Commerce Fraud Bureau Annual Report

2018

Pursuant to Minnesota Statute 45.0135, subdivision 5, I am pleased to present the annual report by the Commerce Fraud Bureau for calendar year 2018.

The Commerce Fraud Bureau (CFB) is a law enforcement agency within the Minnesota Department of Commerce.

Our annual report summarizes the significant accomplishments of the CFB during 2018. The CFB continues to be recognized as a national model for pursuing criminal investigations into insurance fraud and other insurance-related criminal activity.

During 2018, the CFB initiated investigations into 2,849 cases. This represents a 15 percent increase over the 2,476 investigations conducted in 2017.

The employees of the CFB dedicate themselves to offer the highest quality of criminal investigative services to the citizens of Minnesota. Through cooperative working relationships with our local, state and federal law enforcement partners, the CFB has taken a proactive approach to combating insurance fraud throughout the state. These efforts resulted in prosecutions of individuals who were responsible for committing crimes that had an economic impact of nearly $10 million.

The mission of the CFB is "To protect Minnesotans from fraud by conducting aggressive criminal investigations in the pursuit of justice." To fulfill that mission, the CFB continues to explore options to provide higher levels of service to Minnesotans than ever before.

Please do not hesitate to contact me at 651-539-1602 for additional information on the work of the CFB. Thank you for your continuing support.

Respectfully submitted,

Michael W. Marben

Director & Chief Law Enforcement Officer

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The Commerce Fraud Bureau is the only law enforcement agency in the state of Minnesota that focuses its enforcement efforts on the fight against insurance fraud.

The mission of the Commerce Fraud Bureau is to protect Minnesotans from fraud by conducting aggressive criminal investigations in the pursuit of justice.

The Commerce Fraud Bureau pursues that mission by:

Maintaining strong public-private partnerships with insurance company special investigation units to uncover and prosecute insurance fraud

Providing educational opportunities for members of the public so they can avoid becoming a victim of fraud

Partnering with local, county, state, and federal law enforcement agencies to bring offenders to justice

Introduction

The Commerce Fraud Bureau (CFB) is a law enforcement agency housed inside the Minnesota Department of Commerce. The CFB is granted its authority under Minnesota Statute 45.0135.

The CFB continues to be the recognized leader in fraud and white-collar criminal investigations in the State of Minnesota. The CFB is Minnesota's primary law enforcement agency responsible for conducting criminal investigations into cases involving insurance fraud and related criminal activity. It is necessary to have an agency such as the CFB due to the increasingly sophisticated and organized individuals who commit these types of crimes.

The CRB is challenged during the course of investigations to keep up with the technological advances utilized by those committing crimes. As criminal use of technology increases, it is necessary for the special agents and analysts of the CFB to become well-versed in their methodologies to gain successful prosecutions.

The CFB undertakes investigations that require a level of expertise that is usually beyond the ability of traditional law enforcement agencies.

The CFB completed its 13th year of operation in 2018. In furtherance of its mission, the CFB continues to collaborate with local, state and federal law enforcement agencies to bring criminals to justice and hold them accountable for their actions.

History

The CFB was designated as a state law enforcement agency in April 2005 with a staff of three. During 2018, the CFB was staffed by twenty professionals: a Director (Chief Law Enforcement Officer), two Supervisory Special Agents, twelve Special Agents and five Analysts.

CFB Special Agents are licensed peace officers with extensive law enforcement backgrounds, training and experience. CFB Special Agents are considered the leading experts in the field of insurance fraud. They are trained in criminal investigations and provide assistance as well as training for consumers, the insurance industry and our statewide law enforcement partners.

CFB Analysts are highly-trained individuals who function in a non-sworn support role conducting research, analyzing data and producing reports in support of our Special Agents.

Purpose

The overall purpose of the CFB is to conduct criminal investigations and to enhance the effectiveness of law enforcement agencies throughout the state. Specifically, the unique skillset that CFB Special Agents possess facilitates the investigation of crimes that require technical expertise that is generally beyond the knowledge base of many law enforcement agencies. Due to the lean, agile operating principles employed at the CFB, significant assistance can be deployed efficiently and effectively to all parts of the state where investigative law enforcement resources may not be readily available.

The CFB assists its law enforcement partners by providing services such as:

- Computer forensic services
- Collection and analysis of evidence in financial crimes
- Surveillance support
- Technical expertise

Funding Sources

Funding for the CFB comes from four major sources:

- An assessment on insurers.
- A legislative appropriation from the Minnesota Department of Labor and Industry to conduct investigations concerning workers' compensation fraud.

- An administrative fee to offset the costs associated with managing the Auto Theft Prevention Grant Program.
- A $1.3 million recurring appropriation from the Auto Theft Prevention Grant Program.

Insurance Fraud Assessment

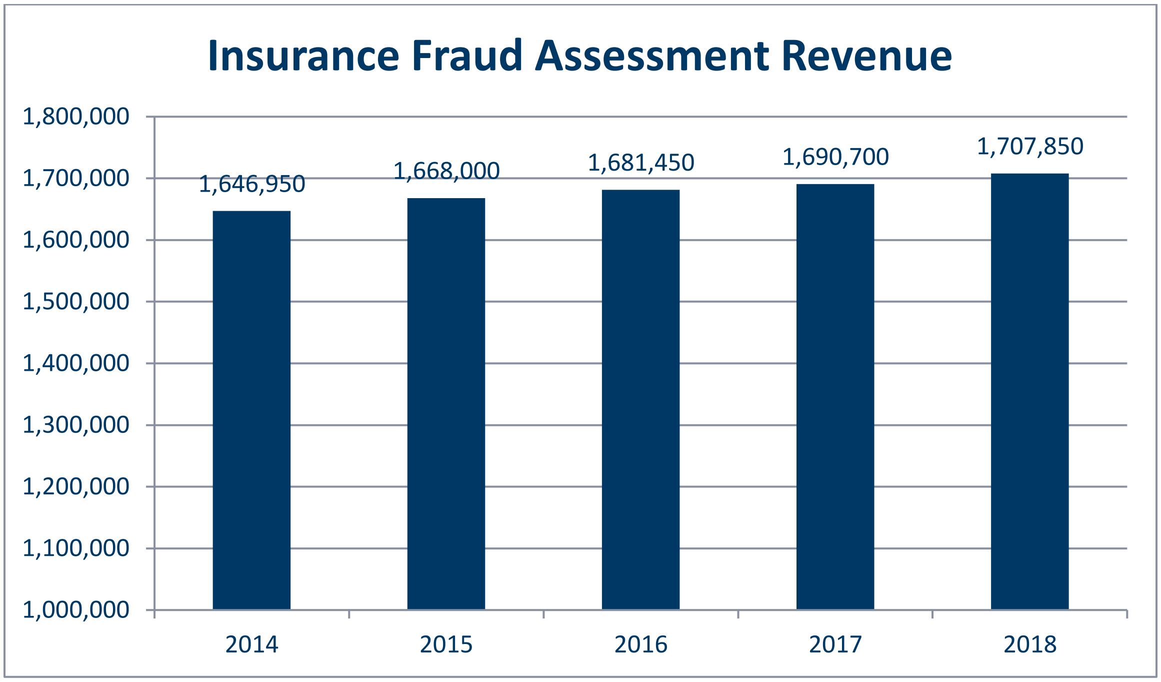
The largest portion of the operating funds utilized by the CFB is generated through an annual assessment authorized under Minnesota Statute 45.0135, subdivision 7. The assessment is levied on insurers that are authorized to sell insurance in Minnesota. Currently 1,136 companies pay this assessment.

The assessment formula has remained unchanged since its inception in 2004. The assessment is calculated under the following formula:

Total Assets	**Assessment**
Less than $100,000,000	$200
$100,000,000 to $1,000,000,000	$750
Over $1,000,000,000	$2,000
Minnesota Written Premium	**Assessment**
Less than $10,000,000	$200
$10,000,000 to $100,000,000	$750
Over $100,000,000	$2,000

For example, an insurance company that has $150,000,000 in assets and writes policies that carry $90,000,000 in premiums pay a total assessment of $1,500. It is important to note that the assessment is levied on the insurance company, not individual agents.

The following chart depicts the revenue generated by the assessment for the past five years:



The five-year average amount of revenue obtained through this assessment was $1,678,990.

Department of Labor and Industry Investigations

The Workers' Compensation Division is part of the Minnesota Department of Labor and Industry. All employers are required by Minnesota Statute 176.181, subdivision 2, to either purchase workers' compensation insurance to provide benefits to their employees for work-related injuries or they must obtain approval from the Commerce Department to self-insure if they have the financial ability to do so.

