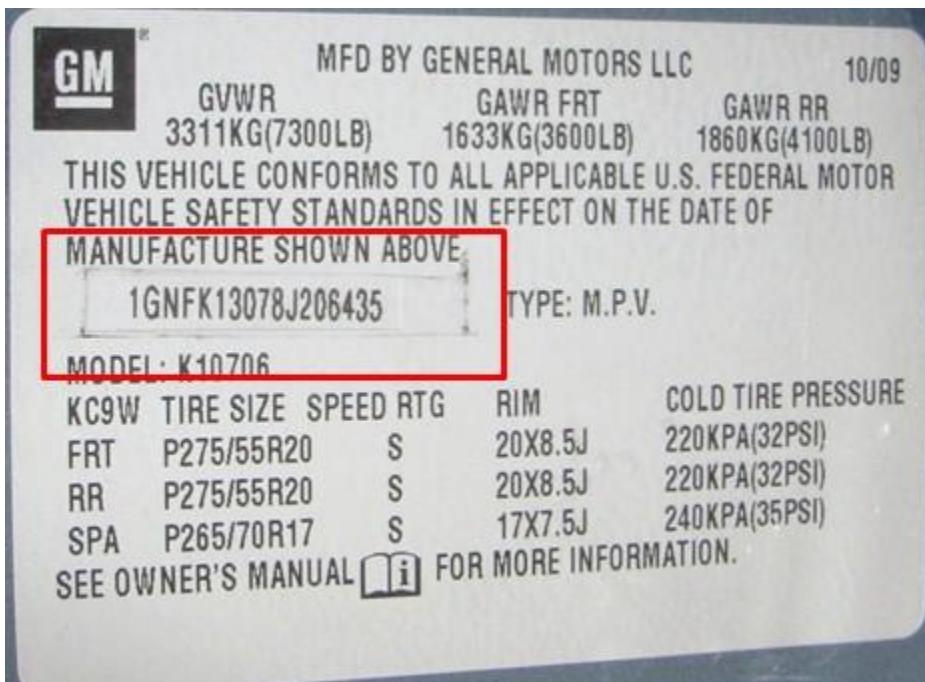
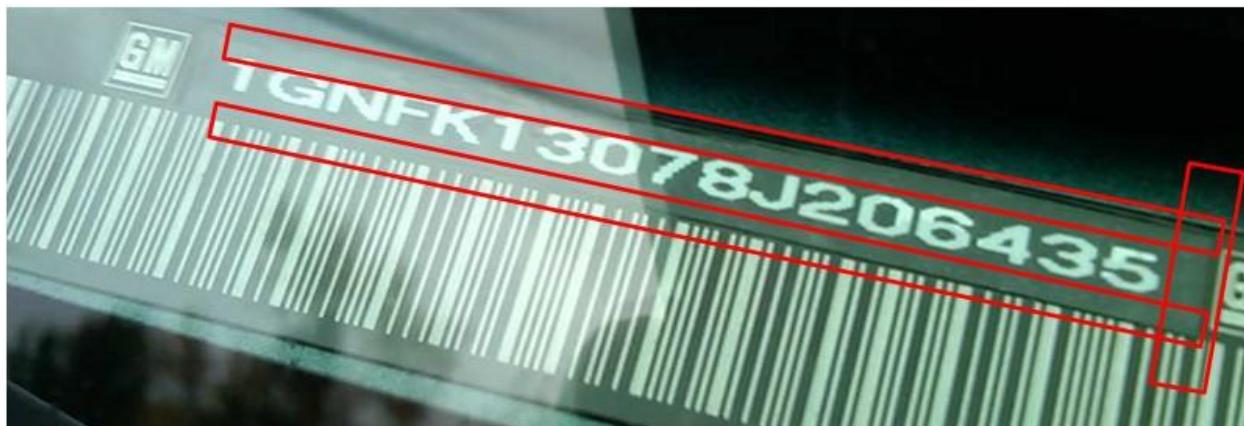


**Homeland Security Investigations  
Detroit, Michigan  
OPERATION ROLL OUT**

**THE INVESTIGATION**

In August, 2011 the Homeland Security Investigations (HSI) Detroit field office received a tip that a lawful permanent alien resident was selling motor vehicles that were acquired via credit fraud. This fraud involved aliens awaiting an immigration judge's decision on removal.

HSI conducted an undercover investigation that resulted in the seizure of four vehicles. Post-seizure identification of the vehicles revealed that they were stolen, carjacked, and/or taken by



fraud utilizing multiple different methodologies. The true VIN of each vehicle was concealed with a cloned VIN that was adhered over the manufacturer's primary VIN plate and federal safety sticker with varying levels of quality (See Inset).

