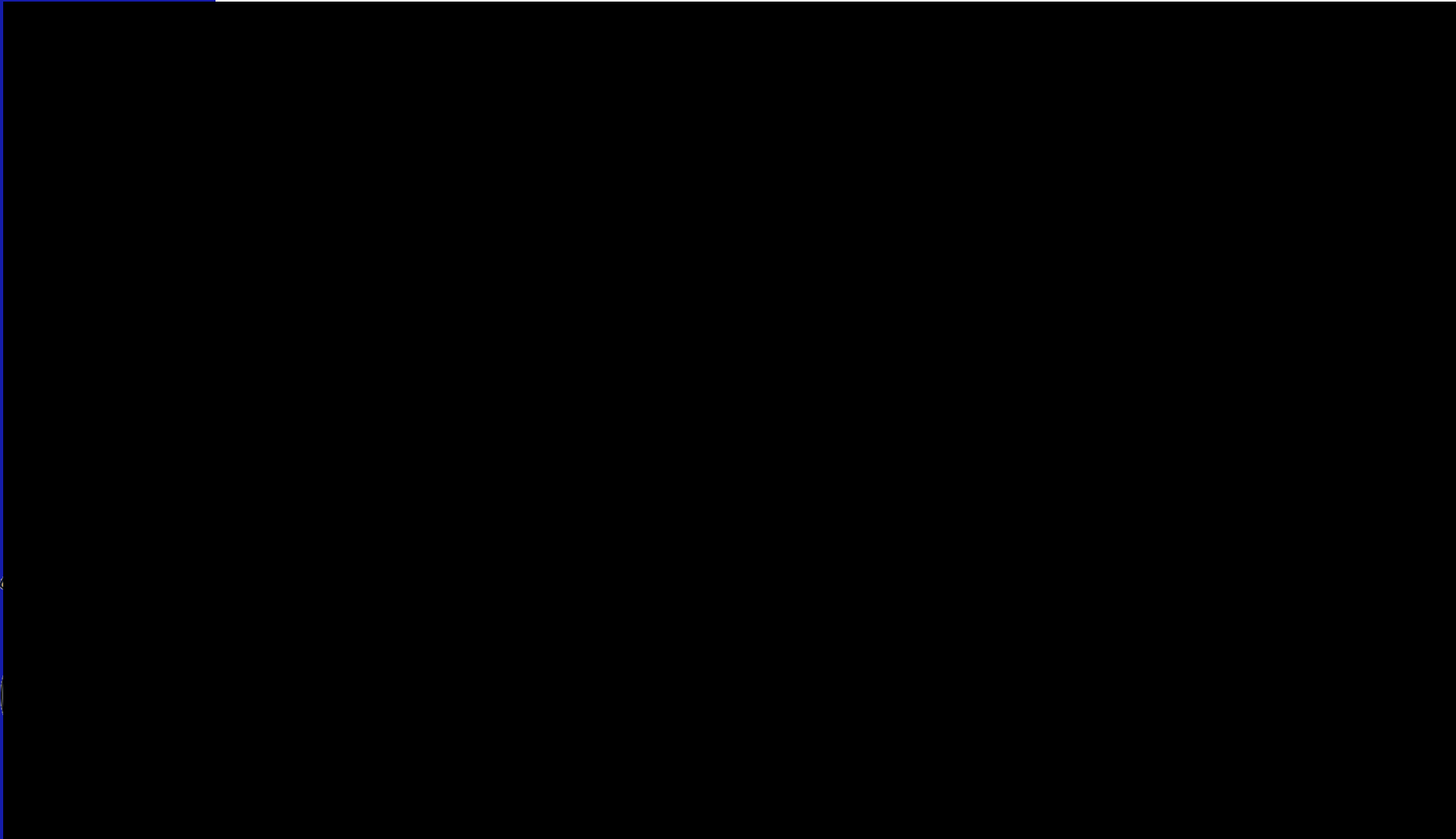


# IRS-Criminal Investigation Mission Statement

Criminal Investigation (CI) serves 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.



