

DATE ISSUED: October 9, 2003 REPORT NO. 03-201

ATTENTION: Public Safety and Neighborhood Services Committee
Agenda of October 15, 2003

SUBJECT: The Police Department's Response to Identity Theft

REFERENCE: N/A

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE CITY COUNCIL.

BACKGROUND

Identity theft is the nation's fastest growing crime. It represents a new form of criminality in which suspects use technology as a crime tool with alarming success and anonymity. The Federal Trade Commission (FTC) lists identity theft as the top consumer fraud complaint. A recent survey by the FTC indicates that previous estimates of the number of annual identity theft victims may have been grossly understated. The FTC now estimates that there may be as many as 10 million victims of identity theft annually. The national and local media have brought national attention to the identity theft explosion. The FTC and the California Public Interest Research Group estimate that an identity theft victim loses \$700 to \$800 in out of pocket expenses attempting to correct damage to credit history. Victims spend an estimated 175 personal hours on the phone with businesses and banking and credit institutions trying to stop the fraud. Businesses and credit card companies lose billions of dollars each year to this crime, which translates to higher prices for all consumers. However, the most chilling aspect of identity theft is the random nature of victimization, and worse, repeat victimization. Once a person's personal information is in the criminal's hands, it likely will be sold to other criminals again and again, causing the victimization to continue for months and even years.

California Penal Code Section 530.5 describes identity theft as the use of someone's personal identifying information to obtain credit, goods, services and/or medical information. Identity thieves steal mail, search outgoing trash containers, steal wallets and purses from cars and residences, hack computer systems, and intrude into personal computers via the Internet to get a victim's personal information. Identity thieves use a victim's name, address, and social security

number to obtain credit cards for fraudulent transactions, take over existing accounts, or submit address changes in order to reroute bills and account statements.

DISCUSSION

The Police Department's Financial Crimes Section recently analyzed identity theft cases in San Diego from 2001, 2002, and 2003. The analysis showed that identity theft cases are growing at an alarming rate: the fraudulent use of personal information to obtain credit, goods, or services is increasing an average of 26% per year; and the fraudulent use of a credit card is increasing an average of 32% per year. The following charts show the annual increases in reported identity theft cases:

Penal Code section 530.5, a felony

(Fraudulent use of personal information to gain credit, goods, or services)

Year	Cases	% Increase
1999	927	
2000	1190	+27%
2001	1443	+21%
2002	1867	+29%
2003 (estimated)	2000 +	Avg. +26%

Penal Code section 484 (E), a felony

(Fraudulent use of a credit card)

Year	Cases	% Increase
2000	386	
2001	587	+52%
2002	662	+14%
2003 (estimated)	940 +	Avg. +32%

The analysis showed that area commands, which handle Penal Code section 530.5 cases, were able to investigate only 2% percent of this caseload. Area command detectives, with responsibility for dozens of other crime types, did not investigate the remaining majority of these cases because they lacked the time and resources. Victims whose cases were not investigated were mailed self-help information on canceling credit cards, contacting credit agencies, and other measures to mitigate the damages of the crime.

Using volunteer officers and detectives from other units, the Financial Crimes Section investigated a sampling of open identity theft cases. Investigators discovered that about 30% of the cases have workable leads to a San Diego area suspect. This is significant because with the use of the Internet as a crime tool, suspects who have targeted San Diego residents potentially could commit fraud from any part of the world. These interstate or international cases are logistically unworkable; instead, they are entered into a database and sent to the law enforcement agency in the suspect's jurisdiction. With leads to local suspects, however, an estimated one

third of San Diego's identity theft cases are workable and capable of being successfully resolved. This translated to about 600 workable identity theft cases in 2002 and a projected 720 identity theft cases for 2003.

