



Department of Commerce

Innovation is in our nature.

Financial Fraud and Identity Theft Investigation and Prosecution Program

Progress Report on Task Forces and Recommendations (RCW 43.330.300)

February 2013
Report to the Legislature
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Executive Summary

Overview

The Financial Fraud and Identity Theft Crime Investigation and Prosecution Program (FFIT) was created to convene state, county, and local law enforcement with financial industry investigators to reduce financial fraud and identity theft in Washington State. 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 report meets the statutory requirement for an annual FFIT progress report to the Legislature.

The Washington State Department of Commerce (Commerce) established two regional financial fraud and identity theft task forces – the Greater Puget Sound FFIT Task Force and the Spokane County FFIT Task Force. These task forces are comprised of representatives of local law enforcement; county prosecutors; representatives from the Office of the Attorney General; financial institutions; and other state, local, and federal law enforcement.

Each task force is placing more emphasis on larger, more complex regional, multijurisdictional cases involving multiple suspects. Most of their grant funds are directed toward law enforcement, investigation, and prosecutorial staff dedicated to financial fraud and identity theft cases. New methods of cooperation and best practices for this growing field of criminal investigation have emerged because of those efforts.

Commerce executed annual FFIT contracts in July 2012 to coincide with the state's fiscal year. Performance reporting will be different from the fiscal year to accommodate this report to the Legislature. Outcomes in this report include the fourth quarter of calendar year 2011 and the first three quarters of calendar year 2012.

This pilot program will expire on July 1, 2015.

Key Findings/Highlights

There were 585 investigations conducted in the preceding 12 months beginning October 2011 – a decrease of 280 (33 percent) compared to the previous program year. The task forces made arrests in 482 cases involving 1,182 counts – 10 fewer than the previous year. The most striking change is in the number of convictions: 413 this year compared to 146 last year – an increase of 267 convictions (183 percent). In 2012, the Greater Puget Sound FFIT Task Force conducted 171 investigations resulting in 65 arrests and 74 convictions. Spokane County FFIT Task Force conducted 414 investigations during 2012, resulting in 417 arrests and 339 convictions.

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 population, adding up to a projected \$54 billion in crime. FFIT supports the identification and targeting of top offenders by using an intelligence-led model of investigation and prosecution supported by investigative analysis and prosecution resources.

Recommendations

The FFIT statute requires that Commerce provide program recommendations in this report. Commerce does not recommend changes to the Financial Fraud and Identity Theft Program at this time.

In 2012, the Department of Licensing (Licensing) considered recommending amendments to the State Uniform Commercial Code (UCC), which funds FFIT. Licensing indicated to Commerce that due to the current economic environment, there will be no recommendations for amendments to the UCC for 2013.

The Greater Puget Sound FFIT Task Force and the Spokane County FFIT Task Force did not submit recommendations for changes to the program in their reports to Commerce this year. However, the Greater Puget Sound FFIT will suggest an alternative funding source for the program to the Legislature during the 2013 session.

Task Force Program Progress

Funding For Task Force Programs

The FFIT program account in the state treasury receives funds collected from surcharges on UCC filings. These come from filing notices regarding personal or corporate 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. There are two types of electronic filings: individual filings (Web), and “batch” filings (XML). Licensing provides Commerce with monthly statements of UCC deposits. In August 2009, deposits were sufficient to fund contracts for both task forces for seven months.

In the past 12 months, there has been a slight shift in the types and volumes of filings, with a decline in total fees collected during the last month of the period. Commerce is monitoring this change to determine revenue trends. Initial research indicates that the change appears to be a result of shifts in the type of filings reported. Program revenues may decrease if electronic filings eventually replace paper filings since paper filings are \$8 and electronic filings are \$3.

From July 2012 to June 2013, Commerce distributed \$328,067 between the two contractors. For purposes of this report, Commerce is reporting on the 12 prior months, which is different from the contracting period of July 2012 to June 2013.

