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Combating Bank Fraud In Arizona
A Team Approach

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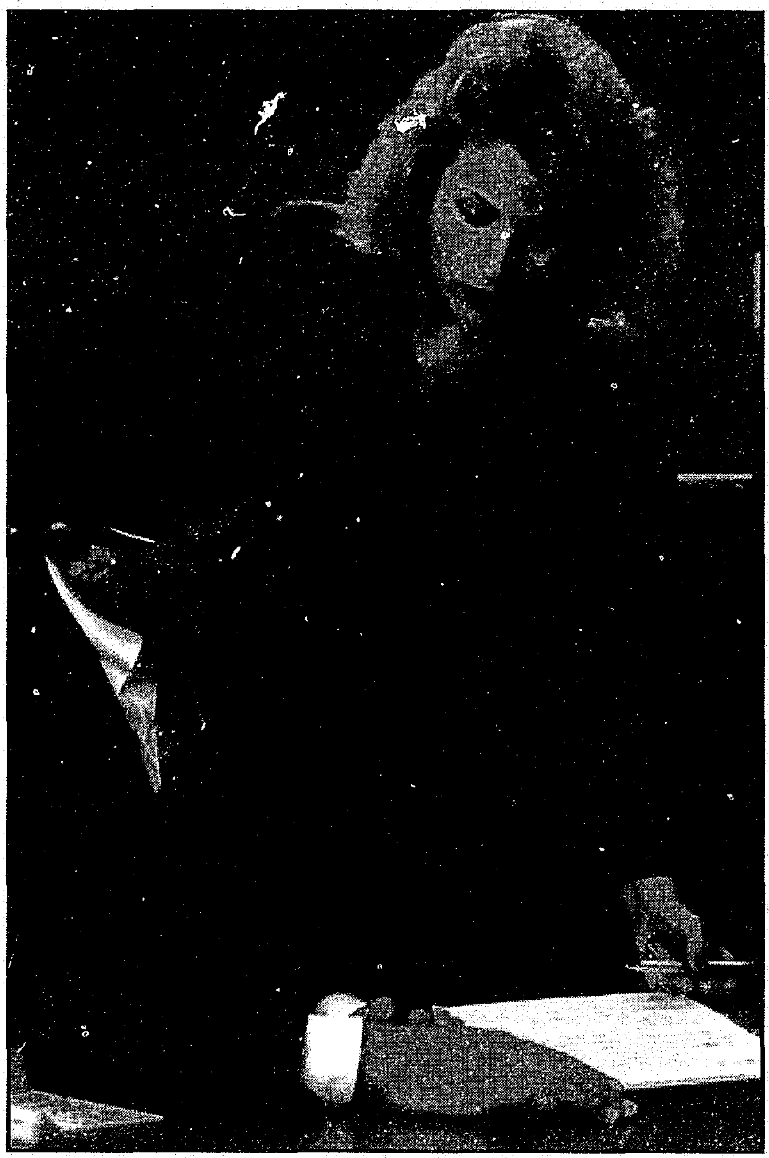
and JAMES G. BLAKE, J.D.



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Consider the following scenario. You have a classic automobile for sale, so you place an advertisement in the newspaper highlighting the car's outstanding characteristics. Several prospective buyers call you immediately after the ad is published. Some of the callers come out to see your vehicle and find that this "dream machine" looks as good as it sounds. A few even make bids to buy it. The offers are in the acceptable range, but fall a bit lower than you had hoped, so you hold out for something better. After all, everything seems to be going your way up to this point.

You advertise the car in the paper for another week. If nothing better is offered, you will accept the best of the original bids. As soon as the ad comes out in the Sunday paper the second time, you receive a call from a very excited prospective buyer. He claims to have been looking for a car like yours all of his life and would like to see the vehicle right away. He makes you promise not to accept any offer until the two of you have met. Bingo! You urge him to hurry over because several other people have expressed interest in buying the car.

Rather than risk losing the chance to buy your car, this prospective buyer instantly makes you an offer over the phone—the best one yet because it meets your asking price. Excited, you accept the offer and arrange the details for the transaction. He will arrive at your home in an hour with a cashier's check, and you will transfer the title and give him the keys.

Precisely 1 hour later, a cab pulls up to your home, and a well-dressed, clean-cut man in his late twenties steps out. You exchange small talk as he examines the vehicle. He can barely contain his excitement at the prospect of owning this car.

He pulls out a First Interstate Bank cashier's check for $19,500 and endorses it over to you. The check looks perfect, just like the cashier's checks you have seen and used in the past. In return, you sign over the title and hand him the keys. The new owner drives off, and you pocket the check for deposit first thing tomorrow morning.

The next day, you deposit the check. Three days later, the bank notifies you that a hold has been placed on your account. Thinking that a cashier's check must be valid, you call the bank only to discover that the check is a nearly perfect counterfeit and, therefore, worthless. You have lost the money, and your car probably has already been cut up for parts or shipped out of the country.

How can law enforcement agencies protect consumers and financial institutions from such deception? In Arizona, several agencies joined forces to crack down on financial institution fraud. The Bank Fraud Task Force (BFTF) can serve as a model for stopping this multimillion dollar criminal enterprise.

