



PROGRAM MATERIALS

Program #31287

November 12, 2021

Criminal Tax and a New Era of IRS Enforcement

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CRIMINAL TAX AND A NEW ERA OF IRS ENFORCEMENT

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West/Thomson Reuters

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DON FORT FORMER CHIEF, IRS CRIMINAL INVESTIGATION



Director of Investigations, Kostelanetz & Fink, LLP

John D. (Don) Fort is the Director of Investigations at Kostelanetz & Fink, LLP, and the immediate past Chief of the Internal Revenue Service's Criminal Investigation (CI) Division. Having spent nearly 30 years in law enforcement for the federal government, Mr. Fort has deep expertise in financial crimes, and has developed an extensive network of connections both within the government and in private industry. At K&F, he now assists clients facing governmental investigations involving all manner of alleged financial and economic crimes, including tax controversies or suspected tax crimes, money laundering, and Bank Secrecy Act violations. Mr. Fort also is involved in conducting internal investigations and advising clients on compliance regimes. He is available as an expert witness and for voluntary or court-mandated monitorships.



DON FORT

FORMER CHIEF, IRS CRIMINAL INVESTIGATION

U.S. Department of the Treasury, Internal Revenue Service, Criminal Investigation (IRS-CI) (August 1991 – September 2020)

Don began his Government career as an IRS Special Agent in August 1991. He served in various roles over 29 years, with the last nine years spent as a member of the Senior Executive Service (SES). Don worked his way up from an entry field special agent to serve as the Deputy Chief and Chief of IRS-Criminal Investigation, the sixth largest federal law enforcement agency in the United States. Over the past two decades, Don has provided critical oversight and guidance on a wide array of high profile, sensitive, and complex criminal investigations:

- 6/2017 – 9/2020: Chief (Senior Executive Service)
- 8/2014 – 6/2017: Deputy Chief (Senior Executive Service): IRS-CI
- 1/2011 – 8/2014: Director, Field Operations (Western and Northern Areas) (SES)
- 2/2010 – 1/2011: Deputy Director, Strategy, Washington, D.C. Headquarters
- 3/2009 – 2/2010: Special Agent in Charge, Philadelphia Field Office
- 7/2006 – 3/2009: Assistant Special Agent in Charge, Baltimore and Washington, D.C. Field Offices
- 7/2003 – 7/2006: Section Director/Senior Analyst, Special Investigative Techniques, Washington, D.C.
- 2/1999 – 7/2003: Supervisory Special Agent, Orlando, FL
- 8/1991 – 2/1999: Special Agent, Washington, D.C. Field Office

ERIC HYLTON FORMER DEPUTY CHIEF, IRS CRIMINAL INVESTIGATION

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Director of Investigations, ZMF Law **National Director of Compliance, alliantgroup**

Eric Hylton currently serves in a dual role as the Director of Investigations for ZMF, Law and the National Director of Compliance for alliantgroup. He held several prominent positions at the IRS, including serving as the Commissioner of the Small Business/Self-Employed Division, Deputy Chief of the Criminal Investigation Division as well as the Executive Director of CI's head of International Operations. As the Director of Investigations for ZMF, he is advising clients on criminal tax investigations, tax controversy matters, internal investigations, cryptocurrency, and whistleblower claims. As National Director of Compliance, Eric employs his years of experience at the IRS to assist alliantgroup's clients as an ambassador for U.S. small and medium sized businesses (SMBs), and CPA firms to ensure that they receive the full benefit of the many federal and state sponsored tax credits and incentives.



TODAY'S PRESENTATION

- State of the IRS
- Civil and Criminal Update
- Data Analytics and Enforcement

IMPACTS OF PROPOSED INFRASTRUCTURE BILL

- Includes \$13.2 billion for IRS for next budget cycle (10.4 percent increase—8,000 new employees)
- Future budget cycles
 - Contains stable funding-6% per year over next decade
 - Agency will require 52,000 more employees in next six years
- Potential payoff = \$700 billion in new revenues from FY 2022 through 2031—other sources believe over \$ 1T

IMPACTS OF PROPOSED INFRASTRUCTURE BILL

- The mandatory spending would go toward expansions in enforcement and compliance activities (primarily targeting taxpayers earning more than \$400,000), enhancing IT capability (including implementation of information reporting regime, described below), and customer service.
- These increases in IRS funding are expected to increase revenues by \$316 billion over the budget window.

