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# A case study of identity theft

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A CASE STUDY OF IDENTITY THEFT

by

STUART F. H. ALLISON

A thesis submitted in partial fulfillment  
of the requirements for the degree of  
Master of Arts  
College of Arts and Sciences  
Department of Criminology  
University of South Florida

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## A Case Study of Identity Theft

Stuart F.H. Allison

### ABSTRACT

This thesis is an investigation of identity theft, although not a new crime it has recently attracted public concern. This concern has led to both federal and state governments to establish new laws to provide increased protection. Government agencies and the media have warned the public that an individual's social security number and other personal information are the tools that unscrupulous criminals can use to gain access to an identity. Once your identity is assumed criminals can use that new identity to obtain goods and services freely available in this world of instant credit lines.

The purpose of this study is to examine the magnitude and characteristics of identity theft. The objective is to determine if government official's claims and the media's portrayal of the substantial rise in identity theft incidents are supported empirically.

The data for this study comes from police records located in one southern-metropolitan city; from this two separate data sets were drawn. A case study methodology was selected for this project.

The results indicate that the identity theft trend is different than the trends for other theft related offenses – credit card fraud, check fraud, robbery and motor vehicle theft. The data suggest that identity theft is increasing more rapidly than the other theft

orientated offenses. However, future research should be conducted to help determine if the trend found in this study is a more a reflection of criminal behavior then of changes in reporting. Additionally, the available literature on identity theft suggested that attaining an arrest for identity theft is especially difficult. The empirical evidence found in this study is mixed on this point. Finally, the demographic characteristics of identity thieves in the area of study do not conform to other economically motivated offenders. African American female offenders make up a significantly large proportion of offenders. Determining the cause of these patterns would at this point be premature, but the existence of patterns warrants further research.

In conclusion, this study finds support for the expressed belief by media, private organizations, and government officials that there is greater reporting and recoding of identity theft.



## CHAPTER I: INTRODUCTION

### *A Victim's Story*

Identity theft has been described as the newest form of theft. Using only a name and a social security number, an identity thief can borrow money, acquire credit, obtain employment, or even attain a criminal record (Office of the Inspector General, 1999; Federal Trade Commission, 2000, 2001). Victims are often unaware of their victimization. Calls from collection agencies and denied loans are frequently the first signs of trouble. Victims of identity theft have to cope with the frustration of having their privacy invaded, their financial well being threatened, and astonishingly few resources to turn to for assistance. Below is one person's story:

Robert Hartle, 46, is not a felon or fugitive. He is one of thousands of victims of a new kind of nightmare – identity theft. Hartle's life was upended, his credit ruined, and his good name was tainted. Creditors pursued him for tens of thousands of dollars in debts he had never incurred. And, to add insult to injury, law enforcement authorities told him they could do nothing to help – legally, he was not a crime victim. (Ryan, 1998, p. 14)

In 1994, an identity thief used Robert Hartle's name and personal information (driver's license, social security card and birth certificate) to open credit accounts and purchase merchandise, which included three pickup trucks, two motorcycles and a doublewide mobile home. Mr. Hartle only became aware of the problem after he began receiving calls from collection agencies. In the end, the identify thief had amassed over \$100,000 in debt under Mr. Hartle's name. However, this was only the beginning of the nightmare. Mr. Hartle was left with the tasking of restoring his reputation and repairing

his damaged credit history. Mr. Hartle's ruined credit meant that if he wanted to obtain a mortgage, loan, or other form of credit in the future, he would not have the opportunity to do so. In order to repair the financial damage caused to his name, Mr. Hartle had to endure the tedious task of convincing creditors that the real Mr. Hartle had not obtained a delinquent credit line with them. He then had to rectify the incorrect entries on his credit report held at the three national Credit Bureaus<sup>1</sup>. Robert Hartle is not alone:

In August 1996, a lawyer from California named Mari Frank received a call from a Delaware bank, asking why she hadn't paid an \$11,000 balance on a Toys R Us credit card. When Frank asked where the bank had been sending the billing statements, she got an address in Ventura, Calif., about 80 miles north of her. (Higgins, 1998, p. 43)

In October 1996, a female posing as a private investigator stole Mari Frank's personal information (driver's license number, date of birth and social security number). The offender engaged in a spending spree and amassed over \$50,000 in debt under Ms. Frank's name. Although the offender was eventually arrested, Ms. Frank had the burden of clearing her name. Ms. Frank, like other victims, managed to clear up the damage to her credit bearing the associated costs of eight months, 90 letters, 500 hours and approximately \$10,000 in expenses. She has gone on to help others in similar situations by writing: *From Victim to Victor: A step-by-step guide for ending the nightmare of identity theft* and *The Identify Theft Survival Kit*.

These stories are not unique or unusual. Instead they are becoming more commonplace. There are a growing number of individuals who feel powerless to protect their personal information from being used illegally.

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<sup>1</sup> Equifax, Trans Union and Experian are the three credit bureaus whose databases are used by creditors across the U.S. for determining whether a customer applying for goods or services is credit worthy.

At a press conference held on May 2, 2002, Attorney General John Ashcroft said, "Identity theft is one of the fastest growing crimes in the United States. An estimated 500,000 to 700,000 Americans each year have their identity stolen, and many more Americans are victimized by the crimes facilitated by the identity theft, crimes ranging from bank and credit card fraud to international terrorism." (NW3C, 2002, p. 1)

### *Defining Identity Theft*

Many government officials argue that identity theft is one of the greatest threats to the U.S. economy. The following quote was a recent prediction of the financial damage caused by this crime: "...based on last year's numbers, losses due to identity fraud are expected to be in excess of \$2.3 billion" (Fichtman, 2001, p. 53).

A secret service official told us that actual losses-to the victimized individuals and institutions-associated with the agency's investigations of financial crimes involving identity fraud totaled \$442 million in fiscal year 1995, \$450 million in fiscal year 1996, and \$745 million in fiscal year 1997 (GAO, 1998, p. 29).

Identity theft is broadly defined as, "...the unlawful use of another's personal identifying information" (Bellah, 2001, p. 222). Personal identifying information can include the individual's name, address, social security number, date of birth, alien registration number, taxpayer identification number, government passport number, drivers license information, mother's maiden name, or biometric information (fingerprint, voice print, or retina image) (GAO, June 2002). Unlawful in this context constitutes the unauthorized use of another's personal information with criminal intent.

Identify thieves obtain personal information in a variety of ways. Their methods can be defined by the degree of technology employed – low technology versus high technology. Low technology methods tend to be the most common due to their relative ease. Some examples of low technology methods include theft of wallets or purses and

*dumpster diving*. Dumpster diving is a particularly insidious technique where offenders obtain personal information by going through an individual's garbage. In contrast to low technology methods, high technology methods require some skill and expertise. High technology methods include things like use of the Internet, *skimming* and *pretext calling*. Internet use is where an offender obtains the personal information from the Internet, either legally or illegally. Skimming is where offenders use computers to read and store the information encoded on the magnetic strip of an ATM or credit card. Once stored, that information can then be re-encoded onto any other card with a magnetic strip, instantly transforming a blank card into a machine-readable ATM or credit card identical to that of the victim (FTC, September 2000). Pretext calling is where offenders make contact with a victim under false pretenses, with the purposes of obtaining their personal information (Newman, 1999).

The next step is for an offender to utilize this personal information. The list below describes some of the more common techniques that offenders use when their goal is to obtain financial reward<sup>2</sup>.

- The imposter opens a new credit card account, using the victim's name, date of birth, and social security number. Subsequently the offender uses up the entire credit limit on the card and fails to pay any bills, which then leads to a delinquent account later being recorded on the victim's credit report.
- The imposter calls the victim's credit card issuer and, pretending to be the victim, changes the mailing address on the credit card account. Next, the offender accesses and runs up charges on the account and because the bills are being sent to the new address, the victim may not immediately realize any problem.
- The imposter establishes cellular phone service in a victim's name.

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<sup>2</sup> All information on the methods identity thieves employ was collected after an informal discussion with a detective from the check and fraud squad, within the area of study, 2002.

- The imposter opens a bank account in the victim's name and writes *bad checks* on that account.
- The imposter e-mails a request posing as the victim's internet service provider (ISP), stating that the account information needs to be updated and/or that the credit card used to register is invalid or expired and that the information needs to be reentered to keep the account active.

Sources have indicated identity thieves generally steal people's identities to commit an array of financial crimes from taking out loans, cash advances, and credit applications to more extreme cases such as taking control of entire financial accounts (OIG, 1999; Newman, 1999).

#### *The Purpose of this Study*

Recently, there has been intensive media coverage regarding identity theft, labeling it a serious and growing threat to America. Government and private bodies, such as the Government Office of Accounting (GAO), Federal Trade Commission (FTC), Office of the Inspector General, Federal Bureau of Investigation (FBI), Postal Inspectors Office, United States Secret Service (USSS), Equifax and Trans Union have each stated that although there has not exactly been a quantifiable increase in the number of identity theft occurrences, the percentage increase has substantially risen over the last few years (GAO, 1998). An entire industry has begun to grow as a result of this crime. There are lawyers who specialize in prosecuting identity theft cases, books, prevention kits, survival kits and various websites. There are also companies offering a radical solution to identity theft – *biometric technology*. Biometric technology relies on the use of physical traits as a form of identification. One such example is Compaq Computer Company's introduction of the new IPAQ pocket PC with fingerprint identification technology. Users are required to train the pocket PC to recognize personal fingerprints

as a means of protecting against unauthorized access. With these new types of technology, traditional forms of personal identifying information (social security numbers, birth certificates, and mother's maiden name) would become obsolete, thereby making it extremely difficult for potential thieves to gain access to other peoples credit lines ("Biometric Roundup", 1996).

The purpose of this study is to examine the magnitude and characteristics of identity theft. The objective is to determine if government official's claims and the media's portrayal of the substantial rise in identity theft incidents are supported empirically. There are three basic questions addressed in this study:

1. *Is the increase in identity theft similar to those of the other theft related offenses?*
2. *Is the clearance rate for identity theft similar to those of the other theft related offenses?*
3. *What are the predominant demographic characteristics associated with victims and offenders of identify theft?*

In order to address questions 1 and 2, comparisons between identity theft and other theft orientated offenses (credit card fraud, check fraud, robbery and motor vehicle theft) are made. These comparisons are made to produce a context against which the data on identity theft can be evaluated. In order to address question 3, a description of the victims and offenders is provided for identity theft incidences that resulted in an arrest. In addition, general comparisons are made between the data collected in this study and other data sources on identity theft. Answering these questions may provide data useful understanding and controlling identity theft.

