



COPS AND DOUGHNUTS

ALL CRIMES ARE FINANCIAL CRIMES

Retail Theft, Money Laundering and other crimes



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Retail Theft, Money Laundering and other crimes



What can we do to assist the cops?
What gets the attention of a prosecutor?
How can we improve prosecution?
What will improve deterrence?



When and how to look beyond the
apparent crime?

GREETINGS FROM THE MOST CORRUPT STATE IN THE COUNTRY.

**Yes, we had two former governors serving
federal prison time simultaneously.**



Why do criminals commit crimes ?

A DIFFERENT MINDSET



I Work at Wal-Mart 40 hours a week for \$7/hour and I get . . .









Why do criminals commit crimes ?



Why do criminals commit crimes ?

Commit credit card fraud, burglarize, swap UPC's, take formula or razor blades, rob at gunpoint, grab a semi full of merchandise. . .

- I work when I want to (a few hours a week)
- I hang out with my friends
- I do not contribute to society
- And I get . . .









Why do criminals commit crimes ?

- A easier life
- Nicer things
- Less work
- **But what happens if I get caught?**
- **We send them to prison, and they never re-offend again ? Right?**
- **NO. . . What, really!**
- **WHAT IS THE END GOAL?**



Why do criminal commit crimes?

MONEY, FOOL!

- The credit card and check fraud groups do not want to keep the merchandise they obtain through fraud
- The robbers and burglars do not threaten a clerk with a gun or break into stores at night because the internet was down and they could not play online Call of Duty™
- The organized retail theft rings do not conduct surveillance, plan, set up crews, and then take product because there is nothing better than Maury on TV at 3 pm.
- The electronic IT attacks that compromise credit card numbers do not happen because college students are that bored with smoking weed.
- **The goal is to grab what they can and turn it into money.**
- **The reason is they make more money per hour doing this than having a real job.**
- **MO MONEY**

ALL CRIMES ARE FINANCIAL CRIMES

MONEY, FOOL!

- Question: Why do you rob banks?
 - Answer: Cause, that's where the money is." Willie Sutton
 - Dumb criminals just act – this is going to happen, we do our best to deter, decrease recidivism, use diversion, and use prosecution where appropriate, but we will not stop it, we can only mitigate it.
 - Smart criminals and organized groups plan – We want to utilize our resources against this section of the retail theft world
 - Smart criminals choose easier targets which are lower risk
 - Smart criminal choose crimes with lower penalties
 - We are all targets – so don't be the easiest
 - *This criminal enterprise is safer than traditional drugs, guns, etc.*
- FINANCIAL CRIMES ARE TYPICALLY LOWER RISK and LOWER PENALTY – that's why they are so popular**

Retail Theft – what crime is it really

Retail Theft – someone took something and didn't pay full value for it.

Who is the criminal?

- 13 year old taking cigarettes
- college age kid taking liquor
- hungry homeless woman taking food
- organized groups attacking the supply chain (cargo)
- burglary crews breaking in and taking bulk merchandise
- ID theft crews (fraudulent credit card/checks/gift cards)
- organized retail theft rings (UPC, door crashing, teams)
- internal theft (or internal co-conspirators)
- electronic attacks at data
- using the store for money laundering (gift cards)
- long term internal theft
- frequent flyers (we're not talking Southwest[®])

Who are the smart criminals?

Retail Theft – what crime is it really

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These are the smart criminals? -- this is the trend

We are going to take a closer look at these groups

Retail Theft – what crime is it really

IT'S A FINANCIAL CRIME

- It is not a single crime. We should look at where we can get at the theft chain
 - **Initial theft of product – this is the beginning of the chain**
 - **Who ended up with the product – this is the end of the chain**
(fencing, online sale, integration into resale shop supply innocent buyers)
 - The middle links in the chain:
 - vehicles, registrations, titles, payments for rentals,
 - drivers, insiders, watchers – who can we flip?
 - Resale – “fencing” (equipment used, people used, location used)
 - storage locations (owners, renters, neighbors, others with access)
 - Purchasers (who, where, how contacted, any online presence)
 - sales locations (where were the goods transferred from seller to buyer)
 - the profits made from the sale – and what they are laundered into

Investigating the profits made, and assets acquired with the profits gives us another investigative side to exploit.