# TAX MAN



# IRS-Criminal Investigation

- Approximately **2,020** Special Agents, **790** Professional Staff
- Approximately **81** Special Agents, **13** Professional Staff in Atlanta Field Office
- Atlanta Field Office covers **4** States and **11** Judicial Districts



# IRS-Criminal Investigation

- Investigative jurisdiction includes tax, money laundering, and Bank Secrecy Act laws
- IRS-CI Strategic Plan: Legal Source Tax Crimes; Illegal Source Financial Crimes; and Narcotics and Counter-Terrorism Financial Crimes



Dear IRS,



I am writing  
to you to cancel  
my subscription.

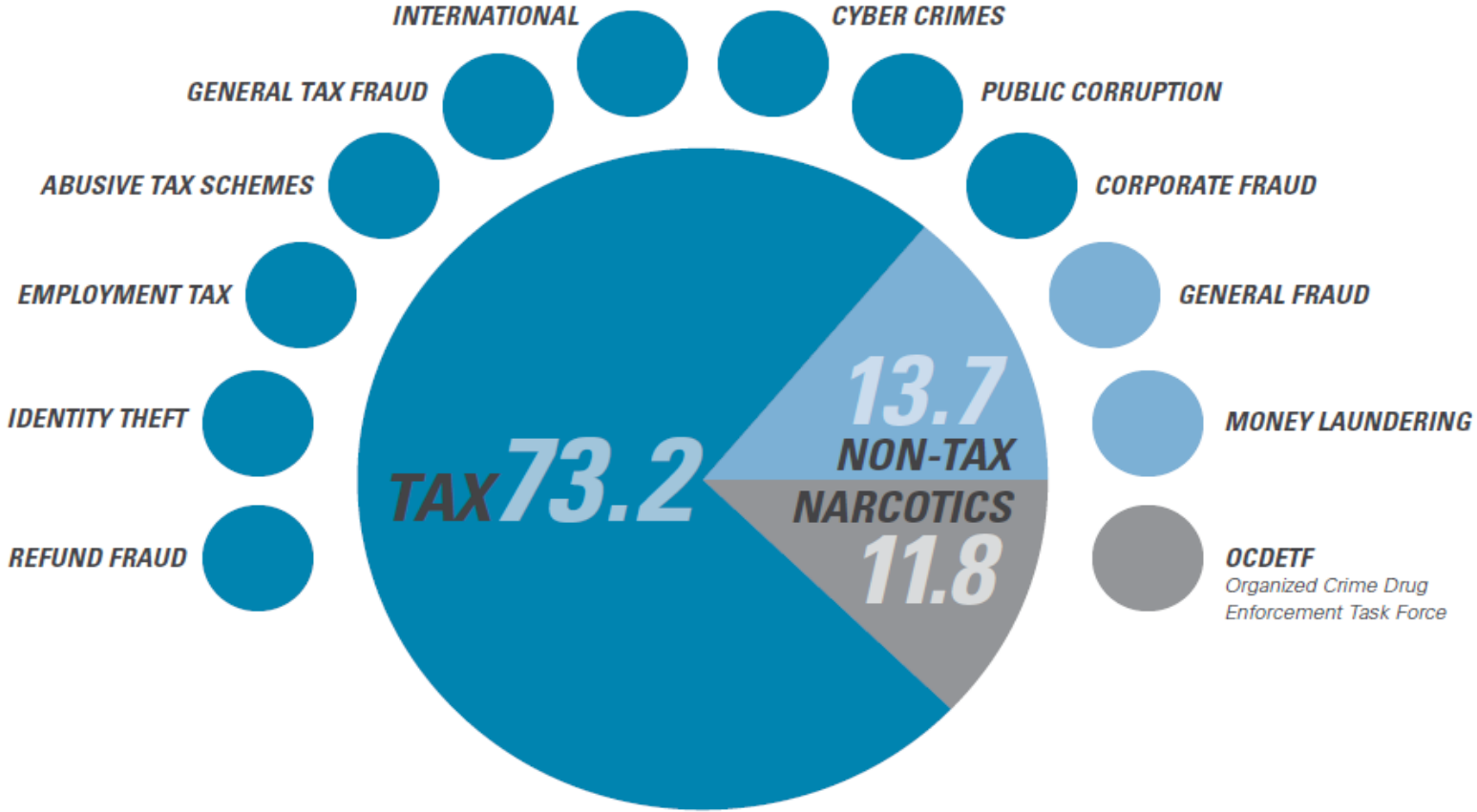


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# FY2018 Snapshot



DIRECT INVESTIGATIVE TIME SPENT\*  
PERCENTAGES



# FinCEN's Mission Statement



Enhance U.S. national security, deter and detect criminal activity and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems







- Bureau of the U.S. Department of the Treasury reporting to Treasury's Office of Terrorism and Financial Intelligence
- Approximately 300 Employees
- Nation's Financial Intelligence Unit



# The Front Line: BSA/AML Departments

- **IRS-CI and FinCEN Missions**

- Complement each other
- Cannot be accomplished without the assistance of Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) departments of filing institutions



# The Front Line: BSA/AML Departments

- **Impact of BSA/AML**
  - Helps protect U.S. financial system
  - Critical source of information for law enforcement
  - Domestic information used to fight financial crime on global stage



# Use of BSA by Law Enforcement

- Who is the Law Enforcement Audience for BSA reports?



# Use of BSA by Law Enforcement

- **Who is the Law Enforcement Audience for BSA reports?**
  - State and Local Law Enforcement
  - Either direct access or access through State Coordinator Agency



# BSA Value – Lead Info

- Identifiers for subjects/associates
- Cyber-related information including IP addresses, device IDs, emails, etc.
- Business and DBA names
- Information about transactions
- Identify previously unknown assets



# Use of BSA by Law Enforcement

- **Reactive**

- Identify financial and other links to ongoing criminal investigations.