The following program budgets are based on 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
Third Contract (July 2011)	\$333,171
Fourth Contract (July 2012)	\$218,711

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
Third Contract (July 2011)	\$145,351
Fourth Contract (July 2012)	\$109,356

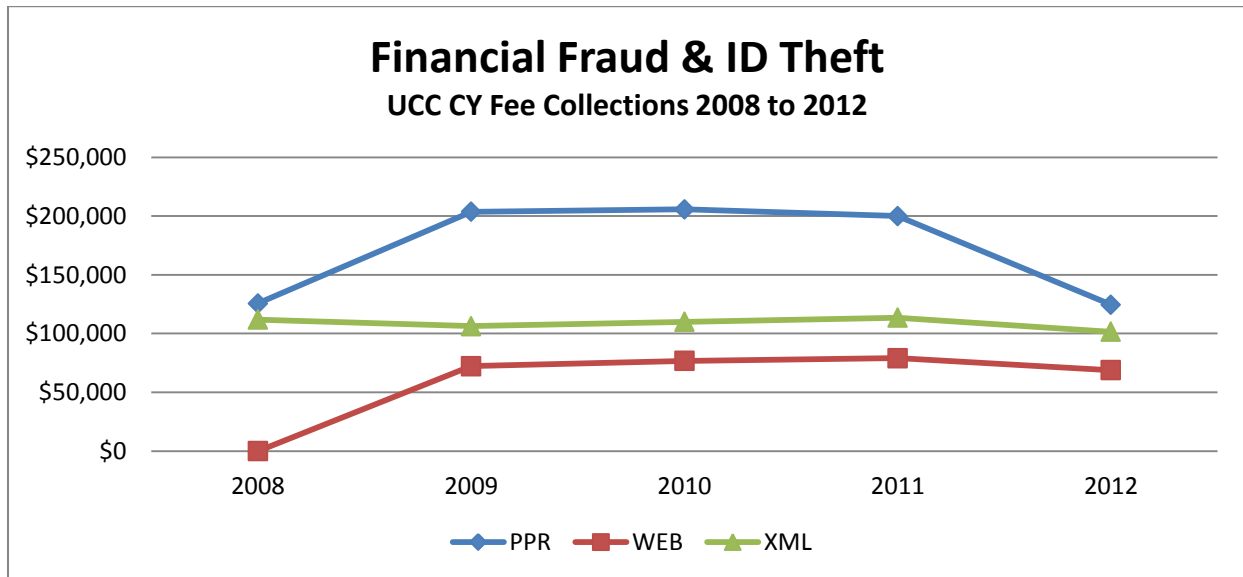
The UCC account funds continue to accrue. Future funding based on current collections (June 2012 to October 2012) appears to be less (at about \$28,607 per month – on average \$3,893 less per month). Both task forces will be funded at the agreed upon proportionate share of UCC collections.

Monthly UCC Surcharge Deposits

Collections fluctuate from month to month with no apparent pattern. Overall, in 53 months from 2008 to 2012, \$1,699,922 was collected, averaging \$30,074 a month.

