

03 - 0254

MN FINANCIAL CRIMES TASK FORCE

EXECUTIVE SUMMARY



JULY 2001 TO FEBRUARY 2003

PREPARED BY COMMANDER C.M. ABBAS

TABLE OF CONTENTS

PAGES 3-4	Task force background
PAGES 5-6	Task force mission and funding
PAGE 7	Supplemental crime data
PAGE 8	Task force statistics
PAGES 9-12	Task force key case summaries
PAGES 13-20	Task force news articles
PAGE 21	Contact information

EXECUTIVE SUMMARY MN FINANCIAL CRIMES TASK FORCE

Background:

In 2000, local law enforcement agencies and businesses approached the MN legislature on enhancing criminal statutes and grant funding to establish a MN Financial Crimes Task Force. The justification for the request was based on the growing crime trend of counterfeiting state identification, identity theft, and related cross-jurisdictional financial crimes involving forgeries, burglaries, pick pockets, car break-ins, bank frauds and credit card frauds, etc. No other state agency or federal agency was aggressively addressing this fastest growing crime in the U.S. The need to have highly skilled investigators working these financial cases with the legal authority to investigate organized criminal activity on a statewide basis is critical. The support the legislature gave in 2001 and 2002 has proven to be highly productive for the taxpayers of Minnesota and good public policy.

The Task Force has developed and employs a fluid and dynamic investigative style, which allows for the most effective investigation of these types of crimes. The Task Force has partnered with the Retailers Protection Agency and private sector businesses to form the most extensive check and fraud database in existence in the upper Midwest. The Task Force has also developed the most extensive intelligence database, in regards to individuals who commit organized financial crime, in existence in the state of Minnesota.

Because of this centralization process, coupled with the non-traditional approach to the investigation of these types of crimes, the Task Force has had unparalleled success in not only apprehending the individuals responsible for organized financial crime, but has significantly decreased the amount of time from beginning to end of the investigation, thus reducing victimization.

The Task Force has designed an investigative strategy that is unlike that usually deployed in regards to the investigation of Forgery/Fraud/Counterfeiting crimes. This strategy focuses both fluid and static techniques for cross-jurisdictional cases:

- Fieldwork and surveillance
- Undercover operations
- Qualifying informants and utilization
- Sophisticated intelligence databases
- Forensic investigations and high-tech applications
- Proactively working with prosecutors during investigations

This investigative strategy and the investigative team dedication, allows the Task Force to build the most thorough case possible. These cases generate extensive amounts of recovered evidence, which is usually so overwhelming that defense attorneys advise their clients to take what the prosecution is offering rather than going to trial.

In nearly three years of operation only two task force cases has ever gone to trial. This not only helps to reduce victimization, but it saves further taxpayer dollars by eliminating the cost of a lengthy trials and, in many cases multiple-jurisdictions for the same offender. This thoroughness has also set the standard in regards to the amount of prison time that these individuals are receiving. Individuals investigated by the Task Force are receiving multiple year sentences, with two group leaders receiving nearly fifteen years in prison.

The Task Force has investigated dozens of individuals responsible for organized financial crimes. These investigations have involved thousands of victims and millions of dollars worth of crimes. During the year of 2002 alone, the Task Force apprehended eight organized financial crime groups, involving multiple-hundreds of victims and nearly ten million dollars in fraud and theft crimes.

The Task Force centers investigations on quickly identifying the individuals who operate these organized groups, building the most complete case against them, and then disassembling the group. This approach limits continued victimization and drastically decreases the amount of activity that local law enforcement

agencies see and have to investigate in regards to the individuals that these organized groups employ to commit crime.

Task Force investigations never focus on asset forfeiture, unlike some investigative agencies that allow criminal activity to continue to build sizeable asset potential. While the Task Force does search for forfeitable assets, the Task Force never allows an organized group to continue to operate for the sole purpose of increasing the amount of possible forfeiture recovery.

MN FINANCIAL CRIMES TASK FORCE

The MN Financial Crimes Task Force Mission:

1. Target criminal organizations committing cross-jurisdictional criminal activity
2. Focus on criminals producing fraudulent state identification, identity theft, and related property crimes
3. Complete criminal investigation within a six-month period or as soon as possible, forfeitures are secondary
4. Partner with businesses, local law enforcement, and prosecutors on prevention and apprehension
5. Assist state and local law enforcement agencies on complex financial crime cases
6. Have state of the art computer forensic attributes and related technologies knowledge
Create public awareness on deterring financial crimes and assisting victims

Funding Justification

The Minnesota state Driver's License and Identification card is the icon of an individual's identity. There are many rights and privileges associated with the licenses and ID cards. Within the scope of target crimes that the MN Financial Crimes Task Force pursues, the MN driver's license and ID card are used, either as genuine items that are misused, or in altered or counterfeit form.

