



The Cornerstone Report

Safeguarding America through
Financial Investigations

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Cornerstone is U.S. Immigration and Customs Enforcement's (ICE) comprehensive investigative initiative for fighting financial crime.

The Cornerstone Report is a quarterly bulletin highlighting key issues related to ICE financial, narcotics and public safety investigations.



**U.S. Immigration
and Customs
Enforcement**

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Beyond the Borders: ICE Partnerships Go Global



U.S., U.K, Canadian and Australian investigators coordinate efforts through the Virtual Global Task Force, which targets online child exploitation.

Canadian telemarketing schemes that defraud American investors of their savings.
Sexual predators on the Internet preying on children in other countries.
Drug dealers attempting to transport millions in cash across borders.

The criminal threats of the 21st century are virtually unlimited in their scope. With the expansion of information technology and the ease of travel, criminals and terrorists are newly empowered in their schemes.

That's why ICE has led the way in building partnerships with foreign law enforcement agencies and private sector players around the world, in order to share information and build a united front against today's globalized criminal threats. ICE's Cornerstone initiative is the vehicle for this partnership between law enforcement and private industry.

Through Cornerstone, ICE shares information, methodologies and security technology gleaned from financial investigations with the front-line players in the industry—the people who manage the very systems terrorists and other criminal organizations seek to exploit.

This partnership allows ICE to provide timely information and feedback to businesses and industries so

that they can take precautions to protect themselves.

In return, ICE receives information, tips and insights from the businesses and industries that are often first to encounter suspicious activity, "red flags," in the course of their normal business.

ICE has partnered with the International Association of Financial Crimes Investigators (IAFCI) and is a permanent member on the board of directors. ICE is also an active member of the Financial Action Task Force (FATF), a leading interagency investigative task force, and ICE officials offer presentations at industry conferences worldwide.

ICE also works closely with international law enforcement agencies and has provided training to investigators from around the world—including Australia, China, the Middle East, Japan, India, Italy and Bulgaria—on anti-money laundering and anti-terrorist financing initiatives.

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Project COLT

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An example of ICE's partnership with international law

enforcement is Project COLT (Center of Operations Linked to Telemarketing), the oldest interagency law enforcement partnership in Canada. Project COLT was launched in April 1998 to identify, disrupt and dismantle illegal telemarketing operations and to return seized funds to telemarketing victims.

Comprised of representatives from ICE, the FBI, the U.S. Postal Service, the Federal Trade Commission, the Royal Canadian Mounted Police (RCMP), the Surete du Quebec (Quebec Provincial Police), the Montreal City Police and the Canadian Competition Bureau, Project COLT is a model for effective international law enforcement cooperation.

To date, Project COLT investigations have led to the recovery and return

Selected ICE Foreign Outreach Highlights

- Supported the International Law Enforcement Academy (ILEA) program by supplying instructors for their programs in Botswana and Thailand.
- Provided bulk currency smuggling investigation training in support of the Asian Pacific Group in Brunei.
- Provided continuous support of the Organization of American States (OAS) as the only U.S. law enforcement agency invited to participate in the training of mid-level law enforcement officers from Central and South American countries.
- Supported the first ILEA Latin America class held in El Salvador.
- Offered training, technical assistance and instruction on conducting international money laundering and financial crimes investigations to foreign police and judicial officials. This training was performed in support of the International Monetary Fund (IMF), IAFCI and ILEA programs.

of \$15 million to scam victims, along with 1,215 indictments (413 in the U.S.) and 23 individuals extradited to the U.S. on telemarketing fraud charges.

Politically Exposed Persons (PEP) Program

Part of the battle against political corruption and money laundering, the ICE Politically Exposed Persons (PEP) investigative program was established in 2003.

ICE established the original Foreign Corruption Task Force, also known as the PEP Task Force, in Miami based on requests from Central and South American and Caribbean governments seeking assistance in developing evidence against and locating the assets of corrupt government officials and prominent citizens involved in the theft or embezzlement of government and private funds.

