



---

---

---

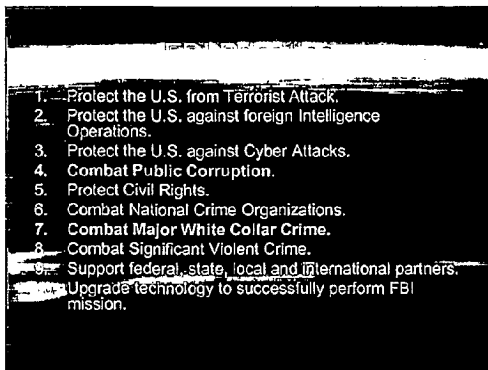
---

---

---

---

---



---

---

---

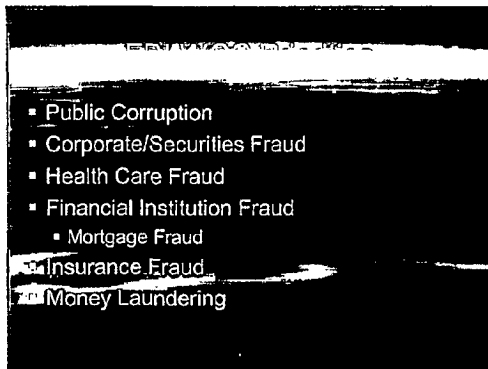
---

---

---

---

---



---

---

---

---

---

---

---

---

■ Number 1 Criminal Priority  
 ■ Examples:  
   – Bribery  
   – Extortion  
   – Conflict of Interest  
 ■ Federal, State, Local officials

---

---

---

---

---

---

---

---

"Fighting corruption is essential to meeting the great challenges of our times...When corruption flourishes, it weakens confidence in public institutions such as law enforcement, and undermines the honest values that democracy depends upon. All people deserve legal systems that spread opportunity, instead of protecting the narrow interests of a well-connected few."  
 - President Bush, May 2003

---

---

---

---

---

---

---

---

Why should I think there is  
 corruption in this country?  
 ■ "Public money is like holy water; everyone helps himself to it"  
   – Italian Proverb  
 ■ "I can resist everything except for temptation"  
   – Oscar Wilde

---

---

---

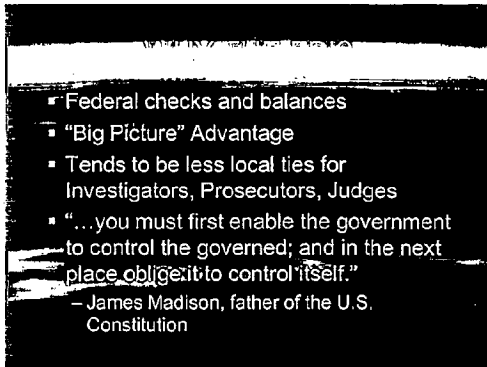
---

---

---

---

---



---

---

---

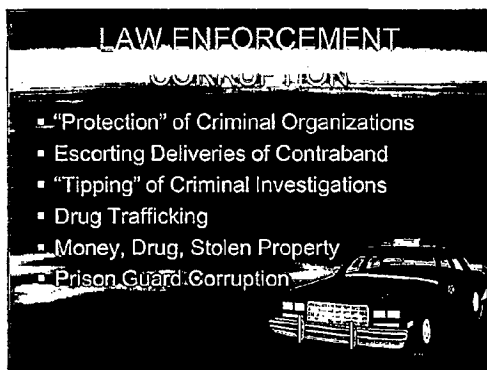
---

---

---

---

---



---

---

---

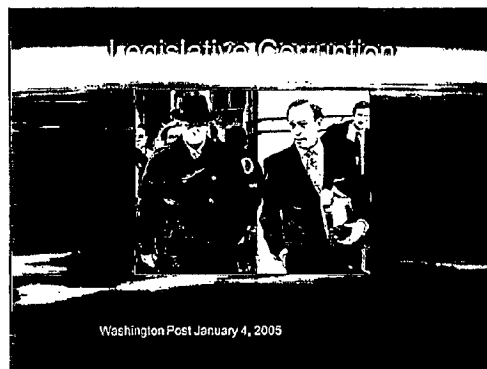
---

---

---

---

---



---

---

---

---

---

---

---

---

## LEGISLATIVE CORRUPTION

- **Primary Targets**
  - U.S. Congress/State Legislators
  - County Commissioners/City Councilmen
  - Lobbyists/Consultants
- **Typical Official Acts**
  - Introduce bills/resolutions
  - Vote/Not Vote
  - Exert tangible improper influence over others
- **Payments**
  - Cash, campaign contributions, property, hidden business interests and investments




---

---

---

---

---

---

---

---

---

---

The truth is I broke the law, concealed my conduct, and disgraced my office.

