

# Financial Fraud and Identity Theft Investigation and Prosecution Program



Annual report on performance and recommendations pursuant to [RCW 43.330.300\(1\)\(c\)](#)

**OFFICE OF FIREARM SAFETY  
AND VIOLENCE PREVENTION /  
COMMUNITY SAFETY UNIT**

February 2023

Report to the Legislature

**Kendrick Stewart, Interim Director**

# Acknowledgments

## **Washington State Department of Commerce**

Diane Klontz, Deputy Director of Division and Program Alignment

Jasmine Vasavada, Legislative and Policy Director

Kate Kelly, Executive Director, Office of Firearm Safety and Violence Prevention/Community Safety Unit

## **Greater Puget Sound Financial Fraud and Identity Theft Task Force**

Mitch Mondala, Task Force Co-Chair, Boeing Employees Credit Union

Patrick Hinds, Task Force Co-Chair, Senior Deputy Prosecuting Attorney, King County Prosecutor's Office

## **Spokane County Financial Fraud and Identity Theft Task Force**

Inspector John Nowels, Task Force Chair, Spokane County Sheriff's Office

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## **Washington State Department of Commerce**

Kate Kelly

[Kate.kelly@commerce.wa.gov](mailto:Kate.kelly@commerce.wa.gov)

Phone: 360-628-6846

OFFICE OF FIREARM SAFETY AND VIOLENCE  
PREVENTION/COMMUNITY SAFETY UNIT

1011 Plum St. SE  
P.O. Box 42525  
Olympia, WA 98504-2525

[www.commerce.wa.gov](http://www.commerce.wa.gov)

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# Executive summary

## Overview

The Legislature created the Financial Fraud and Identity Theft Crime Investigation and Prosecution Program (FFIT) in 2008 in the Department of Commerce (Commerce). The program strengthens cooperation between law enforcement and financial industry investigators and increases the capacity to respond to financial fraud and identity theft crimes. This report meets the statutory requirements in [RCW 43.330.300\(1\)\(c\)](#):

By December 31st of each year submit a report to the appropriate committees of the legislature and the governor regarding the progress of the program and task forces. The report must include information regarding the use of funds and funding needs to facilitate a biennial review of the program's funding. The report must also include recommendations on changes to the program, including expansion.

Financial fraud and identity theft crimes are defined in [RCW 43.330.300\(4\)](#) 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."

Commerce supports two regional FFIT task forces comprising the state's four largest counties: the Greater Puget Sound Task Force, including King, Snohomish and Pierce counties, and the Spokane County Task Force. The task forces include representatives from the Attorney General's office, county prosecutors, law enforcement agencies and financial institutions.

Both task forces direct grant funds to law enforcement investigations, forensic analysis and prosecutorial staff dedicated to cases generated by the investigations. Fees on Uniform Commercial Code-1 (UCC-1) filings fund the FFIT program. The Department of Licensing collects and deposits the UCC-1 fee payments into a dedicated FFIT account.

## Key findings

### State fiscal year 2022 (July 1, 2021 - June 30, 2022)

- 1,142 investigations were conducted (1,334 fewer than the previous fiscal year)
- 281 cases charged (304 fewer than the previous fiscal year)
- 665 counts charged (1,102 fewer than the previous fiscal year)
- 375 convictions (54 fewer than the previous fiscal year)
- Task forces are identifying and prosecuting significantly more sophisticated multi-person criminal organizations spanning multiple jurisdictions

### Cumulative findings in fiscal years 2011-2022

The FFIT task forces report performance quarterly to Commerce. In the years of active investigatory work (2011 through 2022), the task forces have:

- Conducted 13,199 investigations
- Charged 6,212 cases
- Charged 18,662 counts
- Obtained 5,866 convictions