The most successful investigation of this type to date involved former Nicaraguan President ALEMAN who, along with other government officials, were accused of the money laundering, fraud and theft of government property, embezzlement of public funds, and public corruption offenses in Nicaragua. The Nicaraguan Prosecutor's Office filed an official request for U.S. assistance in identifying and recovering assets in the U.S. after their investigative efforts revealed that funds obtained by these illegal activities were funneled through bank accounts in Panama and used to purchase high value assets in the U.S. Ultimately, the ensuing investigation led to the seizure of approximately \$6 million in assets in the U.S. ICE has forfeited and repatriated approximately \$2.7 million to Nicaragua.

Another goal of the task force is to raise awareness of foreign corruption in ICE field offices and to deliver training to foreign governments in identifying patterns of public corruption and how the related proceeds can be laundered through U.S. financial institutions. The Miami PEP Task Force has already delivered extensive training to law enforcement agencies in Central and South America.

Virtual Global Task Force

Created in 2003, the Virtual Global Task (VGT) Force is a law enforcement network comprised of ICE, the Australian High-Tech Crime Centre, the United Kingdom's National Crime Squad, Canada's RCMP and Interpol. Under the 24/7-watch system, one nation's member agency on the task force essentially serves as the on-call Internet police officer for part of each day.

The watch rotation system has already produced early success. In one case, information provided in an Internet chat room and reported to authorities in the U.S. indicated that a man in England planned to molest his children within the next few hours.

Investigators in both countries sprang into action, working through a team comprised of ICE and the U.S. Postal Inspection Service in the U.S. and the Child Exploitation and Online Protection (CEOP) Centre and the local police in the United Kingdom. Within two hours of the first report, local police officers were at his door. Their resulting investigation uncovered images of child pornography and mitigated possible risks posed by him to other children.

Operation Firewall: An International Partnership Success

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The smuggling of bulk currency out of the United States has become a preferred method for drug dealers and other criminals to move illicit proceeds across our borders. In response, Congress criminalized the act of smuggling large amounts of cash into or out of the United States in the USA PATRIOT Act.

Specifically, Title 31 U.S.C. 5332—Bulk Cash Smuggling makes it a crime to smuggle or attempt to smuggle over \$10,000 in currency or monetary instruments into or out of the United States, with the specific intent to evade the U.S. currency-reporting requirements codified in 31 U.S.C. 5316.

ICE has taken a leading role in combating bulk cash smuggling, teaming in August 2005 with U.S. Customs and Border Protection (CBP) and our state, local and foreign law enforcement partners in Operation Firewall, a comprehensive law enforcement operation focused on the smuggling of large quantities of U.S. currency around the world.

Through Firewall, ICE and CBP are working side by side to combat cash smuggling at various U.S. ports-of-entry. In the interior United States, ICE works with state and local partners to identify and intercept bulk cash shipments being transported along domestic interstate highways en route to be smuggled out of the United States.

ICE's enforcement of the bulk cash smuggling law extends beyond our nation's borders. ICE and CBP are



These deep fryers (to the left) concealed \$4.4 million dollars in smuggled cash (shown in bundles above). Other money was concealed in voltage regulators and rotisserie ovens. The total amount of the seizure was \$7.8 million dollars, the largest seizure in Mexico's history.

also conducting various Firewall training operations with our foreign law enforcement partners, including training exercises with Mexican law enforcement targeting the smuggling of U.S. currency through Mexico to Central and South America.

Throughout operations in Mexico, Panama, Colombia and Ecuador, ICE special agents and CBP officers provide hands-on training to our law enforcement partners on passenger analysis and other investigative techniques that have proven effective in the United States. Operations in Mexico and Panama also include training on the use of mobile x-ray units provided to the Mexican government by the U.S. Department of State.

Operation Firewall has focused on the full panoply of methods that are used to smuggle bulk cash, including commercial and private passenger vehicles, commercial airline shipments, commercial

airline passengers and pedestrians transiting to Mexico along the southern border and Canada on the northern border.

