



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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ACKNOWLEDGEMENTS

Washington State Department of Commerce

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EXECUTIVE SUMMARY

The Financial Fraud and Identity Theft Crime Investigation and Prosecution Program (FFIT) 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 summary is intended to meet the statutory requirement for a progress report and request for program recommendations. Both task forces are now funded, recently began operations, and are actively working cases involving financial fraud and identity theft.

Task Force Formation and Funding

- Contracts were authorized in August 2009. The program's start was delayed due to budget reductions. The \$500,000 general fund allocation for the FFIT program was eliminated. Program startup was delayed while Uniform Commercial Code (UCC) surcharges accrued to fund program startup and operations.
- Two task forces were formed and have begun operations; the Greater Puget Sound FFIT Task Force and the Spokane County FFIT Task Force. Both include federal, state, county, and local law enforcement agencies and financial industry representatives.

Current Task Force Status

- Contracts were authorized in August 2009.
- The Task Forces meet regularly and have hired new law enforcement, investigation, or prosecutorial staff members.
- Both task forces began investigating financial fraud and identity theft cases.

The 2009 [Greater Puget Sound](#) and [Spokane Task Force](#) progress reports are available at www.commerce.wa.gov.

COMMERCE RECOMMENDATIONS

Statute requires that Commerce provide program recommendations in this report. Since the FFIT Program is just underway Commerce only recommends that task forces continue to be funded through the Uniform Commercial Code (UCC) surcharges. Fees collected to date indicate that there is enough funding from the fees to provide support for FFIT activities for both task forces.

TASK FORCE PROGRESS

The task forces submitted progress reports in October 2009; three months after their contracts were funded. The reports reflect that task force operations have rapidly hired staff to investigate, apprehend, and prosecute financial fraud and identity theft crimes. The 2009 [Greater Puget Sound](#) and [Spokane Task Force](#) reports are available at www.commerce.wa.gov.

Examples of cases currently under investigation by task forces:

- One suspect acquired financial information and account access for multiple individual victims by means of stolen mail.
- Two suspects placed devices over ATMs to read cards as they were inserted into the machines. The suspects also placed small video cameras over the ATM key pads to record the victims' PINs as they entered them into the keypads.
- One suspect committed multiple acts of identity theft by posing as an electrical worker made purchases using the victims' identities, financial information, and stolen bank cards.

Funding for Task Forces

The 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 \$15 for paper filings and \$8 for electronic filings. The Department of Licensing provides the Department of Commerce monthly statements of UCC deposits.

Since inception, UCC deposits to the FFIT account have averaged approximately \$31,830 per month. Commerce estimates that average annual deposits are \$382,000 per year.

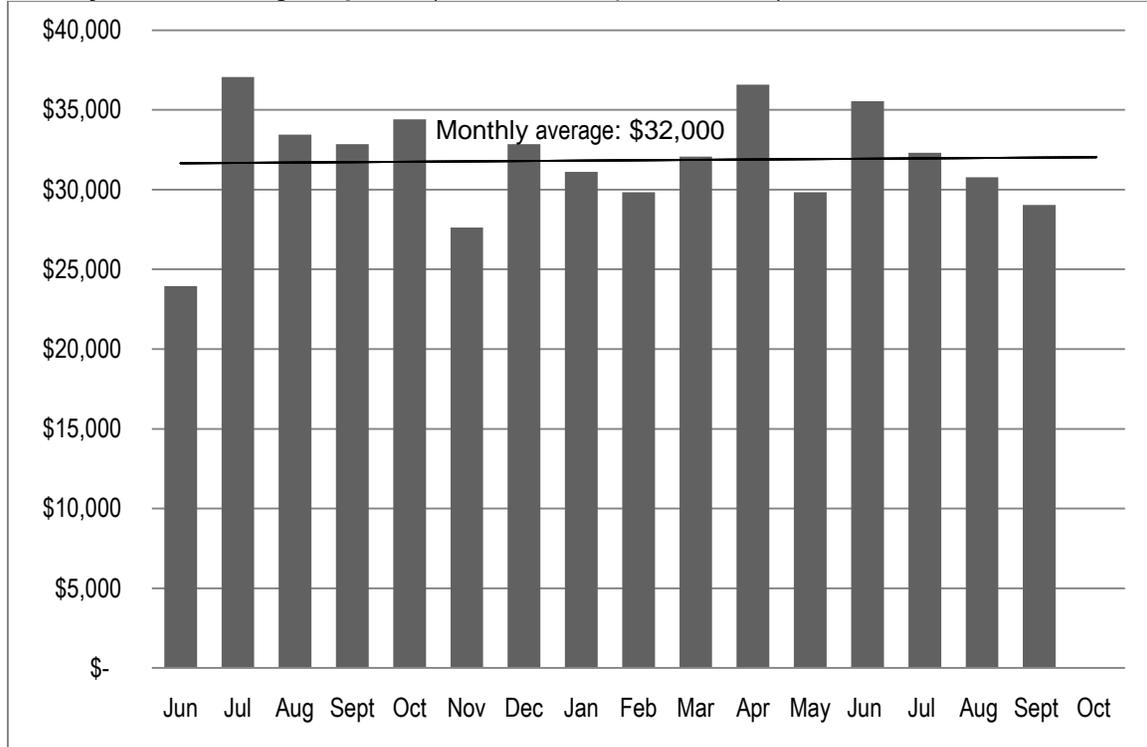
Uniform Commercial Code (UCC) Surcharges transferred to FFIT account

