



Department of Commerce

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Financial Fraud and Identity Theft Investigation and Prosecution Program

Report on Progress, Task Forces, and Recommendations (RCW 43.330.300)

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Report to the Legislature
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EXECUTIVE SUMMARY

The Financial Fraud and Identity Theft (FFIT) Crime Investigation and Prosecution Program was created to combine resources and information in order to reduce financial fraud and identity theft in Washington. Financial fraud and identity theft crimes are defined in RCW 43.330.300 as check fraud, chronic unlawful issuance of bank checks, embezzlement, credit/debit card fraud, identity theft, forgery, counterfeit instruments such as checks or documents, organized counterfeit check rings, and organized identification theft rings. This document meets the statutory requirement for a progress report and program recommendations.

The impact of financial fraud and identity theft crime has continued to escalate nationwide. According to the [2010 Identity Fraud Survey Report](#) by [Javelin Strategy & Research](#) the number of identity fraud victims in the United States increased 12 percent to 11.1 million adults in 2009. This represents 4.8 percent of the U.S. population, adding up to a projected total of \$54 billion in crime.

The Financial Fraud and Identity Theft Task Forces are the first of their kind in Washington state. Task Force members include federal, state, county, and local law enforcement representatives as well as financial industry investigators dedicated to addressing financial fraud impacts on the private sector.

Progress and Outcomes

Initial grant contracts funded by Uniform Commercial Code (UCC) surcharges were authorized in August 2009 for two task forces: the Greater Puget Sound FFIT Task Force and the Spokane County FFIT Task Force. Each task force began investigating financial fraud and identity theft cases, with special emphasis on larger and more complex regional, multi-jurisdictional cases including multiple suspects.

Each Task Force meets regularly to share information regarding key suspects, crime trends, investigation status, and other important data. As a result, a number of significant FFIT cases are being investigated and prosecuted.

The task forces are directing most of their grant funding toward employment of law enforcement, investigation, or prosecutorial staff dedicated to financial fraud and identity theft cases. In addition, new methods of cooperation and best practices for this growing field of criminal investigation have emerged. Outcomes for the first nine months of 2010 Task Force operations include:

- 555 Investigations conducted by the Task Forces
- 1,177 Counts Charge for Task Force cases
- 80 Convictions resulting from prosecution of Task Force cases

PROGRAM RECOMMENDATIONS

Statute requires that Commerce provide program recommendations in this report. Commerce does not recommend changes to the Financial Fraud and Identity Theft Program at the close of the program's first year. Commerce will consider recommendations again next year in coordination with Department of Licensing.

The Department of Licensing has indicated that they will be recommending amendments to the State Uniform Commercial Code (UCC) in 2012. Since UCC fees support the Financial Fraud and Identity Theft Program, it will be timely to consider program changes then.

The Greater Puget Sound Financial Fraud and Identity Theft Task Force included recommendations to increase revenue in their recent semiannual report. Those recommendations do not represent Commerce.

TASK FORCE PROGRESS

Funding for Task Forces

The Financial Fraud and Identity Theft (FFIT) Program Account in the State Treasury receives funds from surcharges on Uniform Commercial Code (UCC) filings which come from filing notices regarding personal property pledged as collateral for loans. Expenditures from this account may only be used to support the activities of the task forces and program expenses incurred by Commerce. The UCC filing surcharges are \$8 for paper filings and \$3 for electronic filings. The Department of Licensing provides the Department of Commerce monthly statements of UCC deposits. When sufficient UCC funding was available to fund the Task Forces, initial grant contracts for both task forces were approved in August 2009.