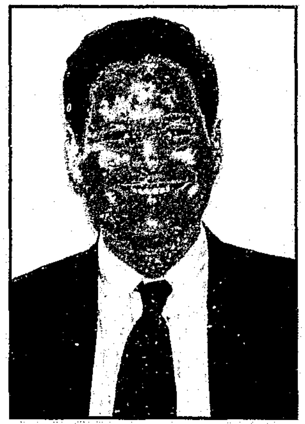
The Pen Is Mightier Than the Sword

Schemes like this one cost financial institutions more each year than bank robberies do. According to statistics prepared by the Arizona Banker's Association, State financial institutions lost approximately $11.5 million in 1991 to internal and external fraud. During the same period, losses due to armed robberies amounted to only about $1 million[1]—less than one-tenth the amount lost to fraud. These figures clearly show that a little finesse can be much more profitable than a lot of fire power.

Financial institution fraud at its most basic level is the passing of bad checks. Banking officials estimate that approximately 1 percent of the 50 billion checks written in the United States each year are returned due to nonsufficient funds (NSF). This figure translates into about 500 million NSF checks annually, or roughly 15 every second.[2]

At its most sophisticated level, financial institution fraud includes embezzlement schemes, commercial bribery, and counterfeiting. The weapons of choice in counterfeiting are personal computers, laser printers, advanced system copiers, and scanners. A scanner can reproduce a document, such as a cashier's check, which can be modified by a computer operator and reprinted on a laser printer. Such counterfeits can be nearly indistinguishable from the originals.

As previously illustrated, a skillful counterfeiter can strike a chosen target and leave town long before the victim discovers the deception. When individual law enforcement agencies investigate fraud cases without conferring with adjoining jurisdictions, criminals have an added advantage. They can move from jurisdiction to jurisdiction, commit similar crimes in each area, and be gone before any single law enforcement agency can catch them.



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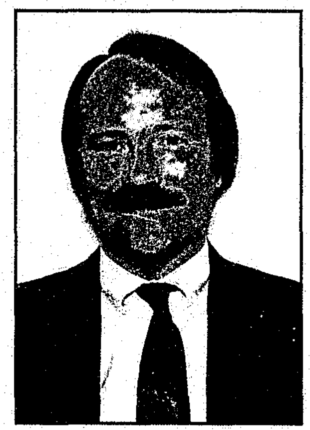

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The Bank Fraud Task Force (BFTF)

On March 2, 1992, the Law Enforcement Coordinating Committee's White-Collar Crime Subcommittee established the Bank

Fraud Task Force in Arizona.[3] Participating agencies include the Phoenix Division of the FBI, the Maricopa County Attorney's Office, the Phoenix, Tempe, Glendale, Mesa, and Scottsdale Police Departments, the Arizona Attorney General's Office, and the U.S. Attorney's Office for the District of Arizona.

The task force represents a multijurisdictional group of investigators and prosecutors that addresses the problems of bank fraud occurring primarily in Maricopa County.[4] The task force promotes communication and cooperation between law enforcement agencies and financial institutions in the area. In the past, overlapping geographical and investigative jurisdictions made the process for reporting suspected fraudulent activity quite confusing. Now, financial institutions only need to alert one investigative agency—the BFTF—of suspected criminal activity.

Perhaps the most unique and important feature of the BFTF structure is that no additional investigative resources have been expended as compared with pre-BFTF investigations. Rather, the *same* investigators who worked these cases in their respective agencies have joined together in a team approach. This more effective approach has increased the quality of investigations, as well as the total number of indictments and convictions.

Some of the task force members—prosecutors as well as investigators—devote all of their time to bank fraud cases. Others, however, have additional responsibilities within their respective agencies due to a lower volume of bank fraud matters in their jurisdictions.

The BFTF System

Federal law requires banks to report any fraud loss over $1,000 and every internal theft regardless of the loss amount. The BFTF receives criminal referral forms directly from financial institutions statewide. These referrals alert law enforcement agencies of suspected criminal activity involving federally insured institutions.

> ***"The task force promotes communication and cooperation between law enforcement agencies and financial institutions in the area."***

The financial analyst permanently assigned to the BFTF conducts an initial examination of all referrals for completeness, predication, and supporting documentation. Referrals are opened and assigned to a task force investigator if the loss exceeds $2,000 and the financial institution provides enough supporting documentation to conduct a subject interview.[5] State and local investigators receive case assignments according to geographical jurisdictions, while FBI investigators work BFTF matters in all jurisdictions.

Information on each opened referral is maintained in a database and updated at each stage of the investigation and subsequent prosecution. The database includes the subjects' names, the names and locations of the victim financial institutions, the amount of each loss, and the type of loss, such as forgery, counterfeiting, mysterious disappearance, etc.

The task force publishes this data in a monthly report and distributes it to members of the Arizona Banker's Association and to police investigators and prosecutors on the BFTF. Any other law enforcement or financial agency that wishes to review the reports can request to receive them.

