

SOUTH METRO

Fraud, identity theft taking toll on metro investigators' workloads

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Jeff Schmitz placed checks for his daughters' college savings plans in a mailbox outside his Shakopee home last September, propped up the box's flag and unknowingly became a target of a St. Paul man's financial fraud scheme.

By the time investigators caught Michael Racho two months later, he had defrauded Schmitz and victims from 13 metro area cities of nearly \$12,000. The case, detailed in a 75-page report that took an officer two weeks to compile, required the work of five police departments and a state task force before charges were filed in Ramsey County.

Amid a rise in such sprawling fraud cases — up 50 percent or more in some suburbs in the past year — police departments are trying to figure out how to accommodate the increased workload. Savage is looking at adding a detective's position devoted to solving fraud crimes. Shakopee may shift an officer from patrol to fraud investigations.

“Our crime rate is one of the lowest in our history,” Shakopee Police Chief Jeff Tate said. But the crimes the department sees “are more labor-intensive than anything we've ever dealt with.”

The fraud can be as sophisticated as the black market sale of personal information gleaned from online data breaches or as straightforward as stealing checks from mailboxes. The checks Racho stole had been “washed” using antifreeze to erase the “to” field and readdressed to him. When Schmitz's online bank account displayed an image of a \$800 check written to Racho, Schmitz first thought the man forged his signature.

“It was scrubbed pretty well,” said Schmitz. “I thought, this guy's got my signature dead-on.”

Cases increasing

In 2014, 12.7 million people nationwide were victims of identity theft, up 25 percent from 2010, according to Javelin Strategy and Research, a California consulting firm. In Minnesota, total fraud, forgery and counterfeiting offenses increased more than 10 percent from 2012 to 2013.

Some say the jump in cases is the result of increased attention by investigators and prosecutors. Others say data breaches and technology have created more opportunity for criminals. But law enforcement officials agree that the far-reaching nature of fraud makes it tough for individual agencies to tackle these cases.

Ramsey County Attorney John Choi has made an effort in recent years to aggregate fraud cases like the one against Racho. Taken individually, nine of the 14 checks Racho and an accomplice forged last year wouldn't have crossed the \$1,000 felony threshold. Racho pleaded guilty to felony check forgery in December.

“These schemes or rings operate regionally, not just in one jurisdiction,” Choi said.

Shakopee's discussion of reassigning a patrol officer to investigate fraud and identity theft came after such cases climbed 52 percent in the last 12 months. Tate said Shakopee had 28 reports of fraud in April 2015 vs. just eight in April 2014.

Savage's police department must add a new position to keep up, Police Chief Rodney Seurer said. While violent crimes fell 13 percent last year, he said, fraud rose 54 percent.

“I want to try to get ahead of this if possible,” Seurer said.

Police have already spent more than two months investigating what they say is an organized identity theft ring that has been bouncing between Savage apartments and hotels.

The group includes Savage residents and people from out of state who use stolen personal information to acquire prepaid credit cards they then use elsewhere, said Sgt. Mike Schlitz. In one instance, he said, the group stole a credit card mailed to a local Mexican restaurant and charged more than \$25,000 to the account.

"I would bet this group is responsible for well over \$100,000 when it's all said and done," Schlitz said.

Aggregating offenses

Gov. Mark Dayton recently approved funding to add five positions to the Minnesota Financial Crimes Task Force that pieces together cases across jurisdictions. The task force created in 2000 includes local, state and federal authorities, prosecutors and private sector officials.

"What often happens without a financial crimes task force is [local police departments] take on an individual case, [and] get a charge but are not seeing the true severity of the crime," said Assistant Superintendent Drew Evans, who leads the Bureau of Criminal Apprehension division that includes the financial crimes task force.

In Ramsey County, Choi has also added a second prosecutor to a financial fraud unit he created in 2011. Choi's office prosecuted 43 identity theft cases last year.

In one case, Angela Hooks of St. Paul drove to parking lots in Roseville, Plymouth, Brooklyn Park, Shoreview and other suburbs stealing purses left in cars. She charged \$35,000 to stolen credit and debit cards, often by purchasing prepaid gift cards from Target stores and transferring funds to PayPal accounts in her name.

Roseville investigators worked with other agencies and local businesses to compile evidence of three-months worth of Hooks' crimes before sending the case to Choi's office. Hooks, 46, was convicted of identity theft in May and faces up to 20 years in prison.

"Awhile ago people's attitudes may have been that these are too small of cases to be spending people's time on," Choi said. Adopting a regional perspective is "the only way we're really going to make a dent in it."