# Statewide trends

## State-level data on identity theft and fraud

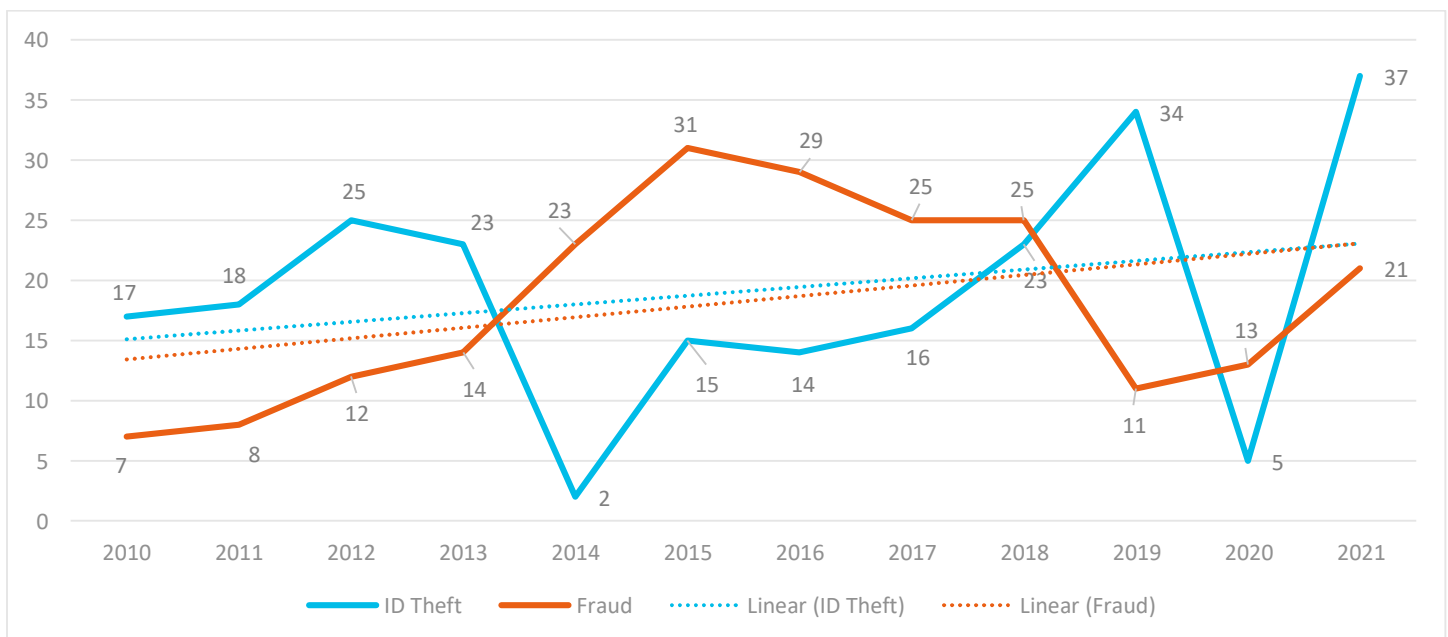
The Washington Association of Sheriffs and Police Chiefs 2021 Crime in Washington report indicated that in 2021 there were 24,561 fraud offenses reported throughout the state.<sup>1</sup> Identity Theft and Swindle/Con Games totaled 14,321, or 58.3% of all financial crimes in Washington.

## Where Washington fits among national trends

According to the Federal Trade Commission's Consumer Sentinel Network 2021 Data Report,<sup>2</sup> there were 5.7 million cases of reported financial fraud. Identity theft cases totaled 1.43 million cases. Imposter scams accounted for over 984,000 cases, costing \$2.33 million. Washington ranks 37th with 170 identity theft reports per 100,000 people, meaning 36 states had more reports per 100,000 people. Total identity theft cases in Washington totaled 12,917, with an estimated total loss of \$135.7 million for the state. A typical fraud case in Washington resulted in a loss of \$500 per case.

Figure 1 charts Washington's ranking from 2010 to 2020 among states by reported identity theft and fraud crimes with trend lines. A lower ranking indicates a higher reported crime rate (50 would be the best-ranked state, and 1 would be the worst). Although Washington's rankings have fluctuated significantly over 10 years, Washington's rankings improved dramatically from 2020 to 2021, especially for reported identity theft.

**Figure 1: Washington's state ranking, ID theft and fraud - 2010 to 2020**



Source: Federal Trade Commission, Consumer Sentinel Network Data Books, 2010-2021, <https://www.ftc.gov/enforcement/consumer-sentinel-network/reports>

<sup>1</sup> Washington Association of Sheriffs & Police Chiefs, "Crime in Washington 2021 Annual Report," <https://www.waspc.org/crime-statistics-reports>

<sup>2</sup> Federal Trade Commission, "Consumer Sentinel Network 2021 Data Report," <https://www.ftc.gov/reports/consumer-sentinel-network-data-book-2021>

Other data points include:

- Younger people reported losing money to fraud more often than older people. Those aged 20-29 reported losing money in 41% of reports to the FTC. When people aged 70+ have a loss, the median loss was much higher, from \$500 to \$1,500.
- Government documents or benefits fraud tops the list of identity theft-type crimes. The FTC reported receiving 395K reports from people who said their information was used to obtain government benefits.
- Military consumers reported over 110K fraud complaints, including 449K imposter scams that cost them over \$103 million in losses.
- Identity theft, imposter scams, and stolen data from credit bureaus are the top three types of financial fraud. Washington ranks 3rd in imposter scams with 8,372 reported cases and a loss of \$1.1 million.