Yearly Uniform Commercial Code (UCC) Surcharges transferred to FFIT account

Year/Actual Months	Total UCC Surcharges Deposited
2008 (June–December)	\$222,193
2009 (All)	\$380,470
2010 (January–September)	\$296,048

Since inception, UCC deposits to the FFIT account have averaged approximately \$32,000 per month, with average annual deposits of about \$382,000 per year. By mutual agreement, two-thirds of the UCC filing revenue is allocated to the Greater Puget Sound Task Force and one-third to the Spokane County Task Force. The following program budgets are based on current contract balances:

Greater Puget Sound FFIT Task Force

Grant administered by Pierce County Sheriff's Office

First Contract (October 2009):	\$275,955
Second Contract (August 2010):	\$212,135
Total Grant Funds provided:	\$488,090

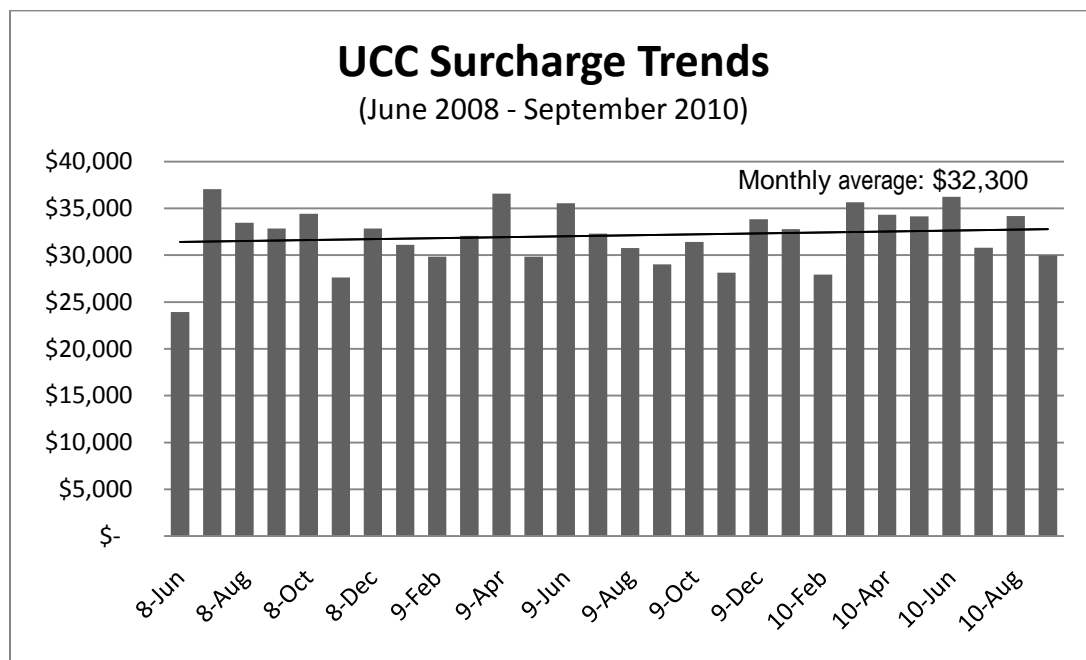
Spokane County FFIT Task Force

Grant administered by Spokane County Sheriff's Office

First Contract (August 2009):	\$137,976
Second Contract (October 2010):	\$106,067
Total Grant Funds provided:	\$244,043

As UCC account funds continue to accrue, future contracts will provide additional grant funding to each task force, based on the same proportionate share of UCC funding.

Monthly UCC Surcharge Deposits (June 2008 - September 2010)



Semi-annual Task Force Reports

Each task force has submitted a semi-annual progress reports by the October 1, 2010 deadline, consistent with legislative and contract requirements. The reports show that the task forces are dedicating staffing to the investigation, apprehension, and prosecution of financial fraud and identity theft crimes at the regional level and producing measurable results. The reports also indicate that new methods of cooperation and best practices for criminal investigation have emerged as a direct result of Task Force operations.

Recommendations from the Greater Puget Sound Task Force

The semi-annual report of the Greater Puget Sound FFIT Task Force contains a proposal by their members that the Legislature consider additional funding to support their efforts, including doubling UCC filing fees; a possible fee on driver's licenses, permits and state identity cards, and consideration of fees on identity theft insurance. Additional details of the Greater Puget Sound Task Force are available in the 2010 [Greater Puget Sound Task Force Report](#).