As of February 2007, more than \$75.7 million in U.S. currency and negotiable instruments have been seized as a result of Operation Firewall. There have been a total of 660 seizures, resulting in 195 arrests (154 in the United States and 41 outside the United States). The ICE Mexico Money Laundering Vetted Unit has accounted for more than \$36 million in seizures of currency and negotiable financial instruments. [S](#)



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ICE Uncovers Immigration Violations, Money Laundering at Maryland Seafood Supplier

A 2005 ICE investigation of human smuggling, illegal immigration and money laundering in Maryland underscores the international aspect of criminal activity in the 21st century—and how a seemingly legitimate business can become a vehicle for money laundering, smuggling and other crimes.

The Baltimore ICE Special Agent in Charge led the investigation into a large-scale alien smuggling and money laundering operation at Chang Jiang Seafood, Inc., a wholesale seafood supply company.

Chang Jiang Seafood was a wholesale seafood supplier that employed and harbored illegal aliens and used the business to launder illicit funds derived from immigration violations. Chang Jiang Seafood was owned and operated by Bao Wang and his wife Trang Lu. Wang and Lu were also partners in similar seafood businesses operating in various locations throughout the United States.



Red Flag Indicators

- Numerous BSA filings by multiple financial institutions.
- Large and numerous cash deposits inconsistent with business type (wholesale supply company).
- Physical appearance of business inconsistent with high level of financial activity.
- Large payments to foreign companies that are inconsistent with the amount of product received from these companies.
- Unusual withdrawal, deposit or wire activity inconsistent with normal business practices, or dramatic and unexplained change in account activity.
- Sudden change in customer's normal business practices, i.e., dramatic increase in deposits, withdrawals or wealth.

The investigation identified monthly cash deposits averaging over \$1.8 million made into Chang Jiang Seafood accounts during 2003–2004. Wang and Lu knowingly employed illegal Chinese aliens, whom they recruited through the local Chinese community.

Wang and Lu harbored the illegal aliens, providing them with food, living quarters and basic necessities, and used these illegal employees to help recruit other illegal aliens. Employees were generally paid in cash, their income was untaxed and they were provided with no record of payment.

Wang and Lu converted part of their warehouse in Baltimore to house illegal alien employees and rented two apartments in close vicinity to the business for housing additional illegal workers. Later, Wang and Lu purchased a small house in Baltimore for housing illegal employees. In all cases, the living conditions provided for the aliens were crowded, unsanitary and a fire hazard.

Records showed that Wang and Lu wire transferred millions of dollars from their bank account to a seafood supply company in China, but received only a fraction of the value of their “purchases” in seafood in exchange. Financial analysis of the business accounts and extensive work with various banks revealed cash deposits in excess of \$1.8 million per month. The largest single cash deposit was over \$1 million. Approximately 75 percent of Chang Jiang Seafood's deposits were in cash.



Living conditions for Chang Jiang employees.

According to legitimate seafood distributors, a reasonable cash intake is 25 percent or less. Lu made the majority of all cash deposits. Her cavalier attitude when bringing in as much as \$1 million in cash raised a red flag to bank employees, who filed several Bank Secrecy Act (BSA) reports concerning the activity.

Results

At the conclusion of the investigation, ICE seized approximately \$2.6 million in cash and property from Chang Jiang Seafood's business operations. Fourteen individuals were arrested as a result of this investigation. The two main targets, Wang and Lu, pleaded guilty to charges of employing and harboring illegal aliens.

On June 13, 2005, Wang and Lu, as part of a plea agreement, were sentenced in U.S. District Court in Maryland to one year of home detention and one year of probation and were each fined \$10,000. Wang and Lu agreed to forfeit claim to the \$2.6 million in cash and property. On September 30, 2005, an order of final forfeiture was executed for the \$2.6 million in cash and property seized in relation to this investigation. ❏