A Property Tax Scam: Washington D.C. $48 Million Embezzlement

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ABSTRACT

This case details how $48 million dollars was systemically stolen by one DC government worker over a nearly 20 year period; how the funds were deposited and cashed with the help of friends, family members and bank employees; how the funds were spent to support a lavish lifestyle; and how the embezzlement was eventually discovered. This case was written for use in a Business Law class.

Keywords: Embezzlement, Washington DC government, greed, co-conspirator

INTRODUCTION

In the 1970s, Harriette Walters (Walters) worked as a cook in a carry out restaurant in Washington, DC. In 1981, Walters started working in the DC Office of Tax and Revenue (OTR) as a temporary employee. Her responsibilities including working on the records for annual tax sales and processing property tax adjustments and refunds. Walters was a hard worker and by 2001, she was promoted to manager of the Real Property Tax Administration Adjustments Unit. Her responsibilities included reviewing and approving property tax refund voucher applications.

Table 1 – Amounts Embezzled

YEAR	AMOUNTS
1989	$ 31,734.57
1990	47,016.79
1991	160,153.08
1992	4,711.29
1993	246,301.15
1994	1,237,425.12
1995	1,423,237.59
1996	243,424.61
1997	543,423.50
1998	275,893.90
1999	1,244,522.43
2000	3,157,343.53
2001	3,515,671.85
2002	3,296,280.80
2003	4,771,776.55
2004	8,641,750.34
2005	7,107,129.71
2006	7,317,097.17
2007	4,850,556.91
TOTAL	**$ 48,115,450.89**

Source: Court documents

In Washington, DC, the real property assessed values of commercial properties increased from $18.73 billion in fiscal year 1999 to $40.4 billion in fiscal year 2006. With such a steep spike in assessed values, it would not be surprising for property owners to challenge their assessed values and the assessed tax. If the challenge was successful, the property owner would request a refund of property taxes paid. Property tax refunds are processed by the unit that Walters managed.

Walters quickly discovered that it was relatively easy to prepare improper property tax refunds because of the weaknesses in the review and approval process for tax refund vouchers. Between 1989 and 2007, Walters prepared 236 improper property tax refund checks totaling over $48 million. Table 1 summarizes, by year, the amounts that Walters embezzled from the DC government.

Walters was bold and brazen and wrote unusually large checks. The largest check – for $543,423.50 – was written in 1997. Numerous checks were over $300,000. Walters was shrewd enough not to make herself the payee on any checks. Instead, the check payees were typically a company – real or fictitious. How could Walters launder such large check amounts?

THE CO-CONSPIRATORS

Walters solicited a group of family members and friends (the co-conspirators) to participate in the laundering of the checks. The co-conspirators were:

- Alethia Grooms: met Walters when they were students at the University of the District of Columbia.
- Patricia Anne Steven: met Walters in 1978, when Walters worked in a carry-out restaurant close to Steven's home. Steven's became Walters' friend/mentor despite a 20 year age difference and advised Walters on fashion and culture.
- Robert Steven: was Patricia's husband and worked for the Internal Revenue Service. In 1990, Patricia, on advice of her husband, informed Walters that she had to report the embezzled funds on her tax return.
- Samuel Pope: Walters patronized his beauty salon.
- Connie Alexander: met Walters in 1992 at a gambling event in Maryland. They became close friends and gambling buddies. Walters paid for the wedding reception and guests' hotel room for Alexander's wedding in Las Vegas.
- Marilyn Yoon: Walters' friend and personal shopper at Neiman Marcus.
- Richard Walters: Brother
- Ricardo Walters: Nephew
- Jayrece Turnbull: Niece

The co-conspirators either picked up the checks from OTR or had the checks mailed to them. How could Walters ensure that such large check amounts could be deposited or cashed by individuals whose names did not match the check payees?