The government ID card / Driver's License is used to validate personal information and who they claim to be. As examples the following demonstrate the application of the Minnesota Driver's License (MN DL) or a Minnesota Identification Card (MN ID), in our world today:

- Open a bank account
- Cash or otherwise pass a check
- Use a credit card or apply for credit
- Board a commercial aircraft
- Vote in a public election
- Identify him/herself to a police officer
- Make an age restricted purchase – alcohol / tobacco
- Purchase a firearm or ammunition
- Obtain home and car loans
- Obtain Insurance

There is a significant need to coordinate apprehension of individuals manufacturing state identification to creating identity of others and those committing planned financial crimes across multiple jurisdictions. This crime has increased by 42 percent over last year as reported by the Federal Trade Commission. No single law enforcement agency can typically coordinate these cases on an ongoing basis. However, joint agencies are able to work together with the MN Financial Crimes Task Force to accomplish this mission and allow the Task Force to lead agencies in this process.

Funding use

The funding provided by the state of Minnesota is used to reimburse participating local law enforcement agencies that dedicate a full-time detective to the task force. This funding allows for the reimbursement of 70% of a detective's salary and 60-70% of the overtime worked by a detective. This funding also allows for the reimbursement of salary for one full-time civilian at the rate of 40%.

Currently the task force has two full-time detectives and one full-time civilian. The rest of the costs associated with the full-time detectives are absorbed by their home agencies. The task force also receives grants and donations from the private sector that pay for equipment, office space, and continued training. Coupled with hundreds of hours donated by the task force members and their willingness to spend thousands of dollars out of pocket to obtain

necessary equipment, the above state funding of \$250,000.00 over the two year period has netted huge returns for the citizens of the state of Minnesota.

Conclusion:

Since securing funding through the state, the Task Force has provided one of, if not the highest, return rate per dollar funded of any group receiving state funding. The Task Force uses funding realistically in accomplishing the goals of what the Task Force was designed to do; investigate organized financial crime and identity theft. Individuals funded by these monies will continue to donate their time and effort past the point of being paid, because of the belief that what they are doing is the right thing to do.

SUPPLEMENTAL CRIME DATA

General Data

- Minnesota is among the 10 states with the highest number of identity theft police reports taken. (MN bankers)
- Average financial loss per victim in MN is \$2,900 (RPA)
- Victim spends over 150 hours to straighten out their financial problems (FTC)
- Identity theft increased 42% in 2001(FTC)
- Identity theft is the fast growing crime in the U.S.
- This crime exceeds \$50 billion annually in the U.S. (Hennepin County Atty's Office)

Financial Crimes Typically Investigated:

- Counterfeit Currency
- Credit and debit cards Fraud
- Setting up fraudulent financial arrangement (loans, leases, rental, credit, ATM, stolen cars, business investments etc)
- Manufacturing and distribution of state identification cards

Complexity of Financial Cases

- Multiple victims
- Personal computers are commonly used
- Significant financial damage personal accounts (average \$3,330 per account)
- Few prosecutions, due to complexity and jurisdictional issues
- High return activity for criminals and few consequence
- Crimes are cross-jurisdictional

TASK FORCE STATISTICS

OVERALL TASK FORCE STATISTICS 07-01-2001 THROUGH 02-28-2003 (20 MONTHS)

******(2) FULLTIME LAW ENFORCEMENT MEMBERS, (1) FULLTIME CIVILIAN.**

ARRESTS- 91

SEARCH WARRANTS- 88

INDIVIDUALS CHARGED- 47

FEDERAL INDICTMENTS- 13

PENDING FEDERAL INDICTMENTS- 3

FEDERAL CONVICTIONS- 13

COMPUTERS SEIZED- 41

STOLEN MOTOR VEHICLES RECOVERED- 47

FORENSIC COMPUTER EXAMS- 43

NUMBER OF VICTIMS INVOLVED IN CASES-OVER 7000

FRAUD LOSS INVESTIGATED- OVER \$8.5 MILLION DOLLARS

TASK FORCE KEY CASE SUMMARIES

- TASK FORCE MEMBERS INVESTIGATED A MAJOR CHECK COUNTERFEITING GROUP. THE THREE MAIN MEMBERS OF THIS GROUP WERE ARRESTED, AFTER THE EXECUTION OF FOUR SEARCH WARRANTS ACROSS THE STATE OF MINNESOTA. THE COMPUTERS USED TO COUNTERFEIT THE CHECKS WERE RECOVERED. THE ARREST OF THE MAIN INDIVIDUAL PASSING THE CHECKS WAS MADE AS THIS INDIVIDUAL DROVE AWAY FROM A ROGERS MINNESOTA FARM IMPLEMENT DEALER WITH A \$40,000.00 SKID LOADER THAT HE HAD PURCHASED WITH A COUNTERFEIT CHECK.