Month/Year	Amount
June–December 2008 (seven months)	\$222,193
January–September 2009 (nine months)	\$287,095
Total UCC Surcharges Received	\$509,288

For Fiscal Year 2009 the General Fund Appropriation of \$500,000 was awarded to Commerce to establish the program and support the task forces. Of that amount, \$18,000 was spent by Commerce to provide support for the development of two fully operational, regional task forces. The remaining \$482,000 was eliminated during state budget reductions. After sufficient UCC funding was available, grant contracts for both task

forces were approved in August 2009. As a result, the initial reports address three months of operation.

Monthly UCC Surcharge Deposits (June 2008 - September 2009)



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 revenue and projected account balances:

Greater Puget Sound FFIT Task Force	
Grant contract administered by Pierce County Sheriff's Office	\$275,955
Spokane County FFIT Task Force	
Grant contract administered by Spokane County Sheriff's Office	<u>\$137,976</u>
Total:	\$413,931

Future contract amendments will provide additional funding to each task force, based on the same proportionate share of the FFIT account balance.

Greater Puget Sound FFIT Task Force Highlights

After three months of operation, The Greater Puget Sound Task Force has hired three staff and is bringing public and private sector investigators together to discuss crime

trends and establish priorities for the task force. The Pierce County Sheriff's Department is the fiscal agent for the Central Puget Sound Task Force and provides grants management and administrative support.

The Greater Puget Sound FFIT Task Force members

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

Development and implementation of task force guidelines and case selection criteria is under way. The task force is also implementing best practices—methods to identify top offenders and to prioritize task force caseload.

With the use of FFIT funding, the King County Prosecuting Attorney's Office has hired a part-time prosecutor; the Pierce County Sheriff's Office has hired a full-time detective; and the Redmond Police Department is in the process of hiring a part-time analyst. It is anticipated that these three employees, together with the task force members, will focus on the most prolific offenders.

The statute establishing the FFIT program required each task force to establish performance measures. The performance measures established by the Greater Puget Sound Task Force include:

- Number of arrests
- Counts charged
- Conviction and/or resolution data
- Time for completion of case
- Total cases resolved
- Trial statistics

Spokane County FFIT Task Force Highlights

The 17-member Spokane County Task Force is meeting regularly. Policy and operational and performance reporting procedures are currently under development. All partner agencies are continuing to work financial fraud and identity theft cases. The Spokane County Sheriff's Office is providing support services for the task force, including contract, grant administration, fiscal agent, and office support.

Spokane County Task Force Members

Spokane County Sheriff's Office	Washington Trust Bank
City of Spokane Police Department	Washington Attorney General's Office
Spokane County Prosecuting Attorney's Office	Spokane Teacher's Credit Union
City of Cheney Police Department	

Spokane County hired a crime analyst to support the Financial Fraud and Identity Theft Task Force program. She is currently reviewing data on 2009 arrests and establishing a database of suspects; offenders; and victims of forgery, identity theft, and fraud in the Spokane region. The Spokane County Prosecuting Attorney's Office is providing services of a grant-funded 0.25 FTE task force legal office assistant as support staff member for the Prosecuting Attorney's Office, and will hire a 0.50 FTE legal secretary.

The outcome-based performance measures established by this task force include:

- Number of arrests
- Number of referrals for prosecution
- Number of counts/charges
- Number of referrals filed by prosecutor
- Number of referrals filed by prosecutor the number that go to trial
- Number of referrals filed by prosecutor the number that result in a plea
- Financial institution reporting data

Outcomes based on these measures will appear in future task force reports.

FROM THE TASK FORCES

The Financial Fraud and Identity Theft Task Forces are the first of their kind in Washington. The Task Forces were initially formed in 2008 and received funding to begin their work in August 2009. The following comments by task force members reflect upon the efforts currently underway:

“...the task force is excited to begin our work. With the dedicated personnel and community partnerships, we are convinced that we can improve the way we investigate and prosecute cross-jurisdictional financial fraud and identity theft.”

- Melinda J. Young, Greater Puget Sound Task Force Chair

“The key to successful prosecution of fraud suspects is cooperation between police agencies, prosecutors, financial institutions, and retail business. Fraud suspects recognize no boundaries and often commit their crimes in multiple jurisdictions. Police agencies typically only look at what occurred in their jurisdictional area and as a result the size and scope of the crime is often not what it should be. We can't use our “traditional” skills to fight the epidemic of financial fraud and identity theft.”

– Michel J. Pentony, Bellevue Police Department, Greater Puget Sound Task Force member

“I believe that increasing the coordination between various law enforcement agencies and the private sector and the use of analysts to accurately identify the appropriate direction to apply local law enforcement's limited resources are our best chance to maximize our potential effectiveness in the areas of financial fraud and identity theft.”

– Captain James A. Goodwin, Spokane County Sheriff's Office, Spokane Task Force Chair

The [Greater Puget Sound](#) and [Spokane Task Force](#) reports are available at www.commerce.wa.gov.