- **Proactive**

- Generate and develop new leads and investigations.



# Use of BSA by Law Enforcement

- **Reactive Searches**
  - The search of BSA database is a standard investigative procedure for IRS-CI.
  - Performed by IRS-CI Special Agents and Investigative Staff on every single investigation.





# SAR Analysis: The Proactive Approach

- **SAR Review Teams**

- Led by U.S. Attorney's Office, AUSA  
Kristen Osborne
- Multi-Agency (Including Federal,  
State, Local Law Enforcement)
- Meet monthly and review SAR filings  
for their area of responsibility



1	Alabama Attorney General's Office	10	Department of Homeland Security	19	Internal Revenue Service, Bank Secrecy Act Division	28	Tuscaloosa Police Department
2	Alabama Department of Revenue	11	District Attorney's Office, 10 <sup>th</sup> Judicial Circuit	20	Internal Revenue Service, Criminal Investigation	29	U.S. Attorneys Office, Northern District of Alabama
3	Alabama State Banking Department	12	District Attorney's Office, 32 <sup>nd</sup> Judicial District	21	Jefferson County Sheriff's Office	30	U.S. Army, Criminal Investigations Division
4	Alabama Securities Commission	13	District Attorney's Office, 19 <sup>th</sup> Judicial District	22	National Aeronautics and Space Administration, Office of the Inspector General	31	United States Department of Agriculture
5	Athens, Alabama Police Department	14	Drug Enforcement Administration	23	Muscogee County, Georgia Sheriff's Office	32	United States Department of Education
6	Birmingham Police Department	15	Federal Bureau of Investigation	24	Office of the Special Inspector General for The Troubled Asset Relief Program	33	United States Postal Inspection Service
7	The Bureau of Alcohol, Tobacco and Firearms	16	Federal Deposit Insurance Corporation	25	Regional Organized Crime Information Center	34	United States Secret Service
8	Department of the Army, Defense Criminal Investigative Service	17	Federal Reserve Bank	26	Social Security Administration	35	United States Department of State
9	Department of Defense, Office of the Inspector General	18	Huntsville Police Department	27	Treasury Inspector General for Treasury Administration	36	Vestavia Police Department



