

Bi-Annual Report to the
Colorado House and Senate
Judiciary Committees



Colorado Bureau of Investigation
Colorado Fraud Investigators Unit

Reporting July 1, 2018 through June 30, 2020
(FY 19 & 20)



COLORADO
Bureau of Investigation
Department of Public Safety

Denver Investigations
690 Kipling Street, Suite 4000
Lakewood, CO 80215
303-239-4211

Honorable Members of the House and
Senate Judiciary Committees
Room 029 State Capitol Building
Denver, CO 80203

September 9, 2021

Dear Members,

This is the Colorado Bureau of Investigation's, Colorado Fraud Investigators (CFI) Unit report to the House and Senate Judiciary Committees pursuant to 24-33.5-1703(8) C.R.S.

The attached report will encompass the CFI Unit and Identity Theft Governing Board's activity from July 1, 2018 through June 30, 2020 (FY19 & FY20).

This report reflects on many areas of activity within the CFI Unit. Significant Unit efforts have been Business Email Compromise and Business Identity Theft.

The Unit also continues to take advantage of victim advocacy grant funds resulting in the hiring of victim advocates and the ability to pay for a 24-hour Identity Theft and Fraud Hotline.

The Unit provided presentations and trainings to both the private and public sectors. In April of 2019 the CFI Unit sponsored their second Colorado Economic Crime Symposium that was attended by over 200 law enforcement personnel from 59 different agencies.

If you have questions, suggestions or comments, please feel free to contact me at (303) 239-4287.

Sincerely,

Ralph A. Gagliardi
Agent in Charge
Colorado Bureau of Investigation
Identity Theft and Fraud Unit



PHIL WEISER
Attorney General
NATALIE HANLON LEH
Chief Deputy Attorney General
ERIC R. OLSON
Solicitor General
ERIC T. MEYER
Chief Operating Officer



**STATE OF COLORADO
DEPARTMENT OF LAW**

RALPH L. CARR
COLORADO JUDICIAL CENTER
1300 Broadway, 10th Floor
Denver, Colorado 80203
Phone (720) 508-6000

Office of the Attorney General

September 17, 2021

House and Senate Judiciary Committees
State Capitol Building
200 East Colfax Avenue
Denver, Colorado 80203

RE: Colorado Fraud Investigators Unit Bi-Annual Report

Dear Honorable Members of the Judiciary Committees,

The Colorado Fraud Investigators Unit (CFI Unit) was legislatively created in 2006 and is a specialized unit in the Colorado Bureau of Investigation (CBI) that prevents, investigates, and prosecutes economic crime in Colorado pursuant to the Identity Theft and Financial Fraud Deterrence Act (C.R.S. §24-33.5-1701 *et seq.*). Identity theft and financial fraud have been steadily increasing in Colorado according to CBI crime statistics making this team's work more important than ever.

Individuals and business can be targets of financial fraud and identity theft. The CFI Unit's victim advocacy team supported almost 5,500 people in the past two years. Additional outreach and training supported prevention efforts across the state.

The CFI Unit works collaboratively with financial institution and businesses regarding prevention efforts and investigations. In the past two years, resources were dedicated to help businesses enhance their on-line security due to the increasing prevalence of business identity theft. In 2020, there were 3,864 reports of business identity theft in Colorado. Attacks on business emails result in millions of dollars of loss each year. Due to the expertise and diligence of the investigative team, over 80% of the targeted funds were recovered, totaling over \$12.5 million.

Thank you to the CFI Unit and Board of Directors for your dedication and remarkable work. Thank you, members of the Judiciary Committees, for your continued support!

Sincerely,

FOR THE ATTORNEY GENERAL

/s/ Janet Drake

Janet Drake
Deputy Attorney General
Identity Theft and Financial Fraud Board Chair

TABLE of CONTENTS

Colorado Identity Theft & Financial Fraud Deterrence Act (History) 5

Funding..... 6

Program Revenue, Grant Activity, Program Expenditure Tables 7

CFI Unit Staffing..... 8

Governing Board 9

Governing Board Meetings 10

Legislative efforts..... 11

Types of Identity Theft & Trends..... 12

Summary of Activity and Statistics..... 13

ID Theft Investigation Highlights 14

Colorado Economic Crime Symposium –2018 15

Community Outreach & Professional Training 16

Victim Assistance-Facebook Page 17

The Colorado Identity Theft and Financial Fraud Deterrence Act

History of the Unit

In 2006, the Colorado Identity Theft and Financial Fraud Deterrence Act (Act) was created as Colorado had no centralized investigatory body dedicated to the investigation and prosecution of identity theft crimes. House Bill 06-1347 (HB 1347) created the Colorado Fraud Investigators Unit (CFI Unit) and the Colorado Identity Theft and Financial Fraud Board (the Board), both of which are housed in the Colorado Bureau of Investigation (CBI).

