Payments fraud no longer just a white collar crime

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Definition: white collar crime - a crime committed by a person of respectability and high social status in the course of his occupation. — Edwin Sutherland, 1949

I recently ran across a news article that was a shocking reminder of the widening criminal network involved in payments fraud. On May 13, the district attorney in San Diego announced the arrest of 60 people on felony charges in connection with an elaborate bank fraud scheme. It was the culmination of a 10-month-long investigation of a $500,000 check cashing scam at Navy Federal Credit Union. Not an unusual story until I read who masterminded the scheme—a San Diego street gang.

According to the press release, this was the first time a violent street gang was targeted for its involvement in complex bank fraud in California. The gang members worked in cooperation with existing account holders to deposit counterfeit checks into their accounts and then withdraw the cash before the credit union could determine the check was fraudulent. In return, the account holder would receive a commission of up to several hundred dollars on checks ranging from several thousand to tens of thousands. The District Attorney concluded that the size, scope, and sophistication of the operation indicated that the criminal street gangs in San Diego are expanding their criminal enterprise into white collar crime.

A similar case of check fraud and gang activity occurred in Phoenix last year. "Operation Blank Check" was a year-long investigation that uncovered a check fraud scheme totaling nearly $3 million. Postal inspectors initially contacted the Phoenix Police Gang Enforcement Unit about gang members being involved in mail theft and fraudulent schemes. Further investigation revealed that the suspects had been involved in violent gang activity and transitioned to white collar crime. A broad partnership of local, state and federal law enforcement agencies worked on the case and was able to arrest more than 100 individuals, 77 of whom were "hard core gang members" representing 22 local gangs.

There have also been several cases of identity theft involving street gangs in recent years. An April 2007 report by the President's Identity Theft Task Force noted that law enforcement agencies across the country have observed a steady increase in the involvement of groups and organizations of repeat offenders or career criminals in identity theft. Some of these groups are formally organized and well-known to law enforcement because of their longstanding involvement in other major crimes, such as drug trafficking. Others may be more loosely organized but are able to connect and coordinate their activities through the internet.

The comparative ease of committing financial crimes has made it more appealing to street gangs as a way to support other criminal activities. The investigators in the Navy federal case speculated that the gang members used the half-million dollars to help fund illegal gang activities and pay for a lavish lifestyle.
**Multiagency collaboration key to combating fraud**

The key to apprehending the defendants in this case was a coordinated operation involving the U.S. Secret Service, San Diego Regional Fraud Task Force, San Diego Police Department Gang Detectives, San Diego District Attorney Investigators, U.S. Postal Inspection Service, Naval Criminal Investigative Service, Navy Federal Credit Union, and the California attorney general's office.

Each agency played a significant role in the investigation that was initiated when the Naval Credit Union investigators noticed suspicious activity in 2005 and reported it to the Secret Service. For example, the San Diego Police gang detectives helped to identify and interview the suspects. The U.S. Postal Inspection Service helped locate suspects and investigate the counterfeit checks. The San Diego Regional Fraud Task Force, district attorney's office, and attorney general's office became involved due to their experience handling complex fraud investigations.

This case is just one example of the importance of cooperation between local, state, and federal law enforcement in effectively combating payments fraud. By forming interagency task forces that allow for expertise and intelligence sharing, law enforcement can be in a better position to prosecute and, hopefully, deter fraudsters.

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