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# IRS AGENT'S SON PLEADS GUILTY IN LARGEST BRIBE CASE EVER.

SEP. 16, 1991

## ===== SUMMARY =====

The son of a former IRS agent pleaded guilty on September 16 to aiding his father in a scheme to help a wealthy Southern California farmer evade income taxes -- a plot for which the father-son team was paid \$400,000 in bribes. The Justice Department calls the matter "the single largest bribe case in IRS history."

The son, Robert A. Morales, Jr., of El Cajon, Calif., entered a guilty plea on one count of money laundering with the intent to evade tax and on another count of conspiracy to defraud the government. The younger Morales could face as much as 25 years in prison and a \$750,000 fine.

His father, who pleaded guilty on August 21 to tax evasion and assisting the preparation of a false return, is incarcerated without bond. The senior Morales has been indicted on 17 different criminal charges; his trial is scheduled for November 13 in San Diego.

The case began in the mid-1980s, the Department of Justice says. Then, Mario Saikhon, identified as one of Southern California's largest farmers, allegedly paid Robert A. Morales, Sr., for assistance in establishing several sham companies and bank accounts that allowed Saikhon to escape millions in tax. The elder Morales also accepted bribes for squelching audits of Saikhon's personal and corporate taxes.

The Moraleses set up two phony agriculture firms, J.B. Farms and Cendejas Farms, and funneled more than \$2 million in checks to these sham companies from June 1987 to December 1988. Saikhon illegally wrote off these false payments on his federal tax returns as business expenses.

The Moraleses laundered some of their bribe money by placing a relative, Reynaldo Cendejas, on Saikhon's corporate payroll as a "ghost" employee. More than \$150,000 was

sent to the Moraleses in the form of paychecks made out to Cendejas, and this money was placed in a nominee bank account. The father-son team forged Cendejas' signature on the checks and the bank signature cards, the Justice Department says.

The remainder of the bribe money was paid to the Moraleses through the use of checks written to the sham farms. Saikhon apparently also deducted these funds as business expenses.

William Braniff, U.S. attorney for the district of Southern California, states that the younger Morales' plea is the government's first conviction under the 1988 Tax Money Laundering Statute.

"This new money-laundering status gives the government a formidable weapon with which to combat the most serious tax offenses," said Shirley D. Peterson, an assistant attorney general in the Justice Department's Tax Division.

Peterson praised the efforts of the Service's special agents in the tax agency's Criminal Investigation Division for their efforts. The head of the IRS' criminal investigators is Thomas Coleman.

===== FULL TEXT =====

PRESS RELEASE

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NEWS RELEASE SUMMARY

The United States Attorney for the Southern District of California, William Braniff, and Assistant Attorney General Shirley D. Peterson of the Department of Justice, Tax Division,

announced today the guilty plea of Robert A. Morales, Jr. for assisting his father, former IRS Revenue Agent Robert A. Morales, Sr., with accepting hundreds of thousands of dollars in illicit bribes. These bribes were paid by Mario Saikhon (one of the largest farmers in Southern California) in exchange for the Moraleses' assistance in evading payment of taxes on tens of millions of dollars earned by Saikhon.

According to Braniff, the younger Morales pled guilty in front of the Honorable Gordon Thompson, Jr. to conspiracy to defraud the United States (Count 1), and laundering money with the purpose of engaging in tax evasion (Count 161). In his factual basis to the Conspiracy Count, defendant admitted agreeing with Mario Saikhon to assist Saikhon in evading the payment of his lawful income tax. In particular, Morales, Jr. stated that he assisted Saikhon by establishing, or helping to establish, various "sham" corporations and "nominee" bank accounts.

As confirmed by today's plea, Morales, Sr. and Morales, Jr. formed the sham corporations, J.B. Farms and Cendejas Farms, to directly facilitate the evasion of income tax by Mario Saikhon. According to Assistant U.S. Attorney Phillip L.B. Halpern, who handled the investigation for the United States Attorney's Office, the indictment alleges that J.B. Farms and Cendejas Farms received over \$2 million in checks from Saikhon between June 1987 and December 1988. These payments were then improperly written-off on Saikhon's income tax returns as farming expenses, thereby reducing his federal income tax liability.

As specified in the Indictment, Morales, Sr. and Morales, Jr. also formed the sham corporations in order to conceal and facilitate the receipt of several hundred thousand dollars of bribe payments from Mario Saikhon. According to Halpern, the indictment also indicates that Saikhon tendered the bribes to procure assistance in a scheme to evade his income taxes through the use of the sham corporations. The bribes were also tendered to secure the elder Morales' complicity in a protracted conspiracy involving his "controlling" and failing to properly audit various Mario Saikhon personal and corporation income tax returns over the last decade.

