



**“E” DIVISION**

**RAC / DMT PROPOSAL  
BUSINESS CASE (MAJOR)**

**Proposal for a Provincial  
Financial Crime Unit**

**SUBMISSION DATE: November 9, 2016**

<b>ACRONYMS:</b>	None
<b>DMT SPONSOR:</b>	Assistant Commissioner, ISOC - Jim Gresham
<b>REQUESTING UNIT:</b>	E Division Federal Serious and Organized Crime
<b>REQUEST:</b>	Proposal for a provincial financial crime unit.

## ***DESCRIPTION OF THE REQUEST***

### **Executive summary**

Since a re-engineering of federal resources in 2013, BC has had no provincial police resources tasked with the investigation of large frauds. Prior to re-engineering there were about 100 members and support staff investigating financial crime in BC.

Municipal detachments are not capable of investigating inter-detachment, interprovincial or international fraud. The crime rate relating to fraud is increasing, and there is a risk that the RCMP and the provincial government could come under criticism as a result. This is a proposal for creation of a provincial financial crime unit comprising 25 members and support staff, at an approximate annual cost of \$4.7 million, with the province's 70% share approximately \$3.3 million, and an initial start-up cost of approximately \$550,000.

### **Background**

E Division Commercial Crime section, like other white-collar crime sections across Canada, initially had a federal policing mandate. Federal policing responsibilities were taken away over time, and the section predominantly became a fraud investigation unit, which would be a provincial policing responsibility. In addition to investigating large frauds, the E Division Commercial Crime section provided support and advice to detachments in BC.

In January 2013, all RCMP federal resources in BC, including all members of E Division Commercial Crime Section, were amalgamated into E Division Federal Serious and Organized Crime. The mandate of federal positions was restricted to a federal purpose of investigating serious and organized crime, which includes complex matters such as international money laundering and crimes which affected Canada's economic integrity. Twenty provincial positions were brought to the federal unit. These positions have historically been mandated to investigate domestic political corruption and are known as the Sensitive Investigation Unit.

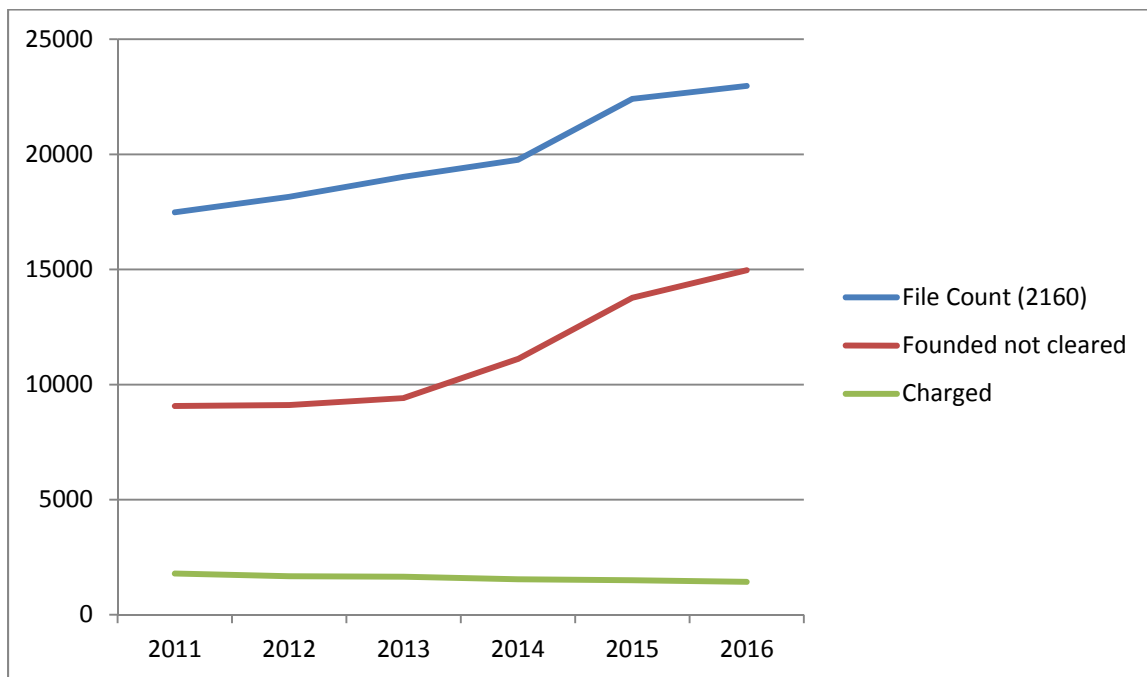
At the time of its dissolution, E Division Commercial Crime in Surrey comprised one Superintendent and two Inspectors, four Staff Sergeants, 52 other regular members, 5 civilian members and 19 PSE administrative support personnel, for a total of 83 employees. In addition, the satellite sections in Kelowna and Victoria comprised 12 members and 2 public

service employees.<sup>1</sup> Therefore, there were almost 100 members in BC who were investigating fraud at the time of federal re-engineering. As a result of federal re-engineering, there has been a gap in capacity to investigate large inter-detachment, interprovincial or international fraud.

Fraud investigations are very complex in nature, involving large sums of money and many victims. Victims and offenders are often in different jurisdictions. Detachments and municipal police departments usually do not have the resources or expertise to conduct investigations of such multi-faceted offences, and detachment members are often restricted in expanding investigations beyond their municipal boundaries.

The 2015-2017 BC RCMP Performance Plan stated that there is a baseline decrease in crime rates.<sup>2</sup> However, there has been a 28.5% increase in fraud offences since 2011, with a sharp increase in not cleared cases since about the time of re-engineering. (See Appendix A for detailed statistics).

**Graph 1 – Uniform Crime Reporting – Fraud Based Offences (source: PRIME BC)**



UCR statistics relating to fraud based offences may apply to insurance fraud, credit card fraud, mass marketing fraud, investment fraud, fraudulent cheques, online scams (including email

<sup>1</sup> These numbers are from 2010, therefore they are an approximation of what manpower would have been at the time of re-engineering.

<sup>2</sup> 2015-2017 BC RCMP Performance Plan, p. 14-15.

scams, data breaches and phishing), advance fee schemes, land title fraud, identity theft and payment card fraud. These statistics would be understated due to the fact that victims are often reluctant to report fraud. A 2008 McMaster University study<sup>3</sup> concluded that only 13% of identity frauds were reported to the police. The Canadian Anti-Fraud Centre estimates only 5% of mass marketing fraud is reported to them.

It is difficult to quantify the monetary impact of all types of fraud in British Columbia. The Canadian Anti-Fraud Centre has reported that in 2014 there was a reported loss in British Columbia of \$5.6 million relating only to mass marketing fraud.<sup>4</sup> Using the above report rates, the monetary loss to fraud in B.C. can be estimated to be \$43 - \$112 million annually. These estimates only include mass marketing frauds. There are other types of fraud as noted above that would add to the amount of money taken away from the legitimate economy in B.C.

### **Proposal**

A new division fraud unit is proposed. Such a unit is essential to the operation of the RCMP. It would be a resource for financial crime investigators in detachments and would enable the investigation of inter-detachment, interprovincial and international frauds which are outside the scope of detachment policing and federal policing mandates.