Testimony offered for HB 1347 characterized identity theft as the “crime of this era,” and suggested that Colorado’s banks alone lost between \$100 million and \$150 million each year to identity theft and related fraud.

The idea behind the Act and the CFI Unit was to create a centralized resource to which local law enforcement and prosecutors could turn for assistance, consultations and guidance in investigating and prosecuting such crimes. The Unit was specifically intended to support, not supplant, the efforts of these agencies.

House Bill 1347, as enacted (with the support of the banking community, prosecutors, law enforcement and consumer groups), created the Unit and the Board. The bill directed the Board to approve a plan for the Unit, and directed the Unit to prepare regular status reports to the Board and the Colorado Senate and House of Representatives Judiciary Committees. Additionally, the Act required the Unit to:

- Provide education to law enforcement, financial institutions and the public;
- Provide technical assistance to law enforcement and prosecutors; and
- Gather intelligence for dissemination to law enforcement and the banking communities.

To fund the program (a cash funded program), fees would be imposed on those who suffered the greatest financial loss from identity theft. These same entities (primarily lenders and money transmitters) stood to gain the most from a reduction in identity theft and the resultant financial fraud.

More specifically, surcharges (fees) were placed on:

- **Uniform Commercial Code** filings made with the Secretary of State (primarily made by secured lenders such as credit unions and banks). Presently ***\$4 surcharge**;
- **Uniform Consumer Credit Code** supervised lenders regulated by the Colorado Attorney General, such as payday lenders, pawn shops and others. Presently **\$100 surcharge**;
- **Money transmitters** regulated by the Department of Regulatory Agency's (DORA's) Division of Banking, Presently **\$500 surcharge**.

**The \$4 surcharge on Uniform Commercial Code (UCC) filings will revert back to \$3 for every UCC filing as of June 30, 2020. This is pursuant to House Bill 2017-1043 / 24-33.5-1707(2)(B).*

FUNDING

The Colorado Fraud Investigators Unit (CFI Unit) is cash funded and receives no money from General Fund. Revenues are collected from surcharges and fees from the following:

1. **\$3 surcharge on each Uniform Commercial Code (UCC) filing** made with the Colorado Secretary of State (primarily made by secured lenders such as credit unions and banks).

This fee changed to \$4 on July 1, 2014 after legislation, HB 14-1057, moved \$1 (did not increase overall fee for consumer) from the Colorado Secretary of State's portion of their collected UCC filing fees to the CFI Unit.

HB 14-1057 was for three fiscal years - FY15, FY16 & FY17 and ended June 30, 2017.

HB 17-1043 extended the \$1 and time to June 30, 2020.

SB 20-210 extended the \$1 to June 30, 2024.

The extra \$1 adds an approximate \$100,000 per year to the CFI Cash Fund. (Page 7 reflects the unit's Program Revenue).

2. **\$100 surcharge on each supervised lender license** regulated by the Colorado Attorney General (Attorney General), such as payday lenders, pawn shops and others.
3. **\$500 surcharge on each money transmitter license** regulated by the Department of Regulatory Agency's (DORA'S) Division of Banking, such as Western Union, PayPal and American Express.
4. Gifts, Grants and Donations.

The Program Revenues (cash funding) for the CFI Unit is closely tied to the overall economy. As noted in 2008 the Unit's overall revenue suffered. The Unit looked for other ways to fund to include the \$1 increase in the UCC Filing fees with the assistance of the Colorado Secretary of State, see House Bills 14-1057, 17-1043 & SB20-210 that continued the \$1 extra UCC filing fee. Revenues for this reporting period, **FY19 and FY20, were \$552,171 and \$622,609** respectively. The Program Revenue table is provided on the next page.

The CFI Unit was originally appropriated for 7.0 full time employees (FTE) that would be funded through the methods and revenues mentioned above. However, due to the decline and/or fluctuation in revenues, the Unit has only been able to staff approximately half that number (this does not include grant funded positions).