—Congressman Randy "Duke" Cunningham  
*—Union-Tribune (San Diego) November 29, 2005*



SAN DIEGO, CA — On November 28, 2005, U.S. Representative Randall "DUKE" Cunningham, pled guilty to accepting gifts and bribes from defense contractors in exchange for providing preferential treatment.

---

---

---

---

---

---

---

---

---

---

## DEVELOPMENT CORRUPTION

- **Licensing/Certifications**
  - Liquor, construction, professional
- **Inspections**
  - Non-enforcement of city/county codes
  - Extortion despite code compliance
- **Zoning Changes**
  - Residential to commercial
  - Low-density to high-density




---

---

---

---

---

---

---

---

---

---

**JUDICIAL CORRUPTION**

**"Rainmaking" Schemes**

- Attorneys/clerks soliciting bribes for influence

▪ **Court Appointment Kickbacks**

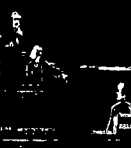
▪ **Probation-Related Fraud**

▪ **Obstruction of Justice**

- Witness/jury tampering
- Perjury/false statements

▪ **Traditional**

- Reduced charges, sentencing,
- Forfeitable property, fines




---

---

---

---

---

---

---

---

**Corporate Fraud/Securities and**

**Confidence Games**




---

---

---

---

---

---

---

---

**Corporate Fraud/Securities And**

**Confidence Games**

- White Collar Crime Priority #2
- Corporate Fraud
  - Accounting Fraud
  - Examples: Enron, Worldcom, Adelphi
- Insider Trading
- Market Manipulation
- Subprime mortgage fraud
- Massive Ponzi schemes

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

**Corporate Fraud Definition**

**Accounting Fraud**  
("Cooking the Books")

The falsification of financial information, including:

- False accounting entries
- Bogus trades designed to inflate profits or hide losses
- False transactions designed to evade regulatory oversight

---

---

---

---

---

---

---

---

**Corporate Fraud Definition**

**Self-Dealing**  
("Me First")

Self-dealing by corporate insiders includes:

- Insider Trading
- Manipulating stock option dates
- Kickbacks
- Misuse of corporate property for personal gain
- Individual tax violations related to self-dealing

---

---

---

---

---

---

---

---

### Corporate Fraud Victims

- Individual Shareholders
- Employee Pension Plans
- Mutual Funds
- Financial Institutions (Lenders)
- Market Stability and Reliance

---

---

---

---

---

---

---

---

### Corporate Fraud Response

#### The FBI Response

- Corporate Fraud Response Teams (CFRT):
  - Special Agents and Financial Analysts with accounting and Corporate Fraud expertise.
  - Deployed on temporary assignment to the location of Corporate Fraud cases to help carry out investigations:
    - Conduct interviews
    - Analyze documents
    - Review financial statements
    - Handle evidence

---

---

---

---

---

---

---

---

### Health Care Fraud

- White Collar Crime Priority #3
- Fraud: 3-10% of \$3.31 trillion spent on health care
- Work with Inspectors General
- Examples:
  - Hospital Cost Reporting
  - Outpatient Surgery Centers
  - Medical Transportation




---

---

---

---

---

---

---

---

**Mission of the FBI**  
**Health Care Fraud Program**

- To identify, investigate, and assist in the prosecution of individuals and entities which:
  - Defraud US Government Health Care Programs
  - Defraud Private Health Care Insurers & Programs
  - Defraud Consumers of Health Care Programs

---

---

---

---

---

---

---

---

**Health Insurance Portability and Accountability Act of 1996**  
Public Law 104-191 Enacted August 21, 1996

- Appropriated special funding to the FBI for health care fraud enforcement
- Eight FBI Special Agents in the San Francisco Division

---

---

---

---

---

---

---

---

**Health Care Fraud Schemes**

- Services not rendered
- Services not necessary
- Kickbacks
- Upcoding
- Product substitution
- Durable medical equipment fraud
- Substandard products
- Infusion therapy fraud
- Illegal Internet prescription drug sales
- Counterfeit pharmaceuticals
- Prescription drug diversion
- Medical privacy

