

MINNESOTA FINANCIAL CRIMES TASK FORCE



2012 LEGISLATIVE REPORT

As required by MN §299A.681 Financial Crimes Advisory Board and Task Force

BACKGROUND

In 2000, the Minnesota State Legislature established the Minnesota Financial Crimes Task Force (MNFCTF) as a statewide law enforcement agency. The MNFCTF was established in response to retailers, bankers, other businesses and law enforcement in Statute Sect 299A.681. The statute provided the MNFCTF with the authority to investigate identity theft and related financial crimes both cross-jurisdictionally and state wide. In 2009 new legislation changed the nature of the Oversight Council to that of an Advisory Board comprised of eighteen (18) members. The responsibilities of the Advisory Board include identifying, developing and recommending protocols and procedures for the statewide investigation of financial crimes. The Advisory Board may also recommend proposals regarding budgetary/funding issues facing the MNFCTF for the consideration of the Commissioner of Public Safety.

BUDGET

The MNFCTF currently receives \$300,000 from the General Fund as it has for the previous three years. A grant from the Office of Justice Programs will provide the MNFCTF funding of approximately \$200,000 for FY 2013 and FY 2014. Total MNFCTF funding for fiscal years FY 2013 and FY 2014 will be \$416,334 and \$383,666, respectively. The MNFCTF has been able to adapt to budget reductions in the past by: elimination/reductions to its infrastructure costs; reduction of grant funds paid to its local affiliates; carryover funding from a grant from the United States Attorney's Office. However, funding levels will not allow the MNFCTF to continue its current operations without making significant changes to its partner reimbursements. As a result the MNFCTF Advisory Board is currently considering several different "investigative models" that will allow the MNFCTF to continue its operations with the available funds while also completing its Legislative mandate.

STAFFING

The MNFCTF has a staff of six municipal agency investigators, two criminal intelligence analysts and a commander. Three investigators conduct investigations within the Greater Twin Cities Metropolitan Area with an investigator from the Edina Police Department, the Minneapolis Police Department and the Ramsey County Sheriff's Office. Out state the Baxter Police Department, the Duluth Police Department and the Mille Lacs County Sheriff's Office each provide an investigator covering their respective jurisdictions, as well as assisting other nearby departments.

The MNFCTF also has state and federal participants. The MNBCA has dedicated two special agents to the MNFCTF. The United States Secret Service provided four special agents while the United States Postal Inspection Service provides one or more Inspectors based on investigative needs. The Internal Revenue Service, CID and United States Homeland Security Investigations each provide one agent. Federal investigators are flexible participants in that they must respond to their department's priority assignments.

2012 ACCOMPLISHMENTS

- The MNFCTF was selected as the second runner up of the 2012 International Chiefs of Police Award for Excellence in Criminal Investigations sponsored by the IACP and Thompson Reuters. IACP President Walter A. McNeil stated in part, “The MNFCTF demonstrated a high degree of ingenuity and persistence through its efforts to uncover a massive identity theft, bank fraud, counterfeit check and credit card fraud ring spanning several states and involving hundreds of individuals. This investigation added significantly to the art and science of criminal investigations by developing innovative strategies for obtaining the evidence needed to successfully prosecute these criminals and by developing an unprecedented level of cooperation between local, state and federal criminal justice agencies and non-criminal justice partners.”

- The MNFCTF continued to focus its investigative resources on large scale Organized Criminal Enterprises (OCE). This year the MNFCTF successfully closed two major investigative operations named Starburst and Masquerade. In total over sixty individuals in these two investigations either pled guilty or were found guilty at trial. Defendants included several bank employees and involved fraud losses in excess of 55 million dollars.

- Continued its investigative partnership with the Ramsey County Sheriff’s Office. RCSO is providing an investigator to the MNFCTF at no cost. In lieu of funding personnel the MNFCTF will offer an investigative mentorship including training, access to state and federal resources and jurisdictional representation in the investigation of financial crimes related to identity theft.