PROPOSED TAX REPORTING REQUIREMENTS

➤ Proposed Financial Reporting Regime

- Create a comprehensive financial account reporting regime, requiring financial institutions to report gross inflows and outflows with a breakdown for physical cash, transactions with a foreign account, and transfers to and from another account with the same owner.
- This requirement would apply to all business and personal accounts from financial institutions, including bank, loan, and investment accounts.
- Accounts below \$600 of gross flow or fair market value are excluded from reporting requirements. (New proposal changed to \$10,000 of gross flow)
- Payment settlement entities would be required to collect TINs and file revised Form 1099-Ks for all payee accounts (subject to the above de minimis threshold), reporting gross receipts, gross purchases, physical cash, payments to and from foreign accounts, and transfer inflows and outflows.
- Proposal exempting wage earners

PROPOSED TAX REPORTING REQUIREMENTS

- **Infrastructure Bill**

- Will treat digital assets as specified securities for purposes of the broker reporting requirements, including basis reporting (section 6045(g)(2))

- **Who is a cryptocurrency broker?**

- Any person who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person” (proposed section 6045(e)(1)(D)).
 - ✓ I.e. Bitcoin miners, Ethereum validators, finance businesses like protocol governors, liquidity providers and potentially wallet developers.
- Beginning January 1, 2023, cryptocurrency “brokers” would be required to collect specific information (i.e, name, address and tax identification number) about the owners of cryptocurrency accounts.
- Brokers would also be required to provide information to the IRS regarding the price at which a particular unit of cryptocurrency was acquired by a client

OVERVIEW: ANTI-MONEY LAUNDERING ACT OF 2020

- Beneficial Ownership
 - Defined as an individual who directly or indirectly exercises substantial control over the entity or owns or controls not less than 25% of the ownership interest of the reporting company.
- FinCEN Whistleblower Program
 - Lifted cap on awards significantly
 - Increased protections for employees who report issues
- Additional Subpoena Powers for Law Enforcement
 - Expands the U.S. government's authority to subpoena documents held by foreign banks overseas
- A Focus on Arts and Antiquities
 - Section 6110 of the AML Act amended the BSA by including as a type of financial institution a person engaged in the trade of antiquities, including an advisor, consultant, or any other person who engages as a business in the solicitation or the sale of antiquities. Section 6110 requires the Secretary of the Treasury to issue proposed rules to carry out the amendment.

OVERVIEW: ANTI-MONEY LAUNDERING ACT OF 2020

- Anti-money Laundering Act of 2020 was passed requiring the IRS to appoint a BSA Information Security Officer, who will be consulted:
 - 1. Each time BSA regulations affecting information security or disclosures of BSA information are developed or reviewed;
 - 2. On all BSA information-sharing policies;
 - 3. On coordination and clarity between proposed BSA regulations and information security and confidentiality requirements, including SARs; and
 - 4. On the development of new technologies that may strengthen information security and BSA compliance, and the protection of information collected by federal regulators; and
 - 5. Develop metrics of program success.

CRYPTOCURRENCY REPORTING REQUIREMENTS

- Virtual currency is treated as property and general tax principles applicable to property transactions apply to transactions using virtual currency.
- Transfers of more than \$10,000 should be reported to IRS
- When you sell virtual currency, you must recognize any capital gain or loss on the sale, subject to any limitations on the deductibility of capital losses.
- If you held the virtual currency for one year or less before selling or exchanging the virtual currency, then you will have a short-term capital gain or loss. If you held the virtual currency for more than one year before selling or exchanging it, then you will have a long-term capital gain or loss. The period during which you held the virtual currency (known as the “holding period”) begins on the day after you acquired the virtual currency and ends on the day you sell or exchange the virtual currency.
- Your basis (also known as your “cost basis”) is the amount you spent to acquire the virtual currency, including fees, commissions and other acquisition costs in U.S. dollars. Your adjusted basis is your basis increased by certain expenditures and decreased by certain deductions or credits in U.S. dollars.