---

---

---

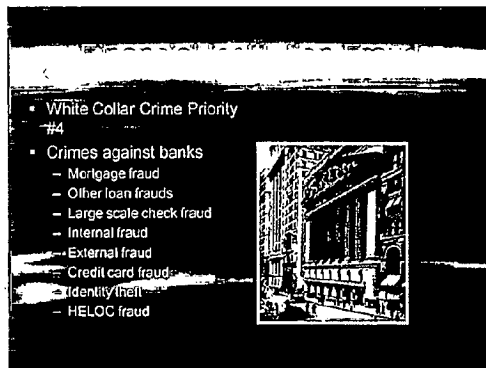
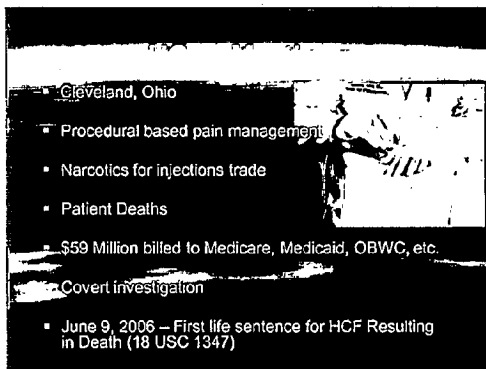
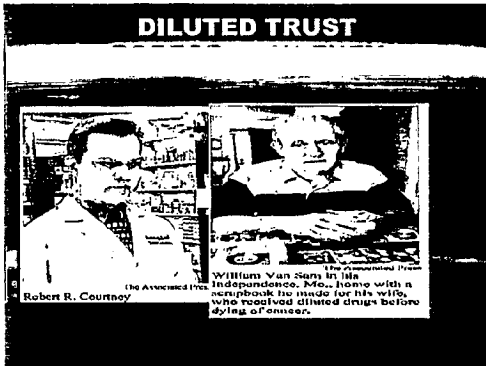
---