Additionally, the analysis showed:

- 1) 100% of the identified suspects had felony priors for property crimes.
- 2) 92% of the identified suspects had felony priors for drug crimes.
- 3) 34% of the identified suspects were already on parole or probation.
- 4) Some cases led to a suspect who was already being prosecuted in an identity theft series involving hundreds of other victims. This suspect was recently sentenced to 6 years in prison.
- 5) In addition to a ruined credit history, the average loss was about \$800 per victim.
- 6) Most Internet providers, banking institutions, and cellular phone companies cooperated after receiving Department form letters requesting information and records.
- 7) Suspects, as investigators expected, are using computers and various software programs to create and print false IDs and counterfeit checks of amazingly high quality.

Finally, the analysis showed that other police agencies were overwhelmed with identity theft cases and were scrambling to cope. To address a 200% increase in identity theft cases in the last three years, the Los Angeles County Sheriff's Department recently created an identity theft unit comprised of 18 sworn and 2 civilian members. The unit is attempting to prioritize and investigate more than 6,000 cases per year and is expected to screen 8,000 cases this year. The Los Angeles Police Department recently started a pilot program with 7 detectives to screen a whopping 12,000 identity theft cases per year. The San Jose Police Department recently reorganized its financial crimes section and created a 4-person team from existing fraud investigations staff. The San Jose Police Department also raised its case assignment threshold for financial crimes to \$5,000.

San Diego's Identity Theft Unit

Following this trend, the Police Department is in the process of forming an Identity Theft Unit. Using budgeted personnel and existing resources, this unit will screen all identity theft cases, removing that responsibility from area commands. The unit will be comprised of 4 detectives, 1 sergeant, and a cadre of 3 to 4 Volunteers In Policing and Retired Senior Volunteer Patrols. The detectives will be re-assigned from the Financial Crimes Section and have expertise in investigating financial and computer crimes. The sergeant responsible for supervising the Identity Theft Unit will be selected this month in a competitive process open to investigative sergeants, so that no supervisors will be taken from patrol. The Identity Theft Unit, which will be housed in the Financial Crimes Section in the Headquarters Building, is expected to begin screening and investigating identity theft cases in early November.

As a result of shifting of resources and reallocating personnel to address identity theft, the case assignment thresholds for other fraud and financial crimes will increase to \$5,000. As a result, cases involving smaller losses will be entered into a database and monitored for repeat offenses,

which might then trigger an investigation, even though the dollar amount might not reach the \$5,000 threshold.

Goals for the Identity Theft Unit include:

1) Reducing the annual growth rate of identity theft cases. *Measure: The unit will track the baseline crime rates, and case assignment and cancellation rates for identity theft crimes to determine whether the 2001-2003 baseline numbers change in any of these categories.*

2) Complying with Penal Code section 530.6, which mandates that policing agencies investigate identity theft. *Measure: The unit will track ratios of incoming cases vs. cases assigned and completed, and will compare changes to the 2001-2003 baseline numbers.*

3) Improving the Police Department's level of service to identity theft victims. *Measure: The unit will track ratios of incoming cases vs. cases assigned and completed, and will compare changes to the baseline 2001-2003 numbers. Additionally, the unit will develop and implement a random survey of victim satisfaction to serve as a baseline for subsequent surveys.*

4) Using problem-solving partnerships to reduce identity theft victimization. *Measure: The unit will document all existing identity theft-related partnerships and their effectiveness at generating problem solving strategies. The unit also will track all newly created or changed partnerships and their effectiveness.*

5) Establishing a system of measuring other indicators of identity theft. *Measure: The unit will more effectively identify and track other crimes that are directly related to identity theft, such as theft of mail.*

Many agencies are poised to support the new Identity Theft Unit. The FBI's computer forensics lab has offered spare computers and free detective training from investigators skilled in high-tech crimes. Internet-based victim advocacy groups, such as the Identity Theft Resource Center and the Privacy Rights Clearing House, are ready to forge new public safety partnerships with a revitalized local policing effort. These partnerships can lead to future joint initiatives for legislation supporting victim advocacy or requiring credit agencies and businesses to tighten up security measures. The San Diego District Attorney also supports prosecution of identity theft crimes. With support from the private and public sectors, the Department is confident that the Unit will have a positive impact on identity theft crimes in San Diego.

Respectfully submitted,

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