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### Manhattan U.S. Attorney Charges Former IRS Official With Violating Conflict Of Interest Laws And Illegally Disclosing Whistleblower's Identity

**FOR IMMEDIATE RELEASE** Thursday, September 27, 2012

Preet Bharara, the United States Attorney for the Southern District of New York, and Robert O'Malley, the Special Agent in Charge of the New York Field Division of the Office of the Treasury Inspector General for Tax Administration ("TIGTA"), announced today the unsealing of a four-count Complaint charging DENNIS LERNER with violating conflict of interest laws while he was an Internal Revenue Service ("IRS") employee, and continuing to do so after leaving the IRS. LERNER is also charged with improperly disclosing confidential IRS information, including information regarding pending audits and the identity of an IRS whistleblower. He was arrested today at his residence in New Jersey, and appeared in Manhattan federal court before Magistrate Judge Gabriel W. Gorenstein.

Manhattan U.S. Attorney Preet Bharara said: "As alleged, Dennis Lerner's violations of basic conflict of interest laws were brazen and continued in the face of warnings about his conduct. Not only did he flout those laws in order to curry favor with a prospective employer, but he also illegally disclosed the identity of a whistleblower, as the Complaint alleges. As this defendant now knows, this Office will aggressively prosecute those who violate their legal and ethical obligations as government employees."

TIGTA Special Agent in Charge Robert O'Malley said: "TIGTA aggressively investigates all allegations of IRS employee corruption. IRS employees must execute their duties with the highest standards of integrity. Any allegation of corruption, self-dealing, or inappropriate disclosure of confidential information is a potential violation of the public trust and could erode the public's confidence in the American system of tax administration."

According to the allegations in the four-count Criminal Complaint unsealed today in Manhattan federal court:

From June 2010 until August 2011, LERNER worked as an International Examiner in the New York office of the IRS. For several months leading up to his resignation from the IRS, one of LERNER's chief responsibilities involved conducting an audit of an international bank ("Bank 1") related to approximately \$1 billion in allegedly unreported income. This audit was triggered by confidential whistleblower information LERNER reviewed during the course of his IRS employment. Shortly before his resignation, LERNER led negotiations on behalf of the IRS which resulted in a proposed \$210 million settlement between Bank 1 and the IRS. The settlement was still pending final approval at the time of his departure. Unbeknownst to his colleagues and supervisors, LERNER applied and interviewed for the position of Tax Director at Bank 1 during the time period in which he was representing the IRS in the Bank 1 settlement discussions. He also sent multiple emails to an individual in which he expressed both his dissatisfaction with his job at the IRS and his hope that he would secure the Bank 1 job. At no time did he notify the IRS of his efforts to obtain employment with Bank 1.

After LERNER announced his resignation from the IRS, he received written notification of certain restrictions imposed on former IRS employees regarding improper contacts with current IRS officials. However, when the IRS sent Bank 1 additional inquiries regarding the audit after he began working as Tax Director in September 2011, LERNER subsequently placed numerous phone calls to IRS employees and initiated meetings with them regarding the continuing audit. LERNER persisted with attempts to encourage IRS employees to provide information regarding the audit, and to approve the settlement between the IRS and Bank 1, despite warnings that he should not be participating in the audit or settlement discussions.

LERNER also engaged in improper disclosure of IRS tax return information during the time period that he worked as an IRS International Examiner. Specifically, LERNER divulged the identity of a whistleblower who had provided the IRS with confidential information regarding Bank 1 that had triggered the audit to someone not employed by the IRS, and provided details regarding pending IRS audits of other companies to individuals who were not employed by the IRS.

\* \* \*

LERNER, 59, of Edgewater, New Jersey, is charged with two counts of violating federal conflict of interest laws and two counts of disclosing confidential IRS information to individuals who were not IRS employees, including disclosure of the identity of an IRS whistleblower. He faces a maximum of 20 years in prison.

Mr. Bharara praised the outstanding investigative work of TIGTA, which included the assistance and cooperation of IRS management. He noted that the investigation is continuing.

The case is being handled by the Office's Public Corruption Unit. Assistant United States Attorney Randall W. Jackson is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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