TASK FORCE MEMBERS RECOVERED MOTORCYCLES, FURNITURE, A LAWN TRACTOR AND OTHER ITEMS OF LOSS DURING THE INVESTIGATION. THE MAIN PASSER OF THE CHECKS WAS CHARGED IN STATE COURT AND PLED GUILTY, HE IS CURRENTLY SERVING THREE YEAR SENTENCE. ALL THREE MEMEBRS OF THIS GROUP ARE GOING TO BE INDICTED FEDERALLY.

- RANDALL DAVID SIMMONS, GROUP LEADER OF A \$1.5 MILLION DOLLAR FRAUD RING INVESTIGATED BY THE TASK FORCE IN LATE 2000 AND EARLY 2001 WAS SENTENCED TO FIFTEEN YEARS IN PRISON FOR HIS ROLE AS GROUP LEADER. ELEVEN OTHER GROUP MEMEBRS WERE CHARGED, ADJUDICATED AND FOUND GUILTY THROUGHOUT THE YEAR 2001, WITH AN AVERAGE SENTENCE OF OVER FORTY MONTHS IN PRISON. THIS CASE RESULTED IN THE CLEARING OF MORE THAN FOUR HUNDRED LAW ENFORCEMENT AND FINANCIAL INSTITUTION CASE REFERRALS. IT ALSO BROUGHT SOME REMEDY TO MORE THAN FIVE HUNDRED VICTIMS THAT WERE AFFECTED BY THE FRAUDULENT ACTIVITES OF THIS GROUP.

- THE TASK FORCE WORKED THE FALODUN FAMILY CRIME GROUP EXTENSIVELY IN THE YEAR 2001. THIS CASE INVESTIGATION LED TO THE FEDERAL INDICTMENT OF (11) INDIVIDUALS IN REGARDS TO AN ESTIMATED \$5,000,000.00 IN VARIOUS TYPES OF FRAUD SCHEME CRIMES. SPECIFICALLY THE GROUP WAS INDICTED ON NEARLY \$1,000,000.00 OF FRAUD AND LOSSES ATTRIBUTED TO THE FRAUD.

IN JANUARY OF 2002 THE TASK FORCE AND ASSISTING LAW ENFORCEMENT AGENCIES EXECUTED DOZENS OF SEARCH WARRANTS AROUND THE STATE OF MINNESOTA IN REGARDS TO THIS CASE. ALL (10) OF THE INDICTEES WERE ARRESTED IN A TWENTY- FOUR-HOUR PERIOD, WITH CONSIDERABLE EVIDENCE AND ASSETS RECOVERED. AS A REUSLT OF THIS INVESTIGATION AN ELEVENTH INDIVIDUAL WAS ARRESTED AND INDICTED FEDERALLY IN REGARDS TO THIS CRIME FAMILY OPERATION.

- THE OSHODI NIGERIAN FRAUD GROUP WAS ASLO INVESTIGATED IN THE YEAR 2001 AND AS A RESULT OF THIS INVESTIGATION, TWO INDIVIDUALS WERE INDICTED FEDERALLY IN THE YEAR 2002. SEVERAL SEARCH WARRANTS WERE IN EXECUTED IN REGARDS TO THIS INVESTIGATION. DURING THE COURSE OF THESE SEARCH WARRANTS SEVERAL AUTOMOBILES, A LARGE QUANTITY OF US CURRENCY, AND OTHER PROCEEDS WERE RECOVERED, IN ADDITION TO CASE EVIDENCE.
- THE TASK FORCE INITIATED AN INVESTIGATION IN REGARDS TO NUMEROUS LAW ENFORCEMENT COMPLAINTS REGARDING COUNTERFEIT CHECK AND IDENTITY THEFT CASES OCCURRING IN OUTSTATE MINNESOTA. THE TASK FORCE ABLE TO IDENTIFY THE SOURCE OF THESE CRIMES AND EXECUTED NUMEROUS SEARCH WARRANTS IN THE OWATANA AND BLOOMINGTON AREAS.

DURING THE COURSE OF THESE SEARCH WARRANTS, THE CELL LEADER, JOMARI EARL ALEXANDER, WAS TAKEN INTO CUSTODY AND CHARGED WITH FELON IN POSSESSION OF A FIREARM. SEVERAL OTHER ARRESTS WERE MADE, INCLUDING THAT OF AN INSIDE BANK SOURCE WHO WAS THE BRANCH MANAGER AT A MAJOR FINANCIAL INSTITUTION IN THE STATE OF MINNESOTA.

DURING THIS INVESTIGATION THE TASK FORCE DISASSEMBLED TWO MAJOR COMPUTER COUNTERFEITING PLANTS AND SEIZED A LARGE QUANTITY OF CASE EVIDENCE. THE TASK FORCE ALSO RECEIVED A FULL CONFESSION FROM THE BANK MANAGER.

