

# Financial Investigations Resource Group

## CONTROL BOARD DIRECTIVE

DATE: June 26, 2014

TO: Finance Division, Arizona Attorney General's Office

FROM: FIRG Control Board

SUBJECT: FIRG Directive 14-006 – TRAC Governing Agreement

The purpose of this memorandum is to make notification to the Arizona Attorney General's Office, Finance Division, in regards to a decision made by the Financial Investigation Resource Group (FIRG) Control Board regarding the review and approval of Arizona Financial Crimes Task Force Transaction Record Analysis Center. The FIRG Control Board has made a copy of this Agreement, along with any applicable supporting documents, as part of the Control Board's Directives. See attached Addendums A and B.

<u>Project Name</u>	<u>Project Number</u>	<u>Amount</u>	<u>Recipient(s)</u>
TRAC	14-006		

The FIRG Control Board hereby approves the encumbrance of the amount identified above for the project identified above.

The FIRG Control Board hereby approves the disbursement of the amount identified to the recipient(s) identified above.

FIRG Control Board Member	YES	NO	INITIALS	DATE
Andrew Pacheco Arizona Attorney General's Office Fax (602) 542-7975	✓		AP	7/1/14
Robert Charlton Arizona Department of Financial Institutions Fax (602) 381-1225	✓		RDC	7/1/2014
Robert Conrad Phoenix Police Department Fax (602) 267-1172	✓		RC	7/1/14
Ray Butler Arizona Department of Public Safety Fax (602) 659-5160	✓		RBS	7/1/14

Agency Name	Encumbrance	Disbursement
Arizona Attorney General's Office		
Arizona Department of Financial Institutions		
Phoenix Police Department		
Arizona Department of Public Safety		

## **FIRG Directive #14-006, Attachment A**

### **AGREEMENT AND DIRECTIVE RE: TRAC**

The members of the Financial Investigations Resource Group set forth below their agreements and directives regarding TRAC.

#### **RECITALS:**

1. The State of Arizona, through the Attorney General's Office, entered into a Settlement Agreement Amendment ("Amendment") with Western Union on January 31, 2014.

2. Under that Amendment, the Attorney General's Office on behalf of the State of Arizona, agreed to establish with Western Union a Transaction Record Analysis Center ("TRAC") in order to analyze financial transaction data so that investigations and prosecutions of money laundering matters may be facilitated. Western Union under the Amendment, has agreed to fund TRAC at the rate of \$150,000 per month for five years.

3. The foregoing sum of \$150,000 per month, under the Amendment is to be and is being deposited with the Center for State Enforcement of Antitrust and Consumer Protection Laws, Inc. ("State Center") under the auspices of the Financial Investigation Resource Group ("FIRG"). The Attorney General's Office of the State of Arizona is a member of FIRG.

4. In order to effectuate FIRG's mission to combat money laundering and encourage and fund investigations and prosecutions of financial facilitators of criminal enterprises, the FIRG members agree to the following directives regarding TRAC:

#### **AGREEMENTS AND DIRECTIVES:**

1. FIRG directs that all funds received from Western Union in order to fund TRAC shall be deposited in an account with the State Center. All actions taken by the Attorney General's Office in furtherance of this directive are hereby ratified and confirmed.

2. FIRG agrees that TRAC shall be managed through New Creature, LLC by and through its member and manager, Vince Piano, pursuant to the agreement that is attached hereto as Exhibit A.

3. FIRG hereby appoints the Attorney General's Office as its representative member to undertake the following duties with regard to TRAC:

- a. To establish a protocol through the Business & Finance Division of the Attorney General's Office in order to provide proper oversight, records, and accountings of all receipts and expenditures of monies deposited with the State Center through Western Union.
- b. To execute any and all checks, on the State Center account, deliver any instructions to the State Center, or take any other action relating to the release of monies from the State Center account in order to pay for proper and legitimate expenditures of TRAC.
- c. To oversee and evaluate the performance of New Creature, LLC and to make any and all decisions, relating to the continuation or termination of Exhibit A.
- d. To modify and amend the Amendment with Western Union relating to TRAC as the Attorney General's Office deems appropriate.
- e. To modify and amend any agreements made with the State Center regarding the release of monies held in the State Center for the benefit of TRAC as the Attorney General's office deems appropriate.
- f. To take any other actions, duties and issue any and all directives and instructions that the Attorney General's Office deems appropriate with regard to TRAC and its operations.