CIVIL ENFORCEMENT-CRYPTOCURRENCY

Internal Revenue Service

- John Doe Summonses
- Campaign Audits
- “Educational” Letters

JOHN DOE SUMMONS

- Nov. 17, 2016- DOJ-Tax sought permission to serve John Doe Summons on Coinbase, Inc.
 - U.S. District Court for the Northern District of California
- Coinbase is a cryptocurrency exchange that operates a bitcoin wallet and exchange in San Francisco
- During the period of 2013 to 2015, the company maintained nearly 5 million wallets, with \$2.5 billion exchanged
- The John Doe Summons sought “information regarding United States persons who, at any time during the period January 1, 2013, through December 31, 2015, conducted transactions in a convertible currency as defined in IRS Notice 2014-21”
- The request was later tailored toward Coinbase users who “bought, sold, sent or received at least \$20,000” worth of cryptocurrency in one year
- The District Court granted the petition to enforce in November 2017, and Coinbase has complied

JOHN DOE SUMMONS

- March 30, 2021 – Simultaneous John Doe Summonses filed seeking information on people who have accounts with two cryptocurrency exchanges and have conducted at least \$20,000 in transactions in any given year from 2016 through 2020.
- Kraken (NDCA) – Court approved a narrowed scope summons be issued to Payward Ventures Inc. d/b/a Kraken (“Kraken”), one of the largest digital currency exchanges with over 4 million clients and over \$140 billion in trading activity since 2011, after citing to the limits imposed in *Coinbase*, requiring the government to explain why the summons as filed didn’t improperly implicate broad swathes of information, such as correspondence between the cryptocurrency exchange and those users, which was both irrelevant and premature.
- Circle (Mass)- Court approved initial summons filed by government seeking to serve a John Doe summons on Circle Internet Financial Inc., or its predecessors, subsidiaries, divisions, and affiliates, including Poloniex LLC (collectively “Circle”), seeking information about U.S. taxpayers who conducted at least the equivalent of \$20,000 in transactions in cryptocurrency during the years 2016 to 2020.

IRS CAMPAIGN AUDITS

- March 2018: IRS explains virtual currency transactions are reportable on U.S. income tax returns
- July 2018: IRS announces virtual currency as campaign audit
 - *U.S. persons are subject to tax on their worldwide income from all sources, including transactions involving virtual currency. IRS Notice 2014-21 states that virtual currency is property for federal tax purposes and provides information on the U.S. federal tax implications of convertible virtual currency transactions. This campaign addresses noncompliance related to the use of virtual currency through multiple treatment streams, including outreach and examinations (click [here](#) for an overview of letters the IRS is sending to crypto users with unreported transactions). The IRS urges taxpayers with unreported virtual currency transactions to correct their returns as soon as practical. The IRS has stated it is not contemplating a voluntary disclosure program to specifically address noncompliance involving virtual currency.*

IRS CRYPTOCURRENCY EDUCATIONAL LETTERS

The agency sent “educational” letters to 10,000+ taxpayers who had engaged in virtual currency transactions who had possibly failed to report and pay tax on the transactions

- Letters were intended to “help taxpayers fully understand and meet their obligations”

Letter 6173

- Addresses taxpayers who the IRS (a) knows have or had one or more virtual currency accounts and (b) believes may have been required to file a tax return, form, or schedule reporting virtual currency transactions for the 2013 through 2017 tax years, but did not
- Requests a response from the taxpayer, potentially including a declaration made under penalties of perjury, irrespective of whether the taxpayer believes that he or she properly reported all items
- The IRS followed these educational letters with Letters 6174 and 6174-A

HIGH INCOME/ NON-FILERS

- February 2020: The IRS announced it would increase efforts to contact high-income taxpayers (earning \$100,000 or more per year) who had failed to file one or more tax returns in years prior.
 - Reaction to 2018 GAO report showing 40% decline in non-filer investigations since 2010.
- 2020 Non-Filer Enforcement Initiative aimed to:
 - Increase identification and case creation for individual and business non-filers
 - Automated Substitute for Return program (ASFR)
 - Campus Automated 6020(b) program
 - Delinquent Return Refund Hold program (DRRH)
- Program has led to increase in enforcement #s

MICRO CAPTIVES, CANNABIS, CONSERVATION EASEMENTS

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- **Micro Captives**
 - IRS continues to aggressively identify abusive captive arrangements and deny tax benefits claimed in these transactions
 - IRS issued settlement offers to taxpayers who participated in micro-captive insurance transactions (listed as a “Dirty Dozen” transaction)
 - Available for those with at least one open year under exam
 - In April 2021, IRS urged those participating in abusive micro-captive insurance arrangements to “exit” the transaction
 - On March 10, 2021, the U.S. Tax Court held in *Caylor Land & Dev. v. Commissioner*, T.C. Memo. 2021-30 (2021), that yet another micro-captive arrangement failed to qualify as insurance for federal tax purposes. This decision follows several earlier Tax Court decisions that also confirmed the IRS's determinations that certain micro-captive arrangements were not eligible for the claimed federal tax benefits. In *Caylor*, the Tax Court also sustained the IRS's determination of accuracy-related penalties and rejected the taxpayer's claim of reliance on tax advice.