## CHAPTER II: LITERATURE REVIEW

### *Introduction*

When trying to evaluate the extent of identity theft in America it is important to first examine the literature that has been published on this topic. For the purpose of this study, a substantial degree of focus is directed to works published by victims and agencies dealing with this crime. The principle reason victims have written about their ordeals is because they often felt the criminal justice system provided little protection or recourse (Hansell, 1996; Perry, 1995).

### *Identity Theft Laws*

Laws protecting the rights of individuals whose identities have been used to commit a crime have only been in existence for a few years. A federal law was created in October 1998, making the unauthorized possession of another's identity a federal crime under Title 18, US Code 1028, the Identity Theft and Assumption Deterrence Act 1998. Under this legislation, it is a federal offense when anyone:

(3)(a) knowingly transfers or uses, without lawful authority, a means of identification of another person with the intent to commit, or to aid or abet, any unlawful activity that constitutes a violation of Federal law, or that constitutes a felony under any applicable State or local law. (United States Statutes at Large, 1998, p. 3007)

State laws for identity theft tend to closely resemble the federal law, and were first established in Arizona (1996) and California (1997). This study's focus is within the state of Florida and thus, a cursory examination of this state's identity theft law is necessary.

In 2001, Florida legislators passed the Fraudulent Practices Statute (ch.817.567), which reads as follows:

(2)(a) Any person who willfully and without authorization fraudulently uses, or possesses with intent to fraudulently use, personal identification information concerning an individual without first obtaining that individual's consent, commits the offense of fraudulent use of personal identification information, which is a felony of the third degree, punishable as provided in s. [775.082](#), s. [775.083](#), or s. [775.084](#). (Florida Statutes, 2001, p. 1243)

Prior to this legislation, Florida law held that the only victims of identity theft were those who suffered actual financial loss, such as banks or insurance companies. Legislators considered individuals whose identities were used by criminals to merely be the vehicles for committing various forms of fraud. Persons whose identities were stolen were not recognized by the criminal justice system as true victims and so were accordingly granted little control or protection over the fraudulent use of their identities. More specifically, what these Florida laws acknowledge is that individuals, along with the financial institutions linked to them, suffer adverse effects when their personal information is used illegally. Individuals whose identity has been used illegally can subsequently reap after effects ranging from: Problems obtaining further credit, loan refusals, lease denials, employment denial and receiving a criminal record (Higgins, 1998). Published materials on victims of identity theft seem to indicate that previous legislation in Florida had treated an individual's identity as merely a means of identification. However, what the effects of identity theft show is that identities are more than that, identities have a financial value attached to them and so new laws are needed to address any theft of this value.



Since the recent increase in public concern over identity theft, government bodies dealing with it either directly or indirectly have published a number of reports. Although they provide the majority of literature and research on this offense, collectively they offer limited scientific data.

### *Empirical Evidence*

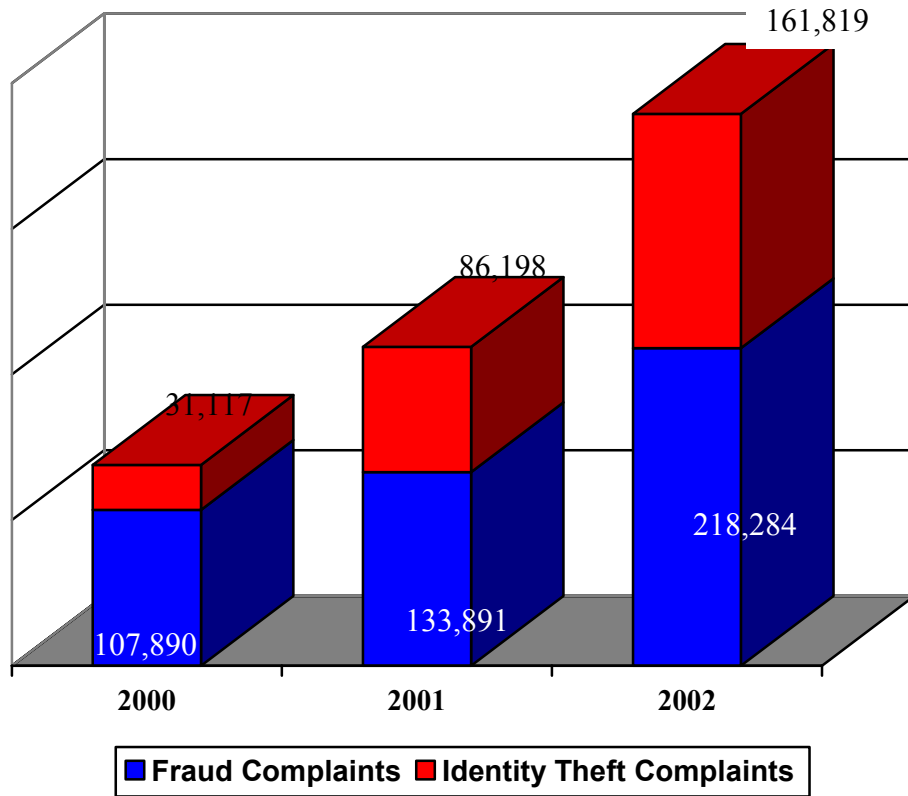
*Federal Trade Commission.* The Federal Trade Commission (FTC) is the main agency that collects information pertaining to identity theft. Since passing the Identity Theft and Assumption Deterrence Act (1998), congress has required this agency to keep an accurate log of all complaints made by citizens regarding the illegal use of identities. The FTC currently has an online database<sup>3</sup> that has been collecting information from incoming phone calls made by the public inquiring about identity theft since November 1, 1999. More importantly, this database is the only form of national data collection made on identity theft and thus can provide important information on regional variations.

According to FTC there were 31,117 cases of reported identity theft complaints in 2000, 86,198 in 2001 and 161,819 in 2002. Identity theft complaints went up by 177% in 2001 and 87% in 2002. In comparison, the number of other fraud related complains went from 107,890 in 2000 to 133,891 in 2001 (24% increase) and 218,384 in 2002 (63% increase) (FTC, 2003). Figure 1 presents a graphic representation of these statistics.

---

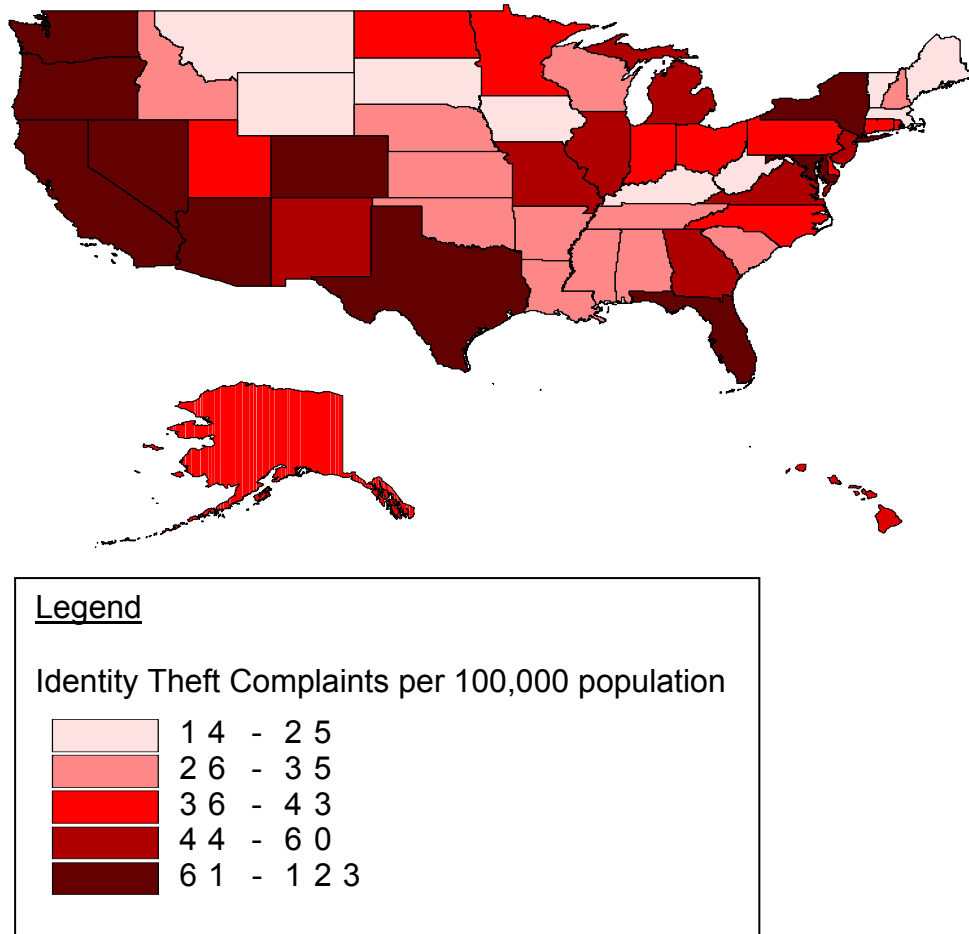
<sup>3</sup> This database is known as, The Identity Theft Data Clearinghouse.

Figure 1. Federal Trade Commission (FTC) Identity Theft Complains by Year



According to the FTC data there is regional variation in identity theft crime (see Figure 2). District of Columbia (123.1), California (90.7), Arizona (88.0), Nevada (85.3) and Texas (68.9) had the most victims of identity theft per 100,000 population. West Virginia (19.9), Iowa (18.9), Vermont (17.6), South Dakota (16.4), and North Dakota (12.6) reported the fewest victims per 100,000 population. Florida ranked 6<sup>th</sup> with 68.2 victims per 100,000 population (FTC, 2003).

Figure 2. Estimates of Identity Theft by Region



There is, however, some concern over the validity of the FTC complaint data. First, the FTC does not require reporting. Second, the FTC only gathers data from individuals who contact the FTC and fill out the required forms. Thus, it is unlikely that the FTC database contains the universe of identity theft crimes. There are mostly likely under- and over-reporting of certain types of identity theft incidents to the FTC. At best, the FTC database is a proxy for the level of identity theft in America.

The FTC has presented a number of detailed reports on this crime to various government committees. Notably, a few of these reports describe possible sources

behind the apparent increase of identity theft incidents. According to the FTC there are three main sources behind the increase in these cases. The first suggested source is Internet 'look-up services', which are computerized databases used to locate, identify or verify the identity of individuals. Some privacy rights organizations have argued that these services could be open to abuse since they are easily accessible and provide an array of personal information (FTC, May 1998). In response to public concerns with these services, the FTC has proposed self-regulatory guidelines, known as the IRSG principles, to be adopted by the industry. One purpose of these principles is to, "...lessen the risk that information available through individual reference services will be used to commit identity theft" (FTC, May 1998, p. 7). They achieve this aim by providing adequate safeguards against abuse through increased control over access to personal information. The main advantage with these principles is that they maintain the important benefits provided by this particular industry to our society.

