

MINNESOTA FINANCIAL CRIMES TASK FORCE



2010 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 to offer advice to the commissioner to ameliorate the harm caused to the public by identity theft and related financial crimes. The strategy of the MNFCTF Advisory Board includes the development of statewide protocols and procedures to investigate financial crimes and provide these ideas to the commissioner.

BUDGET

For the fiscal year ending June 30, 2008 the Minnesota State Legislature provided a budget of \$750,000 to support the operation and development of this statewide task force strategy. However, for the fiscal years ending June 30, 2010 and 2011, respectively, the funding was set at \$300,000 per year. The MNFCTF was able to adapt its budget to these funding reductions by reducing its own infrastructure expenses to the barest minimum including reductions to communications, office and overtime expenses. The 2009 FY funding was augmented by carryover funds from the Minnesota United States Attorney's Office and Federal forfeiture funds. The 2010 FY funding of \$300,000 was supported with \$200,000 from the Minnesota Office of Justice Programs to meet the fiscal year budget as outlined in STAFFING. Because of continuing state budget problems it is unknown at this time if the normal \$300,000 allotment will be available for the FY ending June 30, 2012. Even with that budgeted amount the MNFCTF will again be faced with a deficit in excess of \$100,000.

STAFFING

In the 2010 FY the MNFCTF had to eliminate its two analyst's positions to meet budget shortfalls. The MNFCTF operated for over two months without analytical and/or office support staff and was only able to hire an analyst and OASI position after receiving a \$200,000 grant from the Minnesota Office of Justice Programs. This grant funding also supplemented funding for the Commander's position.

The MNFCTF has been able to maintain a staff of eight investigators, one office support staff, one analyst and the commander's position. Four investigators work cases within the Greater Twin Cities Metropolitan Area with the Minneapolis and Edina Police Departments each providing an investigator and the Minnesota Bureau of Criminal Apprehension providing two Special Agents.

The MNFCTF continues to provide coverage for the investigation of financial crimes through four regions of the state as follows: Southern Region (Wright County Sheriff's Office investigator); Central Region (Mille Lacs County Sheriff's Office investigator); Northwestern

Region (Baxter Police Department investigator) and the Northern Region (Duluth Police Department investigator).

2010 CHALLENGES & ACCOMPLISHMENTS

- MNFCTF continues to investigate large scale Organized Criminal Enterprise (OCE) cases and other financial crimes being committed in Minnesota.
- MNFCTF, a participant in the Minnesota Identity Theft Summit, sponsored by the Governor's Identity Theft Policy team and the National Governor's Association, assisted in developing a plan to enhance the state's ability to investigate and prosecute identity theft, as well as coordinate the information systems which collect financial crime related information.
- Collaborated with the Minnesota Bureau of Criminal Apprehension and the Minnesota Department of Employment and Economic Development to provide criminal investigations of unemployment insurance fraud.
- Developed presentations for senior citizen's seminar in partnership with the United States Secret Service and the Minnesota Alcohol and Gambling Enforcement Department.
- Secured grant funding for the positions of analyst and office support to replace the loss of those positions due to contract expiration in July 2010.
- Continued to develop a partnership with the Minnesota Joint Analysis Center for analytical support, officer training and the capability to disseminate statewide and nationwide, requests for information and assistance.
- The MNFCTF, sponsored by the United States Secret Service and in conjunction with the United States Marshall's Service had five MNFCTF investigators sworn in as Deputy United States Marshall's.

Calendar Year 2010 Statistics

2010 Stats	Qtr 1 (1/1/10 - 3/31/10)	Qtr 2 (4/1/10 - 6/30/10)	Qtr 3 (7/1/10 - 9/30/10)	Qtr 4 (10/1/10 - 12/31/10)	2010 TOTALS
Individuals Charged	20	25	21	35	101
Counts Charged	31	33	26	42	132
Search Warrants	8	8	4	3	23
Arrests	14	12	7	29	62
Federal Indictments	0	0	5	7	12
Recovered Vehicles	1	4	1	0	5
Recovered Computers	12	16	0	19	41

* Counts Charged number based on number of counts listed in complaint

Number of Counts Charged By County

Charges By County	Qtr 1 (1/1/10 - 3/31/10)	Qtr 2 (4/1/10 - 6/30/10)	Qtr 3 (7/1/10 - 9/30/10)	Qtr 4 (10/1/10 - 12/31/10)	2010 TOTALS
Anoka	0	2	0	0	2
Brown	0	0	1	0	1
Federal Court	0	0	5	7	12
Hennepin	20	28	17	20	85
Mille Lacs	7	1	3	1	12
Ramsey	2	0	0	13	15
St. Louis	0	0	0	1	1
Wright	2	1	0	0	3
Total	31	32	26	42	131

