

# MINNESOTA FINANCIAL CRIMES TASK FORCE



## 2014 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 task force. The MNFCTF was established in response to retailers, bankers, other businesses and law enforcement and in Stat. §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 years 2014 and 2015 the Minnesota State Legislature provided a budget of \$300,000 per year from the general fund to support the operation and development of this statewide task force. Prior to fiscal year 2015, most of the budget has been allocated to grant funds paid to local agencies that have assigned licensed officers to the task force, as well as paying for two criminal intelligence analysts. As of fiscal year 2015, the task force moved to a reimbursement funding model. This model reimburses affiliate agencies overtime, training and travel funding incurred by task force affiliate officers and analysts that are currently working task force approved, large scale, multi-jurisdictional financial crimes cases.

In fiscal year 2014, a grant from the Office of Justice Programs (OJP) in the amount of \$84,000 per year paid for the task force commander position. This task force commander retired in June of 2014, which corresponded to the end of the OJP grant. Two criminal intelligence analyst salaries are paid by the task force. The BCA has assigned a Special Agent in Charge as the acting task force commander, which is not supplemented by task force funds or OJP grant.

## **STAFFING**

As of fiscal year 2015, the MNFCTF has a staff of two full time municipal agency investigators from the Ramsey County Sheriff's Office and the Edina Police Department, as well as two BCA Agents. The MNFCTF also has two criminal intelligence analysts and an acting commander. The four investigators conduct investigations within Minnesota.

The MNFCTF also has federal participants. The federal participants include; United States Secret Service, United States Postal Inspection Service, Internal Revenue Service and United States Department of Homeland Security. Federal investigators are flexible participants in that they must respond to their department's priority assignments and assist in MNFCTF investigations when available and on federally accepted cases.

The MNFCTF has local participants from the St. Paul Police Department and Edina Police Department, which are also flexible participants, in that they normally work their own agency's priority assignments and assist in MNFCTF investigations when available.

## 2014 ACCOMPLISHMENTS

- **The MNFCTF:**
  - Provided presentations/training for law enforcement and retail and banking industry audiences:
    - TCF Bank Investigations Unit; Century College; BCA In-Service; East Metro Crime Coalition and local law enforcement agencies in Minnesota.
  - Secured numerous federal charges/indictments on two major cases:
    - Operation Avalanche (7 indictments – Phase I; 28 indictments – Phase II)
    - Mustafa Family Investigation (20 indictments)
  - Secured 4 federal convictions for Operation Homeless

## Calendar Year 2014 Statistics

2014 Stats	2014 TOTALS
Individuals Charged	90
Individuals Convicted/Plead Guilty	8
Search Warrants	100+
Arrests	59
Federal Indictments	56
Recovered Vehicles	5
Recovered Electronic Devices (Computers/ Phones)	500+

Charges By County	2014 TOTALS
Federal Court	56
Ramsey County	20
Hennepin County	6
Washington County	3
Dakota County	2
Anoka County	2
Scott County	1

## 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
- Bank fraud
- Conspiracy

## **MINNESOTA FINANCIAL CRIMES TASK FORCE 2014 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 2014. They are only examples as to the types of investigations and illegal activities being investigated by the MNFCTF.

### **INDICTMENTS:**

#### ➤ **MUSTAFA FAMILY INVESTIGATION:**

On 08/12/2014 the St. Paul Police Department, University of Minnesota Police Department and the MNFCTF (United States Secret Service, MN Bureau of Criminal Apprehension, Edina PD and Ramsey County Sheriff's Office) executed 23 search warrants and 18 of 20 arrest warrants throughout the greater Twin Cities Metro area. The warrants were executed as part of a financial crimes investigation involving the sale of illegally obtained cell phones and electronics. Other assisting federal agencies included: U.S. Internal Revenue Service-CID, U.S. Marshal's Office, U.S. Postal Inspector, U.S. State Department, U.S. Department of Agriculture, U.S. Social Security OIG, U.S. Homeland Security Investigations and the Federal Bureau of Investigation. Local assisting agencies included: Plymouth PD, Apple Valley PD, Savage PD, Forest Lake PD, Rosemount PD, Burnsville PD, Robbinsdale PD and the Minnesota Department of Commerce. This case is being prosecuted by the U.S. Attorney's Office.