Individuals who collect workers' compensation benefits to which they are not entitled are committing insurance fraud. Through a legislative appropriation, the CFB receives $198,000 in recurring funding to offset the costs associated with conducting investigations into workers' compensation fraud.

Automobile Theft Prevention Program Administration

In 1996, the Minnesota Legislature passed legislation under Minn. Stat. § 65B.84 which created the Automobile Theft Prevention Program (ATPP). This program is funded from a surcharge collected from automobile insurance carriers that provide comprehensive insurance coverage issued in the state. The amount of the surcharge is 50 cents per vehicle for every six months of coverage. Using this funding, the ATPP makes money available through a competitive grant process for activities that address the problem of auto theft. Since 2009, the CFB has managed this program.

This statute allows the CFB to retain up to 10% of the funds collected under the ATPP to pay for the costs of administrating the program. In 2017, the CFB received $220,000 under the ATPP for program administration.

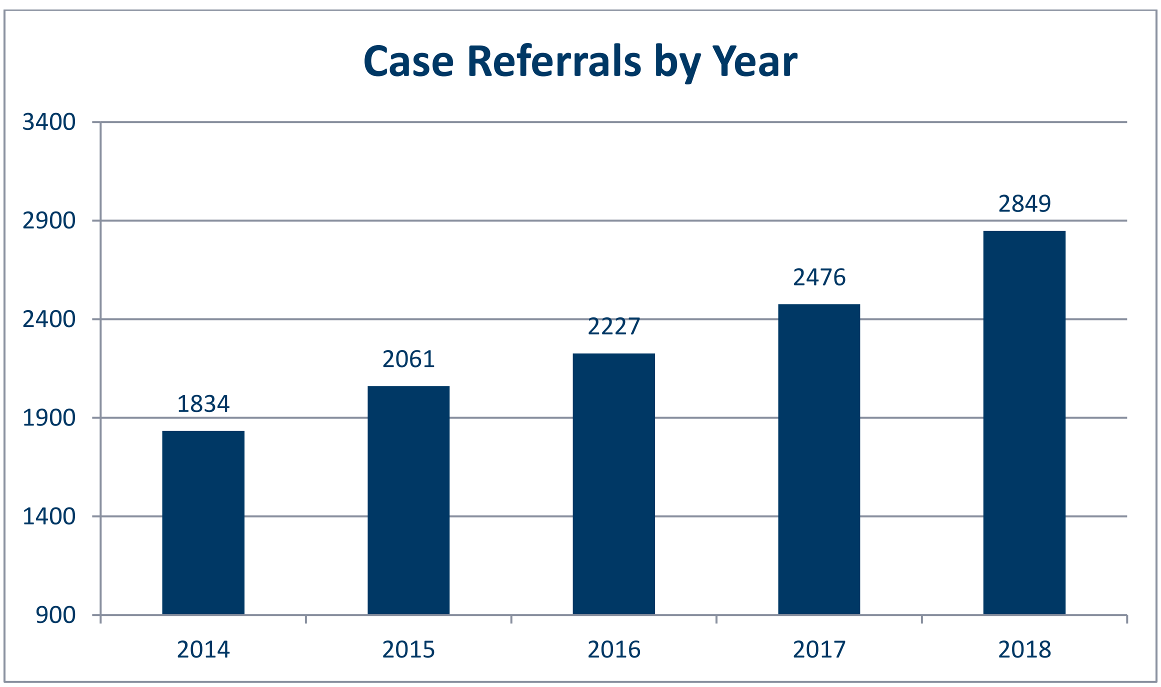
In 2017, the Legislature passed a change to Minn. Stat. § 65B.84 which requires the transfer of $1,300,000 each year to the insurance fraud prevention account to assist in the funding of the Fraud Bureau.

Investigative Requests

The primary responsibility of the CFB is to conduct criminal investigations into insurance fraud. Fraud occurs when someone knowingly lies to obtain a benefit or advantage to which they are not otherwise entitled or someone knowingly denies a benefit that is due and to which someone is entitled.

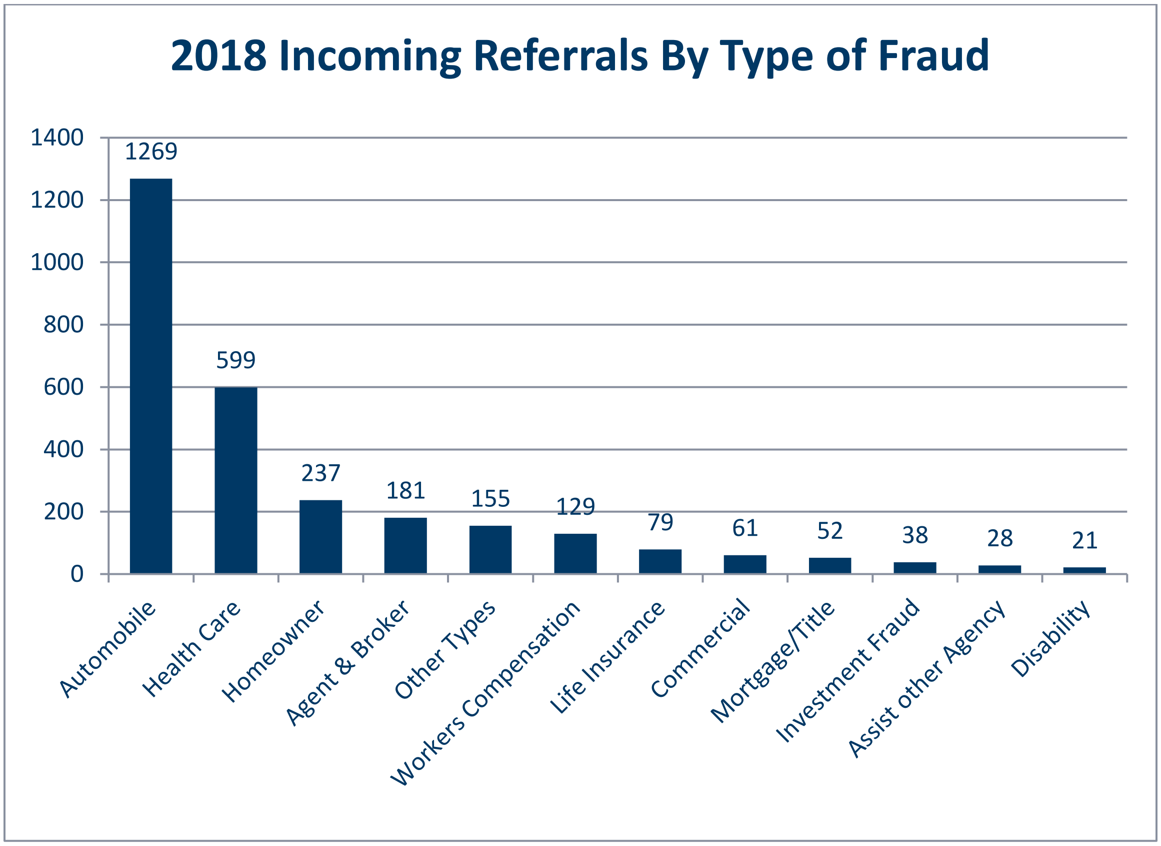
Cases for investigation are referred to the CFB from four major sources: the general public, insurance companies, law enforcement agencies and other governmental regulatory agencies. The subject of the referrals varies from individuals to businesses suspected of committing insurance fraud. Each incoming case is carefully reviewed to determine if the information submitted articulates a sufficient basis for the CFB to initiate a criminal investigation into the fraud allegation.

The following graphic represents the number of cases referred to the CFB for investigation during the previous five years.



2007 was the first year the CFB began tracking the total number of cases referred for investigation. In that year, 909 cases were referred to the CFB. In 2007, those case referrals were investigated by a staff of 13 Agents and Analysts. By 2018, the number of incoming case referrals had increased to 2,849 cases, which were investigated by a staff of 20 Agents and Analysts. This represented an increase of 213 percent in case referrals during that ten-year period, with only a 54 percent increase in staffing.

