

AFFIDAVIT

I, Special Todd Collins, being duly sworn, depose and state as follows:

INTRODUCTION AND AGENT BACKGROUND

1. I am a Special Agent of the United States Department of Transportation (USDOT), Office of Inspector General (OIG), and have been so employed for more than six years. I am a graduate of the Criminal Investigations Training Program at the Federal Law Enforcement Training Center in Glynco, Georgia. Additionally, I was the honor graduate of the Inspector General Training Academy, also at the Federal Law Enforcement Training Center in Glynco, Georgia. During my time as a Special Agent I have personally participated in arrests, search warrants and surveillance operations as well as the debriefings of numerous cooperating witnesses. Among other federal crimes, I have investigated offenses involving mail fraud, wire fraud, highway fraud, false statements, and conspiracy.

2. I am a “federal law enforcement officer” under Fed. R. Crim. P. 41(a)(2)(c) and am engaged in enforcing criminal laws and authorized to request a search warrant. I am also an investigative or law enforcement officer in the United States within the meaning of 18 U.S.C. § 2510(7), in that I am empowered by law to conduct investigations of, and to make arrests for, offenses enumerated in 18 U.S.C. § 2516.

3. I, along with agents from the United States Department of Treasury, Internal Revenue Service, Criminal Investigation (IRS-CID), are investigating Michael CHAVES, SSN XXX-XX-9907. The investigation concerns allegations that since approximately March 2017, CHAVES, the former owner of CAT/Colonial Auto Transport Inc. (CAT Inc.), has engaged in a scheme to defraud Amazon.com (Amazon) through fraudulent transactions and theft of inventory via falsely misrepresented returns. The allegation is that CHAVES orders products from

Amazon and replaces the original products with lesser value replacements, often items different than the ones he originally ordered, before returning the replacement items for refunds. Based on the investigation to date, I believe there is probable cause to find that CHAVES' actions violate the mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343 respectively.

4. CHAVES benefits from this scheme by keeping the new and unused items after Amazon issues a refund. This allows CHAVES to keep the new item free of charge. CHAVES has attempted to evade detection by Amazon in a variety of ways: by sending back scrap material, such as wood at the approximate weight of the new item, or a used version of the item he purchased, or a completely different item of a lesser value or an inferior version of the item he purchased.

5. CHAVES is currently on pretrial supervision as a result of, charges against him in Criminal Case No. 19-081(WES). The charges in that case include five counts of bank fraud, two counts of wire fraud, falsification of records, aggravated identity theft and tax evasion. On July 24, 2019, CHAVES made his initial appearance before Magistrate Judge Almond pursuant to an Information and Plea Agreement. CHAVES pleaded guilty to the 10-count Information on August 22, 2019. One of the conditions of CHAVES' pretrial release is that he not commit another local, state or federal crime. CHAVES' sentencing is scheduled for July 17, 2020.

6. I make this affidavit in support of a criminal complaint and arrest warrant for CHAVES pursuant to the Federal Rules of Criminal Procedure.

7. As a result of my personal participation in this investigation, to include information provided to me by witnesses, my review of records, and reports provided to me by other law enforcement officers involved in this matter, I am familiar with the facts of this investigation. Because this affidavit is being submitted for the limited purpose of establishing

probable cause to support the issuance of a complaint, I have not set forth each and every fact that I know concerning this investigation. Where statements of others are related herein, they are related in substance and part. Where I assert that an event took place on a particular date, I am asserting that it took place on or about the date alleged.

FACTS SUPPORTING PROBABLE CAUSE

8. Prior to his pending federal charges in Criminal Case No. 19-081(WES), CHAVES was the owner of CAT Inc., a for-hire motor carrier transporting motor vehicles from auction to dealer, dealer to auction and dealer to dealer. As such, CAT Inc.'s operation was regulated by the Federal Motor Carrier Safety Administration (FMCSA) and held a specific assigned DOT number in order to operate. CAT Inc. was incorporated in July 2011. The prior investigation revealed that from 2009 through 2018, CHAVES incorporated approximately thirty additional corporations with similar business names in Rhode Island, Massachusetts, and New Hampshire. The charges in Criminal Case No. 19-081(WES), in part, relate to CHAVES' attempt to operate his business free from FMCSA regulation. Over the years, as the FMCSA documented various safety and other violations involving CHAVES' trucks, in order to avoid correcting those deficiencies CHAVES would simply incorporate a new company and apply for a new DOT number, while continuing to employ the same people, service the same customers, and use the same trucks.

