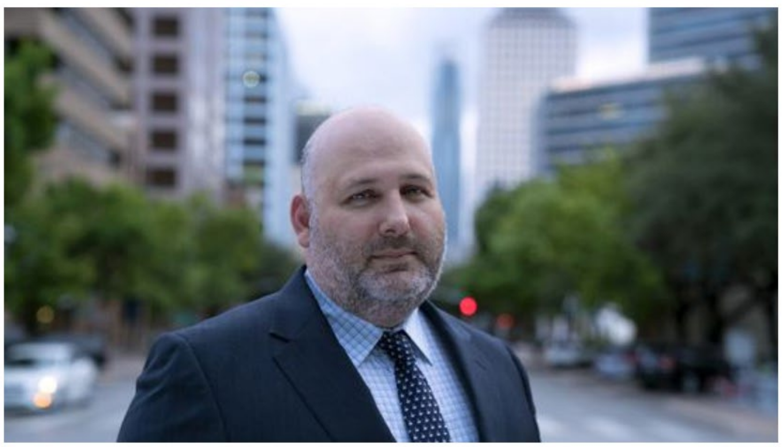
# In-House Lawyer Shined Spotlight on MoneyGram Compliance Woes

**Dallas-area attorney Juan Lozada-Leoni alleged the failures—and MoneyGram's reluctance to correct them—in a March 5 complaint to the U.S. Department of Labor.**

By **Sue Reisinger** | November 15, 2018 at 05:42 PM



Juan Lozada, Dallas (Photo: Courtesy photo)

Federal prosecutors reached a renewed deferred prosecution agreement last week with MoneyGram International Inc. over its anti-money laundering compliance violations.

Behind the scenes stood an in-house whistleblower, who helped draw a road map of MoneyGram's compliance failures cited by the government.

Dallas-area attorney Juan Lozada-Leoni alleged the failures—and MoneyGram's reluctance to correct them—in a March 5 complaint to the U.S. Department of Labor.

A copy of the complaint, obtained by Corporate Counsel, alleges that Lozada was wrongfully terminated after only six months on the job because he was reporting compliance violations directly to the company's independent compliance monitor and to the company's legal department over the objections of his boss, who Lozada said would not take corrective action.

After he was fired, Lozada filed under the federal Occupational Safety and Health Administration's whistleblower protection law. OSHA initially dismissed the case, but Lozada filed an objection and has a hearing before an administrative law judge in January on his complaint, according to his Dallas attorney, Steve Kardell.

"MoneyGram got good at pretending they were fixing things, when in fact they were not," Lozada told Corporate Counsel in an interview this week. "There was no quality assurance, nobody checking anyone's work."

Dallas-based MoneyGram's Michelle Buckelew, head of corporate communications, declined comment. So did John Barcus, MoneyGram's outside counsel on the Lozada case. Barcus is of counsel in the Dallas office of Ogletree, Deakins, Nash, Smoak & Stewart.

Specifically, Lozada's complaint alleged that MoneyGram violated the Sarbanes-Oxley Act of 2002 by terminating him in retaliation for his "opposing MoneyGram's continued violation of various federal statues, its failure to comply with the November 2012 DPA, and its material misrepresentations to shareholders regarding" these failures.

The company's key compliance failures were cited in MoneyGram's new deferred prosecution agreement, which was extended three more years to give the company another chance to comply. The new agreement also extends the compliance monitor role and adds more compliance requirements.

Under a related Nov. 8 order from the Federal Trade Commission, MoneyGram agreed to pay $125 million to reimburse consumers harmed by its alleged latest misconduct. Otherwise, MoneyGram would have faced trial on the original criminal charges of knowingly aiding and abetting wire fraud and of willfully failing to implement an effective anti-money laundering program.

The compliance failures noted by Lozada's complaint and cited by the government include:

*MoneyGram has not implemented the enhanced compliance reforms set out in the original 2012 deferred prosecution agreement.

* The company "suffered significant weaknesses in its anti-money laundering and anti-fraud program," the new DPA states.

