



North Carolina State Bureau of Investigation



*Attorney General
Roy Cooper*



*SBI Director
Greg McLeod*



Speaker



Michael East, CFE
Special Agent in Charge



CERTIFIED FRAUD EXAMINER



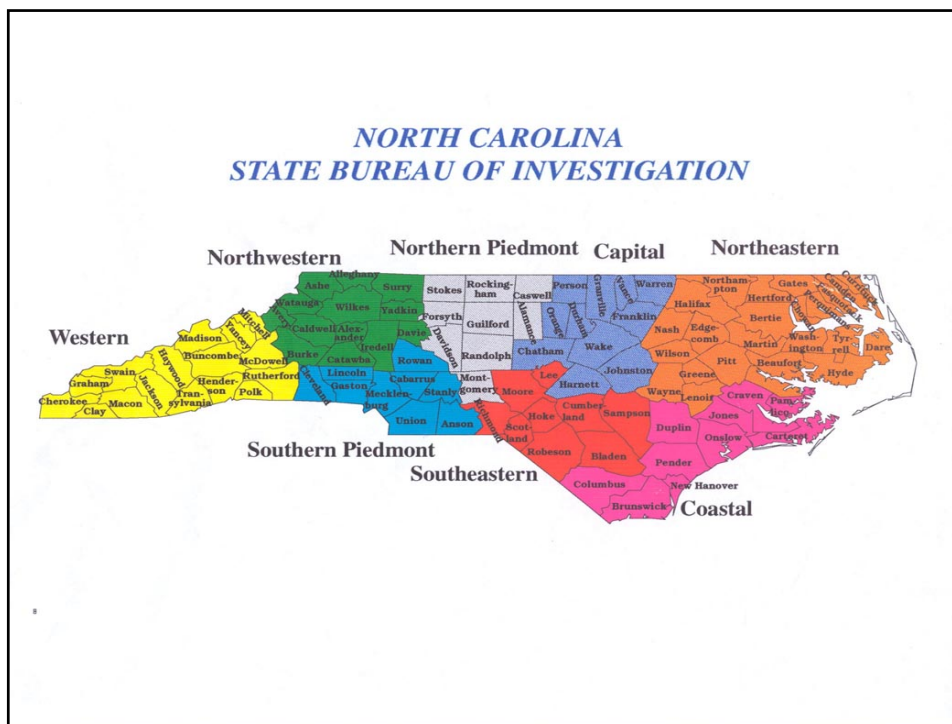
About the SBI

- The State Bureau of Investigation is a division of the Department of Justice under the direction of Attorney General Roy Cooper.
- The SBI assists local law enforcement with criminal investigations. We work closely with local police and sheriffs, district attorneys, federal investigators, and federal prosecutors.
- SBI field agents provide expert investigative assistance with criminal cases when requested by local police, sheriffs, district attorneys, and judges.



Jurisdiction

- The SBI has statewide jurisdiction and investigates homicides, robberies, property crimes, and other serious cases. Involvement is at the request of the local department that maintains original jurisdiction over the case.
- The SBI has original jurisdiction in these areas:
 - Drug investigations
 - Arson investigations
 - Theft and misuse of state property
 - Threats against public officials
 - Election law violations
 - Child sexual abuse in day care centers
 - Computer crime investigations that involve crimes against children



Financial Crime Investigations Unit

- Specialized unit investigating white collar crimes including embezzlement, fraud, and corruption
- Based in Raleigh and Charlotte with jurisdiction statewide
- Special Agent in Charge, Assistant Special Agent in Charge, six Special Agents, and three Special Investigators
- Requirements for a Special Agent – Bachelor's degree with 18 hours of accounting OR 2 years experience OR combination of training and experience.



Financial Crime Investigations Unit

- Our unit conducts criminal investigations after sufficient information has been developed to show a crime has likely occurred.
- We **DO NOT** conduct audits to determine if money “might” be missing.
- The victim, their employee, or hired CPA must be able to document a loss has occurred prior to the initiation of a criminal investigation.
- We do not open cases on matters that are clearly civil in nature based on our experience – DA will be consulted.



