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Financial Fraud and Identity Theft Investigation and Prosecution Program

Progress Report on Task Force and Recommendations (RCW 43.330.300)

December 2014
Report to the Legislature
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Washington State Department of Commerce

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Introduction

Overview

The Financial Fraud and Identity Theft Crime Investigation and Prosecution Program (FFIT) brings state, county, and local law enforcement together in 2008 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 requirements for an annual FFIT progress report to the Legislature.

The Washington State Department of Commerce (Commerce) established two regional FFIT task forces consisting of the three largest counties in the state. The Greater Puget Sound FFIT Task Force, which includes King and Pierce counties, and the Spokane County FFIT Task Force are comprised of representatives of local law enforcement; county prosecutors; the state Office of the Attorney General; financial institutions; and other state, local, and federal law enforcement and investigative agencies.

The task forces focus on large, complex, multi-jurisdictional cases involving multiple suspects. Grant funds are directed towards law enforcement investigation and prosecutorial staff dedicated to financial fraud and identity theft cases generated by their investigations. These efforts strengthen interagency cooperation and local capacity to respond to financial fraud and identity theft crimes.

Commerce administers the FFIT program, which is funded entirely through the collections of fees self-imposed by the business community on Uniform Commercial Code (UCC) filings statewide. UCC filings are collected and deposited to the FFIT account by the Washington State Department of Licensing (DOL).

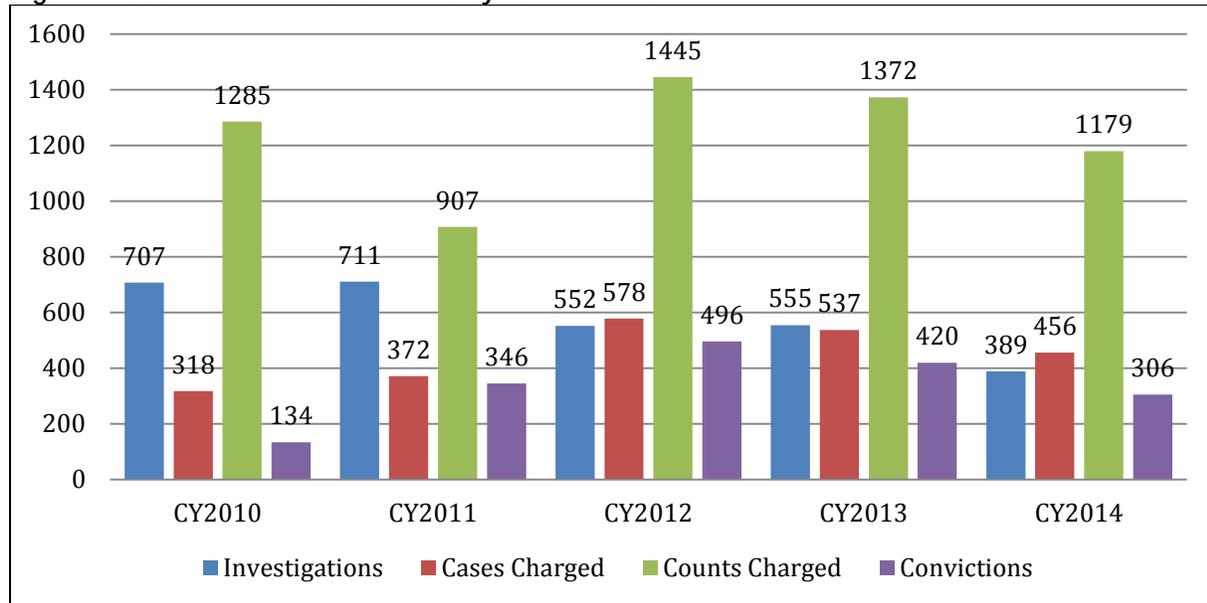
The FFIT program expires on July 1, 2015.

