

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 31, 2009

The Honorable Adrian M. Fenty
Mayor
District of Columbia
1340 Pennsylvania Avenue, N.W.
Mayor's Correspondence Unit, 2nd Floor, Suite 316
Washington, D.C. 20004

RE: SIGNIFICANT ACTIVITY REPORT

Dear Mayor Fenty:

This report is to inform you of the recent plea and sentencing of Harriette M. Walters, a former Office of the Chief Financial Officer, Office of Tax and Revenue (OTR) manager who, along with co-conspirators, participated in a scheme to issue fraudulent tax refund checks. On September 16, 2008, Ms. Walters pled guilty to Wire Fraud, Conspiracy to Commit Money Laundering, and Tax Evasion. On June 30, 2009, Ms. Walters was sentenced to 17 years and 6 months of imprisonment and ordered to pay restitution in the amount of \$64,276,609.07.

This investigation was conducted by D.C. Office of the Inspector General Senior Special Agent Kerthalia W. Peavely and Special Agents from the Federal Bureau of Investigation, the Internal Revenue Service, and the U.S. Department of the Treasury Inspector General for Tax Administration. The investigation revealed that, beginning in 1989, Ms. Walters issued fraudulent tax refund checks to friends and relatives who either deposited the refund checks into their bank accounts or cashed them. These individuals subsequently withdrew the funds and delivered the proceeds to Ms. Walters, who gave them a portion of the money for their services. To accomplish this, Ms. Walters used both her position at OTR and her knowledge of the OTR tax refund system. The fraudulent tax refund check scheme resulted in a \$48.1 million loss to the District of Columbia.

Ten relatives and friends of Ms. Walters who participated in the fraudulent tax refund check scheme also pled guilty and were sentenced as follows:

- Mr. Ricardo R. Walters, as previously reported in a Significant Activity Report dated August 6, 2008, pled guilty to Possession of Stolen Property and Conspiracy to Commit Money Laundering, and was sentenced on July 23, 2008, to 6 years 6 months of imprisonment and ordered to pay \$4.2 million in restitution;

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- Mr. Richard Walters pled guilty to Possession of Stolen Property and Conspiracy to Commit Money Laundering, and was sentenced on November 4, 2008, to 4 years 3 months of imprisonment and ordered to pay \$4.9 million in restitution;
- Mrs. Patricia A. Steven pled guilty to Possession of Stolen Property and Conspiracy to Commit Money Laundering, and was sentenced on December 8, 2008, to 5 years and 10 months of imprisonment and ordered to pay \$4,416,655.16 in restitution;
- Mr. Robert O. Steven pled guilty to Possession of Stolen Property and Conspiracy to Commit Money Laundering, and sentenced on December 8, 2008, to 3 years and 10 months of imprisonment and ordered to pay \$4,416,655.16 in restitution;
- Mrs. Marilyn Yoon pled guilty to Possession of Stolen Property, and was sentenced on December 11, 2008, to 1 year and 1 day of imprisonment and ordered to pay \$526,130 in restitution;
- Mr. Walter R. Jones pled guilty to Conspiracy to Commit Money Laundering, and was sentenced on January 5, 2009, to 6 years and 5 months of imprisonment and ordered to pay \$17,941,817.30 in restitution;
- Ms. Jayrece Turnbull pled guilty to Possession of Stolen Property, Conspiracy to Commit Money Laundering, Mail Fraud and Tax Evasion, and was sentenced on March 16, 2009, to 9 years of imprisonment and ordered to pay \$24,521,720.66 in restitution;
- Mr. Samuel E. Pope pled guilty to Conspiracy to Commit Money Laundering and Mail Fraud, and was sentenced on May 5, 2009, to 4 years and 3 months of imprisonment and ordered to pay \$1,586,406.26 in restitution;
- Ms. Alethia O. Grooms pled guilty to Possession of Stolen Property, Conspiracy to Commit Money Laundering, and Conspiracy to Make a False Statement in Connection with a FHA Loan, and was sentenced on May 7, 2009, to 3 years and 1 month of imprisonment and ordered to pay \$650,929.19 in restitution; and
- Connie Alexandria pled guilty to Conspiracy to Commit Money Laundering, and was sentenced on May 11, 2009, to 3 years and 10 months of imprisonment and ordered to pay \$3,185,370.46 in restitution.

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After discovery of Ms. Walters' criminal conduct, OTR initiated corrective controls and procedures regarding the issuance of tax refund checks. These corrective controls include strictly enforced tiered approvals, limiting access to the computer system that processes tax refund checks only to the specific functions required for each department, and re-educating employees regarding tax refund review and approval procedures.

In addition, as a result of this investigation, OTR reviewed the conduct of other OTR employees who were not criminally charged with participating in the fraudulent tax refund scheme. As a result of that review, 8 OTR employees were terminated, 14 retired, 14 resigned, and 1 was issued a letter of reprimand.

If you need additional information, please feel free to call me or Stacie Pittell, Assistant Inspector General for Investigations, on (202) 727-2540. When calling, please reference OIG Control Number 2007-0460.

Sincerely,


Charles J. Willoughby
Inspector General

CJW/kwp