



PREREQUISITE –CASE STUDY PREPARATION

CONTEXT:

You are an investigator with the **CORADA REVENUE SERVICE** of **CORADA**¹. Your Director has asked you to evaluate a referral² received by your tax agency from the civil section of the **CORADA REVENUE SERVICE**.

FOR YOUR ACTION:

READ the information provided in this document to familiarize yourself with the case study that will be used throughout the introduction to major case management course.

CASE FACTS

You’ve recently been assigned to investigate Art Centre Export Ltd. (ACEL). This case was referred to the criminal investigations program.

The details and facts of the audit ACEL are as follows:

- The audit has been conducted by Frank Smith. During his audit, he spoke with the shareholder, Kevin Williams;
- Some facts about the audit:
- Frank conducted a VAT audit of a one-month period;
- ACEL purchases art lithographs from suppliers within its Country and exports them for resale, mostly to Panama;
- During the audit period, ACEL purchased 95 lithograph paintings at an average of \$1,200 each, paid \$120 VAT average per painting and exported each to foreign clients;
- The total refund claimed was \$12,900 (\$11,400 for painting plus VAT paid on other various costs of sales/administrative expenses of \$1,500);
- The refund was paid to ACEL and deposited into its corporate business bank account;

¹ For more information please see the “Corada Revenue Services Overview” document.

² Referrals are received in CORADA from various sources including: the civil division of CORADA REVENUE SERVICE and other Law Enforcement partner organizations.

- Frank noticed that a monthly refund of close to the same amount was paid to ACEL in the past twelve months, totalling \$154,270;
- ACEL's shares are 100% owned by Kevin Williams;
- ACEL's address in the tax authority's system is shown as: 100 Bank Street, Suite 270, Your City, Corada. Its telephone number was 888-555-1234;
- All paintings were purchased from a supplier by the name of Art Supplier Limited (ASL);
- Frank looked in the tax authority's system to see if ASL was remitting the VAT charged to ACEL. He found that ASL was remitting sufficient VAT to include the amount charged to ACEL. ASL however had high cost of sales and remitted a net amount of VAT of only \$345. He noted that ASL's shareholder was Robert Williams;
- Frank also reviewed Customs documents for the export of the paintings. He found that the documents appeared to be in good order as all include the customary Customs stamp of export;
- Most of the lithograph paintings were exported to a company in Panama, Panama Art Centre. Sales invoices were reviewed and Frank found that each lithograph was sold for \$1,300 each. Frank also asked to see the corporate bank account and found money originating from Panama monthly for the sale of all lithographs;
- Sales invoices to Panama Art Centre identify Miguel Garcia as the contact person;
- Sales invoices also showed an email address for ACEL as: ACEL123@kmail.countryA;
- Given the amount of sales activity, Frank found that the corporate bank account seemed to lack activity. The month's activity included: receipt of sales from the previous month, receipt of VAT cheque from the tax authorities, there were little other transactions. There was a cheque to Adam Williams for \$5,000. Kevin said Adam was his brother and he owed him money;
- Frank didn't find any internet presence for either the supplier, exporter or foreign company;
- Frank referred the file to Investigations for review.

ADDITIONAL CASE FACTS:

In conducting additional investigative steps you learned the following:

- You've examined all the refund cheques to ACEL and you know that they were all deposited to a National Bank account, number 707-077;
- The cheques were sent to the address noted on the system for ACEL;
- You have visited the address of 100 Bank Street and found that it is occupied by UPS Worldwide. You spoke with the Manager and he said that: 1) they have operated at the address for years; 2) they are in the business of shipping but also rent mail boxes; 3) sometimes, their clients note their mail box number as a suite; and 4) box number 270 is rented to Jada Jones;
- The manager of UPS also said that they also rent space to enable people to conduct their business and they also provide a telephone service system;
- The Manager of UPS Worldwide states that he would provide additional evidence if a Judicial Order is presented. He also notes that their Headquarters is situated in Germany;
- You look in your tax systems and find that Jada Jones reports the same address as Kevin Williams and both state they are single on their tax filings;
- You visited the space where Frank met with Kevin Williams and found that it is a rent-a-space location owned by UPS Worldwide.
- As you are moving along in your investigation, your director approaches you to tell you that he has received 12 additional audits originating from throughout the country that appear to have commonalities to your original audit the ACEL case. Refer to the spread sheet on the following page (titled "Summary of Audits") for a summary of your original audit along with the additional 12 audits. He wants you to review the facts of each to see if they are connected.
- After your review, you conduct a search in the tax authority's systems by: Corporate name, Director name, Address, Telephone number and any other factor that could connect the corporations. You find a total of 54 corporations that export lithographs in the same or similar fashion.

SUMMARY OF AUDITS

Audit No.	Auditor Name	Company audited (Exporter)	Company Director	Address location (various cities)	Supplier of painting	Main country of export	VAT Refunds paid (last two years)
1	Frank Smith	ACEL	Kevin Williams	UPS Worldwide	Art Supplier Limited	Panama	\$ 235,145
2	Jason Valin	Art Temple Inc.	Spencer Williams	Mail Boxes Etc.	Artsy Lithos Inc.	U.S.A.	\$ 205,335
3	Eddy Cugh	Unavart Ltd*	Adam Williams	The Mail Box Store	Lithographs & More	Bermuda	\$ 189,150
4	Anne Chiriqui	Artco.	Andy Doe	Classic Postbox	I'm Artsy Inc.	Australia	\$ 165,750
5	Sophia Moore	Art-ex Corporation	Adam Williams	Business Mailboxes	Arts & More	Bermuda	\$ 275,500
6	Benjamin Karlsen	Litho.Ex	John Groulx	Priority Mail Inc.	Lithographs and Arts	Australia	\$ 177,770
7	Mary Tavares	Ex-Artsy.com*	Andy Doe	Mail Boxes Etc.	Arts 'r Us	U.S.A.	\$ 211,115
8	Pietro Desmeo	National Art Export	Guy Groulx	Country A Rent-a-space	Paintings for U	Italy	\$ 292,500
9	Thomas Mao	International Lithos	Robert Williams	Classic Postbox	Artsy Lithos Inc.	Italy	\$ 154,540
10	Logan Drouin	International Art	Jada Jones	The Mail Box Store	Paints and Me	Italy	\$ 126,040
11	Micheala Domi	Art Distribution Network	Andy Doe	Mail Boxes Etc.	Paints and Me	Panama	\$ 194,000
12	Nicholas Price	High Export Ltd.	Jenny Jones	Office Depot	Art Supplier Limited	Panama	\$ 197,570
13	Noah Roy	Unique Export	Jada Jones	UPS Worldwide	Arts 'r Us	Italy	\$ 126,300
						Total	\$ 2,550,715

* These companies have the same telephone