### **Proposed mandate and strategic objectives**

According to E Division policy<sup>5</sup>, the current “provincial mandate” for fraud is “To investigate economic crimes of provincial significance when one or more of the following elements are present: organized crime involvement, substantial value of financial losses, high degree of criminal sophistication, requirement of special investigative expertise, provincial government as a victim, and/or satisfying public or provincial interest.”

A mandate for the proposed unit may also include: “To investigate inter-municipal, interprovincial and international frauds in BC which constitute significant corporate fraud, identity theft, payment card fraud, fraudulent mass marketing, fraud which victimizes vulnerable members of society and investment frauds, as well as providing educational outreach to both fraud investigators and the general public.”

A provincial financial crime unit would also need to work with foreign agencies in joint investigations to protect local victims or to prevent British Columbia from being a haven for criminals who would target victims in other jurisdictions.

Proposed strategic objectives are to (1) become an area of expertise and excellence in the investigation, disruption and conviction of complex frauds, and (2) to support detachment fraud units and the fraud investigation community by providing guidance.

---

<sup>3</sup> <http://merc.mcmaster.ca/measuring-identity-theft-canada-2008-consumer-survey/>

<sup>4</sup> <http://www.antifraudcentre-centreantifraude.ca/reports-rapports/2014/ann-ann-eng.htm#a11>

<sup>5</sup> <http://infoweb.rcmp-grc.gc.ca/rcmpmanuals/ediv/eng/om/3/general/om3-general.htm>

### **Anticipated outcomes and measures of success**

By their nature, significant frauds take time to investigate and prosecute. A typical fraud investigation will take more than one year from receipt of the complaint to production of a report to Crown counsel, and a conviction may not follow until years later. Due to the timeframe of a typical fraud investigation, fraud clearance statistics will not be a true reflection of the proposed unit's immediate success.

Alternatively, success can be measured by the level and quality of investigations brought forward to Crown counsel. A simple measurement of reports to Crown counsel will not be reflective of the unit's success, due to the complexity of large fraud investigations.

The Regional Director (Commercial Crime) for the Ministry of the Attorney General is an external client, and would be able to accurately assess the new unit's success by assessing the quality of reports to Crown counsel. While quality of reports to Crown is important, the best test remains in clearance rates, which show if complaints are unfounded or if charges are warranted.

### **Why the request is essential to the operations of the RCMP / how this request addresses provincial policing needs**

The RCMP in BC is tasked with "providing a professional, efficient and effective police service committed to aiding in the administration of justice in the province."<sup>6</sup> Citizens are increasingly being victimized by fraud and the RCMP must be committed to providing policing services relating to these offences.

### **Why existing infrastructure is insufficient and ineffective**

There are fraud units in some detachments, but they are usually a subset of a major crime unit. Fraud offences are normally considered to be non-violent, and are therefore deemed to be lower priorities. There are no existing provincial resources for fraud investigation, and no provincial resources to coordinate fraud investigations across different detachments.

### **Impact on municipalities / consultation with detachments**

Members from seven detachment fraud units were contacted to gauge their opinions on the impact following the dissolution of E Division Commercial Crime. Generally speaking, the units found investigations are becoming more complex, resulting in an increased workload, and many complaints are being left uninvestigated. They feel the loss of the resources and expertise. A full description of their opinions may be found in Appendix B.

---

<sup>6</sup> 2016-2017 BC RCMP Performance Plan, p. 9.

## **Consultation with Crown**

The Deputy Director for the Ministry of the Attorney General was consulted during the preparation of this business plan. While not wishing to sound critical of the RCMP, he believes there is a “huge gap” occurring, as his office no longer receives large scale frauds for prosecution. Furthermore, the Deputy Director believes that since detachment members are no longer receiving guidance from E Division Commercial Crime Section, their reports to Crown counsel are of a lower overall quality. The Deputy Director pointed out that since *R v. Jordan* requires the “lens to be put on at the investigation stage,” that more comprehensive reports to Crown and disclosure packages will be required. A more fulsome description of his opinions may be found in Appendix C.

## **Links to Divisional Performance Plan**

The 2015-2017 BC RCMP Performance Plan lists a number of priorities that are directly linked to fraud. In the priority of “Enhanced Public Safety,” targets for the RCMP include “BC RCMP will continue to reduce crime,<sup>7</sup>” “Continued downward trend in total *Criminal Code* crime rate in BC RCMP jurisdictions in BC,<sup>8</sup>” and “downward trend in crimes against vulnerable groups.<sup>9</sup>” Fraud often targets vulnerable groups such as senior citizens. As stated earlier, not cleared fraud complaints have risen in past years, in contrast to overall declining crime rates as reported in the Performance Plan.

In the priority of “Fiscal Accountability,” a target for the RCMP includes “Match the deployment of resources with demands for service.<sup>10</sup>” The escalation of not cleared fraud complaints is not being met by a commensurate deployment of resources. Unmet demands for fraud investigation may adversely affect the RCMP's reputation.

In the priority of “Modernization,” a target for the RCMP includes “Increase efficiency of specialized operational and administrative services.<sup>11</sup>” Fraud investigations demand a specialized service which is not being delivered.

## **EXTERNAL LINKS / STRATEGIC ALIGNMENT**

### **How this proposal supports government priorities and advances public safety**

In 2013 the BC Ministry of Justice published a Policing and Community Safety Plan. One of the “key community challenges” identified in the plan was senior safety and potential elder abuse: “In addition to elder abuse, participants raised the vulnerability of seniors as targets of

<sup>7</sup> 2016-2017 BC RCMP Performance Plan, p. 9.

<sup>8</sup> 2016-2017 BC RCMP Performance Plan, p. 14, bullet 3.

<sup>9</sup> 2016-2017 BC RCMP Performance Plan, p. 20, bullet 3.

<sup>10</sup> 2016-2017 BC RCMP Performance Plan, p. 24, final bullet.

<sup>11</sup> 2016-2017 BC RCMP Performance Plan, p. 32, final bullet.

crimes such as theft, fraud and home invasion.”<sup>12</sup> The plan also addressed the demographic for fraud: “Participants discussed the impact of unique demographic patterns on community safety and noted that different demographic compositions can bring diverse criminal activities into focus. Areas with younger demographics have criminal activity more centered on drugs and prostitution while areas with larger elderly populations see more criminal activities like fraud, property crime and elder abuse.”<sup>13</sup> The plan addressed a desire for the provincial government to provide stronger leadership, better coordination of services, and alignment of funding with key public safety priorities. As demographics shift to a more senior population these types of crime would be expected to increase. The mandate of the proposed unit includes targeting fraud which victimizes vulnerable members of society.

