



The Cornerstone Report

Safeguarding America through Financial Investigations

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

The Cornerstone Report is a quarterly bulletin highlighting key issues related to ICE Homeland Security Investigations (HSI) financial, narcotics and special operations investigations.



U.S. Immigration and Customs Enforcement

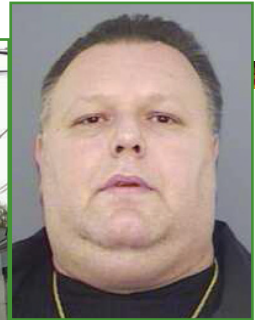
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Illegal Online Gaming and Gambling



This domain name has been SEIZED by Homeland Security Investigations, Special Agent in Charge, New York Office and the New York City Police Department, in accordance with a seizure warrant obtained by the United States Attorney's Office for the Eastern District of New York and issued pursuant to 18 USC § 981 by the United States District Court for the Eastern District of New York.

Pursuant to 18 USC §1955, it is a Federal crime to conduct, finance, manage, supervise, direct or own a gambling business that is in violation of the laws of the state law in which it is conducted. Violators are subject to fine, forfeiture, and/or imprisonment for up to five years.



(top) Banner displayed on seized website homepages.
(above) Organization leader Joseph Stentella.
(left) Stentella's house.

Operation Bet Jerry's

In October 2009, the New York City Police Department's (NYPD) Vice Enforcement Division (Vice) and the Richmond County District Attorney's Office initiated an investigation of a criminal gambling organization operating primarily in Staten Island, NY, entitled Operation Bet Jerry's. NYPD Vice detectives were able to infiltrate the organization, conduct surveillance, and identify cash movements. They estimated this organization

was responsible for the collection of over \$5.9 million a year.

Because of the multi-jurisdictional and complex nature of this investigation, in September 2010, the NYPD requested the assistance of Homeland Security Investigations (HSI) Office of the Special Agent in Charge, NY's Asset Identification and Removal Group (AIRG) to assist in the identification and seizure of assets associated with the organization. SAC NY AIRG immediately

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Illegal Online Gaming and Gambling, Continued

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initiated an asset investigation, in coordination with the U.S. Attorney's Office for the Eastern District of New York's Asset Forfeiture Unit (EDNY), with collateral requests for assistance going out to SAC Newark and Philadelphia to provide assistance with locating and seizing assets located outside New York.

AIRG investigators identified numerous assets acquired with proceeds of the illegal gambling operation, as well as assets used to facilitate this activity, including vehicles and real properties. A collection of rare and valuable classic cars owned by Joseph Stentella, the organization leader, was located at his property in Pennsylvania. It was determined by AIRG investigators that the vehicles were purchased with proceeds of the illegal gambling activity, and sold from time to time to help fund the organization. Finally, utilizing their unique expertise, experience and jurisdictional authority, AIRG investigators also targeted for seizure the websites used by the organization to further their illegal activities.



Strip mall in Staten Island, New York, used to facilitate illegal gambling and money laundering activity.

AIRG investigators obtained seizure warrants for luxury vehicles in New York and New Jersey, the classic car collection in Pennsylvania, three websites owned and operated by the organization, as well as civil complaints against four properties in Staten Island, NY including a strip mall. Federal Writs of Assistance were also prepared to gain access to locations where the vehicles were stored for the purpose of seizing them.

On May 24, 2011, in cooperation with the NYPD takedown of the organization, AIRG investigators in New York, New Jersey and Pennsylvania located and seized assets of Joseph Stentella's organization totaling over \$4 million in violation of 18 USC § 1955 (Illegal Gambling), and 18 USC § 1956 (Money Laundering). These assets included eight vehicles worth over \$200,000, 15 classic cars worth over \$1 million, four real properties in Staten Island, NY with a combined value of approximately \$2.9 million, and three internet domain names, including betjerrys.com, momosportsbook.com and 7777sports.com. The homepages of the seized websites were replaced with a law enforcement seizure notice. SAC Newark AIRG agents and Task Force officers also provided substantial assistance

in this investigation by developing criminal leads and coordinating the arrest of 16 targets throughout New Jersey for violation of New York State gambling, racketeering and money laundering laws. The takedown of this organization was widely reported in the New York metro media, which included particular emphasis on the assets seized.

