



City of Carson Report to Mayor and City Council

June 1, 2010
New Business Consent

SUBJECT: CONSIDERATION OF WIRE FRAUD STATUS REPORT

Submitted by Karen Avilla, CCMT
City Treasurer

Approved by Jerome G. Groomes
City Manager

I. SUMMARY

The City of Carson was the victim of wire fraud in May 2007. On April 8, 2010 the U.S. Attorney through efforts of the U.S. Secret Service has indicted five individuals on Conspiracy to Commit Wire and Bank Fraud in the Eastern District of North Carolina. The five individuals charged are: Jennifer Ann Woodard, Deago Larase Smith, Lance Corbett Holt, John L. Quinn, II and Anthony Leonard Bobbitt.

II. RECOMMENDATION

RECEIVE and FILE.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

On May 23, 2007, \$90,500.00 was illegally wired to Branch Banking and Trust of Wilson, North Carolina for the benefit of Deago Smith. It was later determined by the U.S. Secret Service that the funds were deposited into an account held by John Quinn, II who electronically transferred \$90,000.00 to an account held by Jennifer Woodard for additional disbursement to the theft ring. The city became aware of the illegal wire transfer when reviewing account balances on May 24, 2007 for the previous day's work and immediately notified the city's bank, City National Bank of same.

On May 24, 2007 upon discovery of the illegal wire transfer to Deago Smith, the city, in its review of bank transactions for that day, discovered a second illegal wire transfer in the amount of \$358,500.00 to National City Bank, Detroit, Michigan for the benefit of Broadbase Financial. It was later determined by the U.S. Secret Service that Lance Holt was the owner of this account. National City Bank allowed Mr. Holt to draw 14 cashier's checks against these funds and cash them at 8 different branches in Detroit; he was however, unsuccessful in his attempt to wire the remaining funds to an account out of the country in Russia.

On May 24, 2007 the city notified its bank, legal counsel and local law enforcement of the illegal wire transfers. The city's computer security consultant,

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Greg Evans, Ligatt Security was engaged to determine the means and method of the breach, however, was unable to complete the task as it was deemed his actions could potentially interfere with the work of local law enforcement. The city was assured by City National Bank that 50% of the wire on May 23rd was frozen and would be returned and 100% of the wire on May 24th was frozen and would be returned due to its quick action and notification. The city's wire fraud insurance had been contacted and was anticipated to cover 100% of the loss.

On May 24, 2007 this criminal ring caused two additional illegal wire transfers in the amount of \$60,037.00 to an account held by Anthony Bobbitt, however they were unsuccessful in electronically transferring those funds to Jennifer Woodard's account on May 25, 2007, due to the previous day's illegal activities which had already been reported by the city to the receiving banks involved.

On June 5, 2007, the city was informed that National City Bank had erroneously reported that 100% of the funds illegally received had been frozen. Subsequently in June the city received \$45, 416.87 of the illegally obtained funds from Branch Banking and Trust and \$258,737.97 of the illegally obtained funds from National City Bank for a total recovery of \$304,554.84 which represented a total loss of \$144,445.16 to the city.

Following continued investigation it was determined that access to the city bank accounts had occurred through the secret loading of spyware onto the City Treasurer's laptop computer. Said spyware, known as a "key logger", is commonly loaded through emails or the opening of websites and was able to mimic the City Treasurer through the bank's website. It was also determined that the city's bank, City National Bank was non-compliant with the implementation of internet security guidelines distributed by the Office of Comptroller of Currency's Bulletin 2005-35 which were to have been achieved by December 31, 2006 but in fact were not until May 25, 2007; two days after the breach. Additionally, the city's bank had been informed one day prior to the breach, on May 22, 2007, of difficulty experienced logging in to the city's bank accounts but was assured that the issue was a glitch due to the installation of new security measures.

The City Council was briefed on this matter a number of times in closed session beginning May 29, 2007, forward as it relates to law enforcement updates and potential litigation. In January, 2008, it was determined by the City Council to file an insurance claim against the city's Crimeshield Policy, accept the \$100,000.00 benefit and not pursue additional litigation against any banks involved due to the potential legal expense versus the benefit of same. On June 26, 2008, the city received the \$100,000.00 benefit payment from its insurance carrier, The Hartford. Thereby leaving a total loss related to the illegal wire transfers of \$44,445.16.

From the date of the illegal wire transfers forward, the City Treasurer has cooperated with law enforcement and vigilantly pursued prosecution of the criminal element involved in this crime against the taxpayers of Carson. The city

was made aware through discussions with the U.S. Secret Service in July 2009, that a sealed Grand Jury was investigating the matter and therefore information provided to the City Treasurer could not be shared publicly until such time as indictments were filed. Restitution documentation was completed and submitted to the U.S. Secret Service for inclusion with their case file. In October 2009, through the City Treasurer’s efforts, Congresswoman Laura Richardson’s office made inquiries on behalf of the city further prompting the lead agency to move forward.