9. On March 5, 2019, DOT-OIG agents and IRS-CID agents conducted Court authorized search warrants at CHAVES' home and business. At that time, at the business location, agents observed many Amazon packages in a side room at the location. This area contained packing materials and many unopened and opened Amazon packages. This side room appeared to agents to be a packing area for Amazon returns and contained a wide-ranging spread

of different items such as televisions, incense, European wall plugs (some for phone chargers), computer parts, small electronics, and a lot of auto parts like hoses and couplings. At the time of the search the agents were not aware of the ongoing fraud CHAVES was perpetuating against Amazon, the items in the packing area were not within the scope of the warrant and were inconsequential to the previous investigation. However, at one point, agents spoke with a United Parcel Service (UPS) driver who remarked that he was at CHAVES' business location every day delivering Amazon packages and picking up returns. The UPS driver remarked that he often dropped an Amazon package one day and picked up the same package the next as a return back to Amazon.

10. During the March 5, 2019, search warrant, agents seized approximately 12 Amazon receipts or order confirmations at the CAT Inc. business location. These receipts were seized by IRS-CID as evidence of business expenses for tax purposes, and were within the scope of the search warrant. Agents were able to confirm these 12 Amazon orders against information provided by Amazon related to CHAVES' Amazon purchase history.

11. In addition, in the course of the earlier investigation, pursuant to a federal grand jury subpoena, Amazon provided voluminous documentation regarding 7 to 10 accounts held by CHAVES'. The documents consisted of Microsoft Excel spreadsheets that showed CHAVES purchase and return activity. IRS-CID special agents reviewed this material and determined that although the volume of CHAVES orders and returns between January 2017 and May 2019 were significant, based on the materials provided, there was no indication to suggest fraudulent return behavior. Amazon also did not produce records evidencing suspected fraudulent returns. During the course of the prior investigation, Amazon was also contacted to discuss a discrepancy between CHAVES' banking records and Amazon's documentation; at which time Amazon

representatives indicated most purchases were made through gift card transactions. Once again, Amazon representatives made no indication of any suspicion of fraudulent return behavior at that time.

12. On approximately March 31, 2020, Amazon contacted investigators related to CHAVES' fraudulent return activity. Following the March 31, 2020, notification Amazon produced voluminous purchase and return records related to CHAVES' Amazon accounts. These documents included audio recorded telephone conversations with CHAVES related to returns, other account information, and UPS shipping labels for CHAVES' returns.

13. Since March 2017, CHAVES has held approximately 30 Amazon customer accounts under various names and email addresses. Over this time period, CHAVES' accounts have placed approximately 10,795 orders totaling approximately \$713,970.78, most of which have been refunded based on CHAVES' "return" of the items purchased. CHAVES has received a total of approximately \$643,324.04 in concessions or refunds on approximately 7,450 orders, including nearly approximately 7,200 items that were physically returned to Amazon. Although many of the returned items were sent back in the original packaging in an attempt to deceive Amazon's incoming inspection process, Amazon's standard inspection process flagged approximately 149 of the returned items (from ten different CHAVES' accounts) as potentially fraudulent. The total approximate value of these items is \$23,872.89.

14. Currently, six of CHAVES' Amazon accounts remain fully active, and to date, he continues to order and return items. Since February 1, 2020, CHAVES has returned approximately 300 items. As discussed briefly above, CHAVES' current scheme involves him making money off of returning deficient or totally different items than whatever he originally purchased. The majority of CHAVES' purchases and returns consist of auto and commercial

motor vehicle parts. CHAVES often replaces the original product with a substitute that at first glance appears visually similar to the originally ordered product, and in fact, is sometime a used version of the product originally ordered, and is close to the weight of the original product.

15. In order to begin the return process, CHAVES either places a call to Amazon customer service or fills out online forms with Amazon customer service requesting return labels. In order to start a return, Amazon requires a customer to select a reason for the return when requesting a return label. CHAVES uses various reasons to return the substitute items back to Amazon, often selecting the “inaccurate website description” option as the reason for the return. Following the return process, CHAVES receives a credit for the returned item in the amount of the initial purchase onto the credit card or Amazon gift card used to purchase the item.

