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Federal and local law enforcement officials announce arrests and raids in multimillion-dollar D.C. property tax refund fraud scheme

Washington, D.C. - Beginning early this morning, approximately 100 federal and local law enforcement agents executed seven search warrants in the District of Columbia and Maryland and arrested five persons, including two District of Columbia employees, in connection with a massive property tax refund fraud scheme that was designed to steal tens of millions of dollars from the District of Columbia by approving and issuing fraudulent property tax refunds from the District of Columbia's Office of Tax and Revenue ("OTR"), U.S. Attorney for the District of Columbia Jeffrey A. Taylor, U.S. Attorney for the District of Maryland Rod J. Rosenstein, Joseph Persichini, Jr., Assistant Director in Charge of the FBI's Washington Field Office, Charles J. Willoughby, Inspector General for the District of Columbia, and District of Columbia Chief Financial Officer Natwar M. Gandhi jointly announced today.

Arrested this morning were 51-year-old Harriette Walters, Manager of the D.C. Real Property Tax Administration Adjustments Unit, of Washington, D.C., and 54-year-old Diane Gustus, a Real Property Program Specialist with OTR, of Clinton, MD, and three of their alleged co-conspirators, Jayrece E. Turnbull, 33, Richard J. Walters, 48, and Connie L. Alexander, 52, all of Bowie, Maryland, for their roles in a scheme to defraud the District of Columbia out of millions of dollars in real estate property tax refunds. The arrest warrants and felony complaints charge the participants in the scheme with several felony offenses, including mail fraud, bank fraud, money laundering, interstate transportation of stolen property, and conspiracy. If convicted of bank fraud alone, the defendants face a maximum sentence of 30 years in prison.

The District of Columbia tax code imposes property taxes on real estate in the District and provides a mechanism for property tax refunds when, for example, an individual or company overpays real estate taxes. According to the affidavits filed in support of the arrest and search warrants, from 2004 through the present, Harriette Walters, Diane Gustus, and other D.C. government employees were involved in preparing or approving fraudulent property tax refund requests to generate over 40 separate fraudulent refund checks averaging over \$388,000 each. Those fraudulent tax refund checks were deposited primarily into sham corporate accounts controlled by Harriette Walters's relatives, including Turnbull's "Chappa Home Services" and "Legna Home Services" accounts, and Richard Walters's "Helmet Plumbing and Heating" account.

The fraudulently obtained funds then allegedly were distributed through cash, cashier's checks, and wire transfers to the co-conspirators and

family members, who used the funds to purchase homes, vehicles, jewelry, luxury clothing and houseware items, and other real and personal property, among other things. For example, it is alleged that between September 2000 and the present, Harriette Walters spent more than \$1.4 million at Neiman Marcus. Additionally, the affidavits allege, some of the money stolen from the District of Columbia has been sent to a money exchange institution in the Dominican Republic that has no bank branches in the United States.

To date, approximately 42 fraudulent refund checks have been identified that resulted in a loss of over \$16 million to the District.

"Public officials serve the public, and those who abuse the public's trust by treating the District's tax coffer as a private cash trough will be rooted out and held accountable for their actions," stated U.S. Attorney Taylor. "Today we have taken a significant step toward eliminating this fraud and recovering funds looted from the District's treasury."

