



governmentattic.org

"Rummaging in the government's attic"

Description of document: Department of the Treasury Office of Inspector General (OIG) Selected Closed Investigations 2015-2016

Requested date: 2017

Release date: 07-June-2017

Posted date: 03-January-2020

Note: No formal release letter provided

Source of document: FOIA Request
FOIA and Transparency
Department of the Treasury
Office of the Inspector General
Washington, DC 20220
Fax: 202-622-3895
[Online FOIA Request Form](#)

The governmentattic.org web site ("the site") is a First Amendment free speech web site, and is noncommercial and free to the public. The site and materials made available on the site, such as this file, are for reference only. The governmentattic.org web site and its principals have made every effort to make this information as complete and as accurate as possible, however, there may be mistakes and omissions, both typographical and in content. The governmentattic.org web site and its principals shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to have been caused, directly or indirectly, by the information provided on the governmentattic.org web site or in this file. The public records published on the site were obtained from government agencies using proper legal channels. Each document is identified as to the source. Any concerns about the contents of the site should be directed to the agency originating the document in question. GovernmentAttic.org is not responsible for the contents of documents published on the website.

REPORT OF INVESTIGATION
USM-15-0368-I



Office of Inspector General

United States Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: Violation of Public Law
Sales & Marketing Division
Headquarters
United States Mint (USM)

Case #: USM-15-0368-I

Case Type: Criminal ☒
Administrative ☒
Civil ☐

Investigation Initiated: November 17, 2014

Conducted by: [REDACTED]
Investigator

Investigation Completed: AUG 20 2015

Approved by: Jerry S. Marshall
Special Agent in Charge

Origin: Dennis P. O'Connor, Chief
United States Mint Police

Summary

On October 24, 2014, the Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), received a referral from the United States Mint (USM) alleging that USM Sales & Marketing Division (SMD) had over minted and over sold above the congressionally mandated limit, the 2014 Baseball Hall of Fame Gold Commemorative Coin in Violation of Public Law 112-152. (Exhibit 1)

The investigation determined that the allegation was substantiated. TOIG interviews and document reviews, as well as an admission by members of the SMD staff members during their interviews with TOIG, substantiated that the SMD violated Public Law 112-152.

On April 8, 2015, TOIG requested a legal opinion from TOIG Office of Counsel (OC). TOIG OC opined that no penalty for violation of this public law exists; therefore this matter was not referred to the USAO for a prosecutorial opinion.

Basis and Scope of the Investigation

On November 17, 2014, TOIG received information from the USM alleging that the SMD had over minted and over sold 104 coins above the 50,000 congressionally mandated limit of the 2014 Baseball Hall of Fame \$5 Gold Commemorative Coin in Violation of Public Law 112-152.

During the course of the investigation, interviews were conducted with:

- [REDACTED] Acting Assistant Associate Director, Sales & Marketing, USM
- [REDACTED], Acting Associate Director, Sales & Marketing, USM
- [REDACTED], Manager, Product & Program Management Branch, USM
- [REDACTED] Branch Manager, Inventory & Sales Management Branch, USM
- [REDACTED] Commemorative Coin Program Manager, Product & Program Mgt. Branch, USM
- [REDACTED] Merchandise & Inventory Manager, Product & Program Mgt. Branch, USM
- [REDACTED] Production Planning & Control Specialist, USM
- [REDACTED] Program Manager, PFSweb Memphis, TN Facility

In addition, TOIG reviewed pertinent documents, including:

- USM Police Incident Report 14-HQ-041
- USM Inventory Spreadsheet of Gold Coin Shipments
- PFSweb Incident Report

Investigative Activity

In an interview with TOIG, [REDACTED] stated that she was responsible for overseeing all of the products and the process relating to the Baseball Hall of Fame (BHF) coins as well as coordinating with the recipient organization which is the BHF. [REDACTED] stated that it is common practice to over mint the allowed production number of coins since the USM over sells the initial orders for the coins. [REDACTED] had taken into account a certain number of coins being returned or damaged during the minting or shipping process and the fact that the USM didn't want to cause multiple minting's or have to smelt the excess coins. [REDACTED] stated that she as the program manager and in consultation with her Supervisor, [REDACTED], determined that an extra 250 coins would be minted to cover the loss damage margin for the \$5 coin.

[REDACTED] stated that the gold coins were shipped to Pitney Bowes Government Solutions (PBGS) in Indianapolis, IN; however, all of the coins were being transferred to PFSweb in Memphis, TN, due to the closing of PBGS. [REDACTED] stated that [REDACTED] was on the ground in Indianapolis and oversaw the transfer of the entire live product to Memphis and that someone from USM Warehouse Control would have monitored the arrival of the coins in Memphis.

Report of Investigation

Case Name: Violation of Public Law

Case # USM-15-0368-I

Page 3 of 8

█████ stated that PFSweb did not have a secure protected warehouse when the coins arrived in Memphis, so PFSweb did not have the ability to segregate the coins to prevent them from being shipped. [Investigative Note: PFSweb Program Manager, █████ contradicts this statement in his interview].

█████ stated that the USM did not have any visibility on the coin numbers during the first week after going live at PFSweb due to the reports portal at PFSweb not being operational at the time of the transition. █████ stated that PFSweb and the USM were communicating via email during this time period and by October 2, 2014; the number of coins that had been shipped from PFSweb did not match the USM inventory. The USM immediately stopped all shipments after the first email they received from PFSweb. █████ stated that her contacts at PFSweb, Memphis were █████ and █████ (Exhibit 2)

In an interview with TOIG, █████ stated that when a new commemorative coin is minted it is common practice to over mint the allowed production number of coins. █████ stated that she consulted with █████ and between the two of them determined that an extra 250 coins would be minted to cover the loss, damage margin for the \$5 coin.

█████ stated that the gold coins were all minted at USM West Point and 49,892 coins were shipped to PBGS in Indianapolis, IN. █████ stated that all of the live USM products were being transferred to PFSweb in Memphis, TN, due to a change in the USM contract. PBGS did not bid on the contract and the facility was shut down. █████ stated that █████ was on the ground in Indianapolis and oversaw the transfer of the entire live product to Memphis.

█████ stated that she does not believe that the gold coins were marked properly prior to them being shipped to Memphis and that some of the coins that were supposed to be segregated from the batch as reserved, not for sale, were co-mingled with the batch of coins left for sale. █████ stated that █████ could not be in two places at once and was unable to oversee the storage of the coins once they reached Memphis. █████ stated that the over sale of the 104 coins by PFSweb was accidental due to the confusion caused by the transfer of the coins from PBGS and the fact that the not for sale coins were not segregated at PFSweb. █████ stated that the USM has taken steps to prevent this error from occurring again. █████ stated that the USM now stores all overstock of coins at the production facility and ships additional coins only when needed. █████ stated that █████ who works in manufacturing, could provide the minting schedules of the coins and that █████ could provide additional information on any lost coins. (Exhibit 3)

In an interview with TOIG, █████ stated that he was present at the PBGS facility in Indianapolis, IN from June 2014, through December 31, 2014, and oversaw the packing and shipping of all of the coins, boxes, non-coin items such as pamphlets and medals, etc., that were being transferred to PFSweb in Memphis, TN. █████ stated that he counted everything

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Report of Investigation

Case Name: Violation of Public Law

Case # USM-15-0368-I

Page 4 of 8

that left the PBGS facility and stated that someone from USM Warehouse Control would have monitored the arrival of the coins in Memphis, however, he was uncertain who verified the shipments arrival in Memphis because the personnel rotated weekly. ██████ stated that all of the coins and other materials did arrive in Memphis.

█████ stated that the PBGS computer system which tracked the coin inventory and allowed USM personnel to place inventory in segregation, shut down on September 30, 2014. PFSweb's computer system became operational on October 1, 2014, however, the two computer systems were not identical and the PFSweb system only gave available inventory and recorded what product was shipped.