Aspects of the Job

- Interview victims, witnesses, and suspects
- Prepare and execute search warrants
- Review financial documentation relating to evidence of a crime and prepare analysis
- Prepare investigative report for the District Attorney
- Testify before grand juries
- Arrest suspects
- Testify in criminal trials



2010-2011 Annual Report for Financial Crimes

- 76 cases under investigation
- 41 defendants charged with a total of 304 felony counts
- Cases worked by FCI involved monetary losses of \$27,932,792
- Dollar amount of charges: \$22,759,408
- Restitution ordered: \$15,226,095



Federal vs. State Prosecution of Financial Crimes

There is a general misconception that it is **always** preferable to prosecute a case federally. That might be true in some investigations, such as *public corruption* and *money laundering*.

The biggest advantage of investigating a case federally is the ability to use the federal grand jury to compel testimony and obtain records.

However, as a general rule, a defendant who embezzles or fraudulently obtains **\$100,000** or more will receive more prison time in the state system.



Federal vs. State Prosecution of Financial Crimes

- Anthony Allen – defrauded various investors out of approximately **\$20 million**. He received an active prison term of **45 to 58.5** years.
- Zachary Bynum – an attorney who embezzled approximately **\$3 million** from his trust account. He received an active prison term of **24 to 32** years.
- Terry Dixon – embezzled approximately **\$3 million** from various drainage districts she administered. She received an active prison term of **17 to 21** years.



Federal vs. State Prosecution of Financial Crimes

- Barbara Campbell – fraudulently obtained approximately **\$500,000** from two elderly victims. She received an active prison term of **17 to 21** years.
- John McCormick – an attorney who embezzled approximately **\$1 million** from his trust account. He received an active prison term of **9 to 12** years.
- Joe Barfield – fraudulently obtained approximately **\$1.3 million** from a car dealership. He received an active prison sentence of **15 to 19.5** years.

Financial Crimes Resource Prosecutors

- Recently established by NC Conference of DAs using federal mortgage settlement funds
- 5 prosecutors (one supervisor and four regional prosecutors located across the state)
- Elder Home Repair Scam Task Force



Embezzlement

Statute: §14-90. Embezzlement of property received by virtue of office or employment.

A person guilty of this offense

- (1) fraudulently or knowingly and willingly
- (2) uses for a purpose other than that for which the defendant received it
- (3) the property of another
- (4) held by the defendant in a fiduciary capacity.

Punishment: Class H felony. It is a Class C felony if the value of the property embezzled is \$100,000 or more.



Obtaining Property by False Pretenses

Statute: §14-100. Obtaining property by false pretenses.

A person guilty of this offense

- (1) makes a representation of a past or existing fact or a future event
- (2) that is false, *and*
- (3) is calculated and intended to deceive, *and*
- (4) does in fact deceive another person, *and*
- (5) the person thereby obtains, or attempts to obtain, money, property, services, or some other thing of value from that other person.

Punishment: Class H felony. It is a Class C felony if the value of the property taken is \$100,000 or more.



Corporate Malfeasance

Statute: §14-254. Malfeasance of corporation officers and agents.

- (a) If any president, director, cashier, teller, clerk or agent of any corporation shall
 - embezzle, abstract or willfully misapply any of the moneys, funds or credits of the corporation, or
 - shall, without authority from the directors, issue or put forth any certificate of deposit, draw any order or bill of exchange, make any acceptance, assign any note, bond, draft, bill of exchange, mortgage, judgment or decree, or
 - make any false entry in any book, report or statement of the corporation with the intent in either case to injure or defraud or to deceive any person, or
 - if any person shall aid and abet in the doing of any of these things, he shall be punished as a Class H felon.
- (b) For purposes of this section, "person" means a natural person, association, consortium, corporation, body politic, partnership, or other group, entity, or organization.