### **Links to obligations under contracts**

According to the 2012 BC Provincial Police Service Agreement<sup>14</sup>, the police service agreement between the Government of BC and the RCMP to provide a professional, cost effective policing model that is responsive to the Province. Responsibilities include to “preserve the peace, protect life and property, prevent crime and offences against the laws of Canada and the laws in force in the Province, apprehend criminals, offenders...”<sup>15</sup> The agreement also states that: “Contract policing is recognized as an increasingly effective national policing model to address the cross-jurisdictional (i.e., municipal, provincial, territorial, national and international) and evolving nature of crime....”<sup>16</sup>

## **BACKGROUND / CONTEXT**

### **Trends (files that have not been investigated)**

Large detachment economic crime sections were consulted during the preparation of this report. They were asked to identify some of the recent major files that could not be investigated due to the lack of a provincial Financial Crime section. These cases which could not be investigated include a \$2.5 million advance fee scheme, fraudulent use of credit cards by an organized crime group, a data breach to one of the provincial health units, uttering of fraudulent Government of Canada cheques, a compromise of a corporate database, a \$7 million theft from a law firm, a \$1.7 million business fraud, a \$6 million real estate fraud, a fraud that victimized a Crown counsel, a large investment fraud, a mail theft and fraud ring, identity theft involving one of the provincial health units, a tax fraud scam, an international lottery fraud scam, a significant fraud in a small detachment, and a company which was providing false

<sup>12</sup> 2013 BC Policing and Community Safety Plan, p. 51.

<sup>13</sup> 2013 BC Policing and Community Safety Plan, p. 54.

<sup>14</sup> Schedule A, Province of British Columbia Provincial Police Service Agreement, April 1, 2012 - <http://www2.gov.bc.ca/assets/gov/law-crime-and-justice/criminal-justice/police/publications/agreements/police-agreement-provincial-2012.pdf>

<sup>15</sup> *ibid*, p. 15.

<sup>16</sup> *ibid*, p. 5.

identification to people in the US, UK and Australia. Further details are provided in Appendix D.

### **Dependencies on other units**

No dependencies are foreseen. Technical and administrative support is built into the model.

### **Human resource plan**

At the time of the dissolution of E Division Commercial Crime, there were about 83 members and support staff in Surrey and 6 members and one Public Service staff in each of Kelowna and Victoria. If the proposal is accepted, there will still almost certainly be future requests for more members and perhaps for some satellite units, but for this initial proposal a request is for a staff of 25:

- 1 Management: 1 Staff Sergeant
- 14 Investigation teams (x2) each: 1 Sergeants, 2 Corporals, 4 Constables
- 2 Intake and mentoring: 1 Sergeant, 1 Corporal to triage files and to provide advice to detachments across the province regarding complex fraud investigations.
- 1 Tech crime support: 1 Corporal (for data breach investigations, cyber crime investigation and analysis of seized electronic storage devices)
- 7 Support: 1 Sergeant supervisor, 1 open source analyst (AS-01); 1 intelligence analyst (ADM-05/ES-05), 1 Public Service (CR-04) and a small major case management unit: 1 information systems application specialist (AS-03/ADM-03), 1 information processor (CR-04), 1 prosecutorial and disclosure facilitator (ADM-02/AS-02).

The rank structure leans toward more senior investigators. This is necessary due to the nature of the work being more specialized, technical, and requiring knowledgeable advice.

### **Description of capital requested**

It is estimated that the cost for the proposed unit would be \$4.7 - \$4.9 million annually through the next five fiscal years.

### **Current establishment**

There is no current establishment.



### **Organization chart**

It is proposed that the new unit would report through Investigative Services and Organized Crime (ISOC). See Appendix E for a proposed organization chart.

### **Policy**

Consistent with E Division policy<sup>17</sup>, the investigation of fraud will remain the primary responsibility of the RCMP detachment or police force of jurisdiction.

### **Oversight and governance**

The proposed unit will follow established major case management principles and will follow existing memoranda of understanding with the Ministry of the Attorney General with respect to disclosure and the production of reports to Crown counsel. Officers and Staff Sergeants in the proposed unit must be accredited team commanders. Analytical work will require communication with the Real Time Information Centre and CISBC/YT, but there will be no oversight or reporting lines. There is no existing oversight body.

## **OPTIONS AND ALTERNATIVES**

### **Option 1 – Recommended with supporting rationale – unit of 25 investigators / support staff**

If the proposal is accepted, the proposed unit will investigate major inter-detachment, interprovincial and international frauds.

The proposed unit would instantly be a resource to detachment financial crime units and would instantly bring together detachments throughout BC to prioritize large-scale frauds.

The new unit is not intended to replace each detachment's responsibility to investigate financial crime within the bounds of their jurisdiction.

Capacity will quickly be reached. Investigations will be time-consuming and manpower-intensive. The volume of frauds is greater than the proposed unit would be able to handle. There continues to be a reality that all frauds cannot be investigated.

### **Option 2 – Recover 25 existing provincially-funded positions**

Identify 25 existing provincially-funded positions from elsewhere in the RCMP to comprise the new unit.

---

<sup>17</sup> <http://infoweb.rcmp-grc.gc.ca/rcmpmanuals/ediv/eng/om/3/general/om3-general.htm>

### **Option 3 – Two-member centre of expertise**

Two positions (one Sergeant, one Corporal) to provide advice to detachments across the province regarding complex fraud investigations.

### **Option 4 – Status quo**

If the proposal is not accepted, major inter-detachment, interprovincial and international frauds will remain in a gap of offences that will not be investigated. There is no capacity by detachment fraud units or Federal Serious and Organized Crime to enable these to be investigated.

## **COSTS AND PROJECTED IMPACT FOR RECOMMENDED OPTION**

Fiscal Year	Total Salary & Allowance Costs	Total Operating Costs	Total One-time Start-up/Capital	Total Direct Costs	Total Indirect Costs	Grand Total
2017/18	2,391,226	570,500	549,500	3,511,226	1,639,417	5,150,643
2018/19	2,445,444	570,500		3,015,944	1,656,869	4,672,813
2019/20	2,500,989	570,500		3,071,489	1,671,842	4,743,332
2020/21	2,557,896	570,500		3,128,396	1,687,187	4,815,582
2021/22	2,616,196	570,500		3,186,696	1,702,911	4,889,607

Detailed calculations are in Appendix F. In this analysis, it is anticipated that the 25 employees will be housed within Green Timbers.

## **RISK ASSESSMENT**

### **Outline of risk / Risk of not selecting the preferred option**

The inability of the RCMP to effectively investigate fraud will inevitably be brought to the attention of the media, public, provincial and municipal governments, and other partners. If the proposal is not accepted, major frauds will not be investigated and the RCMP could be criticized for inaction in a significant area of victimization and crime. There is also a risk that the criminal element will commit more frauds as they become aware of the investigational gap.

### **Mitigation strategies**

If the proposal is not accepted, a possible mitigation would be to direct detachments to have more robust fraud units, and for those fraud units to include a high degree of cooperation with other fraud units and the fraud investigation community. However, detachments are already taxed for resources, and fraud offences are by their nature multijurisdictional. This approach would not be successful without coordination by senior management.

## **ANTICIPATED ORGANIZATIONAL IMPACTS, AND IMPLEMENTATION STRATEGY**

### **Who will be affected positively and negatively**

Fraud victims in British Columbia will see a benefit. Although criminal convictions seldom result in restitution, it is important to them that justice be done.

International relations may improve, since the province is increasingly becoming a safe haven for suspects operating in BC who target foreign residents.

There may be a negative impact to units that lose members to the proposed new unit. It is expected that high-quality workers be sought for the proposed unit.