█████ stated that the USM did not have any visibility on the coin numbers during the first week after going live at PFSweb. ██████ stated that he received a call from ██████ requesting the number of commemorative coins sold, since each coin sale had to be tracked. ██████ stated that once the USM realized that there was an over shipment of coins, they immediately put into place corrective measures to ensure that this does not happen again. (Exhibit 4)

In an interview with TOIG, ██████ stated that the PFSweb facility in Memphis, TN, was coming on line on October 1, 2014. PFSweb won the USM contract for taking USM coin orders and shipping the coins to customers. ██████ stated that the USM over shipped 104 \$5 gold coins to its previous facility PBGS in Indianapolis, IN. ██████ stated that ██████ was on the ground in Indianapolis and oversaw the transfer of the entire live product to Memphis.

█████ stated that ██████ should have coordinated the inventory that arrived at PFSweb in Memphis, however, an oversight was made and the coins were not segregated as "do not sell" at PFSweb. ██████ stated that as the Branch Chief he accepts full responsibility for the over shipment of \$5 coins to PFSweb.

█████ stated that as of March 25, 2015, only 101 \$5 coins have been over shipped. These corrected numbers are based on returns and current inventory. ██████ stated that only 1 \$5 coin was reported missing from a point of sale vendor which includes the USM gift shop and counter sales at trade shows. ██████ stated that as of December 2014, no further sales of these coins is permitted. (Exhibit 5)

In an interview with TOIG, ██████ stated that before any coins are minted by the USM there has to be a Master Production Schedule (MPS) which is a control document signed by the USM, Sales & Marketing Director. Once this MPS is signed then the USM determines an approved build quantity, which for these coins was 50,000. ██████ stated that this quantity number is driven by the SMB and that the SMB will over sell orders for a product in an effort to sell as many coins as possible. The orders are then filled. ██████ stated that to place an order a valid credit card must be used and that the orders are processed once the coins have been minted and shipped to PBGS or PFSweb.

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

██████████ stated that sometimes these credit cards are no longer valid when the orders are ready to be filled and the call center has to verify if the customer still wants the product and obtain a valid credit card number. If the customer no longer wants the coins, then the next person in the ordering que is contacted. ██████████ stated that the SMB determines what percentage of the order will be proofs or uncirculated coins. ██████████ stated that the proofs have a polished finish and the uncirculated coins have a flat finish. Customers decide on what finish they want when ordering the coins.

██████████ stated that the USM made a revision to the MPS for an additional 250 uncirculated coins on August 14, 2014, to cover product returns and that these coins were shipped to PBGS in Indianapolis, IN. ██████████ stated that some of these 250 coins were shipped to PFSweb Memphis and were eventually sold to the public, but once the USM realized that there was an over shipment of coins, they immediately put into place corrective measures. ██████████ stated that the USM can only ship what is on the MPS and all over minted coins now stay at the minting facility that produced the coins until they are needed or they are smelted. (Exhibit 6)

In an interview with TOIG, ██████████ stated that in September and October of 2014, PFSweb received a shipment of \$5 gold Commemorative Baseball Coins from PBGS in Indianapolis, IN; and that ██████████ from the USM Warehouse control monitored the arrival of the coins in Memphis.

██████████ stated that PFSweb did have a secure protected area within the warehouse when the coins arrived in Memphis, however, no one at the USM communicated to PFSweb that the coins needed to be segregated to prevent them from being sold or shipped.

██████████ stated that PFSweb and the USM were communicating via email during this time period and by October 2, 2014; the Adjusted Net Demand (AND) number of coins shipped from PFSweb did not match the USM inventory. ██████████ stated that any existing orders for the coins were put on hold and the coins were moved to the protected area of the warehouse.

██████████ stated that since this incident, communication between the USM and PFSweb has improved and that within the next six months PFSweb hopes to implement new procedures that will prevent any product from being shipped until it is listed as a saleable item. ██████████ provided TOIG a copy of an incident report he filed relating to the loss of the coins. (Exhibit 7)

In an interview with TOIG, ██████████ stated that PFSweb runs the e-commerce end of the USM coin sales by handling the website, call center and the distribution center. ██████████ stated that the transfer of the entire live product from Indianapolis to Memphis took approximately 83 trucks to transfer to Memphis.

██████████ stated that PFSweb just did what they were paid to do. They had orders and product and they filled the orders with the inventory they had. ██████████ stated that he does not believe that the gold coins were marked properly prior to being shipped to Memphis and that some of the coins that were supposed to be segregated from the batch as reserved, not for sale, were co-mingled with the batch of coins left for sale. Approximately 104 coins were oversold to the public. (Exhibit 8)

In an interview with TOIG, ██████████ stated that she feels like this incident was caused by the "perfect storm" meaning the confusion caused by human error and the closing of PBGS in Indianapolis, IN and the co-mingling of product shipped to PFSweb in Memphis, TN, that was placed in stock to be sold by PFSweb Memphis. (Exhibit 8)

Referrals

On April 8, 2015, TOIG requested a legal opinion from TOIG Office of Counsel (OC). TOIG OC opined that no penalty for violation of this public law exists; therefore this matter was not referred to the USAO for a prosecutorial opinion.

Judicial Action

N/A

Findings

The investigation determined that the allegation was substantiated. TOIG interviews and document reviews as well as an admission by the SMD staff members during their interviews with TOIG substantiated that the SMD violated Public Law 112-152.

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policy (ies) were violated or could be applied to the case:

- Violation of Public Law 112-152

Distribution

Dennis O'Connor, Chief, United States Mint Police

Signatures

Case Agent:

[REDACTED]

8/5/15
Date

Supervisor:

[REDACTED]

Jerry S. Marshall

5 AUG 2016
Date

Exhibits

1. Complaint letter from Dennis O'Connor, Chief USM Police, dated November 17, 2014
2. Memorandum of Activity, Interview of [REDACTED] dated April 3, 2015.
3. Memorandum of Activity, Interview of [REDACTED] dated March 26, 2015.
4. Memorandum of Activity, Interview of [REDACTED], dated April 3, 2015.
5. Memorandum of Activity, Interview of [REDACTED] dated March 30, 2015.
6. Memorandum of Activity, Interview of [REDACTED] dated April 3, 2015.
7. Memorandum of Activity, Interview of [REDACTED] dated June 5, 2015.
8. Memorandum of Activity, Interview of [REDACTED] & [REDACTED] dated March 26, 2015

REPORT OF INVESTIGATION
BFS-14-2532-I



Office of Inspector General

United States Department of the Treasury



U.S. Department of the Treasury Office of Inspector General



Report of Investigation

Case Title: IRS Routing Numbers

Case #: BFS-14-2532-I

Investigation Initiated: March 20, 2015

Case Type: Criminal X
Administrative —
Civil —

Investigation Completed: JAN 08 2016

Origin: [REDACTED] Chief Security
Officer
Bureau of the Fiscal Service

Conducted by: [REDACTED]
Special Agent

Approved by: Jerry S. Marshall,
Special Agent in Charge

Summary

On August 11, 2014, the Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) received notification from [REDACTED] Technical Analyst, Treasury Securities Services, Bureau of the Fiscal Service (BFS), regarding a suspicious pattern of routing numbers used by the Internal Revenue Service (IRS) to credit TreasuryDirect accounts with tax refunds. All of the questionable TreasuryDirect accounts shared common similarities, such as no driver's license information, invalid telephone numbers, and tax refunds just under \$5,000. Such similarities are possible indications of tax return fraud. Green Dot Corporation (GDC) and Bancorp were listed on the TreasuryDirect accounts. After a preliminary review of the accounts, BFS determined, due to the fraudulent scheme, that a total of \$368,302.62 was credited by the Treasury to the TreasuryDirects accounts and \$77,330 was subsequently withdrawn by unknown subjects through accounts at GDC and Bancorp. A total of \$290,972.62 remained in the TreasuryDirect accounts. All of the TreasuryDirect accounts were locked to prevent further loss and BFS changed the monthly review of the accounts to a weekly review for new accounts.

The investigation determined that the allegation was substantiated. Unknown subjects used identities stolen from victims to open TreasuryDirect, GDC, and Bancorp accounts. The identity theft victims resided in several states, including Florida, Texas, New York, and Alabama. The subjects utilized debit cards purchased at retail stores located in Florida and Texas to access the funds in the GDC and Bancorp accounts. The funds were transferred to the debit cards and then cash was withdrawn from automated teller machines (ATMs) located in Florida and Texas.

