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# MINNESOTA FINANCIAL CRIMES TASK FORCE



## 2011 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 MNFCTF Advisory Boards purpose is to identify, develop and recommend protocols and procedures for the statewide investigation of financial crimes. The Advisory Board also may recommend proposals regarding budgetary/funding issues facing the MNFCTF. Advisory Board recommendations are forwarded to the Commissioner of Public Safety for consideration.

## **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, 2011 and 2012, respectively, the funding was set at \$300,000 per year from the general fund. The MNFCTF has been able to adapt its budget to this funding 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 and grants from the Office of Justice Programs (OJP). However, for the fiscal year ending June 30, 2012 all carryover funds from previous years will have been depleted and no OJP grant funding is anticipated. The only the expected funding for the fiscal year ending June 30,2013 will be \$300,000 from the general fund leaving a projected shortfall in excess of \$152,000.

## **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.

## 2011 ACCOMPLISHMENTS

- The MNFCTF will continue to focus its investigative resources on large scale Organized Criminal Enterprise (OCE) cases as evidenced by two prominent on-going investigations. Operation Starburst, initiated in 2009, has resulted in criminal charges against more than thirty individuals. For the last four months the majority of the MNFCTF's investigative and analytical staffing has been engaged in trial preparation for several indicted individuals relating to the Starburst investigation. Trial is scheduled for the first week in February, 2012. A second major OCE investigation, Operation Masquerade has recently resulted in the federal indictment of twelve individuals.
- Developed an 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.
- Developed case protocols for the continued success of the MNFCTF's partnership with the Department of Employment and Economic Development (DEED) and successfully prosecuted cases.
- Provided presentations/training for law enforcement and retail and banking industry audiences:
  - International Association of Financial Crimes Investigators
  - Bank Secrecy Act Conference
  - Wells Fargo REON Association
  - Midwest Cycle Intelligence Organization
  - Minnesota Bankers Association
  - Minnesota Bureau of Criminal Apprehension Agents In-Service
- Re-certified MNFCTF personnel as Deputy United States Marshall's, sponsored by the Marshall's Service and the United States Secret Service.
- Continued our 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.
- Initiated a collaborative effort among state criminal investigative agencies including the Department of Commerce and the Department of Alcohol and Gambling Enforcement.

The goal of the Minnesota State Criminal Investigator's Coalition (MNSCIC) is to better utilize agency investigator and analytical resources in joint criminal investigations.

- Participated in formation of a Fraud Working Group of prosecutors from the Hennepin County Attorney's Office, the Ramsey County Attorney's Office and the United States Attorney's Office. The group's purpose is to enhance cooperation and joint prosecution of OCE's and other major financial crimes investigations. Development of prosecutorial protocols will better direct resources to and prosecution of defendants at the appropriate jurisdictional level.
  
- Developed and initiated investigative protocols with major Minnesota financial institutions for referring cases to the MNFCTF for prosecution.

**Calendar Year 2011 Statistics**

<b>2011 Stats</b>	Qtr 1 (1/1/11 - 3/31/11)	Qtr 2 (4/1/11 - 6/30/11)	Qtr 3 (7/1/11 - 9/30/11)	Qtr 4 (10/1/11 - 12/31/11)	<b>2011 TOTALS</b>
Individuals Charged	32	25	22	11	<b>90</b>
Individuals Convicted/Plead Guilty*				9	<b>9</b>
Search Warrants	7	7		7	<b>21</b>
Arrests	11	10	27	35	<b>83</b>
Federal Indictments	1	7	2	0	<b>10</b>
Recovered Vehicles	0	0	0	0	<b>0</b>
Recovered Electronic Devices (Computers/ Phones**	22	3	0	49	<b>74</b>

\*Eliminated Category "Counts Charged", replaced with Individuals Convicted/Plead Guilty.

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

## Number of Individuals Charged By County

<b>Charges By County</b>	<b>Qtr 1 (1/1/11 - 3/31/11)</b>	<b>Qtr 2 (4/1/11 - 6/30/11)</b>	<b>Qtr 3 (7/1/11 - 9/30/11)</b>	<b>Qtr 4 (10/1/11 - 12/31/11)</b>	<b>2011 TOTALS</b>
Anoka					
Clay			1		1
Federal Court	11	6	2		19
Hennepin	18	16	14	8	56
Mille Lacs		3			3
Nobles				1	1
Pennington				1	1
Ramsey	1				1
Scott			3		3
St. Louis			2		2
Steele				1	1
Washington	2				2
Wright					
<b>Total</b>	<b>32</b>	<b>25</b>	<b>22</b>	<b>11</b>	<b>90</b>

### 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 2012 GOALS**

1. Work with the Advisory Board, the Minnesota Sheriff's and Police Chief's Associations and the Minnesota County Attorney's Association to secure permanent funding for the MNFCTF.
2. Utilize the Ramsey County Sheriff's Office partnership as a business model while continuing to work with Minnesota law enforcement to provide local investigators to the MNFCTF. Develop a mentorship program for new investigators providing an experienced LE mentor, training, computer, cell phone, vehicle and overtime.
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. Collaborate with the MNBCA to provide additional regional assistance with financial investigations and the training of out-state investigators.
5. 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.
6. 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** **2011 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 2011. Rather these are only examples as to the types of investigations and types of illegal activities being investigated by the MNFCTF.