TYPES OF MNFCTF CASES CHARGED

- Check Forgery
- Identity Theft
- Counterfeit Checks (Personal, Business, and Government)
- Financial Transaction Card Fraud
- Mail Theft & Mail Fraud
- Loan & Credit Application Fraud
- Issue Dishonored Checks
- Mortgage Fraud
- Motor Vehicle Theft
- Possession of Stolen Property
- 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

MNFCTF 2011 GOALS

1. Secure funding for the fiscal ending June 30, 2012.
2. Research changes to the current legislative language of Section 299A.681. Specifically to add long-term funding streams for continued MNFCTF operations.
3. Partner with the Minnesota Chief's and Sheriff's Associations to develop a program to provide investigators to the MNFCTF without the current funding reimbursement mechanism
4. Form a working group of financial investigators within local Sheriff's Departments and Police Departments to provide investigative strategies in working Organized Criminal Enterprises and selected individuals involved in major financial crimes.
5. Develop policies with Metro area County Attorney's offices to ensure uniform prosecution of cross-jurisdictional cases to include aggregation of charges from all jurisdictions involved.
6. Initiate a collaborative effort with major financial institutions to develop investigative protocols for institutions to follow in referring cases to the MNFCTF for prosecution.
7. Partner with the Bureau of Criminal Apprehension and the Minnesota Joint Analysis Center in development of training opportunities for state law enforcement personnel in the area of identity theft related and related financial crime investigations.

MINNESOTA FINANCIAL CRIMES TASK FORCE

2010 CASE SUMMARIES

The following are selected summaries of task force investigations. These summaries are not meant to be a complete list of the task force's investigations during 2010. Rather these are only examples as to the types of investigations and types of illegal activities being investigated by the MNFCTF.