# Proactive SAR Analysis: Objective



# SAR Analysis: Objective

## Manage the Data

- **SAR Review Teams**
  - Perform periodic reviews (ex. Monthly)
  - Limit information to geographic areas (Venue)
  - Possibly use \$ amount to prioritize



# SAR Analysis: Objective

## Make Data Valuable

- **SAR Review Teams & Leverage Technology**
  - Utilize multi-agency setting to share knowledge and experience.
  - Use filters, keywords, and key phrases to identify valuable SARs to each LE agency



# SAR Analysis: Objective

## Make Data Valuable

- **Filters, Keywords, and Key Phrases**
  - Tax/Financial Investigations
    - “Tax Fraud”
    - “Refund Fraud”
    - “Evasion”



# SAR Analysis: Objective

## Make Data Valuable

- **Filters, Keywords, and Key Phrases**
  - Other Types of Investigations
    - “Terror\*”
    - “Drug” or “Narcotic”
    - “Mail” and “Fraud”



# SAR Analysis: Objective

## Turn Data Into Leads

- **Link SAR Information to Other Information**
  - Review and link to other BSA information (SARs, CTRs, Form 8300s, FBARs, etc.)
  - Obtain backup supporting documentation for SAR from filer
  - Leverage other available data (tax records, criminal records, public databases, etc.)





# SAR Analysis: Objective

## Develop Data Into Cases

- **Financial Crimes Task Forces/Additional Preliminary Investigative Steps**
  - Evaluate all the collected data.
  - Determine potential for investigation of criminal violation.
  - Elevate data into cases.



# SAR Analysis: Objective

## Investigate Cases

- **Law Enforcement Utilizes Investigative Tools**
  - Interviews, Subpoena Records, Financial Record Analysis, Search Warrants, Undercover Operations, etc.
  - Work with USAO to investigate, determine facts, and prosecute.





# SAR Importance and Writing Tips



# Reliable BSA Information is Key

- **Who, What, Where, When and...**

- Who – Enter as much information on subject as possible.

- What – Describe in detail the activity and types of transactions involved (cash deposits, wires, etc.).



# Reliable BSA Information is Key

- **Who, What, Where, When, and...**

- Where – Include all locations of transactions and activity.
- When – Enter dates of activity including date ranges and specific dates of activity.



# Reliable BSA Information is Key

- Who, What, Where, When, and...

**WHY**

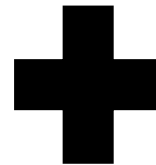
- Explain why the activity is suspicious or unusual.



# Reliable BSA Information is Key

- **Effective SAR Narrative**

Who  
What  
Where  
When  
Why



Clear  
Concise  
Chronological  
Comprehensive





# SAR Narrative – Basic Structure

- **Introductory Paragraph**
  - **Don't Need**
- **Background Paragraph**
  - **Don't Need**
- **Transaction Paragraph**
  - **Don't Need**
- **Conclusion Paragraph**
  - **Don't Need**



# SAR Narrative – Basic Structure

- **Introductory Paragraph-NO**

- Identify the following:

- Date Range of Suspicious Activity-  
No

- Subjects-No

- Total amount of Suspicious Activity-  
No

- Why suspicious? (negative news, red flags, interaction with subject, etc.)

**(Who, When, What, Why)**



# SAR Narrative – Basic Structure

- **Background Paragraph**

- Detail Identifiers-**No**
  - Subject Information-**No**
  - Business Information-**No**
  - Account Information-**No**
  - Bank Location Information-**No**
  - **Cyber related information (IP Address, Device ID, etc.)**

**(Who, Where)**



# SAR Narrative – Basic Structure

- **Transaction Paragraph**

- Try to describe suspicious transactional activity in a logical sequence.
- **Remember your audience – Keep it simple.**
- If high volume of transactions, consider using attachment for detail and summarize activity.

**(What, When, Where)**



# SAR Narrative – Basic Structure

- **Conclusion Paragraph-NO**

- Clear and concise summary of suspicious activity.-No
- Include any additional information to summarize the WHY.