Further analysis of the fraudulent VINS indicated that the organization also utilized an elaborate

title-washing scheme that enabled disposal of whole functional vehicles as opposed to the standard practice of "chopping and parting." The organization began the title washing process by creating counterfeit titles, purported to be issued out of the state of Texas. The organization

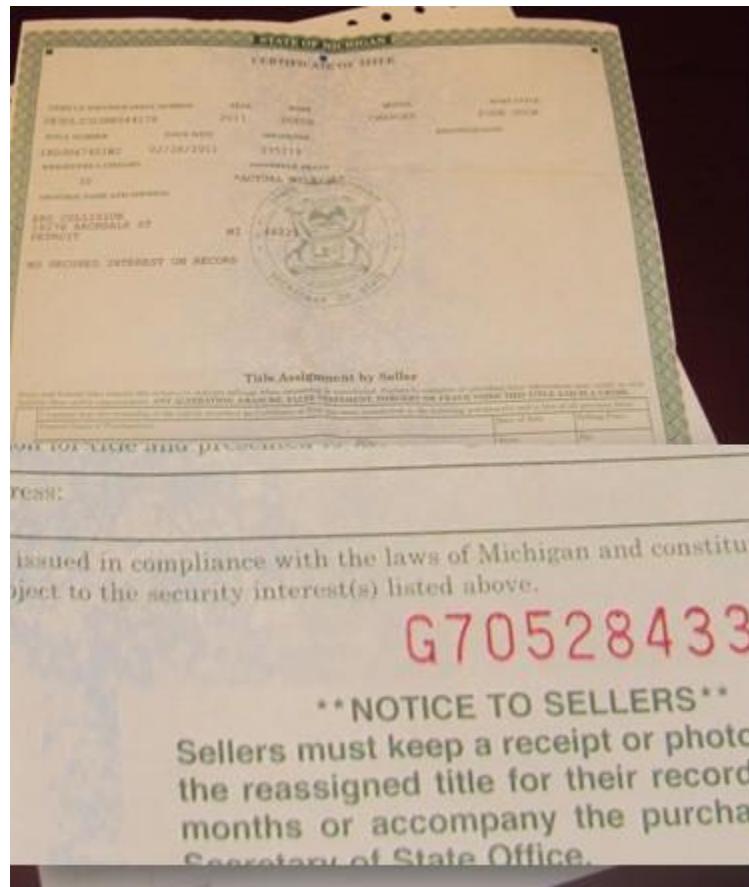
then acquired blank genuine Michigan titles that were stolen from a Michigan Secretary of State satellite office sometime between April and June, 2011. Unlike the counterfeit Texas titles, the Michigan titles bore all of the correct security features and had embossed control numbers in the lower right-hand corner. Based on a Michigan State Police investigation into the stolen title stock, the range of control numbers was known.

In October, 2011, HSI's investigation was merged with investigations being conducted by the Federal Bureau of Investigation, Detroit Police Department, Michigan Secretary of State, Ohio Bureau of Motor Vehicles, Ohio State Highway Patrol, and the Toledo Police Department. The combined investigation revealed that the vehicles were being acquired by Bernard EDMOND via proxy, utilizing people and a criminal street gang who dubbed themselves the "S550 Boyz" due to their ability to target high-end luxury vehicles.

HSI led the white collar portion of the investigation, analyzing EDMOND's pattern of practice and including the identities of known title runners, shell companies, and addresses of abandoned properties.

The analysis resulted in the identification of approximately 200 vehicles tied to EDMOND's title-washing scheme. Informant information regarding EDMOND's operation indicated that these discoveries comprised approximately ten percent of the actual volume of vehicles trafficked by EDMOND.

On September 17, 2013, a federal petit jury seated in the Eastern District of Michigan returned guilty verdicts on various counts for Bernard EDMOND and two members of the S550 Boyz. EDMOND and his coconspirators were convicted for multiple federal crimes including conspiracy, trafficking in motor vehicles with altered VINs, operating a chop shop, carjacking, and associated firearms offenses. The three defendants received sentences totaling 230 years federal confinement.



## THE METHODOLOGY

This investigation involved multiple coconspirators, shell corporations, and appointed agents. As such, it posed numerous investigative and administrative challenges. This was especially true in instances where a vehicle was identified but not recovered. Throughout the investigation there were noted vulnerabilities to EDMOND's process that were successfully exploited.