Another source identified by the FTC for the increase in identity theft is in the workplace; in most areas of work employers maintain personal records on all their employees. These records contain a wealth of identifying information and on a number of occasions identity thieves have utilized these personal records to commit an array of crimes (FTC, 2000). The victimization by co-workers is a situational finding that has also been noticed in several of the records examined for this study.

The third and largest source behind the increase in identity theft cases has been the lack of knowledge within the general public about the existence and relative ease of this crime; officials at the FTC state that a large number of individuals are not exercising sufficient caution. Potential victims make themselves susceptible by inadvertently

making their personal information available, thereby increasing the number of opportunities for identity thieves (FTC, March 2000). A few examples of the ways potential victims can do this are if they leave receipts for transactions lying around, fail to collect their mail promptly, freely disclose personal information and throw documents containing personal information in the trash (FTC, February 2002). Even though monumental efforts have been made by the FTC to increase public awareness through online services, education campaigns and published material (FTC, March 2000), it seems that the vast majority of the public still do not know enough about this crime to help prevent it.

The FTC has created policies to address these sources of identity theft through greater awareness and increased restrictions on access to personal information already in circulation or held online. These different policies might reduce the current increase of this offense, but whether they are sufficient to eliminate it remains to be seen (FTC, March 2002).

*Office of the Inspector General.* Another government body concerned with this crime is the Office of the Inspector General (OIG), which conducted an empirical investigation of misuse allegations made by victims to the Social Security Administration (SSA) regarding their social security numbers in 1999. One of the main reasons for the study was the OIG's fear that identity thieves were overly targeting elderly persons. This study collected data using a random probability sample (N=400) of all allegations made to the agency between October 1<sup>st</sup> 1997 and March 31<sup>st</sup> 1999. These allegations fall into five separate categories, with identity theft representing the largest (81.5%). Identity theft was broken down further into ten subcategories of illegal behavior. Only the four

highest categories are of interest, these being credit or credit card use (highest subcategory) followed by work or work permits, fraudulently obtaining goods and services. It could be argued from these results that offenders commit this crime for economic gain and furthermore that the predominant way they achieve this goal is through credit card fraud. Other investigators have looked at motivators behind identity thieves and speculated that economic gain is the largest motivator; however, little actual empirical research was conducted to support this claim (Newman, 1999). The finding by the OIG study (1999), of credit card use being a principle tool for identity thieves, is also supported by the citizen complaint data collected by the FTC for 2000 and 2001. The OIG study's concluding statement regarding identity theft seems to be a common sentiment among many government agencies, namely that, "This type of behavior not only destroys the citizen's credit history, it adversely affects the national economy, as creditors raise interest rates to cover the losses arising from this fraudulent activity" (Office of the Inspector General, 1999, p. 8). Although the OIG's study included this statement they did not provide any way to verify how much of an impact identity theft has had on the national economy, whether there is any association has not yet been determined.

*Government Accounting Office.* This last agency, the Government Accounting Office (GAO), is the only agency that has attempted to synthesize all published data and reports regarding identity theft. The GAO also conducted interviews with professionals who deal with this crime. The demand for reports by the GAO to investigate identity theft came in response to fears concerning the perceived increase in identity theft by both the public and law enforcement agencies. A number of publications by the GAO

highlight that there is a distinct lack of research and general awareness about identity theft (GAO, 1998, February 2002, March 2002). One clear objective in each these publications is an attempt to quantify the amount of identity theft nationally. However, the GAO (1998, February 2002, March 2002, June 2002) goes on to state the difficulty of collecting comprehensive statistics on identity theft, but that, “Nonetheless a number of data sources can be used as proxies for gauging the prevalence of identity theft” (GAO, February 2002, p. 2). The proxy, officials at the GAO used as estimates for gauging the prevalence of identity theft are: The number of criminal investigations (USSS, SSA, FBI, IRS and Postal Inspection Service), the financial damage caused (Visa, MasterCard, American Express and the American Bankers Association), and the number of complaints/inquiries made by citizens to relevant government and private agencies (Equifax Inc, Experian Corporation, Trans Union and the FTC). These different sources provide varying estimations, but exhibit a universal consensus that identity theft is growing at an alarming rate.

During recent years the GAO, along with the FTC, has been interested in determining possible sources for the increase in identity theft incidents and has directed much of its focus to crime through the Internet.

The Internet has dramatically altered the potential occurrence and impact of identity theft. First, the Internet provides access to identifying information, through both illicit and legal means. The global publication of identifying details that previously were available only to a select few increases the potential for misuse of that information. Second, the ability of the identity thief to purchase goods and services from innumerable e-merchants expands the potential harm to the victim through numerous purchases. The explosion of financial services offered on-line, such as mortgages, credit cards, bank accounts and loans, provides a sense of anonymity to those potential identity thieves who would not risk committing identity theft in a face-to-face transaction. (FTC, Sept. 13, 2000, p. 5)

Several officials interviewed by the GAO (1998) report state that the Internet has had a positive association with certain criminal activities, such as identity theft. However, these officials are not able to provide data to support this claim and instead give only anecdotal evidence for this association. The official's reasoning behind this association is that the Internet enhances the accessibility of personal identifying information to everyone and thereby increases the opportunities for abuse by identity thieves. Major areas of concern investigated by the GAO (1998) report are *look up services* and *credit bureaus*, both of which conduct the sale of personal information to registered customers. The GAO (1998) report further investigates the problems associated with placing restrictions on the sale of personal information over the Internet. The report conducts interviews with officials at the Associated Credit Bureaus, Inc., who explain that such restrictions, through any medium, may actually increase other forms of fraud. The reasoning these officials give is that the majority of businesses who purchase personal information do so with the intention of performing background checks on their credit applicants, preventing fraudulent accounts from being opened by imposters or individuals with a low credit rating. Therefore, the GAO (1998) concludes that restrictions on the selling of personal information would adversely affect the economy, because Internet sales of personal information would decrease. Also, the current system of quick background checks is vital in maintaining the nation's process of instant credit. This author therefore, postulates that instant credit is an integral part of the U.S economy and is a financial system that cannot exist without the easy and fast sale of personal information (GAO, 1998, March 2002).



Since public acceptance of e-commerce, some detectives state that this mode of commerce allows a large number of fraudulent transactions to take place in a shorter period than previously possible<sup>4</sup>.

The effects of the Internet and Identity theft can be summarized as being a threat on three fronts. First, the Internet is difficult to control in terms of (restrictions) accessibility to personal information. Second, this medium provides a degree of anonymity to the offenders who want to use it. Third, it allows a greater amount of crime to be committed in a shorter space of time over much greater distances. It is therefore plausible to suppose that all of these unintentional effects of the Internet might account for some of the increase in identity theft over last few years.

#### *Clearance Rates for Identity Theft*

Observations made by this author during an internship, as well as information in various publications (FTC, 2000, 2001) indicate that this crime has a very low arrest rate due to several factors. For example, the complexity of the crime makes obtaining the elements necessary to get an arrest warrant more difficult to satisfy than for most of the other theft related offenses. One reason given by detectives in the police department where data for this study was obtained is that when a crime is committed in hyperspace it can provide jurisdictional problems, since offenses, offenders and victims can all be in different states or countries. Also, there is the debatable issue that non-violent crimes tend to receive insufficient attention from a criminal justice system that is preoccupied with more sensational crimes. The following quote illustrates this point, "...police departments are more inclined to use their limited resources for investigating violent

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<sup>4</sup> This information was obtained after an informal discussion with a detective from the check and fraud squad from the Southern Municipal Police Department where data for this study was obtained, 2002.

crimes and drug offenses rather than handling complicated identity theft cases that, even if successfully prosecuted, often lead to relatively light sentences” (GAO, June 2002, p. 17). These sentiments were echoed by some of the officers working in the area of this study, who felt that the police department’s approach of simply lumping together all fraud related offenses was bad management. In this squad of approximately 20 individuals the average caseload for a detective is approximately 40 cases a month, these cases included identity theft, credit card fraud, check offences fraud and internet fraud. This high caseload often prevents officers from carrying out investigations in the timely manner they require. All of these factors can hinder the investigation process and increase the cost of arresting these suspects (GAO, June 2002).

#### *Victims and Offenders*

Evaluating the characteristics of the victims and offenders is another aspect of identity theft lacking in research. Much of the information on this crime is only available through books written by victims (Newman, 1999), articles published by the media (Hansell, 1996; Higgins, 1998; Perry, 1995) and government reports (OIG, FTC and GAO). Furthermore, there are no real theoretical explanations for any of the associations that exist between the few established variables. This is partly due to a lack of research aimed at determining discernable patterns between victims and offenders.

The FTC (2000, 2001) and the OIG (1999) have collected victim demographics including: Age distribution, type of association between them and the offender, methods of victimization, reporting of the crime to the police or credit agencies and the period between the incident and detection by victims. Overall, data indicates that the mean age for a victim of identity theft is 41 years, the majority does not know their offender and the

average time between the crime occurring and the victim becoming aware of being victimized is 12.3 to 14 months (FTC, 2000, 2001).

A book by Newman (1999) attempts to create a typology for offenders by listing possible motives they adopt for their actions. Unfortunately he makes no attempt to empirically test his typology. Newman describes how certain offenders use identity theft to move through society uninhibited. Terrorists are a group that fall under this type, making use of this specific crime in order to carry out an agenda freely. The events of September 11<sup>th</sup> 2001 are a prime example of how terrorists used identity theft to obtain fraudulent drivers licenses, hiding their true identities and motives (Voegtlin & Horne, 2002, p. 8). Currently there is no research on the demographic composition of identity thieves. However, data collected by the National Incident Based Reporting System (NIBRIS) for 1997 through 1999, examines other economically motivated offenders. The offenses under economically motivated crime are: Fraud, bribery, counterfeiting, embezzlement and property crime (USDOJ, 2002). A simple comparison between the offenders examined in this study and those examined by NIBRIS would be useful in providing some context for the results found in this local study.

### *Summary*

Most literature examined in this review suggests policies and programs that, if developed, could reduce the amount of identity theft. These include advocating stricter laws to incarcerate and deter offenders, tighter controls on access to personal information and increased public awareness to help limit opportunities for offenders<sup>5</sup>.

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<sup>5</sup> The FTC has suggested that greater awareness by the public to the existence of identity theft and the way it can occur will help potential victims to exercise more caution with their personal information (FTC, 2002 September).