16. When a customer returns an item to Amazon they receive a refund called “refund at first scan.” This means that as soon as a common carrier, such as UPS, scans the package for the return, Amazon immediately processes the refund. The product is then sent back to a return center and inspected to ensure the item returned is the correct item and determine the item’s resell-ability.

17. The “refund at first scan” benefit is one that only Amazon customers in good standing receive. Amazon has informed agents that CHAVES’ had so many accounts it was difficult for Amazon to stop CHAVES from using the refund at first scan option. When Amazon would remove this option from an account associated with CHAVES he would register for another account. One of the reasons I believe that CHAVES continually opens new accounts is in order to avoid losing this “refund at first scan” benefit and continue his scheme.

18. Importantly, although every returned item is inspected, Amazon cannot guarantee that a used item or an unsellable item returned by CHAVES did not make its way back into

Amazon's inventory. This would include used or inferior motor vehicle and commercial motor vehicle parts.

19. It is likely that CHAVES needed auto parts and commercial motor vehicle parts because of his business. The prior investigation revealed that CAT Inc., and the many other companies CHAVES incorporated, operated approximately four trucks and four trailers and did most of their vehicle maintenance in house. In addition, there was some information developed in the prior investigation suggesting that CHAVES was operating an unlicensed vehicle repair business at CAT, Inc.'s business location.

20. Amazon uses various methods to link accounts to one another. In CHAVES' case, Amazon has linked him to 30 accounts based on a number of factors, including CHAVES' use of the same or similar names, addresses, email addresses, Internet Protocol (IP) addresses, credit card numbers and other associated information maintained by Amazon. Over the years, each time Amazon closed an account for violations of its return policy or account terms and conditions, CHAVES would simply register for another account using different information such as a known alias from the previous investigation, email address, credit card and/or phone number. In this way, CHAVES' actions mimic the scheme he engaged in to defraud the DOT by incorporating new companies and applying for new DOT numbers in order to avoid addressing safety and other violations found by the FMCSA.

21. Since August 2016, Amazon has sent CHAVES over two dozen solicitations or warnings about his unusually high number of refund requests and returns of materially different items. In addition, Amazon has closed at least 20 of CHAVES' accounts due to suspicious, abusive, or fraudulent activity.

22. In response to investigators' requests, Amazon produced 12 months of written correspondence between CHAVES and Amazon customer representatives including chat logs and emails. These correspondences went to known email addresses used by CHAVES. A review of FMCSA databases revealed that the known email addresses were also email addresses for CHAVES' DOT regulated trucking companies. Also during the chat sessions, CHAVES would identify himself as the person who was attempting the return. The correspondence showed Amazon notified CHAVES of the closure of 13 associated accounts during the period of May 3, 2019, to March 30, 2020. On May 3, 2019, in regards to one of CHAVES' accounts, Amazon's email to CHAVES read in part:

“As we informed you earlier, we have closed this account. This is because you have consistently returned items that are different from items you ordered”

The other written correspondence reviewed for the remaining 12 of CHAVES' associated account closures contained similar language. In fact, Amazon reports that CHAVES is well known by Amazon customer service representatives for harassing phone calls related to returns.

23. Since the May 3, 2019 email, CHAVES returned 2,051 items which consisted of mainly motor vehicle parts, including parts for commercial motor vehicles. The Amazon records show that many of the vehicle parts that were returned by CHAVES were in a used condition (as opposed to having purchased a new item) or CHAVES returned an inferior part compared to what was actually purchased.

24. CHAVES also purchased and returned many other non-vehicle related items, including, but not limited to; electronics including cellular telephones and televisions, household items including chandeliers, closet organizers, lawn sheds, lawn mowers and vacuum cleaners. As described more fully below, most of these items were returned in an unsellable condition.