THE CASE INVESTIGATION LED TO THE RECOVERY OF NUMEROUS ITEMS OF PERSONAL INFORMATION FROM MINNESOTA VICTIMS AND ASSET RECOVERY OF THOUSANDS OF DOLLARS OF MERCHANDISE THAT WAS PURCHASED AS A RESULT OF THE CRIMES PERPETRATED BY THIS GROUP.

IN TOTAL IT IS BELIEVED THAT THIS GROUP ACCESSED THE PERSONAL AND BANKING INFORMATION OF MORE THAN (5) DOZEN VICTIMS AND USED THIS INFORMATION TO COMMIT CRIMES THAT TOTALED MORE THAN \$100,000.00.

THIS CASE IS CURRENTLY UNDER CONSTRUCTION FOR PROSECUTION AND AWAITING COMPUTER FORENSIC WORK.

- THE TASK FORCE CONDUCTED AN INVESTIGATION INTO THE ACTIVITY OF A LONGTIME FORGER LIVING IN THE ST. PAUL AREA. CASE INVESTIGATION POINTED TO THE FACT THAT THIS INDIVIDUAL WAS MANUFACTURING COUNTERFEIT CURRENCY AND COUNTERFEIT CHECKS.

INITIAL CASE INVESTIGATION RESULTED IN THE RECOVERY OF NEARLY \$7,000.00 IN COUNTERFEIT CURRENCY. THIS INITIAL INVESTIGATION ALSO PROVED THAT THIS INDIVIDUAL WAS THE CELL LEADER OF A GROUP OF INDIVIDUALS THAT HAD PASSED COUNTERFEIT CHECKS TOTALING AN ESTIMATED \$200,000.00.

SEARCH WARRANTS WERE EXECUTED IN THE ST. PAUL AREA AND PRODUCED LARGE QUANTITIES OF CASE EVIDENCE, INCLUDING ADDITIONAL COUNTERFEIT CURRENCY AND THE "SIGNATURE" TEMPLATE CHECK USED FOR THE COUNTERFEIT CHECKS THAT WERE PASSED.

THESE SEARCH WARRANTS ALSO RESULTED IN THE DISASSEMBLING OF THE COMPUTER COUNTERFEITING LAB AND THE RECOVERY OF (7100) CHECKS THAT HAD NOT FINISHED THE BANK PAYMENT PROCESS. THESE CHECKS HAVE A VALUE OF \$3,700,000.00 AND HAD THEY NOT BEEN RECOVERED WOULD HAVE CAUSED SIGNIFICANT LOSSES TO THE VICTIM CUSTOMERS.

- THE TASK FORCE INVESTIGATED A GROUP OF NORTH MINNEAPOLIS RESIDENTS WHO WERE INVOLVED IN THE COMPROMISING OF NEARLY (100) VICTIMS BANK ACCOUNTS.

THIS GROUP HAD GAINED THE COOPERATION OF AN INSIDE BANK EMPLOYEE WHO ACCESSED THE VICTIMS CUSTOMER PROFILES, PRINTED THEM OUT, AND THEN GAVE THEM TO THE CELL LEADER. THE CELL LEADER WOULD THEN IN TURN CREATE IDENTIFICATION FOR HIS WORKERS BASED ON THE VICTIMS INFORMATION. THESE INDIVIDUALS WOULD THEN TRAVEL TO OUTSTATE

MINNESOTA, IOWA, AND NORTH/SOUTH DAKOTA TO COMPLETE "GENERIC" WITHDRAWALS OF THE VICTIMS ACCOUNTS.

THIS GROUP ALSO ESTABLISHED NUMEROUS SAMS CLUB AND HOME DEPOT CREDIT ACCOUNTS BASED ON THE VICTIMS INFORMATION. TOTAL LOSSES ATTRIBUTED TO THIS GROUP ARE ESTIMATED AT \$200,000.00.

NUMEROUS SEARCH WARRANTS WERE EXECUTED IN THE MINNEAPOLIS AND WOODBURY AREAS IN REGARDS TO THIS INVESTIGATION. THESE SEARCH WARRANTS PRODUCED A LARGE QUANTITY OF CASE EVIDENCE, INCLUDING TWO COMPUTER COUNTERFEITING LABS. THE SEARCH WARRANTS ALSO RESULTED IN THE RECOVERY OF THOUSANDS OF DOLLARS OF MERCHANDISE FRAUDULENTLY PRUCHASED AS A RESULT OF THESE CRIMES AND \$30,000.00 IN CASH.

THE INSIDE BANK EMPLOYEE WAS APPREHENDED DURING THE EXECUTION OF A SEARCH WARRANT, WHERE CUSTOMER PROFILE PRINTOUTS WERE RECOVERD. THIS INDIVIDUAL WAS INTERVIEWED AND PROVIDED A FULL CONFESSION TO TASK FORCE INVESTIGATORS.

