

Investigations in the Fraud Program encompass a broad range of illegal activity designed to defraud individuals, businesses, governments, or other legal entities of money or tax revenues. IRS Criminal Investigation's fraud program focuses on the investigation of individuals who earn income illegally through schemes to rob legal industries such as the following:

Bankruptcy Fraud: The IRS is often a major creditor in bankruptcy filings and each year the IRS files over 100,000 proofs of claim to protect over \$3 billion in taxes owed. Bankruptcy filings in 1994 were approximately 1 million. The Executive Office for U.S. Trustees estimates that 10% of all bankruptcies involve some type of fraud. To foster cooperation, and to protect the revenue, IRS Collection Division and CI established Bankruptcy Coordinator positions in each IRS district.

Excise Tax: IRS is responsible for collecting excise taxes. Two major areas of evasion are motor fuel and highway tires. *Motor Fuel:* Gasoline or diesel fuel used on the highway is taxable; fuel used for farming, home heating, or other exempt purposes is non-taxable. In 1994, \$1,132,205,000 in revenue was derived from fuel excise tax. *Highway Tires* weighing over 40 lbs. are subject to excise taxes. In 1994, over \$327 million in revenue was derived from the Federal tire excise taxes.

Financial Institution Fraud: CI investigations focus on falsely reported or unreported income or the laundering of income obtained by violators operating inside and/or outside the financial institution.

Gaming: Gaming is a cash intensive industry which is becoming a growing area of fraud. CI continues to investigate traditional gaming cases involving illegal bookmaking, illegal numbers operations, and cases where a specific type of gambling is still illegal. Amusement gaming devices (poker machines, etc.) are being used to circumvent the state restrictions and proceeds from these devices are often grossly understated.

Health Care Fraud: CI health care fraud investigations cover a wide range of schemes involving home health care services, kickbacks/bribes, medical equipment, staged accidents, clinic mills, rolling labs, and drug diversion. The General Accounting Office, in a 1994 study, estimated that nearly 10% of all health care charges were fraudulent. With the estimated \$1 trillion that Americans spend each year on health care, that fraud would equate to approximately \$100 billion.

Insurance Fraud: CI investigations address criminal violations involving fraud relative to insurance claims and fraud perpetrated against insurance companies. Non-health care insurance fraud comes in the form of premium diversion, false claims, stolen equipment/vehicles, property damaged from staged accidents, workman's compen-

sation, and insolvent institutions. Congress and private organizations have studied the insurance industry and it is estimated that 10% of all insurance claims are fraudulent.

Illegal Tax Protesters: The sixteenth amendment to the Constitution states that citizens are required to file tax returns and pay taxes. The illegal tax protester movement purposefully disregards the tax laws; sometimes illegal tax protester techniques include fraud, harassment, and occasionally violence. Individuals are prosecuted for illegal activities of tax evasion or money laundering.

Public Corruption: CI participates in numerous investigations involving individuals who have violated the public trust. The subjects of these investigations are individuals from all levels of government—local, county, state, federal, and foreign. Public corruption cases often involve various types of schemes including bribery, embezzlement, extortion, kickbacks, money laundering, and tax fraud. CI generally works the tax and money laundering portion of these investigations in conjunction with other law enforcement agencies.