

Minnesota Financial Crimes Task Force



2019 Legislative Report

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

BACKGROUND

The Minnesota Legislature established the Minnesota Financial Crimes Task Force (MNFCTF) in 2000 (Minn. Stat. §299A.681) in response to the growing concerns regarding financial crimes related to identity theft from retailers, banks and other businesses.

The statute authorized the MNFCTF to investigate identity theft and related financial crimes cross-jurisdictionally and statewide. In 2009, legislation changed the nature of the Oversight Council to that of an 18-member Advisory Board to the Commissioner of Public Safety. The purpose of the MNFCTF Advisory Board is to identify, develop and recommend protocols and procedures for the statewide investigation of financial crimes. The Advisory Board may also recommend proposals regarding budgetary and funding issues facing the MNFCTF. Advisory Board recommendations are forwarded to the Commissioner of Public Safety for consideration.

BUDGET

For fiscal years 2019 and 2020, the Minnesota Legislature provided a budget of \$300,000 per year from the general fund to the Minnesota Bureau of Criminal Apprehension (BCA) to support the operation and development of the MNFCTF.

Prior to fiscal year 2015, the majority of the budget went to grants paid to local agencies with licensed officers assigned to the task force, and to funding for two criminal intelligence analysts.

In fiscal year 2015, the MNFCTF transitioned to the current funding model that reimburses affiliate agencies for overtime, training and travel expenses incurred by task force affiliate officers and analysts who are currently working task force-approved, large-scale, multi-jurisdictional financial crimes cases. The remaining task force funds are spent on training and equipment for state and local law enforcement officers in Minnesota, and case-related expenses such as cellular telephones, radios, computer software/hardware and office supplies.

The BCA supports the MNFCTF with five agents and two analysts, plus a Special Agent in Charge who serves as the Task Force Commander as well as an Assistant Special Agent in Charge. Together they serve as the foundation for the task force.

In 2017, a concerted effort was made by the BCA and the MNFCTF to provide more assistance to agencies in greater Minnesota than was previously available to ensure services were available to more communities in Minnesota.

STAFFING

The MNFCTF staff includes:

- One BCA Special Agent in Charge as the acting Task Force Commander
- One BCA Assistant Special Agent in Charge
- Three BCA Special Agents
- Two BCA Criminal Intelligence Analysts

The MNFCTF also includes federal participants from:

- United States Secret Service,
- United States Postal Inspection Service,
- Internal Revenue Service
- United States Department of Homeland Security

Federal investigators assist the MNFCTF with cases accepted for federal prosecution. In addition, they are “flexible” participants in that they must respond to their agency’s priority assignments first and assist the task force when available. The MNFCTF also includes local participants from:

- Bloomington Police Department
- St. Paul Police Department
- Edina Police Department
- Duluth Police Department
- Champlin Police Department
- Forest Lake Police Department
- Dakota County Sheriff’s Office
- Stearns County Sheriff’s Office
- Beltrami County Sheriff’s Office
- Washington County Sheriff’s Office
- Ramsey County Sheriff’s Office
- Bemidji Police Department
- Chisago County Sheriff’s Office
- Lino Lakes Police Department
- Mille Lacs County Sheriff’s Office
- Roseville Police Department
- Minnesota State Patrol
- Savage Police Department
- Shakopee Police Department
- Bayport Police Department
- Wright County Sheriff’s Office
- St. Louis Park Police Department
- Plymouth Police Department
- Brooklyn Center Police Department

These participants are also flexible participants, in that they normally work their own agency’s priority assignments and assist in MNFCTF investigations when available and as cases arise.

2019 ACCOMPLISHMENTS

Non-Casework Accomplishments:

- Provided training to over 300 federal, state and local law enforcement officers, county attorneys, and members of the retail and banking industry at the Basic Financial Crimes class.
- Provided the first ever Advanced Financial Crimes class to 25 sworn & non-sworn criminal investigators, which afforded attendees the opportunity for hands on experience with the techniques and procedures taught in the Basic Financial Crimes class.
- The BCA Financial Crimes Unit, along with the Minnesota Financial Crimes Task Force, hosted the inaugural Minnesota Financial Crimes Task Force Criminal Investigation Conference at Breezy Point, Minnesota in December. Over 170 local, state, and federal investigators, analysts, and prosecutors attending the conference. The conference provided attendees with a wide range of presentations all focused on improving / enhancing the attendees’ expertise in the prevention, investigation, and prosecution of financial crimes.
- Partnered with the Minnesota Organized Retail Crime Association to sponsor 100 law enforcement professionals with the opportunity to attend the annual MNORCA Training Conference. This conference was attended by over 300 sworn and non-sworn members of public and private sectors.