Basis and Scope of the Investigation

On August 11, 2014, TOIG received notification from [REDACTED] Technical Analyst, Treasury Securities Services, Bureau of the Fiscal Service (BFS), regarding the suspicious GDC and Bancorp accounts. The Compliance and Risk Management Staff (CRMS) discovered additional suspicious accounts and notified TOIG on August 20, 2014, September 2, 2014, and November 13, 2014. A total of ten Bancorp and ten GDC accounts were reported as fraudulent accounts. (Exhibit 1)

From May 19, 2014 through August 4, 2014, an unknown number of subjects opened fraudulent TreasuryDirect, Bancorp, and GDC bank accounts using the stolen identities of 19 victims. The victims were located in Florida, Texas, New York, and Alabama. By utilizing fraudulent tax return schemes, the subjects caused the Department of the Treasury to deposit a total of \$447,477.79 into TreasuryDirect accounts. The subjects, using debit cards purchased at various retail stores in Florida and Texas, withdrew approximately \$77,330 via automated teller machines (ATM) and store purchases. The ATM withdrawals and store purchases occurred in Florida and Texas. The subjects also attempted to obtain the funds via Treasury bonds, but they were only successful in redeeming \$100.

During the course of the investigation, interviews were conducted with:

- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED] private citizen
- [REDACTED], private citizen

In addition, TOIG reviewed pertinent documents, including:

- TreasuryDirect accounts
- Bancorp bank accounts
- GDC bank accounts
- Locations of debit card purchases and transactions

Investigative Activity

From March 2015 through August 2015, TOIG conducted telephonic interviews with ten of the identity victims. One victim already knew that he was a victim of identity theft because of fraudulent charges on his credit card statement. All ten victims did not know anything about TreasuryDirect, Bancorp, or GDC bank accounts. (Exhibit 2)

TOIG issued several Inspector General (IG) subpoenas to obtain bank records from Bancorp and GDC. TOIG reviewed the subpoena returns and discovered that there were tax refund deposits in five Bancorp and five GDC bank accounts. The total amount of deposits for the five Bancorp accounts was \$20,400. The total amount of deposits for the five GDC accounts was \$60,274.10. Withdrawals, totaling \$67,396.46, were made from four out of the five Bancorp accounts and three out of the five GDC accounts. (Exhibits 3, 4, and 5)

Numerous Treasury bonds were purchased using TreasuryDirect accounts but the subjects were unsuccessful in transferring any material amount of funds for personal use; most of the funds remained in the TreasuryDirect accounts. (Exhibit 6)

TOIG contacted Bancorp and GDC regarding the issuance of their bank cards to the account holders. Bancorp and GDC reported that the bank cards were mailed to the addresses listed in the account holders' files. The account holders did not have to utilize the issued bank cards to get access to the funds; the account holders could purchase debit cards sold at any retail store and use those cards to create a temporary link, via a personal identification number (PIN) created by the user, to load the funds from the Bancorp and GDC accounts to the debit cards.

An analysis of the locations where the debit card purchases and ATM withdrawals occurred indicated that the areas with the highest activities were in Florida and Texas. Purchases made ranged from various stores such as Walmart, Sam's Club, CVS, and Winn Dixie to eateries such as Pizza Hut and Chi's Wok in Florida and Texas. The debit cards were purchased in stores such as 7-Eleven, Walmart, and CVS in Florida and Texas. (Exhibit 7)

The subjects could not be identified through discussions with the identity theft victims and review of financial records and transactions. Video surveillance and photographs of the individuals conducting the transactions were not available due to the limited amount of time the stores electronically maintain video and photograph records and because in-person transactions were not conducted at the banks. The accounts were set up via the internet; internet protocol (IP) addresses of the account owners were not captured or maintained by the banks. All investigative leads have been exhausted.

TOIG referred the case to Resident Agent in Charge (RAC) [REDACTED] Scheme Development Center (SDC), IRS-CI, for consideration. After reviewing the case, RAC [REDACTED] declined the referral and requested TOIG forward the referral to Washington Field Office (WFO), IRS-CI. TOIG provided

the case information to Supervisory Special Agent (SSA) [REDACTED] WFO, IRS-CI. SSA [REDACTED] accepted the referral and requested information regarding the victims. The victim information was analyzed and forwarded to the SDC to determine if they were linked to any IRS-CI investigations. SSA [REDACTED] reported there were no developments. TOIG will be contacted if there were any developments.

Referrals

N/A

Judicial Action

N/A

Findings

The investigation determined that the allegation was substantiated. The TreasuryDirect, Bancorp, and GDC accounts were fraudulently opened using stolen identities. Fraudulent tax refunds were then deposited into the Bancorp and GDC accounts. Debit cards were then purchased at various retail stores for the sole purpose of loading and accessing the funds. The loaded debit cards were used to make cash withdrawals at ATMs and purchases at stores and restaurants. The subjects could not be identified.

Based on the findings of the investigation, it appears the following pertinent regulation was violated and can be applied to the case:

- 18 USC § 1343 Fraud by Wire
- 18 USC § 641 Public Money, Property or Records

Distribution

[REDACTED] Chief Security Officer, Bureau of the Fiscal Service

Signatures

Case Agent:

12/28/2015
Date

Supervisor:

8 JAN 2016
Date

Jerry S. Marshall

Exhibits

1. Lead Initiation, various dates.
2. Memorandum of Activity, Miscellaneous, dated September 14, 2015.
3. Memorandum of Activity, Subpoena – OIG – Results/Review, dated May 19, 2015.
4. Memorandum of Activity, Subpoena – OIG – Results/Review, dated June 17, 2015.
5. Memorandum of Activity, LEO Activity – Record/Information Review, dated July 24, 2015.
6. Memorandum of Activity, LEO Activity – Record/Information Review, dated July 16, 2015.
7. Memorandum of Activity, LEO Activity – Record/Information Review, dated July 29, 2015.

OFFICE OF
INSPECTOR GENERALDEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FEB 03 2016

MEMORANDUM FOR [REDACTED] **DIRECTOR, ENTERPRISE GOVERNANCE**
OFFICE OF THE COMPTROLLER OF THE CURRENCY**FROM:** Jerry S. Marshall [REDACTED]
Special Agent in Charge**SUBJECT:** Notification of Investigation Closure

OIG Case Number: OCC-15-2028-I

An investigation was initiated by the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), after receiving allegations from the Office of the Comptroller of the Currency (OCC) that [REDACTED] Associate National Bank Examiner, OCC, was arrested on July 14, 2015, by the Oklahoma City Police Department, after [REDACTED] left the OCC and hit several vehicles as he was exiting the OCC parking lot. [REDACTED] blamed lack of sleep and medications for the accidents. Our investigation determined that the charges against [REDACTED] were dismissed on October 15, 2015. On January 15, 2016, TOIG was notified by the OCC that [REDACTED] had resigned from his position at the OCC.

As a result, TOIG has determined this matter lacks further investigative merit. Accordingly, TOIG is closing this matter.

This memorandum is being forwarded to you for informational purposes only. If you have questions or if you develop information that may indicate a need for additional or new investigative activity to assist you in resolving this matter, please contact me at (202) 927-[REDACTED]

This report is the property of the Office of Inspector General, and is For Official Use Only. It contains sensitive law enforcement information, the use and dissemination of which is subject to the Privacy Act, 5 U.S.C. § 552a. This information may not be copied or disseminated without the written permission of the OIG, which will be granted only in accordance with the Privacy Act and the Freedom of Information Act, 5 U.S.C. § 552. Any unauthorized or unofficial use or dissemination of this information will be penalized.