- Operation Starburst trial preparation for March 7, 2012. 70 Witnesses; 224 Exhibits. Nine Task Force members are working full time with trial prep and trial.
- Assisted the Grant County Sheriff’s Department with executing Search Warrants on a bank fraud case. Suspect writing checks on an out of state business account and mailing them throughout the United States for individuals to cash. Current loss in excess of \$200,000.
- Assisting the Beltrami Sheriff’s Department in an employee embezzlement case from an employer. Executing Search Warrants on known bank accounts to determine exact loss. Current loss is in excess of \$335,000.
- Assisted Northfield Police Department in a computer intrusion case. Local business had its computer system hacked into by unknown individuals who then caused the transfer of approximately \$70,000 to eleven different bank accounts across the United States.
- Assisting U.S. Bank, Milwaukee, WI in a suspected scheme to access business bank accounts in Minnesota and Wisconsin. Working with local police in Wisconsin and the Milwaukee Field Office of the United States Secret Service.
- Assisted Veterans Administration with a case involving embezzlement by fiduciary from disabled veterans. Investigation continues.

- Charged suspect with unemployment benefit fraud. Suspect stole the identities of 12 individuals. Then applied for benefits in their names but had the benefits direct deposited into his/her bank account.
- Charged suspect in Pennington County with identity theft for applying for unemployment benefits in a friend's name.
- Charged TW with possession and sale of counterfeit checks after TW entered local bank and attempted to deposit one of the checks.
- Charged CH with felony theft for stealing funds from his/her employer. CH also charged with creating fake purchases of Visa gift cards which subject would then use to make purchases.
- Charged JL with felony access device fraud after subject made numerous purchases at retail outlets in St. Paul and Minneapolis. Subject had several Visa gift cards in possession at the time of arrest.
- Charged TH through the Minnesota Attorney General's Office for violating fiduciary responsibility in the management of guardianship accounts of disabled veterans and other vulnerable adults.
- PD, NS and LS pled guilty in federal court for creating false state income tax refunds and the subsequent laundering of those funds. Loss was over 1.9M dollars.
- Charged AN and SS with burglary in the theft of digital media from a local company. The stolen media contained the identities of thousands of individuals nationwide. Media was recovered before an actual breach of the records occurred.
- Charged twelve individuals in a 54 count federal indictment. Counts included identity theft, HELOC fraud, access device fraud, counterfeit check fraud and conspiracy. Losses exceeded 50M dollars.
- Charged NB with felony theft of over \$35,000 from suspect's employer.
- Suspect pled guilty to embezzlement of 1.7M dollars from his/her local employer.
- Initiated investigation of individual involved in buying electronics online with counterfeit credit cards. Known purchases exceed \$100,000 and are expected to be much higher.
- Assisted the Veteran's Administration, OIG with an investigation of MP who had been receiving deceased mother's veteran's benefits for nearly 10 years.
- Bank manager pled guilty to bank fraud and identity theft. One of thirty-two individuals charged by indictment, complaint, etc. in Operation Starburst.
- Initiated case on credit union loan officer and other suspects involving false auto loan applications. Group in the Twin Cities Metro area are submitting loan applications based on false W-2's and income tax returns to secure loans. Loans obtained to purchase Mercedes Benz and Bentley automobiles.
- Investigating individual suspected of stealing the identities of over eight people and applying for their unemployment benefits.
- Initiated case on FZ who has withdrawn nearly 2M dollars in currency from casinos in the last 24 months. Monies do not appear to be from gambling profits.
- Arrested a Stearns County individual on federal charges of receiving deceased mother's Veteran's benefits. Benefits paid out more than five years after her death.
- Secured complaints against three individuals in Scott County with felony theft by swindle in an amount exceeding \$200,000. The three were part of a larger criminal enterprise with several of those individuals having previously pleading guilty.



- Final defendant in a counterfeiting case was sentenced in federal court. Two other conspirators pled guilty and were sentenced previously. Case worked with the United States Secret Service and numerous LE agencies.
- Former Minnesota Department of Revenue employee sentenced to sixty months in federal court for creating over \$1.9M dollars in false refunds. She directed the false refunds to two relatives who assisted in the laundering of the proceeds. They previously pled guilty.

## **MN FINANCIAL CRIMES ADVISORY BOARD MEMBERS**

**January, 2011**

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**MINNESOTA FINANCIAL CRIMES**  
**TASK FORCE**  
**FISCAL YEAR ENDING 06/30/2012**

**FUNDING FOR FY 12**

Legislative Funding	\$ 300,000
Carry-forward	72,200
Funds from current OJP grant*	20,000
New Grant from OJP**	60,000

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**TOTAL** **\$ 452,200**

**EXPENSES**

Qwest	\$ 4,800
Floyd Security	700
Metro Copiers	2,600
Sprint/Nextel	1,200
Storage	1,100
Overtime Fund***	10,000
Commander Contingency (training, equip., travel)	

**TOTAL Non-Personnel** **21,600**

**TOTAL Personnel** **\$ 430,600**

Commander	80,000
Analysts (2)	117,000
Sr. Special Agent (BCA)	0
Full-time BCA Agent	0
Full-time RCSO investigator	0
Full-time MPD investigator	50,000
Full-time EPD investigator	50,000
Part-time Mille Lacs Cty	35,000
Part-time Duluth PD	35,000
Part-time Baxter PD	35,000
Part-time Wright Cty SO	12,500
Personnel Contingency****	16,100

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**TOTAL EXPENSES** **\$ 452,200**

\*DUE TO DELAYED START OF GRANT

\*\*NEW FEDERAL AWARD

\*\*\*OVERTIME FOR DEDICATED AGENCIES NOT REQUESTING SALARY  
REIMBURSEMENT

\*\*\*\*REMAINDER OF FUNDS PARTIALLY USED BY WRIGHT COUNTY