25. When a customer, such as CHAVES, returns an item to Amazon it is scanned by an Amazon employee who compares that item against a picture of the item contained on the Amazon website. If the item does not match the picture it is sent to an Amazon “problem solver” to determine what the problem is. Amazon problem solvers are trained to review the customer’s account to determine if the item was purchased and just returned in the wrong package or if the item was never purchased by the customer and fraudulently sent back in the place of the real item. If the item does match the picture, Amazon’s internal return computer systems directs the Amazon employee to answer automated questions such as, does the item look used and are all the parts there. If any of these answers are no, the item is sent to another Amazon problem solver. Items that are determined by the problem solver to be fraudulently returned because it was not the item ordered, or it is used or damaged, are considered unsellable by Amazon. Unsellable items are either sold as refurbished after being repaired, sold as used or in most cases destroyed.

26. Since the May 3, 2019, notification to CHAVES, 1,029, or approximately 50% of the 2,051 items he returned were determined by Amazon to be unsellable because as described above the item was not the item purchased or it was returned in an unsellable condition such as used. However, this does not mean that Amazon did not refurbish or resell the items as used. Representatives of Amazon explained to agents that selling an unsellable return as refurbished or used is the exception and most items determined to be unsellable are discarded and destroyed.




27. Since the May 3, 2019, email to CHAVES, 83 returned items were identified by Amazon to not only be unsellable, but also be falsely misrepresented returns. Examples of the 83 items include:

- a. On May 29, 2019, CHAVES ordered a commercial truck tire and on June 23, 2019, Amazon processed the return which was discovered to be two pieces of wood.
- b. On May 29, 2019, CHAVES ordered a new Coleman 6-Person tent and on June 11, 2019, Amazon processed the return which was discovered to be an old incorrect silver tent.
- c. On July 6, 2019, CHAVES ordered new ceramic brake pads and on August 14, 2019, Amazon processed the return which was discovered to be incorrect and used brake pads.
- d. On September 19, 2019, CHAVES ordered three Wi-Fi routers and on October 9, 2019, Amazon processed the return which was discovered to be only one heavily used Wi-Fi router.
- e. On November 11, 2019, CHAVES ordered Apple Air Pods Pro and on November 20, 2019, Amazon processed the return which was discovered to be unopened Phillips mini light bulbs.
- f. On January 3, 2020, CHAVES ordered a vehicle fuel injector and on February 26, 2020, Amazon processed the return which was discovered to be heavily used fuel injectors.
- g. On January 21, 2020, CHAVES ordered a Car Stereo Android 32GB ROM head unit and on January 31, 2020, Amazon processed the return which was discovered to be a different car stereo unit.
- h. On February 22, 2020, CHAVES ordered a vehicle suspension ball joint and on April 10, 2020, Amazon processed the return which was discovered to be an oil filter wrench.

28. During the March 31, 2020, notification by Amazon, Investigators requested Amazon document through pictures the actual items CHAVES returned. Amazon previously sporadically took pictures of CHAVES's returns. Below are examples of the returns by CHAVES after the May 3, 2019 notification to CHAVES.

Shipping Address	Michael Chaves, 74 Plymouth Rd, East Providence, RI 02914	
Order Created Date/Return Created Date	March 30, 2020 / April 14, 2020	
Order Total	\$26.39	
Summary	<p>On March 30, 2020, an order was created for Amazon account "yourhealthiswealth1980@gmail.com" using the shipping address listed above. The order was placed for a MAS SL81035 Stabilizer Bar Link Kit (2003-05 DODGE RAM 2500 F2003-05 DODGE RAM 3500 F). The order was placed using a Visa ending in 6405 with billing address listed as the same as the shipping address. The ordered item shipped via Amazon with tracking number TBA007214972901. The outgoing shipment passed its weight inspection, and the ordered item was new, not a preview return. On April 14, 2020, a return authorization for the ordered item was created with the return reason "Inaccurate website description" under RMA DpJ2TVn3RRMA with UPS tracking number 1Z6V51X49083378153. The customer received an advanced refund of \$26.45. Upon inspection by site quality control, it was determined that the customer returned a single 5oz pack of "Canine Carry Outs" Sausage Links instead of the ordered item.</p>	
Catalog Photo of Ordered Product		
Returned Product		

a.