There are numerous gaps in the identity theft literature. While it is undeniable that this subject area is in its infancy, there are many recurring questions that the literature poses, but fails to adequately answer. Most information compiled on identity theft by government agencies states that gaining a quantifiable estimation of the number of offenses and the associated damage is especially difficult. One of the main reasons for this is due to the fact that, "...identity theft is not typically a stand alone crime; rather it is almost always a component of one or more white-collar or financial crimes, such as bank fraud, credit card or access device fraud, or the use of counterfeit financial instruments" (GAO, February 2002, p. 2).

To date, there have been no studies conducted in America that adequately examine the number of cases reported to the police and subsequent arrest rates. All of the literature examined indicates an increase in this type of offense, but none have been able to accurately quantify it. This had led to an excellent opportunity to conduct empirical research into this specific offense, unfortunately this authors resources only allow such an examination on a local level. Also, the literature speculates on clearance rates for this offense, but has not tested any of the assumptions regarding problems with making an arrest for an identity theft case. This study advances knowledge of identity theft by examining clearance rates for identity theft in one jurisdiction in order to evaluate whether they are significantly low compared to other offenses<sup>6</sup>.

Lastly, it appears that there is room for expansion of the research already conducted on the offenders and victims of identity theft. However, with respect to offenders, this study places restrictions on its scope, to include only those motivated by

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<sup>6</sup> It became apparent through observations and casual conversation with officers working at the Southern Municipal Police Department that they felt identity theft was a difficult crime for obtaining an arrest.

economic gain. This study then makes a comparison between identity thieves and offenders of other economically motivated crimes. It then examines the same demographic variables concerning the victims of identity theft as explored by previous research (OIG, 1999; FTC, 2000, 2001). The added advantage with this study's examination of identity theft victims is that since it is also examining the offenders connected to those victims, useful comparisons can be made between the two groups. Whether both these groups (victims/offenders) have any discernable patterns or if in fact, they are completely random in their composition, is to date, relatively unexplored.

Therefore, areas within identity theft that this study explores in detail are the numbers of incidents, clearance rates and victim/offender characteristics. This study's review of current literature on identity theft suggests a dearth of empirical research conducted on *any* aspect of this problem. Other than the OIG study (1999), the limited research conducted by the FTC and the broad range of data collected by the GAO, there has been limited scientific data published on this crime.

### *Hypotheses*

Based on the existing literature several hypotheses about identity theft can be drawn. This study examines five separate hypotheses organized around the three research questions proposed in chapter 1.

Based on the claims made by government officials it seem appropriate to hypothesize that the percentage increase in the number of incidents for identity theft exceeds those of the other theft orientated offenses. The reason for this expectation is that identity theft has been described as having little risk and great reward in comparison

to other theft orientated crimes (GAO, 1998). Therefore, the first hypothesis is as follows:

H<sub>1</sub>: *Identity theft has increased at a greater percentage than other theft orientated offenses.*

Observations made while involved with the police department and current literature suggests that the clearance rate for identity theft will be lower than those of the other theft orientated offenses. Therefore, the second hypothesis is as follows:

H<sub>2</sub>: *The clearance rate for identity theft is less than the clearance rate for other theft orientated offenses.*

At present, very little research has explored the demographics characteristics of identity theft offenders and victims (OIG, 1999; FTC, 2000, 2001). Furthermore, very little national data existed on the demographic characteristics because identity theft is not considered an index crime and therefore is not recorded by the FBI. NIBRIS, however, does collect certain demographics on offenders of similar types of theft and fraud crimes, defining these economically motivated crimes as:

...those illegal acts which are characterized by deceit, concealment, or violation of trust and which are not dependent upon the application or threat of physical force or violence. Individuals and organizations commit these acts to obtain money, property, or services; to avoid payment or loss of money or services; or to secure personal or business advantage.” (USDOJ, 2002, p. 3)

Based on this definition, the crime of identity theft falls under the NIBRIS definition of economically motivated crimes. According to NIBRIS data collected in 1997-1999, economic offenders examined from five different offense categories (property crime, embezzlement, counterfeiting, bribery and fraud) tended to have similar in demographic characteristics, in terms of their race, gender and age. The NIBRIS data states that the majority of economic offenders examined are white: Property crime 70%, embezzlement

70%, counterfeiting 76%, bribery 85% and fraud 71%. Also this data illustrates that nearly all of these offenders are male: property crime 75%, embezzlement 48%, counterfeiting 59%, bribery 80% and fraud 64%. The last characteristic examined by NIBRIS was the age of these economic offenders, the largest age category was found to be between 26 and 34 years (USDOJ, 2002). The NIBRIS data states that only nine percent of reported crime goes through this system source (USDOJ, 2002). Therefore, whether this data used is truly representative, could be debated. Therefore, it seems plausible to hypothesis that identity thieves would have the same predominant attributes as other economically motivated offense. From examining this data the final series of hypothesis are as follows:

- H<sub>3a</sub>: *Males are more likely to be charged with identity theft than females.*
- H<sub>3b</sub>: *White individuals are more likely to be charged with identity theft than African-American individuals.*
- H<sub>3c</sub>: *Individuals between the ages of 26-34 are more likely to be charged with identity theft than individuals in other age ranges.*

## CHAPTER III: METHODOLOGY AND DATA

### *Methodology*

A case study methodology was selected for this project. A case study is a research methodology that involves the analysis and description of a “real life” circumstances to advance knowledge (Yin, 1989). According to Yin (1989, p. 14) “as a research endeavor, the case study contributes uniquely to our knowledge of individual, organizational, social and political phenomena.” While the limitations of the case study methodology are well documented, including threats to internal validity and generalizability, the advantages of this approach are that it facilitates the comparisons of different perspectives and elucidates views and experiences (Thomson, 1998). This design provides the broad exploration necessary to find and conceptualize important issues relevant to identity theft. Hopefully, this research project will pave the way for more specific studies of identity theft.

### *Data*

The data for this study comes from one southern-metropolitan city, which as of 2001 had an estimated population of more than 300,000 (Walton, 2001). The city is just over 100 square miles (259 km<sup>2</sup>) in size and home to over 22,500 business establishments. A large portion of the area’s economy is based on tourism and commerce (Write, 1996). General demographic characteristics are presented in Table 1 and help to give a profile of the area in which the study was conducted. The city’s population is



approximately 49% male, 51% white, 25% African American, and 19% Hispanic.

Unemployment is reported at around 5.5% (U.S. Census Bureau, 2000).

Table 1. Demographic Characteristics for Area of Study

Characteristic	Percent (%)
<u>Gender</u>	
Male	49.0
Female	51.0
<u>Race</u>	
White	51.0
African American or Black	25.0
Hispanic	19.0
Asian	2.0
<u>Unemployment</u>	5.5

*Note.* This data was compiled from the U.S Census Bureau 2000

This study includes a secondary data analysis of public records from the city's municipal police department's centralized database. Established on January 7<sup>th</sup> 1999, the database contains police matters within the city's jurisdiction (*city limits*). The police database holds all relevant crime information collected by the department, which includes a log of all cases investigated, along with their outcomes. This study examines all the relevant cases (identity theft, credit card fraud, check fraud, robbery and motor vehicle theft) investigated in the city over a two year and eleven month period between 1<sup>st</sup> January 2000 and 3<sup>rd</sup> December 2002. For the purpose of analysis two separate, but related data sets were created from the database. The first data set investigates the

number of incidents and arrests for each of the different offense types of interest. The second data set catalogs the characteristics of both victims and offenders who were involved in identity theft cases, which resulted in an arrest<sup>7</sup>.

### *Variables*

Table 2 presents a summary of the variables used in this study. Consistent with previous literature, *identity theft* is defined as the illegal use or transfer of another's personal information with unlawful intent. In order to assess hypotheses H<sub>1</sub> and H<sub>2</sub>, four other theft type offenses were selected for comparison – credit card fraud, check fraud, robbery and motor vehicle theft. *Credit card fraud* is defined as the illegal use of a credit card to obtain money, goods, or services without the cardholder's authorization. *Check fraud* is defined as the illegal use of a check to obtain money, goods, or services without the account holder's authorization. Credit card fraud and check fraud were selected for inclusion in this study because of the similarities between these types of crimes and identity theft. *Robbery* is defined as an event where an individual uses force or threat of force to steal property from another individual. *Motor vehicle theft* is defined as the acquisition of a motor vehicle or parts of a motor vehicle without the owner's authorization. Motor vehicle theft can occur with or without the use of force. Robbery and motor vehicle theft were selected for inclusion in this study because of their relatively accurate representation of crime trends. That is, because of the severity of the crime (robbery) and insurance rated issues (motor vehicle theft) robbery and motor

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<sup>7</sup> Further information included in this study was collected through participation in an internship program with the police department over a three-month period. During that time, this author observed detectives from the check and fraud squad as they conducted investigations into identity theft and other theft orientated offenses.

vehicle theft are believed to be more accurate representation of crime trends than other types of the theft offenses.

Table 2. Summary of Variable Definitions and Coding

<b>Variable</b>	<b>Definition</b>	<b>Coding</b>
<b><u>Offense Type</u></b>		
Identity theft	The illegal use or transfer of another's personal information with unlawful intent.	
Credit card fraud	Where an offender illegally uses a credit card to fraudulently obtain money, goods or services without the cardholder's authorization.	
Check fraud <sup>a</sup>	Where an offender illegally uses a check to fraudulently obtain money, goods or services without the account holder's authorization.	
Robbery	Where an offender uses force or threat of force to steal property from another individual.	
Motor vehicle theft	Where a Motor vehicle or part of is taken without the owner's authorization with or without force.	
<b><u>Incidence</u></b>	The offense is recorded by a law enforcement official.	Coded as actual number.
<b><u>Clearance</u></b>	When a suspect is charged with the crime and taken into custody by a law enforcement agent.	Coded as rate per 100.