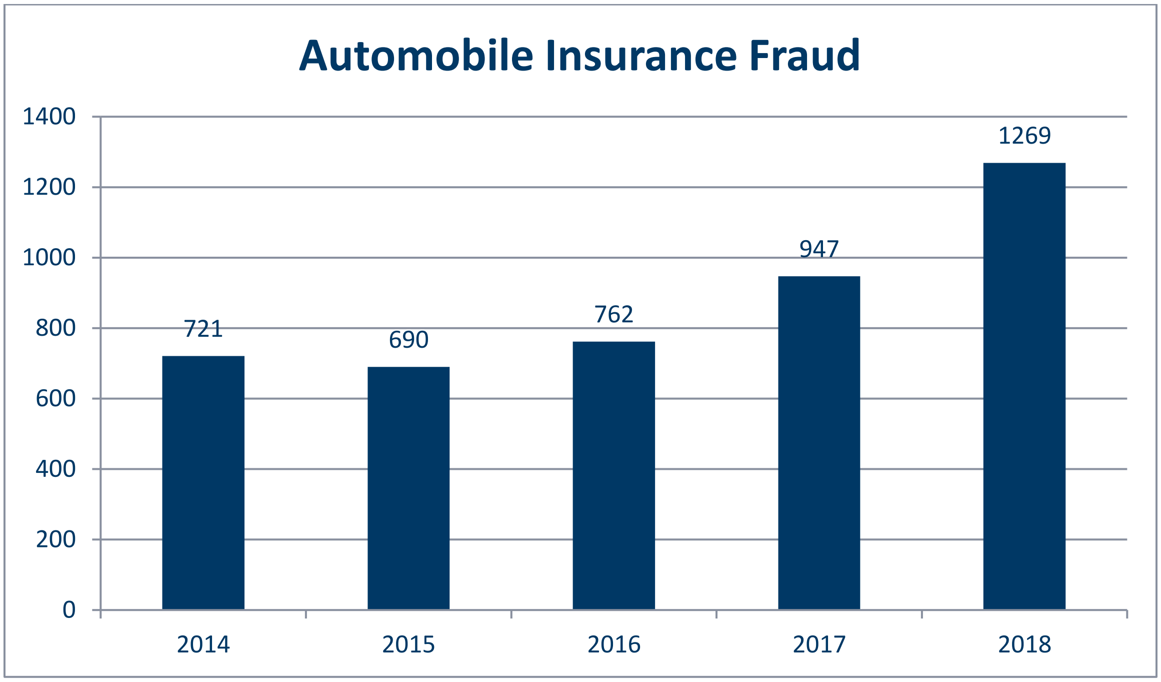
The increase in case referrals from 2017 to 2018 was 15 percent.



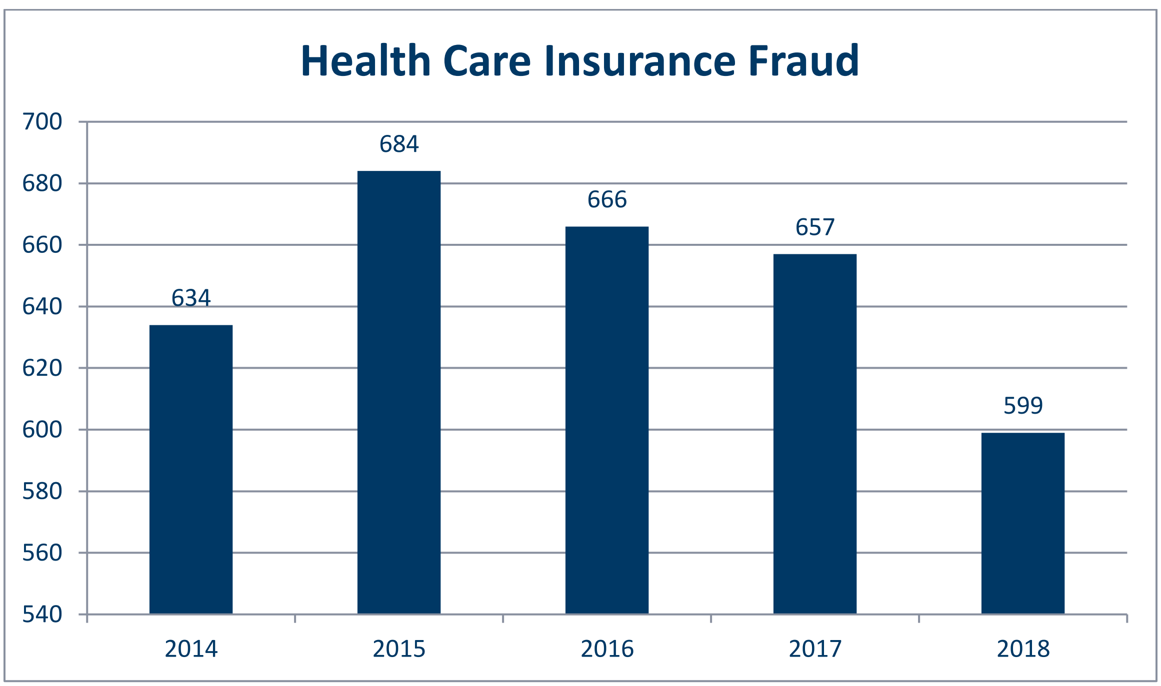
The five largest areas of suspected fraud reported to the CFB during 2018 were:

- Automobile Insurance
- Health Care Insurance
- Homeowners Insurance
- Agent and Broker Fraud
- Workers' Compensation Insurance

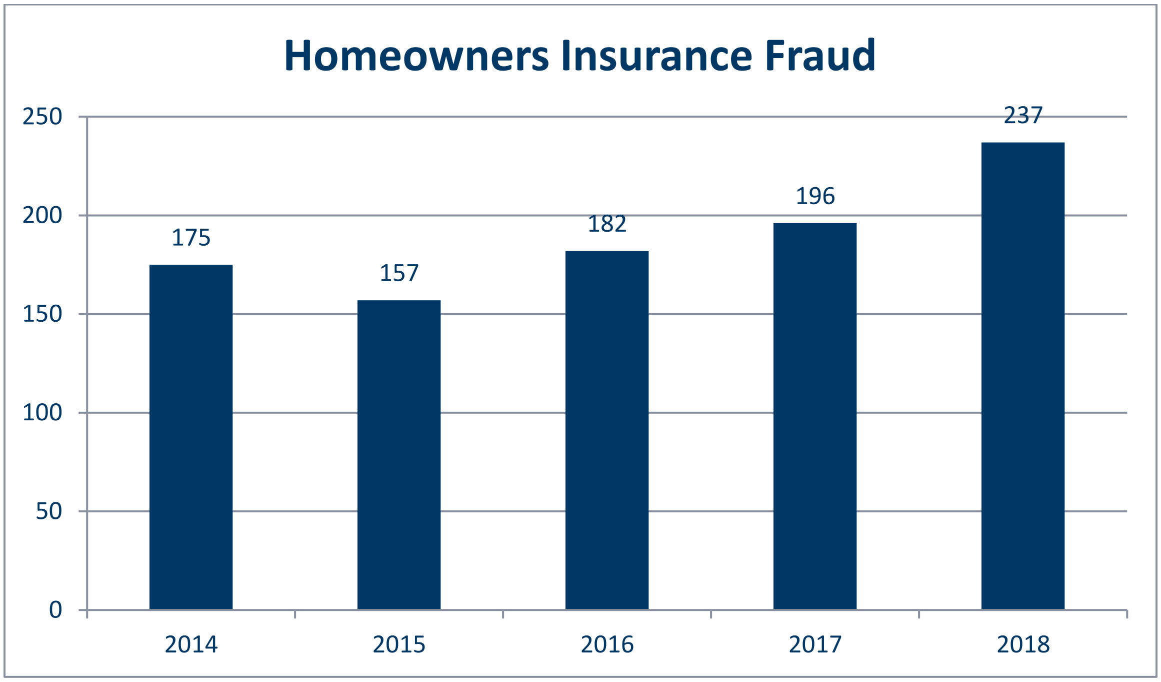
The following charts depict the changes in the number of referrals received during the previous five years for each of these areas.