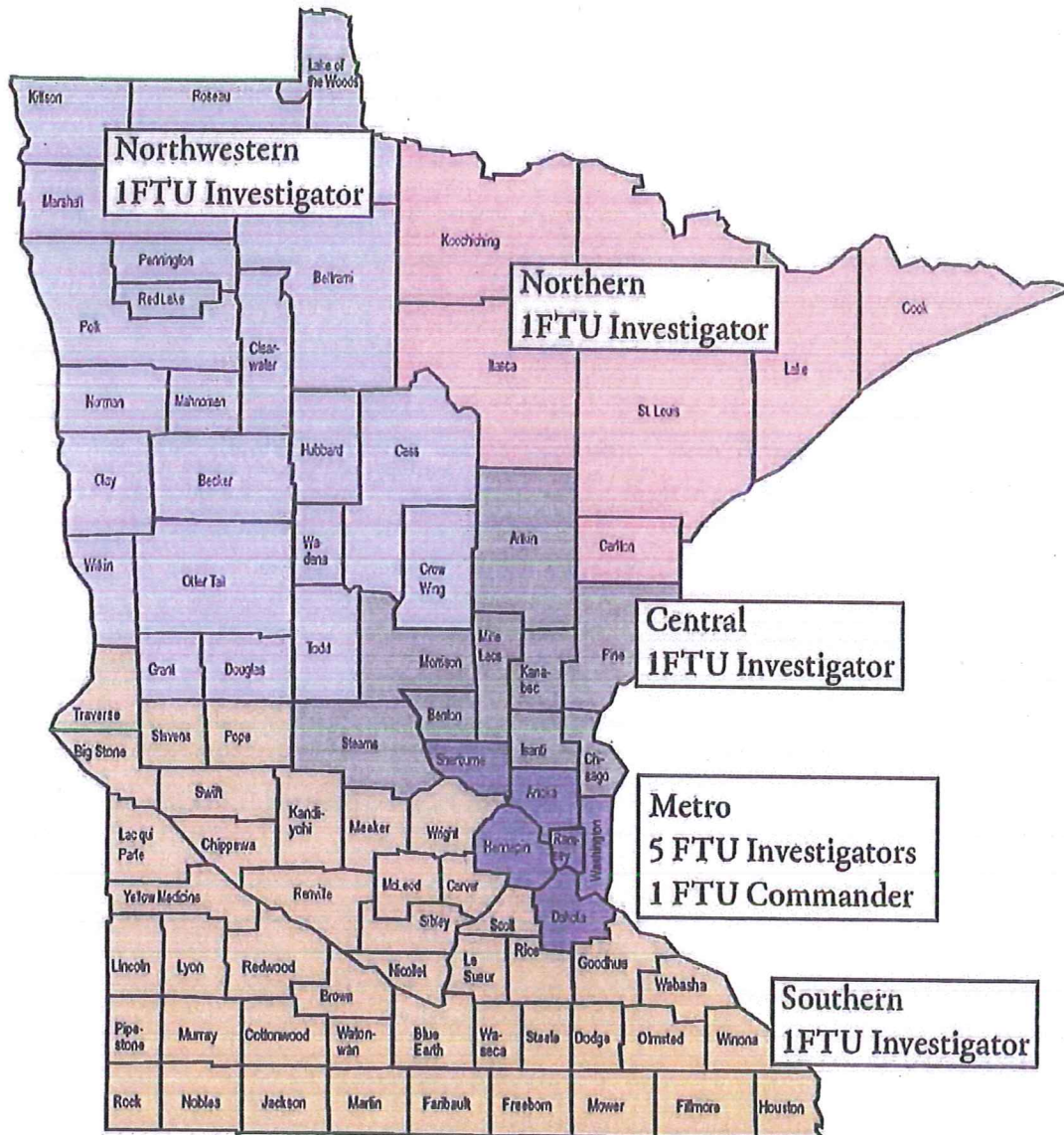
- In January two individuals indicted for mortgage fraud which netted the suspects in excess of \$5,000,000.00. Case worked with IRS and other federal agencies.
- In January charged EW with felony Financial Card Fraud after EW was observed using a cloned credit card at two separate locations.
- Between the December 2009 and January 2010, multiple suspects used re-encoded credit cards at area shopping centers, as well as nationally. The suspects were able to complete charges totaling nearly \$350,000.00. Two of the suspects have been identified and one is still unknown. The investigation is on-going cooperative effort of the MNFCTF with USSS, USPIS and the Edina Police Department.
- Beginning in January 2010 numerous mail thefts were discovered in Sherburne County. Soon after, forged checks started appearing throughout the state. Suspects have been identified and are known to have passed numerous checks using many different identities. The suspects have been arrested and released and continue the same criminal activity.
- In February CB charged with felony counterfeiting of currency/manufacturing. CB was arrested after being observed passing counterfeit currency at several stores.
- Between January and March a suspect opened four bank accounts with the intent to defraud the banks. The suspect made no legitimate deposits but wrote and cashed more than fifty checks totaling in excess of \$30,000.00. Suspect admitted to the scheme after being arrested. Case referred to Hennepin County Attorney's Office for charging.
- In March a search warrant was executed in Brooklyn Park. Seized items included numerous cloned credit cards. One suspect arrested and investigation continues.
- From November 2009 through March 2010 suspect presented more than \$85,000 in worthless checks which were drawn on the suspect's own bank account. Suspect admitted the activity after being arrested. Case forwarded to the Hennepin County Attorney's Office for charging.
- In March arrested TB for stealing payor identification from checks processed at the Minnesota Occupational and Safety and Health Administration. TB would then print fake checks which runners would then cash. Investigation continues.
- In March, CH sentenced to prison for five years. CH acting as a fiduciary for disabled veterans stole their benefits totaling in excess of \$1,000,000.00.

- Subject attempted to purchase merchandise at Cub Foods in Minneapolis with counterfeit \$100 bills. Subject was charged with Counterfeiting of Currency (Gross Misdemeanor)
- Subject cashed four counterfeit checks of Wells Fargo corporate account of Rahn's Construction and Ground Zero Delivery Systems. He was part of the large organized counterfeit check ring. Subject was charged with Offering a Forged Check (Felony)
- Subject cashed and/or attempted to cash seven counterfeit checks drawn off corporate accounts belonging to Universal Health Care, Ground Mills Delivery, Brade Inc., and Rahn's Construction. Subject was charged with Offering a Forged Check (Felony).
- Subject who was the treasurer of a local ski club embezzled \$67,167.70 from them by forging loan documents to increase the line of credit to the club. Subject also stole payment checks to M&I Bank and deposited them into the club's account to help cover the embezzlement he was doing. Subject stole \$17,416 from M&I Bank. Subject was charged on three counts; Aggravated Forgery (Felony), Theft-Divert Corporate Property (Felony), and Theft Over \$5,000 (Felony).
- Between the months of June 2010 and July 2010, multiple suspects cashed a total of thirteen counterfeit checks at local area banks. The checks totaled over \$11,000 and they were written from the accounts of local area churches. The suspects have been identified; however, their whereabouts are still unknown. This investigation is on-going. Minnesota Financial Crimes Task Force Case File #FCT 2010-76.
- Between the months of July 2010 and August 2010 a suspect opened an account at a local payroll company. The suspect then requested the payroll company to produce multiple checks that totaled more than \$100,000. The suspect never funded the checks in his bank account. The suspect provided the printed payroll checks to multiple other suspects, where they then took them to the bank to be cashed. The bank(s) that cashed these checks experienced a large financial loss. Several suspects have been identified in this case file. This investigation is on-going. Minnesota Financial Crimes Task Force Case File #FCT 2010-77.
- In August 2010 a male suspect cashed a counterfeit check at a local area bank for approximately \$7,000. The suspect was identified, located, and interviewed. The suspect admitted to cashing the check, however, he identified other known check printers as person(s) that provided him the check. This investigation is on-going. Minnesota Financial Crimes Task Force Case File #FCT 2010-80.
- Charged ST in St. Louis County District Court with embezzlement in excess of \$100,000 from SK's employer.
- Charged JB with attempted theft. JB attempted to cash \$25,000 check received as a refund from a fraudulent check JB had previously caused to be deposited to a business account.