* MoneyGram did not block "a substantial number" of transactions associated with people that the company previously identified as receiving fraud transactions. Lozada said in the documents that the number was at least 3,000.

* The company failed to adequately disclose its compliance weaknesses to the Department of Justice and breached its original DPA.

The DOJ did not attribute any of the information in the DPA to Lozada. However, in an earlier declaration filed with the DOJ, Lozada said that MoneyGram "continues to engage in many of the same practices that resulted in the DPA to begin with. Despite investing resources to bolster their compliance program, the culture of pursuing profits over everything else continues unabated."

The declaration went on, "They continue to turn a blind eye to scam artists and money launderers who use [MoneyGram] to perpetrate fraudulent schemes. Thousands of citizens of the United States continue to suffer substantial financial losses due to [MoneyGram's] inability and indifference to address some of the significant technological and compliance oversight flaws."

Lozada's DOL complaint claims that in January 2017 he notified his supervisor, Juan Manuel Gonzalez, then senior director of compliance for the Americas division and a nine-year MoneyGram employee, in an email that an individual watch list program of known fraudsters was ineffectively operating. Gonzalez failed to respond, Lozada said.

MoneyGram did not respond to Corporate Counsel's request to interview Gonzalez.

Lozada also complained that the sales department was overriding the compliance team. In some cases, he said, compliance would suspend agents for compliance failures and sales would get them reinstated.

Other Lozada complaints included:

* Some 30 percent of MoneyGram's compliance jobs ran vacant.

* The company outsourced compliance positions to Poland "where personnel did not have adequate training or experience," according to documents.

*Regional compliance officers failed to conduct required annual reviews. In one case one officer failed to conduct reviews for years, simply feeding the system falsified data, according to documents.

*In March 2017 Lozada tried to suspend 13 SUPERVALU Inc. stores from using MoneyGram services due to compliance failures and a high number of confirmed fraud reports. (A spokesperson for SUPERVALU offered this statement to Corporate Counsel: SUPERVALU does not own, nor is the majority owner of the 13 stores referenced. Other than one of the stores, which is managed by SUPERVALU and falls under our compliance guidelines, SUPERVALU is not responsible for AML compliance at these stores. Additionally, SUPERVALU has an AML compliance program in place and is in regular communication with MoneyGram to review our accounts. We take all concerns that are raised to us seriously and have done so with regards to this situation.)

Lozada's supervisor, Gonzalez, allegedly refused the request to suspend the stores; criticized Lozada for informing the legal department of the problems; and said Lozada was not going to work out in the job because he was not "a good cultural fit." Four days later Lozada was terminated.

Lozada's complaint seeks an unstated amount of back pay; reinstatement of his job or pay in lieu of reinstatement; special damages for noneconomic harm, such as to his reputation, and attorney's fees.

Lozada joined MoneyGram in October 2016 after working a year and a half as an in-house litigation attorney at Liberty Mutual Insurance in the Houston area.

Prior to that he was an assistant U.S. attorney in Del Rio, Texas, after spending eight years in the U.S. Army, including as chief of international law and strategic engagements at U.S. Army South service command in San Antonio.

Meanwhile, New York-based Bragar Eagel & Squire announced Wednesday that it has filed a class action lawsuit in U.S. District Court in the Northern District of Illinois on behalf of persons who acquired MoneyGram stock based on the company's "materially false and misleading statements" and failure to disclose its compliance failures.

In a statement last week in response to the FTC and DOJ agreements, Alex Holmes, the company's chairman and CEO, said: "Over the past several years, we have taken significant steps to improve our compliance program and have remediated many of the issues noted in the agreements. Currently, our consumer fraud reports are at a 7-year low … We will continue to bolster our compliance program to ensure it meets the highest industry standards." The company said since 2012, MoneyGram has invested more than $100 million in compliance technology, agent oversight and training programs.

**See Also:**
Higher Use of Internal Whistleblowing Hotlines Means Fewer Lawsuits: Research
Money Gram Case Teaches Costly Lesson in Compliance (or Lack of It)

https://www.law.com/corpcounsel/2018/11/15/in-house-lawyer-shined-spotlight-on-moneygram-compliance-woes/