



First Friday Fraud Facts+

March 4, 2016

The Idaho State Controller’s Office distributes this newsletter as a public service and as a cost-effective method of increasing awareness about ways to detect and prevent fraud, waste, and abuse in government.

Strawman/Redemption Fraud

There is a circulating conspiracy theory that the United States government has collateralized its citizens in order to borrow money. Some believe this collateralization began in 1913 with the establishment of the Federal Reserve System, while others assert it began when the U.S. government abandoned the gold standard in 1933. This theory is referred to as the “redemption movement” or the “strawman theory”.

Basic Tenets of the Theory

1. People who subscribe to this theory believe that the government deposits \$630,000 into a hidden bank account for each newborn American citizen. They believe that by exercising certain actions, every person can gain access to that money.

This hidden account represents each person’s “strawman”, or in other terms, each person’s financial alter ego.

2. The theory also states that Americans are U.S. nationals, not U.S. citizens. This assertion “allows” a person to change their tax filing status from “U.S. citizen” to “non-resident alien”, giving the person the right to avoid payment of income taxes.

3. A person can tap into their “hidden” funds and pay for official bills by writing “A4V” (Acceptance for Value) on the bill.

4. Spelling out a person’s name in all capital letters prevents the person from being legally bound to the requirements laid out in the documentation.¹

“There has never been a single verifiable case of anybody identifying the existence of a secret Treasury account in their name, let alone getting their hands on any of this mythical money.”

- Scambusters.org

Inside This Issue:

Basic Tenets of the Theory	1
Perpetrating the Fraud	2
Avoiding the Fraud	2
Case Study	3
Upcoming Events	3



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Perpetrating the Fraud

To most people, the redemption movement will seem fanatical and outlandish. The very tenets of the movement are fraudulent. However, as with most fraudulent schemes, fraudsters use people's naiveté, ignorance, and perceived distrust of government to further perpetuate the outreach of the redemption movement.

Fraudsters peddle training kits, books, DVDs, and consultations to "instruct" people on how to access their strawman accounts. Consultations can cost upwards of \$100 per hour. Affiliation could cost another \$100, with the promise of a commission for each resultant sale.

The perpetrators also have all the "required" forms people need to gain access to their strawman funds, for a significant fee, of course. The packet of forms consist of a mix of genuine Internal Revenue Service (IRS) forms and bogus documents that look official. When a person submits the forms and receives a notice from the IRS that their claim has been dismissed, the fraudsters will claim the person did not file the forms in the proper order or that they were not filled out correctly.²

Avoiding the Fraud

- Be wary of individuals or groups selling kits that they claim will inform you how to access secret bank accounts.
- Be wary of individuals or groups proclaiming that paying federal and/or state income tax is not necessary.
- Do not believe that the U.S. Treasury controls bank accounts for all citizens.
- Be skeptical of individuals advocating that speeding tickets, summons, bills, tax notifications, or similar documents can be resolved by writing "acceptance for value" on them.
- If you know of anyone advocating the use of property liens to coerce acceptance of this scheme, contact your local FBI office.³

"Avoiding this type of fraud is just a matter of ignoring people who make these claims... And, if you ever do encounter the strawman, it'll most likely be on the Yellow Brick Road!"

- Scambusters.org



Case Study

From 2008 to 2012, three conspirators falsely represented that they could eliminate substantial portions of clients' debts by obtaining sizable tax refunds for them.

The fraudsters created fictitious IRS Forms 1099-OID, which set forth false interest and tax withholding amounts on their clients' tax returns. They promoted the fictitious "redemption theory" to their clients as the purported justification for their fraudulent tax refund claims. Clients were falsely informed that the submission of tax returns in this manner allowed the clients to legitimately access large amounts of money allegedly contained in certain non-existent "straw man" accounts which the defendants claimed were being maintained by the U.S. Treasury for each individual who possessed a social security number.

The conspirators facilitated the submission of fraudulent tax returns claiming refunds totaling in excess of \$5.4 million; they fraudulently induced the IRS to issue refund checks amounting to more than \$2.0 million

On February 17, 2015, the three fraudsters were sentenced for their roles in the tax refund scheme. One person was sentenced to 30 months in prison and ordered to pay \$695,635 in restitution to the U.S. Treasury. The other two fraudsters were sentenced to 60 months in prison and each ordered to pay more than \$1.5 million in restitution to the U.S. Treasury.⁴

Citations

¹ Redemption movement. https://en.wikipedia.org/wiki/Redemption_movement. Accessed 5 February 2016.

² Don't Fall for this Strawman Scam. <http://www.scambusters.org/strawman.html>. Accessed 5 February 2016.

³ Redemption/Strawman/Bond Fraud. <https://www.fbi.gov/scams-safety/fraud>. Accessed 5 February 2016.

⁴ Two Tax Preparers and Client Sentenced in Fraudulent Refund Scheme. <https://www.irs.gov/uac/Examples-of-Questionable-Refund-Investigations-Fiscal-Year-2015>. Accessed 1 March 2016.

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Upcoming Events

13-14 Apr 2016 - SCO's Annual Internal Control Training