## **FIRG Directive #14-006, Addendum B**

### **AGREEMENT**

The Financial Investigations Resource Group ("FIRG) and New Creature, LLC, by and through its member and manager, Vince Piano ("Contractor") agree as follows:

1. Contractor shall be the director and oversee the Transaction Record Analysis Center ("TRAC") on behalf of the Arizona Financial Crimes Task Force commencing on July 1, 2014, and continuing for a period of 60 months, unless this term is terminated earlier on thirty days written notice by either party.

2. Contractor and FIRG agree that Contractor's duties as director of TRAC are set forth in paragraph 4 of the Independent Contractor's Agreement attached hereto as Exhibit A.

3. Contractor and FIRG agree that the funding received from Western Union as a result of the Amendment to the Settlement Agreement reached between Western Union and the State of Arizona on January 31, 2014, may be used to pay Contractor for services provided under this Agreement. The amount of compensation shall be 80% of those sums designated in paragraph 2 of the Independent Contractor's Agreement attached hereto as Exhibit A. All sums payable hereunder shall be paid to the Southwest Border Anti-Money Laundering Alliance ("Alliance") so as to reimburse the Alliance for monies expended for services performed by Contractor on behalf of TRAC.

4. The State of Arizona through its authorized board representative on FIRG is directed to approve and execute any and all documents in order to effectuate the purposes of this agreement and, in particular is directed to execute the "Acceptance of paragraph 5 of the foregoing Independent Contractor Agreement" which is set forth on the last page of Exhibit A attached hereto.

5. Contractor is an independent contractor and shall be free to exercise discretion and independent judgment as to the method and means of performance of the service in connection with the contract tasking made by the Board. Contractor is not an employee or agent of FIRG and shall not, by virtue of this Agreement, be entitled to any benefits or privileges provided by the Alliance to the Alliance's employees. Alliance shall not withhold Federal or State income tax or pay Social Security (FICA), State unemployment, or other employment taxes with respect to any compensation provided hereunder. All compensation received hereunder is self-employment contract income for Federal and State tax purposes and the Contractor shall treat it and is responsible for it accordingly. Contractor shall ensure that it carries appropriate and reasonable amounts of liability insurance, commercial general liability, auto insurance, workers compensation insurance and professional liability insurance. Contractor shall not commit or obligate the Alliance in any way to any person or entity. Contractor also agrees that

during the term of this Agreement, it shall not act in any manner that compromises the Alliance or implies the Alliance's endorsement of any service.

Approval of Directive 14-006

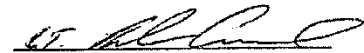
**FIRG Control Board Member**



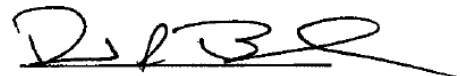
Andrew Pacheco  
Arizona Attorney General's Office



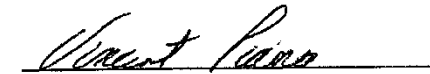
Robert Charlton  
Arizona Department of Financial Institutions



Robert Conrad  
Phoenix Police Department



Ray Butler  
Arizona Department of Public Safety



Vincent Piano  
New Creation LLC Owner and Managing Partner



TOM HORNE  
ATTORNEY GENERAL

OFFICE OF THE ARIZONA ATTORNEY GENERAL  
EXECUTIVE OFFICE

ERIC J. BISTROW  
CHIEF DEPUTY  
(602) 542-8080  
RICK.BISTROW@AZAG.GOV

June 27, 2014

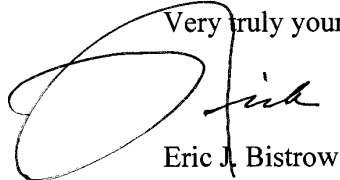
**E-Mailed – vince.piano@phoenix.gov**

Vince Piano  
New Creature, LLC

Dear Vince:

This is to confirm our conversation that took place yesterday. We clarified that in the event any party to the Independent Contractor Agreement terminated the contract pursuant to Paragraph 8, the Contractor is entitled to compensation under Paragraph 2 only up to the date of termination and not for any further or additional period of time. Please signify your acceptance of this clarification by signing in the space set forth below. Thanks.

Very truly yours,



Eric J. Bistrow

EJB/pjc

Acceptance of Clarification:

New Creature LLC

By Vince Piano 06/30/2014  
Vince Piano Date

## INDEPENDENT CONTRACTOR AGREEMENT

This Agreement is entered into between the Authorized Representative State as authorized representative of the Executive Board of the Southwest Border Anti-Money Laundering Alliance acting on behalf of the Southwest Border Anti-Money Laundering Alliance ("Alliance") and New Creature LLC, acting through its owner and managing partner, Vince Piano ("the Contractor").

For and in consideration the following, the parties agree as follows:

1. The Alliance shall, at the direction of the Alliance Executive Board ("Board"), pay the Contractor for services provided on behalf of the Board as Alliance-Appointed Staff Director for period of 18 months beginning July 1, 2014, unless extended by the parties.

2. The Alliance shall pay to Contractor the annual sum of \$203,984.00 payable in 24 equal and semi-monthly installments of \$8,499.33 each commencing on the 15<sup>th</sup> day and last day of July and continuing thereafter on the 15<sup>th</sup> day and the last day of each month until this contract is paid in full. It is understood that this fee is based on a work year of approximately 1760 hours performed in a year. It is also understood that if Contractor works in excess of 1760 hours per year, Contractor shall not bill any additional time to the Alliance. The foregoing installment payments shall be prorated to the extent Contractor commences work prior to July 1, 2014, or this Agreement terminates prior to the 15<sup>th</sup> day or last day of a month.

3. Contractor, pursuant to the authority of the Board, agrees to work, to further the mission of the Alliance and to be its Executive Director. As Executive Director, Contractor agrees to fulfill the following duties:

- 3.1 At the direction of the Board, provide programmatic oversight and management of the Alliance Program;
- 3.2 Under the general discretion and guidance of the Board, form a cohesive and mutually supportive team for coordination and management of the Alliance Program;
- 3.3 With the approval of the Board, develop and submit in the proper format an Annual Report on the operation of the Alliance's Strategy, Initiatives, and Budgets;
- 3.4 Exercise programmatic, administrative, and fiscal oversight and support of all Alliance Initiatives to ensure they are in compliance with Alliance Program requirements, strategies, and policies;
- 3.5 Be responsible for ensuring the Alliance complies with all financial management guidelines and policies of the Alliance Program;

- 3.6 Act as the grant recipients' point-of-contact for assistance and resolution of Alliance-related financial issues, serve as the point-of-contact among Board members, keep the Board informed of all program Initiative requirements, and represent the Alliance as approved or ratified by the Board;
- 3.7 Establish and maintain a central inventory tracking system for equipment and property purchased with Alliance funds;
- 3.8 Help Initiatives to establish adequate Performance Measures as described by the Board and establish a process to verify that the reported performance data are accurate and valid, and that Initiatives' funds are properly spent in accordance with Grant Agreements;
- 3.9 Establish and maintain an internal review process to evaluate the effectiveness and efficiency of each Initiative in achieving its targeted individual goals and its impact on the overall goals of the Strategy;
- 3.10 Establish and participate in an annual internal review process, or self-inspection, to determine whether each Initiative is being implemented as described in the Initiative's budget submission to the Board, complies with all Program requirements, and is achieving its Performance Measure targets, and provide the findings of this internal review, in writing, to the Initiative supervisors and to the Board;
- 3.11 Exercise technical oversight over the tasks performed by the Alliance-Appointed staff (whether agency-detailed government employees or independent contractors), including tasks concerning management and coordination, training, and information technology functions (including information technology contracts);
- 3.12 Facilitate and enhance the coordination and flow of information between and among the Alliance and non-Alliance agencies and facilitate joint activities involving the Alliance and other law enforcement entities, including Alliance task forces, HIDTA, OCDETF, state and local anti-money laundering efforts, and others as may be applicable;
- 3.13 Promote regional and national cooperation among law enforcement agencies and develop an intelligence and information sharing plan for the Alliance that implements the Alliance Strategy;



