



***United States Attorney
District of New Jersey***

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**FOURTEEN DEFENDANTS CHARGED IN \$65 MILLION STOLEN IDENTITY
INCOME TAX REFUND FRAUD SCHEME**

NEWARK, N.J. – One of the nation’s largest and longest running stolen identity tax refund fraud schemes – involving more than 8,000 fraudulent U.S. income tax returns seeking \$65 million in illicit refunds – has been shut down by a New Jersey-based task force, U.S. Attorney Paul J. Fishman announced.

Fourteen people are charged in five Criminal Complaints with conspiracy to defraud the United States and substantive counts of theft of government property, which resulted in \$11.3 million in losses. They were arrested this morning as part of a coordinated investigation by a New Jersey-based task force that includes IRS-Criminal Investigation and the U.S. Postal Inspection Service.

Ten of the defendants will make their initial appearances before U.S. Magistrate Judge Joseph A. Dickson this afternoon in Newark federal court while other defendants will be making their appearances in out-of-state federal courts: one in Manhattan; one in Grand Rapids, Michigan; and one in Greensboro, N.C. One defendant is already in custody in Texas on unrelated charges.

“The defendants in this case allegedly tried to steal \$65 million using stolen identities to obtain refunds to which they were not entitled,” U.S. Attorney Fishman said. “No matter how sophisticated, these crimes are pure theft. They victimize all members of the public, especially those whose identities are stolen.”

“These types of tax fraud schemes have been around for many years,” U.S. Postal Inspection Service Inspector in Charge Phillip R. Bartlett said. “The Postal Inspection Service noted a significant increase in tax refund fraud schemes approximately three years ago and formed the New Jersey Financial Crimes Task Force in an effort to identify, disrupt and dismantle organized groups engaged in these schemes.”

“Using stolen identities to file fraudulent tax returns seeking bogus refunds is a serious crime that we do not take lightly at the IRS,” Richard Weber, chief, IRS-Criminal Investigation, said. “The refund fraud alleged in today’s Complaints was highly organized and relied on many willing accomplices. IRS-Criminal Investigation has made investigating refund fraud and identity theft a top priority and we will relentlessly pursue those who attempt to undermine the integrity of our tax system.”

According to the Complaints:

Background on Stolen Identity Refund Fraud

Stolen Identity Refund Fraud (“SIRF”) is a common type of fraud that results in more than \$2 billion in losses annually to the U.S. Treasury. SIRF schemes generally share a number of hallmarks:

- Perpetrators obtain personal identifying information, including Social Security numbers and dates of birth, from unwitting individuals, who often reside in the Commonwealth of Puerto Rico. (Puerto Rican citizens are issued Social Security numbers, but are not required to pay Federal income tax unless they derive income from United States-based companies or from the United States government. These Social Security numbers are a valuable commodity for perpetrators of SIRFs, because they are usually not already associated with a tax return.)
- Participants complete and file – frequently filing electronically – Individual Income Tax Returns (“Form 1040”) using the fraudulently-obtained information, and falsifying wages earned, taxes withheld and other data. Perpetrators make it appear that the “taxpayers” listed on the fraudulent returns are entitled to tax refunds.
- Perpetrators direct the U.S. Treasury Department to issue the refunds through checks (“Tax Refund Treasury Checks”) generated by the fraudulent tax returns to locations they control or can access.

The Investigation

Recognizing the seriousness of the problem, federal law enforcement agencies created a multi-agency task force in New Jersey led by investigators from the IRS and the USPIS, along with support from the U.S. Secret Service, the U.S. Immigration and Customs Enforcement, Homeland Security Investigations and the Drug Enforcement Administration (the “New Jersey Task Force”).

The New Jersey Task Force has revealed that at least as early as 2007, dozens of individuals in the New Jersey and New York area have been engaged in a large-scale, long running SIRF scheme (the “Scheme”) involving more than 8,000 fraudulent U.S. income tax returns seeking \$65 million in illicit refunds and with losses to the United States Government of more than \$11.3 million.

The Scheme was carried out by Jose Torres, a/k/a “Jose Quilestorres,” 46, of Bronx, N.Y.; Roberto Diaz, 44, of Demarest, N.J.; Elian Matlovsky, 27, of New York; Porfirio Paredes, 44, of Hazelton, Pa.; Rosa Marmol, 34 of Grand Rapids, Mich., Luis Martinez, 47, of Matthews, N.C.; Ennio Guzman, 44, and Alejandro Javier, 50, both of Newark; Wilson Jose, a/k/a “Primo,” 43, of Bronx, N.Y.; David Pinski, 73, of Fort Lee, N.J.; Michael Senatore, 41, of Moscow, Pa.; Rosario Terzulli, 38, of Brooklyn, N.Y.; Manuel Rodriguez, 50, of New Brunswick, N.J.;

Rigoberto Torres (“R. Torres”), 40, of New Brunswick, N.J.; and others.

The Complaints set forth the specific role that each Conspirator played in the Scheme, including obtaining the personal identifying information from Puerto Rican citizens, creating and filing the fraudulent 1040 forms, and obtaining, selling, depositing and cashing the Tax Refund Treasury Checks.