# Program revenue and funding allocation

The state's FFIT task forces direct grant funds to law enforcement investigations, forensic analysis and prosecutorial staff dedicated to financial fraud and identity theft cases.

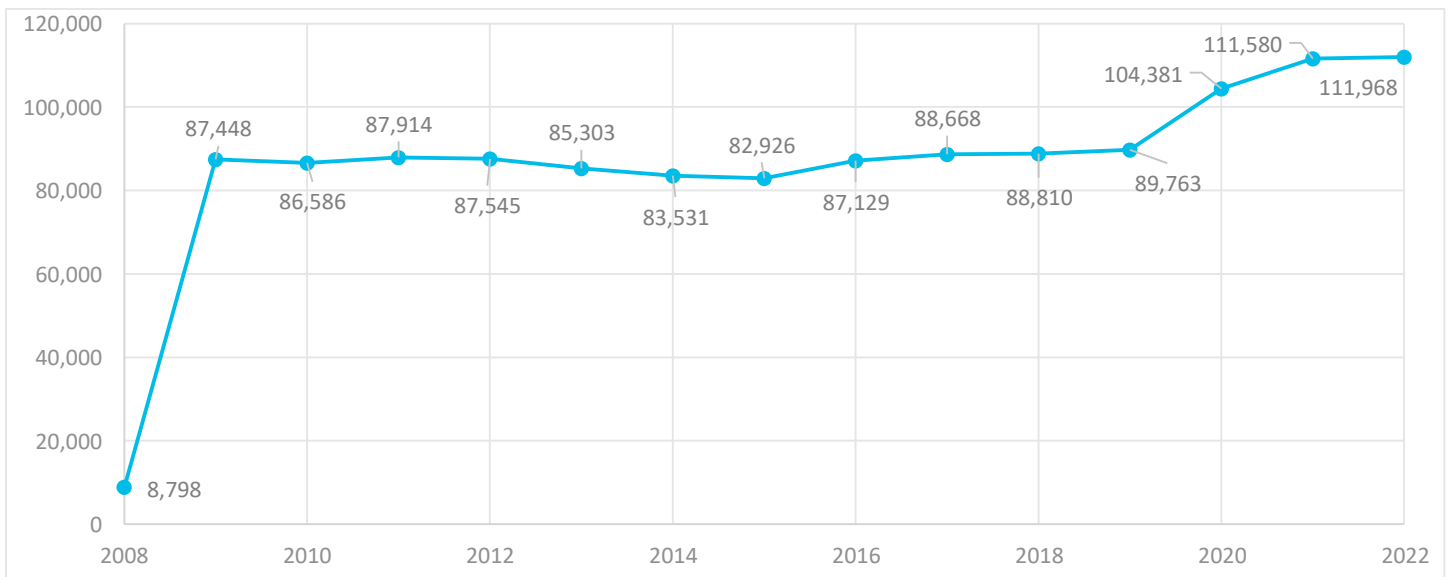
Fees on Uniform Commercial Code Financing Statement filings, also known as UCC-1 filings, fund the FFIT program. The Department of Licensing collects the fees as surcharges on personal and corporate UCC-1 filings.<sup>3</sup> Collected funds are transferred to Commerce monthly for the exclusive support of the activities of the FFIT program.

## History of UCC-1 fee collection

Fees collection began when the FFIT program was created in 2008. After accumulating fees for a year, the task forces spent two years organizing, hiring and training staff before becoming operational. The three-year ramp-up period explains why investigation and prosecution data began in 2011 while revenue collection began in 2008.