Casework Accomplishments:

	2019 Totals
Agencies assisted	80
Individuals charged	15
Individuals convicted/plead guilty	10*
Search warrants	81
Arrests	15
Federal indictments	1
Electronic devices (computers/telephones) recovered	63

*Many cases are pending court process and span multiple year investigations.

Types of MNFCTF Cases Charged:

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| <ul style="list-style-type: none"> • Identity Theft • “Cracking-Cards” Scheme • Counterfeit Checks/Check Forgery (Personal, Business, and Government) • Access Device Fraud • Money Laundering • Mail Theft and Mail Fraud • Loan and Credit Application Fraud • Skimming Devices • Possession or Sale of Stolen and/or Counterfeit Identifications | <ul style="list-style-type: none"> • Possession or Sale of Stolen or Counterfeit Checks • Possession or Sale of Financial Transaction Cards • Theft by Swindle • Bank Fraud • Conspiracy • Financial Exploitation of a Vulnerable Adult |
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**MINNESOTA FINANCIAL CRIMES TASK FORCE
2019 CASE SUMMARIES**

The following is a summary of some of the investigations the Task Force were involved with in 2019. This is not an exhaustive list, but illustrative of the type of cases the Task Force investigated in 2019.

➤ **Credit Card Fraud:**

Acting on a tip from a private-sector partner, the BCA Financial Crimes unit initiated an investigation into an employee of the Ramsey County Tax-Forfeited Land office. The employee in question used his Ramsey County purchasing card to acquire merchandise at “big box” home centers and other retailers, such as Menards and Home Depot; the employee either returned the merchandise for store vouchers which he sold to a third party, or pawned new-in-box merchandise shortly after purchase. The proceeds apparently funded the employee’s drug habit. The employee’s primary narcotics source went so far as to set up a phony merchant credit card processing account, allowing the suspect to use the purchasing card to buy narcotics, under the guise of cleaning services. Losses of at least \$50,000 were estimated from 2017 to 2019. The BCA Financial Crimes unit served multiple search warrants, including search warrants at a residence, Regions Hospital and Ramsey County offices. The BCA worked with a number of private sector and government partners to investigate and prosecute this case.

➤ **Mail Fraud / Income Tax Evasion / Theft by Swindle / *UPDATE***

The MNFCTF, BCA, Grant County Sheriff’s Office, IRS, and the United States Attorney’s Office are investigating the manager of the Ashby Farmers Cooperative Elevator Company for defrauding the 300 co-op members of more than \$5 million over a 15-year period. The manager wrote out hundreds of checks to himself (one for \$135,000), spending money on personal expenses, heavy equipment, all-terrain vehicles, home improvements, personal travel, and hunting trips to foreign countries. Over the course of the fraudulent activities, the manager utilized the United States Postal Service and various commercial interstate carriers to move the funds. The manager also prepared and submitted false and fraudulent individual income tax returns.

*UPDATE: Following a significant financial transaction review and interviews by the MNFCTF, the BCA, and the Grant County Sheriff’s office, the bookkeeper in this case was charged with one count of Theft by Swindle. Her fraudulent activity exceeded \$88,000.

➤ **Identity Theft / Check Fraud / Theft / Romance Scam**

The MN FCTF, Saint Paul Police Department, HSI, and U.S. Postal Inspectors conducted an investigation into a Nigerian romance scam operating in the Twin Cities metro area and surrounding areas. The scammer utilized multiple fraud schemes including romance scams, counterfeit checks and car wrap scams. The main scammer has been indicted on 15 federal counts of fraud, and the fraud schemes totaled over \$1.8 million.

➤ **Embezzlement**

The MNFCTF, the BCA and Stearns County Sheriff's Office investigated embezzlement in excess of \$206,000 from Mackereth Trucking and Excavating in Stearns County.