Shipping Address	310 BOURNE AVE RUMFORD, RI 02916-3368
Order Created Date/ Return Created Date	September 13, 2019/ September 17, 2019
Order Total (\$)	\$166.91
Summary	<p>On September 13, 2019, an order was created for the Amazon account registered under the name “michael chaves” with the email address “bigroadtransport@gmail.com” using the shipping address listed above. The order was placed for a MOOG 515101 Wheel Bearing and Hub Assembly. The order was placed using a Visa ending in 1600 with the billing address “michael chaves,” 74 PLYMOUTH RD, EAST PROVIDENCE, RI 02914-1944. The ordered item shipped via Amazon with tracking number TBA837821432000.</p> <p>On September 17, 2019, a return authorization for the ordered item was created with the return reason “Item defective or doesn’t work” under RMA Dq9sbmn8RRMA with UPS tracking number 1Z6V51279011152055. The customer was refunded \$153.14. The returned item was audited and site quality control conducted a visual inspection and photo documentation of the returned item. The inspection revealed that the item returned was pieces of wood flooring inside the original product box.</p> <p>The returned item is currently being held at an Amazon facility in Hebron, Kentucky.</p>
Catalog Photo of Ordered Product	
Returned Product	 

27. After being contacted by representatives from Amazon, agents conducted multiple drive-by observations of CHAVES' residence, 74 Plymouth Road, East Providence, Rhode Island. On three separate occasions, including April 28, 2020, May 7, 2020, and May 8, 2020, agents observed packages bearing an Amazon logo on the front step of CHAVES' residence. On Tuesday evening, May 19, 2020, opened cardboard boxes bearing Amazon logos were observed left out on the street in front of CHAVES' residence beside garbage and recycling containers. The boxes were taken and both boxes had shipping labels reading the following:

Receiving Address: MICHAEL CHAVES
74 PLYMOUTH RD
EAST PROVIDENCE, RI 02914-1944

Shipping Address: Amazon Fulfillment Services
160 Worldwide Blvd.
Hebron KY 41048
United States

28. Amazon confirmed that all return funds are processed through an electronic funds transfer to either the credit card on file or to an Amazon gift card depending on the preference of the customer. Documents received from Amazon demonstrate that CHAVES conducted the majority of his purchases using Amazon gift cards and primarily requested that he receive his refunds for the returned items via a gift card. These transactions would be done through a wire, and because Amazon's servers are housed in Virginia, it is reasonable to conclude that the wires would travel interstate.

CONCLUSION

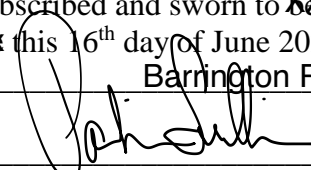
29. I submit there is probable cause to believe CHAVES has defrauded Amazon through an ongoing fraud scheme involving CHAVES' return behavior. CHAVES' fraud scheme is ongoing and involves fraudulent transactions and theft of inventory via falsely misrepresented returns.

30. Based on the foregoing there is probable cause to conclude that:
- a. The fraudulent conduct is associated with accounts connected to CHAVES.
 - b. CHAVES ordered products from Amazon and replaces the original products with lesser value replacements, before returning the replacement items for refunds.
 - c. CHAVES often replaced the original product with a substitute that appears visually similar to the originally ordered product.
 - d. CHAVES received a credit in the amount of the initial purchase to the purchasing credit card on file or a gift card for the misrepresented return.
 - e. CHAVES has committed wire fraud in violation of 18 U.S.C. §1343, by accepting a refund related to a fraudulently returned items. CHAVES received the refunds by wire and it is reasonable to conclude that wire traveled interstate.
 - f. CHAVES has committed mail fraud in violation of 18 U.S.C. §1341, by utilizing, primarily, UPS for the shipment of the falsely misrepresented returns to Amazon after receiving the refund.



TODD COLLINS
Special Agent

U.S. Department of Transportation

Sworn telephonically and signed electronically
Subscribed and sworn to before
~~X~~ this 16th day of June 2020,
in Barrington RI

PATRICIA A. SULLIVAN
United States Magistrate Judge

Attested to by the applicant in accordance with the requirements of Fed.

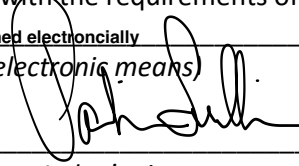
R. Crim. P. 4.1 by Sworn telephonically and signed electronically
(specify reliable electronic means)

June 16, 2020

Date

Barrington

R.I.
City and State



Judge's signature

Patricia A. Sullivan, US Magistrate Judge

Printed name and title