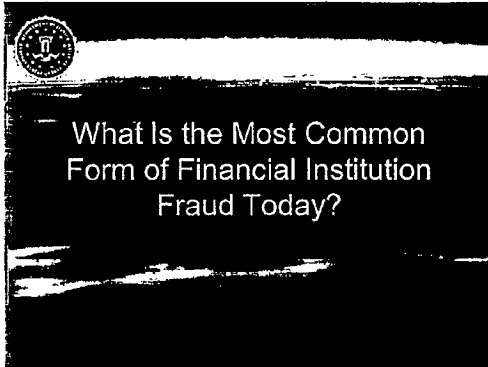
---

---

---

---






---

---

---

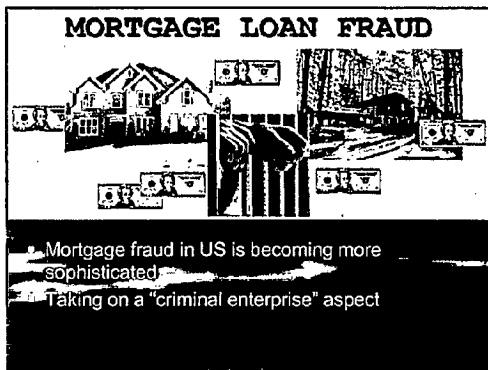
---

---

---

---

---




---

---

---

---

---

---

---

---




---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

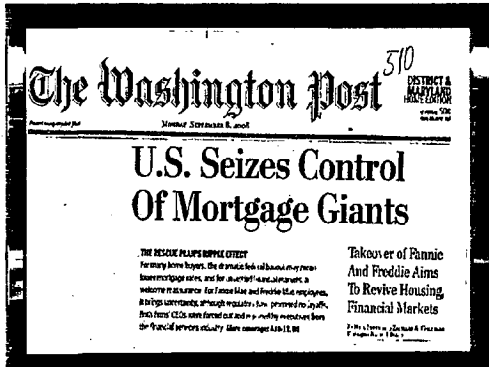
---

---

---

---

---





---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

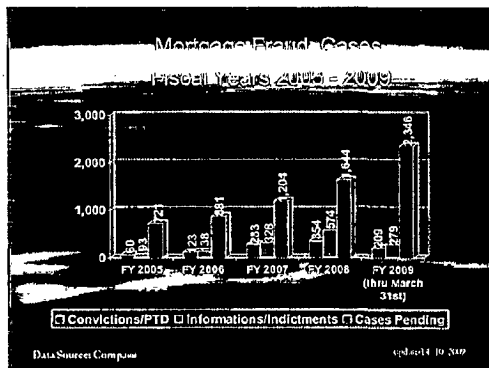
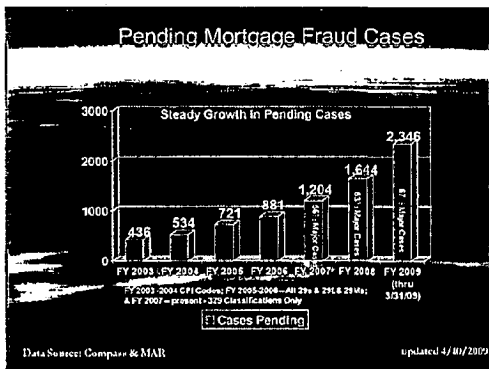
---

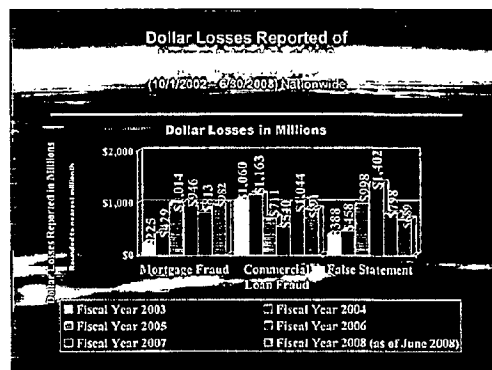
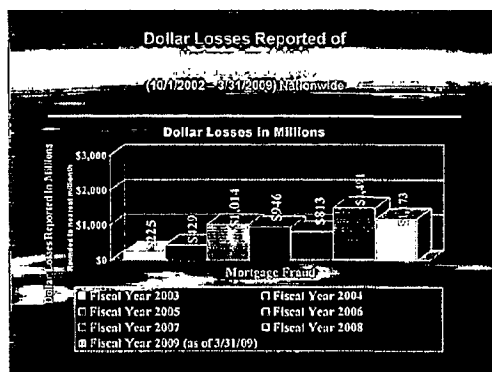
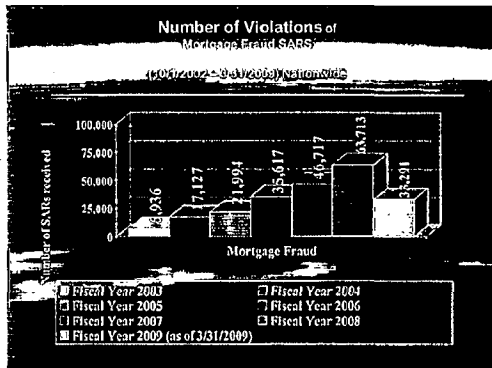
---

---

---

---





**Mortgage fraud is committed**

- To obtain a property
- To gain a profit




---

---

---

---

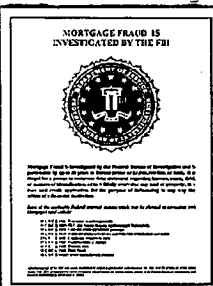
---

---

---

---

- Backward Application
- Intent to occupy
- Straw buyers
- Inflated Income
- False Assets




---

---

---

---

---

---

---

---

**FRAUD FOR PROFIT**

**HOW DOES IT HAPPEN?**

- Big Business
  - MBA estimated that loan originations would reach \$2.28 trillion during 2007
- Booming market causes increased workload, procedures not followed.
- Insider involvement.
- Insufficient internal and external controls
  - Increase in activity by organized criminals
  - Subprime lending and inflated real estate prices