The CFI Unit has supplemented the program by seeking grants, specifically for the Victim Advocacy Program that assists victims of identity theft and fraud. These grant funds during this reporting period have allowed for 4 FTE: three victim advocates, one investigative analyst and funding of a 24 Hour Toll Free Identity Theft and Fraud Hotline.

Program revenue, chart below, reflects the revenue amount and its source. Program Revenues (funding) for the Identity Theft Unit comes from three main areas as described earlier on *page 6* of this report and a fourth area, gifts /donations/grants.

Program Revenues						
	Dept of Law	Dept of Regulatory Agencies	Gifts & Donations	Interest	Secretary of State	Total
FY 19	\$ 72,900	\$ 54,000	\$ 4,500	\$ 17,495	\$ 403,276	\$ 552,171
FY 20	\$ 64,600	\$ 54,500	\$ -	\$ 15,953	\$ 487,556	\$ 622,609
Total	\$ 137,500	\$ 108,500	\$ 4,500	\$ 33,448	\$ 890,832	\$ 1,174,780

Program expenditures, chart directly below, reflects the Identity Theft Units expenses, costs and benefits as well as the FTE employed through these funds.

Program Expenditures						
	FTE	Salaries and Benefits	Operating Expenses	Travel Expenses	Indirect Cost	Total
FY 19	4.2	\$ 440,175	\$ 80,439	\$ 4,890	\$ 33,276	\$ 558,780
FY 20	4.9	\$ 508,327	\$ 70,650	\$ 1,057	\$ 46,294	\$ 626,328
Total		\$ 948,502	\$ 151,089	\$ 5,947	\$ 79,570	\$ 1,185,108

Through the application and award of a VOCA Grant, as of the CY2019 award, the Identity Theft Unit is able to staff three victim advocates, one analyst and pay for a 24hr Identity Theft Hotline.

The Identity Theft 'cash fund' contributed with an in kind match of time and a 5% salary during this 2 year grant cycle award. This is reflective of the FTE (Full Time Employee) count on the chart to the right.

Program Revenue - Grants				
Grant Source	Award	FY 19	FY 20	FTE
VOCA CY18	\$200,360	\$100,180		2
VOCA CY19	\$868,414	\$434,207	\$434,207	3.9
VOCA CY20	\$868,414		\$434,207	3.9
Total		\$534,387	\$868,414	

CFI UNIT STAFFING

The CFI Unit is appropriated for 7.0 full time employees (FTE). However, due to the reduction and inconsistency in the funding stream (funds derived from the three main funding sources), the **CFI Unit is only able to sustain approximately half the allotted FTE. This has been consistent since the inception of the Unit in 2006.**

Personnel (FTE) paid for by the ID Theft Fund, July 1, 2016 thru June 30, 2018:

- 1.0 FTE - Agent-in-Charge (Grant Program Director)
- 2.0 FTE - Agent/Criminal Investigator
- 1.0 FTE - Crime Analyst

Total FTE 4

Grant Funded Positions:

Victim Advocate

- 1.0 FTE -Victim Advocate - Supervisor
- 1.0 FTE -Victim Advocate, hired March of 2017

Contracted Service Paid for by Grant Dollars

- Identity Theft/Fraud Hotline, 24 hour Toll Free

IDENTITY THEFT GOVERNING BOARD
AS OF
CALENDAR YEAR 2018

The Identity Theft Governing Board consists of 10 members whose positions are mandated by the statute or are appointed by the Governor's office. *(Members on the board have changed during this FY19 & FY20 cycle. Please refer to the attached Board Meeting Reports for roster).*

The three statutory positions and current Board members are:

- The Executive Director of the Department of Public Safety (or designee)
- Attorney General (or designee)
- Executive Director of the Colorado District Attorneys' Council (or designee)

The seven members appointed by the Governor and current Board members are:

- A representative of a Police Department
- A representative of a Sheriff's Office
- Three representatives of from a depository institution
(At least two of whom shall be from a state or national bank)
- A representative of a payment processor
- A representative of consumer or victim advocacy group

IDENTITY THEFT GOVERNING BOARD MEETINGS

FISCAL YEARS 2017 & 2018

The Identity Theft Governing Board (the Board) convenes approximately every three months or quarterly. At such time the Colorado Fraud Investigation (CFI) Unit provides a report to the Board. These reports reflect the CFI Units significant activity from the preceding quarter. The report includes criminal investigations and other identity theft and fraud related activity as well as education and outreach and other relevant information.