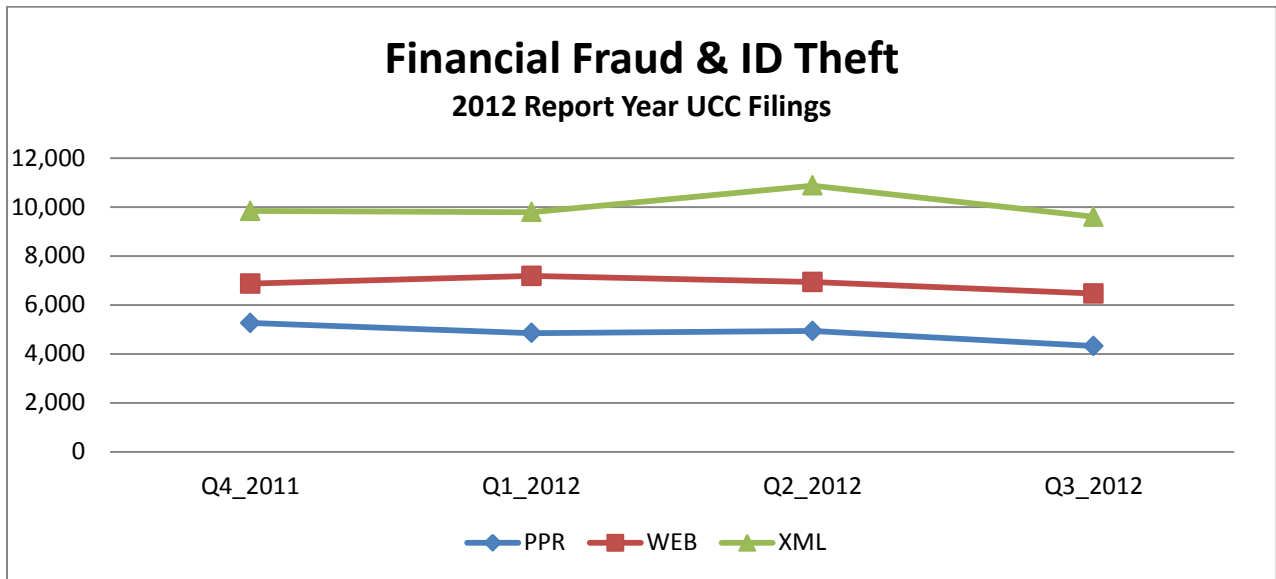
- 2008: \$237,619 was collected, averaging \$33,945 a month.
- 2009: \$382,342 was collected, averaging \$31,862 a month.
- 2010: \$392,409 was collected, averaging \$32,701 a month.
- 2011: \$392,564 was collected, averaging \$32,714 a month.
- In the 10 months of 2012, \$294,988 was collected, averaging \$29,499 a month.

Figure 1: Monthly UCC Surcharge Collections June 2008 through October 2012



The way fees were collected changed during the 2011 calendar collection year. Beginning in March 2011, XML filings (batch electronic input) and Web filings increased, and paper filings decreased. This continues to be the trend in the current 2012 calendar collection year.

Figure 2: Number of UCC Filings by Type during the 2012 Report Year (Oct 2011 to Sep 2012)



Revenues may change over time because there are fewer paper-based filings (\$8 each), and more Web and XML filings (\$3 each). The change in XML filings or “batch” multiple filings submitted have increased in frequency. There are more XML’s being filed by existing customers who previously filed paper-based UCCs according to preliminary research done by Licensing.

Semi-Annual Task Force Performance Reports

Each task force submitted semiannual reports by the October 1, 2012, legislative and contractual deadline. The reports provide detail on how task forces plan and staff the investigation, apprehension, and prosecution of financial fraud and identity theft crimes; and provide details on measurable results. The reports also indicate that new methods of cooperation and best practices for criminal investigations have emerged as a direct result of task force operations.

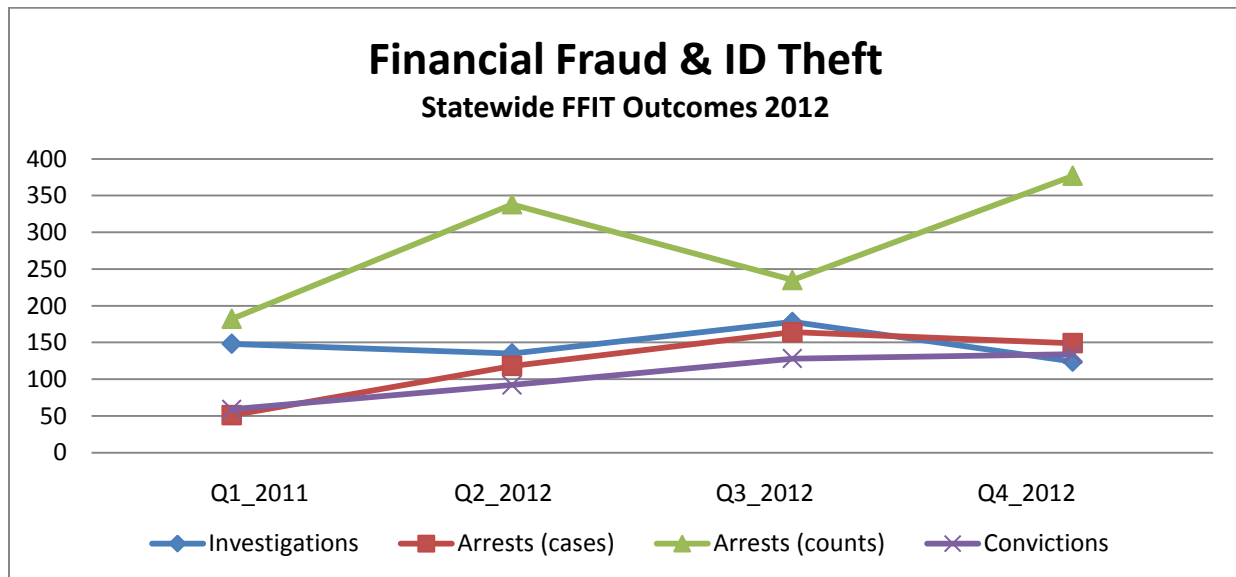
FFIT continues to make inroads in identifying, arresting, and prosecuting individuals and groups engaged in these types of crimes. In the 2011-2012 report periods, FFIT demonstrated an increase in performance outcomes.