- 3.14 Provide advice and counsel to the Board concerning the status, direction, and success of the Alliance Initiatives and Alliance-Appointed staff programs;
- 3.15 Travel on official Alliance business on behalf of the Board;
- 3.16 Establish an orientation process for new Board members and new Initiative supervisors that addresses the specific responsibilities of each, and summarizes the general requirements of the Alliance Program;
- 3.17 At the direction of, and with the approval of, the Board, be responsible for recruiting, screening, and recommending applicants for membership on the Alliance-Appointed staff;
- 3.18 Be responsible and accountable for the management of the entire Alliance budget in cooperation with the selected fiduciary. Piano will not commit the Alliance to any unbudgeted expenditure without approval of the Board;
- 3.19 Maintain a familiarity with anti-money laundering (AML) statutes and regulations;
- 3.20 Provide investigative support to SW border state law enforcement agencies with respect to their AML efforts;
- 3.21 Promote the SWBA Alliance with SW Border Attorney General Offices by providing training for state and local agencies in ML investigations;
- 3.22 Foster relationships with the SWBA Executive Board to facilitate communication with the board members and designees;
- 3.23 Execute such other duties as may be directed by the Board in order to effectuate the purposes of the Alliance.

4. Contractor and the Board understand that as a result of the Settlement Agreement Amendment (“Amendment”) entered into between Western Union Financial Services, Inc. (“Western Union”) and the State of Arizona (“State”) dated January 31, 2014, Western Union agreed to fund a Money Transmitter Transaction Record Analysis Center (“TRAC”) which will house substantial data. This data will be analyzed so that money laundering trends, risks, typologies and criminal activities can be identified in order to assist Alliance task forces and other law enforcement agencies. TRAC shall be operated under the auspices of Financial Investigations Resource Group (“FIRG”) through its enforcement arm the Arizona Financial Crimes Task Force (“FCTF”). The parties agree that the success of TRAC is also integral to the success of the mission of the Alliance. Contractor and the Board agree that in addition to the

specific duties set forth in paragraph 3 above, Contractor shall also act as the director of TRAC. As the director of TRAC, Contractor shall:

- 4.1 Work with Western Union liaison employees and their point of contact (“POC”) designated by Western Union Chief Compliance Officer (“CCO”) on ongoing trends, typologies and threats;
- 4.2 Oversee TRAC monthly updates of transaction data analysis reflecting Western Union’s progress, on all Recommendations that have not been successfully implemented, and on current money laundering trends, typologies and threats supplied to Western Union’s Corporate Compliance Committee;
- 4.3 Accomplish the creation of TRAC, supervise TRAC’s operations on behalf of the Arizona Financial Crimes Task Force (“FCTF”), and ensure that TRAC is operated in accordance with the agreement with Western Union;
- 4.4 Draw Western Union analysts and law enforcement analysts closer together to achieve their mutual goals of effectively deterring, detecting and preventing money laundering and to achieve economies of scale and avoid duplication of efforts;
- 4.5 Manage the money transmitter data collected through the Agreement and Amendment and make that data and law enforcement insights gained from it and from other appropriate sources available to Western Union, and other appropriate entities, including but not limited to Alliance task forces, interested government bodies, and law enforcement.
- 4.6 Host periodic joint meetings for law enforcement personnel, money transmitter regulatory personnel, and money transmitter industry compliance and analytical personnel;
- 4.7 Handle the data flow provided to TRAC and bring TRAC and appropriate Western Union personnel together to explore efficiencies in the collection and dissemination of the data to law enforcement and improvements in data handling and quality;
- 4.8 Oversee the funding of TRAC activities, including information technology hardware, software and maintenance, travel to its meetings, meeting rooms, personnel, and other expenses;
- 4.9 Provide Western Union with quarterly financial reports detailing expenditures and the use made of Western Union’s payments;