Table 2. (continued) Summary of Variable Definitions and Coding

<b>Variable</b>	<b>Definition</b>	<b>Coding</b>
<b><u>Characteristics</u></b>		
Victim's gender	This nominal variable constitutes the sex of the victim(s).	0=Female; 1=Male
Victim's race	This nominal variable is the specified race of the victim(s).	0=White; 1=African American or Black; 2=Asian; 3=Hispanic
Victim's age	This ratio variable is the age of the victim(s) in years.	Coded as actual age in years
Offender's gender <sup>b</sup>	This nominal variable constitutes the sex of the offender(s).	0=Female; 1=Male
Offender's race <sup>b</sup>	This nominal variable is the specified race of the offender(s).	0=White; 1=African American; 2=Asian; 3=Hispanic
Offender's age <sup>b</sup>	This ratio variable is the age of the offender(s) in years.	Coded as actual age in years
Offender's employment status <sup>b</sup>	This nominal variable indicates the employment status of the offender(s).	0=Employed; 1=Unemployed; 2=Retired; 3=Disabled
Number of offenders	This ordinal variable indicates the number of offenders involved in each separate identity theft case filed.	Coded as actual number of offenders (1 to 3)
Relationship victim/offender	This nominal variable indicates whether there is any kind of relationship between the offender and victim, such as marital, family, co-worker, professional, friend, peer or social and indicates whether the victim(s) knows the offender(s).	0=Known; 1=Unknown

*Note.* <sup>a</sup>Check Fraud also includes those instances where an individual intentionally passes bad checks. <sup>b</sup>For all cases where more than one offender is involved, the gender, race, age and employment status of each individual is recorded separately.

Table 2 also presents a summary of identity theft victim and offender characteristics. The victim and offender characteristics were chosen because of their theoretical relevance and were included in previous studies on identity theft by the OIG (1999) and FTC (2000, 2001). These characteristics include: Victim(s) gender, race and age; offender(s) gender, race, age and employment status; the number of offenders; and the victim-offender relationship. Additionally, the FBI collects the variables of gender, race and age for its measurement of what it defines as economically motivated crimes (NIBRIS data).

#### *Analysis Strategy*

The following analyses were performed on the two data sets collected for the purpose of addressing each of the previously stated hypotheses.

*Descriptive Statistics.* The first type of analysis presents descriptive statistics on percentage changes in incidents and clearance rates for the different offense types of interest. Also, a presentation of all the victim/offender demographics is made, with data collected from this and other studies to allow useful comparisons. Finally, a straight comparison is made between the offender demographics (gender, race and age) of identity thieves in this study and those same demographics found by NIBRIS for other economically motivated offenders.

*Significance Testing.* The second type of analysis presents contingency tables for both changes in the numbers incident and clearance of the all the offenses on interest, as well as for offender demographic characteristics of gender, race and age. These contingency tables allow chi-square ( $X^2$ ) test statistics to be used for determining whether

differences between each of the different categories in each of the tables are statistically significant.

## CHAPTER IV: RESULTS

### *Descriptive Statistics for Numbers of Offenses*

The descriptive statistics for offense types are presented in Table 3. As predicted reports of identity theft has increased over the study time period. From 2000 to 2001, identity theft jumped from 112 to 230 - a 105% increase. Over the same time period, credit card fraud increased 43%, motor vehicle theft increased 13%, robbery remained stable, and check fraud decreased 32%. From 2001 to 2002, identity theft jumped from 230 to 320 – a 39% increase. Over the same time period motor vehicle theft increase 2%, and robbery, credit card fraud and check fraud all decreased.

Table 3. Descriptive Statistics for Offense Types

<b>Offense Type</b>	<b>2000</b>		<b>2001</b>		<b>2002</b>	
	<b>N</b>	<b>% change</b>	<b>N</b>	<b>% change</b>	<b>N</b>	<b>% change</b>
Identity theft	112	--	230	+105	320	+39
All other offenses		--				
Credit card fraud	157	--	225	+43	193	-14
Check fraud	367	--	248	-32	237	-4
Robbery	1,710	--	1,709	0	1,505	-12
Motor Vehicle theft	5,772	--	6,550	+13	6,670	+2

According to data collected by the Federal Trade Commission, the percentage increase for reports of identity theft cases from 2000 to 2001 was 177% (FTC, 2000, 2001). The FTC derived this figure from calculating the increase in the number of

reported nationally registered identity theft victims. A comparison of the FTC figure (177%) to the figure found in this study (105%) shows a lower percentage increase in identity theft for the local area than was occurring nationally. Although these two rates were calculated using different units of analysis, their comparison still provides a degree of criterion-validity for this local study.

#### *Descriptive Statistics for Clearance Rates*

The descriptive statistics for clearance by type of offense are presented in Table 4. The clearance rate for identity theft has continually decreased in from 16 per 100 in 2000 to 13 per 100 in 2001 and finally to 4 per 100 in 2002. When compared to the other listed offenses, identity theft had the third lowest clearance rate in 2000 and 2001, then the lowest clearance rate in 2002. Also, both credit card fraud and check fraud followed similar patterns of change with a large decrease in 2001, then later in 2002 returning to just under the previous clearance rates from 2000. Furthermore, robbery's clearance rates have been fairly stable with a slight increase from 13 per 100 in 2000 to 16 per 100 in 2001 and 2002. Motor vehicle theft has followed a reverse pattern, with a mild decrease in from 10 per 100 in 2000 to 7 per 100 in 2001 and 2002.



Table 4. Number of Arrests and Clearance Rates by Offense Type

Offense Type	2000		2001		2002	
	Number of Arrests	Clearance Rate per 100	Number of Arrests	Clearance Rate per 100	Number of Arrests	Clearance Rate per 100
Identity theft	18	16	30	13	13	4
All other offenses						
Credit card fraud	43	27	41	18	48	25
Check fraud	138	38	26	10	73	31
Robbery	227	13	265	16	246	16
Motor Vehicle theft	549	10	469	7	447	7

*Descriptive Statistics for Victim and Offender Demographics*

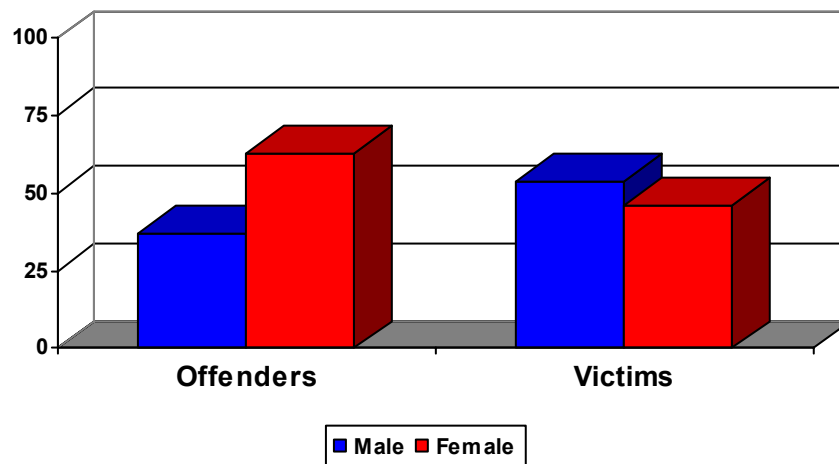
The gender, race and age characteristics of victims and offenders are presented in Table 5. The results for the following variables of interest are represented in bar graphs, pie charts and tables. In this section only descriptive statistic information is presented, and that the information presented collectively simply *suggests* possible patterns of victim and offender characteristics that exist within identity theft offenses.

Table 5. Descriptive Statistics for Victims' and Offenders' Characteristics

	Victims	Offenders
<b><u>Gender</u></b>		
Percent male	54	37
Percent female	46	63
<b><u>Race</u></b>		
Percent White	72	27
Percent African American	20	69
Percent Hispanic	1	1
Percent Asian	6	1
<b><u>Age</u></b>		
Mean age in years	40.56	32.23
SD for age in years	13.97	7.11

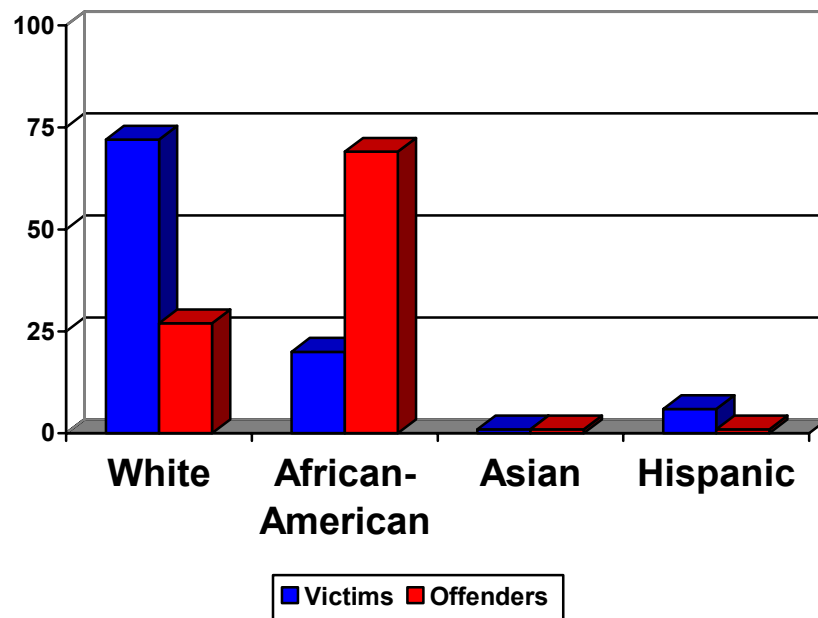
*Gender.* The gender of the offenders and victims from the study data are presented in Figure 3. Interestingly, the majority of offenders are female, while the majority of victims are male. Figure 3 shows that 63% of offenders are female, while only 37% of the offenders are male. In contrast, 54% of the victims are male, while only 46% are female.

Figure 3. Gender Demographics



*Race.* Figure 4 present the distribution of race by victims and offender. The data clearly shows a distinction between the race of victims and offenders. Victims were predominately white (72%), while offenders were predominately African American (69%). Asians and Hispanics have very low representation as either victims or offenders. This is particularly interesting with respect to Hispanics since their representation in the area of study is 19%. Asians only have a representation of only 2% so their lack of representation in the results as victims or offenders is not surprising.

Figure 4. Race Demographics



*Age.* Descriptive statistics are presented in Table 6 for the variable age. There appears to be a larger age range for victims than offenders, and the average victim appears to be much older than the average offender. Victims range in age from 5 to 81 with a mean age of 52 and standard deviation of 13.97. In contrast, offenders ranged in age from 28 to 49 with a mean age of 32 and a standard deviation of 7.11. Beguilingly,

there was a 5-year-old victim. The idea that an individual can be accepted for credit at this age raises many issues.

Table 6. Descriptive Statistics for Age Distribution

	<b>N</b>	<b>Range</b>	<b>Min</b>	<b>Max</b>	<b>M</b>	<b>Mode</b>	<b>SD</b>
Offenders	52	28	21	49	32.23	32	7.11
Victims	50	76	5	81	40.56	52	13.97

A comparison of the age distribution of identity theft victims for this study and FTC figures are presented in Figure 5. These results include data collected by the Federal Trade Commission (2000, 2001) and Office of Inspector General (1999). A comparison of their data to that collected by this study shows that for the first and second age categories, this study's results are fairly consistent with previous research. For the other age categories this study's results are either above or below the general trend, with the largest age category being 41 to 50. Other research shows that the largest age category of victims falls in the 31 to 40 year olds (FTC, 2000, 2001) or in the 41 to 50 year olds (OIG, 1999).