### **Project lead**

The project lead will be Superintendent Mark van Schie, Officer in Charge, E Division Federal Serious and Organized Crime – Operations and Financial Integrity.

### **Defined milestones**

Within the first two weeks of the proposed unit's inception there should be a meeting with all major fraud detachments and a triage of current complaints to determine which of the files has the greatest impact. An intake protocol should be created, and investigations can begin. Since complex investigations will take at least one year until a report to Crown counsel can be created, there would be a one-year milestone for cases to be put to Crown.

### **Level of rollout (low profile or high profile)**

A low profile rollout is proposed. There is no need for media attention. Detachments can be advised, and participation can be revitalized with partners in the fraud investigation community. There have been regular meetings in the past to bring together different agencies, detachments and other stakeholders (e.g., the banking community, the fraud interagency group hosted by the BC Securities Commission, inter-detachment fraud target prioritization meetings).

### **Measurement and evaluation for proposal's outputs and outcomes**

It is proposed that after one year of operation there be a managerial review focusing on external clients (e.g., Crown, detachment fraud units) to gauge the progress of the new unit. The effectiveness of the new unit can more effectively be assessed after two years.

**PROPOSED COMMITTEE MINUTE**

**RECOMMENDATION:**

**THAT RAC/ DMT support the creation of a provincial financial crime unit.**

---

**This business case has been reviewed and is recommended (or approved) by:**

---

**Jim Gresham, Assistant Commissioner**

**Date:**

**Deputy Criminal Operations Officer, Federal**

## Business case for Financial Crime Unit

### APPENDIX A

#### Fraud statistics

A statistical analysis of information received from the Uniform Crime Reporting (UCR) and Statistics Canada revealed a dramatic increase in fraud based offences of 28.5% since 2011. As displayed in Table 1, UCR information was retrieved for years 2011 to 2016. The information includes the total amount of fraud offences reported to the police in the province of British Columbia. From the total amount of reported fraud offences, data was extracted for cases where the offence was founded but not cleared<sup>1</sup> and cases which resulted in charges being laid.

**Table 1 - UCR – Fraud Based Offences**

	2011	2012	2013	2014	2015	2016	Cumulative % Change
<b>Total Reported</b>	17,480	18,157	19,025	19,762	22,407	22,974	N/A
<b>% Change**</b>	Base	3.9%	4.8%	3.9%	13.4%	2.5%	28.5%
<b>Founded But Not Cleared</b>	9063	9104	9416	11,107	13,773	14,965	N/A
<b>% Change**</b>	Base	0.6%	3.3%	20%	24%	8.7%	56.6%
<b>Charged</b>	1787	1672	1651	1539	1497	1428	N/A
<b>% Change**</b>	Base	-6%	-1.3%	-6.8%	-2.7%	-4.6%	-21.4%
<b>Conviction</b>	891	824	792	821	*	*	N/A

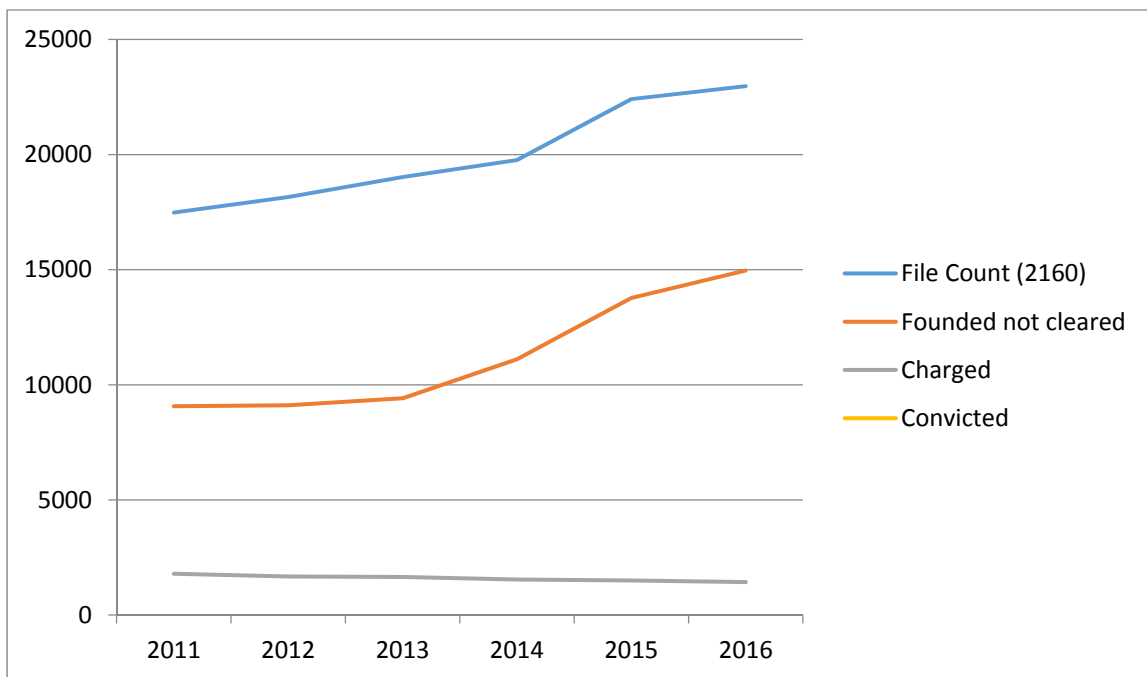
\*Data not available

\*\* Year over year increase.

<sup>1</sup> PRIME User Guide Section 3.2 – Substantial Semblance of an Offence. One of the principal elements of UCR is a "Substantial semblance of an offence". The UCR guidelines define this as when a reasonable person would conclude that an offence did occur or was attempted. Normally this requires some evidence to confirm the offence i.e., broken furniture, bruises, blood, witness/member smells an odor of alcohol from the driver in addition to driving evidence, etc. If sufficient evidence exists to determine that an offence occurred, the applicable offence code(s) is(are) reportable to CCJS.