Public Corruption

- Refers to criminal acts committed by an elected official or high ranking government official.
- Generally involves financial crimes (money) such as embezzlement, campaign finance violations, bribery, etc.
- Usually the cover up is worse than the crime and results in additional criminal charges, such as obstruction of justice.
- These crimes are usually best prosecuted in the federal system because of applicable statutes and the availability of an investigative grand jury.



Common Factors Involving Embezzlements

- Segregation of duties – limited or nonexistent in most cases
- Internal controls – weak internal controls or noncompliance
- Length of employment – usually employed for numerous years
- **Trusted** employee
- Personal work habits – works long hours, does not want assistance, eager to take on new duties, and reluctant to take vacation



CHARACTERISTICS OF CLASSIC EMBEZZLERS

- Usually work their crimes alone.
- Tend to be compulsive (gambling, abusing alcohol/drugs).
- Spend money freely (their own and/or the company's).
- Rationalize their thefts by thinking they are merely "borrowing."
- Tend to repeat and escalate their crime.
- Exploit weaknesses in internal controls to cover up their crimes.
- Have ready access on-the-job to cash or its equivalent.



Why Do People Embezzle?

- Greed
- Addiction
 - Substance abuse
 - Gambling
 - Shopping
- Extra-marital affair
- Low self-esteem
- I've earned it



ORGANIZATIONAL RED FLAGS

- No Communication of Expectations
- Too Much Trust in Key Employees
- Lack of Proper Authorization Procedures
- Lack of Attention to Detail
- Changes in Organizational Structure
- Tendency Toward Crisis Management



FINANCIAL DOCUMENT RED FLAGS

- Missing Documents
- Alteration of Documents
- Excessive Number of Voided Documents
- Documents Not Numerically Controlled
- Questionable Handwriting or Authorization
- Duplicate Payments
- Unusual Billing Addresses or Arrangements
- Address of Employee Same as Vendor
- Duplicate or "Home Made" Photocopied Invoices



ACCOUNTABILITY AND CONTROL RED FLAGS



- Lack of Separation of Duties
- Lack of Physical Security and/or Key Control
- Weak Links in Chain of Controls and Accountability
- Missing Independent Checks on Performance
- Lax Management Style
- Poor System Design
- Inadequate Training



Elder Home Repair Scam





Operation Nail It

- Targeted Victims: Over age 65 both Male & Female.
- Possible Widowed, lives alone, no close relatives.
- Limited mobility.
- Slight to moderate cognitive impairment.
- Trusting.
- “Smoker” – Victims are repeatedly targeted multiple times by the same group.



Commonalities

- Start with gutters, then roof, chimney, crawl space, attic, and plumbing.
- Suspects work outside of the area where they live, usually several counties over.
- Concentrate in the same subdivision.
- Work in groups.
- Checks written to accomplices.
- Suspects go to the banks with victims to withdrawal money.



Common Approaches

- Very friendly and will spend time with the Victim.
- “Doing work for neighbors.”
- “I was riding by when I noticed...”
- “I have some left over material from a previous job which I can let you have for nothing...”



“Work???”

- Work is substandard and damages the house.
- Will crawl around, nail up 2x4s, make noise.
- Water leaking under the house.
- Suspects don’t call local building inspectors or get permits.
- If family members call building inspectors or get inspectors through their homeowners, and the house is deemed “Unsafe” due to the work, the Victims have to leave their house.



What you can do to help

- Call the North Carolina Attorney General's Office Consumer Protection Division at **1-877-5NO-SCAM**.
- Notify local law enforcement and fill out a report.
- Cases could be civil or criminal.
- If you work at a bank: fill out a Suspicious Activity Report (SAR), provide surveillance footage and **GET A LICENSE PLATE NUMBER!!!**
- Be a proactive family member, friend or neighbor.