Retail Theft – what crime is it really

- At each part in the chain, there may be a provable crime or other remedy.
 - Vehicles – PSMV, forgery on title, registration felony if wrong plate
 - Drivers – conspiracy to commit theft, burglary
 - Offloading/transporting - asset forfeiture of equipment used to facilitate money laundering, possession of stolen property (theft)
 - storage locations – asset forfeiture of equipment used to facilitate money laundering, possession of stolen property (theft)
 - Purchasers – possession of stolen property (theft)
 - sales locations -- asset forfeiture of equipment used to facilitate money laundering, possession of stolen property (theft)
 - **the profits made from the sale – money laundering and asset forfeiture**
 - **Look at each person and each act at each point in the chain and there may be a criminal offense or other remedy**
- SO WHAT CRIMES ARE LIKELY?**

Retail Theft – what crime is it really

Retail Theft – someone took something and didn't pay full value for it and we caught them!

It is a felony right?

It could be a misdemeanor?

It could be a local ordinance violation?

It could be a trespassing ticket?

It could be nothing?



**EVEN THOUGH IT LOOKS LIKE SIMPLE RETAIL THEFT,
THERE COULD BE MORE INDIVIDUALS BEYOND THE
OBVIOUS ONE IN FRONT OF US**

the retail theft crime could also be comprised of many other crimes.

RETAIL THEFT – what crime is it

What if you cant prosecute them for retail theft

- Traffic felonies, registration offenses, title offenses, regulatory offenses
- Stolen motor vehicles
- **ID theft**
- **Burglary** (was there a building involved)
- Burglary Tools
- **Forgery**
- Theft
- **Money laundering**
- Financial institution fraud
- Structuring
- Robbery
- Weapons offenses
- Witness tampering
- Obstructing justice
- **Mail/Wire fraud**
- Conspiracy, Solicitation, Attempt

RETAIL THEFT – what crime is it

What if you cant prosecute them for retail theft

- Who watches *Boardwalk Empire* ©?
- What did we get “AL” on ?



- That's right, not the sexy crime, but the provable one!
- Get the bad guys on what we can!

RETAIL THEFT – when to dig

Most of the time, the case begins with your internal loss prevention , shrink, or fraud units.

- What needs to be done next?
- Next you have to get the justice system to be interested in taking a closer look if it is one of our “smart criminals”
 - This is more work for your company, it will be more work for the cop, it will be more work for the police investigators, it will be more work for the prosecutors office . . .
- Who likes to do more work? ? ?
- How do we do this – who do we have to convince?
 - **Your loss prevention group**
 - **Police Patrol officer**
 - **Police Investigations division**
 - **Prosecutor**

RETAIL THEFT – when to dig

Who likes to do more work? ? ?

- How do we do this – who do we have to convince?
 - **Your loss prevention group**
 - Dedicating the resources to investigate
 - Deciding on the right cases to look at
 - Developing the proper evidence
 - Id of the suspects (Mar Max Case – female check fraud ring – or is it?)
 - Turn the case into an issue for the community or an organized crime case
 - Making the case “tasty” – look for the specialized investigation and prosecution units
 - **Police Patrol officer**
 - Look beyond the offender in front of them
 - Avoid just “clearing the call”
 - Don’t just “pass it on” to investigations
 - **Police Investigations division**
 - Make time for the “financial crimes”
 - Work it by combining “street crime techniques” and “paper crime resources”
 - **Prosecutor**
 - It needs to be seen as a “complex financial crime” – which is what it is
 - Work the case up front with the police and the industry

RETAIL THEFT – when to dig

- Remember, cops suck, they just want their doughnuts.
- They want to be “fed” an easy case

crime



=

doughnuts



RETAIL THEFT – when to dig

- Remember, prosecutors suck even more than cops.
- We don't know how to do anything, we want an easy case.
- Why?
- Because a hard case will ruin our tee time.
- Make us want your case!

crime



=

five handicap



RETAIL THEFT – when to dig

- IN REALITY, MY GOLF GAME IS MORE LIKE THIS

crime



=

What's a handicap



RETAIL THEFT – when to dig

- IF WE DO NOT CONVINCE THE COP AND THE PROSECUTOR, THEN THE CRIME WILL NOT BE INVESTIGATED, OR WILL BE UNDER-INVESTIGATED.
 - It will be treated as simple retail theft
 - Follow-up will not be done
 - Co-conspirators will not be found
 - Prosecution will be “routine”
 - What really happens in court?
 - It’s like sausage, you don’t want to see how it is made!!!