Walters, a frequent Bank of America (BOA) customer, solicited various bank tellers to assist with cashing and depositing the checks. Over time, she gave gifts to various tellers to earn their trust and for their cooperation in cashing and depositing the checks. By 1994, when the stolen funds increased to $1.2 million (a nearly fivefold increase over the $246,000 taken in 1993), Walters recognized the need to have a trusted bank employee with supervisory duties to assist with cashing and depositing the checks.

In walked Walter Jones (Jones), a newly hired, young, impressionable 20-year-old manager, eager to provide superior customer service to the bank's clients, especially those with large depository accounts. Walters, preying on his youth and position of power, quickly befriended Jones and starting offer $100 gifts to him. Jones, knowing that accepting such gifts was against bank policy, initially declined. However, Walters persisted and gradually eroded Jones' resistance to the point until he began to routinely accept gifts of up to $1,000 per visit from Walters. By 2000, Walters had ensnared Jones in her scheme to cash and deposit the checks.

Jones was responsible for allowing the co-conspirators to deposit and/or cash all the funds stolen by Walters in 2001 – a whopping $3,515,671.85. Table 2 illustrates Walters' ingenuity in creating these improper checks and the magnitude of Jones' role in depositing and cashing the checks presented by her co-conspirators. None of the checks were payable to the individuals who deposited and cashed the checks. A prime example of Jones' reckless disregard for bank deposit verification procedures is a check deposited on 7/27/2001 (highlighted in Table 2) payable to the attention of C. Alexander (Walters' friend) which was deposited into Turnbull's account (Walters' niece).

Table 2 – 2001 Checks

Date	Payee	Amount	Account Name/Account #	Relationship To Walters
01/18/2001	Washington I R.E. Investment C/O Staurt Turow, Esq Hold For Pickup	$ 137,571.33	Turnbull BOA # 2665	Niece
02/23/2001	Lasolana DC, Inc Attn: Helemt-Crow, Agent Hold For Pick Up	168,163.08	R Walters BOA # 1389	Brother
03/14/2001	Pm Realty Group C/O Staurt Turow, Esq Hold For Pick Up	251,270.50	Turnbull BOA # 2665	Niece
03/20/2001	Carr Real Estate Servuces Attn: P.A. Steven, Esq	347,068.49	P & R Steven BOA # 1745	Friends
04/17/2001	Horning Housing Corporation	190,065.38	Turnbull BOA # 2665	Niece
05/02/2001	Development Resources Hold For Pick Up	95,148.74	R Walters BOA # 1389	Brother
05/02/2001	900 F St Associate, LLC C/O GMACC Mortgage Corp.	201,867.11	P & R Steven BOA # 1745	Friends
05/21/2001	Jones Land Lasalle Attn: C.E. Zarneke Hold For Pick Up	135,269.34	Turnbull BOA # 2665	Niece
06/11/2001	Monument Realty Group Attn: David Fuss, Esq Hold For Pick Up	105,217.46	Turnbull BOA # 2665	Niece
06/11/2001	Stoladi Property, Inc	250,000.00	R Walters BOA # 1389	Brother
07/27/2001	Stillman Group, Inc	141,345.99	Turnbull BOA # 2665	Niece
07/27/2001	Intrepid Eye Street, LLC Attn: C.L. Alexander	122,078.21	Turnbull BOA # 2665	Niece
09/07/2001	Acuiport Four Attn: David Fuss, Esq	437,575.91	P & R Steven BOA # 1745	Friends
09/14/2001	Jbs Venture Attn: C.L. Alexander	126,000.00	Alexander Unknown	Friend
10/05/2001	Deloite And Touche Property Management Attn: David Fuss, Esq	262,167.75	Turnbull BOA # 2665	Niece
10/30/2001	Prudential Asset Resources	160,691.25	Jones' signature	Unknown
11/15/2001	Feddistrict, LLC/Trammell Attn: Alexander Lemos, Esq	124,829.01	Alexander Cashed	Friend
12/14/2001	Insignia/Esg, Inc Attn: Jeff Nadel, Esq	145,145.32	Alexander Cashed	Friend
12/28/2001	Dc 17th Street Corporation Attn: C . L. Lemos, Esq	114,196.98	Alexander Cashed	Friend
	Total	**$ 3,515,671.85**		