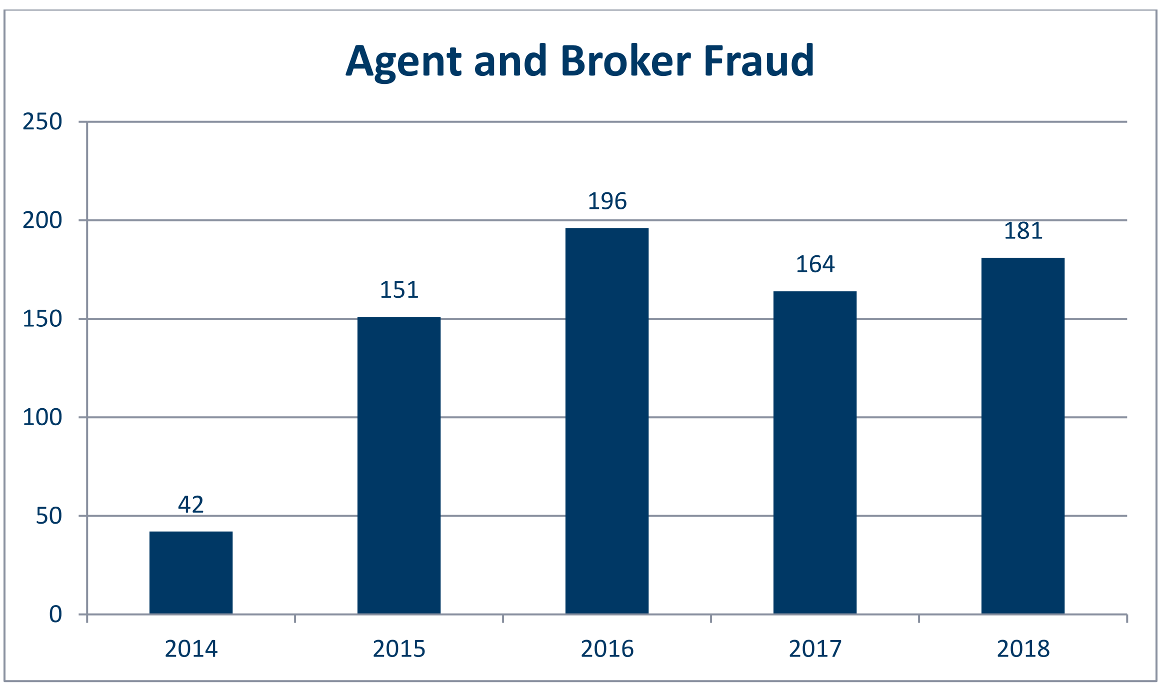
The data indicates that the number of automobile insurance fraud cases has significantly increased during the previous three years.



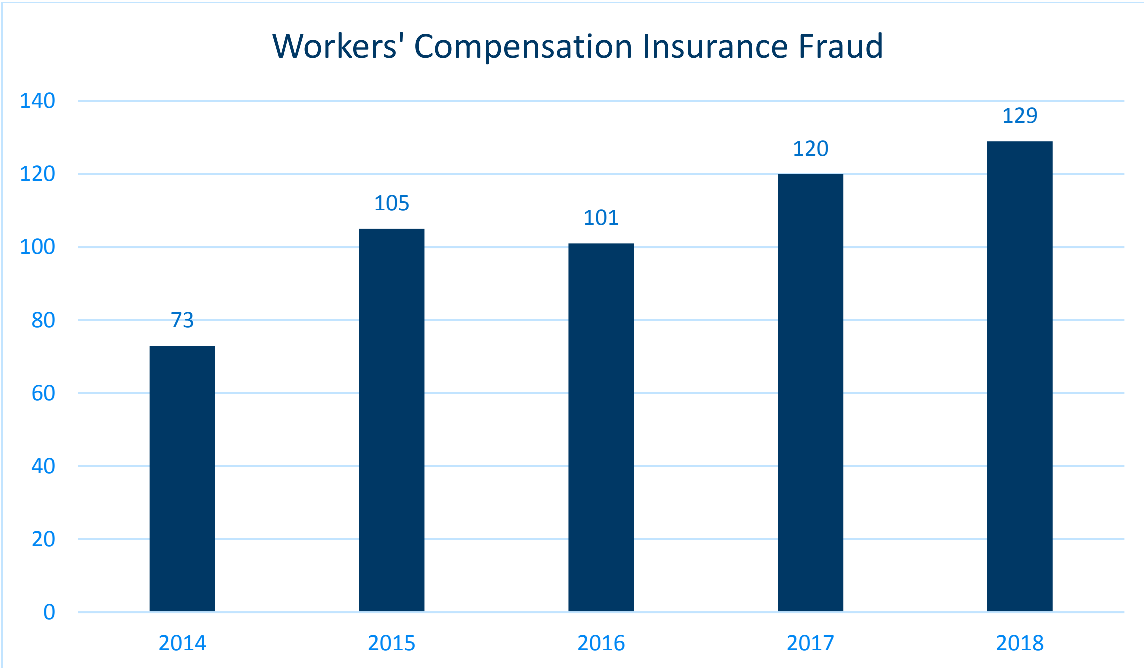
The data indicates that the number of health care insurance fraud cases continues to experience a downward trend since 2015, with a nine percent decrease during 2018.



Homeowners' insurance fraud cases are continuing an upward trend that started in 2015. The one-year changes in these types of cases during 2018 was twenty-one percent.



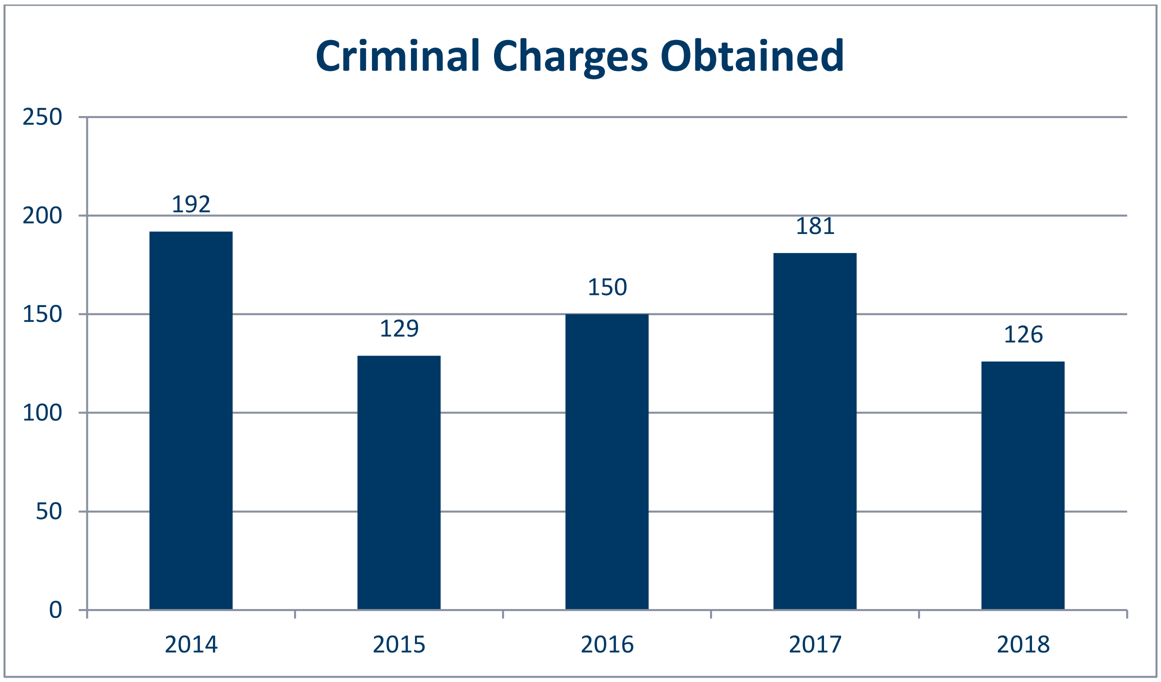
The number of Agent and Broker fraud cases referred indicates an upward trend, with a one-year increase in 2018 of ten percent.



2018 has continued an upward trend in the reported number of workers' compensation insurance fraud cases.

Prosecution

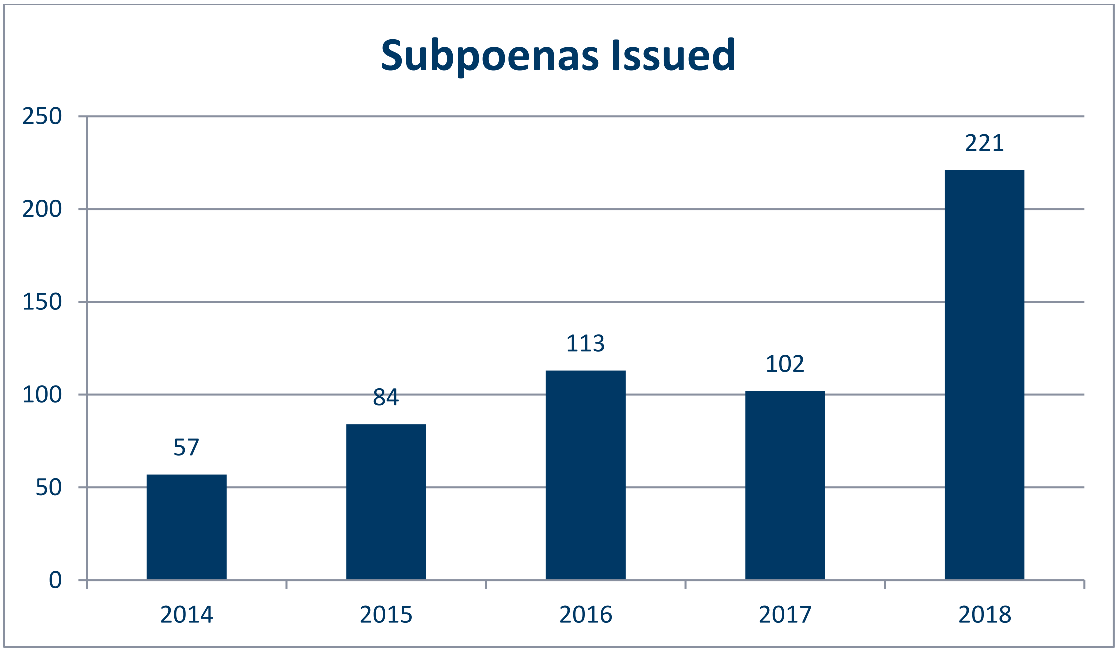
After gathering evidence and completing an investigation into a referral, the CFB submits the results of those investigations for criminal prosecution. These investigations are referred to either a Minnesota County Attorney's Office or the United States Attorney's Office – District of Minnesota, depending on the jurisdiction and criminal violations applicable to the investigation.