Greater Puget Sound FFIT Task Force Highlights

The Greater Puget Sound Task Force began full operations in July 2009. The Pierce County Sheriff's Department is the fiscal agent for the Greater Puget Sound Task Force and provides grant management and administrative support to the regional task force members.

The Greater Puget Sound FFIT Task Force members

Pierce County Sheriff	Bank of America
Redmond Police Department	Wells Fargo
Bellevue Police Department	US Bank
Seattle Police Department	BECU
King County Prosecuting Attorney's Office	Key Bank
Pierce County Prosecuting Attorney's Office	Chase Bank
Attorney General's Office	

Greater Puget Sound Task Force results include the following outcomes:

- Results for the first nine months of 2010 task force operations include:
 - 137 Investigations conducted by the Task Force
 - 961 Counts Charge for Task Force Cases
 - 37 Convictions resulting from Prosecution of Task Force Cases
- One full-time and two part-time employees are dedicated to financial fraud and identity theft cases accepted by the Task Force. King County Prosecuting Attorney's Office has hired a part-time prosecutor, Pierce County Sheriff's Office has hired a full-time detective, and Redmond Police Department has hired a part-time analyst.
- The Task Force brings public and private sector investigators together regularly to discuss financial fraud and identity theft trends, and to establish priorities for investigation and prosecution of the most prolific offenders in the Puget Sound region.
- As part of ongoing outreach efforts, the Task Force hosted a Regional Meeting in May 2010. The 56 attendees from law enforcement, prosecutor's offices, and financial institutions were briefed on the resources available to track, investigate, and prosecute financial fraud and identity crimes.
- The task force is sponsoring specialized training on the use of the Bank Secrecy Act for law enforcement personnel. This will enhance the investigative capacity throughout the region.

The Greater Puget Sound FFIT Task Force uses these criteria to select of Task Force cases:

- Offenders who commit multiple offenses, with multiple victims, in multiple jurisdictions.
- Priority is given to cases where vulnerable victims are targeted.
- Priority is given to the cases that are linked to a gang enterprise.

- Priority is given to cases that are anticipated to meet the Racketeer Influenced and Corrupt Organizations Act (RICO), or are limited incidents involving a large dollar loss.
- Priority is given to offenders who have had prior convictions for similar offenses.

One example of a Task Force case involves a scheme in which suspects persuade high school students to give up their debit cards and PIN numbers. The suspects used the debit cards to deposit stolen or counterfeit checks into the account. The suspects could net thousands of dollars from compromised accounts on a single weekend. The resulting losses to financial institutions and individual victims have been in the hundreds of thousands of dollars. A key suspect was charged with over 76 felony counts, including Leading Organized Crime and Inciting Criminal Profiteering (a RICO related offense) as a direct outcome of Task Force prosecution. Task Force efforts resulted in an exceptional sentence of 16 years.

The Report also contains a Task Force proposal for Legislative consideration of additional funding to support their efforts. Revenue suggestions include doubling UCC filing fees; a fee on driver’s licenses, permits, and state identity cards; and consideration of fees on identity theft insurance. The entire [Greater Puget Sound Task Force Report](#) is available online.

FROM THE GREATER PUGET SOUND TASK FORCE

The following comments by members of the Greater Puget Sound FFIT Task Force reflect upon the results of the first full year of operation:

“The team approach to combating financial fraud and identity theft has been proven to work by several recent cases in which leading organized crime charges were filed against ringleaders. Those ringleaders were subsequently convicted and each received substantial exceptional sentences.” - **Jan McGinnis, Senior Investigator for Key Bank, Greater Puget Sound FFIT Task Force Member**

“Rather than prosecute someone for each individual fraud, we are able to recognize a criminal enterprise. Rather than reacting to seemingly random crimes, we are able to identify patterns of criminal activity. Rather than acting as wholly separate agencies or companies, we are working with each other to strategize about the best way to investigate and prosecute cases.” - **Melinda J. Young, King County Prosecutor’s Office, Greater Puget Sound FFIT Task Force Chair**

“In King County... there are 39 separate police jurisdictions. Without working together, it is less likely that any of these crimes will be solved and even if an arrest is made on two of them, the cases will likely be filed with separate prosecutors at different times and presented to different judges.” - **Terrance J. Morgan, Redmond Police Department, Member of Greater Puget Sound FFIT Task Force**

Spokane County FFIT Task Force Highlights

The Greater Puget Sound Task Force began full operations in July 2009. The Spokane County Sheriff's Office is providing support services for the task force, including contract and grant administration, meeting coordination, fiscal agent and program reporting.

