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Seven Defendants Arrested For Multimillion-Dollar Tax Fraud Scheme Involving Purchase Of Children'S Identities From Corrupt New York City Employee

Preet Bharara, United States Attorney for the Southern District of New York, Thomas E. Bishop, Acting Special Agent in Charge of the New York Office of the Internal Revenue Service-Criminal Investigation ("IRS-CI"), and Mark Peters, Commissioner of the New York City Department of Investigation ("DOI"), announced today the arrests of NOEL CUELLO, LUZ C. RICARDO, a/k/a "Lucy," FRANCISCO ABREU, a/k/a "Seyayin," ARISMENDY CUELLO, a/k/a "Cheito," JONATHAN ORBE, a/k/a "Jigga," CATHERINE RICART, a/k/a "Cathy," and JOEL VARGAS in connection with a large-scale identity theft and tax fraud scheme through which identifying information of minors, including social security numbers, was obtained, including through corrupt payments to ABREU, who worked as a fraud investigator with the New York City Human Resources Administration, and was then used to file thousands of fraudulent tax returns, resulting in millions of dollars in estimated loss to the United States Treasury. The defendants were arrested today and presented in Manhattan federal court before U.S. Magistrate James L. Cott.

Manhattan U.S. Attorney Preet Bharara said: "As alleged, these defendants committed wholesale tax fraud by falsely claiming minor dependents on thousands of tax returns. That they committed this alleged massive fraud with the assistance of a city agency fraud investigator adds an element of galling irony. We are grateful to our partners in this investigation for exposing the scheme and stopping it."

IRS-CI Acting Special Agent in Charge Thomas E. Bishop said: "IRS-CI remains committed to the fight against stolen identity tax refund fraud. Large stolen identity tax refund fraud schemes require volumes of personal information to succeed and it is unfortunate when people who have access to such information are willing to sell their positions for personal gain. We are appreciative of the opportunity to work with our law enforcement partners in this investigation."

DOI Commissioner Mark Peters said: "The first obligation of government officials is to protect the private information of the people we serve. Violating this trust is not only illegal, but affects government's ability to perform its core functions."

According to the allegations contained in the Complaint unsealed today in Manhattan federal court:

Under federal law, taxpayers may be entitled to claim certain tax credits, including the Earned Income Tax Credit (“EITC”) available to qualifying low and moderate income working individuals and families. If the individual claims the EITC based on having a child, the individual must list the name and social security number (“SSN”) of the child on his or her tax return, along with completing a separate schedule that contains the child’s name, SSN, year of birth, relationship to the taxpayer, and how many months the child lived with the taxpayer during the tax year.

Between at least approximately 2009 and spring 2014, through a tax preparation business in the Bronx, New York, with multiple locations, the defendants, assisted by co-conspirators, charged individual taxpayers a cash fee in return for which the business would prepare and file tax returns that falsely claimed that the taxpayer had one or more minor dependents, to take fraudulent advantage of the EITC. The business filed thousands of such returns, resulting in refunds of millions of dollars.

The business, which went by several names over the years, was principally operated by NOEL CUELLO and RICARDO, with the assistance of ARISMENDY CUELLO, ORBE, RICART, and VARGAS, who played various roles, including bringing taxpayers to the business, preparing fraudulent returns, and receiving cash payments from clients. ABREU, who worked at the time as a fraud investigator with the New York City Human Resources Administration, sold identifying information of minors to be used in the scheme, including names, dates of birth, and SSNs.

The scheme continued even after IRS-CI executed multiple search warrants on the business, with ORBE claiming to have purchased the business from NOEL CUELLO, and ORBE and RICART establishing new electronic filer accounts with the IRS, and opening new bank accounts, which were used to continue the scheme.

In addition to accepting cash in return for assisting other taxpayers to file fraudulent returns, RICARDO, ARISMENDY CUELLO, ORBE, RICART, and VARGAS filed their own fraudulent returns in multiple years, falsely claiming to have one or more minor dependents.

Each of the defendants, NOEL CUELLO, 31, LUZ C. RICARDO, 33, FRANCISCO ABREU, 43, ARISMENDY CUELLO, 28, JONATHAN ORBE, 25, CATHERINE RICART, 36, and JOEL VARGAS, 28, all of the Bronx, New York, is charged with one count of conspiracy to defraud the United States with respect to claims, which carries a maximum term of 10 years; one count of conspiracy to commit wire fraud, which carries a maximum term of 20 years; and one count of aggravated identity theft, which carries a mandatory minimum term of 24 months, to be served consecutively to the sentence imposed for any other count. In addition, RICARDO is charged with two counts of subscribing to a false return; ARISMENDY CUELLO is charged with three counts of subscribing to a false return; ORBE is charged with two counts of subscribing to a false return; RICART is charged with five counts of subscribing to a false return; and VARGAS is charged with two counts of subscribing to false return. Each of the false

return counts carries a maximum term of three years. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants will be determined by the judge.

Mr. Bharara praised the outstanding work of IRS-CI and DOI in the investigation. Mr. Bharara also thanked the Social Security Administration-Office of Inspector General for its assistance in the case, which he noted is ongoing.

The case is being handled by the Office's Public Corruption Unit. Assistant U.S. Attorneys Daniel C. Richenthal and Sarah R. Krissoff are in charge of the prosecution.

The charges contained in the Complaint are merely accusations and the defendants are presumed innocent unless and until proven guilty.