Key Findings

- There were 493 investigations conducted between July 1, 2013 and June 30, 2014, a decrease of 11 percent compared to the previous period.
- The task forces charged 571 cases involving 1,560 counts – 36 more cases than the previous year.
- There were 401 convictions compared to 495 in the previous year, a decrease of 94 (19 percent).

- Task Forces report in calendar year quarters (CY), in line with their fiscal periods. In the four previous years (2010 through 2013), FFIT has conducted 2,525 investigations resulting in 1,405 cases producing 5,009 charges, culminating in 1,396 convictions.

Figure 1: Statewide FFIT Performance by Calendar Year



Source: FFIT Task Force Quarterly Reports

Recommendations

The FFIT Program expires July 1, 2015; therefore, Commerce does not have any recommendations for changes to the program. However, the task forces have provided recommendations.

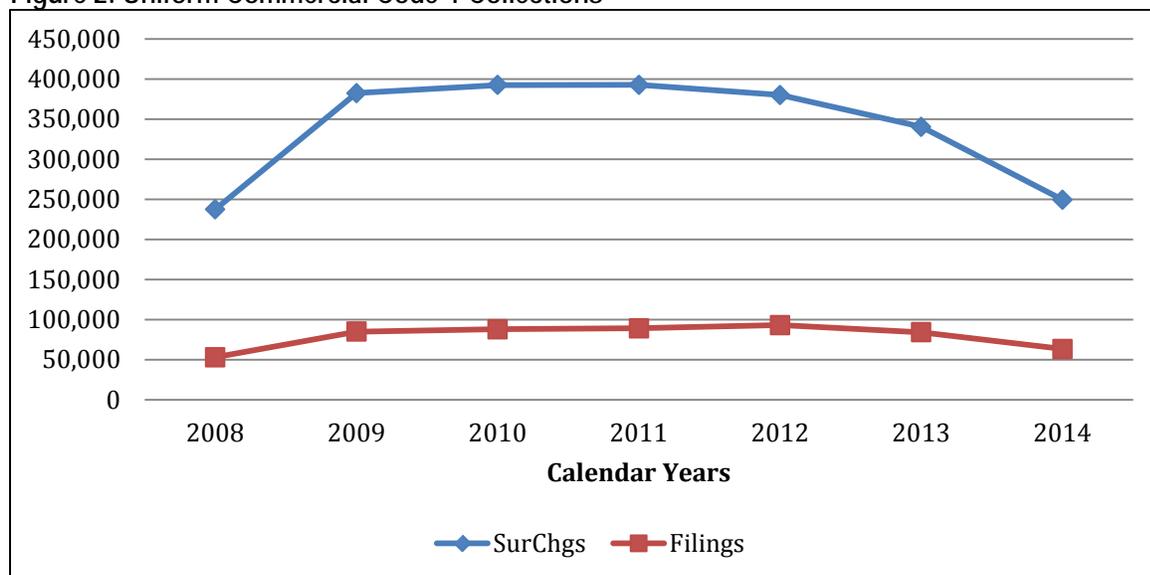
- During 2014, the executive board of the Greater Puget Sound FFIT Task Force found support within the banking community for an extension of the July 2015 sunset date. Both FFIT task forces recommend an extension of the sunset date.
- In 2013, DOL submitted to the Legislature revisions to the Uniform Commercial Code-1 (UCC-1) financing statement, which were subsequently passed into law. Following this modernization of the code, the FFIT task forces discussed with the business community a proposal to increase fees collected by DOL on filings of the UCC-1 record ([RCW 62A.9A-525](#)). The executive boards of both FFIT task forces recommend an increase in the fees charged for UCC-1 records.
- The Greater Puget Sound FFIT Task Force also recommends expanding its task force jurisdiction to include Snohomish County.

Task Force Program Progress

Financial Fraud and Identity Theft Program Surcharge Transfers

Funds are collected by DOL from surcharges on personal and corporate UCC-1 filings. DOL transfers collections monthly to Commerce for exclusive support of the activities of the FFIT program.