In 2018, investigations resulted in the filing of 126 state and federal criminal charges against defendants. During the previous five-year period, the CFB obtained, on average 105 criminal charges against defendants annually.

In 2018, CFB investigations that resulted in the filing of federal criminal charges had an economic impact of $9,751,309.

One of the most important aspects in conducting investigations into complex fraud cases is evidence gathering. A large amount of the evidence required to obtain a successful prosecution of an offender relies upon securing evidence via the subpoena powers granted to the Commissioner. The following chart represents the number of subpoenas issued pertaining to investigations conducted during the previous five years.


Subpoenas Issued
250
200
150
100
50
0
57
84
113
102
221
2014
2015
2016
2017
2018

Task Force Office Program

During 2018, the CFB continued its partnerships with the United States Postal Inspection Service, the United States Secret Service and Homeland Security Investigations in their respective Task Force Officer (TFO) program.

The TFO program is essentially a force multiplier to leverage the CFB's resources with law enforcement partners. This program enables several CFB Agents to be cross-designated as a Federal Law Enforcement Officer, which allows the Agents access to various federal law enforcement data systems, personnel and other resources. This enables the CFB to gain additional expertise and competency in conducting complex criminal investigations.

Participation in this program continues to elevate the CFB skill level and available outcomes. The CFB continues to be a recognized leader and expert in the law enforcement community.

Computer Forensics

The Commerce Fraud Bureau recognized the intricate role electronic evidence plays in the types of cases investigated by the CFB. The prompt review of electronic evidence is advantageous to the success of the investigations conducted by CFB Special Agents and Analysts. To address the volume of electronic evidence, the CFB created a Computer Forensics Lab.

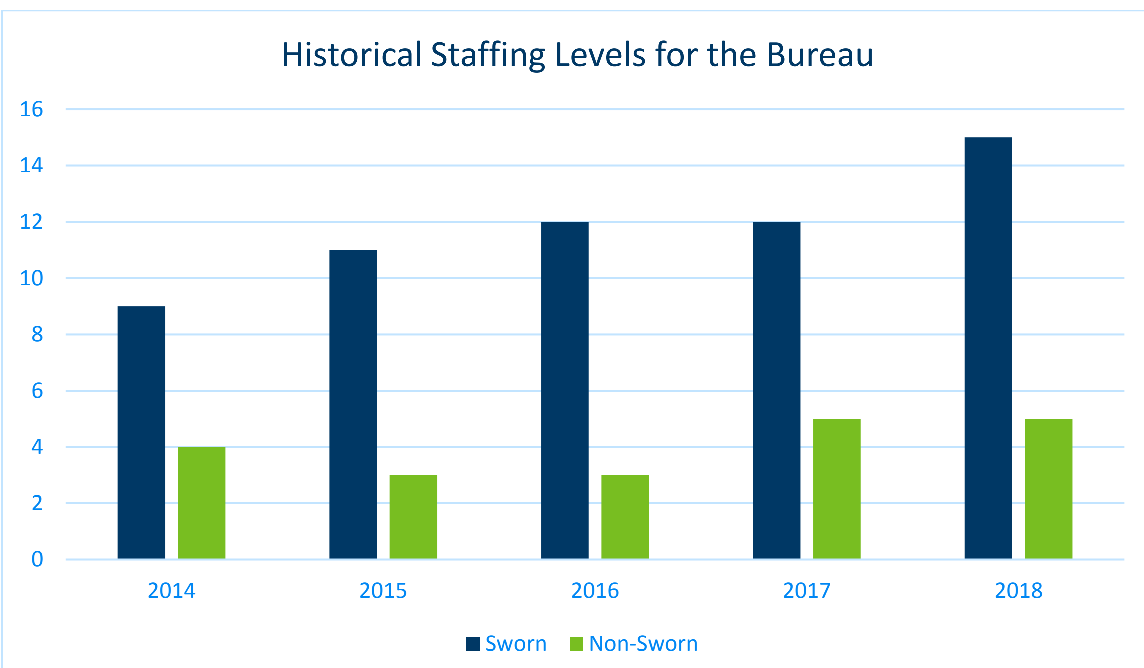
In 2015, a special agent was assigned to split time between casework and the Computer Forensic Lab at the Bureau. The agent is also a Task Force Officer with the United States Secret Service (USSS). Through that partnership, the special agent has the opportunity to attend over nine weeks of training at the National Computer Forensics Institute in Birmingham, AL. The training includes Basic Computer Evidence Recovery Training, Advanced Forensics Training and Mac Forensics Training. In addition, they have obtained a number of certifications in software essential to the retrieval of electronic evidence.

The amount of evidence found on electronic devices pertinent to the cases the CFB investigated by the CFB has increased significantly over the years. The upsurge in complexity of the devices—to include encryption, size of data, numbers of devices, evolving operating systems and software and requirements from the courts—has required the corresponding increase in training, equipment and time required to process the electronic devices. As a result, the special agent's time is now primarily spent in the Computer Forensic Lab, processing evidence, maintaining equipment and obtaining training.

During 2018, the special agent examined 67 computers and 35 mobile devices that contained over 43.8 terabytes of information in our Computer Forensic Lab at the CFB.

Historical Staffing Levels

The following graph represents the historical staffing levels of the CFB as of December 31 of each year for the proceeding five years.



Training

As a law enforcement agency with statewide jurisdiction, CFB agents must continually evolve and hone their skills to meet the responsibilities of the CFB. To meet those responsibilities, agents are afforded the benefits of training at the Camp Ripley training facility in Little Falls, Minnesota. Camp Ripley is a regional training center that has state-of-the-art facilities to support training requirements.

CFB agents serve search warrants throughout of state in the furtherance of criminal investigations. As such, the CFB must maintain a high level of expertise in conducting searches of numerous types of facilities that it encounters. Camp Ripley provides access to 26 buildings in the urban operations village that allows Agents to learn new skills and stay proficient.

Major Case Highlights

The following cases represent a portion of the investigations conducted by the Bureau during 2018 or were the result from cases that went to trial during 2018.

Ling Zhou – Money Mule Investigation

Ling Zhou, age 51, of Santa Clara California was charged in connection with her role in a "money mule" operation in which she aided an e-mail scam that stole more than $360,000 from three Minnesotans. In September 2016, a Minnesota man was closing on a real estate transaction in which he was the buyer. He received wiring instructions by email from a person who appeared to be employed by the title company involved in closing the real estate transaction. He followed these instructions and wired $205,704 to a Bank of America account.

At the scheduled closing two days later, he learned that the email he received was fraudulent. The title company did not send the email to him, nor did it receive his funds.

The investigation determined that, while the email with the wiring instructions had a display name and email address that corresponded to the title company, the email's header information actually showed a different sender.

The investigation traced the Bank of America account to Zhou, who had opened it in 2010 under the name of Happy Ocean, Inc. Bank records show that the victim's funds were deposited into the account on September 28, 2016. A series of withdrawals was made over the next few days, totaling nearly the entire amount that had been deposited. These included a $98,000 wire transfer to an account at First Gulf Bank in the United Arab Emirates, wire transfers to a Citibank account and another Bank of America account, and several teller transfers and cash withdrawals.

Surveillance video from one of the cash withdrawals in Cupertino, California, shows that the person withdrawing the funds was an Asian female with shoulder-length black hair with a part on the right side. This matched Zhou's appearance.