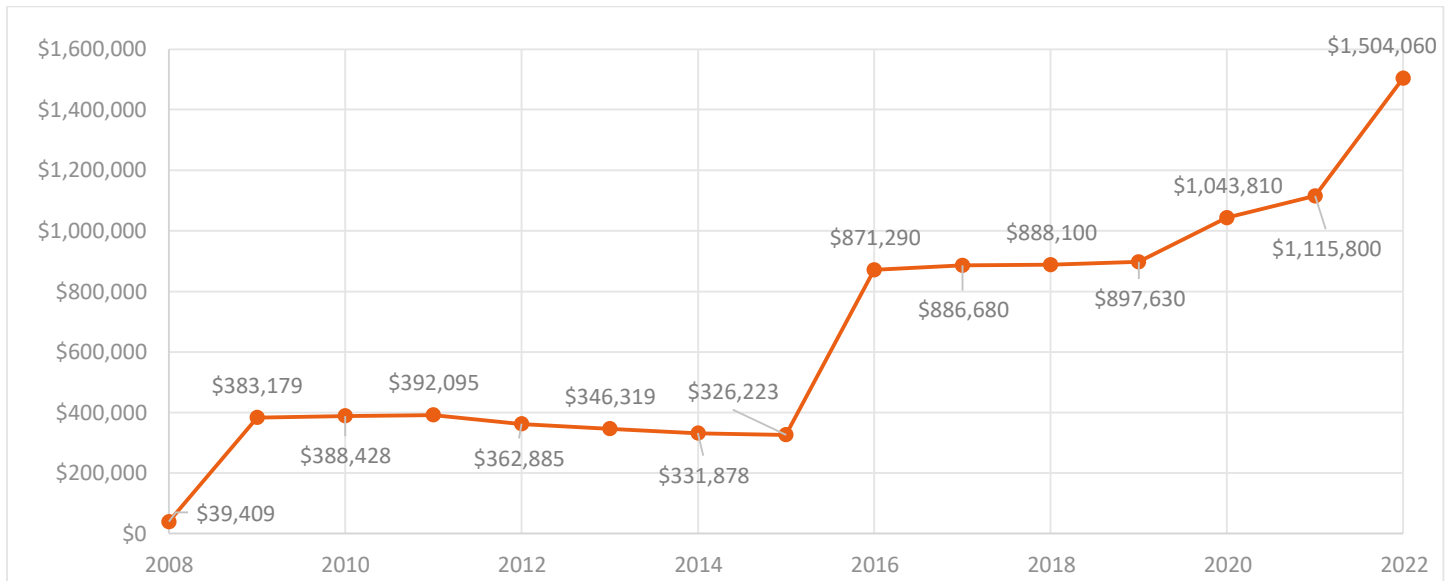
When the Legislature reauthorized the FFIT Program in 2015, UCC-1 fees were raised to \$10. When the program was reauthorized again in 2020, UCC-1 fees were increased to \$15, beginning July 1, 2021. Collections from the new \$15 surcharge started in November 2021. The chart below explains the filings and UCC Revenue collected from 2008-2022. For SFY 22, the state reported 111,968 filings and collected \$1.5 million in UCC fees to support the FFIT Program.

**Figure 2: Uniform Commercial Code-1 filings, SFY 2008 - 2022**



<sup>3</sup> Washington State Department of Licensing, "Paper filing and search fees: UCC," <https://www.dol.wa.gov/business/UCC/uccpaperfees.html>