This multi-agency, multi-jurisdiction investigation was an overwhelming success due in large part to the cooperation and collaboration with state and federal law enforcement and prosecution, particularly for the purpose of seizing assets. The teamwork and dedication by all involved paid off with the complete dismantling of this criminal organization through the arrest of over thirty key members, as well as the seizure of assets totaling nearly \$5 million. ■



Red Flag Indicators

- **Main subject's unexplained wealth (he had over \$1 million classic car collection & 2 homes—"Income" derived from inactive video rental store).**
- **Business bank account received payment processor service payments which was inconsistent with the type of business reported (Subject received payment processor payments in rounded \$200-\$300 amounts, which were actually gambling debt payments).**
- **Frequent wire transfers unrelated to legitimate business activity received and immediately withdrawn as cash.**

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The Game Changer

On December 23, 2011, The United States Department of Justice (DOJ)

released an opinion which reversed years of federal policy related to online gambling. The opinion, dated September 20, 2011, which is quoted below and available at <http://www.justice.gov/olc/2011/state-lotteries-opinion.pdf>, states in part that “the Wire Act prohibits only the transmission of communications related to bets or wagers on sporting events or contests.”

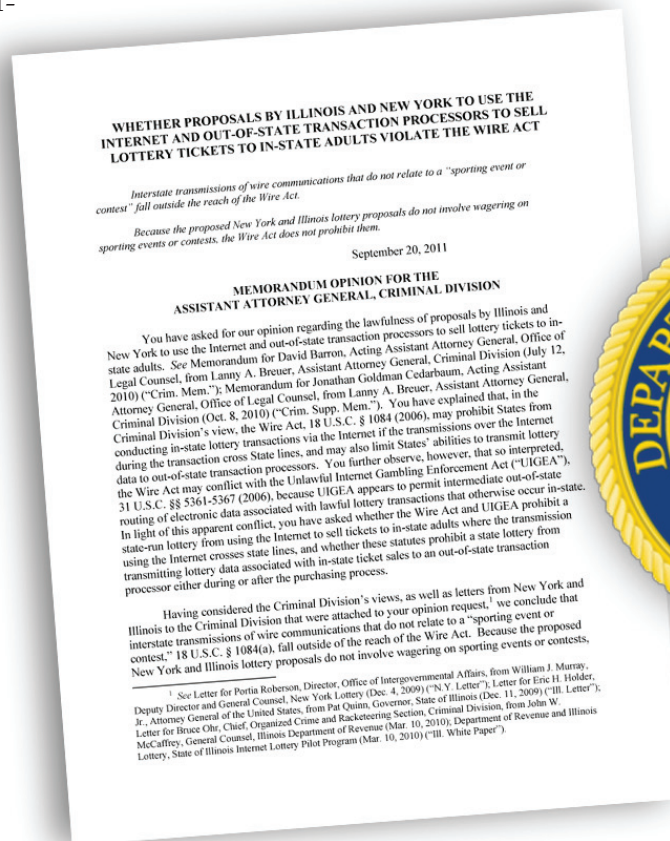
This opinion was the result of request for an opinion by the States of Illinois and New York regarding the lawfulness of using the Internet and out-of-state transaction processors to sell lottery tickets to in-state adults. “In December 2009, officials from the New York State Division of the Lottery and the Office of the Governor of the State of Illinois sought the Criminal Division’s (of the DOJ) views regarding their plans to use the Internet and out-of-state transaction processors to sell lottery tickets to adults within their states.” The proposals by New York and Illinois include among other items, “virtual tickets electronically delivered over the Internet to computers or mobile phones located inside the State of New York” and “a pilot program to sell lottery tickets to adults over the Internet, with sales restricted by geolocation technology to transactions initiated and received or otherwise

made exclusively within the State of Illinois”’. Federal laws cited in determining the lawfulness of the lotteries were the Wire Act (Title 18 United States Code, Section 1084) and the Unlawful Internet Gambling Enforcement Act (Title 31 United States Code Sections 5361-5367). The DOJ has concluded that the proposed lotteries are not within the prohibitions of the Wire Act, as they do not involve wagering on sporting events or contests.

While the above opinion is not an all encompassing legalization of online gambling, it does clear the way for states to open their lottery programs to include online transactions, subject to state law. Various

entities have opined that this opinion has opened the door to allow online poker and other Internet gambling. As this applies to HSI, there is a concern that online gambling presents a more readily available avenue to launder money.