A CFB Agent traveled to California and Zhou was questioned on December 14, 2016. She said she would contact her cousin, who lives in China and who she claimed operated Happy Ocean with her. The next day, she sent an email to an investigator explaining that her cousin was referring her inquiry to his business partner, "Gerald Moretti," who was supposedly a U.S. citizen currently in Dubai, in the United Arab Emirates.

Zhou claimed Moretti was trying to get more details from the person who deposited the money. However, records obtained from Google show that on September 29, 2016, Zhou had received an email from an address with display name "Moretti G.A." that included instructions on where to wire the funds. Telephone records also show extensive texting between Zhou and Moretti, including a text from Zhou in which she suggested how she would respond to law enforcement's inquiry and a reply with Moretti's approval.

The investigation uncovered two additional Minnesota victims of online fraud involving Zhou.

Zhou's bank records showed that a resident of Ramsey County sent a total of $90,000 to Zhou's Bank of America account and her Wells Fargo account. The victim believed he was sending money to "Teresa Hill," who told him she was involved in the gem industry and was having trouble in Dubai. At her request, he sent money to the bank accounts she designated, believing she needed it to leave Dubai.

Bank records show that Zhou rewired these funds to an account in South Africa in the name of Fuhad Sholeye, an account in Dubai in the name of Ignatius Usijhu, and an account in South Africa in the name of Nurudeen Lekan Saka.

An additional victim was a man from Melrose, Minnesota, who met a person on Craigslist who identified herself as "Katie Henshaw." She claimed to be searching for love and a soulmate. The victim believed he developed a relationship with “Katie Henshaw,” who sent a picture of herself and claimed to live in Sioux Falls.

“Katie Henshaw” told the victim that she had traveled to Malaysia and overbought some gemstones as part of her business, for which she owed money to Malaysian customs. At her request, the victim made multiple deposits, totaling $86,000, in a Wells Fargo account in the name of Happy Ocean, Inc. Soon after these deposits, Zhou transferred the funds to another account she had and then wired money to an account in the name of Fuhad Sholeye in South Africa.

The trial in Ramsey County District Court involving Ling Zhou of Santa Clara, CA concluded on February 1, 2019. Ms. Zhou was found guilty on both counts (aid and abet theft by swindle over $35,000 and receiving stolen property over $35,000). On March 26, 2019, she was sentenced to 5 years of probation and ordered to pay $295,704.11 in restitution.

Herald Liu – Theft by Swindle

On February 23, 2018 Agents obtained a criminal complaint against Herald Edward Liu of Saint Michael surrounding his theft by swindle scheme involving several of his insurance clients. Mr. Liu was a licensed insurance producer starting in in February 2003.

In October, 2016, the Department received a new complaint regarding a 90 year old client of Mr. Liu’s, who resides in Otsego, Minnesota and is legally blind. Her grandson discovered that she had loaned Mr. Liu over $100,000 since 2011. A Wright County Sheriff’s Office detective interviewed the victim. She stated that she met Mr. Liu by responding to a postcard solicitation she received in the mail.

She contacted him and began working with him to work on her will and trust. This began in 2007. In 2011, Mr. Liu began asking her for loans because his business was failing and he needed the money to keep his business going. She started writing checks to Mr. Liu as loans in April 2013. Prior to 2013, she had been writing checks to Mr. Liu’s girlfriend, Jacinda Crews. That money was then transferred from Crews to Mr. Liu. She received promissory notes for some of the so-called loans but not all. Mr. Liu convinced her to liquidate most of her retirement investments so she could lend it to him. She had some of the money paid back to her, but Mr. Liu often took money from her shortly after giving her the repayment.

The CFB obtained Mr. Liu’s bank account records. Agents learned that Mr. Liu had deposited several checks from other potential victims into the accounts. The Department of Commerce’s civil investigators, who were dealing with Mr. Liu regarding his license, interviewed him in his home in November 2016. Mr. Liu admitted that he had also borrowed money from a client in her late 1980s and resides in Minneapolis, Hennepin County, Minnesota. The Department discovered that checks from the client had been deposited into Mr. Liu’s Wings account beginning in 2013.

Agents interviewed the victim and she stated that Mr. Liu asked her for loans to keep his business afloat. Mr. Liu gave her promissory notes for the so-called loans. Agents learned that Mr. Liu had had his client liquidate investments from her trust for the loans. He met with the victim's grandson at a bank in Minneapolis to have them sign documents withdrawing money from her accounts. The victim did not receive any repayment of the money she gave Mr. Liu.

The CFB was also able to identify eight other victims all were Mr. Liu's clients, and he had asked each for loans to help his business. With one exception, the victims ranged in age from 74 to 90 years old. Mr. Liu convinced some of these victims to liquidate annuities and other financial instruments to make loans to him. Some received promissory notes from Mr. Liu. None of these victims had the money repaid to them.

In December of 2018 the Hennepin County Attorney's Office reached an agreement with Hearld Liu to serve 39 months in prison for his involvement in the theft by swindle case that they charged as a result of the CFB investigation. On March 8, 2019, he was sentenced and is currently incarcerated.

Thomas Rougier – Investment Fraud

A CFB special agent, along with the FBI, secured a federal indictment against David Thomas Rougier of Lakeville in connection with an investment scheme he perpetrated. Rougier worked for several years in the 1990s and the early 2000s as an investment advisor and insurance agent. During that time, Rougier developed several long-term business relationships with clients of his investment and insurance services. Rougier held a securities license from 1995 until 2011, and an insurance producer's license from 1995 until 2012. In 2012, Rougier consented to having both his securities license and his insurance license revoked by the Department.

In late 2010, Rougier began soliciting some of his longstanding clients to invest in precious metals by purchasing gold and silver through him. Several individuals agreed to give him money so that he could purchase gold or silver on their behalf.

Between 2013 and 2014, Rougier began telling his victim-investors that he had found a company, which he identified as "TAUG Limited" that would guarantee to purchase their gold and silver for a set price on a designated future date, typically three years from the date they signed a contract with TAUG. The set purchase price was always enough to guarantee a profit, and Rougier told victim-investors they would also retain the option of selling their gold and silver on the open market if that was more profitable than TAUG's guaranteed price.

Rougier presented some of his victim-investors with a purported contract between them and TAUG, under which they were charged an annual fee, typically between $1,000 and $2,000, in order to avail themselves of the guaranteed purchase price. This annual fee, referred to as an "asset management fee" was in addition to other annual fees that Rougier charged victim-investors for "storage" and other claimed expenses. These annual fees were always paid to Rougier. In reality, Rougier had not purchased any gold or silver for his victim-investors, there was no guarantee from TAUG or any other company to pay a certain amount for the nonexistent precious metals, and there would have been no maintenance, management, storage, or other type of servicing related to the nonexistent investments.

In July 2017, Rougier represented that a different company, which he referred to as Industrial and Commercial Bank of China (Asia) Limited, or "ICBC," had taken over TAUG's contracts. Rougier represented that ICBC would honor TAUG's existing contracts and offered new clients essentially the same services.

Between November 2010 and June 2017, more than a dozen individuals paid Rougier approximately $740,000 based upon his promises that he was using their money to buy gold and silver and, in some cases, that their investments were protected through the TAUG/ICBC contracts. However, Rougier did not use investors' money to purchase gold and silver as he promised. A review of Rougier's bank records showed he received deposits of approximately $722,000 from investors between 2010 and 2016 and that he spent the vast majority of those funds on personal expenditures including $407,000 in cash withdrawals, $41,000 at strip clubs, nearly $100,000 on travel, shopping, restaurants and other entertainment, as well as tens of thousands on living expenses, payments to his relatives and other personal expenses.

Yussuf Ahmed Hamid – Identity Theft and Theft by Swindle

In 2014, the Commerce Fraud Bureau began an investigation involving allegations concerning multiple licensed Minnesota insurance agents and agencies writing fraudulent policies. During the course of the investigation, it was discovered all of the identities used had been stolen. Moreover, many of the identities were used to open shell companies to disguise the criminal activity.

It was discovered that Mr. Hamid was the common link between the stolen identities and shell companies. Many of the identities used were former employees of Hamid's. The funds obtained through the various schemes were ultimately deposited into accounts owned or controlled by Hamid. In this case, Hamid used the identity of a Woodbury resident to obtain a $150,000 loan.

On June 9, 2016, the victim contacted the police regarding telephone calls and a letter she had received demanding payment on a loan taken out by a company named "Clear Choice Broker Inc." The loan was taken out in her name listing her as the owner of the company. According to the letter, the victim owed $102,943.22. The victim did not take out the loan and has never heard of Clear Choice Broker Inc.