For purposes of this Bi-Annual Report spanning Fiscal Years 2019 and 2020, the Board met eight times from August 2018 through May 2020. These meetings were held on the below dates. Their corresponding Board Reports have been attached as Appendix ‘A’ to this Bi-Annual Report.

Identity Theft Governing Board Meetings	
FY 2019	FY 2020
August 27, 2018	August 20, 2019
December 3, 2018	November 19, 2019
February 25, 2019	February 18, 2020
May 21, 2019	May 18, 2020

Pursuant to C.R.S. 24-33.5-1706(2) the Board Reports and Board Meetings held include various topics related to the endeavors of the CFI Unit including:

- Current revenues and budgeting items of the CFI Unit
- Status of grants, gifts and donations
- Criminal activities, patterns, and trends throughout the state and surrounding regions
- The specific forms of identity theft and financial fraud identified by the Unit
- Classes, training, presentations and community outreach conducted by the Unit
- Specific lists of training, outreach and materials provided to citizens and law enforcement
- Consultations provided by the Unit through statistical information and or specific examples
- The number of arrests, investigations, and indictments
- Recommendations for legislative changes to assist in the prevention of identity theft and fraud
- Other relevant topics that concern identity theft and fraud, such as new trends or schemes

LEGISLATIVE EFFORTS

The CFI Unit continued to work on Business Identity Theft investigations. Business Identity Theft costs businesses and their creditors millions of dollars. It destroys businesses' credit ratings, and in extreme cases, causes a business owner to lose the business. The Unit has become a national authority on the investigation and mitigation of Business Identity Theft. The Unit has assisted numerous corporations, and private and government groups, with awareness training and education.

These investigations resulted in the passage of House Bills 17-1043, 14-1057 and Senate Bill 20-210. These Bills, supported by the Colorado Secretary of State (SoS), contribute to a partnership that other state governments look to emulate. These Bills increased and/or continued the transfer of \$1 from the SoS portion of the UCC filing surcharge to the CFI Unit making for a total of \$4 received on the UCC Filing Fee. The additional \$1 increased the CFI fund balance by approximately \$100,000 per year. This \$1 increase has been in place since July 2014 and will remain through June 30, 2024. The extra funds allowed the CFI Unit to hire and keep a criminal investigator on staff.

Business Identity Theft Reported/Investigated:

The below chart reflects the number of complaints of Business Identity Theft the CFI Unit has investigated. The statistics are from 2010 through December of 2020. The larger investigations are time consuming and span multiple reporting periods. The Unit continues to work with the Colorado Secretary of State Office and the many business owners who are victims of this crime. The 'spike' of businesses was discovered after 2017 are indicative of foreign born fraud using and incorporating Colorado Businesses to conduct fraudulent activities in Colorado, the United States and around the World.

Annual Cases of Business Identity Theft in Colorado	
2010	226
2011	162
2012	72
2013	159
2014	115
2015	23
2016	240
2017	221
2018	2551
2019	153
2020	3864
Total	7786

TYPES OF IDENTITY THEFT & TRENDS

The CFI Unit is a leader in identity theft and fraud awareness, education, investigation, intelligence gathering and victim assistance. We strive to be at the cutting edge of new trends in identity theft and fraud with areas of focus that include: business, medical, criminal, financial, tax, elder and youth, including foster youth, identity theft.

Trends:

The CFI Unit continues to look for various trends and/or types of identity theft. During this reporting period the movement of victims money via virtual methods was prevalent. Once a victim has their money transferred, it can be withdrawn from practically any location around the world. This makes it extremely difficult for law enforcement to not only retrieve the funds, much less follow to cause attribution to a specific individual or criminal organization. (This has been a recurring theme in the last two Bi-Annual Reports).