This case has finally come to conclusion with the indictment of five individuals on April 8, 2010 (Exhibit No. 1). Four have been arrested to date and the final individual, Jennifer Woodard who fled North Carolina, has been located in Phoenix, Arizona, and it is anticipated she will be brought into custody this week. Yet to be determined is the how and why the city’s accounts were targeted but the U.S. Attorney is hopeful prosecution and/or plea agreements with the individuals will lead to additional information and/or arrests. The city will be advised of further developments and the City Treasurer has been assured that restitution will be sought and her request to submit a victim’s impact statement to the court will be granted.

Inasmuch as indictments have been filed in the public court of the Eastern District of North Carolina it is appropriate that the citizens of Carson be provided the information herein.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Indictment filed April 8, 2010 by the United States Attorney in the United States District Court for the Eastern District of North Carolina Western Division. (pgs. 5-10)

Document2

Prepared by: Karen Avilla, City Treasurer

sf:Rev061902

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development Services	Public Services

Action taken by City Council

Date _____

Action _____

IN OPEN COURT
CN 4/8/10
Dennis J. Laverone, Clerk
US District Court
Eastern District of No

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION

- NO. 5:10-CR-107-1 FL(A)
- NO. 5:10-CR-107-2 FL(A)
- NO. 5:10-CR-107-3 FL(A)
- NO. 5:10-CR-107-4 FL(A)
- NO. 5:10-CR-107-5 FL(A)

UNITED STATES OF AMERICA)
)
 v.)
)
 JENNIFER ANN WOODARD)
 DEAGO LARASE SMITH)
 LANCE CORBETT HOLT)
 JOHN L. QUINN, II)
 ANTHONY LEONARD BOBBITT)

I N D I C T M E N T

The Grand Jury charges that:

INTRODUCTION

At all times relevant to this Indictment:

1. City National Bank (CNB) of Carson, California and Citi Private Bank (Citibank) of Washington, D.C. (hereafter collectively referred to as "victim banks"); and

2. Branch Banking & Trust (BB&T) of Wilson, North Carolina; Fort Still National Bank (FSNB) of Fayetteville, North Carolina; National City Bank (NCB) of Detroit, Michigan; and Coastal Federal Credit Union (CFCU) of Durham, North Carolina (hereafter collectively referred to as "receiving banks"), provide an Internet accessible secure website for their customers to view and transact



online banking activities including the electronic transfer of funds.

3. Beginning on a date unknown, but no later than in or about May 2007, and continuing up until the date of this Indictment, in the Eastern District of North Carolina and elsewhere, the defendants, JENNIFER ANN WOODARD, DEAGO LARASE SMITH, LANCE CORBETT HOLT, JOHN L. QUINN, II, and ANTHONY LEONARD BOBBITT, and others known and unknown to the Grand Jury, knowingly and intentionally combined, conspired and agreed to devise a scheme and artifice to defraud financial institutions and to obtain moneys, funds, credits, assets, securities, and other property owned by and under the custody and control of a financial institution, by means of materially false and fraudulent pretenses, representations and promises, in violation of Title 18, United States Code, Section 1344, and, in furtherance thereof, knowingly transmitted and caused to be transmitted in interstate and foreign commerce, by means of wire communications, certain writings, signs, and signals, for the purpose of executing such scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1343.

OBJECTS OF THE CONSPIRACY

4. It was an object of the conspiracy that the defendants would provide the user name and other login information and passwords for their personal online bank accounts to co-



conspirators, both known and unknown to the Grand Jury, for the purpose of using their online bank accounts to receive and distribute unauthorized electronic transfers of funds from victim bank accounts.

5. It also was an object of the conspiracy that, after the successful unauthorized electronic transfer of funds from accounts at the victim banks to defendant-controlled accounts at receiving banks, the defendants would withdraw and attempt to withdraw cash, purchase cashier's checks and further transfer and attempt to transfer funds to co-conspirators, known and unknown to the Grand Jury.

MANNER AND MEANS OF THE CONSPIRACY

6. It was part of the conspiracy that defendants JOHN QUINN and ANTHONY BOBBITT provided their user name and other login banking information to defendants DEAGO SMITH and JENNIFER WOODARD who, in turn, provided such information to co-conspirators, both known and unknown to the Grand Jury.

7. It further was part of the conspiracy that defendants QUINN, BOBBITT, WOODARD and LANCE HOLT would each permit their respective online bank accounts to act as a receiving bank account into which the unauthorized transfer of funds from accounts at the victim banks could be and were made.

8. It further was part of the conspiracy that once defendants QUINN and BOBBITT received their respective unauthorized



transfer of funds, they agreed to further transfer the funds to defendant WOODARD, keeping a portion of the funds for themselves.