Figure 5. Age Distribution of Victims

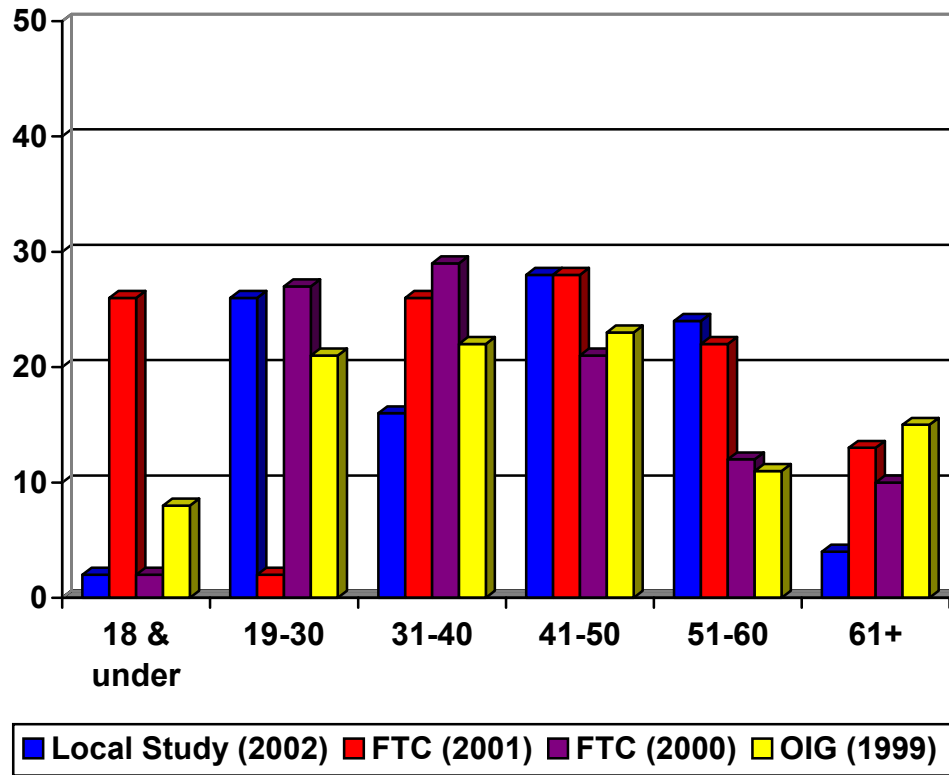
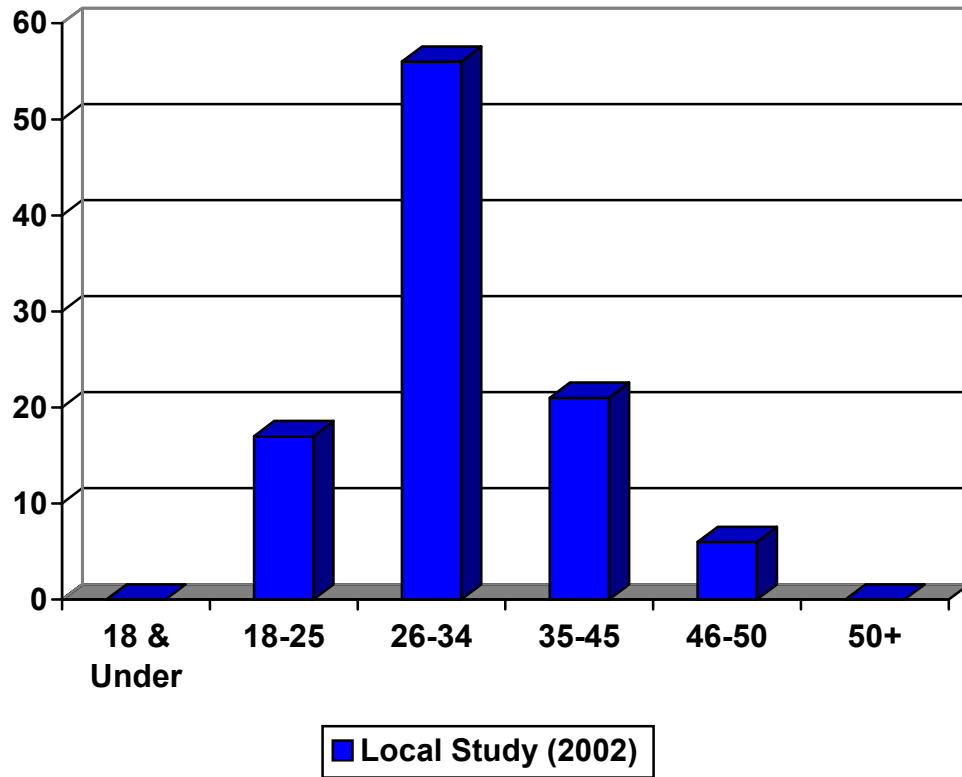


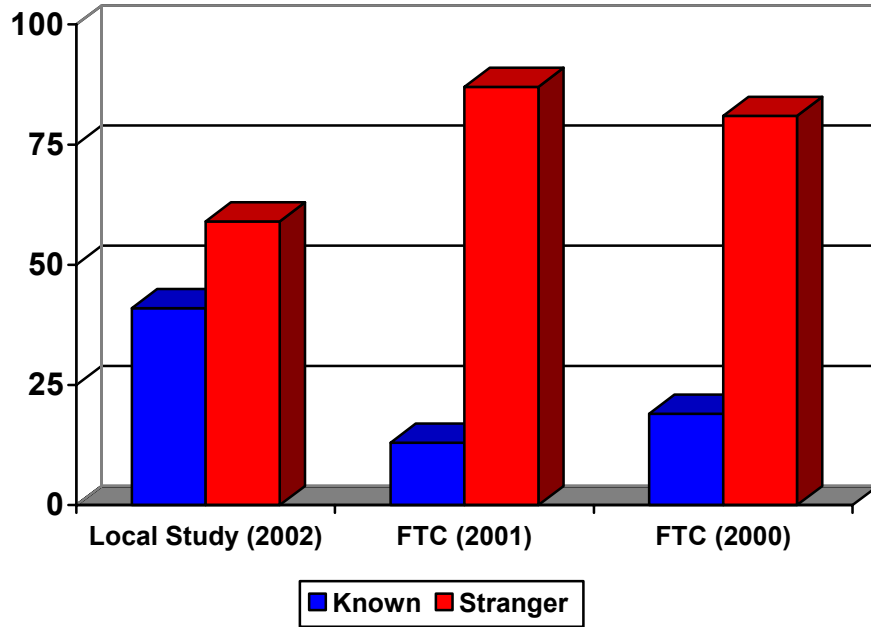
Figure 6 presents the age distribution for offenders. The only age categories that recorded offenders were those between 19 to 50 years. The largest category was 26-34, which contained 56%. The next largest categories are 34 to 45 at 21%, 18 to 25 at 17% and 46-50 at 6%.

Figure 6. Age Distribution of Offenders



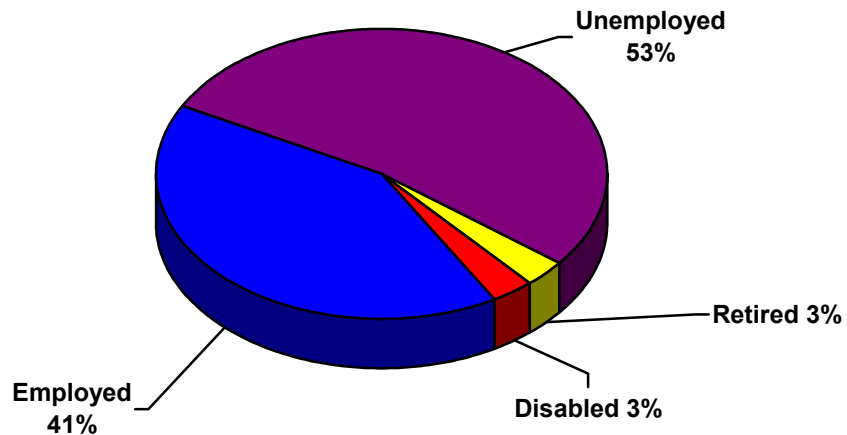
*Relationship.* The type of relationship between victim and offender is presented Figure 7. Along with the data collected by this study, data collected by the FTC (2000, 2001) is also included. All the results from this and previous research, provides evidence that the majority of victims do not know their offenders. However, the results from this study diverge from those published by the FTC (2000, 2001). According to this study the percentage of victims that do not know their offenders is 59%, while for previous research it is 87% (FTC, 2001) and 81% (FTC, 2000). This difference could indicate that the area of study is not typical to the rest of the nation. Determining the cause behind this difference should be investigated by future research.

Figure 7. Relationship Demographics



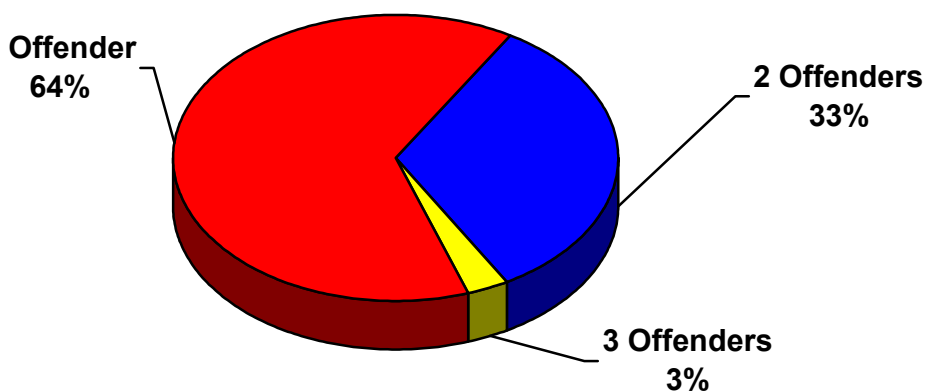
*Employment Status of Offenders.* In Figure 8 the results involving the work status of offenders show that only a slight majority are employed. This supports the suggestion that economic gain is a motivating factor for identity theft offenders, an assertion proposed by previous research on this crime (OIG, 1999; Newman, 1999; FTC, 2000, 2001).