False Pretense Scheme





False Pretense Scheme



3 Vacant, Oceanfront/Oceanview Lots in
Topsail Beach & N. Topsail Beach, NC



False Pretense Scheme



- 3 Valid General Warranty Deeds
 - belonging to one couple in Michigan and two couples in Raleigh
 - All properties free of any debt



False Pretense Scheme



February 2010: "John Worley" hires local attorneys to prepare new deeds

- Properties conveyed:
 - From Victim 1 to "John Worley"
 - From Victim 2 to "John Worley"
 - From Victim 3 to "John Worley"

83748 P0088 02-10-2010
Pender County, NC Register of Deeds page 5 of 814

FIN # 4212-58-2359-0000
DATE 2/10/10 INT 39

The attorney preparing this instrument has made an exact search of the records as to the property herein described, unless the same is shown by his written and signed certificate.

Parcel ID: 215-58-319600
Exhibit Tax 50 001010101010 Recording Time, Book and Page

Mall after recording Moore & Kenan Attorneys at Law, P.O. Box 987, Burgaw, NC 28425
This instrument was prepared by MOORE & KENAN Attorneys at Law

Brief Description for the index: [Lot 8, Block L, Map Book 5, Page 11, 415 on Ocean and Highway 50]

NORTH CAROLINA GENERAL WARRANTY DEED

THIS DEED made February 8, 2010, by and between

<p>GRANTOR</p> <p>HOLLY B. OUMETTE (Single) 1629 Haslett Road, #296 Haslett, MI 48840</p>	<p>GRANTEE</p> <p>JOHN B. WORLEY (Single) Post Office Box 4941 Cary, North Carolina 27519</p>
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Enter in appropriate block for each party, name, address, and, if appropriate, character of entity, e.g., corporation or partnership. The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.


WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, all those certain lots or parcels of land situated in the Topsail Township, Pender County, North Carolina and more particularly described as follows:

BEING ALL OF Lot No. 8, Block "L," of Topsail Inlet Terrace Subdivision of beach lots according to map of E. M. Sears, Jr., R.L.S., dated August 18, 1954, and recorded in Map Book 5, at Page 11, of the Registry of Pender County, reference to which map is hereby made for a more particular description.

N. C. Bar Assoc. Form No. 3 © 1977
Printed by Agreement with the N.C. Bar Assoc. #003

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 Holly B. Dunnette (REAL)

STATE OF NORTH CAROLINA
 COUNTY OF WAKE


I, Judy M. Crumpler, a Notary Public of the aforesaid County and State do hereby certify that Holly B. Dunnette (the "Signatory") personally appeared before me this day and acknowledged the execution of the foregoing instrument.

I certify that the Signatory personally appeared before me this day and (check one of the following and mark through all blank lines or spaces in the certificate)

I have personal knowledge of the identity of the Signatory; or
 I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of: (check one of the following):
 a driver's license; or
 in the form of _____; or
 a credible witness has sworn to the identity of the Signatory.


The Signatory acknowledged to me that he/she voluntarily signed the foregoing instrument for the purpose stated and in the capacity indicated.

Witness my hand and official stamp or seal this 9th day of FEBRUARY, 2010.



 Notary Public

Print Name: Judy M. Crumpler
 (Notary Public must sign exactly as on notary seal)

My Commission Expires: March 23, 2012



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 Printed by Agreement with the N. C. Bar Assoc. #003



False Pretense Scheme

Newspaper & Online Advertisements:

- Raleigh News & Observer
- For Sale by Owner Websites

“FSBO – Oceanfront Lot, N. Topsail Beach - \$250,000 OBO. Call John 919-397-7511”



False Pretense Scheme



June 2010: Victim 4 (Raleigh) buys Lot for \$250,000

No Realtors
Cash Purchase
Buyer & Seller Not Present at Closing

Block

83787 P0265 10-04-2010
Pender County, NC Registrar of Deeds Page 1 of 2
Page Timestamp: 10-04-2010 10:14:21:000 Registrar of Deeds
NC REGISTRATION SYSTEM 10/04/2010 (112004)

PN # 409A-58-2359-0000

DATE: 6/24/10 INT: 2

The attorney preparing this instrument has made no record search or title examination as to the property herein described, unless the same is shown by his written and signed certificate.

