



Prepared by: Special Agent Angeline Ortanez, Public Information Officer
IRS-Criminal Investigation, Los Angeles Field Office

Office: (619) 615-9036
Mobile: (619) 770-9310
Facsimile: (619) 615-3710
Email: angie.ortanez@ci.irs.gov

It's All About the Money

IRS Special Agents' Financial Expertise Key to Tracking Drug Money

In almost every narcotics-related crime the underlying motivation is money, because money is the key to furthering the illegal drug trade, whether domestic or foreign. In order to make a significant impact on the drug trade on both domestic and international fronts, the focus should be placed on following the money back to the sources of drug supply and tracing of assets purchased with the ill-gotten gains.

According to statistics from the National Drug Intelligence Center's 2010 National Drug Threat Assessment Report, the economic cost of trafficking and abuse of drugs in the United States is estimated at a staggering \$215 billion. The Office of National Drug Control Policy (ONDCP) has estimated that Americans spend approximately \$65 billion per year on illegal drugs, and it's no surprise that traffickers are continually coming up with more ways to launder their proceeds and hide their assets.

IRS-Criminal Investigation (IRS-CI) supports the overall IRS mission by investigating criminal violations under its jurisdiction through three program areas: the Legal Income Source Program, the Illegal Income Source Program, and the Narcotics Program. The Narcotics Program supports the National Money Laundering Strategy through continued support of multi-agency task forces including OCDETF, OCDETF Fusion Center (OFC), High Intensity Drug Trafficking Area (HIDTA), and the High Risk Money Laundering and Financial Crimes Areas (HIFCA).

Narcotics investigations are all about following the money and IRS-CI plays a unique role in addressing drug related crime. IRS-CI is the only federal agency that can leverage the criminal provisions of the Internal Revenue Code (Title 26), the Bank Secrecy Act (Title 31) and the Money Laundering Control Act that are particularly useful in the financial investigation (and prosecution) of major narcotics traffickers and money launderers and the seizure and forfeiture of their profits.

IRS-CI plays a significant role in narcotics investigations as part of a joint federal Law Enforcement Officer (LEO) effort in combating illegal drug trade. The success of these investigations can be attributed to a joint effort from the multi-agency task forces including Organized Crime Drug Enforcement Task Force (OCDETF), OCDETF Fusion Center (OFC), High Intensity Drug Trafficking Area (HIDTA), and the High Risk Money Laundering and Financial Crimes Areas (HIFCA) that include agents from Drug Enforcement Agency (DEA), Bureau of Narcotics Enforcement (BNE), Federal Bureau of

Investigation (FBI), state and local law enforcement, and the United States Attorney's Office (USAO).

IRS-CI has a long-standing working relationship with DEA and the USAO which has resulted in numerous drug prosecutions throughout the years. DEA has placed more emphasis on financial investigations and established the Office of Financial Operations at their headquarters and instituted financial teams (FIT) in each of their 21 field divisions. Many of the FIT teams are staffed with agents from IRS-Criminal Investigation and the increased emphasis of the work of the FITs is not only the gathering of drug intelligence, but also tracking down the money trail that leads to the money and assets.

Financial investigations are by their nature very document intensive. Specifically, they involve records, like bank and investment account information and real estate files, which point to the movement of money. Any record that pertains to, or shows the paper trail of events involving money is vital to the investigation. The major goal in a financial investigation is to identify and document the movement of money during the course of a crime, and sometimes before the suspected start of the criminal activity. The link between where the money comes from, who gets it, when it is received and where it is stored or deposited, can provide proof of criminal activity.

The tracking down and documenting financial leads can often be the crucial key that leads to opening the door to pinpointing the leader of the narcotics organization. A complete financial analysis and reconstruction of a drug organization's financial activity as it relates to unreported income on tax returns and money laundering can often be critical to making the conviction. In 1931, notorious Chicago mobster Al Capone didn't stand a chance when he was convicted of not reporting all of his income related to his illegal gambling enterprise.

IRS-CI has been part of joint agency efforts in working drug-related investigations resulting in successful prosecutions and many traffickers are behind bars today because of CI's financial expertise. The following are examples of the narcotics related investigations that IRS-CI special agents have worked jointly with federal, state, and local LEO's in the Southern California area. These case summaries are from public record in the Southern Judicial District of California.

45-Count Indictment Charges 13 Individuals for Marijuana Distribution and Money laundering

San Diego – On July 22, 2010, a federal grand jury sitting in San Diego handed up a 45-count indictment*, charging thirteen defendants, including Joshua John Hester, Rex Naanos, Jay Hansen, Kelsey Lynn Weidenhoefer, Marco Manuel Luis, Ryan Michael White, Tara Elizabeth Hester, Zachary Dickinson, Justin Matthew Hunt, Stephanie Tine, Alec Christian Pacillas, Joseph Matthew Nunes, and Adam Muscat, with several felony crimes. There were also several money forfeiture allegations in the indictment.