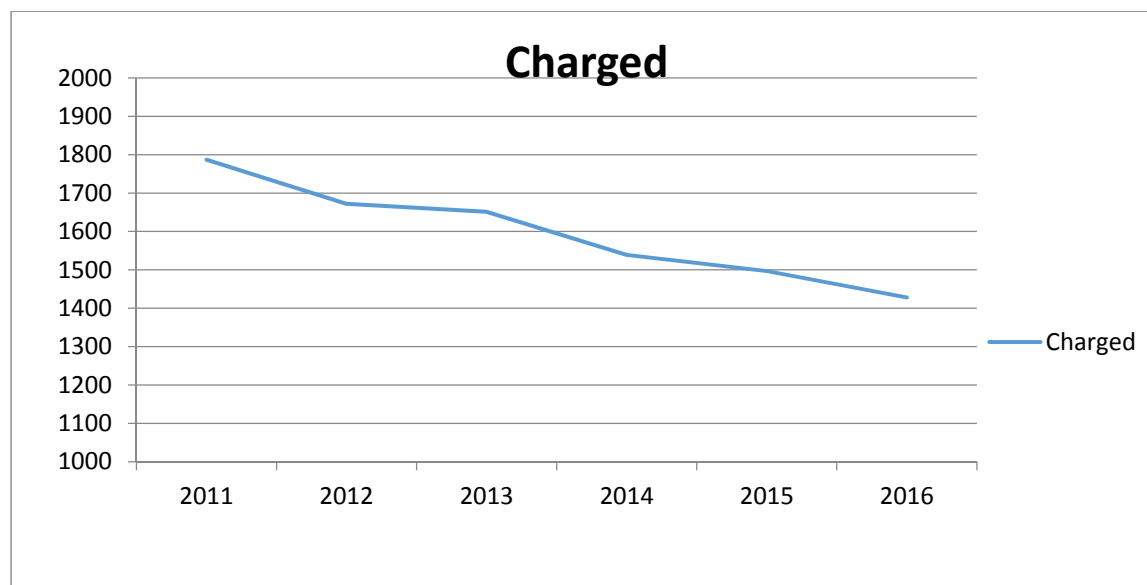
As shown in Table 1 and Graph 1, total reported cases gradually increased with only one year (2015) observing a sharp increase. Similarly, founded but not cleared cases rose gradually until 2014, after which a dramatic sustained increase occurred, resulting in a 56.6% cumulative increase since 2011. Founded but not cleared statistics are important because they represent cases where substantive evidence of an offence was present, but for a multitude of potential reasons, not fully investigated to level of charge approval. Furthermore, as displayed in Table 1 and Graph 2, total reported and founded but not cleared cases increased and the total cases resulting in charges decreased year over year, reaching a cumulative decrease of 21.4% since federal re-engineering.

**Graph 1 – UCR – Fraud Based Offences**



Source: PRIME BC

**Graph 2 – UCR – Charged Cases**



Further supporting the findings from UCR and Statistics Canada is information retrieved from the Canadian Anti-Fraud Center (CAFC) and Public Safety Canada. CAFC’s mandate is to collect and track statistics of fraud complaints relating specifically to mass marketing and identity fraud.<sup>2</sup> Information provided from CAFC revealed that mass marketing fraud increased by 12.3% from 2013 to 2015 in the province of British Columbia. The total dollar loss over the same period of time also increased by 11.7%. Of particular note, the information from CAFC identified victims aged 60 and older as representing approximately 40% of the total victims of fraud. Further substantiating the findings, Public Safety Canada published the “Measuring the Extent of Cyber-Fraud: A Discussion Paper on Potential Methods and Data Sources<sup>3</sup>”, which revealed that cyber fraud, which encompasses mass marketing fraud and credit card fraud, is a growing concern in Canada.

<sup>2</sup> NOTE: Complaints are self-reported to CAFC. CAFC believes that approximately 5% of all frauds are actually reported to them.

<sup>3</sup> Smyth, S. & Carleton, R. (2011). Measuring the Extent of Cyber-Fraud: A Discussion Paper on Potential Methods and Data Sources. Public Safety Canada.

Considering the statistical analysis completed above, an inference can be drawn that not only are fraud cases rising in BC, but the number of fraud cases being investigated has decreased. As supported by Appendix B, municipal RCMP detachment financial crime units have been unable to investigate fraud based offences which have surpassed their unit capabilities. Since federal re-engineering, the former Commercial Crime Section moved to the investigation of serious and organized crime which may include large scale financial crimes which threaten the integrity of Canada's economy. The change in mandate has created a law enforcement void, where substantial financial crimes are going uninvestigated. Some notable examples are listed in Appendix D.



# **Business case for Financial Crime Unit**

## **APPENDIX B**

### **Feedback from detachments on impact of the loss of E Division**

#### **Commercial Crime**

To provide clarity and an understanding on how the FSOC structure has affected various RCMP detachments, investigators reached out to eight of the largest detachment economic crime units in the province to solicit input on how their units have been impacted by the abolition of the E Division Commercial Crime Section. Some of the feedback and common themes included:

- They have lost all contact with former E Division Commercial Crime resources;
- There are no more Lower Mainland fraud meetings to discuss trends and prolific offenders. These meetings also provided leadership to the detachments assisted with their investigations, either with advice or resources.
- Smaller/rural detachments used to benefit from a centralized Commercial Crime unit to provide advice and guidance on financial crime matters.
- There used to be several initiatives being explored in a joint effort between Crown, police, and the banks to deal with prolific offenders. E Division Commercial Crime used to be the central hub that connected all fraud investigators;
- E Division Commercial Crime provided mentoring to detachments. This mentorship is no longer available;
- More and more files are multi-jurisdictional, yet the files are not being dealt with in a consistent manner;
- The detachment fraud units are increasingly being tasked to take on large scale/MCM/project type files which they cannot handle due to increasing demands by Crown and the courts;

- In one case, a large investigation had to be forwarded to the Criminal Investigation Team at the British Columbia Securities Commission as it was too large for the detachment fraud unit;
- At one large Lower Mainland detachment, management would have preferred their fraud unit members to investigate credit card frauds, identify fraud factories, etc., but these members were not able to do this since they were investigating multi-jurisdictional frauds;
- Financial related complaints have been increasing and have become more complex in nature with advances in technology and has such, have been more difficult to investigate with limited resources;
- Detachments have had to take complaints that would have previously been referred to E Division Commercial Crime. As such, the detachment fraud unit's workload has increased and complaints are often not investigated. Otherwise, the scope of a complaint has to be narrowed to make it manageable which does not address the full scale of the fraud; and
- The abolition of E Division Commercial Crime has added to the loss of expertise. Some of the expertise remains, but it is difficult to know who to call, and often the detachments are left on their own to figure it out to the best of their ability.

## **Business case for Financial Crime Unit**

### **APPENDIX C**

#### **Input from Crown counsel**

The Deputy Director for Commercial Crime Crown, whose office prosecutes large scale, complex and multi-jurisdictional fraud investigations, was contacted for his feedback and input. He expressed that he does not want to sound critical of the RCMP, but he said:

- There now is a huge gap in policing with large scale fraud investigations not being prosecuted by his office;
- His office still prosecutes some smaller fraud files from the detachment level, but those investigators don't follow, and are probably unaware of the MOU for writing reports to Crown counsel and don't have the expertise or resources which leads to issues such as:
  - the lower quality and comprehensiveness of their court brief; and
  - a longer period of time for the charge approval process and more requests for follow-up
  - these circumstances are going to potentially be very problematic as it relates to R. v. Jordan, the recent case law from the Supreme Court of Canada pertaining to the right to a criminal trial within a reasonable time, since Crown requires more "fulsome" court briefs and the police have to be more organized in gathering evidence and categorizing it and need to turn their mind to disclosure from the onset of the investigation. Crown summed it up by stating that R. v. Jordan requires the "lens to be put on at the investigative stage."
  - Crown is now finding itself committing more resources to coaching police on investigative steps and disclosure issues.