Agents determined that someone purporting to be the victim completed a small business loan application on the website of Funding Circle. In the application, the subject applied for a loan in the amount of $150,000.00. The business name was listed as Clearchoice Brokers Inc., with a mailing address of PO Box 8705, Minneapolis, Minnesota 55408. Records from the United States Postal Service show PO Box 8705 was leased by Mr. Hamid.

Agents interviewed the victim. She confirmed her social security number is the same as was used on the loan application documents. The victim stated that she did not apply for the loan. The victim further stated that she knows Hamid because she worked for him as a receptionist for about one and a half months in 2005. The victim said that she gave Hamid her social security number to him at that time.

CFB Agents executed search warrants at Hamid's apartment and office. Hamid was arrested outside of his apartment at that time. As related to this offense, agents located the original driver's license used to create the one purported to be the victim's, as well as documents and mail related to Clearchoice Brokers Inc.

On October 8, 2018, Yussuf Hamid pled guilty in Dakota County District Court to theft by swindle, more than $35,000. The court has not yet accept his plea because he has changed attorneys, so his sentencing has been delayed. At the time of this report, there is currently a case pending against Mr. Hamid in Washington County.

Providence – Investment Fraud

On April 19, 2018, the United States Attorney announced a guilty plea in connection with the Bureau's investigation into the Providence swindle.

Antonio Carlos de Goody Buzanelli plead guilty for the role he played in connections with the $150 million investment fraud scheme involving Brazilian factoring. Buzaneli entered his guilty plea before Senior Judge Michael J. Davis in U.S. District Court in Minneapolis. Buzaneli's co-conspirators, Jose Manuel Ordonez and Julio Enrique Rivera each pleaded guilty to one count of conspiracy to commit mail fraud earlier in connection with this case.

Buzaneli, Ordonez and Rivera were the principals of Providence Holdings International, Inc., a company based in Key Biscayne, Florida. Buzaneli and Ordonez became principals of Providence Financial Investments, Inc. and Providence Fixed Income Fund LLC in order to raise money from investors.

From about 2010 until June 2016, Providence raised approximately $150 million from investors worldwide by representing that Providence would invest the money in Brazilian factoring. "Factoring" is a financial transaction in which accounts receivable are purchased at a discount. Providence's marketing materials explained that in Brazil consumers write ten separate post-dated checks for $100 – one per month – to pay for $1,000 in retail items such as consumer electronics or groceries. The retailer then sells the post-dated checks to Providence for approximately $820, and Providence earns $180 over ten months as the checks mature. As a result, Providence claimed to make a 48 percent annual return on money invested in Brazil.

Providence raised more than $64 million from U.S. investors by employing a network of brokers who sold promissory notes bearing annual interest rates between 12 percent and 24 percent. This matter came to the attention of the CFB when it was discovered that a Minnesota broker was soliciting and selling these promissory notes to several Minnesota investors. Investors were told their money would be used to factor accounts receivable in Brazil. Buzaneli, Ordonez and Rivera provided the brokers with marketing materials to show investors that their money would be used to factor accounts receivable in Brazil. The materials falsely stated that funds would be used "for the sole purpose" of making loans to a Brazilian subsidiary of Providence "which will use the proceeds of the loan to acquire receivables or financial instruments such a post-dated checks and/or Duplicatas in the Brazilian Factoring Market."

Buzaneli and Ordonez instead used a significant amount of the investors' funds to pay purported profits to other investors and to make commission payments to brokers. Buzaneli and Ordonez also diverted investor funds to other companies they controlled, including an import/export company, a travel company, a credit restoration service, a catering company and a food truck operated by Buzaneli's wife.

Buzaneli and Ordonez also opened Providence offices and affiliates around the world, including in London, Hong Kong, Taipei, Shanghai, Singapore, Vancouver, and Panama. In 2011 and 2012, for example, Buzaneli and Ordonez opened Providence-affiliated entities in the Bailiwick of Guernsey and in Hong Kong, through which they raised approximately $85 million from offshore investors by falsely representing they would use the investors' money to invest in Brazilian factoring. In reality, Providence did not use the international investors' money to purchase receivables in the Brazilian factoring market. Instead, much of the investors' money was transferred to other Providence-controlled entities around the world as well as to bank accounts controlled by Buzaneli and Ordonez where the money was used for payments unrelated to Brazilian factoring, including to pay commissions to U.S. brokers and to make interest payments to American investors in Providence's U.S.-based entities. As a result of the fraud scheme, Providence investors worldwide lost a total of more than $150 million.

Sentencing dates for the three defendants have yet to be scheduled.

Lisa Schurhammer – Theft by Swindle

CFB agents obtained criminal complaints against Lisa Schurhammer charging her with seven felony offenses in Benton County. Ms. Schurhammer represented herself as being in the business of financial planning calling her business Retirement America, LLC, of Sauk Rapids.

Schurhammer made precious metals purchases in May 2014, and in May 2016, on behalf of clients, some of which she represented in separate insurance investments. Schurhammer would deposit client funds, issued strictly for gold purchases, into her own personal bank account. In some cases, only a portion of the client's funds were sent to the precious metals company and in other cases, nothing at all.

Furthermore, the clients that received precious metals were not provided proper invoices by Schurhammer reflective of the actual purchase from the precious metals companies. In two known related cases, Schurhammer later advised clients that the precious metals she delivered needed to be checked for authenticity before taking it, selling it, and telling the client it was counterfeit while using the money/proceeds received on the sale for defendant's own personal use, or reimbursement to other clients for debts due.

In some cases, Schurhammer encouraged some of her clients to surrender policies from annuities with one insurance company and place the funds into their own personal bank account before using that same money to purchase a product from another insurance company. Schurhammer failed to disclose the policies' replacement statuses and, therefore, prevented the client from receiving a fair product suitability review.

Those reviews may have resulted in the new insurance company denying the purchase and, therefore, would have prevented clients from suffering large surrender penalties with their old company. Additionally, some of these clients withdrew money from their insurance policies to fund these precious metals purchases, which were ultimately retained without authorization by Schurhammer and these individuals suffered premature surrender penalties due to the withdrawals.

Schurhammer misrepresented the terms of insurance contracts when she did not disclose them as replacements despite Minnesota Statute 61A.53 which defines "replacement," despite her training, education and history with other represented clients in whom she properly navigated the legal transfer of their contracts. Because of this, Schurhammer's practice of misrepresenting client contracts assured her of a commission from the insurance company rather than risk an unsuitable review and declination, which would have prevented her from receiving a commission.

Olufemi S. Bamigbade – Theft by Swindle

CFB agents obtained a criminal complaint from the Ramsey County Attorney's Office regarding an identity theft/account take over case involving the Phoenix Life Insurance Company.

On July 28, 2017, Phoenix Life Insurance Company wired $29,500 to a SunTrust account that Phoenix Life believed was owned by its client, a resident of Ramsey County. To ensure that it was sending money to its customer, Phoenix Life received a request for a withdrawal by phone and by fax, which identified the client by her name, address, social security number, and email address. The fax was accompanied by a check that appeared to show the client as the account holder of the account identified on the check.

The client had not called Phoenix Life for a distribution of any money, and did not have an account at SunTrust. When their client noticed the withdrawal on her Phoenix Life account statement on or about August 3, 2017, she immediately contacted Phoenix Life.

Records obtained from SunTrust show that the account identified on the check had been opened on July 12, 2017, just two weeks before the withdrawal request was made. The only deposit to the account, other than an initial $100 cash deposit, was the $29,500 wired by Phoenix Life. A large portion of the money was withdrawn on July 28, 2017--$480 from an ATM located in Atlanta, Georgia, $7,350 in a cash withdrawal, and $12,000 to purchase a bank check payable to Tayo Coker. The purchaser of the check for $12,000, and the owner of the SunTrust account, was listed as David Adebayo of Austell, Georgia, which is about 25 miles northwest of Atlanta. The remaining balance in the account was withdrawn on August 3, 2017.

Based on subsequent investigation of the email address associated with the owner of the SunTrust account, the IP addresses used by that email account owner (all of which were assigned to Comcast), and the phone number associated with the Comcast customer, the investigation focused initially on a possible suspect living in the area of Marietta, Georgia, named Olufemi S. Bamigbade.

Bamigbade was interviewed on April 10, 2018 and he was shown the surveillance photographs of the individual withdrawing money from SunTrust on July 28, 2017. Bamigbade identified the male in the photographs as Shehu Adio Balogun (DOB: 7/26/1979). Bamigbade said that both he and Balogun were from Nigeria, but they became friends when they were in the United States, and lived together until Balogun left the country. Bamigbade then moved to a different unit in the same apartment complex. Bamigbade claimed not to know anything about the deposit into and withdrawals out of the SunTrust account.