RETAIL THEFT – make us want it

How can you make it easier for prosecutors to work on their handicaps and cops to eat their doughnuts?

- Tips for communicating with cops
 - Make the case something they want
 - A fast arrest with all the proof there, if the case is a single person and single event
 - A roadmap of a more complex case with people already identified and leads for them to follow-up on
 - In more complex cases, make it clear that there is a large industry loss or that the defendant or defendants are individuals in need of being investigated based on prior conduct or prior background
 - Know what cops are looking for
 - Good ID, from an independent witness or an employee
 - If an ID is shaky, then provide some other supporting evidence to obtain the ID (vehicle plate, item left behind that a fingerprint can be lifted from, or DNA can be gathered)
 - Good video of the event
 - Statement of the offender
 - Physical evidence – stolen goods, forged check, re-encoded credit card

RETAIL THEFT – make us want it

How can you make it easier for prosecutors to work on their handicaps and cops to eat their doughnuts?

- Tips for communicating with cops
 - Know what cops are looking for (CONTINUED)
 - **Good ID**, from an independent witness or an employee or video
 - If an ID is shaky, then provide some other supporting evidence to obtain the ID (vehicle plate, item left behind that a fingerprint can be lifted from, or DNA can be gathered)

good ID



bad ID



RETAIL THEFT – make us want it

How can you make it easier for prosecutors to work on their handicaps and cops to eat their doughnuts?

- Not every case is the “smart criminal” case -- choose wisely
- In complex cases -- encourage further investigation if it is the “smart criminal”
 - Work internally to develop the case
 - Work with industry groups
 - Share information with other retailers in your area (we are all targets)
- Build relationships with patrol, investigators, and prosecutors
 - I work with Target Stores and MarMaxx routinely. This is because of relationships that were built at conferences like this and working cases together
 - The first case we worked with each of them, they made the case a case we wanted to work
 - Bring in the prosecutor early – when we are not working on our short game, we occasionally come up with a good idea! Plus we have the Grand Jury, and no one wants to get that invitation in the mail.

RETAIL THEFT – make us want it

How can you make it easier for prosecutors to work on their handicaps and cops to eat their doughnuts?

- Your case file
 - Surveillance video
 - Location of camera – which is better for ID (head height)



- frame rate, resolution, retention time (you have great equipment let it work) (RCFL example – enhancement can only go so far)
- Other location -- parking lot, parking lot entrance for plates,
- Entrance and exit door – head height
- **keep original video – we get copy**

RETAIL THEFT – make us want it

How can you make it easier for prosecutors to work on their handicaps and cops to eat their doughnuts?

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 - Other location -- parking lot, parking lot entrance for plates,

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- keep original video – we get copy



RETAIL THEFT – make us want it

How can you make it easier for prosecutors to work on their handicaps and cops to eat their doughnuts?

- Your case file
 - register system (point of sale) and video system
 - If they are two different systems, they need to show the same date and time settings
 - If you record audio of an interview, we need a copy of the interview
 - If you take in evidence or exhibits, send a copy
 - If you take statements, document the statements and who is a witness to the statements
 - Reports (give them to us)
 - Who is actual witness (we need to know the name of the person who saw it or heard it, not the supervisor or the loss prevention officer who took the report)
 - Witness contact information if that person quits or transfers (we are slow, 1 year +)
 - Let us know if it is a repeat offender (maybe they got a break before)
- Send us all internal reports
- Keep originals

RETAIL THEFT – make us want it

- Advantages you have as non-government actors
 - The pesky 4th amendment does not apply to you
 - That goes the same for the irritating 5th amendment too
 - No required Miranda warnings
 - Statements are easily obtained
- Less restrictive rules on detention for retail theft (in some jurisdictions)
- Employee internal theft investigation are easier because you can spy on your employees (in most jurisdictions) – subject to any case law privacy expectations.

RETAIL THEFT-what can we do better?