# Business case for Financial Crime Unit

## APPENDIX D

### Examples of files not investigated since federal re-engineering

RCMP Detachment Economic Crime Units (ECU) were contacted for this report. They were asked to submit some examples of files that were not fully investigated (or investigated at all) due to resource issues, being too large or complex, multi-jurisdictional, etc. Responses were only received from four detachments in the short timeframe of a request for this information: information was received from Richmond, Surrey, Kelowna and UBC detachments. Some of the examples are as follows:

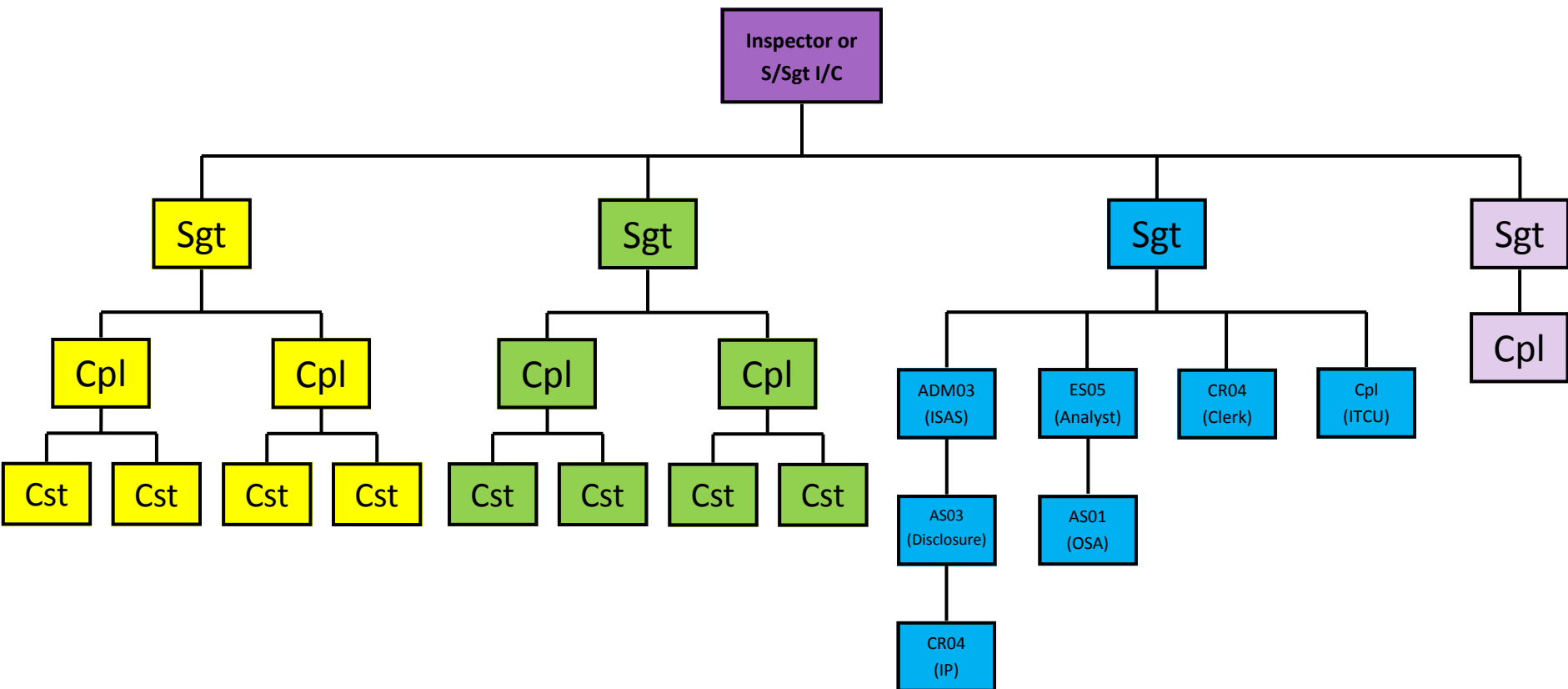
- **“Advance fee” fraud** V3: Ongoing Investigation  
[Redacted]
- **Theft and Use of Credit Cards** V3: Ongoing Investigation  
[Redacted]
- **V3: Ongoing Investigation**  
[Redacted]

However, no proper investigation was conducted as it was too large for one detachment to manage.

- **V3: Ongoing Investigation** [Redacted]
- **V3: Ongoing Investigation** [Redacted]
- **V3: Ongoing Investigation** [Redacted]
- **Law Firm – Theft** **V3: Ongoing Investigation** [Redacted]
- **Investment Scheme** **V3: Ongoing Investigation** [Redacted]

- V3: Ongoing Investigation [Redacted]
- V3: Ongoing Investigation [Redacted]
- V3: Ongoing Investigation [Redacted]
- Mail Theft/Fraud Ring V3: Ongoing Investigation [Redacted]
- V3: Ongoing Investigation [Redacted]
- CRA Tax Payment Fraud V3: Ongoing Investigation [Redacted]

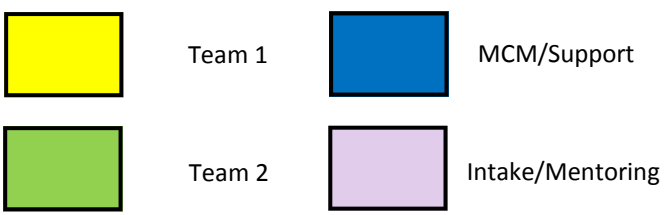
- **International Lottery Fraud** V3: Ongoing Investigation [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]
- **Employee Fraud** V3: Ongoing Investigation [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]
- **V3: Ongoing Investigation** [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]



Business Case for Financial Crime Unit

Appendix E

Proposed Organizational Chart





## FSOC Provincial Financial Crime Unit - Business Case Financial Outlook

### Cost Estimate

Fiscal Year	Total Salary & Allowance Costs	Total Operating Costs	Total One-time Start-up/Capital	Total Direct Costs	Total Indirect Costs	Grand Total
2017/18	2,391,226	570,500	549,500	3,511,226	1,639,417	5,150,643
2018/19	2,445,444	570,500		3,015,944	1,656,869	4,672,813
2019/20	2,500,989	570,500		3,071,489	1,671,842	4,743,332
2020/21	2,557,896	570,500		3,128,396	1,687,187	4,815,582
2021/22	2,616,196	570,500		3,186,696	1,702,911	4,889,607

Notes:

### Resources Required

Supt.	0
Insp.	0
S/Sgt.	1
Sgt.	4
Cpl.	6
Cst.	8
ESS-05	1
AS-03	1
AS-02	1
AS-01	1
CR-04	2
	<hr/>
	25

### Assumptions:

1. Salary - Assume top step and annual 2.5% pay raise for RM effective Jan 1, 2015; and annual 0.5% pay raise for CM/PSE effective June 2014.
2. Cst Allowances - Assume 4.5% Service Pay & 5% Senior Cst Allowance.
3. RM Allowances (excluding Cst.) - Assume max. 10.5% Service Pay.
4. GT Accommodations \*\*\* - Assume Employee(s) will be located at GT.
5. Assume Post Budget of \$25K per FTE for RMs; \$13K for CMs; \$4.5K for PSEs, and DRCO of \$3K per FTE for RMs and CMs.
6. Vehicles - Assume vehicle cost of \$50,000 plus \$14,000 for fit up, for a total of \$64,000 per vehicle.
7. Annual inflation is not included.
8. Start-up/Capital costs include 25 computer and 8 vehicles.
9. Assume there is no Relocation costs.