- SEVEN MEMBERS OF AN ORGANIZED ASIAN FRAUD GROUP, WHO CASHED IN EXCESS OF \$90,000.00 IN COUNTERFEIT CHECKS THROUGHOUT THE STATE OF MINNESOTA WERE CHARGED BY THE HENNEPIN COUNTY ATTORNEYS OFFICE. EACH INDIVIDUAL WAS CHARGED WITH MULTIPLE COUNTS OF THEFT BY SWINDLE.

THIS CASE WAS A JOINT VENTURE OF THE TASK FORCE AND RAMSEY COUNTY SHERIFFS DEPARTMENT.

- THE TASK FORCE RECEIVED INFORMATION THAT SEVERAL INDIVIDUALS WERE ASSUMING THE IDENTITIES OF MINNESOTA RESIDENTS WHO HAD BANK ACCOUNTS WITH A MAJOR FINANCIAL INSTITUTION. THIS GROUP OF INDIVIDUALS WOULD THEN CALL THIS FINANCIAL INSTITUTION AND STATE THAT THEY HAD LOST THEIR DEBIT/CREDIT CARD AND WERE TRAVELLING IN THE MINNESOTA AREA. THEY WOULD THEN REQUEST THAT A NEW CARD BE SENT TO A MINNEAPOLIS AREA HOTEL. THEY WOULD THEN PICK UP THE CARD AND BEGIN TO MAKE PURCHASES USING IT.

THE AFFECTED FINANCIAL INSTITUTION CONTACTED THE TASK FORCE AND PROVIDED INFORMATION ABOUT THE FRAUD ACTIVITY AND FUTURE CARD DESTINATIONS.

AT THE TIME THE TASK FORCE BECAME INVOLVED THIS GROUP HAD ORDERED FIVE SEPARATE VICTIMS CARDS, INCLUDING THAT OF MINNESOTA TIMBERWOLVE TERRELL BRANDON. PURCHASES OF \$8,000.00 HAD BEEN MADE ON TWO CARDS THAT THE GROUP HAD USED.

TASK FORCE MEMBERS WENT TO HOTEL LOCATIONS, WHICH HAD RECEIVED AND WERE GOING TO RECEIVE CARDS, TO GATHER INVESTIGATIVE INFORMATION. A SURVEILLANCE VIDEO OF ONE OF THE CARD PICKUPS WAS OBTAINED, IN ADDITION TO INFORMATION ON A VEHICLE USED IN AN UNSUCCESSFUL CARD PICK UP.

THE DEPARTMENT OF MOTOR VEHICLES COULD NOT PROVIDE VEHICLE INFORMATION AS THE VEHICLES PLATE WAS NOT ON FILE AND THEY COULD NOT LOCATE THE VEHICLE RECORDS IN A MANUAL SEARCH.

TASK FORCE MEMBERS THROUGH SEARCHING DATABASES WERE ABLE TO IDENTIFY THE VEHICLE AND THE INDIVIDUAL PICTURED IN THE RECOVERED VIDEO SURVEILLANCE.

THE VEHICLE AND THIS INDIVIDUAL WERE LOCATED IN SOUTH MINNEAPOLIS. EVIDENCE WAS VISIBLE IN THE VEHICLE AND A SEARCH WARRANT FOR THE VEHICLE WAS DRAFTED AND EXECUTED, WITH THE EVIDENCE RECOVERED.

SURVEILLANCE REVEALED THE RESIDENCE OF THE GROUPS LEADER. A SEARCH WARRANT WAS DRAFTED AND EXECUTED AT THIS SOUTH MINNEAPOLIS LOCATION. EVIDENCE, MERCHANDISE, AND CASH WERE RECOVERED. TWO GROUP MEMBERS WERE ARRESTED. CHARGES ARE PENDING. THE GROUP LEADER PROVIDED TASK FORCE MEMBERS WITH A TAPED MIRANDIZED CONFESSION, WHICH LED TO THE RECOVERY OF ALMOST ALL OF THE FRAUDULENTLY PURCHASED MERCHANDISE AT AREA PAWN SHOPS. THIS INDIVIDUAL WAS A FORMER BANK EMPLOYEE AND HAD PERSONAL INFORMATION FOR OVER FORTY BANK CUSTOMERS IN HIS RESIDENCE.

THE TASK FORCE COMPLETED THIS CASE WITHIN THIRTY-SIX HOURS OF RECEIVING INITIAL INFORMATION FROM THE AFFECTED FIANCIAL INSTITUTION, THUS STOPPING VICTIMIZATION OF FORTY POTENTIAL BANK CUSTOMERS.