- We are from the government, and we are here to help you. What can the police and prosecutors do better?
 - Restitution
 - Input on case dispositions
 - Improved communication with loss prevention
 - Improved communication with corporate and store management
- Discussion – what to you think?
 - 1)
 - 2)
 - 3)
 - 4)
 - 5)



RETAIL THEFT – LEGISLATION

- **Arizona Revised Statutes - Title 13 Criminal Code - Section 13-1819
Organized retail theft; classification**

Organized retail theft;

- A. A person commits organized retail theft if the person acting alone or in conjunction with another person does any of the following:
1. Removes merchandise from a retail establishment without paying the purchase price with the intent to resell or trade the merchandise for money or for other value.
 2. Uses an artifice, instrument, container, device or other article to facilitate the removal of merchandise from a retail establishment without paying the purchase price.
- B. Organized retail theft is a class 4 felony.

LEGISLATIVE ASSISTANCE – HELP GET THE TOOLS USED BY POLICE AND PROSECUTORS ON THE BOOKS. If you thought the court system was a bad sausage factory, take a look at your state capitol. Again, don't watch it get made.

ALL CRIMES ARE FINANCIAL CRIMES

MONEY, FOOL!

- REMEMBERING THAT ALL CRIMES ARE FINANCIAL CRIMES, WE HAVE TO ASK, WHAT DO WE DO WITH THE PROCEEDS OF OUR CRIMES.
- What do criminals do with the stuff they in retail theft?
 - Keep it? Only a small portion
 - Sell it, trade it, fence it
- That's where the money laundering comes in. . .

Money laundering



UNITED STATES POSTAL SERVICE		CUSTOMER'S RECEIPT	
From The Receipt For Your Records	For The	See Back of This Receipt For Important Customer Information	
02543750594	2001-01-04	752051	\$15.00
UNITED STATES POSTAL SERVICE			
02543750594	2001-01-04	752051	15153000
FIFTEEN DOLLARS & 00/100			
NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS			
000000000000 02543750594			



John Doe 456 South St. Riverside, CA 91335	Date 12/15/01	1265
Jody's Harley Accessories	\$ 20000	
Two Hundred dollars and no/100		
Bank of California 2000 Eagle Drive Riverside, California	John Doe	
123456789101265 1265 1005100		



wire



Money Laundering -- crime

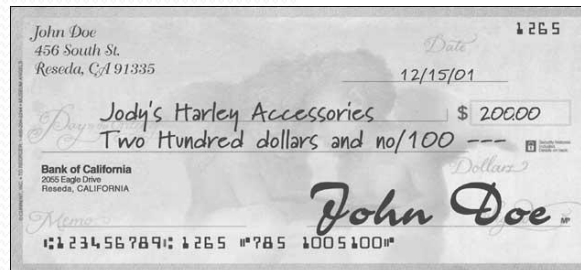
- Two basic ways to charge the crime – way #1
- Three elements –
 - Criminally derived property --
 - Involved in an actual or attempted financial transaction which is
 - Done with the intent to promote the carrying on of the criminal activity from which the property was derived; or designed to conceal the nature, location, source, ownership or control of the property; or designed to avoid a transaction reporting requirement **205 ILCS 685**

Money Laundering -- crime

- ELEMENT 1

- (1) **Criminally derived property is:**

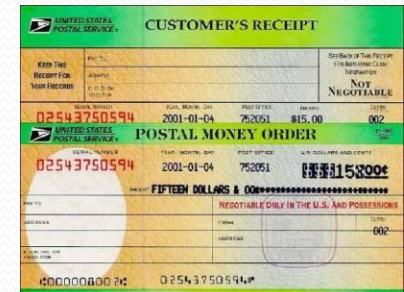
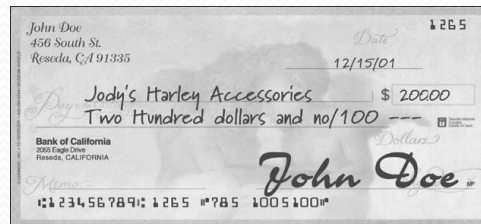
- Any property that is proceeds from a state or federal felony offense (or represented to be).