Office of Inspector General – Investigations
Department of the Treasury

**REPORT OF INVESTIGATION
SCAM-15-1454-I**



Office of Inspector General

United States Department of the Treasury



U.S. Department of the Treasury Office of Inspector General



Report of Investigation

Case Title: [REDACTED]

Case #: SCAM-15-1454-I

Investigation Initiated: November 18, 2015

Case Type: Criminal ☒
Administrative ☐
Civil ☐

Investigation Completed: FEB 29 2016

Origin: [REDACTED]
(Private Citizen)

Conducted by: [REDACTED]
Special Agent

Approved by: Jerry S. Marshall,
Special Agent in Charge

Summary

On April 20, 2015, the Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) received a complaint from Reed Smith, LLP, regarding fraudulent payments made to their client, [REDACTED]. The payments were made by [REDACTED] and [REDACTED] on behalf of [REDACTED], for his [REDACTED] school fees. [REDACTED] was a registered student at [REDACTED]. The payments consisted of several documents purported to be legal financial instruments that possessed monetary value. In addition, some of the documents mentioned the U.S. Treasury and Secretary Jacob Lew. Upon receiving these documents, [REDACTED] attempted to deposit them into their bank account at Bank of America. The bank promptly notified [REDACTED] that the payments were not acceptable for deposit. After receiving the notification from Bank of America and having problems with collecting [REDACTED]'s school fees, [REDACTED] terminated [REDACTED]'s student account. [REDACTED] then forwarded all the documents and related information to their law firm, Reed Smith, LLP. [REDACTED]'s outstanding balance was transferred to [REDACTED]'s collections department.

The investigation determined that the allegation was substantiated. [REDACTED] submitted worthless documents purporting to be legal financial instruments to [REDACTED] as payment for her grandson's school fees. [REDACTED]'s finance department attempted to deposit the payments into their bank account at Bank of America. The bank determined the payments could not be deposited and refused to allow the transactions. [REDACTED] and [REDACTED] used and placed the Secretary of the Treasury's name/title and the U.S. Treasury's routing number on the documents in an attempt to legitimize the worthless documents.

This case was presented for prosecutorial consideration and declined at the federal and state levels.

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Basis and Scope of the Investigation

On April 20, 2015, TOIG received a complaint from Reed Smith, LLP, regarding fraudulent payments submitted to [REDACTED] as payment for an [REDACTED] student's, [REDACTED] school fees. The complaint alleged [REDACTED] submitted to [REDACTED] fraudulent payments containing the U.S. Treasury's name and routing number and stated the payments were for [REDACTED]'s school fees. [REDACTED] submitted the following: a Bonded Bill of Exchange Order in the amount of \$8,861, an International Bill of Exchange in the amount of \$8,861, a Private Registered Bonded Promissory Note in the amount of \$6,481, and four money orders in the amounts of \$6,030, \$2,160.11, \$8,861, and \$8,861. The total payment amount submitted by [REDACTED] using the four money orders and the Promissory Note was determined to be \$32,393.11. (Exhibit 1)

During the course of the investigation, interviews were conducted with:

- [REDACTED] Interim President, [REDACTED]
- [REDACTED] Student Accounting, [REDACTED]

In addition, TOIG reviewed pertinent documents, including:

- [REDACTED] invoice for school fees
- Four money orders
- Bonded bill of exchange order
- Letter of advice
- Notice regarding any refusal of my bill of exchange
- International bill of exchange
- Private registered bonded promissory note
- Notice of memorandum of law
- California UCC filing acknowledgement and financing statement

Investigative Activity

TOIG reviewed documents provided by ReedSmith, LLP and prepared by [REDACTED] as payment for [REDACTED]'s school fees. Some of the documents contained the U.S. Treasury's name and bank routing number, and [REDACTED]'s signature was found on the money orders. The related documents, identified as letter of advice and notices, were attached to the money orders, promissory note, and bills of exchange. The letter and notices claimed that the bill of exchange, promissory note, and money orders were negotiable instruments. (Exhibit 2)

In an interview with TOIG, [REDACTED], Interim President, [REDACTED], said [REDACTED]'s student account was past due and [REDACTED] demanded full payment of \$12,966 for school fees, including tuition and housing costs. In response to the demand, [REDACTED]'s grandmother, [REDACTED] submitted fictitious money orders and a promissory note as payment. (Exhibit 3)

Report of Investigation

Case Name: [REDACTED]

Case # SCAM-15-1454-I

Page 3 of 6

In an interview with TOIG, [REDACTED], Student Accounting, [REDACTED], said he dealt directly with [REDACTED] and had several correspondences with her. [REDACTED] was enrolled as an [REDACTED] student starting on September 30, 2013. In April 2014, [REDACTED] submitted four money orders and a promissory note in the amounts of \$8,861, \$8,861 \$6,030, \$2,160.11, and \$6,481 to pay for [REDACTED]'s school fees. [REDACTED] related they were valid forms of payment. When [REDACTED] presented the money orders and promissory note at their depository institution for deposit, the bank rejected all the money orders and promissory note. The bank advised [REDACTED] that the money orders and promissory note had no value and therefore could not be deposited. [REDACTED] terminated [REDACTED]'s student account on December 16, 2014, and transferred his outstanding balance of \$14,571.11 to their collections department. (Exhibit 4)

[REDACTED], Analyst, Bureau of the Fiscal Service (BFS), reviewed the bills of exchange, money orders, and promissory note submitted by [REDACTED] and stated that the documents were worthless and possessed no value. [REDACTED] was familiar the types of documents submitted by [REDACTED] and has provided expert witness testimony in court in the past. According to [REDACTED] the premise behind the types of documents submitted by [REDACTED] was that the U.S. Government went bankrupt and gave each person a "value" when the U.S. left the gold standard. Individuals using these fictitious documents were attempting to obtain their "value" by creating these types of documents. (Exhibit 5)

Referrals

On November 16, 2015, TOIG presented the case for criminal prosecution to [REDACTED] Assistant U.S. Attorney for the United States Attorney's Office (USAO) for the District of Maryland, in Greenbelt, MD. After reviewing the facts of the case, the USAO declined prosecution citing a low loss amount. (Exhibit 6)

On November 18, 2015, TOIG presented the case for criminal prosecution to [REDACTED] States Attorney for the Office of the State's Attorney for Montgomery County, MD. After reviewing the facts of the case, Office of the State's Attorney declined prosecution citing a lack of a loss to the victim. (Exhibit 7)

Judicial Action

N/A

Findings

The investigation determined that the allegation was substantiated. [REDACTED] and [REDACTED], on behalf of [REDACTED] submitted fictitious financial instruments to [REDACTED] as payments for [REDACTED]

Report of Investigation

Case Name: [REDACTED]

Case # SCAM-15-1454-I

Page 4 of 6

Fish's outstanding balance. [REDACTED] and [REDACTED] used the U.S. Treasury's name and routing number on these fictitious financial instruments in an attempt to make them appear legitimate.

Based on the findings of the investigation, it appears the following pertinent regulation was violated and can be applied to the case:

- 31 USC § 333 Prohibition of misuse of Department of the Treasury names, symbols, etc.
- 18 USC § 287 False Claims

Distribution

[REDACTED] Chief Security Officer, Bureau of the Fiscal Service

Report of Investigation

Case Name: [REDACTED]

Case # SCAM-15-1454-I

Page 5 of 6

Signatures

Case Agent:

2/4/2016
Date

Supervisor:

12 FEB 2016
Date

Jerry S. Marshall

Exhibits

1. Lead Initiation, various dates.
2. Memorandum of Activity, LEO Activity-Record/Information Review, dated September 3, 2015.
3. Memorandum of Activity, Interview of Witness, dated September 16, 2015.
4. Memorandum of Activity, Interview of Witness, dated September 17, 2015.
5. Memorandum of Activity, LEO Activity-Record/Information Review, dated October 22, 2015.
6. Memorandum of Activity, Case Presented for Prosecution-Criminal (Declined), dated November 16, 2015.
7. Memorandum of Activity, Case Presented for Prosecution-Criminal (Declined), dated November 18, 2015.

OFFICE OF
INSPECTOR GENERALDEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

APR 13 2015

MEMORANDUM FOR [REDACTED]

SUPERVISORY CRIMINAL INVESTIGATOR AND
MANAGER, PRODUCT INVESTIGATIONS BRANCH
SECURITY AND INVESTIGATIONS DIVISION
BUREAU OF ENGRAVING AND PRINTING

FROM:

Jerry Marshall [REDACTED]
Special Agent in Charge

SUBJECT:

Specimen Notes

TOIG Case Number: BEP-14-1286-I

An investigation was initiated by TOIG after receiving information from the U.S. Bureau of Engraving and Printing (BEP). The BEP reported that a Series 1996 \$100 Specimen Note was posted for sale on the Heritage Auctions website.