<b>BSA ID</b>	<b>Activity Date</b>	<b>Amount</b>	<b>Cumulative Amount</b>
	11-16-2018 - 01-10-2019	\$286,695.00	\$
<b>Filing Institution Name</b>	<b>Filing Institution Address</b>		<b>Filer Type</b>
			2 - Depository Institution
<b>Branch Role In Transaction</b>	<b>Branch Address</b>		
Usually Blank			
<b>Host Institution Name</b>			<b>Host Type</b>
			2 - Depository Institution
<b>Violation Codes</b>			<b>Attachment Available</b>
Instrument Type / Payment Mechanism involved: [31 - Bank/Cashier's check, 39 - U.S. Currency, 33 - Funds transfer] Structuring: 114 - Transaction(s) below CTR threshold Money Laundering: 805 - Suspicious EFT/wire transfers  Other Suspicious Activities: 925 - Transaction with no apparent economic, business, or lawful purpose			false
<b>Subjects</b>			
<b>Name</b>	<b>TIN/EIN</b>	<b>Occupation</b>	<b>Address</b>
	<b>Date of Birth</b>	<b>Phone Number</b>	<b>ID Document</b>
	4-	+	5 - Driver's license/State ID 7 AL - Alabama US - United States of America - SSN/ITIN
<b>Contact Information</b>			
<b>Law Enforcement Contact Name</b>	<b>Law Enforcement Contact Phone</b>	<b>Filing Institution Contact Name</b>	<b>Filing Institution Contact Phone</b>
		COMPLIANCE	
<b>Narrative</b>			



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Subjects			
Name	TIN/EIN	Occupation	Address
Date of Birth	Phone Number	ID Document	
4-	+	5 - Driver's license/State ID 7 AL - Alabama US - United States of America - SSN/TIN	
Contact Information			
Law Enforcement Contact Name	Law Enforcement Contact Phone	Filing Institution Contact Name	Filing Institution Contact Phone
		COMPLIANCE	
Narrative			





# SAR Narrative Helpful Tips

- **Do**

- Include WHY the activity is suspicious in the beginning.
- Incorporate key words.
- Summarize totals.-**Maybe**
- Identify debits and credits separately.
- Clearly state WHO completes the transactions.
- Indicate the internal reference number with telephone number.
- Network with LE – Make contact with LE for SARs



# SAR Narrative Helpful Tips

- **Do Not**

- Leave the narrative field empty or with limited information.
- Use industry jargon or acronyms without explanation.
- List voluminous transactions, use attachment.
- Use “he” “she” “it” etc.
- Assume LE know why a particular type of transaction is suspicious, be sure to explain the why.



# BSA and LE Successes



# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**

- Recognize law enforcement agencies that made effective use of financial institution reporting
- Demonstrate to the financial industry the value of its reporting to law enforcement



# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**
  - Six Categories
    - SAR Review Team
    - Transnational Organized Crime
    - Transnational Security Threats
    - Cyber Threats
    - Significant Fraud
    - Third-Party Money Launderers (3PML)



# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**

- SAR Review Team Category Winner

- Review of financial data showed unusual cash withdrawal pattern

- Uncovered conspiracy to defraud estate of deceased individual of over \$2 million



# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**
  - SAR Review Team Category Winner
    - During investigation, recovered \$500,000 in currency and other assets from the illicit proceeds
    - Convicted of Money Laundering, Structuring and Conspiracy charges – Sentenced 2 to 9 years



# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**
  - 3PML Category Winner
    - IRS-CI, DEA, HSI, FBI and other LE sponsored OCDETF investigation
    - Financial data initially brought criminal activity to attention of LE





# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**
  - 3PML Category Winner
    - Bribes from Mexico drug cartels, theft of Mexico government funds, contractor bribes, etc.
    - Laundered funds through U.S. financial system using shell companies and asset purchases



# BSA and LE Successes

- **2018 FinCEN Law Enforcement Awards**
  - 3PML Category Winner
    - Assets totaling \$80 million seized.
    - Subjects charged with money laundering, bank fraud, wire fraud, operating an unlicensed MSB, loan fraud, racketeering, and other violations.



# Questions?



# Contact Information

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