- THE TASK FORCE WORKING WITH NEW YORK PD, WAS FINALLY ABLE TO APPREHEND CHECK COUNTERFEITOR AND BELIEVED TERRORIST MONEY MAKER, ASHFAQ BUTT. THE TASK FORCE HAD BUILT A CASE AGAINST BUTT IN 2001, IN REGARDS TO \$100,000.00 IN COUNTERFEIT CHECKS THAT BUTT HAD TRANSACTED IN THE STATE OF MINNESOTA. BUTT WAS CHARGED IN ANOKA COUNTY AND A FELONY WARRANT WAS ISSUED. THE TASK FORCE COULD NOT LOCATE ANY INVESTIGATORS, FEDERAL OR STATE LEVEL THAT WOULD APPREHEND BUTT, WHO HAD MOVED TO NEW YORK.

FINALLY A NY PD DETECTIVE LIASONED WITH THE TASK FORCE, AFTER RECEIVING INFORMATION FROM THE TASK FORCE ON BUTT'S WHEREABOUTS, ARRESTED BUTT AND BOOKED HIM INTO JAIL. ANOKA COUNTY HAS AGREED TO EXTRADITE BUTT BACK TO MINNESOTA TO ANSWER TO HIS CHARGES.

- THE TASK FORCE WILL BE MEETING WITH THE SCOTT COUNTY ATTORNEYS OFFICE IN EARLY MARCH TO BEGIN THE PROCESS OF CHARGING OVER (170) INDIVIDUALS INVOLVED IN A MILLION DOLLAR FRAUD RING. THIS GROUP BASED OUT OF NORTH MINNEAPOLIS CONDUCTED MUCH OF THEIR FRAUD ACTS AT MINNESOTA CASINO'S. THE TASK FORCE HAS SPOKEN TO THE US ATTORNEYS OFFICE ABOUT THIS CASE AND THEY ARE WILLING TO PROSECUTE THE MAIN GROUP OF PLAYERS (10-12) FEDERALLY FOR THEIR INVOLVEMENT IN THIS FRAUD SCHEME.
- MEMBERS OF THE FALODUN NIGERIAN CRIME GROUP WERE SENTENCED IN FEDERAL COURT WITH AVERAGE SENTENCE FOR THE TEN GROUP MEMBERS BEING AROUND SIXTY MONTHS IN FEDERAL PRISON. THE GROUP LEADER BRIGHT IDADA FALODUN RECEIVED A 14 YEAR SEVEN MONTH FEDERAL SENTENCE. THIS CASE RESULTED IN THE CLEARING OF MORE THAN FOUR HUNDRED CASE REFERRALS FROM LOCAL LAW ENFORCEMENT AND FINANCIAL INSTITUTIONS ACROSS THE STATE OF MINNESOTA.

Banks address an identity crisis

Minnesota is among the leaders nationally in fighting identity theft, but a recent case in New York proves that new protections aren't foolproof.

**By Mark Anderson/F&C Staff Writer
December 6, 2002**

The announcement last week in New York that up to 30,000 consumers had fallen victim to the nation's largest case of identity theft raised an obvious question: Can it happen here?

The quick Minnesota answer: You bet.

"Identity theft is out there, and it's able to cause harm to a large number of people," said Karen Grandstrand, an attorney with Minneapolis-based Fredrickson & Byron and a specialist in privacy and security issues for financial businesses.

But protections against those thefts are also growing rapidly.

State and federal laws written since the late 1990s outline security requirements for any financial business that has personal information on customers that could be stolen. Laws also outline tough penalties and funding for increased enforcement efforts.

Minnesota has one of the most vigorous enforcement programs in the country — the Minnesota Financial Crimes Task Force, which links multi-jurisdictional police and prosecution teams with a retail and banking consortium that provides databases of customers who have been victims of identity theft.

Many businesses — especially in the banking and financial industry — are well along in designing and implementing procedures that guarantee the safety of their customers' private information.

"This is an issue that affects everybody in banking," said Joe Witt, general counsel for the Minnesota Bankers Association. "I can't put any numbers on the investments our members have made, but every bank employee is involved."

It's not a surprise that banks were the early responders to the identity theft challenge. They were given clear regulatory direction from the Gramm-Leach-Bliley Act of 1998, a comprehensive financial industries reform law that also took up the challenge of securing the safety of personal information.

"But [banks and other financial businesses] also understand that they're in the information business," said Susan Rohde, president of TechArch, a security and technology consulting company in Minneapolis. "They obtain and utilize very important personal information from their customers, and they know that any breaches in public trust end up being very costly financially, but probably even more importantly to their reputation."

In response to regulatory and marketplace demands, banks and other traditional financial businesses have carefully outlined systems that limit and monitor employee access to that information.

But the New York theft demonstrated a potential weakness in that security terrain. The thieves there worked through an employee at TeleData, a company that provided software that connected financial industry clients to the nation's three top credit rating agencies. The TeleData employee stole passwords that enabled a crime ring to tap into those credit records and access bank and credit accounts.

Banks routinely share confidential customer information with third-party vendors that provide services ranging from check printers to title searches. But federal laws require banks to make sure vendor security programs are as comprehensive and diligent as their own.

But it is difficult to do that when the business has gone out the door, according to experts.