Brief description of different types of identity theft:

- Financial:** Obtaining or using credit with a victim's ID.
- Business:** The theft of a business entity or name in order to acquire credit or commit other crimes in the name of that business.
- Medical:** The theft of a person's Social Security number, insurance information or other personal identifying information (PII) to obtain medical care, prescription medications, or perpetrate fraudulent billings.
- Criminal:** The use of a victim's PII when arrested or given a traffic ticket.
- Tax:** The use of a victim's PII to file fraudulent tax returns, usually for the purpose of gaining a fraudulent tax refund.
- Foster Youth:** Any form of ID theft in which the victim is a youth in out of home placement to include foster care and kinship care. According to the FTC, 50% of all youth in foster care will be victims of identity theft.
- Family Violence:** Any form of ID theft in which the crime occurs in the context of a domestic violence offense, elder abuse or child abuse.

SUMMARY OF ACTIVITY ARRESTS - VICTIMS - LOSS & VICTIM ADVOCACY

The CFI Unit has had numerous criminal investigative successes throughout the reporting period between Fiscal Years 2019 & 2020.

The tables below reflect:

Arrests

Persons arrested due to the work of the unit including physical arrests, warrants prepared for arrest and/or indictments due to investigative work by the unit.

Arrests / Victims / Loss			
Arrests	Victims	Estimated Loss	
FY 2011 - 2020			
FY 19	11	512	\$770,098
FY 20	16	446	\$481,000
Total	27	958	\$1,251,098

Unit Investigations with Arrests / Indictments / Victims & Assolated Losses related to crimes charged

Victims

Victims counted as part of CFI’s criminal / arrest filings and estimated dollar loss.

Victim Advocacy

Victim Advocates along with the 24hr Hotline assisted 2695 and 2799 respectively in FY19 and FY20.

Victim Advocacy	FY 2020	FY 2019
Victims	1272	1473
Hotline	1527	1222
Total Victims	2799	2695
Outreach/Training	58	99
Media Requests	2	6
P/CC VA Services	104	252
MP/CC Outreach	12	6

BUSINESS EMAIL COMPROMISE

The CFI Unit continues to investigate and improve upon investigations and training as it relates to Business Email Compromise. The FBI defines Business Email Compromise (**BEC**) as:

A sophisticated scam targeting businesses working with foreign suppliers and businesses that regularly perform wire transfer payments . The scheme compromises official business email accounts to conduct unauthorized fund transfers to bank accounts controlled by the suspects.

Other names used for BEC:

- Man in the Middle
- CEO Fraud
- Email Account Compromise (EAC)

Businesses affected:

- Title companies/real estate offices
- Law offices
- Public/private businesses
- Any business that routinely wires large sums of money

Losses include:

- \$2.9 billion in losses to U.S. victims (October 2013 thru May 2018)
- Real estate scams increased 1,100% (2015 to 2017)
- \$12.5 billion globally (October 2013 thru May 2018)

The Unit began tracking their involvement with this crime in August of 2015 as they began to receive calls from various victims who fell prey to this scheme. The Unit has adapted and made changes to their investigative process throughout the years and aggressively work towards: educating victims / targeted businesses, alerting involved banks, freezing and recovering funds sent, as well as identifying suspects. In addition the CFI Unit has become a local and national resource for law enforcement to enhance and build their own program to thwart this type of criminal activity.

Some statistics from the CFI Units work on BEC include:

Business Email Compromise					
YEAR	Reported	ATTEMPT	SENT	RECOVERED	Percentage
2016	22	\$430,773	\$618,578	\$405,504	65.55%
2017	33	\$2,458,790	\$4,291,988	\$4,215,875	98.23%
2018	57	\$3,492,338	\$4,898,527	\$4,108,318	83.87%
2019	100	\$12,958,192	\$6,355,972	\$5,250,044	82.60%
2020	100	\$9,426,658	\$9,220,409	\$7,414,875	80.42%
Total	312	\$28,766,751	\$25,385,474	\$21,394,616	84.28%