Table 1: 12-Month Statewide FFIT Program Outcomes by Quarter

2012 Program (Greater Puget Sound & Spokane)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Previous Report Totals	12- Month Totals
Investigations	148	135	178	124	865	585
Arrests (cases)	51	118	164	149	368	482
Arrests (counts)	182	338	235	377	1142	1132
Convictions	59	92	128	134	146	413

Task forces have exceeded two of the four measures over last year’s efforts. The task forces conducted 585 investigations in the preceding 12 months beginning October 2011, increasing by 280 (33 percent). The task force made arrests in 482 cases involving 1,132 counts – 10 less than the previous year. Task force convictions increased significantly; convictions were at 413 this year compared to 146 last year, an increase of 267 (65 percent).

Figure 3: Statewide FFIT Outcomes 2012



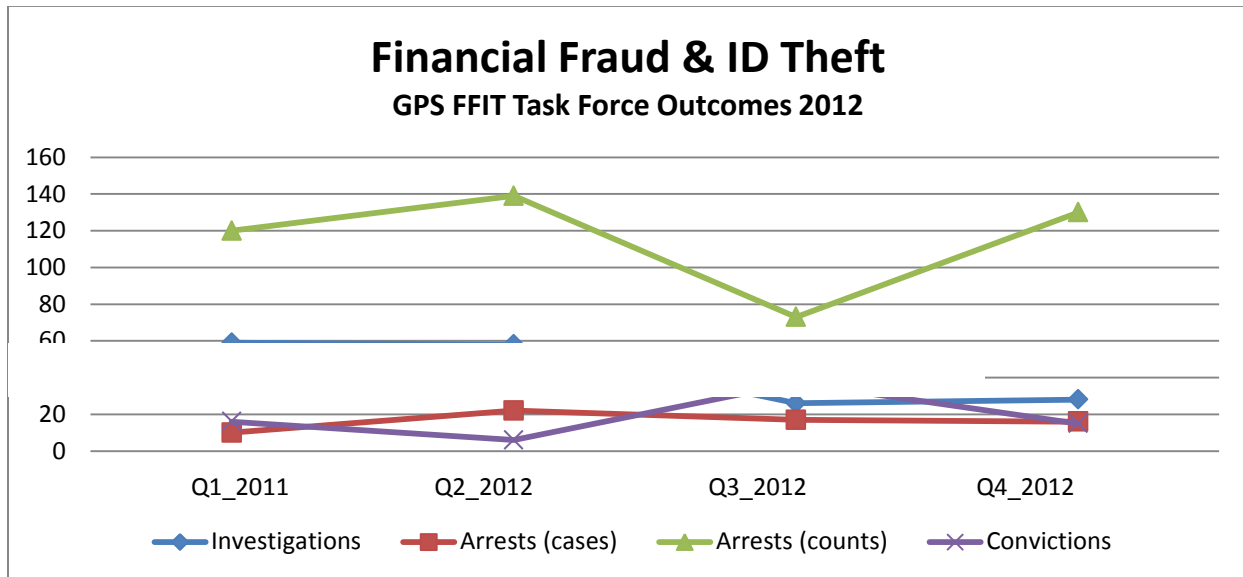
Greater Puget Sound FFIT Task Force

Performance Indicators

The Greater Puget Sound Task Force (GPS) initiated 171 investigations in the 12-month period from October 2011 through September 2012 (29.2 percent of combined task force totals).