**Figure 3: Uniform Commercial Code-1 revenue, SFY 2008 - 2022**

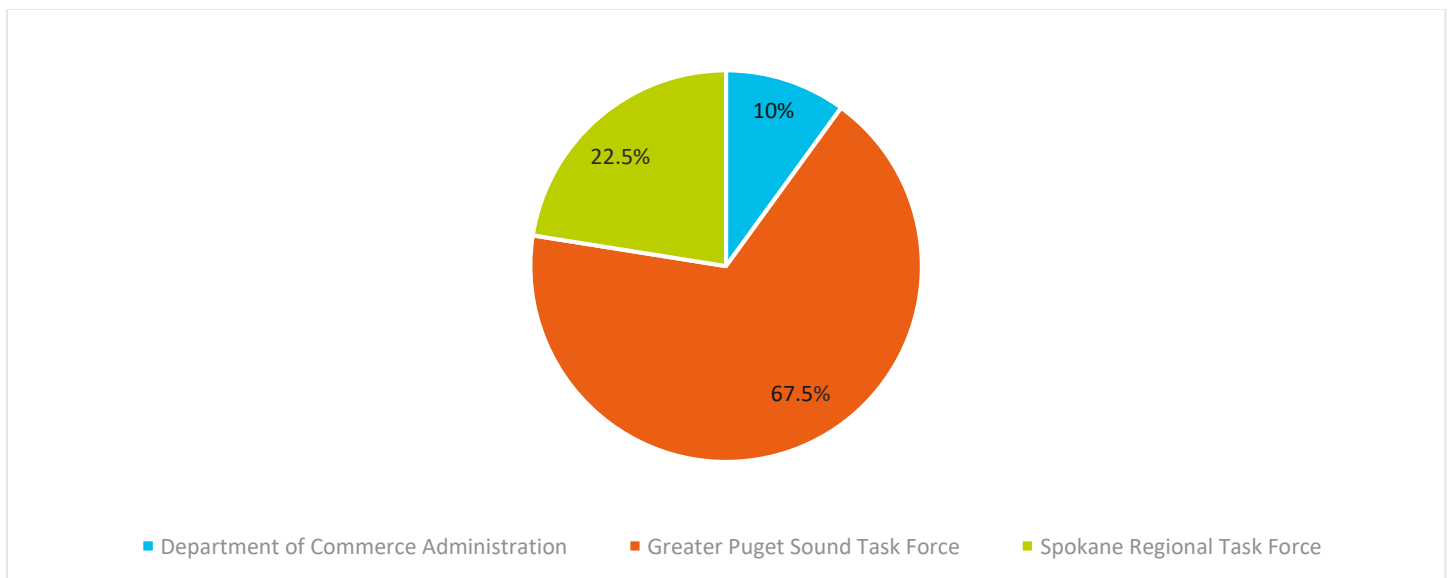


Source: Washington State Department of Licensing Monthly UCC-1 Surcharge Reports

## Program revenue allocation

Commerce retains 10% of FFIT program revenue for administration. The remaining funding is divided between the task forces in a manner agreed upon by the program partners and Commerce. The Greater Puget Sound Task Force includes three counties (King, Pierce and Snohomish). The Spokane County Task Force includes only Spokane County, resulting in a 3-to-1 ratio between the two task forces. After the 10% for administration, 67.5% of program funding is allocated to the Greater Puget Sound Task Force, and 22.5% is allocated to the Spokane County Task Force. Figure 3 shows the allocation of the total funding.

**Figure 4: Program revenue allocation**



Source: Department of Commerce



# Task force goals and performance

The FFIT task forces submit quarterly performance reports to Commerce and follow up with two semi-annual narrative reports of ongoing operational successes and accomplishments. These reports describe the planning and staffing of investigations, apprehension of suspects, prosecution of financial fraud and identity theft crimes, and new and best practices.

## Statewide performance goals

Statewide, the performance goal of the task forces is to achieve 92 convictions per quarter. Since establishing this performance measure in 2011, the task forces have achieved an average of 125 convictions each quarter over 48 quarters, with 5,866 individuals convicted.

This data shows the task forces are far exceeding their original goal.

## Task force performance

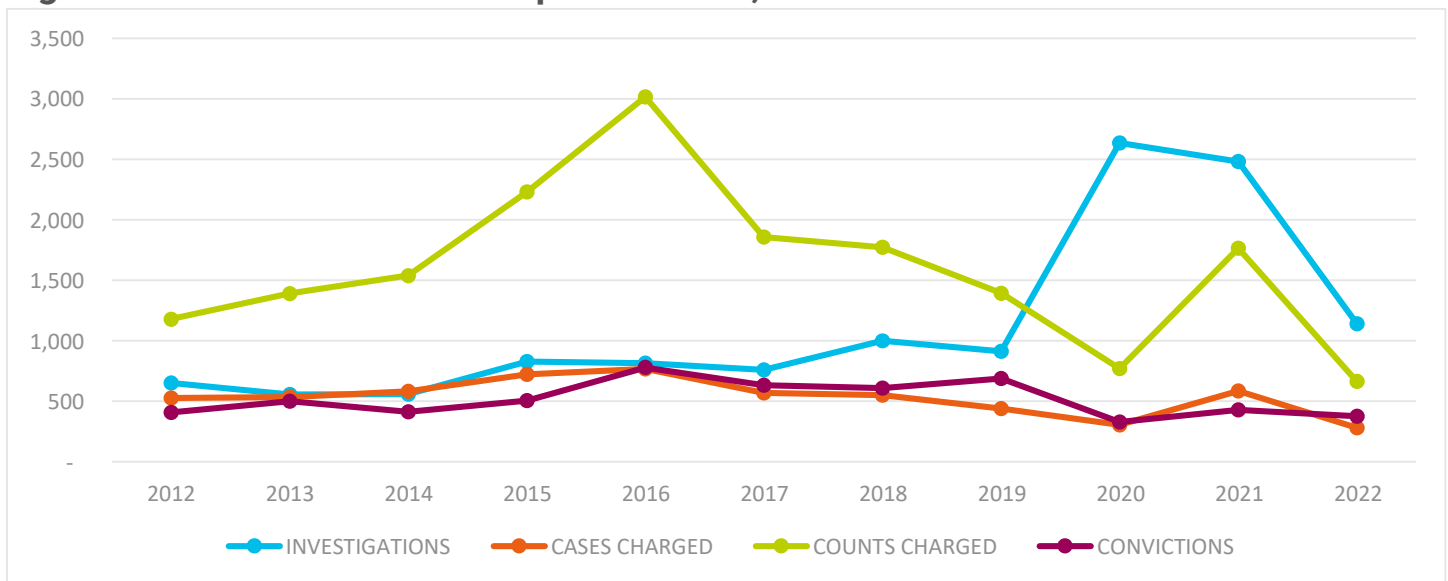
The FFIT task forces continue to improve in identifying, arresting and prosecuting individuals and groups engaged in the criminal enterprise of financial fraud and identity theft. Each year, both task forces have incrementally increased the scope of their investigations, pursuing larger and more complex criminal enterprises.