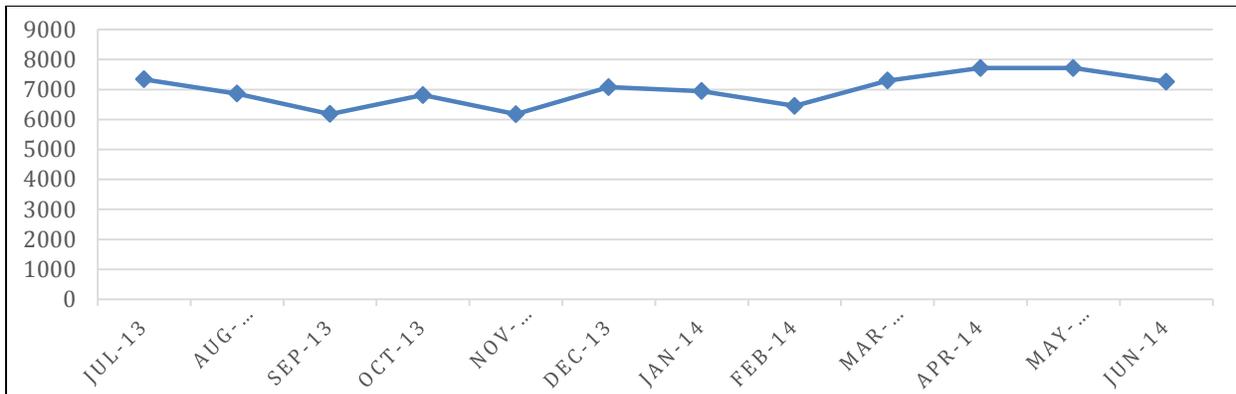
Figure 2: Uniform Commercial Code-1 Collections



Source: DOL Monthly UCC-1 Surcharge Reports

There are three UCC surcharge fees: \$8 for paper filings; \$3 for individual web-based filings, and; \$3 for batch web-based filings. From July 2013 through June 2014, DOL reported 83,827 UCC filings resulting in \$333,761 in surcharge fees that were transferred to Commerce for the FFIT program in State Fiscal Year (SFY) 2014.

Figure 3: Monthly UCC-1 Filings for SFY 2014



Source: Washington State Department of Licensing

Financial Fraud and Identity Theft Task Force Program Performance

The FFIT Program is required to report on activity performance and new methods of cooperation and best practices for criminal investigations that emerge as a direct result of task force operations. Commerce receives both quarterly and semi-annual performance reports from the task forces. These reports detail how the task forces plan and staff investigations, apprehension and prosecution of financial fraud and identity theft crimes, and discussion of new and best practices implemented.

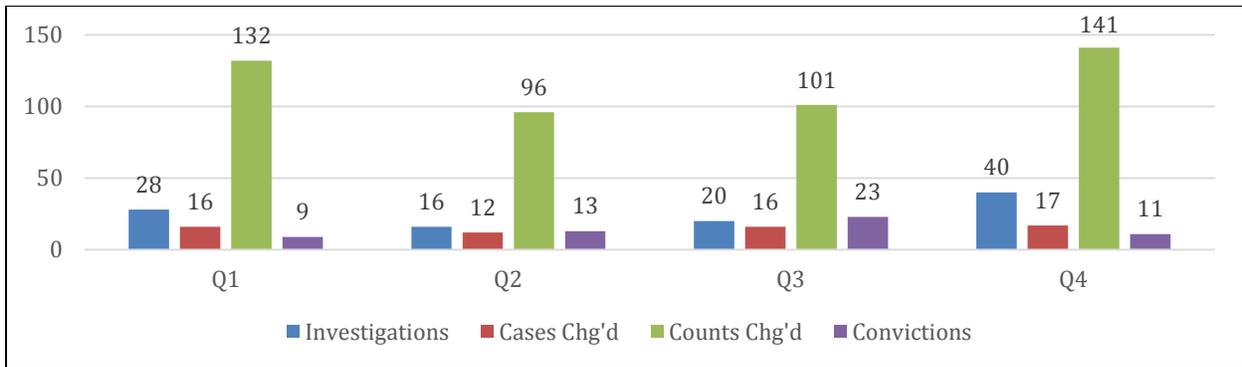
FFIT continues to make inroads in better identifying, arresting and prosecuting individuals and groups engaged in the criminal enterprise of financial fraud and identity theft. Each year, both task forces have incrementally increased the scope of their investigations, going after larger and more complex criminal enterprises. The Greater Puget Sound Task Force has fewer cases investigated with greater impact in the number and nature of criminals prosecuted per case. Spokane continues to increase its case numbers and successful prosecutions.