MICRO CAPTIVES, CANNABIS, CONSERVATION EASEMENTS, CONT.

- **Conservation Easements**

- In 2020, IRS Chief Counsel released notice regarding settlement initiative for pending T.C. cases for those who participated in syndicated conservation easement transactions (also listed on “Dirty Dozen” list)
- IRS has seen success with these cases, which at times see the imposition of 75% civil fraud penalties or referrals to criminal investigation
- Settlement requires concession of tax benefits claimed and imposes penalties
- The initiative will allow participants to deduct the cost of acquiring their partnership interest and will require a penalty of at least 10%. Promoters will not be allowed any deductions and must pay the maximum penalty, typically 40%.

- **Cannabis Industry**

- SB/SE Examination Unit launches Cannabis Industry-Focused Compliance Initiative in October 2021. Goals include:
 - Providing training and job aids to IRS examiners working cases so they can conduct quality examinations (audits) consistently throughout the country.
 - Ensuring a coordinated and consistent approach by the IRS to the cannabis/marijuana industry.
 - Finding ways to identify noncompliant taxpayers.
 - Collaborating with external stakeholders to increase an awareness of tax responsibilities to improve compliance.
 - Giving taxpayers access to information on how to properly comply with filing requirements.

IRS CIVIL ENFORCEMENT

Bank Secrecy Act Compliance Checks

- Casinos
- Check Casher
- Money Service Business
- Dealer Precious Metals/Stones
- Informal Value Transfer
- Foreign Exchange Dealer
- Nonfinancial Trade or Business
- Sellers of Money Orders, Traveler Checks, Store Value
- Cryptocurrency Exchangers

IRS CIVIL ENFORCEMENT

- Office of Fraud Enforcement
 - Improving fraud detection and development to address areas of high fraud/risk noncompliance.
 - Cultivating internal and external partnerships to identify new treatment streams to enhance enforcement.
 - Pursuing civil fraud penalties and recommending criminal cases that will lead to prosecutions, where appropriate.

CI: 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 Abusive Tax Schemes Cyber Crimes
- Virtual Currency Refund Fraud QRP/RRP OCDETF Terrorism Public Corruption

Investigative Time

- 73+% of Direct Investigative Time on Tax
- 11% high level OCDETF/Narcotics
- 15% other significant financial crimes (high level money laundering, terrorist financing, cyber crimes, BSA violations)

Jurisdiction

- CI is the only federal agency authorized to investigate potential criminal violations of the Internal Revenue Code

CRIMINAL TAX CASES OF NOTE

1. Ex-Microsoft engineer, Volodymyr Kvashuk, sentenced in November 2020 for elaborate cyber theft that included movement of approximately \$2.6 million of Bitcoin through bank and investment accounts using a bitcoin “mixer.” Kvashuk had also filed false tax returns. The IRS claimed this was the first Bitcoin case charged as a tax crime.
 - Source: <https://www.justice.gov/usao-wdwa/pr/former-microsoft-software-engineer-sentenced-nine-years-prison-stealing-more-10-million#:~:text=Seattle> – A former Microsoft software, Moran
2. John McAfee, founder of McAfee computer security software company, indicted on federal tax charges in October 2020. McAfee allegedly evaded tax liability by directing income to be paid into bank and crypto exchange accounts in names of nominees.

JOINT CHIEFS OF GLOBAL ENFORCEMENT (J5)

'Their days are over': Global tax sting implicates hundreds of Aussies



Lucy Dean

Yahoo Finance AU 23 January 2020

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Australians caught up in global tax sting. Images: Getty

Hundreds of Australians have been caught up in

Forbes

Billionaires

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Leadership

Money

Business

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Life

EDITORS' PICK | 2,188 views | Jan 23, 2020, 12:32pm EST

Tax Chiefs Combine Forces In Global Tax Evasion Fight



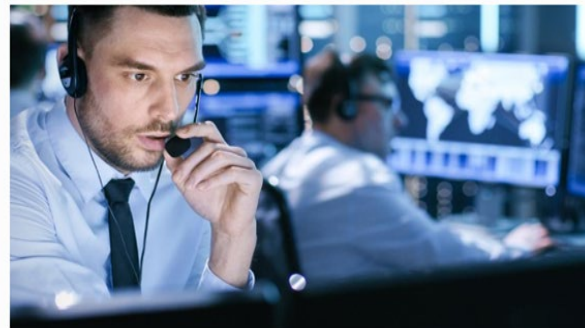
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Five countries unite in global tax evasion crackdown

