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Former employee pleads guilty to fraud, identity theft, money laundering

Former Taxation and Revenue Department employee George Martinez, 45, of Albuquerque, has pleaded guilty in federal court to 42 counts each of wire fraud and aggravated identity theft and six counts of money laundering, according to the U.S. Attorney's Office in Albuquerque.

The U.S. Attorney's Office, citing the plea agreement and other court records, said that from May 18, 2011, through July 16, 2018, Martinez allegedly used his position as the Unit Supervisor/Bureau Chief of the Questionable Refund Unit at the New Mexico Taxation and Revenue Department to fraudulently alter tax refunds totaling \$689,797 and direct them to bank accounts that he controlled.

Martinez perpetrated the fraud by copying tax returns that had already been processed or creating new returns in taxpayers' accounts, according to the U.S. Attorney. He altered information such as taxpayers' Social Security numbers, bank account numbers and withholding amounts in the returns, according to the U.S. Attorney. By changing the withholding amounts, he increased the amounts of the refunds and fraudulently directed tax refunds into accounts in his control, the U.S. Attorney said.

Martinez faces a minimum of two years and up to 32 years in prison, according to the U.S. Attorney. Martinez also has agreed to pay restitution of \$689,797, according to the plea agreement.

Taxation and Revenue Secretary Stephanie Schardin Clarke applauded the U.S. Attorney's Office successful prosecution of the case, which was originally discovered by the Department's own investigators in 2018.

"Abusing the public trust cannot go unpunished," said Schardin Clarke. "In this case, the Department uncovered irregularities in 2018 and immediately took action. We continually evaluate potential threats to keep the state's assets safe from bad actors."

Martinez initially was the subject of an internal investigation in 2018 by Taxation and Revenue Department's Tax Fraud Investigations Division. After the internal investigation, TFID referred the case to the FBI's Albuquerque office for an independent criminal investigation.

Martinez was placed on leave during the internal investigation in 2018 and separated from the Department later that year. In the interim, the Department has strengthened its internal controls by overhauling system access privileges and updating business procedures. Officials continue to monitor daily business activity for abnormalities and suspicious transactions.

TFID also provides training to employees on how to spot potential fraud and operates a hotline for employees and the public to report suspicious activity.

Possible fraud can be reported by calling 1-866-457-6789 or by email at Tax.Fraud@state.nm.us.

The FBI Albuquerque Field Office and the IRS Criminal Investigation Phoenix Field Office conducted the criminal investigation. The case has been prosecuted by the U.S. Attorney's Office in Albuquerque.

The Taxation and Revenue Department serves the State of New Mexico by providing fair and efficient tax and motor vehicle services. It administers more than 35 tax programs and distributes revenue to the State and to local and tribal governments throughout New Mexico.

The Department strives to reduce taxpayer burden through clearer communication, statutes, regulations, forms, correspondence and instructions.

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