In fiscal year 2022, the FFIT task forces produced a combined:

- 1,142 investigations
- 281 cases charged

Combined task force performance from state fiscal year 2011 through 2022 is presented in Figure 4. Data for the two task forces are shown separately in Figures 5 and 6.

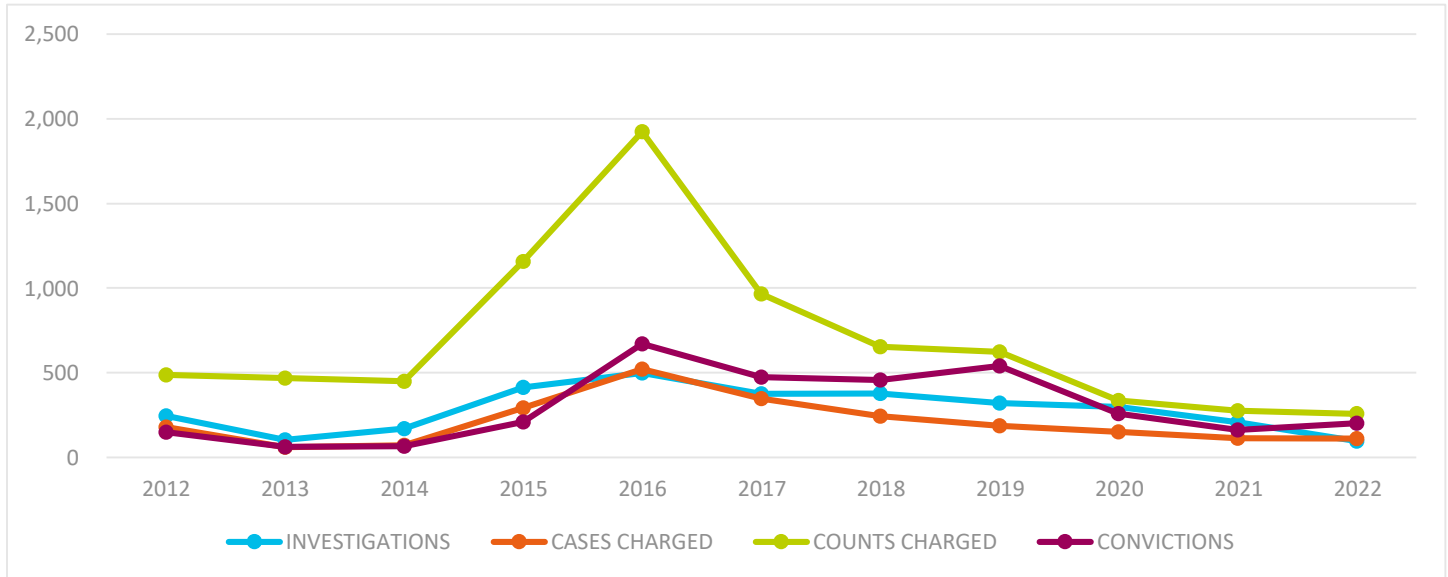
**Figure 5: Statewide Task Force performance, SFY 2011-2022**



Source: FFIT Task Force Quarterly Reports

During state fiscal year 2022, the Greater Puget Sound Task Force conducted 97 investigations, prosecuted 111 cases involving 258 counts, and obtained 202 convictions. Pierce and Snohomish County do not report investigation numbers as they do not have dedicated investigators assigned to the task force. Pierce and Snohomish County only report when the prosecutor's office charges cases. Due to COVID-19, court operations continue to be impacted, resulting in fewer cases processed through the court.