The amount of the loss affects the way investigators conduct their investigations. If the bank loss is more than $2,000 but less than $25,000, the investigator immediately attempts to locate and interview the suspect regarding the allegations made in the referral. If the investigator obtains a confession that corroborates the allegations, then the case is submitted for prosecution without further investigation.

The task force has found that this fast-track approach effectively handles a large volume of cases involving smaller dollar amounts in a short period of time. In these confession cases, if the defendant does not enter a guilty plea within a reasonable time period or if the case goes to trial, the BFTF investigators and financial institutions provide prosecutors with additional investigative resources.

Sometimes, of course, suspects do not confess their crimes. In these cases, investigators conduct more extensive investigations using traditional techniques, such as fingerprint analysis, witness interviews, and handwriting analysis.

The procedure for handling cases involving losses to the financial institution in excess of $25,000 varies slightly. Investigators still attempt to locate the suspect immediately for an interview with the goal of obtaining a corroborative confession. However, even if a confession is obtained, the investigator may use expanded investigative and laboratory techniques—including latent fingerprint analysis, handwriting analysis, and additional witness interviews—prior to submitting the case for prosecution. Investigators base their decisions to use these techniques on the complexity of the case and the prosecutor's directions.

The lead prosecutor for each case depends on geographical jurisdiction, dollar loss, and availability. The county handles cases involving internal or external fraud with losses between $2,000 and $25,000. The U.S. attorney's office prosecutes cases involving internal fraud with losses between $25,000 and $300,000, while external fraud cases of the same or greater magnitude are filed with the county or Federal prosecutor, depending on who can handle the prosecution more expeditiously.[6]

Results

Since its inception, the task force has investigated cases ranging from NSF checks to the counterfeiting of corporate and cashier's checks. The BFTF also has investigated and prosecuted a number of special cases. For example, a commercial bribery case involved a bank official who solicited a $42,000 bribe from a contractor. Unfortunately for the banker, the bribe attempt was recorded on camera.

In a 24-month period, the BFTF investigated 714 referrals from financial institutions involving losses of more than $6.8 million and resulting in 164 convictions. The courts ordered restitution exceeding $3 million due to the BFTF's efforts, and task force investigators prevented the economic loss of approximately $1 million.

Conclusion

Prior to the formation of the Bank Fraud Task Force, financial institutions had to present their cases to several different local law enforcement agencies. Overlapping jurisdictions and disparate investigations led to confusion and delay—two elements that clever criminals used to their advantage. By the time a local law enforcement agency received a crime report, the criminals had moved to another jurisdiction to pull the same scam.

With the coordinated efforts of participating agencies, the BFTF can get on the culprit's trail while it is still hot. Criminals no longer can use multiple jurisdictions to avoid detection. Instead of fraud cases' being reported to many different police agencies, one task force handles them all.

The previously presented case history clearly illustrates the

Bank Fraud Task Force
Summary Sheet
3/2/92-3/31/94

Referrals Investigated	714
Subjects Indicted	264
Subjects Convicted	164
Subjects Awaiting Disposition	100
Total Jail Time, All Subjects (months)	1,841
Dollar Loss Investigated	$6,883,435
Court Ordered Restitution	$3,175,016
Potential Economic Loss Prevented	$ 827,922
Total Restitution and Loss Prevented	$4,002,938

BFTF's effectiveness. The fraudulent car buyer did not get away. Instead, the case went immediately to the BFTF. It was handled by a BFTF investigator and successfully prosecuted by a BFTF attorney. Crime did not pay, and the "car buyer" is currently serving a lengthy prison sentence due to the efforts of the Bank Fraud Task Force.✦

Endnotes

[1] Arizona Fraud Loss Statistics for 1/1-12/31/91, prepared by the Arizona Bankers Association (Revised April 29, 1992).

[2] Vinse J. Gilliam, "Taking the Bounce Out of Bad Checks," *FBI Law Enforcement Bulletin*, October 1991.

[3] The Law Enforcement Coordinating Committee (LECC), established by the U.S. Department of Justice, serves as a forum for command personnel from all jurisdictions within a State to discuss crime patterns and common problems and to devise techniques for combatting these problems.

[4] *Annual Report on the Bank Fraud Task Force*, Law Enforcement Coordinating Committee, White-Collar Crime Subcommittee, July 22, 1993.

[5] J. Miles Gooderham, "Bank Fraud Task Force Operational Guidelines" (unpublished internal document), March 2, 1994.

[6] Supra note 4.

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Length: 1,000 to 3,000 words or 5 to 12 pages double-spaced.

Format: All manuscripts should be double-spaced and typed on 8 1/2- by 11-inch white paper. All pages should be numbered, and three copies should be submitted for review purposes.

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Basis For Judging Manuscripts: Manuscripts are judged on the following points: Factual accuracy, style and ease of reading, structure and logical flow, length, relevance to audience, and analysis of information. Favorable consideration generally will not be given to an article that has been published previously or that is being considered for publication by another magazine. Articles that are used to advertise a product or a service will be rejected.

Query Letters: The editor suggests that authors submit a detailed one- to two-page outline before writing an article. This is intended to help authors but does not guarantee publication of the article.

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