According to the BEP, Specimen Notes of Series 1996 and later are only issued to authorized individuals, not considered for public release, and should be returned or destroyed at completion of official use. TOIG investigative research discovered Heritage Auctions had also sold a Series 1996 \$50 Specimen Note in 2005. TOIG subsequently issued an Inspector General subpoena to Heritage Auctions located in Dallas, TX, for invoice and sales records relating to the Series 1996 \$50 and \$100 Specimen Notes.

TOIG review of invoice and sales records produced by Heritage Auctions showed the 1996 \$50 Specimen Note was sold for approximately \$2,300 to [REDACTED], [REDACTED], at [REDACTED], [REDACTED]. The 1996 \$100 Specimen Note was sold for approximately \$5,000 to [REDACTED] at [REDACTED], [REDACTED], [REDACTED].

According to the TOIG Office of Counsel, recovery of the Specimen Notes from the respective buyers should be conducted by the BEP. Should the demand be refused, TOIG may then assist with recovery of the Specimen Notes. As a result, TOIG determined that the allegations do no merit additional investigative resources, and the matter is being closed accordingly.

If you have questions or if you develop information that may indicate a need for additional or new investigative activity to assist you in resolving this matter, please contact me at (202) 927-[REDACTED].



OFFICE OF
INSPECTOR GENERAL

MEMORANDUM FOR
SUPERVISOR OF FINANCIAL INSTITUTIONS AND
MANAGER, PRODUCT INVESTMENT GROUP
SECURITY AND INVESTIGATIONS DIVISION
BUREAU OF ENGRAVING AND PRINTING

FROM: [Redacted] Special Agent in Charge

SUBJECT: Specimen Notes

Old Case Number: BEP-14-1586

An investigation was initiated by TIG after receiving information from the U.S. Bureau of Engraving and Printing (BEP). The BEP located a Series 1996 \$100 Specimen Note was posted for sale on the Heritage Auctions website.

According to the BEP, Specimen Notes of Series 1996 and 1997 were only issued to authorized individuals, not sold to the public. A case was opened to be returned to the BEP at completion of official use. TIG investigative research discovered Heritage Auctions had sold a Series 1996 \$50 Specimen Note in 2005. TIG subsequently located an Inspector General subpoena to Heritage Auctions located in Dallas, TX, for invoices and sales records relating to the Series 1996 \$50 and \$100 Specimen Notes.

TIG review of invoice and sales records produced by Heritage Auctions showed the 1996 \$50 Specimen Note was sold for approximately \$1,000. The 1996 \$100 Specimen Note was sold for approximately \$2,000.

According to the TIG Office of Counsel, recovery of the Specimen Notes from the Heritage Auctions should be conducted by the BEP. Should the demand be refused, TIG may then assist with recovery of the Specimen Notes. As a result, TIG determined that the efforts to do so would not be an efficient use of resources, and the matter is being closed accordingly.

If you have questions or if you develop information that may require a need for additional or new investigative activity to assist you in resolving this matter, please contact me at (202) 92 [Redacted]



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MEMORANDUM FOR THE OFFICE OF INVESTIGATIONS

FROM: Jerry Marshall [REDACTED]
Special Agent in Charge

SUBJECT: Specimen Notes

OIG Case Number: BEP-14-1286-I

An investigation was initiated by TOIG after receiving information from the U.S. Bureau of Engraving and Printing (BEP). The BEP reported that a Series 1996 \$100 Specimen Note was posted for sale on the Heritage Auctions website.

According to the BEP, Specimen Notes of Series 1996 and later are only issued to authorized individuals, not considered for public release, and should be returned or destroyed at completion of official use. TOIG investigative research discovered Heritage Auctions had also sold a Series 1996 \$50 Specimen Note in 2005. TOIG subsequently issued an Inspector General subpoena to Heritage Auctions located in Dallas, TX, for invoice and sales records relating to the Series 1996 \$50 and \$100 Specimen Notes.

TOIG review of invoice and sales records produced by Heritage Auctions showed the 1996 \$50 Specimen Note was sold for approximately \$2,300 to [REDACTED], [REDACTED], at [REDACTED], [REDACTED], [REDACTED]. The 1996 \$100 Specimen Note was sold for approximately \$5,000 to [REDACTED] at [REDACTED], [REDACTED], [REDACTED].

According to the TOIG Office of Counsel, recovery of the Specimen Notes from the respective buyers should be conducted by the BEP. Should the demand be refused, TOIG may then assist with recovery of the Specimen Notes. As a result, TOIG determined that the allegations do no merit additional investigative resources, and the matter is being closed accordingly.

If you have questions or if you develop information that may indicate a need for additional or new investigative activity to assist you in resolving this matter, please contact me at (202) 927-[REDACTED]

**REPORT OF INVESTIGATION
DO-12-2650-I**



Office of Inspector General

United States Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] (ARRA)

Case #: DO-12-2650-I

Investigation Initiated: October 22, 2012

Case Type: Criminal X
Administrative
Civil

Investigation Completed: MAY 03 2016

Conducted by: [REDACTED]
Special Agent

[REDACTED]
(Former Case Agent)

Origin: Other Agency Referral

Approved by: Jerry S. Marshall
Deputy Assistant Inspector
General

Summary

On October 22, 2012, the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), initiated an investigation as a result of information obtained from the Department of Energy, Office of Inspector General, Office of Investigations (DOE-OIG) and the Environmental Protection Agency-Criminal Investigations Division (EPA-CID) regarding an investigation they were conducting regarding a Qui Tam filed with the Department of Justice. The Qui Tam alleged [REDACTED] ([REDACTED]) made false representations in order to obtain a \$400,000,000 loan. Abound had drawn down over \$68,000,000 and allegedly violated environmental laws in connection with the use and disposal of Cadmium Chloride, a highly toxic chemical.

The investigation determined that the allegation was unsubstantiated. Specifically, there was not enough evidence regarding [REDACTED] decision-makers knowingly not disclosing material information of its solar panel performance to DOE in late 2010 in connection with its application for the \$400M loan guarantee. In addition, the investigation also did not substantiate alleged violations of the Resource Conservation and Recovery Act (RCRA) or the Clean Water Act (CWA).

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Basis and Scope of the Investigation

On June 8, 2012, a Qui Tam was filed in the U.S. Attorney's Office in the District of Colorado, 1225 17th Street, Suite 700, Denver, CO, alleging violations of the False Claims Act by [REDACTED]. According to the Qui Tam, on December 9, 2010, [REDACTED] was approved for a \$400M loan guarantee under the DOE's Loan Guarantee Program (LGP) which was created "as part of the American Recovery and Reinvestment Act of 2009 (ARRA) to jumpstart the country's clean energy sector by supporting projects that deployed commercial technologies, but had difficulty securing financing in a tight credit market." [REDACTED] obtained the loan under section 1705 of the Energy Policy Act Title XVII. The section 1705 loan guarantee for \$400M to Abound was funded by the Federal Finance Bank (FFB). The FFB is an instrument of the U.S. government created by the Federal Financing Bank Act of 1973 and under the supervision of the Secretary of Treasury. Although the \$400M loan was issued by the FFB, the loan and funds were guaranteed by the DOE.

The Qui Tam alleged [REDACTED] made false or misleading representations to DOE including 1) [REDACTED] "falsely represented that it was disposing of the toxic waste [Cadmium Chloride] properly when, in fact, it had been illegally dumping this substance into the Weld County, Colorado landfill at numerous times since 2009" and 2) [REDACTED] "[failed] to disclose the serious and prevalent product defects" of its solar panels which led to "concealment of the financially material issues of product replacement, potential liability in connection with electrical fires, predictability inability to maintain market share once the problems became known, and a delayed – but ultimately unavoidable – cost of disposing of the defective products as hazardous waste." Through several loan draw-downs, [REDACTED] received approximately \$68M of the \$400M loan before declaring bankruptcy in or around June 2012. (Exhibits 1 & 2)

In September 2012, TOIG was notified by DOE-OIG of the Qui Tam allegations and the joint investigation by DOE-OIG and EPA-CID.