The two task forces operate in vastly different regions of the state, experiencing a wide variety of financial fraud and identity theft activity in all sectors of the business and financial markets. The following charts and graphs depict quarterly results of the enforcement work done by each task force. In the criminal justice system, law enforcement investigations are half of the process of bringing criminal enterprises to justice. Prosecution and sentencing are the culmination of that process and constitute a measurable outcome for the program.

The statewide target for performance outcomes of the task forces is 92 convictions per quarter. Over the three calendar years since establishing this performance measure in 2011, the FFIT Task Forces have achieved 1,262 convictions for an average of 105 convictions per reported quarter. Since 2010, the average has been 87.3 convictions per quarter

During SFY 2014, the Greater Puget Sound FFIT Task Force conducted 104 investigations, made arrests in 61 cases charged involving 470 counts, and received 56 convictions on cases prosecuted. These activities are compared by quarter in Figure 4.

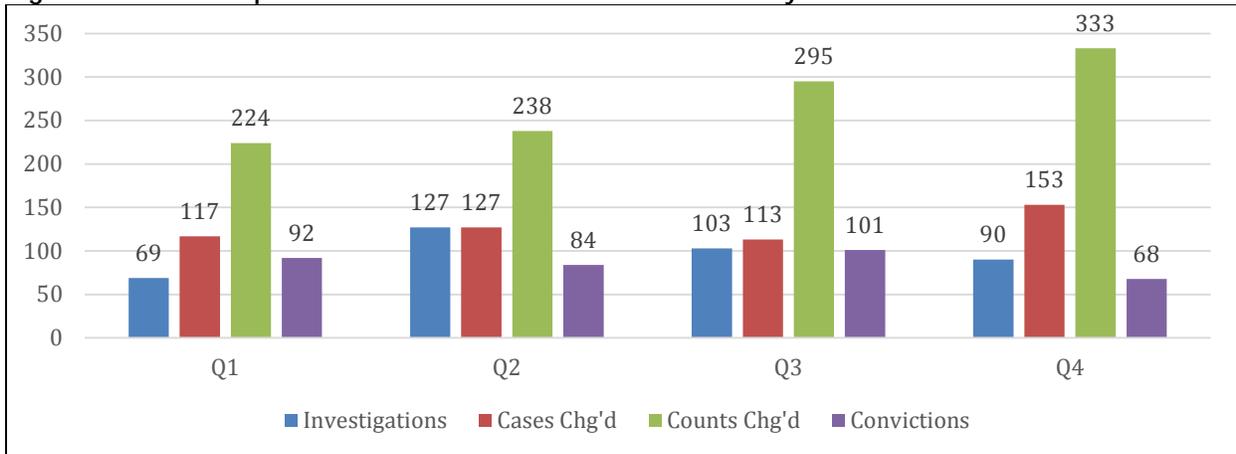
Figure 4: SFY 2014 Greater Puget Sound FFIT Task Force Performance by Quarter



Source: Greater Puget Sound FFIT Task Force Quarterly Reports

In the same contract period, the Spokane County FFIT Task Force conducted 389 investigations, made arrests in 510 cases involving 1,090 counts, and received 345 convictions on cases prosecuted. The quarterly results are shown in Figure 5.

Figure 5: SFY 2014 Spokane Area FFIT Task Force Performance by Quarter



Source: Spokane Area FFIT Task Force Quarterly Reports