One such vulnerability was EDMOND utilized cloned, as opposed to fraudulent, VINs to clean the history on the stolen vehicles. The investigation revealed that the clean VINs, in order to appropriately match paint, trim, etc., were direct duplicates of existing vehicles acquired through open source Internet queries. This methodology resulted in duplicate registration records existing simultaneously in multiple states, or registration post-export. The methodology also resulted in a skewed registration and service record in CarFax query results. A vehicle with a cloned VIN will show ownership and service records consistently occurring in one state or region only to be interrupted part way through the report with the fraudulent registration records before resuming the legitimate record. (See Inset above) Each identified vehicle included multiple documents in multiple states designed to obscure the true origin of the vehicle. (See Inset below) The ultimate goal of the process was to begin with a stolen or counterfeit title and end with a "clean" Michigan title. Using the counterfeit or stolen

CARFAX Detailed History				
Owner 1	Date:	Mileage:	Source:	Comments:
Purchased: 2006 Type: Commercial Where: Minnesota Est. length owned: 12/20/06 - 10/7/09 (2 yrs, 9 mo.)	12/20/2006	620	Minnesota Motor Vehicle Dept. Minneapolis, MN Title #H3550U889	Title or registration issued First owner reported Loan or lien reported Registered as commercial vehicle
	03/20/2007		Minnesota Motor Vehicle Dept. Minneapolis, MN Title #H3550U889	Registration issued or renewed Registered as commercial vehicle
	05/12/2008		Minnesota Motor Vehicle Dept. Minneapolis, MN Title #H3550U889	Registration issued or renewed Loan or lien reported Registered as commercial vehicle
	06/12/2008		Minnesota Motor Vehicle Dept. Minneapolis, MN Title #H3550U889	Registration issued or renewed Loan or lien reported Registered as commercial vehicle
	04/10/2009		Minnesota Motor Vehicle Dept. Minneapolis, MN Title #H3550U889	Registration issued or renewed Loan or lien reported Registered as commercial vehicle
Owner 2	Date:	Mileage:	Source:	Comments:
Purchased: 2009 Type: Personal Where: Michigan Est. length owned: 10/7/09 - 3/8/10 (5 months)	10/07/2009	45,687	Michigan Motor Vehicle Dept. Detroit, MI Title #220X2800422	Title issued or updated New owner reported
Owner 3	Date:	Mileage:	Source:	Comments:
Purchased: 2010 Type: Commercial Where: Minnesota Est. length owned: 3/8/10 - present (1 yr, 6 mo.)	03/08/2010		Minnesota Motor Vehicle Dept. Minneapolis, MN Title #H3550U889	Registration issued or renewed New owner reported Loan or lien reported Registered as commercial vehicle



titles was a simple process: EDMOND would send one of his coconspirators to the Michigan Secretary of State with the counterfeit title to serve as the beginning of the Michigan title chain. Utilizing the stolen Michigan titles presented an additional logistical challenge in that the stolen title could not be presented in the same state in which it was lifted. To combat this, EDMOND utilized title runners in the Toledo, Ohio area who acquired clean Ohio titles with the stolen Michigan paper. The Ohio title was then returned to Michigan to acquire the final clean Michigan title. Exploiting this information resulted in the identification of additional title runners and shell corporations which, in turn, resulted in the identification of additional vehicles.

## **LESSONS LEARNED**

While the investigation highlighted vulnerabilities in EDMOND's title-washing system, it also revealed weaknesses in the manner in which vehicle title and registration operations are conducted. EDMOND exploited these weaknesses in order to conceal the totality of his organization's operations. An all-inclusive information-sharing program and proper data warehousing could have sealed both of these vulnerabilities.

The first vulnerability allowed EDMOND's title-washing system to thrive unchecked for years while causing issues for legitimate vehicle owners throughout the United States. Because EDMOND's system relied on cloned VIN numbers derived from Internet searches to ensure that the theft vehicle fraud VIN was properly coded for color, trim, etc., this resulted in duplicate registration records across states. If the states shared their registration information and did not allow for duplicate VIN registrations and/or titling without the previous document being canceled, EDMOND would have been forced to utilize a different method of title-washing.

A second vulnerability stemmed from not fully utilizing the control numbers on vehicle titles. The investigation revealed that while control numbers were embossed on the title stock, these numbers were not being electronically captured or data-warehoused at the time of titling. The ability to query these numbers would have resulted in the identification of significantly more vehicles which, in the event of a purely-white collar prosecution absent firearms charges, would have been important to determining the appropriate federal sentencing level that is dependent on the determination of value. The more damage done, measured in dollars, the harsher the sentence.

## **CONCLUSION**

We, as investigators, will be perpetually entangled with the criminal element in a proverbial game of cat and mouse. As we evolve, so too will those who endeavor to profit from illegal activity. For example, after the conclusion of Operation Roll Out, the criminal element evolved their methods to evade detection. While VIN cloning still occurs, technological advances at CarFax as well as multi-state initiatives have aimed to identify red flag indicators for the practice. To this effect, vehicle theft organizations have begun to learn the VIN numbering limitations of vehicle manufacturers and exceed those limits in creating counterfeit VINs that still match all of the necessary color/trim formatting parameters. In order to further evolve to combat these practices, manufacturers and states will need to communicate with each other in

order to design information systems that reject attempts to title and register vehicles outside of those ranges.

Author: David J. Gibson