During the course of the investigation, interviews were conducted with:

- [REDACTED] Design Engineer, [REDACTED]
- [REDACTED] Senior Investment Officer, DOE.
- [REDACTED] Contractor, Financial Advisor, DOE.
- [REDACTED] (former) Project Manager for Technical Support, DOE.

In addition, TOIG reviewed pertinent documents, including:

- Federal Finance Bank Loan to [REDACTED].

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Investigative Activity

The TOIG review of FFB loan documents showed the \$400M loan was approved on December 9, 2010. The loan agreement was executed by [REDACTED] Vice President, FFB, [REDACTED] Manager, [REDACTED] and [REDACTED] Director, Loan Guarantee Program (LGP). The listed collateral agent is Midland Loan Services. The loan breakdown is as follows:

Maximum Principal Amount: \$369,744,430

Maximum Capitalized Interest: \$30,255,570

First Interest Payment: June 9, 2014

Maturity Date: March 9, 2022

In a December 9, 2010, a memorandum issued by [REDACTED] Secretary and Chief Financial Officer, FFB, with the subject of FFB Commitment to Purchase Obligations Guaranteed by the Secretary of Energy under Title XVII of the Energy Policy Act of 2005, recommended to proceed with the finance agreement because DOE would issue a 100 percent loan guarantee to Abound. The proceeds of the loan would be used to finance construction of cadmium telluride thin film solar panel manufacturing facilities in Colorado and Indiana.

[REDACTED] requested and received a total \$68,147,700 broken down into six payments from the period beginning December 9, 2010, through August 16, 2011. All requests for payments were made by Abely and approved by [REDACTED] (Exhibit 3)

On or about September 9, 2013, the Federal Bureau of Investigation (FBI), joined the investigation. The FBI worked in conjunction with an Investigator from the Weld County District Attorney's Office (Weld County DA), in Greeley, Colorado. Also on September 9, 2013, [REDACTED] external hard drives previously seized by DOE-OIG were transferred into custody of FBI for forensic analysis and review.

Several commercial purchasers of [REDACTED] solar panels were located in Germany and on September 17, 2013, TOIG and DOE-OIG provided a draft Mutual Legal Assistance Treaty (MLAT) to the FBI for records relating to those [REDACTED] customers operating or located in Germany. The MLAT was later transmitted by the USAO.

TOIG continued to provide assistance to the investigation by providing additional FFB documentation and identifying potential Treasury witnesses involved with the [REDACTED] application and loan drawdowns.

Continued investigative activity including a review of records, MLATs, interviews of witnesses, and USAO proffer sessions failed to obtain sufficient evidence supporting the elements of any potential fraud charges. (Exhibit 4)

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Report of Investigation

Case Name: [REDACTED]

Case # DO-12-2650-I

Page 4 of 6

Referrals

On August 28, 2013, this investigation was referred to [REDACTED] Assistant United States Attorney (AUSA), U.S. Attorney's Office (USAO), District of Colorado, for criminal prosecution of [REDACTED] in connection with loan fraud and violations of the RCRA and CWA. On January 20, 2016, AUSA [REDACTED] advised TOIG the investigation was declined for criminal prosecution. (Exhibits 5 & 6)

Judicial Action

N/A

Findings

The investigation determined that the allegation was unsubstantiated. Specifically, there was not enough evidence regarding [REDACTED] decision-makers knowingly not disclosing material information of its solar panel performance to DOE in late 2010 in connection with its application for the \$400M loan guarantee. In addition, the investigation also did not substantiate alleged violations of the Resource Conservation and Recovery Act (RCRA) or the Clean Water Act (CWA).

Distribution

N/A

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Report of Investigation

Case Name: [REDACTED]

Case # DO-12-2650-1

Page 5 of 6

Signatures

Case Agent: [REDACTED]

4/19/16
Date

Supervisor: [REDACTED]

22 Apr 2016
Date

Jerry S. Marshall

This Report of Investigation is the property of the Office of Investigation, Treasury Office of the Inspector General. It contains sensitive law enforcement information and its contents may not be reproduced without written permission in accordance with 5 U.S.C. § 552. This report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited.

Exhibits

1. Complaint Initiation, dated September 20, 2012.
2. Qui Tam Submitted by [REDACTED] P.C., dated June 8, 2012.
3. Memorandum of Activity, Review of Federal Finance Bank documents, dated October 18, 2012.
4. Memorandum Activity, Review of Declination Issued by AUSA [REDACTED] dated March 14, 2016.
5. Memorandum of Activity, AUSA Referral, dated August 21, 2014.
6. Memorandum of Activity, AUSA Declination, dated January 29, 2016.

**REPORT OF INVESTIGATION
DO-14-0770-I**



Office of Inspector General

United States Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]
Former Treasury employee
Carpenter/Locksmith
Departmental Offices

Case #: DO-14-0770-I

Case Type: Criminal X
Administrative
Civil

Investigation Initiated: March 11, 2014

Conducted by: [REDACTED] [REDACTED]
Special Agent

Investigation Completed: MAY 05 2016

Approved by: Jerry S. Marshall
DAIGI

Origin: Office of Personnel Management
Office of Inspector General

Summary

On March 11, 2014, the U.S. Office of Personnel Management, Office of Inspector General (OPM-OIG) contacted the U.S. Department of Treasury, Office of Inspector General (TOIG) and stated that the OPM-OIG was contacted by a Blue Cross Blue Shield (BCBS) investigator regarding a Treasury employee - [REDACTED] [REDACTED] [REDACTED] was a carpenter and locksmith for Treasury from 2010 to May 2014, when he transferred to the U.S. Department of Army. The BCBS investigator provided a report that reflected from May 2010 to October 2013, [REDACTED] utilized 82 providers and obtained 303 prescriptions (155 controlled substances). TOIG and OPM-OIG also found additional medications obtained from the U.S. Department of Veteran Affairs (VA) and medications purchased directly by [REDACTED]. In total, TOIG and OPM-OIG found that from May 2010 to November 2014, [REDACTED] utilized over 130 providers and obtained 479 prescriptions, of which 185 were for controlled substances.

[REDACTED] entered treatment for narcotic dependency in 2014 and there have been no known prescribed narcotics to him since this date. The United States Attorney's Office (USAO) in Washington, DC initially accepted this case for prosecution, but later declined prosecution because of the lack of recent drug activity and the aforementioned treatment.

Basis and Scope of the Investigation

In March 2014, TOIG was notified by OPM-OIG that over a three year period, a Treasury employee was prescribed a large amount of controlled narcotics being paid through BCBS which is contracted through OPM's Federal Employee Health Benefits Program. (Exhibit 1)

During the course of the investigation, interviews were conducted with:

- [REDACTED] Carpentry Shop Foreman, Treasury
- [REDACTED], Carpenter, Treasury
- [REDACTED], Visual Information Specialist, Treasury
- [REDACTED], Director, Real Estate and Facilities Management, Treasury
- Medical providers (names and information not included in this report)

In addition, TOIG reviewed pertinent documents, including:

- [REDACTED] Medical Summary from Blue Cross Blue Shield
- [REDACTED] medical records from six physicians
- [REDACTED] Treasury personnel security file

Investigative Activity

On March 11, 2014, OPM-OIG Assistant Special Agent in Charge [REDACTED] contacted TOIG and stated that his office was contacted by a Blue Cross Blue Shield (BCBS) investigator regarding a Treasury employee - [REDACTED] [REDACTED] [REDACTED] was a carpenter and locksmith for Treasury from 2010 to May 2014, when he transferred to the U.S. Department of Army. The BCBS investigator provided a report which reflected that from May 2010 to October 2013, [REDACTED] utilized 82 providers and obtained 303 prescriptions (155 controlled substances.) Additional BCBS records as well as non BCBS (paid out of pocket) prescription records and VA records found that from May 2010 to November 2014, [REDACTED] utilized over 130 providers and obtained 479 prescriptions, of which 185 were for controlled substances. (Exhibit 1)

TOIG and OPM OIG interviewed, and obtained the medical records for six medical providers. During this review, it was found that [REDACTED] often saw more than one medical provider within days of another and was prescribed medications from both. [REDACTED] visited offices, hospitals and clinics throughout Maryland, Virginia and Washington, DC. The physicians stated that he complained of headaches from a traumatic brain injury he suffered while in the U.S. Navy, kidney stones, abdominal pain, back pain, loin pain, neck pain, knee pain, high blood pressure and Attention Deficit Disorder. They prescribed him various medications for pain such as Oxycodone, Tramadol and Percocet. They also prescribed him Ritalin for his Attention Deficit

Disorder. The providers were unaware that [REDACTED] was being treated by other physicians until they were notified by BCBS in the Fall of 2014.