Investigators discovered an employee was diverting employer funds to pay for personal credit card bills as well as health, dental, and life insurance premiums. The suspect was charged with five counts of Theft by Swindle.

➤ **Gift Card Fraud / Unauthorized Computer Access**

The MNFCTF, BCA, United States Secret Service and Best Buy Corporate Security initiated a gift card fraud / unauthorized computer access investigation in early 2019 involving multiple transactions spanning Minnesota, California, and New York. The fraudulent activity involved accessing Best Buy's electronic transaction journal to establish fraudulent Best Buy Rewards accounts. Investigators conducted multiple search warrants in Minnesota and California. Investigators traveled to California and New York where they conducted several interviews, which provided substantial information related to the fraudulent activity.

Investigators charged two persons for fraudulent transactions resulting in over \$390,000 in monetary loss to Best Buy.

MNFCTF 2019 GOALS

1. Identifying partnerships with non-law enforcement entities in Minnesota to create outreach opportunities for education within immigrant communities regarding identity theft.

Action: In 2019 the MNFCTF partnered with the Minnesota Elder Justice Center and the Minnesota Alliance on Crime to create training specific to Financial Exploitation of Vulnerable Adults and Identity Theft.

2. Continue to train local law enforcement investigators on how to conduct financial crime investigations. The MNFCTF would like to see at least ten percent growth in both numbers trained and training sessions offered or supported by the MNFCTF.

Action: In 2019, the MNFCTF trained over 400 law enforcement officers, prosecutors and civil fraud investigators in Minnesota. The MNFCTF also started an Advanced Financial Crimes Investigation class as well as the first Minnesota Financial Crimes Investigations Conference. This conference drew over 200 people from several states.

3. Identify new technologies that will help to investigate large, multijurisdictional criminal enterprises that are facilitating financial crimes in Minnesota.

Action: In 2019, the MNFCTF identified and assisted several law enforcement agencies with new equipment to analyze cellular telephones as well as updated technology to read magnetic strips on credit/debit/gift cards.

MNFCTF 2020 GOALS

1. Work with outside partners and stakeholders to identify prevention opportunities and increase awareness of identity theft, specifically within the elderly population.
2. Continue to train local law enforcement investigators, prosecutors and criminal intelligence analysts on investigative and prosecutorial strategies for financial crimes cases.

2019 MINNESOTA FINANCIAL CRIMES ADVISORY BOARD MEMBERS

1. John Harrington, Commissioner – Minnesota Dept. of Public Safety, 651-201-7160, John.M.Harrington@state.mn.us
Alternate, Jeff Hansen, Deputy Superintendent – BCA, 651-793-7044, Jeff.hansen@state.mn.us
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3. Jeff Potts, Chair – MNFCTF Advisory Board, Chief – Bloomington Police Department, Minnesota Chiefs of Police Association, 952-563-4900, Jpotts@bloomingtonmn.gov
4. Matthew Frank, Assistant Attorney General – Minnesota Attorney General’s Office, 651-757-1448, Matthew.frank@ag.state.mn.us
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8. Representative Kelly Moller, Minnesota House of Representatives, 651-297-8146, Rep.Kelly.moller@house.mn
9. (Awaiting appointment), Minnesota State Senator
10. Dave Hutchinson, Hennepin County Sheriff, Minnesota Sheriff’s Association, David.hutchinson@hennepin.us
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11. Steve Soyka, Stearns County Sheriff, Minnesota Sheriff’s Association, Steve.soyka@co.stearns.mn.us
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12. Erica MacDonald, United States Attorney, 612-664-5600, Erica.macdonald@usdoj.gov
Alternate: Kim Svendsen, Deputy Criminal Chief – Economic Crime Section, 612-664-5638, Kimberly.svendsen@usdoj.gov
13. Dave Nelson, Chief of Police, Edina, Minn., 952-826-0467, Minnesota Chiefs of Police Association, Dnelson@edinamn.gov,

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14. Joe Scargill, Special Agent in Charge – United States Secret Service, 612-348-1800,
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15. Bill Ward, Minnesota Board of Public Defense, 612-279-3512,
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16. (Awaiting Appointment) – Retail Merchants Industry