---

---

---

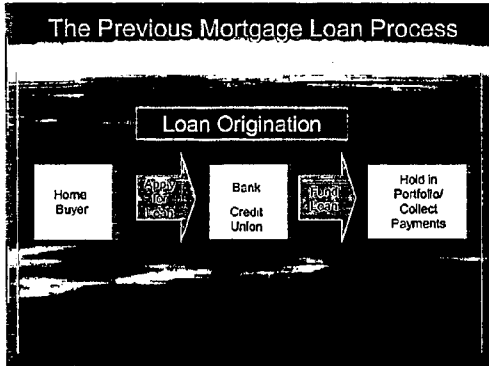
---

---

---

---

---




---

---

---

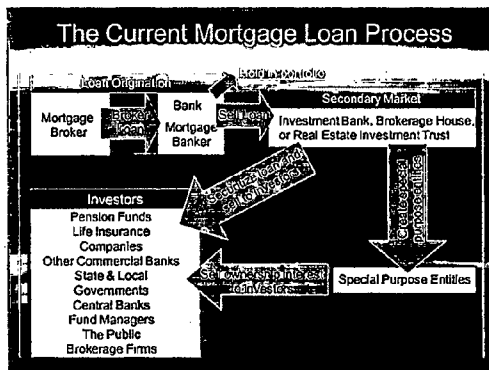
---

---

---

---

---




---

---

---

---

---

---

---

---




---

---

---

---

---

---

---

---

**The San Francisco Division Has 50 Special Agents Assigned To Five WCC Squads**

- 2 Squads In San Francisco
- 1 Squad In Oakland
- 1 Squad In San Jose
- 1 Squad In Concord
- Agents assigned in North Bay and Monterey areas

---

---

---

---

---

---

---

---

**The FBI Response: Taking the Fight**

Methods of Enforcement

- Undercover techniques
- Electronic surveillance
- Cooperating witnesses
- Asset seizure and forfeiture
- Financial Crimes Task Forces
- Assign more agents to investigate financial crimes
- Adapt to an evolving criminal element
- Training and liaison with financial services industry
- Corporate Fraud Response Team
- Contract forfeiture investigators




---

---

---

---

---

---

---

---

b6  
b7C  
b7E

**How has the FBI responded?**

**Addressing increased workload**

- **Creating Mortgage Fraud Task Forces / Working Groups**
  - Established in 42 Field Offices
  - Participants include federal, state, local and industry experts
- **Training** - On-line training course on mortgage fraud
- **Working with Confidential Sources**
  - Individuals identifying ongoing mortgage fraud schemes
- **Undercover Operations (UCOs)**
  - UCOs currently active, additional in planning
  - Targeting known mortgage fraud subjects identified by sources and SARs

---

---

---

---

---

---

---

---

### How has the FBI responded?

(cont.)

- Improving databases and analysis
  - Developing property flipping database to identify most egregious offenders
  - Improved SARs analysis
- Mortgage Fraud Working Groups
  - Participating in Mortgage Fraud Working Group at National level with other Federal law enforcement and financial institution regulators.

---

---

---

---

---

---

---

---

- 34 Public Corruption
- 63 Corporate And Investment Fraud
- 24 Health Care Fraud
- 28 Financial Institution Fraud
- 50 Mortgage Fraud

---

---

---

---

---

---

---

---

### Northern District of California

#### Mortgage Fraud Investigation

- Federal Agencies
- State Agencies
- Local Agencies

Approximately 30 pending investigations

---

---

---

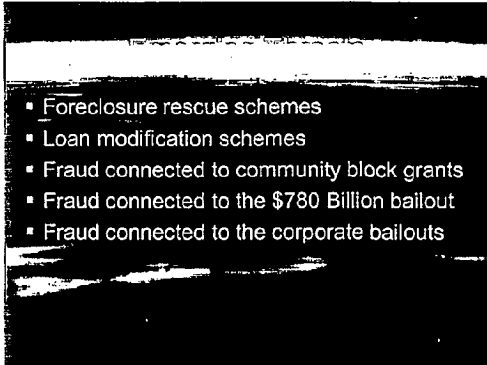
---

---

---

---

---



---

---

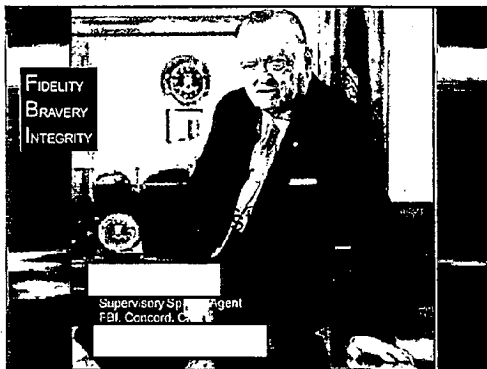
---

---

---

---

---



---

---

---

---

---

---

---

b6  
b7C  
b7E