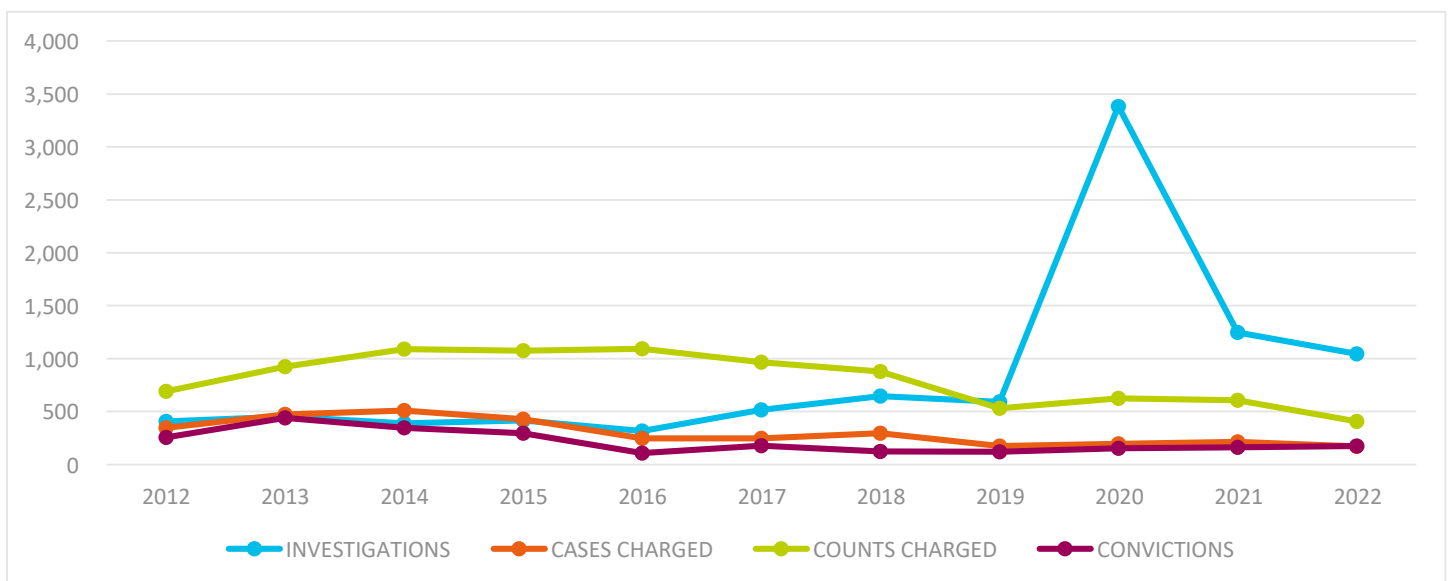
**Figure 5: Greater Puget Sound Task Force performance, SFY 2011 – 2022**



Source: Greater Puget Sound Task Force Quarterly Reports

During state fiscal year 2022, the Spokane County Task Force conducted 1,045 investigations, prosecuted 170 cases involving 407 counts and obtained 173 convictions.

**Figure 6: Spokane County FFIT Task Force performance by SFY 2011-2022**



Source: Spokane County FFIT Task Force Quarterly Reports

## Note on change in data collection for counts changed

In 2017, prosecutors began reporting all counts-charged data. Previously, law enforcement reported some of the counts-charged data. Since prosecutors do not always prosecute every charge identified by law enforcement, this change results in more accurate data beginning in state fiscal year 2017. It also accounts for the reduced number of counts charged for both task forces in 2017 (Figures 5 and 6).

## Recommendations

FFIT task forces developed the following recommendations to strengthen law enforcement and criminal justice response to financial fraud and identity theft crimes.

### Elevate non-financially motivated identity theft to a first-degree charge

The FFIT task forces recommend a first-degree charge for identity theft motivated by the intent to avoid apprehension by law enforcement. Currently, this crime is charged as Identity Theft in the Second Degree under [RCW 9.35.020](#). An increased penalty for this charge should deter individuals from using stolen identities to avoid arrest for other, more serious crimes.

A suspect will sometimes give an identity theft victim's name to police to avoid arrest. Unless law enforcement books the suspect into jail where fingerprints can confirm identity, the victim – rather than the suspect – may receive a criminal citation. This deception could result in an arrest warrant, creating a criminal history for the victim of identity theft. However, so long as the "loss" is less than \$1,500, only a charge of Identity Theft in the Second Degree under [RCW 9.35.020](#) is currently allowable against the suspect for this type of crime.

