Case Study #4 SONYA FUENTEZ/CARLITO ALVEREZ

Sonya Fuentez, an IRS-enrolled agent, is preparing an annual income tax return for Carlito Alverez. Sonya is a little apprehensive about the engagement because she’s heard rumor that Alverez is a major drug trafficker with roots in Colombia.

At Alverez’s request, Sonya visits his home to discuss the details of his return. When she arrives, she’s shocked by the opulence she sees. The house is on 2 acres of land just west of the Intracoastal Waterway in Miami Beach. The land is completely surrounded by canals and connects to the rest of the city only via a narrow bridge that has small guardhouse and security team protecting the entrance to the driveway. She sees other uniformed security guards walking around the perimeter of the property.

The three-story house appears to be as large as a small city block. She’s escorted by a housekeeper to a rear patio and garden where Alverez is sipping a martini and watching the large boats go by.

“Welcome to my humble abode,” he says. “I hear you’re really good. I hate paying taxes, so I need an accountant who can save me as much money as possible.”

Sonya smiled and accepted a martini from a tray brought to her by a man wearing crisp black and white tuxedo-type clothes.

“I’ll pay you $50,000 for your help,” he said. “All in cash, if you want.”

Sonya needed the money, so she said, “Ok, I’ll accept your very generous offer.”

“Great,” he said. “Let’s get started.”

“One thing first,” she said. “I must ask you before we start not to tell me about any illegal activities. I won’t be able to help you if you do that. I must also tell you that you must be completely truthful in your tax return, and you must report all income.”

“Okay,” he said, “I get most of my money from commissions on my international import and export business.” He grinned from ear to ear. “I don’t mind paying my taxes on that. The U.S. has been good to me, and I’m happy to do my part in the tax system here.”

“You’re a Columbian citizen?” she asked.

“I’m a naturalized U.S. citizen,” he replied. “I even got to see John Ashcroft at the ceremony at the Convention Center.”

He went on to show her detailed records of income and expenses. Most of the incoming funds had been deposited directly into foreign banks.

“I’ll take these documents back to my office,” she said.

She returned to her office and spoke to Julia Whitaker, her partner.

“Don’t even think about doing this guy’s tax return,” said Julia.

“What do you mean?” asked Sonya. “He wants to pay his taxes. All I want to do is help him.”

“Yes, but we both know what he imports and exports.”

“You don’t know anything for sure,” snapped Sonya. “Just because he’s rich and has a reputation doesn’t make him guilty of anything.”

“Forget that,” said Julia. “Let’s just assume he’s a drug trafficker. Given that, can you accept this engagement?”

Can and should Sonya accept the engagement with Alverez? Why or why not?