

Suspicious Activity Report Details Illicit Check Cashing Activity, Provides Blueprint for Investigation and Indictment

In the course of an investigation into possible terrorist activities, investigators uncovered a SAR that provided detailed information concerning suspect check cashing activity by the operators of a convenience store. The filing bank's audit found that the business was cashing checks to disguise payments to illegal workers in the construction industry. In addition, the bank's audit and the subsequent law enforcement investigation found the business failed to complete Currency Transaction Reports (CTRs).

The local United States Attorney announced the indictment and arrests of two individuals in 2006. The 115-count indictment charges that in association with their business, the individuals committed numerous money laundering offenses. Court documents show the defendants failed to file CTRs, failed to register with FinCEN, and structured transactions to avoid detection. Moreover, much of the illicit financial activity was designed to conceal, harbor, and shield illegal aliens.

The case began in the aftermath of the September 11 terrorist attacks. The Bureau of Alcohol, Tobacco & Firearms received a tip that associates of the defendants were involved in illegal gun sales to the Middle East. A joint investigation of federal, state, and local agencies soon identified the defendants and possible suspicious money transfers from their business. When the investigation linked the defendants to improper payments made to illegal aliens (after retrieving the SAR from the Bank Secrecy Act database), U.S. Immigration and Customs Enforcement took the lead.

That SAR proved to be the big break in the case. The bank filed the SAR for transactions that occurred during one month in 2002, the timeframe for its audit. In the SAR, the bank noted that the store provided check cashing services to select customers, namely in the construction industry. Normal activity included daily deposits of large volumes of third party checks and corresponding withdrawals of the currency either at bank branches or via armored car deliveries. The bank performed an audit on the business, as a routine matter, for transactions that occurred that month. The bank found that the business did not consistently complete CTRs, or when they did, the records were not sent to FinCEN.

Furthermore, transactions involving three companies did not generate any CTRs. Those transactions totaled approximately \$900,000 for that month alone. Investigators used that SAR as the basis for a grand jury subpoena and eventually as the blueprint for the indictment. Many parts of the bank's detailed audit are included in the indictment. Notably, the first 100 counts of the indictment are 100 transactions that occurred during the month of the audit. In all, investigators concluded that the defendants were cashing millions of dollars of checks per month at the convenience store. Investigators point to this case as an example of how to get an indictment from a SAR, or in their terms, "indict the SAR."

The illegal check cashing supported two criminal activities. First, construction companies cashed checks there to facilitate the payment to unauthorized workers and illegal aliens. Second, many construction companies used the check cashing business to pay workers in cash and avoid the payment of payroll taxes, in particular workers' compensation insurance. In some areas, the cost of that insurance can be as high as 50% for trades such as roofing.

Investigators found evidence that construction companies from different parts of the state traveled to the convenience store to cash checks.

(Investigating Agency: U.S Immigration and Customs Enforcement)

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