Parcel ID: 4725582359-0000
Parcel Tax: \$500.00

Recording Time, Book and Page

Mail after recording to Moore & Kenan Attorneys at Law, P.O. Box 957, Burgaw, NC 28425

This instrument was prepared by MOORE & KENAN Attorneys at Law

Brief Description for the index: Lot 8, Block "L" of Topsail Inlet Terrace Subdivision, MD 5/1

NORTH CAROLINA GENERAL WARRANTY DEED

This deed is made hereon, 2010, by and between:

GRANTOR:	GRANTEE:
JOHN B. WORLEY (Single) Post Office Box 4941 Cary, North Carolina 27519	JAMES HERMAN HINES, JR. (married) 721 Old Keated Drive Apex, North Carolina 27523

Enter the appropriate block for each party, name, address, and, if appropriate, character of entity, e.g., corporation or partnership. The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.


WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, all those certain lots or parcels of land situated in the Topsail Township, Pender County, North Carolina and more particularly described as follows:

BEING ALL OF Lot No. 8, Block "L" of Topsail Inlet Terrace Subdivision of beach lots according to the map of E. M. Sears, Jr., RLS, dated August 18, 1954, and recorded in Map Book 5, at Page 11 of the Registry of Pender County, reference to which map is hereby made for a more particular description.

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3

83787 80267 06-04-2010
2014 Notary Signature
 83787 80267 06-04-2010
 2014 Notary Signature
 page 2 of 3



 John B. Worley (SEAL)
 John B. Worley

STATE OF Mississippi
 COUNTY OF DeSoto

I, Kristin Akins, a Notary Public of the aforesaid County and State do hereby certify that John B. Worley (the "Signatory") personally appeared before me this day and acknowledged the execution of the foregoing instrument.

I certify that the Signatory personally appeared before me this day and (check one of the following and mark through all blank lines or spaces in the certificate):

I have personal knowledge of the identity of the Signatory; or

I have seen satisfactory evidence of the Signatory's identity, by a current state or federal identification with the Signatory's photograph in the form of: (check one of the following):


a driver's license; or

in the form of _____; or

a credible witness has sworn to the identity of the Signatory.

The Signatory acknowledged to me that he/she voluntarily signed the foregoing instrument for the purpose stated and in the capacity indicated.


Witness my hand and official stamp or seal this the 15 day of June, 2010.


 Notary Public

Print Name: Kristin Akins


(Notary Public must sign exactly as on notary seal)

My Commission Expires: 02-15-2014



 KRISTIN AKINS
 02-15-2014
 NOTARY PUBLIC
 MISSISSIPPI

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 Printed by Agreement with the N. C. Bar Assoc. #003



False Pretense Scheme

June 28, 2010:
 \$246,894.75 deposited to First Citizens Bank Account belonging to "John Worley"

July 8, 2010:
 \$132,934.60 wired to same account



False Pretense Scheme

- Search Warrant for First Citizens Bank Records
- Multiple Branches throughout NC to “structure” cash withdrawals
- All proceeds converted to cash by September 2010



SBI Financial Crimes





False Pretense Scheme



False Pretense Scheme





False Pretense Scheme



- John Worley:
 - Staff Member University of Mississippi
 - Ole Miss Police Department
 - Advised John Worley was the victim of identity & credit card theft November 2009



False Pretense Scheme

- Roger Glen Kornegay identified as suspect in Ole Miss/Worley theft
- Also suspect in ID/Credit Card Thefts from:
 - Mississippi State University
 - East Carolina University
 - University of Wilmington, NC
 - Jacksonville, NC
 - Lincoln, Nebraska