Spokane County Task Force Members

City of Spokane Police Department	City of Cheney Police Department
Spokane County Sheriff's Office	Washington Bankers Association
Spokane COPS (Community Policing Stations)	United States Secret Service
Spokane County Prosecuting Attorney's Office	Sterling Savings Bank
United States Postal Inspection Service	Teacher's Credit Union
Washington Attorney General's Office Spokane	Washington State Patrol
Gonzaga University School of Business	

Results include the following outcomes:

- The first nine months of 2010 task force operations included:
 - 418 Investigations conducted by the Task Force
 - 216 Counts Charge for Task Force Cases
 - 43 Convictions resulting from Prosecution of Task Force Cases
- Spokane County has hired a crime analyst dedicated to supporting the Financial Fraud and Identity Theft Task Force program. She has established a database of suspects; offenders; and victims of forgery, identity theft, and fraud in the greater Spokane region.
- The Spokane County Prosecuting Attorney's Office provides grant-funded services to the task force, including a 0.20 FTE legal office assistant, and a 0.40 FTE legal secretary. As of July 1, 2010 a 0.15 FTE Senior Deputy Prosecutor was added to the task force program.
- The 17-member Spokane County Task Force continues to meet and coordinate its efforts regularly.
- Among the innovations which have come about as a result of task force operations is a cooperative venture with Gonzaga University which provided over 1,273 hours of investigation of fraud cases through the Justice for Fraud Victims Project.

In the Justice for Fraud Victims Project accounting students supervised by certified financial examiners assist in the review of financial records. The teams examined financial records on behalf of local organizations to collect possible evidence of fraud. As a direct result, the evidence from three of these four cases was turned over to prosecutors for further action.

The Justice for Fraud Victims Project at Gonzaga University felt that the Financial Fraud and Identity Theft program was instrumental in producing those three leads. Based on the success

of the first semester, Gonzaga has opted to continue the program. Student interest in this field is a sign that more trained professionals capable of addressing financial fraud investigation will come on line in the near future.

The Spokane task force also created a partnership with the Spokane COPS (Community Policing Stations) to provide services for victims of identity theft and other financial crimes. The program sends written notifications to crime victims to advise them of their situation and of the resources available to assist them.

The 2010 [Spokane Task Force Report](#) is available on the [Commerce Web site](#).

FROM THE SPOKANE COUNTY TASK FORCE

The following comments by Spokane County FFIT Task Force members reflect on the results of the first full year of operation:

*“The Task Force has listened and responded to the concerns of the financial intuitions and incorporated these ideas to build a Task Force utilizing the concept of information led policing- **Craig Brenden, Security and Fraud Prevention Officer, Spokane Teachers Credit Union, Spokane County FFIT Task Force Member***

*“We continue to work with area financial institutions, adding Sterling Savings to our Task Force in 2010, and are intending to work towards maximizing the reporting to law enforcement from financial institutions so that the best possible decisions can be made relative to which investigations are initiated as well as the scope and direction of that work.” - **Captain James A. Goodwin, Spokane County Sheriff’s Office, Spokane FFIT Task Force Chair***

*“...Sterling knows the value the task forces bring to the citizens of Washington State. Through the funding provided via the UCC filing fees, the task forces are stepping up the fight against fraud and identify theft by raising awareness and establishing collaborative partnerships between the public and private sectors.” **Shawn Swartout, Security Director, Sterling Savings Bank, Spokane County FFIT Task Force Member***