Source: Court documents

A LAVISH LIFESTYLE

How was Walters rewarded for her embezzlement? Co-conspirators typically transferred funds from their bank accounts and/or wrote checks directly for deposit into Walters' bank accounts. Of the $48 million taken, nearly $10 million was deposited into one BOA bank account controlled by Walters. Walters was very generous to her co-workers who she gave over $1 million. Table 3 summarizes, by year, deposits into, withdrawals from, and payments to co-workers from one BOA account owned by Walters.

Table 3 - Walters BOA Account 5677

Year	Deposits	Withdrawals	Payments To Co-Workers
1989 - 1999	No Bank Records Available		
2000	$691,787.19	$668,431.53	$0
2001	728,937.20	749,564.26	9,954.00
2002	672,675.02	678,620.72	29,605.00
2003	852,301.98	847,890.43	63,457.00
2004	1,050,617.84	1,032,262.74	122,829.00
2005	2,099,346.89	2,108,623.55	402,987.25
2006	2,182,725.93	2,116,342.31	431,782.92
2007	1,468,090.92	1,592,741.83	129,705.00
Total	$ 9,746,482.97		1,190,320.17

Source: Court documents

With all the millions that she was stealing, Walters could afford to finance a lavish lifestyle. Walters owned a 2006 Mercedes Benz, two homes in Washington, DC, two homes in New Jersey, and one in the US Virgin Islands. As shown in Table 4, she indulged in extravagant spending sprees at Nordstrom's ($362,791), Neiman Marcus (over $1.2 million), and American Express charges ($745,731) on designer clothes, shoes, jewelry, electronics, fur coats and handbags. Co-conspirator Yoon was selling Louis Viotton purses when she met Walters and eventually became Walters' personal shopper at Neiman Marcus. In 2005, Walters financed a Paris, France vacation for family and friends. Walters was an avid gambler. She and co-conspirator Alexander made numerous gambling trips to Las Vegas and Atlantic City. Walters met co-conspirator Alexander in 1992 at a gambling event in Maryland. In 2006, Walters paid for Alexander's reception and guests' hotel rooms for her Las Vegas wedding.

Table 4 - Walters' Spending Sprees

Year	Nordstrom's	Neiman Marcus	American Express	Trips (gambling and others)
2000	$20,417	$0	$0	Las Vegas (6) Atlantic City (1)
2001	18,722	153,628	36,319	Las Vegas (6)
2002	19,855	136,522	124,834	Las Vegas (4) Atlantic City (2)
2003	28,866	153,346	70,964	Las Vegas (2) Atlantic City (1)
2004	53,503	201,881	111,722	Las Vegas (2) Atlantic City (1)
2005	70,150	271,507	178,468	Las Vegas (1) Atlantic City (3) Paris, France: vacation for family/friends
2006	71,133	232,143	143,968	Las Vegas (5) Las Vegas: paid for Alexander wedding reception and guests' hotel rooms
2007	80,145	120,065	79,456	Las Vegas (2) Atlantic City (5) Charlestown WV (1)
Total	$362,791	$1,269,092	$745,731	

Source: Court documents

What a long way Walters had come from a cook in a carry-out restaurant in the 1970s to a millionaire in the 2000s. However, history has proven time and time again that greed and missteps eventually lead to the downfall of criminals.

DOWNFALL OF THE WALTERS' EMPIRE

The Walters' empire began to unravel in late 2006 when Jones deposited significant amounts of cash into his BOA accounts. These unusually large deposits alerted BOA investigators because these deposits exceeded Jones' annual salary. Bank officials also noted that Jones was withdrawing funds from Turnbull's accounts without her signature. In February 2007, Jones confessed to having taken $145,000 from Turnbull's accounts and was fired immediately.