### Create penalty enhancements when a victim is a vulnerable individual

The task forces recommend the Legislature create penalty enhancements that may be added for financial fraud and identity theft crimes when the victim is a senior or vulnerable individual.

### Base the financial threshold for first-degree identity theft on the amount the suspect attempted to obtain

The task forces recommend the Legislature change the financial threshold for Identity Theft in the First Degree. The current threshold is "credit, money, goods, services, or anything else of value over \$1,500 obtained from identity theft [[RCW 9.35.020\(2\)](#)]." The task forces recommend changing the first-degree charge to be based on what the defendant attempted to obtain by misusing the victim's identity rather than what they obtained.

Currently, a defendant who uses a stolen identity to attempt an unsuccessful high-dollar value crime can only be charged with Identity Theft in the Second Degree. Basing the level of identity theft on the amount the defendant attempted to obtain rather than on the amount the defendant obtained avoids rewarding suspects who use stolen identities to attempt to commit the most serious crimes and are unsuccessful only because they are caught or because their plans otherwise fail.

### Make possession of a skimming device a felony

The task forces recommend making possession of a skimming device with criminal intent to commit identity theft a felony under [RCW 9.35.020](#). This statutory change will strengthen prosecutorial tools in all jurisdictions in Washington. Increasingly, skimming is a problem in identity theft cases. Skimming devices allow people to obtain financial and personal information directly from credit and debit card magnetic stripes. There are legitimate reasons to use skimmers, such as when small businesses use such devices on mobile phones to sell goods and services. However, identity thieves use skimming devices and card re-encoders to retrieve an

individual's financial information to make counterfeit credit cards. Currently, the only charge available for possessing a skimmer with intent to commit a crime is Attempted Identity Theft in the Second Degree, a gross misdemeanor. The task forces believe this is an inadequate charge for such a sophisticated crime.

## Appendix A: Task force members

**Table 1: Greater Puget Sound FFIT Task Force members**

Entity	Representative
King County Prosecuting Attorney's Office	Patrick Hinds, Senior Deputy Prosecuting Attorney, GPS-FFIT Executive Board Co-Chair, Grantee Representative
King County Prosecuting Attorney's Office	Margo Marin, Deputy Prosecuting Attorney
Boeing Employees Credit Union	Mitch Mondala, BECU Security - Financial Crimes Unit, GPS-FFIT Executive Board Co-Chair
Redmond Police Department	Martin Fuller, Lieutenant
Redmond Police Department	Nicole Perry, Analyst
Pierce County Sheriff's Office	Doug Shook, Sergeant
Pierce County Sheriff's Office	Bill Foster, Detective
Pierce County Prosecuting Attorney's Office	Brook Burbank, Deputy Prosecuting Attorney/Assistant Chief Criminal Deputy
Pierce County Prosecuting Attorney's Office	Matt Thomas, Deputy Prosecuting Attorney
Columbia Bank	John Fick, Vice President/Fraud Investigations Unit Manager
Snohomish County Prosecutor's Office	Michael Held, Deputy Prosecuting Attorney/Chief of Staff
Snohomish County Prosecutor's Office	Hall Hupp, Deputy Prosecuting Attorney
Sound Credit Union	Angie May, Senior Fraud Investigator, GPS-FFIT Executive Board Secretary
Washington State Attorney General's Office	Barbara Serrano, Assistant Attorney General
JP Morgan Chase	Barbara VanArshall, JPMC Security - National Vulnerable Adult Investigations
Bank of America	Tim Whitesitt, Vice President/Senior Investigator
King County Sheriff's Office	Jon Mattsen, Major
King County Sheriff's Office	Robin Fry, Detective
United States Attorney's Office	Vacant (TBD)
Federal law enforcement	Vacant (TBD)
Salal Credit Union	John Fick, Fraud Manager

**Table 2: Spokane County FFIT Task Force members**

Entity	Representative
Spokane County Sheriff's Office	John Nowels, Undersheriff/Chair
Spokane County Sheriff's Office	Thomas Hendren, Captain
Spokane County Prosecutor's	Mark Lindsay, Deputy Prosecuting Attorney
Spokane Police Department	Vacant (TBD)
Numerica Credit Union	Roger Fitzpatrick, Legal/Compliance Manager
Washington State Attorney	Lisa Jangaard, Investigator/Analyst
Small towns and cities	Vacant (TBD)