#### ➤ **OPERATION AVALANCHE PHASE I:**

Seven subjects from Minnesota were indicted on federal fraud charges involving the stealing of consumer banking information, passing counterfeit checks and collecting fraudulent tax returns that resulted in a loss of over one million dollars. This scheme was conducted by a group whose hierarchy consisted of a leader, mid-level recruiters and runners. The group targeted over 15 financial institutions, as well as various gas and drug store chains. This indictment represents only one of the groups in a much larger identity theft/fraud investigation known as Operation Avalanche.

➤ **OPERATION AVALANCHE PHASE II:**

Twenty-eight subjects were indicted and arrested for conspiring to use fraudulently obtained account information to manufacture counterfeit checks with blank check stock and check-printing software which were then distributed to other members (known as “runners”) to cash at dozens of different banks and financial institutions. The conspiracy consisted of primary counterfeit check manufacturers, a small group of recruiters, and a large group of runners who stole or attempted to steal over \$2 million.

In some instances, the check runners opened bank accounts in their own names in which they would deposit fraudulent checks and later withdraw for cash. Other members of the group, used stolen, personally identifiable information and fraudulent checks to open new bank accounts. After opening these new accounts, they were issued blank personal checks that they used in fraudulent transactions. Each member of the conspiracy took a portion of the proceeds of the fraud.

The group used various means of obtaining account information to make counterfeit checks including getting access to sensitive account information through two bank insiders, Felicia Hassim and Anna Hassim. One was the branch manager at a TCF Bank branch and the other was a teller at a Central Bank branch. Both subjects facilitated the conspiracy by using their access to legitimate account information to provide the manufacturers with account numbers and balance information. A third facilitator, Timothy Tillman, worked as a door-to-door meat salesman and provided copies of the legitimate checks he received from customers as payment which were then used to manufacture fraudulent checks. This case is being prosecuted by the US Attorney’s Office.

**CONVICTIONS/SENTENCING:**

- Khemall Jokhoo, was sentenced to 36-175 months in federal prison for attempting to steal more than \$700,000 by using the identities of more than 60 victims. On November 5, 2013, a jury in United States District Court in Minneapolis convicted Jokhoo of all the charges presented to them, including aggravated identity theft, bank fraud, mail fraud, wire fraud, and false impersonation of an officer or employee of the United States government. Jokhoo, formerly registered as a debt collector, was the owner and sole employer of First Financial Services, Inc. (First Financial), a collection agency licensed in Minnesota from May 9, 2002 until November 3, 2009. As a debt collector, the defendant had access to sensitive credit information including social security numbers, bank account information, dates of birth, addresses, and other identifying information of the victims of this scheme. Jokhoo used this information to harass and intimidate victims

and to demand payment to him for purported debts. When he could not convince victims to pay him, Jokhoo impersonated victims, using their bank account and other identifying information to take over and steal directly from their accounts. The case was investigated by the Minnesota Financial Crimes Task Force, U.Ss Postal Inspectors, Minnesota Commerce and Lonsdale PD. (From: US Attorney's Office-District of Minnesota Press Release (8/20/2014))

➤ **OPERATION HOMELESS:**

Assistant U.S. Attorneys Kate Buzicky and Bill Otteson secured convictions in federal court for four individuals identified as the drivers and recruiters behind the counterfeit checking cashing incidents that occurred in Minnesota from January to May 2013. This investigation was known as the Minnesota Financial Crimes Task Force's "Operation Homeless":

- One subject recruited homeless persons from January through May 2013. He pleaded guilty to his conduct and is in federal custody in Sherburne County.
- Another subject served as the main subject's driver from February through May 2013. He pleaded guilty but declined to cooperate further. He is in federal custody in Sherburne County.
- A third subject recruited homeless persons from January through May 2013. He pleaded guilty to his conduct and is free on his own recognizance.
- A fourth subject was the main subject's driver in January 2013 but was essentially fired from the conspiracy for driving conduct resulting in law enforcement contact that provided the leads to identify members of the conspiracy. He was convicted after a jury trial and is free pending sentencing.

The overall value of the conspiracy for the January through May time period was over \$275,000, involved over thirty homeless persons, and at least twelve different banks and businesses. MNFCTF Ramsey County Sheriff's Office led the investigation along with Carver County PD, Elk River PD, Burnsville PD, Crystal PD, Lancaster County Nebraska SO, Illinois State Police and the North Dakota Highway Patrol.