- Provided presentations/training for law enforcement and retail and banking industry audiences:
 - Minnesota Association of Criminal Intelligence Analysts
 - University of Minnesota – Introduction to Criminal Intelligence Analysis
 - Minnesota Department of Revenue - SARS
 - Midwest Cycle Intelligence Organization
 - Minnetonka Senior Fair and Identity Theft Prevention Seminar
 - Minnesota Bureau of Criminal Apprehension Agents In-Service
 - Sibley County Law Enforcement Officer’s Association
 - Battered Women’s Legal Advocacy Identity Theft Group
 - Terrorist Financing/Money Laundering for TCF Bank Investigators

- Re-certified MNFCTF personnel as Deputy United States Marshall's, sponsored by the Marshall's Service and the United States Secret Service.

- Expanded our partnership with the Minnesota Joint Analysis Center (MNJAC) for analytical support, officer training and the capability to disseminate statewide and nationwide, requests for information and assistance.

- Initiated a collaborative effort between the MNFCTF, the Minnesota Department of Human Services (DHS) and the MNBCA to determine feasibility of assisting DHS with fraud investigations. DHS currently has no criminal investigative staff.

Calendar Year 2012 Statistics

2012 Stats	Qtr 1 (1/1/12 - 3/31/12)	Qtr 2 (4/1/12 - 6/30/12)	Qtr 3 (7/1/12 - 9/30/12)	Qtr 4 (10/1/12 - 12/31/12)	2012 TOTALS
Individuals Charged	20	6	14	23	63
Counts Charged	20	8	18	30	76
Search Warrants	10	17	21	20	68
Arrests	44	1	4	11	60
Federal Indictments	15	1		1	17
Recovered Vehicles					
Recovered Electronic Devices (Computers/ Phones**	19	22	32	11	84

* **Changed Category to include electronic devices used to aid in the commission of a crime.

Number of Charges By County

Charges By County	Qtr 1 (1/1/12 - 3/31/12)	Qtr 2 (4/1/12- 6/30/12)	Qtr 3 (7/1/12 - 9/30/12)	Qtr 4 (10/1/12 - 12/31/12)	2012 TOTALS
Anoka				1	1
Dakota				1	1
Federal Court	15	8		1	24
Hennepin	5		11	12	28
Mille Lacs				1	1
Nobles				1	1
Ramsey			7	10	17
Scott					
St. Louis					
Steele				2	2
Washington				1	1
Wright					
Total	20	8	18	30	76

TYPES OF MNFCTF CASES CHARGED

- Identity Theft
- Counterfeit Checks/Check Forgery (Personal, Business, and Government)
- Access Device Fraud
- Mail Theft & Mail Fraud
- Loan & Credit Application Fraud
- Mortgage Fraud
- Possession or Sale of Stolen and/or Counterfeit Identifications
- Possession or Sale of Stolen or Counterfeit Checks
- Possession or Sale of Financial Transaction Cards
- Theft by Swindle
- Theft from a Motor Vehicle
- Black money fraud
- HELOC Fraud
- Public Corruption Cases
- Bank fraud
- Conspiracy

MNFCTF 2013 GOALS

1. Work with the MNFCTF Advisory Board to develop and implement a new business model which will allow the MNFCTF to operate within its budgetary means while still accomplishing its state-wide investigative mission.

2. Utilize the Ramsey County Sheriff's Office partnership as a platform in recruiting state law enforcement agencies to participate and partner with the MNFCTF in providing state-wide investigations of financial crimes related to identity theft. The goal is to add three to four investigative partners without compensation other than overtime, equipment and training.

3. Create a secure information sharing site for Minnesota financial crimes investigators. The site would include templates for investigative tools such as bank subpoenas and search warrants; electronic search warrants, descriptions of common fraud schemes, etc. It would also provide a "twitter" type forum for investigators to dialog to promote successful case strategies in financial crimes investigations.

4. Develop and present training to state law enforcement personnel on the subject of identity theft and related financial crimes in collaboration with MNBCA and MNJAC. The goal is to present at least two training opportunities during the year.

5. Continue emphasis on state-wide investigations of criminal networks engaged in identity theft and related crimes to best utilize the resources of the MNFCTF.