After Jones' firing, Walters and her co-conspirators had to find other outlets to launder the checks. Turnbull turned to SunTrust Bank and opened a bank account using a fictitious company, First American Home. Turnbull deposited a $410,000 check into the First American Home account and attempted to transfer $200,000 of this deposit to one of her BOA accounts. However, the SunTrust teller became very suspicious and requested proof that the company was incorporated. The following actions by Turnbull and Walters made the teller even more suspicious: Turnbull incorporated the company after the date on the refund check and Walters mailed a letter on OTR letterhead to Turnbull stating that the company had been registered with OTR for "several years". SunTrust's suspicions lingered. The bank asked for more documentation including a tax sale contract. Walters solicited Grooms' graphics expertise to create a fraudulent tax sale form which Turnbull completed and presented to SunTrust. Nonetheless, SunTrust remained unconvinced about the legitimacy of the company and refused to release any of the deposit.

Turnbull was determined to get the entire $410,000 deposit back from SunTrust even though this amount represented less than two percent of the $24 million that she deposited into her bank accounts over a six year period. (See Table 5)

Table 5 - Amounts Deposited by Turnbull

Year	Amount
2001	$1,344,985.96
2002	1,303,049.19
2003	4,771,776.55
2004	7,029,428.09
2005	6,085,629.63
2006	3,127,960.00
2007	863,680.00
Total	$24,526,509.42

Source: Court documents

Turnbull allowed her greed to cloud her judgment and remained persistent about getting the money back – money that was never hers but that had been stolen. She hired an attorney who wrote the following threatening letter to SunTrust:

*"This letter is to advise you that Ms. Turnbull has gone above and beyond reasonable ability in trying to meet your demands to prove that the funds deposited into her recently opened business account belong to her and her business.****

You have no legal reason to continue to refuse to release the funds you are holding in Ms. Turnbull's account. If Ms. Turnbull's funds are not released to her within five days from the date of this letter, I will advise her what further legal remedies she may pursue against you, including the filing of a complaint with the state and federal agencies that regulate banking institutions. She may also choose to file a lawsuit against you seeking the return of the check and damages she has suffered."

After receiving such a threatening letter, SunTrust alerted the FBI. The FBI informed the DC government about the theft.

CONCLUSION

The DC government conducted an extensive investigation and discovered that of the 236 checks written by Walters, 116 checks worth over $34 million were deposited in and/or cashed by BOA and that Jones personally deposited and cashed $17,941,817 of the $34 million.

Walters and all her co-conspirators had been prosecuted and sentenced as shown in Table 6.

Table 6 - Crime and Punishment

Name	Crime	Prison Term
Harriette Walters	Wire fraud, money laundering conspiracy and tax evasion	17.5 years
Walter Jones	Conspiracy to commit money laundering	78 months
Patricia Steven	Receipt of stolen property and conspiracy to commit money laundering	70 months
Robert Steven	Receipt of stolen property and conspiracy to commit money laundering	46 months
Marilyn Yoon	Possession of property obtained by fraud	1 year and 1 day
Richard Walters	Receipt of stolen property and conspiracy to commit money laundering	51 months
Ricardo Walters	Receipt of stolen property and conspiracy to commit money laundering	78 months
Jayrece Turnbull	Receipt of stolen property, conspiracy to commit money laundering, mail fraud and tax evasion	9 years
Samuel Pope	Mail fraud and money laundering	51 months
Alethia Grooms	possession of stolen property, money laundering and mortgage fraud	37 months
Connie Alexander	Receipt of stolen property and conspiracy to commit money laundering	46 months

Source: Court documents

DISCUSSION QUESTIONS

1. Discuss the possible legal arguments that the DC government could make to support its position that Bank of America is liable for the stolen funds.
2. Discuss the possible defenses/legal arguments that Bank of America could make to limit its liability.

AUTHOR INFORMATION

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