According to the indictment, Joshua John Hester, Rex Naanos, and Jay Hansen were charged with conspiracy to distribute over 1,000 kilograms of marijuana, and conspiracy to launder millions of dollars. Defendants Joshua Hester, Marco Manuel Luis, a real estate agent, and Kelsey Lynn Wiedenhoefer were charged with several felony charges related to the purchase of the two-million-dollar Rancho Santa Fe residence, where a marijuana "grow" was found, including conspiracy to engage in money laundering. Defendants Joshua Hester, Ryan Michael White, Tara Hester, Zachary Dickinson, Justin Matthew Hunt, Stephanie Tine, Alec Pacillas, and Adam Muscat were also charged with several felony offenses, including conspiracy to distribute over 100 kilograms of marijuana, to manufacture marijuana plants, and to maintain drug-involved premises. In addition, Nunes, who is currently serving a 12-month prison sentence, was charged with using a communication device to facilitate the conspiracy to distribute marijuana.

Joshua Hester was also charged with multiple felony counts of engaging in monetary transactions related to several real estate properties. In addition, Hester and Stephanie Tine were charged with conspiracy to launder drug proceeds, and laundering drug proceeds. Hester was also charged with criminal forfeiture, including several seizures of bank accounts, cash, jewelry, and a vehicle.

Husband and Wife Sentenced to Prison for “Ecstasy” Distribution and Money Laundering

San Diego – On April 19, 2010, Ruth Correia was sentenced today to serve 24 months in prison and three years supervised release following her guilty plea to conspiracy to launder money. On April 5, 2010, Gregory Correia, Ruth Correia’s husband was sentenced to serve 70 months in prison and five years of supervised release after his guilty pleas to conspiracy to distribute ketamine, conspiracy to launder money, and distribution of methylenedioxymethamphetamine (commonly referred to as “ecstasy” or “MDMA”). The Correia’s were also ordered the two to pay of fine of \$4,437.

According to court records, Gregory Correia admitted that he supplied ketamine to customers in San Diego County, Orange County, and the state of New York. Gregory Correia admitted that he shipped at least 900,000 dosage units of ketamine from San Diego or Orange Counties to customers in New York state. His ketamine customers deposited cash into the bank accounts of Gregory and Ruth Correia at East Coast bank branches. Gregory and Ruth Correia then withdrew the drug proceeds at bank branches on the West Coast. Both Ruth and Gregory Correia admitted that they laundered at least \$900,000 in drug proceeds and that the withdrawals and deposits were made in such a way as to conceal and disguise the source, ownership, and control of the drug proceeds.

Former San Diego Resident Sentenced to Serve 41 months in Federal Prison for Tax Evasion and Conspiracy to Distribute Marijuana

San Diego – On April 5, 2010, a former San Diego resident involved in a drug conspiracy was sentenced to federal prison after previously pleading guilty to charges related to the illegal distribution of marijuana and tax evasion.

Paul A. Blea, 39, who has been in custody since his arrest on April 24, 2009, was sentenced to serve 41 months in federal prison and spend five years on supervised release after serving his sentence. According to court records, beginning in 2004 and continuing up to February 2007, Blea conspired to distribute marijuana and distributed approximately 260 pounds of marijuana to people in the San Diego area. Blea received \$57,102.46 in total income from the sale of marijuana in 2004 that he did not report to the IRS and failed to file a federal income tax return in 2004. Blea personally structured and directed others to structure deposits of large amounts of cash from selling marijuana into the bank accounts that Blea controlled. Blea’s conduct resulted in a tax loss of more than \$98,516 to the federal government for years 2004-2007.

Owner of Two San Diego Marijuana Locations Pleads Guilty in Federal Court to Multiple Criminal Charges

San Diego – On December 10, 2009 Joseph Nunes pled guilty to three felony counts of a superseding information including manufacturing marijuana plants; renting, using and maintaining two drug-related premises; and, money laundering.

Nunes was arrested following a federal search warrant executed at 3415 Mission Boulevard, San Diego, California, known as “Green Kross Collective,” where agents found marijuana plants, marijuana contained in bags and jars, cookies and brownies

containing marijuana, sodas containing marijuana, lollipops containing marijuana, and other edible marijuana items. Agents also found \$38,915 in cash at that location. Agents further discovered "sales receipts" books revealing that during a two-day period, Green Kross Collective sold approximately \$16,000 of marijuana and marijuana products. Upon searching Nunes' downtown condominium, agents found approximately \$29,777 in cash. At 777 6th Avenue, Suite 127, San Diego, California, known as "Downtown Kush Lounge Cooperative," agents found 89 marijuana plants.

As part of his plea, Nunes admitted that he rented the location 3415 Mission Boulevard, San Diego, California, since May 1, 2009, as well as 777 6th Avenue, Suite 127, San Diego, California, since September 1, 2009, for the purpose of distributing marijuana and manufacturing marijuana plants, in violation of federal law. In his plea, Nunes also admitted that he laundered drug proceeds by renting these locations, as well as another warehouse located at 3515 Hancock Street, San Diego, California, to facilitate and promote his drug activities. Nunes also agreed to forfeit \$71,336 in drug proceeds.

*** An indictment is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.**

For more information on Narcotics-Related Financial Investigations, please visit:
<http://www.irs.gov/compliance/enforcement/article/0,,id=107488,00.html>