MINNESOTA FINANCIAL CRIMES TASK FORCE

2012 CASE SUMMARIES

The following are selected summaries of task force investigations. These summaries are not a complete list of the task force's investigations during 2012 but rather examples of the types of illegal activities and resulting investigations of the MNFCTF.

- Twelve individuals indicted in a federal investigation dubbed "Operation Masquerade" involving identity theft, check and credit card fraud with losses in excess of two million dollars.
- Initiated an identity theft investigation from Duluth, MN victim. Suspect determined to be employed in a Minneapolis, MN medical clinic. Suspect accessed patient data and applied for credit cards with the stolen names and SSN's diverting the credit cards to her address. Twenty victims identified to date.
- Opened an investigation of an IT company contracted to do accounting for a cleaning company. Suspect diverted nearly a quarter million dollars from the business accounts of the cleaning service for personal expenditures
- Assisted Mora, MN PD in an investigation of embezzlement of school funds by a high school official.
- Investigating the suspected theft of hundreds of thousands of dollars from a vulnerable and now deceased adult in Itasca County
- Assisting the Park Rapids, MN PD in the alleged theft of funds from estate of deceased person.
- Initiated a case with the Federal Bureau of Investigation involving real estate loan fraud. Suspect solicited victims to invest in the purchase of real estate which the suspect apparently never ultimately purchased.
- Participated with the Plymouth, MN PD and the Hennepin County Sheriff in the investigation of credit card skimming devices being placed inside gas pumps at numerous stations throughout the Twin Cities Metro area.
- Three New York, NY men arrested and charged with theft by swindle in a scheme to defraud Twin Cities area Apple Stores, losses in excess of \$44,000.
- Initiated an investigation with the MN Department of Human Services and the Ramsey County Attorney's Office regarding allegations of misuse of government funds. Suspects have formed several child care services businesses and is alleged to be creating false documents to support reimbursement from federal funds
- Working a joint investigation with the FBI related to a Ramsey County employee suspected of accessing county records for the purposes of filing false tax returns to receive refunds in those names stolen.
- Initiated an investigation for the MN Department of Health regarding alleged misuse of government funds by a non-profit organization receiving grant funds. Initial review of records indicates broad use of false documents, including bank statements, invoices, etc. to justify grant expenditures.
- Served twelve federal search warrants on several individuals and residences in a multi-county bank fraud investigation. This organized criminal enterprise recruits individuals throughout the

Twin Cities Metro area to open bank accounts. The group then provides the recruits with counterfeit checks to deposit in those accounts which are then “drained” of the funds.

- Assisting the Ramsey County Attorney’s Office with a major investigation of child care business’ involving falsification of records to obtain federal funding. Fraud amounts suspected in the hundreds of thousands of dollars.
- Opened TF case on a state-wide burglary ring involving the theft of ATM machines. Several local jurisdictions and two federal agencies requested the assistance of the MNFCTF to coordinate the multi-jurisdictional nature of the investigation.
- Arrested and charged two individuals from Miami, FL for identity theft. Also executed federal seizure warrants to recover fraudulently obtained merchandise. Suspects possessed Florida driver’s licenses and credit cards with the suspects photo’s but identities of real Florida residents. Investigation determined that fraudulent charges exceeded \$100,000 in an approximate eight day span. Suspects had committed similar fraud in Louisiana, Missouri and Texas.
- Assisted the Buffalo, MN PD with an investigation involving credit card fraud. Suspect obtained victim’s credit card through a business relationship and then charged over \$200,000 on the card without knowledge or permission of the victim.
- Assisted Rock County Sheriff’s with an investigation related to sales and retail fees of commercial trailers of a local business. Suspect employee of business would receive checks from customers which suspect then diverted to personal bank accounts and the purchase of assets.
- Presented an identity theft seminar to approximately 150 people at the Senior Fair and Identity Theft Seminar at the Minnetonka Community Center.
- Presented an orientation to financial crimes and task force operations to the Sibley County Law Enforcement Association.
- Presented a program on Suspicious Activity Reports to the Minnesota Department of Revenue specifically on how to obtain, read and utilize in financial investigations.