The GPS Task Force had arrests in 65 cases with an arrest count of 462 (41 percent). It ended the year with a conviction count of 74, for an 18 percent share of combined task force convictions.

Figure 4: 12-month Greater Puget Sound Task Force Outcomes (October 2011 to September 2012)



Task Force Members

Public and private partners include:

Pierce County Sheriff	Redmond Police Department
Seattle Police Department	Tacoma Police Department
BECU	US Bank
KEY Bank	Chase Bank
Bank of America	Wells Fargo
Pierce County Prosecuting Attorney's Office	King County Prosecuting Attorney's Office
Washington Office of the Attorney General	

2011-2012 Greater Puget Sound Task Force Accomplishments

- Achieved stable and consistent staffing in February 2010 with the hiring of a part-time analyst to work with their full-time detective.
- The analyst has been instrumental in developing data and coordination of multijurisdictional cases.
- Developed and maintained a database related to fraud identity theft suspects.
- Continued partnering with the U.S. Secret Service's Economic Task Force in the investigation and prosecution of complex cases.

- Hosted the free statewide conference “Money, Money, Money, Investigating and Prosecuting Criminal Enterprises Funded by Fraud” on October 29-30, 2012.
- With Northwest Fraud Investigators Association, hosted the “Internet Search for Criminal and Financial Investigations” training.
- Task force outreach efforts included two weekly newsletters called “Fraud This Week.” One version is for a law enforcement audience, while the second is amended for a financial institution audience. These newsletters provide updates on task force cases, a list of requests for information or identification, alerts of new scams or suspects from financial institutions or law enforcement, and relevant news stories. Current distribution includes 90 financial and 119 law enforcement representatives.

Financial Institutions’ Perspective

By Susan Ross, US Bank Investigator

Financial institutions continue to play an active role in the Greater Puget Sound Financial Fraud and Identity Theft Task Force. We are making improvements in coordinating cases with the 39 law enforcement agencies in King County. We are also learning to work with the Pierce County deputy prosecutor, Sven Nelson. We try to send as many cases as we can to law enforcement.

Task Force Comments

From the Chairwoman, Melinda J. Young, King County Prosecutor’s Office:

- *After three full years of working to forge partnerships in the Puget Sound region, we have helped coordinate investigations among the more than 50 police agencies in the Pierce and King counties. With the Greater Puget Sound grant, we staff a full-time detective in Pierce County, a part-time prosecutor in King County, and a part-time analyst in Redmond. In an era of shrinking resources, these three team members are able to view financial crimes holistically and concentrate on the worst offenders. Each of the agencies involved in these complex investigations would not be able to sustain them were it not for the task force funds.*
- *We remain ambitious with our goals for this task force. The very limited nature of our funding seriously restricts our ability to be effective in the fight against fraud. One detective and two part-time employees cannot combat the crime that has made Washington State seventh in the nation for financial fraud complaints. Our current source of funding is not enough to maintain the staffing levels as projected in the next state fiscal year, much less improve our efforts. We need to either find a new revenue source or we will have to cut our staff. Without all components of crime fighting – police, analysis, and prosecutors – we will lose the modest gains we have made in prosecuting complex financial fraud and identity theft. And then there are those crimes that are too resource-intensive for our task force to handle. Ideally, in order to address the full picture of fraud, we need to go beyond Pierce and King Counties, and include the surrounding counties. We would have a full-time prosecutor, a full-time detective, and a full-time analyst to work collaboratively.*
- *We plan to present a proposal to the Legislature in 2013 to increase our funding and give law enforcement the tools they need to battle the enormity of the problem they encounter.*