One step toward tightening the security loop would be to strengthen laws regarding the security responsibilities of vendors, Grandstrand said.

But an even stronger spur toward improve security might be the embarrassment and monumental damage claims that result from a case like the TeleData incident, according to John McCullough, a security expert and executive director of the Retailers Protection Association. RPA is a not for profit business group that works with the Minnesota Financial Crimes Task Force on preventing identity theft.

McCullough said TeleData had a sound system in place, but a stronger monitoring system of employees could have limited the extent of the theft.

"It's not a cheap package, but it's a necessary evil of doing this kind of business," McCullough said. "You can imagine that TeleData isn't finding it a pleasant experience to be facing off with 30,000 outraged customers right now. This kind of protection should be a cost of doing this kind of business."

Along with limiting and monitoring employee access to data, the final step — authentication — also needs strengthening, Rohde said. "In order to make an identify safer, we need to strengthen the credentials that prove we are who we are."

Businesses generally use keys such as Social Security numbers or a mother's maiden name to authenticate an applicant. But that information can be stolen in many ways — by an employee or simply by stealing mail, McCullough said.

A more reliable identity key could be created as part of a national security card system, or by shifting to biometric identification, he said. Hospitals and banks already have started using biometric keys — thumbprints, for example — to authenticate some secure information, and their experience has been good, according to McCullough and Witt.

The final area where identity theft will be fought is in the enforcement of those new and developing identity security laws.

Enforcement is in its early stages, as police, prosecutors and businesses learn how the laws, technology and criminals come together.

Minnesota's Financial Crimes Task Force, created in 2001, has already impressed people in the financial industry by breaking down jurisdictional boundaries to fight a crime that observes few boundaries.

The arrest record speaks for itself, McCullough said. The team has already apprehended and prosecuted people connected to 160 identity theft cases involving the loss of \$15 million in Minnesota.

Please Keep this confidential, this is a older report to give you an idea of our success, do not redistribute without calling me at 612-865-4848. We need to know who have copies of this report.

TWIN CITIES: Bank scheme gets man 14 years

BY DAVID HAWLEY

Pioneer Press

February 7, 2003

A 21-year-old Nigerian man from White Bear Lake tearfully begged a federal judge in Minneapolis for “a second chance” Thursday while members of the Minnesota Financial Crimes Task Force¹ and US Secret Service cracked a massive identity theft and bank-fraud conspiracy watched incredulously.

“I am not the ringleader of this organization,” insisted Bright Falodun, referring to a massive conspiracy that involved 10 other defendants, many of them members of the same family. “I need a second chance”

But US. District Judge Ann Montgomery said prosecutors proved Falodun was the “common denominator” in a major Twin Cities fraud ring that stole millions of dollars during a three-year period and victimized hundreds of people.

She sentenced Falodun to 14 years and seven months in prison, noting the strong evidence of other illegal schemes and victims that “were not reflected in this sentence.”

Six defendants pleaded guilty, and five others were convicted in the fraud ring that came to light after investigators conducted simultaneous raids across the Twin Cities in January 2002. One minor participant in the conspiracy eventually was released on probation, but eight others received prison sentences ranging from two years to seven years and four months.

The last defendant, Stephen Idada Falodun, 24, of Minneapolis, who pleaded guilty to conspiracy to commit bank fraud, is scheduled to be sentenced today.

In addition to prison time, Montgomery said the defendants will be required to pay nearly \$2 million in restitution, most of it to Twin Cities financial institutions.

Bright Falodun and four co-defendants were convicted in June of participating in a scheme that involved opening numerous bank accounts, often using false names. They would deposit fraudulent checks in the accounts and immediately withdraw cash before the checks bounced.

During a three-year period, they deposited about \$2.5 million in worthless checks and

¹ Task Force reference: MN Financial Crimes Task Force inserted to clarify article: US SS agent Mike Olson, MN Financial Crimes Task Force Commander Chris Abbas, original only named “Task Force”.

ultimately defrauded the banks of nearly \$1 million, authorities said. The banks included U.S. Bancorp, Wells Fargo Bank and TCF Bank.

They also stole the identities of individuals, most of them residents of other states, and used the names to obtain credit cards and open bank accounts. Assistant U.S. Attorney David MacLaughlin showed the court samples of hundreds of driver's licenses, credit cards, phone bills, car-rental receipts and retail receipts that were found in Bright Falodun's residence, along with lists of names, addresses, Social Security numbers, birth dates and other information.

Over the years, the ring rented about 100 cars and seldom returned the vehicles or paid the rental charges, MacLaughlin said. The group also made numerous purchases at Target, Best Buy, Circuit City and other stores using worthless checks or phony credit cards.

"This defendant is an identity thief of the first order," MacLaughlin told the court, adding that the final tally of victims is yet to be made.

U.S. Attorney Tom Heffelfinger said the investigation, which involved 25 different agencies and about 200 officers, represented "the new way we have to do our business."