# FSOC

## Assumptions:

1. Salary - Assume top step and annual 2.5% pay raise for RM effective Jan 1, 2015; and annual 0.5% pay raise for CM/PSE effective June 2014
2. Cst Allowances - Assume 4.5% Service Pay & 5% Senior Cst Allowance
3. RM Allowances (excluding Cst.) - Assume max. 10.5% Service Pay
4. GT Accommodations \*\*\*
5. Assume Post Budget of \$25K per FTE for RMs; \$13K for CMs; \$4.5K for PSEs, and DRCO of \$3K per FTE for RMs and CMs
6. Vehicles - Assume vehicle cost of \$50,000 plus \$14,000 for fit up, for a total of \$64,000 per vehicle.
7. Annual inflation is not included.

## Resources Required - 19 RMs, 1 CMs, and 5 PSEs

			2017/18	2018/19	2019/20	2020/21	2021/22
<b>DIRECT COSTS:</b>							
<b>SALARY :</b>	<b>FTE</b>	<b>Salary Rate</b>	<b>Salary Amount</b>	<b>Salary Amount</b>	<b>Salary Amount</b>	<b>Salary Amount</b>	<b>Salary Amount</b>
Supt.	0	151,616	-	-	-	-	-
Insp.	0	136,592	-	-	-	-	-
S/Sgt.	1	115,755	115,755	118,648	121,615	124,655	127,771
Sgt.	4	106,194	424,775	435,395	446,279	457,436	468,872
Cpl.	6	97,428	584,570	599,185	614,164	629,518	645,256
Cst.	8	88,974	711,792	729,587	747,826	766,522	785,685
ESS-05	1	90,440	90,440	92,701	95,019	97,394	99,829
AS-03	1	63,980	63,980	64,300	64,621	64,944	65,269
AS-02	1	59,544	59,544	59,841	60,140	60,441	60,743
AS-01	1	55,467	55,467	55,744	56,023	56,303	56,585
CR-04	2	49,574	99,148	99,644	100,142	100,643	101,146
Allowances			185,756	190,400	195,160	200,039	205,040
<b>Total SALARY:</b>	<b>25</b>		<b>\$ 2,391,226</b>	<b>\$ 2,445,444</b>	<b>\$ 2,500,989</b>	<b>\$ 2,557,896</b>	<b>\$ 2,616,196</b>

<b>O&amp;M COSTS (RECURRING):</b>	Number		\$		\$		\$		\$		\$		
Post Budget (includes travel and overtime)	RMs	19	\$	25,000	\$	475,000	\$	475,000	\$	475,000	\$	475,000	
	CMs	1	\$	13,000	\$	13,000	\$	13,000	\$	13,000	\$	13,000	
	PSEs	5	\$	4,500	\$	22,500	\$	22,500	\$	22,500	\$	22,500	
DCRO	RM/CMs	20	\$	3,000	\$	60,000	\$	60,000	\$	60,000	\$	60,000	
				<b>\$</b>	<b>570,500</b>	<b>\$</b>	<b>570,500</b>	<b>\$</b>	<b>570,500</b>	<b>\$</b>	<b>570,500</b>	<b>\$</b>	<b>570,500</b>

<b>START UP COSTS:</b>	Number		\$		\$
Computers	25	\$	1,500	\$	37,500
Relocation Costs	0	\$	45,000	\$	-
Vehicles - Fit Up	8	\$	14,000	\$	112,000
Vehicles - Capital	8	\$	50,000	\$	400,000
				<b>\$</b>	<b>549,500</b>

<b>TOTAL DIRECT COSTS:</b>	<b>\$</b>	<b>3,511,226</b>	<b>\$</b>	<b>3,015,944</b>	<b>\$</b>	<b>3,071,489</b>	<b>\$</b>	<b>3,128,396</b>	<b>\$</b>	<b>3,186,696</b>
----------------------------	-----------	------------------	-----------	------------------	-----------	------------------	-----------	------------------	-----------	------------------

**INDIRECT COSTS :**

Pension	\$	510,878	\$	523,026	\$	535,474	\$	548,231	\$	561,303
CPP	\$	65,560	\$	67,199	\$	68,879	\$	70,601	\$	72,366
EI	\$	30,936	\$	31,709	\$	32,502	\$	33,314	\$	34,147
PCC	\$	9,888	\$	9,888	\$	9,888	\$	9,888	\$	9,888
RM Div Admin	\$	510,200	\$	510,200	\$	510,200	\$	510,200	\$	510,200
RM Training & Recruiting	\$	98,360	\$	101,200	\$	101,200	\$	101,200	\$	101,200
RM ERA	\$	2,362	\$	2,362	\$	2,362	\$	2,362	\$	2,362
RM Legal	\$	3,458	\$	3,510	\$	3,562	\$	3,616	\$	3,670
SSC - Provincial	\$	32,775	\$	32,775	\$	32,775	\$	32,775	\$	32,775
GT Accommodations ***	\$	375,000	\$	375,000	\$	375,000	\$	375,000	\$	375,000

<b>TOTAL INDIRECT COSTS:</b>	<b>\$</b>	<b>1,639,417</b>	<b>\$</b>	<b>1,656,869</b>	<b>\$</b>	<b>1,671,842</b>	<b>\$</b>	<b>1,687,187</b>	<b>\$</b>	<b>1,702,911</b>
------------------------------	-----------	------------------	-----------	------------------	-----------	------------------	-----------	------------------	-----------	------------------

<b>TOTAL DIRECT &amp; INDIRECT COSTS:</b>	<b>\$</b>	<b>5,150,643</b>	<b>\$</b>	<b>4,672,813</b>	<b>\$</b>	<b>4,743,332</b>	<b>\$</b>	<b>4,815,582</b>	<b>\$</b>	<b>4,889,607</b>
---	-----------	------------------	-----------	------------------	-----------	------------------	-----------	------------------	-----------	------------------

**Assumptions:**

1. Salary - Assume annual 2.5% pay raise for RM effective Jan 1, 2015; and annual 0.5% pay raise for CM/PSE effective June 2014\*
2. CST Allowances - Assume 4.5% Service Pay & 5% Senior Cst Allowance
3. RM Allowances (Other than CST) - Assume max. 10.5% Service Pay
4. GT Accommodations \*\*\* - Assume Employee(s) will be located at GT

\* PSY classification effective October 2014

<b>RCMP Salary Rates</b>	<b>2017-18 Cst</b>	<b>2017-18 Cpl</b>	<b>2017-18 Sgt</b>	<b>2017-18 S/Sgt</b>	<b>2017-18 AS-03</b>	<b>2017-18 CR-04</b>	<b>2017-18 AS-01</b>	<b>2017-18 AS-02</b>	<b>2017-18 Supt</b>	<b>2017-18 Insp</b>	<b>2017-18 ESS-05</b>
<b>Estimated Pay Raise: effective Jan 1, 2015</b>	<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>0.50%</b>
14/15 Pay Rate Annual Salary	82,108	89,910	97,999	106,822	62,794	48,777	54,575	58,586	139,916	126,051	88,764
Including Pay Raises	88,974	97,428	106,194	115,755	63,980	49,574	55,467	59,544	151,616	136,592	90,440
Estimated Allowances	8,453	10,230	11,150	12,154					15,920	14,342	
<b>Total Pay</b>	<b>97,426</b>	<b>107,658</b>	<b>117,344</b>	<b>127,909</b>	<b>63,980</b>	<b>49,574</b>	<b>55,467</b>	<b>59,544</b>	<b>167,536</b>	<b>150,934</b>	<b>90,440</b>