ACTS COMMITTED IN FURTHERANCE OF THE CONSPIRACY

9. In furtherance of the conspiracy and to effect the objects thereof, at least one of the co-conspirators committed and caused to be committed in the Eastern District of North Carolina and elsewhere, at least one of the following overt acts:

The City National Bank (CNB) series of wire transfers

- a. On or about May 23, 2007, a unauthorized electronic transfer of \$90,500 was made from a Carson, California account at City National Bank (CNB) to the Branch Banking & Trust (BB&T) account of QUINN in Wilson, North Carolina for the benefit of SMITH.
- b. On or about May 23, 2007, QUINN electronically transferred and caused to be transferred, \$90,000 from his BB&T account to the Fort Sill National Bank (FSNB) account of WOODARD in Fayetteville, North Carolina.
- c. On or about May 23, 2007, WOODARD, at a FSNB branch in Fayetteville, North Carolina, withdrew \$6,000 in cash from her account, the same account into which Quinn had earlier transferred \$90,000.
- d. On or about May 23, 2007, at a FSNB branch in Spring Lake, North Carolina, WOODARD withdrew \$8,000 in cash from her account and obtained two \$30,000 cashier's



checks payable to herself, all from the same account into which QUINN had transferred \$90,000.

- e. On or about May 24, 2007, at a FSNB branch in Spring Lake, North Carolina, WOODARD cashed one of the \$30,000 cashier's checks she had obtained the day before, and deposited the other \$30,000 cashier's check back into her FSNB account, the same account into which QUINN had transferred \$90,000.
- f. On or about May 24, 2007, a second unauthorized wire transfer of \$358,500 was made from a Carson, California account at CNB to a National City Bank (NCB) account of HOLT d/b/a Broadbase Financial, in Detroit, Michigan.
- g. On or about May 24, 2007, HOLT withdrew approximately \$103,800 from his Broadbase Financial account at NCB, by making and cashing fourteen checks in varying amounts, at eight different NCB locations in the Detroit area.

The Citi Private Bank (Citibank) series of wire transfers

- h. On or about May 24, 2007, two unauthorized wire transfers, totaling \$60,467, were made from accounts at Citi Private Bank (Citibank), Washington, DC, to the Coastal Federal Credit Union (CFCU) account of BOBBITT in Durham, North Carolina.
- i. On or about May 25, 2007, BOBBITT attempted to electronically transfer \$60,037 from his CFCU account to



the FSNB account of WOODARD in Fayetteville, North
Carolina.

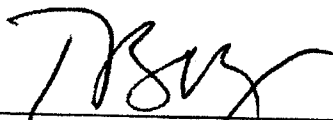
All in violation of the provisions of Title 18, United States
Code, Section 1349.

A TRUE BILL

FOREPERSON

DATE: 4/7/2010

GEORGE E. B. HOLDING
United States Attorney



BY: THOMAS B. MURPHY
Assistant United States Attorney





U.S. Department of Justice
 United States Attorney's Office
 Eastern District of North Carolina
 310 New Bern Ave.
 Ste. 800, Fed. Bldg.
 Raleigh, NC 27601-1461
 Phone: (919) 856-4530
 Fax: (919) 856-4487

January 20, 2011

Ms. Karen Avilla
 City Treasurer
 701 E. Carson Street
 Carson, CA 90745

RECEIVED
 CITY TREASURER
 2011 JAN 24 AM 10:40
 CITY OF CARSON

Re: United States v. Jennifer Ann Woodard
 Case Number 2007R00478 and Court Docket Number: 10-CR-00107

Dear Ms. Avilla:

The United States Department of Justice believes it is important to keep victims of federal crime informed of court proceedings. This notice provides information about the above-referenced criminal case.

The sentencing hearing for defendant(s), Jennifer Ann Woodard, has been set for May 2, 2011, 09:00 AM at New Bern - Courtroom, U.S. Courthouse, 413 Middle Street, New Bern, NC before Judge Louise Flanagan. You are welcome to attend this proceeding; however, unless you have received a subpoena, your attendance is not required by the Court. If you plan on attending, please check with the VNS Call Center to verify the sentencing date and time. Should you wish to speak at the sentencing or want to check for the most current information on the date/time of this event please call our office a day or two before the scheduled hearing.

A United States Probation Officer prepares a report for the Court and may contact you to discuss the impact the crime had on you financially, physically, and/or emotionally. If you are contacted, please make every effort to provide accurate and detailed information.

The Victim Notification System (VNS) is designed to provide you with information regarding the case as it proceeds through the criminal justice system. You may obtain current information about this case on the VNS web site at WWW.Notify.USDOJ.GOV or from the VNS Call Center at 1-866-DOJ-4YOU (1-866-365-4968) (TDD/TTY: 1-866-228-4619) (International: 1-502-213-2767). In addition, you may use the Call Center or Internet to update your contact information and/or change your decision about participation in the notification program. If you update your contact information to include a current email address, VNS will send information to that email address. In order to continue to receive notifications, it is your responsibility to keep your contact information current.

You will use your Victim Identification Number (VIN) [REDACTED] and Personal Identification Number (PIN) [REDACTED] anytime you contact the Call Center and the first time you log on to the VNS web site. In addition, the first time you access the VNS Internet site, you will be prompted to enter your last name (or business name) as currently contained in VNS. The name you should enter is Avilla.

Remember, VNS is an automated system and cannot answer questions. If you have other questions which involve this matter, please contact this office at the number listed above.

Sincerely,

Yvette Brown
 Victim Witness Assistant