"These kind of crimes involve a wide range of offenses and a national scope," he said. "You need a task force to get at them."

The defendants who were sentenced after pleading guilty were Faluyi Sexman Falodun, 25, of St. Paul, sentenced to almost four years; Mijife Darlington Otiteh, 33, of St. Paul, sentenced to four years and four months; Augustine Idada Falodun, 29, of Minneapolis, sentenced to four years and three months; Lashaun Hilliard, 35, of Minneapolis, sentenced to two years; and Henok Girmay Fitwi, 23, of St. Paul, sentenced to three years probation.

In addition to Bright Falodun, the others convicted in June were Casey Leanne Irwin, 23, of White Bear Lake, sentenced to seven years and four months; Festus Idada Falodun, 24, of Minneapolis, sentenced to five years and four months; Kate Idada Falodun, 22, of St. Paul, sentenced to three years and five months; and Elizabeth Falodun, 22, of St. Paul, sentenced to five years and four months.

Man in financial fraud ring sentenced to more than five years in prison

Margaret Zack

Published Feb. 8, 2003

Star Tribune

The last person in a ring that defrauded banks and credit card companies of more than \$1 million was sentenced Friday in U.S. District Court in Minneapolis.

Judge Ann Montgomery sentenced Stephen I. Falodun, 24, of Minneapolis, to five years and three months in prison.

He was the 11th person to be convicted and sentenced in connection with the ring, which operated mostly by opening fraudulent bank accounts from late 1998 to late 2001.

The man described as the ringleader, Bright I. Falodun, 21, of White Bear Lake, a relative of Stephen Falodun's, was sentenced Thursday to 14 years and seven months in prison.

The offenders: 11 convicted

Published Feb. 7, 2003
Star Tribune

These people have pleaded guilty or been convicted for roles in a conspiracy that defrauded banks and credit card companies of more than \$1 million.

Bright I. Falodun, 21, White Bear Lake, 14 years, seven months.

Faluyi S. Falodun, 25, St. Paul, three years, 10 months.

Casey L. Irwin, 23, White Bear Lake, seven years, three months.

Mijife D. Otiteh, 33, St. Paul, four years, four months.

Stephen I. Falodun, 24, Minneapolis, awaits sentencing

Augustine I. Falodun, 29, Minneapolis, four years, three months.

Festus I. Falodun, 24, Minneapolis, five years, three months.

Lashaun Hilliard, 35, Minneapolis, two years.

Car theft ringleader gets tripled sentence

BY AMY BECKER Pioneer Press

The mastermind of a complex car theft scheme will spend about a decade in prison after a judge tripled the sentence he typically would have served.

Randall David Simmons, 37, will spend about five years after that on supervised release, Judge Thomas Armstrong said Friday in Washington County District Court.

Armstrong tripled the recommendation of state sentencing guidelines to 14 years and three months in recognition of the scope of the crimes, the number of victims, the amount of money involved and Simmons' character.

Simmons, his brother, Gregory Alan Simmons, and several "employees," ran a scam involving counterfeit checks, fake identities and lightning-fast car purchases that cost people, dealerships and insurance companies about \$168,000 from September to December 2000. They wrote more than \$310,000 in checks, which may be prosecuted federally.

Gregory Simmons has pleaded guilty and cases are completed or pending against several others involved.

Armstrong castigated Randall Simmons.

"Your record shows you have used what intelligence you have to criminal purposes all your life," he said. "You made a fool out of a lot of decent, honorable people. You're a loser. You have been all your life."

Armstrong said he could only describe Simmons as "immoral."

Simmons' attorney, Ed Simonet, asked Armstrong to consider the fact his client "has many miles to go with the federal people."

Armstrong dismissed Simmons by saying, "I hope the feds have the time to carry out their prosecution against you."

Tripling the sentence on a white-collar crime is extremely rare, said Doug Johnson, Washington County attorney.

"So often we don't take the white-collar crimes seriously enough. They're getting more and more complicated," Johnson said.

Chris Wachtler, assistant Washington County attorney, credited the **Minnesota Financial Crimes Task Force** with cracking the case, which involved 36 victims and 22 vehicles.

"This is what they can do," he said. "Basically we just prosecuted a federal case at the state level."

Several victims watched the sentencing. Some lost cash outright or have been refused restitution by their insurance companies.

Charles McCurdy of St. Paul wonders if he'll ever recoup \$20,000 he lost by accepting a counterfeit cashier's check.

"From what the judge says, (Simmons) can't live long enough to pay us off for what they make in prison," he said.

Amy Becker, who covers Washington County, can be reached at abecker@pioneerpress.com or (651) 228-5465.

TASK FORCE CONTACT INFORMATION:

OFFICE PHONE: 763-502-7756

OFFICE FAX: 763-502-7758

E-MAIL: cmabbas@netscape.net