HSI will continue to monitor the effects of this opinion on our investigative responsibilities, and look forward to a continued dialogue with our private partners to determine new and emerging trends in money laundering. ■



¹ See Letter for Portia Roberson, Director, Office of Intergovernmental Affairs, from William J. Murray, Deputy Director and General Counsel, New York Lottery (Dec. 4, 2009) (“N.Y. Letter”); Letter for Eric H. Holder, Jr., Attorney General of the United States, from Pat Quinn, Governor, State of Illinois (Dec. 11, 2009) (“Ill. Letter”); Letter for Bruce Ohr, Chief, Organized Crime and Racketeering Section, Criminal Division, from John W. McCaffrey, General Counsel, Illinois Department of Revenue (Mar. 10, 2010), Department of Revenue and Illinois Lottery, State of Illinois Internet Lottery Pilot Program (Mar. 10, 2010) (“Ill. White Paper”).



What's Current In Telemarketing/Online Scams

Telemarketing and online scams are a global issue; frequently the perpetrators are based abroad and scam U.S. victims. HSI investigates and strives to prevent transnational crime.

This list is by no means all inclusive. An online search for any combination of the following terms will yield a vast result; fraud, online, telemarketing, and/or scam. Most scams have the same goal: to make money. Bankers and those in the financial sector are often in the best position to alert people to known scams and to inform them where to go to get more information.

The following short list of current scams can be used to help front line financial representatives uncover possible fraud victims.

Attorney Email Scams: An attorney's office is contacted to assist in the collection of a judgment. The client is often located overseas and needs "local" representation for collection of the verdict.

Lotteries and Sweepstakes: You just won a foreign lottery! You have a letter from the foreign lottery commission and a check!

Overpayment Scams: Finally a buyer for a 1997 Honda Accord for full asking price! \$3,300!! But the buyer only has a check/cashier's check for \$7,800.

Mystery Shopper Scams: You are hired to be a mystery shopper and asked to evaluate the customer service of a money transfer company. You're given a check to deposit in your personal bank account.

Online Purchase Scams: Online purchase which requires a money

transfer as the only form of payment is a red flag: ask to use a credit card, an escrow service or another way to pay.

Advance Fee Loans: Ads and websites that guarantee loans or credit cards regardless of your credit history may be tempting – but if you have to wire money for the promise of a loan or credit card, it's likely you're dealing with a scam artist.

Family Emergency Scams: Someone claiming to be a family member, or calling on behalf of a family member calls needing cash to pay bail, a bribe, or for emergency medical care. He begs that money be wired right away and to keep the request confidential.

Apartment Rental Scams: Savvy scammers sometimes take over rental or real estate listings by changing the email address or other contact information, or listing a location for rent that they don't own or have authority to rent.

Romance Scams: The prospect of companionship can be blinding. Many people have fallen victim to fraud from supposed love interests located overseas, claiming money needed for a visa, airline tickets, or medical care for themselves or family.

The Common Thread

The goal in all of these described frauds is to make money. In all of the above cases, the victim sends money via wire (preferred) or through other channels. Once the money is sent, there is little chance of recovery. The perpetrators will bleed as much money from each victim as they can, and often share their victims' information with others. Perpetrators often make the transaction as easy as



Red Flag Indicators

Educate the dangers of wiring money to:

- a stranger – in this country or anywhere else.
- someone claiming to be a relative in a crisis – and who wants to keep their request for money a secret.
- someone who says a money transfer is the only form of payment that's acceptable.
- someone who provides a check, and asks for some of the money to be sent back.

possible for victims, by telling them exactly where to wire the money from (company and location), arranging shipping of merchandise (the seller then loses the merchandise and the overpaid funds), or trying to appeal to a victim's desperation, loneliness or greed. They also will try to prevent the victim from disclosing anything about the transactions to anyone.

Email accounts can be spoofed or hacked, making fraudulent emails appear legitimate.

HSI continues to combat fraud through education, and actively works investigations where fraud has occurred. For more in depth coverage of HSI's telemarketing fraud initiatives, refer to www.ice.gov/cornerstone. Cornerstone reports dated Winter 2010 and June 2009 include more specific information. ■

Additional online resources for information about current trends in fraud:

- www.usa.gov/Citizen/Topics/Internet_Fraud.shtml
- www.ftc.gov