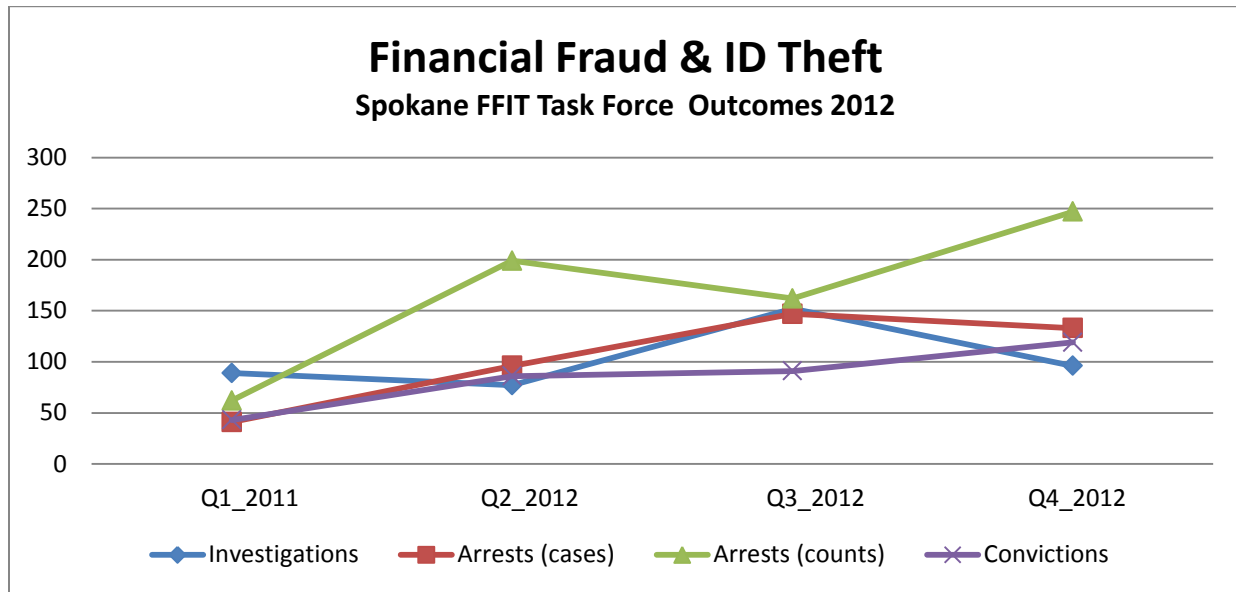
We recognize the state budget is decimated and will seek an alternative funding source. We look forward to continuing to work with the Department of Commerce and the Legislature.

- *Emerging Trends show that financial institutions continue to see theft of customer debt cards by placing skimmers on the ATM's. We are now partnering with the U.S. Secret Service Economic Crimes Task Force in the investigation and prosecution of these complex cases.*

Spokane County FFIT Task Force

Spokane County FFIT Task Force ended the 12-month performance period with 414 investigations (70.8 percent of combined task force investigations).

Figure 5: Spokane Task Force 12-Month FFIT Outcomes (October 2011 to September 2012)



The Spokane Task Force had 417 cases with arrests, and an arrest count of 670 (86.5 percent of combined counts). Spokane ended the 12-month period with 339 convictions (82 percent of combined convictions).

Spokane FFIT Task Force Members

Selected public and private partners include:

- | | |
|--|---|
| Spokane County Sheriff | City of Spokane Police Department |
| Spokane Community Policing Stations | City of Cheney Police Department |
| Washington Banker's Association | U.S. Secret Service |
| Teacher's Credit Union | U.S. Postal Inspection Service |
| Sterling Savings Bank | Gonzaga University School of Business |
| Spokane County Prosecuting Attorney's Office | Washington State Office of the Attorney General/Spokane |
| Washington State Patrol | |

Spokane FFIT Task Force Accomplishments 2011-2012

- Increased use of a database to identify local and regional crime trends.
- All partnering financial institutions continue to work cases and to exchange information with the Spokane County Sheriff's Office Crime Analysts through reports, case reviews, and meetings.
- Task force members attend two monthly meetings with local credit unions to discuss issues and trends. They discuss cases and details around current scams, trends, and crimes.
- A second monthly meeting is held for bank and credit union representatives with special commissions to discuss cases they are investigating, specific suspects, and characteristics of suspects.
- A data system is improving victim access to local services. The system is continually being expanded to assist victims outside the city limits of Spokane.
- Established a victim identification and notification procedure by coordinating victim services with the Spokane County Prosecutor's Office of Victim Advocate Services.