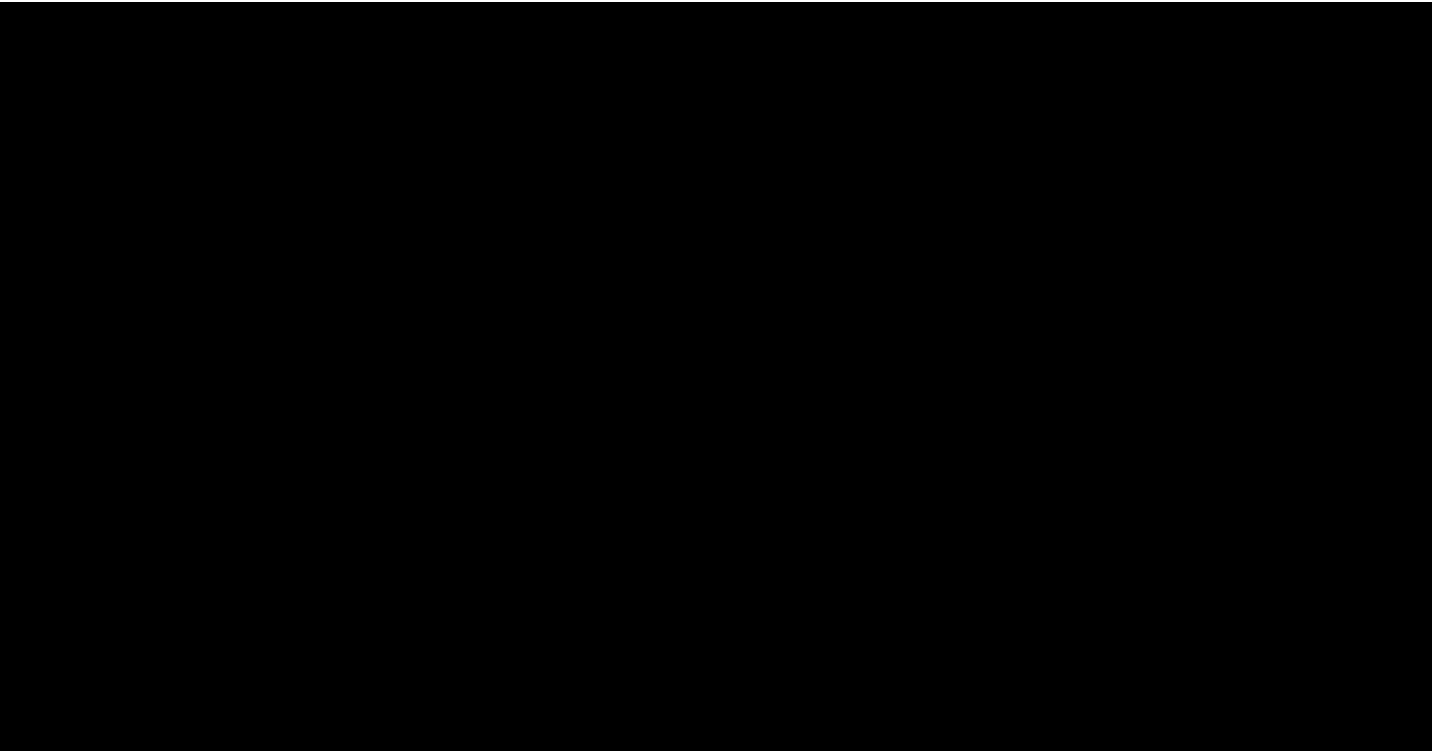
"Corrupt government employees can cause tremendous harm when they abuse their authority and line their pockets with taxpayer dollars. This expeditious, effective, and coordinated investigation demonstrates our commitment to ensure that any government employee who betrays the public trust and steals from the taxpayers is held accountable," said U.S. Attorney Rosenstein.

"Today's arrests and searches were a success due to a seamless joint investigation between the FBI's Washington and Baltimore Field Offices and our federal and local law enforcement partners. Solid teamwork leads to solid, productive investigations," stated FBI Assistant Director in Charge Persichini.

"This joint effort demonstrates how the federal and D.C. governments can work together for the benefit of the District and its residents," stated D.C. Inspector General Willoughby.

"This behavior, on the part of those entrusted to safeguard the government's resources, is reprehensible and will not be tolerated. Those involved will be identified and prosecuted to the fullest extent of the law. We will coordinate with the Office of the Inspector General, to conduct a comprehensive review of the Office of Tax and Revenue to immediately address deficiencies in management and internal controls. I want to emphasize that although any dollar lost to fraud is a dollar too much, this incident in no way compromises the financial stability and viability of the District," said Chief Financial Officer Gandhi.

As a result of today's search warrants and arrests, special agents from the Washington Field Office and Baltimore Field Office of the Federal Bureau of Investigation, in conjunction with agents from the Internal Revenue Service and District of Columbia Office of Inspector General, and criminal investigators from the District of Columbia Office of the Chief Financial Officer seized fur coats, jewelry, and designer bags worth thousands of dollars, bank accounts controlled by the conspirators, and several of their automobiles, including a 2005 Bentley.



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