By Robb Lawther, 23 Jan 20

Cheats around the world 'should be on notice that their days of non-compliance are over'

f Twitter in



A GLOBAL SCALE: JOINT CHIEFS OF GLOBAL TAX ENFORCEMENT (J5)

- IRS announces in February 2018 it is creating a new international tax enforcement group comprised of ten criminal investigators focusing on international crimes by tax evaders who use cryptocurrency
- The IRS joins the J5 in July 2018:
 - The Joint Chiefs of Global Tax Enforcement (known as the J5) are committed to combatting transnational tax crime through increased enforcement collaboration. [The tax authorities] will work together to gather information, share intelligence, conduct operations and build the capacity of tax crime enforcement officials.

The J5 comprises the Australian Criminal Intelligence Commission (ACIC) and Australian Taxation Office (ATO), the Canada Revenue Agency (CRA), the Fiscale Inlichtingen- en Opsporingsdienst (FIOD), HM Revenue & Customs (HMRC), and Internal Revenue Service Criminal Investigation (IRS-CI).

- Source: IRS, Joint Chiefs of Global Tax Enforcement (last updated Sept. 20, 2020)

A GLOBAL SCALE: JOINT CHIEFS OF GLOBAL TAX ENFORCEMENT (J5)

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- Australian Criminal Intelligence Commission (ACIC) & Australian Taxation Office (ATO)
- Canada Revenue Agency (CRA)
- The Netherlands - Fiscale Inlichtingen- en Opsporingsdienst (FIOD)
- The United Kingdom - HM Revenue & Customs (HMRC)
- Internal Revenue Service Criminal Investigation (IRS-CI)

Four Working Groups:

- Professional Enablers (UK)
- Cyber/Virtual Currency (US)
- Platforms/Data (NL)
- Media and Communications (US)

CASE STUDY: A MODEL FOR THE FUTURE














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United States, Germany and the Republic of Korea.

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Brazil


Canada


Czechia


Finland


France


Hungary


Ireland


Italy


Poland


Saudi Arabia


Spain


Sweden


United Arab Emirates

THE RAPID EVOLUTION OF DATA ANALYTICS IN AML AND FINANCIAL CRIMES

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- **Topics:**
 - **State of affairs: Data analytics by law enforcement**
 - **Agency Example: IRS-CI**
 - **Data Analytics and AI in the AML profession**
 - **Law Enforcement vs. AML data analytics – do they intersect?**
 - **Case Example**
 - **Key Takeaways**

WHAT IS DATA ANALYTICS?

- Terminology
 - Data Analytics
 - Data Science
 - Model (supervised/unsupervised)
 - Algorithm
 - Artificial Intelligence
 - Machine Learning
- Types of Data
- Types of Analysis
- Purpose of Data Analytics

STATE OF AFFAIRS: DATA ANALYTICS IN FEDERAL LAW ENFORCEMENT

- Overused and misunderstood term
- Agencies are using data analytics (cite the GAO study about percentages with AML) to varying degrees <https://www.gao.gov/assets/710/709745.pdf>
- Most non-law enforcement term a decade ago, now you can't listen to a government leader speak without using the words data analytics, AI, etc.
- Inconsistent across agencies
- Multiple contracts for reviewing the same data
- Stovepipes, overlapping missions, turf battles

STATE OF AFFAIRS: DATA ANALYTICS IN FEDERAL LAW ENFORCEMENT (CONT.)

- Multiple contracts with the same private sector firms to review the same data
- Example: Review of SAR Data
- Review of Panama Papers – most analyzed data on a global scale, duplication, inefficient.
- Agencies generally don't share information, systems or results
- Inconsistent to non-existent feedback loops with the originators of the data (often banks and AML professionals)
- Each of the major agencies continues to do it better, but they operate independently and without regard for one another.
- This leads to duplication and waste of precious taxpayer money.

IRS-CI NATIONALLY COORDINATED INVESTIGATIONS UNIT (NCIU)

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- Formed 5/1/2017 as part of the Future State initiative for IRS-CI
- Formed strong partnerships within IRS and external stakeholders
- Uses data driven case selection (with Research, Applied Analytics & Statistics (RAAS))
- Focuses on developing investigative strategy that addresses nationwide key noncompliance areas and emerging threats
- Serves as a continual resource to Field Offices
- Provides training and oversight for large, complex investigations
- Initiatives: Employment Tax, Virtual Currency, FATCA, National Targeting Center
- NCIU proven success in using models and algorithms to identify felony criminal tax evasion.
- Data analytics to find and investigate financial crimes.