<b>INDIRECT COSTS PER MEMBER (Rounded)</b>	<b>RM Cst</b>	<b>RM Cpl</b>	<b>RM Sgt</b>	<b>RM S/Sgt</b>	<b>CM ADM-05</b>	<b>PSE CR-05</b>
RCMP Pensions	\$ 22,100	\$ 24,400	\$ 26,600	\$ 29,000	\$ 14,500	\$ 5,800
Div Admin per FTE	\$ 24,700	\$ 24,700	\$ 24,700	\$ 24,700	\$ 24,700	
Training per FTE	\$ 4,400	\$ 4,400	\$ 4,400	\$ 4,400	\$ 4,400	
Canada Pension Plan per FTE	\$ 2,600	\$ 2,600	\$ 2,600	\$ 2,600	\$ 2,600	\$ 2,600
Employment Insurance per FTE	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,300
Shared Services Canada	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300
PCC per FTE	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	
ERA per FTE	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	
Legal per FTE	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	
GT Accommodation***	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
<b>INDIRECT COSTS PER REGULAR MEMBER</b>	<b>\$ 72,000</b>	<b>\$ 74,300</b>	<b>\$ 76,500</b>	<b>\$ 78,900</b>	<b>\$ 64,400</b>	<b>\$ 26,000</b>

<b>Indirect Rates</b>	<b>RM &amp; CM</b>		<b>PSE</b>	
	<b>2016-17</b>		<b>2016-17</b>	
RCMP Pensions - % of Salary	22.70%	calculated on salary \$	PSE Pensio	11.80%
Div Admin per FTE	24,700	calculated per FTE		
Training & Recruiting per FTE	4,428	calculated per FTE		
Canada Pension Plan per FTE	2,557	calculated per FTE	PSE - CPP	2,557
Employment Insurance per FTE	1,119	calculated per FTE	PSE - EI	1,318
SSC - Provincial per FTE	1,327	calculated per FTE	Shared Ser	1,327
PCC per FTE	493.59	calculated per FTE		
ERA per FTE	119.57	calculated per FTE		
Legal per FTE	170.33	calculated per FTE		
GT Accommodations ***	15,000	calculated per FTE	GT Accom	15,000

<b>Allowances</b>	<b>Number of member</b>	
Supt.	0	-
Insp.	0	-
S/Sgt.	1	12,154
Sgt.	4	44,601
Cpl.	6	61,380
Cst.	8	67,620
		<u>185,756</u>

Yearly Salary Amounts	Number	2017/18	2018/19	2019/20	2020/21	2021/22
		Salary Amount	Salary Amount	Salary Amount	Salary Amount	Salary Amount
Supt.	0	-	-	-	-	-
Insp.	0	-	-	-	-	-
S/Sgt.	1	115,755	118,648	121,615	124,655	127,771
Sgt.	4	424,775	435,395	446,279	457,436	468,872
Cpl.	6	584,570	599,185	614,164	629,518	645,256
Cst.	8	711,792	729,587	747,826	766,522	785,685
ESS-05	1	90,440	92,701	95,019	97,394	99,829
Allowances		185,756	190,400	195,160	200,039	205,040
<b>RM CM Total</b>	<b>20</b>	<b>2,113,088</b>	<b>2,165,916</b>	<b>2,220,063</b>	<b>2,275,564</b>	<b>2,332,453</b>
AS-03	1	63,980	64,300	64,621	64,944	65,269
AS-02	1	59,544	59,841	60,140	60,441	60,743
AS-01	1	55,467	55,744	56,023	56,303	56,585
CR-04	2	99,148	99,644	100,142	100,643	101,146
<b>PSE Total</b>	<b>5</b>	<b>278,139</b>	<b>279,529</b>	<b>280,926</b>	<b>282,331</b>	<b>283,743</b>

**Indirect Rates**

	2017/18 Indirects		2018/19 Indirects		2019/20 Indirects		2020/21 Indirects		2021/22 Indirects	
	PSE	RM/CM	PSE	RM/CM	PSE	RM/CM	PSE	RM/CM	PSE	RM/CM
Pension	11.22%	22.70%	11.22%	22.70%	11.22%	22.70%	11.22%	22.70%	11.22%	22.70%
CPP	2,622.40	2,622.40	2,687.96	2,687.96	2,755.16	2,755.16	2,824.04	2,824.04	2,894.64	2,894.64
EI	1,377.78	1,202.34	1,412.22	1,232.39	1,447.53	1,263.20	1,483.72	1,294.78	1,520.81	1,327.15
PCC		494.39		494.39		494.39		494.39		494.39
RM Div Admin		25,510.00		25,510.00		25,510.00		25,510.00		25,510.00
RM Training & Recruiting		4,918.00		5,060.00		5,060.00		5,060.00		5,060.00
RM ERA		118.11		118.11		118.11		118.11		118.11
RM Legal		172.89		175.49		178.12		180.79		183.50
SSC - Provincial	1,311.00	1,311.00	1,311.00	1,311.00	1,311.00	1,311.00	1,311.00	1,311.00	1,311.00	1,311.00
GT Accommodations ***	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00

**Indirect Calculations**

**Indirect Costs**

	2017/18		2018/19		2019/20		2020/21		2021/22	
	PSE	RM/CM	PSE	RM/CM	PSE	RM/CM	PSE	RM/CM	PSE	RM/CM
Pension	31,207	479,671	31,363	491,663	31,520	503,954	31,678	516,553	31,836	529,467
CPP	13,112	52,448	13,440	53,759	13,776	55,103	14,120	56,481	14,473	57,893
EI	6,889	24,047	7,061	24,648	7,238	25,264	7,419	25,896	7,604	26,543
PCC		9,888		9,888		9,888		9,888		9,888
RM Div Admin		510,200		510,200		510,200		510,200		510,200
RM Training & Recruiting		98,360		101,200		101,200		101,200		101,200
RM ERA		2,362		2,362		2,362		2,362		2,362
RM Legal		3,458		3,510		3,562		3,616		3,670
SSC - Provincial	6,555	26,220	6,555	26,220	6,555	26,220	6,555	26,220	6,555	26,220
GT Accommodations ***	75,000	300,000	75,000	300,000	75,000	300,000	75,000	300,000	75,000	300,000
	<b>\$ 132,763</b>	<b>\$ 1,506,654</b>	<b>\$ 133,419</b>	<b>\$ 1,523,450</b>	<b>\$ 134,088</b>	<b>\$ 1,537,754</b>	<b>\$ 134,771</b>	<b>\$ 1,552,415</b>	<b>\$ 135,468</b>	<b>\$ 1,567,443</b>
		<b>1,639,416.67</b>		<b>1,656,868.79</b>		<b>1,671,842.25</b>		<b>1,687,186.57</b>		<b>1,702,910.85</b>