- 4.10 Ensure that proper books of accounts are maintained regarding expenditures of funds for TRAC purposes.
- 4.11 Use good faith efforts to increase and foster industry participation in TRAC, to the same extent Western Union is required to under the Amendment, including transaction data with the same level of detail and same geographic scope.
- 4.12 Ensure that all privacy and confidential obligations under the Amendment with Western Union are followed and maintained.

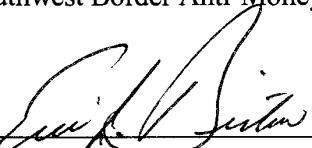
5. It is understood by the parties that Western Union is providing substantial funding for TRAC's operations under the Amendment described in paragraph 4. That funding shall be used to pay the Director of TRAC. The parties to this Agreement agree that Contractor may act as Director of TRAC while at the same time Contractor acts as Executive Director of the Alliance. The Financial Investigations Resource Group ("FIRG") agrees that from the funding provided by Western Union, to establish and operate TRAC, 80% of the payments set forth in paragraph 2 shall be paid to the Alliance so as to reimburse the Alliance in consideration of Contractor's services rendered on behalf of TRAC.

6. Contractor is an independent contractor and shall be free to exercise discretion and independent judgment as to the method and means of performance of the service in connection with the contract tasking made by the Board. Contractor is not an employee or agent of the Alliance and shall not, by virtue of this Agreement, be entitled to any benefits or privileges provided by the Alliance to the Alliance's employees. Alliance shall not withhold Federal or State income tax or pay Social Security (FICA), State unemployment, or other employment taxes with respect to any compensation provided hereunder. All compensation received hereunder is self-employment contract income for Federal and State tax purposes and the Contractor shall treat it and is responsible for it accordingly. Contractor shall ensure that it carries appropriate and reasonable amounts of liability insurance, commercial general liability, auto insurance, workers compensation insurance and professional liability insurance. Contractor shall not commit or obligate the Alliance in any way to any person or entity. Contractor also agrees that during the term of this Agreement, it shall not act in any manner that compromises the Alliance or implies the Alliance's endorsement of any service.

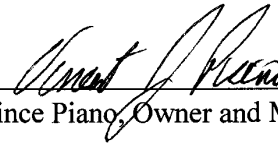
7. Contractor may not assign, transfer, or convey any of his rights or obligations under this Agreement without the prior written permission of the Alliance.

8. Contractor may terminate this agreement at any time upon 30 days written notice to the Board. The Board may terminate this agreement at any time upon 30 days written notice to Contractor.

Southwest Border Anti-Money Laundering Alliance

By  6-30-2014  
Eric J. Bistrow, on behalf of the Date  
State of Arizona, the Representative  
Board Member and as Chairman of the  
Board of the Alliance


New Creation LLC

By  06/30/2014  
Vince Piano, Owner and Managing Partner Date

**ACCEPTANCE OF PARAGRAPH 5 OF FOREGOING  
INDEPENDENT CONTRACTOR AGREEMENT**

The Financial Investigations Resource Group and the Arizona Financial Crimes Task Force, by and through their authorized representative, the State of Arizona, hereby affirm and approve paragraph 5 of the foregoing Independent Contractor Agreement and directs that payments be made to the Southwest Border Anti-Money Laundering Alliance in Accordance with the provisions of paragraph 5.

Financial Investigations Resource Group ("FIRG")

By  6-30-14  
Andrew Pacheco, Designated Arizona Date  
Board Member of FIRG and FCTF