In an interview with TOIG, [REDACTED] stated that he was [REDACTED] supervisor. [REDACTED] believes that [REDACTED] has a drug and alcohol dependency. [REDACTED] said that when [REDACTED] first moved to the area, he resided with different colleagues. One colleague was [REDACTED] and [REDACTED] shared a duplex in Carroll County, MD for approximately one year in 2012, and [REDACTED] would speak of [REDACTED] drinking heavily. [REDACTED] stayed with [REDACTED] for two weeks in 2012, while [REDACTED] was taking a locksmith course, because the commute to training from [REDACTED] home in VA was better than [REDACTED] commute from MD. [REDACTED] recalled that [REDACTED] would regularly consume a six pack of beer in the evening. [REDACTED] wife, a nurse, also believed [REDACTED] behavior was typical of a drug user. Specifically, [REDACTED] would come to work, or to [REDACTED] home, and his pupils would be dilated (enlarged) and he would talk incessantly and pace the floors. He also had mood swings. Some days he would be talkative and jovial, while other days he would be quiet. [REDACTED] also saw him moving pill bottles around in his backpack and taking medications occasionally. On one occasion, [REDACTED], a painter, who was in their office complaining of back pain, was offered pills by [REDACTED]. [REDACTED] informed him "I have everything." [REDACTED] declined the offer. On another occasion, when [REDACTED] was staying with [REDACTED] in 2012 during his two week locksmith training, [REDACTED] was talking with [REDACTED] son, [REDACTED] (age 22), who was in a leg cast after an accident. [REDACTED] asked him if he had any Percocet because he ([REDACTED] left his at home. [REDACTED] declined to give him any medications. (Exhibit 2)

In an interview with TOIG, [REDACTED] stated that he believes that [REDACTED] has a drug dependency. [REDACTED] believes from conversations and pictures that [REDACTED] was a former weightlifter, and speaks informatively about steroids. He also takes various medications often for his many ailments, and is often seeing different physicians. [REDACTED] added that [REDACTED]'s girlfriend was staying at their house and had pain relievers from a recent knee surgery. The medications went missing. [REDACTED] asked [REDACTED] and [REDACTED] stated that he was also missing medications and that the neighbors must have stolen them. [REDACTED] stated that [REDACTED] also has mood swings. Some days he would be talkative and jovial, while other days he would be quiet and not speak at all. (Exhibit 3)

In an interview with TOIG, [REDACTED] stated that he and [REDACTED] were colleagues and [REDACTED] rented a room at his house for a period of time. [REDACTED] stated that although [REDACTED] complained of illnesses, he never saw [REDACTED] take any medications, but [REDACTED] was aware of medications being sent to the residence. He recalled that when [REDACTED] was staying at the other location several days per week, [REDACTED] would inform him that he ([REDACTED] was receiving a package of medications and would ask [REDACTED] to take it into the house. The packages would be in boxes or padded envelopes, and too large for his mail slot. (Exhibit 4)

Report of Investigation

Case Name: [REDACTED]

Case # DO-14-0770-I

Page 4 of 6

In an interview with TOIG, [REDACTED] stated that [REDACTED] lived with her while recuperating from hip surgery. [REDACTED] stated that [REDACTED] has informed her of many ailments to include high blood pressure, kidney stones, and various surgeries. He also stated that he suffered a traumatic brain injury (TBI) and post-traumatic stress disorder while serving in the U.S. Navy. [REDACTED] informed her that he was a U.S. Navy SEAL sniper and received the TBI when an explosion threw him off of a building. She was not certain where he was stationed with the U.S. Navy because he told her it was classified. [REDACTED] also told her that he has been hit by a vehicle as a pedestrian twice, once in OR and once in Spring 2013, while crossing the street near Treasury. [REDACTED] indicated that [REDACTED] filed a workers' compensation claim, and recently filed another claim when a rolling cart moved and pinned his leg in the carpenter's shop at Treasury. [REDACTED] does not believe [REDACTED] took any time off work for these claims except to see physicians.

[REDACTED] stated that [REDACTED] came to her in April or May 2014 and informed her that he believed he had a dependency on "prescription pain killers." [REDACTED] did not know why [REDACTED] came to her at this time, but noted that it was after he accepted a position with the U.S. Department of Army. (Exhibit 5)

In an interview with TOIG and OPM-OIG, [REDACTED] admitted to a significant use of narcotics. He described several illnesses requiring medication, and stated that he had a high tolerance for medications and required more narcotics for pain than most people. [REDACTED] stated that he recently saw a physician for his narcotic drug use and is on the medication Subaxone to reduce his use of narcotics. [REDACTED] stated that he used all of the medication he was prescribed and never gave or sold the medications to others. [REDACTED] also stated that he was injured as a U.S. Navy SEAL. (Exhibit 6)

[Agent's Note: TOIG found through U.S. Navy records that [REDACTED] was a Mess Cook and never trained or served as a SEAL.)

Referrals

On April 1, 2014, TOIG presented a case involving violations of Title 21 USC § 843 Prohibited Acts involving Controlled Substances and 18 USC § 1001 False Statements to [REDACTED], Attorney, U.S. Department of Justice (DOJ), Public Integrity Section (PIS). [REDACTED] declined the case citing lack of investigative merit. (Exhibit 7)

On April 3, 2014, TOIG presented a case involving violations of Title 21 USC § 843 Prohibited Acts involving Controlled Substances and 18 USC § 1001 False Statements to [REDACTED], Assistant United States Attorney, USAO, Criminal Division, Washington, DC. [REDACTED] accepted the case on April 21, 2014.

Report of Investigation

Case Name: [REDACTED]

Case # DO-14-0770-I

Page 5 of 6

[REDACTED] declined prosecution on March 21, 2016, because [REDACTED] has since entered a drug treatment program and has not been prescribed narcotics in several months, and due to statute of limitations concerning earlier fraudulent narcotic purchases. (Exhibit 8)

Judicial Action

NA

Findings

On March 11, 2014, the OPM-OIG contacted TOIG, and stated that the OPM-OIG was contacted by a BCBS investigator regarding [REDACTED]. The BCBS investigator provided a report that reflected from May 2010 to October 2013, [REDACTED] utilized 82 providers and obtained 303 prescriptions (155 controlled substances.) TOIG and OPM-OIG also found additional medications obtained from the VA and medications purchased directly by [REDACTED]. In total, TOIG and OPM-OIG found that from May 2010 to November 2014, [REDACTED] utilized over 130 providers and obtained 479 prescriptions, of which 185 were for controlled substances.

[REDACTED] entered treatment for narcotic dependency in 2014, and there are no known prescribed narcotics to him since this date. The USAO in Washington, DC initially accepted this case, but later declined prosecution because of the lack of recent drug activity and the aforementioned treatment.

Distribution

Mike Lewis, Senior Advisor, DO

Signatures

Case Agent:

[REDACTED]

4-29-16
Date

Supervisor:

Jerry S. M. [REDACTED]

5 May 2016
Date

Exhibits

1. Complaint sent by OPM-OIG dated March 11, 2014.
2. Memorandum of Activity, Interview of [REDACTED] [REDACTED] Carpentry Shop Foreman, Treasury, dated May 21, 2014.
3. Memorandum of Activity, Interview of [REDACTED], Carpenter, Treasury, dated June 3, 2014.
4. Memorandum of Activity, Interview of [REDACTED], Visual Information Specialist, dated July 31, 2014.
5. Memorandum of Activity, Interview of [REDACTED], Treasury, dated July 25, 2014.
6. Memorandum of Activity, Interview of [REDACTED] [REDACTED] Carpenter and Locksmith, dated July 24, 2014.
7. Memorandum of Activity, Declination by U.S. Department of Justice Public Integrity Section, dated April 1, 2014.
8. Memorandum of Activity, Declination by USAO, District of Columbia, dated March 21, 2016.