Shortly after completing the interview with Bamigbade, agents spoke with an employee of the apartment complex manager. She was shown the surveillance photographs from SunTrust, and without any prompting, she immediately identified the man in the photographs as Balogun.

Agents obtained a search warrant for Bamigbade's cell phone and conducted a forensic examination of its contents. The investigators discovered time-stamped items in the phone indicating that on July 28, 2017, the date on which money was being withdrawn from the SunTrust account, Bamigbade was at or contemplating a visit to a Mercedes-Benz dealership in Marietta, Georgia. The items in the phone also indicate that an insurance policy was issued to Bamigbade and another person, insuring a 2012 Mercedes-Benz on July 28, 2017.

The investigation also revealed another identity theft in which a business was induced to wire over $80,000, on April 19, 2017, to a SunTrust account owned by Balogun, who then transferred $32,000 to an account owned by Bamigbade. In less than 10 days, $26,508 was withdrawn from Bamigbade's SunTrust account.

Bamigdage is a co-conspirator in this case, cooperated with the investigation and has not been indicted.

Steven Wiseth – Health Care Fraud

CFB agents secured a federal indictment against Steven Richard Wiseth of Thief River Falls in connection with his involvement in defrauding Digi-Key and BCBS out of over $3,000,000 in false medical billings through his Chiropractic Clinic.

Beginning in or around March 2013 and continuing until approximately April 2015, Mr. Wiseth orchestrated a scheme and artifice to defraud various health care companies and to obtain money and property from those companies by means of material false and fraudulent pretenses, representations, and promises, by submitting and causing the submission of false and fraudulent claims relating to chiropractic treatments through his clinic, Health Quest.

Mr. Wiseth's scheme was dependent on maximizing patient volume at Health Quest, and he held promotional events where he gave away free food and drink, prizes, and gift certificates to induce current and prospective patients to visit Health Quest. After the promotional events, Mr. Wiseth billed insurance companies for the provision of chiropractic services to substantial numbers of individuals who attended the events, including billing for services that were not provided and misrepresenting services that actually were provided. Mr. Wiseth used the personal and insurance information of some attendees to bill services to the individuals' insurance companies, sometimes without their knowledge or consent.

On or about March 28, 2013, Mr. Wiseth held a grand opening event when Health Quest relocated to a new office space. Mr. Wiseth submitted bills to insurance companies representing that he had treated approximately 178 patients on that day, purporting to have provided approximately 592 services.

On or about February 13, 2014, Mr. Wiseth held a promotional event at Health Quest that he referred to as “ValenSpine’s Day.” Mr. Wiseth submitted bills to insurance companies representing that he had treated approximately 219 patients on that day, purporting to have provided approximately 641 services.

Beyond these promotional events, Mr. Wiseth also routinely submitted false bills for treatment with a “wobble chair,” which is a device intended to develop core strength and endurance, for patients who were attending scheduled visits. Mr. Wiseth billed for these treatments using two Current Procedural Terminology (“CPT”) billing codes for “Therapeutic Procedure,” CPT codes 97110 and 97112. Both of these CPT codes are time-based codes broken down into 15-minute increments. By billing a 15-minute increment, Mr. Wiseth represented to insurance companies that the service was performed for at least 8 minutes of the 15 minute increment and that a health care professional had direct, one-on-one patient contact while the service was rendered. Mr. Wiseth routinely billed the 97110 and 97112 CPT codes in instances when the patient received the treatment with no direct supervision and when the service was rendered for far less than the eight-minute threshold, often not more than a minute or two. During the course of his scheme to defraud, Mr. Wiseth billed insurance companies over $619,000 for wobble chair treatments alone, and he received payment of $331,420.

Over the course of the two-year scheme, Mr. Wiseth billed the insurance companies more than $3.1 million dollars, including bills for hundreds of treatments that were not provided or were overbilled, and the insurance companies paid Mr. Wiseth and Health Quest more than $1.1 million.

Wiseth was indicted in August of 2018. On June 18, 2019, Wiseth was sentenced in Federal District Court for his role in defrauding insurers in his health care fraud scheme in Thief River Falls. Wiseth was sentenced to 27 months confinement and ordered to pay more than $300,000 restitution.

Ricardo Ernesto Bates – Insurance Fraud, Theft by Swindle and Labor Trafficking

Ricardo Ernesto Bates DBA American Contractors and Associates, LLC, was charged with Insurance Fraud, Theft by Swindle and Labor Trafficking in Hennepin County District Court. Mr. Batres recruited and enticed persons to work for his company, American Contractors and Associates, LLC, to complete wood framing and wallboard installation construction work. Mr. Batres knew the men he employed were undocumented workers and used that knowledge as leverage to force them to work long hours, for less than market pay, and without adequate safety protections. Mr. Batres also knew that he had not purchased worker’s compensation insurance as required by law. When workers were injured, Mr. Batres told his employees that they would lose their jobs and be deported if they sought medical attention. In at least one instance, Mr. Batres forced an employee to work for him through a combination of threats of physical restraint, threatened abuse of the legal process, and possession and control of immigration documents.

Mr. Batres also repeatedly made false statements to insurance companies with the purpose of evading workers' compensation laws. In addition, when one employee was seriously injured, Mr. Batres provided false information about the injury in support of an application for emergency medical insurance, resulting in more than $45,000 of public funds going to cover medical bills that should have been covered by Mr. Batres's workers' compensation policy.

On November 14, 2017, while working for Mr. Batres, an employee was seriously injured. A large, prefabricated wall fell on top of him causing multiple spinal fractures. The employee was hospitalized for six days and required extensive follow-up treatment. The injury happened while the workers were attempting to put a large prefabricated wall into position when a strong wind caused it to fall. When the wall fell, it landed on the employee's back and pinned him to the ground. His coworkers were able to lift the wall and pull the employee out from underneath. Following the accident, the employee was in intense pain and could not walk. The workers called Mr. Batres, who told them not to call an ambulance. He said the ambulance would alert immigration officials and the employee would be deported. He told them to bring the employee to the woman who had given massages to the workers that summer. When the men insisted that the employee needed medical treatment, Mr. Batres told them to wait for him to arrive. The men waited for about 30 minutes, but they decided they could not wait any longer because of the severity of the employee's injuries. Mr. Batres, however, intercepted them in route to the hospital and took the employee to the hospital himself.

Mr. Batres took this employee to the Hennepin County Medical Center. When they arrived at the hospital, emergency medical professionals put the employee on a backboard and brought him to the emergency room. He was examined by neurology and surgery specialists, and diagnosed with multiple spinal fractures. Initially, the doctors thought he would be need surgery. After several days of observation, however, the doctors decided on a more conservative plan of treatment and fitted the employee with a body cast to immobilize him. The employee was discharged after spending six days in the hospital and continues to have physical therapy appointments nearly a year later. He still experiences pain from the injury, he has difficulty bending over, and cannot stay in the same position for long periods of time.

When the employee was admitted to the emergency room, Mr. Batres was with him and acted as a translator. Mr. Batres lied to the hospital staff about how the injury happened, telling them that the employee was injured at Mr. Batres's home as they tried to lift a heavy object into a dumpster. Mr. Batres told the employee to go along with that story because he would be deported if he told the truth about being injured at work.

Because Mr. Batres lied about how the employee was injured, the hospital did not know that his injuries occurred on the job. On the day he was first admitted to the hospital, November 14, 2017, a financial counselor with HCMC met with him. Mr. Batres was present during this conversation and had already coerced and convinced his employee to deny the injury happened at work. The employee went along with Mr. Batres's story, telling the financial counselor that he was injured in an accident at home. Mr. Batres knew this was false information submitted to obtain government assistance for the employee and Mr. Batres knew that since the employee was injured while working for him that the injury should have been submitted to his workers' compensation policy. The employee went along with these false statements because Mr. Batres told him he would be deported if he said he was injured at work.

Based on the false representations, Hennepin County approved emergency medical assistance for the employee. The cost of the medical treatment was covered by a combination of publically funded programs. Over $31,000 was covered by Medicaid, over $10,000 was paid for by Minnesota Care, and an additional $4,200 was paid for by Hennepin County Charity Care program. In total, more than $45,000 in public funds was paid for the employee's medical care because Mr. Batres lied about how the employee was injured and failed to report the injury to workers' compensation insurance.

At the time of this report, Mr. Batres has been charged by the complainant but the case has not gone to trial.