CASE EXAMPLE: NCIU REFERRALS IN THE NEWS

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Surf Financial CEO David Nava pleaded guilty to multi-million dollar securities and tax fraud

By Marivic Cabural Summers - October 8, 2020



David Nava, the CEO of Surf Financial Group LLC admitted to operating multi-million dollar securities and tax fraud scheme and an unlicensed money services business in California.

According to the Department of Justice ([DOJ](#)), Nava entered his guilty plea before U.S. Magistrate Judge Karen S. Crawford of the Southern District of California.

CASE EXAMPLE: NCIU REFERRALS IN THE NEWS (CONT.)

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Daily Voice

Northern Highlands, New Jersey

December 19, 2019

Feds Charge Globe-Trotting Stem Cell Surgeon From Hackensack With Pocketing Payroll Taxes

By Jerry DeMarco

A world-traveling orthopedic surgeon from Hackensack who boasts of spearheading stem cell research worldwide failed to pay employees' payroll taxes to the IRS over five separate years and used it for other purposes, a federal grand jury charged.

An 11-count indictment returned in U.S. District Court in Newark alleges that Brian Mehling, 54, failed to collect, account for or deliver payroll taxes.

CASE EXAMPLE: NCIU REFERRALS IN THE NEWS (CONT.)

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AUDIT & ACCOUNTING TAX TECHNOLOGY PRACTICE MANAGEMENT MORE ▾

Hoover, Alabama: Salesman Ivan Scott Butler has been sentenced to two years in prison for tax evasion.

Butler was an automobile industry consultant and sold automobile warranties as an independent salesman. In 1993, he stopped filing tax returns and attended tax defier meetings and purchased tax defier materials. Five years later, Butler used several Nevada nominee corporations to receive his income and conceal it from the IRS. In or around 1999, Butler moved hundreds of thousands of dollars to bank accounts in Switzerland and hid his assets in offshore insurance policies held in the name of non-U.S. insurance providers (a.k.a. insurance wrappers).

In 2014, Butler converted some of his insurance wrappers into precious metals, which were shipped to Butler and another individual in the U.S. Some of those precious metals were given to friends and family for safekeeping.

In total, Butler caused a tax loss to the IRS of \$1,093,400.

Butler, who pleaded guilty in March, was also ordered to serve three years of supervised release and to pay some \$1,093,400 in restitution to the U.S.

AI AND DATA ANALYTICS IN AML

- More mature and refined than Government
- Generally more funding for analytics than Government
- Examples: Transaction monitoring, KYC, risk models and tolerance, anomaly detection, customer risk ranking, social network analysis
- Financial Institutions tend to “over-gather” transactions
- How do you cut through the noise and monitor.....
- While also providing value to Law Enforcement?
 - What percentage of alerts are useful?
 - How do you focus the systems to make them more efficient?

AI AND DATA ANALYTICS IN AML (CONT.)

- Unanswered Questions: Will the provisions of AMLA 2020 move the needle?
 - Increased collaboration theme
 - Emphasis on Private-Public Partnership
 - Expanded BSAAG

LAW ENFORCEMENT AND AML DATA ANALYTICS: DO THEY INTERSECT?

- Maybe, sometimes, probably not....
- BSA laws were enacted 50 years ago to help prevent financial institutions from being used to launder illicit funds.
- And to provide valuable financial intel to law enforcement
- Without a proper feedback loop, both sides remain inefficient (GAO to study as part of AMLA 2020)
- Banks/AML will over-prepare and be over-inclusive to satisfy regulators

LAW ENFORCEMENT AND AML DATA ANALYTICS: DO THEY INTERSECT? (CONT.)

- Law Enforcement will say they provide feedback to the banks, but it is inconsistent to non-existent depending on geography.
- Much written in AMLA 2020 to address this partnership and ensure that LEA's are providing the feedback to banks.
- First – law enforcement needs to have a proper united front (renewed BSAAG) in terms of what are the Governments top priorities? What are the typologies and key words that will help the banks identify this information.
- Second – the banks can adjust their systems accordingly and focus on law enforcement and rooting out financial crime.

QUESTIONS?

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THANK YOU

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