**REPORT OF INVESTIGATION
ZZZ-15-1537-I**



Office of Inspector General

United States Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]
(Private Citizen)

Case #: ZZZ-15-1537-I

Case Type: Criminal ☒
Administrative ☐
Civil ☐

Investigation Initiated: June 2, 2015

Conducted by: [REDACTED]
Special Agent

Investigation Completed: MAY 03 2016

Approved by: Jerry S. Marshall
Special Agent in Charge

Origin: United States Attorney's Office
District of Delaware

Summary

In May 2015, the United States Attorney's Office, District of DE (USAO-DE), requested the U.S. Department of Treasury Office of Inspector General (TOIG) to investigate a possible money laundering case involving [REDACTED]. Information obtained from financial institutions reflected "suspicious money movement" involving a Barclays Bank, CheckFreePay Corporation, K-Mart, and Paypal Inc. Specifically, Paypal records reflected that [REDACTED] was making large debit card purchases through Paypal and making withdrawals to Citadel FCU and E-Trade Bank from December 2014 to May 2015, totaling \$70,848.89. CheckFreePay Corporation documents reflected that [REDACTED] had made 80 payments to four credit cards using multiple debit cards and cash totaling \$151,401 at two K-Mart stores in DE. Barclay Bank documents reflected that from December 2014 to February 2015, [REDACTED] made 88 purchases aggregating to \$128,097.59 for gift cards. [REDACTED] then made 57 payments totaling \$113,294.35 from CheckFreePay. The USAO-DE believed the aforementioned activities were suspicious and required investigation.

The investigation determined that the allegation was unsubstantiated. A synopsis of [REDACTED]'s activities were presented to the USAO-DE and declined for prosecution.

Basis and Scope of the Investigation

In May 2015, the USAO, District of Delaware requested an investigation into suspicious activity involving [REDACTED]'s bank accounts and credit cards.

During the course of the investigation, interviews were conducted with:

- [REDACTED], Computer Specialist, [REDACTED] Hospital

In addition, TOIG reviewed pertinent documents, including:

- [REDACTED]'s Equifax Credit Report
- [REDACTED]'s Experian Credit Report
- [REDACTED]'s Transunion Credit Report
- [REDACTED]'s CheckFreePay Records
- [REDACTED]'s PayPal Records
- [REDACTED]'s E-Trade Bank Records
- [REDACTED]'s Citizen's Bank Records
- [REDACTED]'s Barclay's Bank Records
- [REDACTED]'s M&T Bank Records
- [REDACTED]'s WSFS Bank Records

Investigative Activity

In an interview with TOIG, [REDACTED] provided the following information:

[REDACTED] currently resides at [REDACTED], [REDACTED] DE [REDACTED]. [REDACTED] rents this residence from [REDACTED]. [REDACTED] resides there simply for convenience because it is minutes from his work. [REDACTED] and [REDACTED] bought the residence at [REDACTED], [REDACTED] DE [REDACTED] in December 2013. [REDACTED] and [REDACTED] recently married. She currently resides at that residence. [REDACTED] hopes to end his lease soon and reside with [REDACTED] at their residence on [REDACTED]. [REDACTED] has been employed with [REDACTED] Hospital since 2009, as a Computer Specialist, and earns approximately \$60,000 per year.

[REDACTED] stated that he learned about "manufactured spending" on-line and has been in various chat rooms regarding the process. [REDACTED] explained that he purchases gift cards on his credit card to earn points. [REDACTED] then can use some gift cards and pre-paid debit cards to purchase money orders to pay off the credit card. [REDACTED] also uses PayPal "MyCash" cards and an organization "CheckFreePay" to pay off the credit cards. [REDACTED] stated that one can use cash, gift cards or pre-paid debit cards to pay credit card bills at CheckFreePay

Report of Investigation

Case Name: [REDACTED]

Case # ZZZ-15-1537-I

Page 3 of 6

terminals which are located in K-Marts and other locations. [REDACTED] stated that CheckFreePay has a limit of \$2,500 per transaction so he often had to go several times per week to make payments to his credit card. [REDACTED] stated that he also went to Giant Food Stores in DE and PA to purchase money orders. Giant Foods Inc. had a \$5,000 day limit to the purchase of money orders, but he found that the PA stores were in a different regional division so he could purchase money orders in both areas and increase his limit.

[REDACTED] stated that his main credit card was from Barclays Bank because it paid 2% in points per every dollar spent in a purchase. [REDACTED] was the main user and paid the monthly bill on the credit card, but added his father [REDACTED], his sister [REDACTED] and his now wife [REDACTED] as authorized users to the account because his credit limit was increased \$5,000 per month for each user. [REDACTED] stated that none of the aforementioned individuals actually used the credit cards for personal use or bought gift cards. [REDACTED] simply asked them if he could use their names and identifiers to open accounts and used their accounts to increase his limit.

[REDACTED] stated that he once had bank accounts with Wells Fargo Bank, PNC, Citizens Bank, E-Trade, M&T Bank, UFB, WSFS, and Pentagon FCU. He had credit cards with Barclays and Chase Bank and two with American Express. [REDACTED] stated that in the summer and fall of 2014, he was moving over \$100,000 through his credit cards and bank accounts monthly. [REDACTED] stated that he would spend two hours per day after work purchasing gift cards and money orders, and going to CheckFreePay to pay off the cards. By doing this, he was able to earn enough credit card points to travel to New Orleans, LA; San Francisco, CA; St. Lucia, and Iceland in 2015.

[REDACTED] said that no one has spoken to him about this process except for some Giant Food Inc. investigators who questioned his frequent purchase of money orders at Giant in 2015. [REDACTED] informed them that it was simply for credit card points. Several of his banks have also written him letters stating that they were closing his accounts, but the letters did not provide specific reasons. He stated that Barclays, PNC, Citizens, and UFB have closed his accounts.

[REDACTED] added that others in his manufactured spending chat room have stated that they have been interviewed by investigators and/or special agents so he was not surprised when TOIG requested to speak with him. He stated that he is still collecting points, but it has been reduced greatly with the closing of several of his accounts.

[REDACTED] claims no legal issues except for a driving while intoxicated charge in DE in 2009. He claims no gambling issues or drug use. (Exhibit 1)

Report of Investigation

Case Name: [REDACTED]

Case # ZZZ-15-1537-I

Page 4 of 6

Referrals

On April 5, 2016, TOIG presented a case involving possible money laundering to the USAO-DE. Because "manufactured spending" is not illegal, [REDACTED] Assistant United States Attorney, USAO, District of DE, declined the case for prosecution. (Exhibit 2)

Judicial Action

NA

Findings

In May 2015, the USAO-DE requested an agency to investigate a possible money laundering case involving [REDACTED]. TOIG obtained records from several financial institutions and found significant funds being transferred through bank accounts and credit cards. There was no apparent reason for these transactions.

TOIG interviewed [REDACTED] and he stated that he was practicing "manufactured spending" which he learned on the internet. This is a process to purchase gift cards and pre-paid debit card on a credit card, and then paying off the credit card through money orders purchased with the prepaid debit cards and through CheckFreePay. [REDACTED] admitted to moving over \$100,000 per month through his credit cards and banks. This process allowed him to accrue enough credit card points to take several domestic and international trips.

The USAO-DE was briefed on the aforementioned information. The USAO-DE, declined to prosecute because this process is not illegal.

Distribution

NA

Report of Investigation

Case Name: [REDACTED]

Case # ZZZ-15-1537-I

Page 5 of 6

Signatures

Case Agent:

[REDACTED]

4/20/16
Date

Supervisor:

[REDACTED]

Jerry S. Marshall

22 APR 2016
Date

Report of Investigation

Case Name: [REDACTED]

Case # ZZZ-15-1537-I

Page 6 of 6

Exhibits

1. Memorandum of Activity, Interview of [REDACTED] Computer Specialist, dated April 4, 2016.
 2. Memorandum of Activity, Presentation to USAO-DE, dated April 5, 2016.
-