- Charged TB after TB opened a checking account at US Federal Credit Union with a small deposit and then withdrawing funds after making deposits of forged checks to the account.
- Initiated an investigation of a bookkeeper suspected of embezzling in excess of 1.2 million from employer's manufacturing company.
- Initiated an investigation of a state employee suspected of embezzling over 1.9 million from the employing agency.
- Charged three defendants by federal indictment for aggravated identity theft and bank fraud after the defendants used a myriad of illegal methods including stealing identities and producing counterfeit checks.
- Charged thirteen people in a check forgery scheme. One of the defendants used position of employment to access bank information from companies making payments to the Occupational Safety and Health Administration. Defendant then produced counterfeit checks using that information. The checks were then cashed by recruited individuals.
- Assisted the U.S. Attorney for the Middle District of Tennessee in the arrests of over 20 individuals charged with human trafficking and access device fraud. The MNFCTF assisted the investigation in developing and charging many of the defendants with the related financial crimes.
- Charged AG with aggravated identity theft after AG opened four separate bank accounts in Minnesota with stolen identities. AG was attempting to deposit a stolen business check of over \$100,000 at the time of the arrest.

2010 Minnesota Financial Crimes Task Force

Department of Public Safety, Office of Justice Programs
Task Force Regions and Number of Investigators Assigned



MN FINANCIAL CRIMES ADVISORY BOARD MEMBERS

January, 2011

1. Mona Dohman, Dept. of Public Safety, 651-215-1527, Mona.Dohman@state.mn.us
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14. Representative John Lesch, 651-297-8137, rep.john.lesch@house.mn
15. Amelia Huffman, Captain, Minneapolis Police Department,
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16. Kelly R. Jackson, IRS, Criminal Investigation Division, 651-312-8022,
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17. Jim Exsted, Chief of Police, Baxter, MN, jim.exsted@ci.baxter.mn.us
18. Timothy Kozak, United States Secret Service, 612-348-1800,
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MINNESOTA FINANCIAL CRIMES
TASK FORCE
BUDGET PERIOD ENDING 06/30/2012

FUNDING/FORFEITURE: FY ending 6/30/2011

LEGISLATIVE FUNDING	300,000
FUNDS (carry forward)	35,519
MN OJP Grant	<u>200,000</u>

TOTAL FUNDING 535,619

TF EXPENDITURES:

QWEST	4,800
FLOYD SECURITY	700
METRO COPIER	2,600
SPRINT/NEXTEL	1,200
MINIKAHDA STORAGE	<u>1,100</u>
TOTAL	10,400

GRANTS/PERSONNEL

COMMANDER	80,000
BAXTER PD	50,000
DULUTH PD	50,000
EDINA PD	50,000
MILLE LACS CTY	50,000
MINNEAPOLIS PD	50,000
WRIGHT CTY	50,000
ANALYSTS	<u>73,000</u>

TOTAL EXPENDITURES 463,400

CARRYFORWARD TO FY 2012 72,219

FUNDING/FORFEITURE: FY ending 6/30/2012

LEGISLATIVE FUNDING	300,000
CARRY FORWARD	72,219

TOTAL FUNDING 372,219

TF EXPENDITURES:

QWEST	4,800
FLOYD SECURITY	700
METRO COPIERS	2,600
SPRINT/NEXTEL	1,200
MINIKAHDA STORAGE	<u>1,100</u>
TOTAL	10,400

GRANTS/PERSONNEL

COMMANDER	80,000
BAXTER PD	50,000
DULUTH PD	50,000
EDINA PD	50,000
MILLE LACS CTY	50,000
MINNEAPOLIS PD	50,000
WRIGHT CTY	50,000
ANALYST & OASI	<u>92,702</u>

TOTAL EXPENDITURE 472,702

PROJECTED DEFICIT (\$100,483)