False Pretense Scheme

- Interviews w/ Karen Scalf (sister) & Kelvin Kornegay (brother)
 - Both Identify the FCB Photos as Roger Kornegay
 - Last known whereabouts McCook, NE
 - Fugitive (USM Outstanding Warrant)



False Pretense Scheme

- Interview w/ Lt. Gregory (ECU PD)
 - Last known vehicle/stolen identities
 - Search Warrant to State Farm Ins.
 - Assistance from NC DMV License & Theft: vehicle tag turned in – Colorado
 - Assistance from Colorado Bureau of Investigation



False Pretense Scheme

- Vehicle sold to Benjamin Mendoza
- Seller “Kelvin Kornegay”
- Purchased home in rural Colorado using stolen identity
- Dating Melanie Berg (Peyton, CO)



False Pretense Scheme

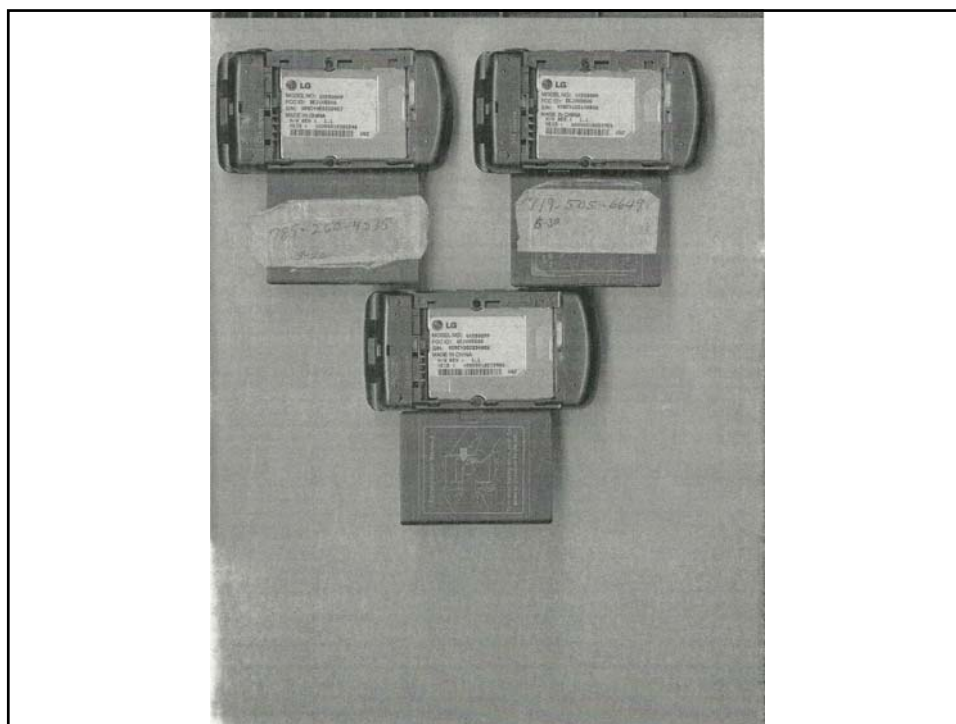
- Bank Records
- Phone Tolls
- Mail Cover
- Pen Register
- Informants
- Search Warrants
- Public Records
- DMV Records
- SAR Data



Roger Glen Kornegay











False Pretense Scheme

- Kornegay sentenced until Feb 2013 at Allenwood FCI in White Deer, PA
- Extradited back to NC on May 2 through Interstate Agreement on Detainers



False Pretense Scheme

- Booking Photo: May 2 at Pender County Jail





Roger Glen Kornegay

- 2 Counts of Obtaining Property by False Pretenses > \$100,000
- 5 Counts of Forgery of Deeds
- 9 Warrants in other NC Jurisdictions
- Multiple warrants in Mississippi & Nebraska

SBI Financial Crimes Unit
1705 Tryon Park Drive
Raleigh, NC 27610



Special Agent in Charge Michael East
919-662-4545
meast@ncdoj.gov