Money Laundering -- crime

ELEMENT 2

- (2) Involved in an actual or attempted financial transaction



Money Laundering -- crime

- ELEMENT₃

- (1) Done with the intent to promote the carrying on of the criminal activity from which the property was obtained;



Money Laundering -- crime

- ELEMENT ₃
 - OR where defendant knows or should know that the transaction is designed to conceal the nature, location, source ownership, or control of the property;

1



2



UNITED STATES POSTAL SERVICE®					
CUSTOMER'S RECEIPT					
KEEP THIS RECEIPT FOR YOUR RECORDS		POST OFFICE		POST OFFICE	
02543750594		2001-01-04		752051 \$15.00 002	
UNITED STATES POSTAL SERVICE®					
POSTAL MONEY ORDER					
02543750594		2001-01-04		752051 \$15.00	
FIFTEEN DOLLARS & 00/100					
NEGOTIABLE ONLY IN THE U.S. AND POSSESSIONS					
PAY TO		NAME		CITY	
ADDRESS		CITY		CITY	
POST OFFICE		POST OFFICE		CITY	
02543750594					



Money Laundering -- crime

- ELEMENT 3

- OR where defendant knows or should know that the transaction is designed to avoid a transaction reporting requirement - ILLINOIS REPORTING REQUIREMENT
- STRUCTURING – multiple transactions or locations
- TRANSPORTING – another state, same state – avoids report
- TRANSFERFING TO ANOTHER – avoids report

Less than \$10,000



Less than \$10,000



Money Laundering Trends

- Stored Value Cards
- Smurf's – multiple deposits by multiple people into accounts in Chicago and withdraws in boarder cities or in Mexico
- Many currency exchanges in same day for money orders to mail
- Black Market Peso Exchange
- Mortgage Fraud (flip, straw purchaser, closing in the gap, lease back)
- Bulk Currency Transportation (*Estimated that we get 2 out of 10 loads*)
- Multiple Money Order/Bank Check Purchases
- Home improvements (then stay or sell)
- Nominee home purchase and advanced mortgage payments
- Vehicles, Watercraft, for cash OR advanced note payoff
- Dirty Business (car sales, check cashing, title loan, pawn shop) fail to file 8300's
- Fencing Stolen Property

Turning retail theft crimes into Money Laundering

Planned investigation

- work the case up front whenever possible

- covert investigation until you must go overt

- in the same way you choose your targets, you identify your assets

- make asset location and identification part of your investigation along with the criminal activity

- prepare indictment, arrest warrant, and seizure warrants at the same time

- people lead to assets, assets lead to people



James Beil

Practical Considerations in the Field— if the cops bite



IF THE COPS BITE, here are some extra tips they may not know

- Any bank subpoenas need accompanying preclusion orders
- Contact FINCEN for SAR's and CTR's, 8300's, CMIR's
- Social media,
- Search all cell phones (text, address book, call log, web searches, GPS data, email, maps, IM's)
- Keys
- ALL paperwork in the pockets, or purse AND vehicle of defendant and anyone with defendant
 - Wallet
 - ATM receipts, purchase receipts, slips of paper, business cards
 - Receipts from currency exchanges, money orders, scrap yards
 - Debit cards, credit cards, checks, fuel cards for truckers (transportation alliance bank)
 - Stored value cards

IF THE COPS BITE, here are some extra tips they may not know

Investigative Techniques:

- Because retail theft can be both a street crime and a financial crime we should attack it from both ends
 - **Street Crime** (think drugs) – surveillance, pole cameras, informants, undercover officers, overhears, tracking orders, search warrants, buy busts, social media,
 - **Financial Crime** (think fraud) – grand jury (witnesses and subpoenas), bank records, travel records, credit card usage, database work, vehicle titles, vehicle registrations, business documents, income tax records, property tax records, insurance records, secretary of state filings, insurance documents, credit reports, phone records, phone GPS location, lease agreements,
 - **Asset Forfeiture** – assets lead to targets, and targets lead to assets.
 - Asset identification and location yield valuable investigative leads and show previously unidentified relationships

RETAIL THEFT – who wants a doughnut?

ITS TIME TO SHARE

- WHAT OTHER TIPS DO YOU HAVE TO BUILD YOUR CASES? ? ?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.



COPS AND DOUGHNUTS

THANK YOU FOR ATTENDING



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THANK YOU FOR ATTENDING



HAPPY HUNTING