COLORADO ECONOMIC CRIME SYMPOSIUM

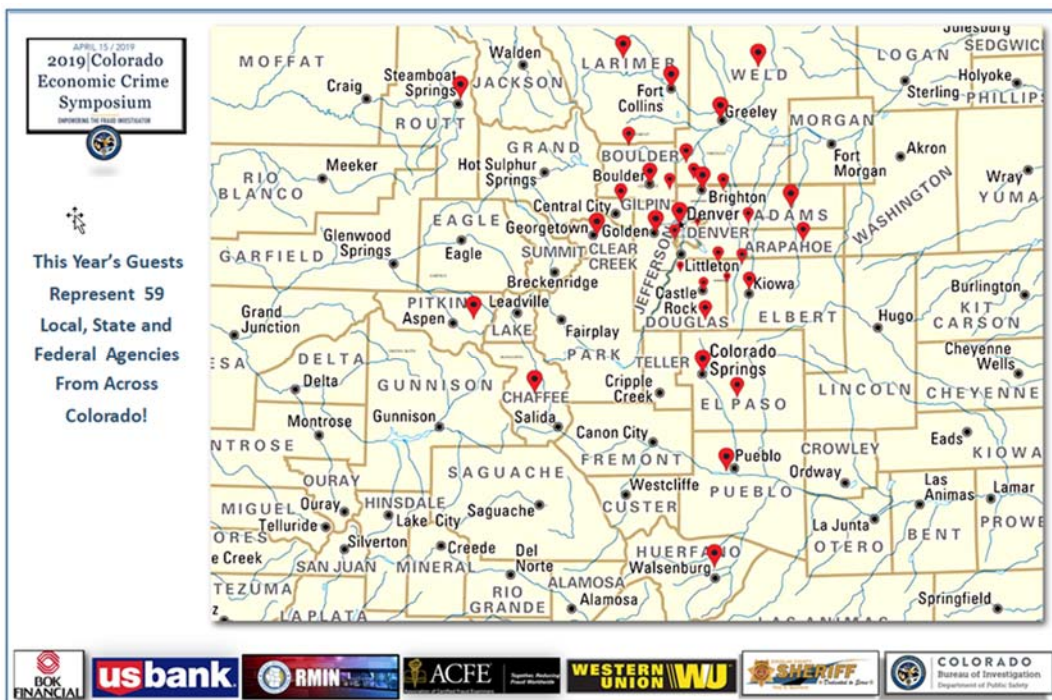
2019

The CFI Unit planned and hosted the second Colorado Economic Crime Symposium held on April 15, 2019 at CU South Denver. This event was attended by over 200 law enforcement personnel. Sponsors of this event included Douglas County Sheriff's Office, Western Union, U.S. Bank, BOK Financial and the Association of Certified Fraud Examiners. The Keynote speaker was Brett Johnson, a renowned reformed cyber crime fraudster known as "The Original Internet Godfather".

The event provided training from various instructors on the following topics:

- Identity Theft
- Cyber Security
- Interactive Panel—First Bank, Wells Fargo, Western Union, US Bank
- Major Case Preparation

The map below is indicative of where attendee's traveled from for the event:



COMMUNITY OUTREACH AND PROFESSIONAL TRAINING

Outreach Committees:

The CFI Unit members participate in a number of professional committees and attend various professional group meetings to build/maintain connections with our professional community, share information and support state and national efforts to combat ID theft and fraud. The Unit participates in the following:

- National Identity Theft Victim Advocacy Network
- National Medical Identity Theft Coalition
- Better Business Bureau Fraud Working Group
- Colorado Electronic Crimes Task Force (Secret Service Working Group)
- Colorado Coalition for Elder Rights and Adult Protection
- Fraternal Order of Police
- Colorado State Investigators Association
- Colorado Homicide Investigators Association
- International Association of Certified Fraud Investigators (IACFI)
- Colorado Association of Certified Fraud Examiners (COCFE)
- Securities Fraud Working Group
- Society of Senior Advisors Certification Council
- Cyber Crimes Steering Committee-Association of State Criminal Investigative Agencies
- Elder Justice League International
- Colorado State Foster Parent Association Board
- Rocky Mountain Information Network (RMIN)

COMMUNITY OUTREACH



Facebook:

The CFI Unit has created a Facebook page as a means of communicating information about ID theft and fraud to the community. Facebook allows us to post fraud alerts and other information that is important for the community to see quickly to avoid falling victim to scams or ID theft attempts. We are also able to post tips to avoid ID theft and fraud, information on current trends and eye catching photos that illustrate the issues. Facebook is a great place to share information about responding to ID theft, especially when ID theft occurs through data breaches. Scam Alerts, the ID Theft Prevention Tip of the Week and Be a Savvy Consumer are favorite features of our page visitors.

One of the best things about Facebook is the community is able to communicate directly with CBI in a safe and open forum. This allows for others to learn from the questions or concerns voiced by someone on the page. The social media forum also allows people to share our posts with others. This is a great way to spread the word about a currently occurring scam or ID theft attempt or some great prevention tips.

<https://www.facebook.com/CBI.IDTheft>