Figure 8. Employment Status of Offenders



*Number of Offenders.* Figure 9 presents the descriptive statistics for the variable, the number of offenders involved. An ethnographic study by Jackson (1994) examines a fraud ring, in which multiple offenders worked in collaboration to steal credit cards, identities and commit other financial crimes. There have also been other publications, which support this notion, indicating that identity thieves work in organized criminal groups (Newman, 1999). However, the results in Figure 9 show that in identity theft cases the majority 64% are committed by lone offenders. There were instances of group offending, but they were in smaller proportions, 33% involved two offenders and 3% involved three offenders.

Figure 9. Numbers of Offenders Involved



*A Comparison of Descriptive Statistics for Economically Motivated Offenders*

A comparison of descriptive statistics for different economically motivated offenders is presented in Table 7. The results in Table 7 indicate that the identity thieves examined in this local study are not entirely typical of other economically motivated offenders. For example, identity thieves tended to be African American while all other offenders listed tended to be white. In addition, identity thieves tended to be female, while all but the embezzlement offenders tended to be male. Finally identity thieves do,



however tend to be between the ages of 26 to 34 similar the other economically motivated offenders examined.

Table 7. Comparison of Different Economically Motivated Offenders

<b>Data Source</b>	<b>Offense Types</b>	<b>% Male</b>	<b>% White</b>	<b>Age<sup>a</sup></b>
Current Study 2000-2002	Identity Theft	37	27	26-34
NIBRIS 1997-1999	Property Crime	75	70	26-34
NIBRIS 1997-1999	Embezzlement	48	70	26-34
NIBRIS 1997-1999	Counterfeiting	59	76	26-34
NIBRIS 1997-1999	Bribery	80	85	26-34
NIBRIS 1997-1999	Fraud	64	70	26-34

*Note.* The demographic variables of gender and race are based on percentage male

and white. <sup>a</sup>For the variable of age, the NIBRIS data only provides statistics for a range so the comparison in this category is based on the ranges.

#### *Significance Testing*

*Number of Incidents for Offenses of Interest.* The incident trends of each of the offenses of interest are presented in Table 8. After performing comparisons on the incident data, chi-square tests reveal statistically significant differences between identity theft and all other combinations of offense type categories listed. That is, the trend of identity theft is statistically different than the trend for all crimes ( $X^2=87.36$ ,  $df=2$ ,  $p <.001$ ), all fraud crimes ( $X^2=100.34$ ,  $df=2$ ,  $p <.001$ ) and the trends for each of the separated types of offenses. The small significance levels provide evidence that the differences between the rate of change for identity theft and each of the other categories are unlikely to be due to chance and chance alone. These results provide strong support for the first hypothesis of this study ( $H_1$ ), which is that, the percentage increase for identity theft is greater than the percentage of increase in other theft orientated offenses.

Table 8. Contingency Table for Number of Incidents by Type of Offense

Categories	2000	2001	2002	X <sup>2</sup>	df	p
Identity theft	112	230	320	---	---	---
All other crimes	8,006	8,732	8,605	87.36	2	<.001
All fraud crimes	524	473	430	100.34	2	<.001
Credit card fraud	157	225	193	29.32	2	<.001
Check fraud	367	248	237	126.95	2	<.001
Robbery	1,710	1,709	1,505	113.18	2	<.001
Motor vehicle theft	5,772	6,550	6,670	70.23	2	<.001

*Clearance Rates for Offenses of Interest.* The clearance rate trends of each of the offenses of interest are presented in Table 9. After performing tests of statistical significance (chi-square) on the clearance rate data, some interesting trends emerge. With one exception, the differences between the clearance rate for identity theft and the other theft related offenses were statistically significant. That is, the declining trend in the clearance rate for identity theft is different than the trends for all other crimes, all fraud crimes ( $X^2=9.12$ ,  $df=2$ ,  $p=.011$ ), credit card fraud ( $X^2=43.34$ ,  $df=2$ ,  $p<.001$ ), check fraud ( $X^2=6.86$ ,  $df=2$ ,  $p=.032$ ), and motor vehicle theft ( $X^2=7.92$ ,  $df=2$ ,  $p=.019$ ). The one exception is robbery ( $X^2=5.24$ ,  $df=2$ ,  $p=.073$ ). The findings suggest that the clearance trend in identity theft is similar to the clearance trend in robbery.

Table 9. Contingency Table for Number of Arrests by Type of Offense

Categories	2000	2001	2002	X <sup>2</sup>	df	p
Identity theft	18	30	13	---	---	---
All other crimes	957	801	814	9.12	2	.011
All fraud crimes	270	67	121	43.34	2	<.001
Credit card fraud	43	41	48	6.86	2	.032
Check fraud	138	26	73	46.86	2	<.001
Robbery	227	265	246	5.24	2	.073
Motor vehicle theft	549	469	447	7.92	2	.019

*Offender Demographics of Interest.* After performing tests of statistical significance (chi-square) on offender demographics of interest, this study was able to test its final series of hypothesis H<sub>3a</sub> to H<sub>3c</sub>. With respect to the offender's gender the difference between male and female was found to be statistically significant (X<sup>2</sup>=3.95, df=1, p=.047). With respect to the offender's race the difference between white and African American was found to be statistically significant (X<sup>2</sup>=9.68, df=1, p=.002). With respect to the offender's age the difference between the category of interest 26-34 and the other age categories 18-25, 35-45, 46-50 in the study were found to be statistical significant (X<sup>2</sup>=28.77, df=3, p<.001). The small significance levels found for the differences between offenders race and age, suggest that these differences are unlikely to be due to chance and chance alone. The results provide contradictory support for two of the three final series of hypothesis: H<sub>3a</sub>, and H<sub>3b</sub>.

## CHAPTER V: DISCUSSION

After having examined the results obtained from the data, it is now important to discuss these findings and by incorporating what little research has already been conducted to the results in this study, it may be possible to begin stating several interesting trends.

### *Percentage Increase in Incidents for Identity Theft*

Various government representatives, researchers and law enforcement officials propose that identity theft is on the rise. The empirical findings from this study appear to support their claims. From 2000 to 2001, identity theft increased by 105% and between 2001 and 2002 identity theft increased by approximately 39%. While these figures do not exactly match the data reported by the FTC, the trend between the two data sources is very similar. That is, both data sources reported a large increase in identity theft between 2000 and 2001; and both reported a large, but smaller than 2000-2001, increase between 2001 and 2002.

The results, also, indicate that the identity theft trend is different than the trends for other theft related offenses – credit card fraud, check fraud, robbery and motor vehicle theft. The data suggest that identity theft is increasing more rapidly than the other theft orientated offenses. These results, therefore, support the first hypothesis ( $H_1$ ) proposed by this study. The empirical evidence indicates that identity theft is increasing, and that identity theft is increase faster than other theft type crimes.

It is important to note, that even though identity theft appears to be on the rise, it is still a relatively small percent of total theft orientated crimes. In 2002, there were a total of 320 reported cases of identity theft, compared to 1,505 robberies and 6,670 motor vehicle thefts. The findings indicate that most individuals are at a much greater risk of having their vehicle stolen than becoming a victim of identity theft. However, while a stolen vehicle can cost the victim anywhere between a few hundred to a few thousand dollars, a stolen identity can cost a victim anywhere to a few thousand to tens of thousands (FTC, 2000).

While it appears that identity theft is increasing, the exact source and nature of the increase remains unknown. That is, there are several possible explanations for the findings in this study. First, and for most, identity theft could in fact be increasing. New technological advances have increased the accessibility of personal information. Online accounts such as American Online and MSM, online banking and bill paying, and online shopping like Ebay and Amazon.com have all exponentially increased the amount of personal information floating around the internet. A lesser-known fact is the increase in official documentation accessible via the internet. County clerks all over the country are transforming official documents such as birth certificates, marriage licenses, death certificates, and land deed information into electronic documents that can be viewed on the internet from the comfort of home.

These technological innovations have forever changed the way Americans' do business and clearly have positive aspects. However, the new technological revolution also has a down side. The increased accessibility to personal information has provided identity thieves with new opportunities to engage in criminal activity. This technological

change can be viewed in terms of opportunity theory, which states that when the three elements of offenders, victims and guardianship meet in space and time crime is likely to occur. It is reasonable to propose that advances in technology have altered two of the three elements in this theory, victims and guardianship. With regard to victims, there may be a greater abundance due to more personal information being stored on the internet than ever before and this personal information being more accessible. With respect to guardianship, this element may have been reduced because of insufficient regulations formally protecting against personal information being abused. One example of this being lack security on personal information already in circulation or stored on computerized databases. These changes to the elements of victims and guardianship from technological advances may have had the effect of increasing the number of identity theft incidents.

A second plausible explanation for the findings in this study is that the described increase in identity theft is an artifact of changes in reporting practices. That is, the finding of an increase in identity theft is a function of changes in citizen and police reporting. As stated earlier, the laws prohibiting identity theft are relatively new. In addition, the idea of identity theft in the public and police lexicon is also a relatively recent development. The increase in identity theft may be more of a function of changes in reporting than changes in behavior. Future research should be conducted to help determine if the trend found in this study is a more a reflection of criminal behavior than of changes in reporting.

Various publications have suggested possible causes for the increase in identity theft. These suggestions have included a lack of public awareness, the Internet and the existence of instant credit services. An examination of the data collected by the FTC's

Identity Theft Data Clearinghouse, showed that (collection period, November 1999 to September 2001) of the small percentage of victims who contacted the FTC and knew how their offender had obtained their information. Only 2.4 percent stated that their information was obtained through Internet solicitation or purchase. This small proportion indicates that the Internet may not be as big of a threat that the officials interviewed GAO believed it to be (GAO, March 2002, p.27)

The most influential contributor to the increase in identity theft offenses might be the current condition of instant credit in America today. Since instant credit is a financial system that makes it possible for identity theft instigated for economics gain to occur. Some of the available research suggests these offenders are generally motivated by economic gain (OIG, 1999; Newman 1999; FTC 2000, 2001). As a result it seems plausible to argue that not only does this current financial system create a motivating drive for potential offenders, but also it provides a means for offenders to commit a crime in which there is relatively low risk and high reward. However, determining the validity of any of these arguments is beyond the scope of this study.

#### *Clearance Rates for Identity Theft*

The available literature on identity theft suggested that attaining an arrest for identity theft is especially difficult. Detectives working in the area of study also reiterated this claim, giving reasons such as jurisdictional problems, problems with allocation of department resources and obtaining co-operation from affected financial institutions. The empirical evidence on this point was mixed. The clearance rate for identity theft was 16 per 100 in 2000, 13 per 100 in 2001 and 4 per 100 in 2002. The clearance rate for identity theft was clearly lower than the clearance rate for credit card

fraud and check fraud. However, in 2000 and 2001, the clearance rate for motor vehicle theft was lower than that for identity theft (10 verses 16 and 7 verses 13). In 2002, the clearance rate for identity theft dropped below the clearance rate for motor vehicle theft (4 verses 7).