As specified in the indictment, the defendant and his father utilized a variety of different methods to accept the bribe payments. Among these methods, Morales, Sr., arranged to have the name of his brother-in-law, Reynaldo Cendejas, placed on Saikhon's corporate

payroll even though he performed no work. Thereafter, over \$150,000 in payroll checks were sent to the Morales residence, 1925 Murray Rancho Road, El Cajon, California, in the name of this "ghost employee." These payroll checks were then deposited in a "nominee bank account" utilizing endorsements forged by the defendant and his father.

In supplying a factual basis to the money laundering count, defendant admitted that he recognized that Reynaldo Cendejas had performed no work for Mario Saikhon, and that the payroll checks issued in Cendejas' name were in fact the proceeds of some form of felonious activity. According to Steven P. Ward, Special Attorney, Department of Justice -- Tax Division, Morales, Jr.'s factual basis also conceded that the defendant deposited some of the payroll checks at the Heartland Savings and Loan in La Mesa, California, knowing that those checks were part of a scheme intended to evade lawful income tax due and owing by both his father and Mario Saikhon. In this regard, the defendant acknowledged that the proceeds from the payroll checks would be utilized not by Reynaldo Cendejas, but by his father.

In total, the Indictment alleges that Morales, Sr. accepted over \$400,000 in illegal bribe payments from Mario Saikhon utilizing the payroll checks to Reynaldo Cendejas and the checks written to the various sham corporations. As such, officials with the IRS stated that the scheme represents the largest single bribe case of its type in the history of the Internal Revenue Service.

According to Braniff, today's plea to Count 161 represents the first conviction nationwide utilizing the new Tax Money Laundering Statute enacted by Congress in November 1988 in an effort to attack criminal activity on a different front. Addressing this unprecedented conviction, Assistant Attorney General Shirley D. Peterson of the Department of Justice, Tax Division, stated that "this new money laundering statute gives the government a formidable weapon with which to combat the most serious tax offenses. It imposes severe penalties on those who launder ill-gotten gains with the intent to evade taxes." Peterson praised the efforts of Braniff's office and the Special Agents of the Internal Revenue Service -- Criminal Investigation Division for their thorough and vigorous prosecution.

As a result today's guilty pleas, defendant is exposed to an aggregate prison term of twenty five (25) years and a fine of seven hundred and fifty thousand dollars (\$750,000). In

addition, the terms of the plea agreement call for the defendant to waive his right to contest the forfeiture of certain property seized by the Government, and to cooperate in the continuing investigation. Judge Thompson set Morales, Jr.'s sentencing date for December 2, 1991.

Although this plea concludes the Government's case against Morales, Jr., his father is still detained without bond awaiting trial. Prior to today's plea, the former Revenue Agent pled guilty to tax evasion (Count 192) and assisting in the preparation of a false tax return (Count 195) on August 21, 1991. However, this plea was not entered into as part of any Government agreement.

Accordingly, the day after Morales, Sr.'s plea, a federal grand jury returned a 17 count Superseding Indictment against him. The Superseding Indictment charges the elder Morales with: Conspiracy (Count 1); Official Corruption (Counts 2-3); financial money laundering (Counts 4-10); conspiracy to launder purported drug proceeds (Count 11); laundering purported drug proceeds (Counts 12-13); and various tax related counts (Counts 14-17). Trial on these charges is presently set in front of Judge Thompson on November 13, 1991.

Braniff stated that today's conviction represented another step in his office's continuing effort to ensure that official corruption remains one of its highest priorities. According to Braniff, this type of crime remains of paramount importance to the Department of Justice and will be vigorously prosecuted if found in the Southern District of California.

Once again, Braniff praised the efforts of the United States Internal Revenue Service Criminal Investigation Division, under the direction of Regional Commissioner Thomas Coleman, the Internal Revenue Service Examination Division, under the direction of Assistant Regional Commissioner Wayne Thomas, and the Internal Revenue Service Internal Security Division, under the direction of Assistant Regional Inspector Kenneth Davidson, for their efforts in this complex two-year investigation. In particular, the United States Attorney applauded their single-minded dedication to ferreting out corruption within the Internal Revenue Service. Braniff also thanked the Department of Justice, Tax Division, for their continued assistance in this lengthy and complex financial investigation.