MN FINANCIAL CRIMES ADVISORY BOARD MEMBERS

December 31, 2012

1. Ramona Dohman, Dept. of Public Safety, 651-215-1527, Ramona.Dohman@state.mn.us
Alternate, Wade Setter, wade.setter@state.mn.us
2. Jeffrey Bilcik, Assistant Attorney General, Attorney General's Office, 651-297-5909,
Jeffrey.Bilcik@state.mn.us
3. Jeff Long, Chief of Police, Edina, MN, 952-826-0467, jlong@ci.edina.mn.us
4. Jim Exsted, Chief of Police, Baxter, MN, jim.exsted@ci.baxter.mn.us
5. John Kirkwood, Ramsey County Sheriff's, john.kirkwood@co.ramsey.mn.us
6. Brent Lindgren, Mille Lacs County Sheriff, brent.lindgren@co.mille-lacs.mn.us
7. Tim Rank, United States Attorney's Office, timothy.rank@usdoj.gov
8. Emery Adoradio, Hennepin Cty Attorney's Office, emery.adoradio@co.hennepin.mn.us
9. **VACANT, *Board of Public Defense (selected by their board)***
10. Keith Hayden, US Postal Inspection Service, 651-290-4604, WKHayden@uspis.gov
11. **VACANT, *representative from the Retail Merchants Industry (selected by advisory board)***
12. Danelle M. Yakich, Wells Fargo Bank, Danelle.M.Yakich@wellsfargo.com
13. **VACANT, *representative on behalf of senior citizens (selected by advisory board)***
14. Patrick Henry, Commander, MN Financial Crimes Task Force, 763-502-7756,
Patrick.M.Henry@state.mn.us
15. Kelly R. Jackson, IRS, Criminal Investigation Division, 651-312-8022,
Kelly.Jackson@ci.irs.gov
16. Louis Stephens, United States Secret Service, 612-348-1800, louis.stephens@uss.gov
17. **VACANT, *Minnesota State Senate***
18. Rep. John Lesch, Minnesota House of Representatives, rep.john.lesch@house.mn

19. Chris Hildreth, Minneapolis PD, Christopher.Hildreth@minneapolismn.com

Financial Crimes Task Force Budget 7/1/2012 - 6/30/2013

7/1/12-12/31/12	1/1/13-6/30/13			TOTAL 2 Year
-----------------	----------------	--	--	--------------

REVENUE

SFY 13

Legislative Funding	\$150,000	\$150,000			\$300,000
New Grant from OJP**	\$76,000	\$40,334			\$116,334
TOTAL REVENUE	\$226,000	\$190,334			\$416,334

EXPENSES

Qwest	\$2,400	\$2,400			\$4,800
Floyd Security	\$350	\$350			\$700
Metro copiers	\$1,300	\$1,300			\$2,600
Sprint/Nextel	\$600	\$600			\$1,200
Storage	\$600	\$600			\$1,200
Commander vehicle costs	\$750	\$750			\$1,500
Indirect Costs for state grant	\$7,600	\$4,033			\$11,633
Commander Contingency (training, equipment repair, broadband fees, case-related travel, etc)	\$4,900	\$5,000			\$9,900
TOTAL Non-Personnel	\$18,500	\$15,033	\$0	\$0	\$33,533

Commander	\$40,000	\$40,000			\$80,000
Analysts (2)	\$60,000	\$60,000			\$120,000
BCA Special Agt/ BCA SSA					\$0
RCSO Investigator					\$0
Full-time Edina	\$25,000	\$10,000			\$35,000
Full-time MPLS	\$25,000	\$10,000			\$35,000
Part-time Mille Lacs	\$17,500	\$10,000			\$27,500
Part-time Duluth	\$17,500				\$17,500
Part-time Baxter	\$17,500				
Personnel Package for Greater Metro		\$30,000			
Overtime for MNFCTF adopted cases	\$5,000	\$15,000			
TOTAL Personnel	\$207,500	\$175,000			\$382,500
TOTAL EXPENSES	\$226,000	\$190,033			\$416,033

Surplus/(deficit)	\$0	\$301			\$301
--------------------------	------------	--------------	--	--	--------------