(From: Office of the Ramsey County Attorney News Release 3/14/2014)

➤ **MORTGAGE FRAUD:**

Alpha Rashidi Mshihiri was convicted of stealing millions of dollars in mortgage loans and was sentenced to 12 1/2 years in federal prison, according to the U.S. Attorney's Office in Minnesota. He was convicted of three counts of bank fraud, two counts of wire fraud and one count of mail fraud. Mshihiri, who was once a licensed mortgage broker, was convicted of defrauding a number of lenders for millions of dollars by recruiting straw buyers, falsifying loan applications and other documents, and inflating real estate purchase prices, according to U.S. Attorney Andrew Luger. As part of the conspiracy

straw buyers submitted fraudulent loan applications to mortgage lenders. Sometimes stolen identities were used to fill out loan applications. False documents were created including W-2s, pay stubs, driver's licenses and bank statements which straw buyers used to get loans. The Internal Revenue Service, Minnesota Financial Crimes Task Force, and U.S. Department of Housing and Urban Development-Office of Inspector General investigated the case. (From: US Attorney's Office- District of Minnesota Press Release 12/9/2014)

➤ **IDENTITY THEFT:**

Roxanne Deflorin was convicted of identity theft in connection with the theft and possession of hundreds of individual identities, including social security numbers, dates of birth, and driver's license numbers. Multiple law enforcement agencies executed a search warrant on Roxanne Deflorin's home in St. Paul where they seized 355 different identities not belonging to Deflorin. Included in the information was a list of 269 Public Employment Retirement Association (PERA) members. The defendant at one time worked for the Minnesota Department of Labor and Industry. MNFCTF Ramsey County Sheriff's Office member led the investigation.

(From: Office of the Ramsey County Attorney News Release 1/22/2014)

➤ **MAIL/WIRE FRAUD AND TAX EVASION:**

Bartolomea Joseph Montanari, 57, formerly of Bayport, Minn., was convicted in federal court for tax evasion and fraud. On May 21, 2014, Montanari was indicted on one count of evasion of payment of taxes, one count of mail fraud, and one count of wire fraud. On November 25, 2014 following a 6-day trial, a federal jury found Montanari guilty on all counts.

The evidence presented at trial proved that from 2009 until January 2012 Montanari willfully evaded the payment of employment and excise taxes owed by him and the three businesses he controlled.. One of the ways Montanari avoided paying taxes was by transferring over \$1.1 million into a bank account in the name of Bella Luca Properties LLC ("Bella Luca"), a shell company with no legitimate business purpose but used by Montanari to pay personal expenses. Montanari evaded payment of more than \$700,000 in taxes to the federal government. This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division, the U.S. Postal Inspection Service, and the Minnesota Financial Crimes Task Force. (From: US Attorney-District of Minnesota Press Release 12/2/2014).

➤ **MISAPPROPRIATION BY A FIDUCIARY AND EMBEZZLEMENT OF GOVERNMENT PROPERTY:**

Patricia Winstead served as a Department of Veterans Affairs (VA) appointed fiduciary and as a representative payee (fiduciary) for the Social Security Administration (SSA). As a VA fiduciary and SSA representative payee, Winstead was appointed to administer the financial affairs of veterans and beneficiaries who were deemed incompetent or were incapable of handling their financial affairs. Winstead executed about 198 transactions from the accounts of 24 separate beneficiaries in which she embezzled a total of \$292,242.86. According to Winstead, the money was used to fuel a gambling habit. Winstead plead guilty of the charges on 5/19/2014. The investigation was led by the Department of Veterans Affairs Office of Inspector General, the Social Security Administration Office of Inspector General OIG, and the Minnesota Bureau of Criminal Apprehension (representing the MNFCTF).

### **MNFCTF 2015 GOALS**

1. Utilizing the Ramsey County Sheriff's Office partnership as a business model, continue to work with Minnesota law enforcement to provide local investigators to the MNFCTF while developing a mentorship program providing new MNFCTF investigators an experienced law enforcement mentor, training, computer and overtime.
2. Collaborate with the Bureau of Criminal Apprehension to provide additional regional assistance with financial investigations and the training of out-state investigators.
3. Partner with the Bureau of Criminal Apprehension and the Minnesota Fusion Center in development of training opportunities for state law enforcement personnel in the area of identity theft and related financial crime investigations.

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

**January, 2014**

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