Torres, Rodriguez and others gained control of refund checks in various ways, following the pattern of a classic SIRF scheme. Sometimes they bribed mail carriers to intercept checks and deliver them to other conspirators. One mail carrier, Bennie Haynes, who delivered mail along a route in Somerset, N.J., has previously been charged.

Torres and others also purchased “mail routes,” that is, lists of addresses covered by a single mail carrier, from other conspirators, including Diaz. Once the mail route was purchased, Torres and others applied for tax refund checks, inserted addresses along the mail route as the purported home addresses of the “taxpayers,” and obtained the checks sent to those addresses. Hundreds of refund checks were mailed to just a few addresses in a few towns, including Nutley, Somerset and Newark, N.J., and Shirley, N.Y.

They induced third parties (the “Straw Account Holders”) to open bank accounts at various banks in New Jersey and elsewhere or caused the checks to be cashed at check cashing businesses, and the proceeds deposited into bank accounts controlled by conspirators.

\$22 Million in Refunds Intercepted, \$1.4 million seized

Members of the New Jersey Task Force identified certain “hot spots” of activity related to the Scheme, where conspirators were directing millions of dollars worth of refund checks to just a few towns and cities in and around New Jersey. The task force members interacted with U.S. Postal Service employees in these hot spots, and more than \$22 million worth of refund checks – fraudulently applied for – were interdicted by law enforcement officers.

The Complaints also include forfeiture allegations seeking the seizure of more than \$11 million in ill-gotten gains, including luxury autos that were seized this morning.

Lavish Personal Spending of Stolen Public Money

Several of the conspirators used the proceeds to enjoy a lavish lifestyle. Diaz, who purportedly worked in the grocery business, resided in a house worth more than \$1.6 million, and paid more than \$13,000 per month in mortgage payments; he gambled more than \$250,000 at casinos in New Jersey and elsewhere; he purchased three Mercedes-Benz automobiles; and he spent thousands of dollars a night on luxury hotels.

Matlovsky, who was a school teacher, charged approximately \$123,000 on a single credit card in just one year, including tens of thousands of dollars in hotel and airfare for numerous luxury vacations. In the two years prior to her involvement in the Scheme, Matlovsky charged approximately \$400 and \$900 per year on that same credit card.

The Complaints charge each defendant with one count of conspiracy to defraud the United States and at least one count of theft of government property. The conspiracy count carries a maximum potential penalty of five years in prison and up to a \$250,000 fine. The substantive counts carry a maximum potential penalty of 10 years in prison and up to a \$250,000 fine.

Torres and a number of other defendants are being charged today in connection with a separate, similar scheme by the U.S. Attorney's Office, Southern District of New York.

U.S. Attorney Fishman praised special agents of IRS-Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff; U.S. Postal Inspection Service, under the direction of Phillip R. Bartlett, with the investigation leading to today's arrests. He also thanked the special agents of the U.S. Secret Service, under the direction of Special Agent in Charge Jacob Christine, the Drug Enforcement Administration, under the direction of Special Agent in Charge Brian Crowell, and HSI, under the direction of Andrew McLees, for their roles.

The government is represented by Assistant U.S. Attorneys Zach Intrater, Mala Ahuja Harker, Lakshmi Srinivasan Herman, and Danielle Walsman of the U.S. Attorney's Office Criminal Division in Newark.

The charges and allegations contained in the Complaints are merely accusations, and the defendants are considered innocent unless and until proven guilty.

12-336

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The defendants and their charges are listed below:

Defendant	Age	Residence	Role	Complaint
Jose Torres	46	Bronx, N.Y.	Obtained and Sold Checks	Mag. No. 12-6696
Roberto Diaz	44	Demarest, N.J.	Check Purchaser	Mag. No. 12-6697
Elian Matlovsky	27	New York, N.Y.	Check Cashier	Mag. No. 12-6697
Ennio Guzman	44	Newark, N.J.	Check Cashier	Mag. No. 12-6697
Porfirio Paredes	44	Hazelton, P.A.	Check Purchaser	Mag. No. 12-6700
Rosa Marmol	34	Grand Rapids, Mich.	Check Cashier	Mag. No. 12-6700
Luis Martinez	47	Matthews, N.C.	Check Cashier	Mag. No. 12-6700
Wilson Jose	43	Bronx, N.Y.	Sold Checks	Mag. No. 12-6700
Alejandro Javier	50	Newark, N.J.	Check Purchaser	Mag. No. 12-6698
David Pinski	73	Fort Lee, N.J.	Check Purchaser	Mag. No. 12-6698
Michael Senatore	41	Moscow, P.A.	Obtained and Cashed Checks	Mag. No. 12-6698
Rosario Terzulli	38	Brooklyn, N.Y.	Check Purchaser	Mag. No. 12-6698
Manuel Rodriguez	50	Newark, N.J.	Obtained and Cashed Checks	Mag. No. 12-6699
Rigoberto Torres	40	New Brunswick, N.J.	Check Cashier	Mag. No. 12-6699