When looking at the clearance rate trends a clearer picture emerges. The trend in the clearance rate for identity theft is statistically different from the trends for credit card fraud, check fraud, and motor vehicle theft. While the clearance rates for these other theft related offenses appeared relatively stable, the trend in identity theft clearance was declining. The one exception was robbery. The clearance rate trend between identity theft and robbery was not statistically significant. Thus, the empirical support for the second hypothesis is mixed (H<sub>2</sub>). In data from 2003 supports the general hypothesis of a lower clearance rate, however, the data from 2000 and 2001 does not. In addition, the data supports a larger decline in the clearance rate for identity theft versus credit card fraud, check fraud and motor vehicle theft, but not verses robbery.

#### *Victim & Offender Demographics*

At this stage, current research on identity theft is only beginning to assess the demographics of offenders and victims. An in depth examination of the data collected in this study has highlighted some interesting patterns. For example, African American female offenders make up a significantly large proportion of offenders, while white males tend to make up the majority of victims. It also appears that the age range for these different parties varies, with victims having a much greater age range than offenders. Furthermore, victims are less likely to know their offenders, who are probably acting



alone. Determining the cause of these patterns would at this point be premature, but the existence of patterns warrants further research.

The results in this study provide contradictory support for two of the three final series of hypothesis ( $H_{3a-c}$ ), proposed by this study. The first hypothesis in this set ( $H_{3a}$ ) proposed that males are more likely to be charged with identity theft than females. This hypothesis is not supported by the results from this study; instead the descriptive statistics show that females are more likely to be charged with identity theft. Furthermore, a statistical test of the difference between females and males was found to be statistically significant at the .05 level. The second hypothesis in this set ( $H_{3b}$ ) proposed that whites are likely to be charged with identity theft than African Americans; again the results from this study do not support this hypothesis. Instead the statistics indicate that African Americans are more likely to be charged with identity theft and that this difference is statistically significant at the .05 level. The third hypothesis in this set ( $H_{3c}$ ) proposed that individuals between the ages of 26-34 are more likely to be charged with identity theft than individuals in other age ranges. This hypothesis was supported by the results. This study's statistics found that the largest age range for an identity thief is 26-34 and that the difference between the age categories is again statistically significant at the .05 level.

Also, this case study made a comparison of the demographics collected on identity thieves to demographics collected by NIBRIS on other economically motivated offenders. This comparison indicated that the identity thieves examined were not typical in their composition of sex and race, to other economically motivated offenders. This dissimilarity could be due to a number of reasons, perhaps even to validity issues of

either data set. Since it is difficult to determine whether the NIBRIS data is truly representative of the population of economically motivated offenders in the U.S., it is difficult to ascertain whether the discrepancies found in this study truly exist. By the same token this study presently has no way of determining whether the identity thieves examined in this study's data are truly representative of all identity thieves in the U.S. Therefore, this dissimilarity found between gender, race and sex warrants further study.

#### *Preventative Measures Suggested to Reduce Identity Theft*

To date, feasible ideas suggested by affected groups include the increased protection of personal information, through greater use of biometrics and increased public awareness. Also, detectives at the police department where data was gathered have stated that they believe tougher sentencing policies would help to reduce the amount of identity theft.

The first of these suggestions was proposed by private companies in order to reduce identity theft. Greater use of *biometrics* ("Biometric Roundup", 1996), was argued to give better protection to individual's identities from being assumed by imposters. This technology uses a physical trait on an individual as a means of verification, effectively eliminating the need for personal information, "...the dream of many security experts is using biometrics, technology that can identify people from some unique physical trait" (Hansell, 1996, p. 2). The use of biometrics is nothing new; many government agencies and defense firms maintain their security with it. The cheapest and most widely used form of biometric verification is a fingerprint scanner. This device is not only used by law enforcement for criminal investigations, but also has wider applications of access control to buildings, computer terminals, bank accounts, etc. Current implementation of

this technology is still not widespread due to high dollar costs, integration problems and program effectiveness (Hulme, 2003). All of which are negative elements that can be overcome with time. However, is not the bigger question regarding the acceptance of biometrics by the public, whether the price of a lower crime rate worth the potential invasion of privacy<sup>8</sup>? Biometric technology has the ability to monitor the actions of its users and so could become an invasion of an individual's privacy. When evaluating the pros and cons of employing more technology to combat crime, this author is of the opinion that taking such an approach is a costly and more importantly temporary solution.

The second suggestion was proposed by officials in both private and government agencies that deal with identity theft all of whom have stated that one of the best forms of prevention is greater awareness among the population. It seems logical that reason that increased education of the public would have a long term effect of reducing some of the opportunities for identity thieves, especially those who employ low-tech methods for obtaining the necessary information (GAO, 1998; FTC, January 2001).

The third suggestion was proposed by police detectives arguing that the sentencing policies of local and federal governments spark much debate among practitioners and victims of identity theft. This is a debate that has centered on the type of sentence typically given to identity thieves.

As there is no violence involved in identity theft cases, often the identity thieves will receive probation, even when there are large losses. With little deterrence, many identity thieves become repeat offenders, reinforcing this type of crime to be a low risk and high in financial rewards. (Bellah, 2001, p. 226)

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<sup>8</sup> The author notes that with widespread use of Close Circuit Television (CCTV) in the U.K, the Metropolitan Police have stated crime has been reduced through both CCTV effects of deterrence and detection. The implementation of CCTV has started to take hold in the U.S. It can be argued that biometrics would also follow this same path.

After this author spent some time with the detectives who worked these cases it became apparent that they also shared these same sentiments as Bellah (2001). Some of the detectives despair over the current situation when dealing with these and other white-collar offenders is that the current sentencing policies in their jurisdiction were far too lenient<sup>9</sup>. The detectives' opinions regarding these policies are that they offer little real deterrence to offenders embarking upon or already in this enterprise.

### *Limitations*

*Limitations with Study* . Unfortunately, when using official data such as police records or citizen complaints, a researcher must appreciate that the information recorded is not always a true reflection of past events. This concept is covered in criminology under the label *the dark figure of crime*, which argues that there is a degree of crime that often goes unreported (Maxfield & Babbie, 2001). With identity theft, part of that dark figure comes from the way this offense is viewed by federal and state law enforcement. For example, the Secret Service (USSS) has stated that there is an inherent inaccuracy in cases recorded as identity theft. The reason for this inaccuracy is that this crime tends to be an instrumental element in many financial crimes and therefore, is not always recorded as an offense in its own right (GAO, 1998, p.20). Also when examining the local data collected in this study, it is possible that the changes in the number of incidents (see Table 3) for different offenses may be due to a shift in reporting practices and not a true change in crime. Another limitation with this study as mentioned before is its use of NIBRIS data for comparing offender characteristics, according this source only nine percent of reported crime goes through the its system (USDOJ, 2002). Therefore,

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<sup>9</sup> A number of the detectives who worked in the check and fraud squad demonstrated both despair and frustration with current sentencing, which in their opinions did not adequately deter these offenders.

whether the NIBRIS data used for the comparison is truly representative, could be debated.

Three additional problems are incorporated within this case study. First, since the law regarding identity theft is relatively new (enacted in 1999) there has only been a brief period of time for these cases to amass within the department's records. Second, the database being utilized in this study has only been operational since January 7<sup>th</sup> 1999 and thus, has collected limited data for this city. Third, personnel in the records department, from which data was collected, have stated that there was a time lag between their new database coming online and the police department's personnel switching over to it. This study has attempted to compensate for this by cropping the data collection period (beginning five months after the inception of the new database), but still realizes that there may be some error in the results due to this situation. Finally, the results concerning victims-offender relationship found in this local study diverge from those published by the FTC (2000, 2001). According to this study the percentage of victims that do not know their offenders is 59%, while previous research by the FTC found this amount to be 81% in 2000 and 87% in 2001. This difference could indicate that this area of study is not typical to the other cities from which the FTC collected data. If the FTC or other future research investigates cities on a case by case level then this may help to determine whether, the city in this study is a typical or not, therefore indicating the generalizability of this study's findings.

*Limitations of the Design.* In his book, Senese (1997) states that case studies are naturally limited in their sampling due to their narrow focus, which may translate into limited generalizability within a study that employs this design. However, since there is

such a distinct lack of scholarly research on this topic that an in depth snapshot of identity theft offered through a case study provides a useful platform of additional investigation.

### *Conclusion*

In conclusion, this case study does find support for the expressed belief by media, private organizations, and government officials that there is greater reporting and recoding of identity theft. Additionally, the increases in reporting and recoding of identity theft appear to be larger than those of other theft oriented offenses – credit card fraud, check fraud, robbery and motor vehicle theft.

The results also suggest that the current (2002) clearance rate for identity theft is lower, than for most other theft oriented offenses - credit card fraud, check fraud, and motor vehicle theft. In addition, the results also indicated that the clearance rate trend for identity theft is decreasing. A declining clearance rate trend is a particularly interesting finding, because it may suggest more resources are needed to battle the crime of identity theft. However, determining the causes behind these findings is something that future research will have to undertake.

After a preliminary investigation by this study, identity thieves in the area of focus do not appear to conform to some perceptions of an economically motivated offender. Future research would benefit from investigating this discrepancy.

Identity theft is a complicated crime that investigators and victims have trouble dealing with. It is not as sensationalistic as crimes that involve violence, but it does have a big impact on the lives of individuals whose identities are used illegally. Identity theft is a crime that deserves a greater amount of research, if not only to allow our society to better prevent and deter this crime from occurring. This case study does not allege to

make any major claims; instead it makes a contribution to the existing literature on identity theft by providing a platform for future research.

From reviewing the available literature on identity theft and data in this study, it could be argued that identity theft thrives in any society which supports instant credit. Also, such societies will continue to be especially susceptible to this particular offense regardless of the preventative measures in place.

#### *Future Areas of Study*

Current relevant literature has yet to propose any theoretical explanations to account for the increase in this offense, as well as determining if there are any associations between established variables. This study makes the first suggestion, by proposing that opportunity theory be used to help explain the increase in identity theft reports. Due to limited research into the problem of identity theft, replication studies should be conducted in other cities to help determine if the patterns and findings found in this study are true reflections of reality.

If the results found in this study are supported by future research, then agencies dealing with this crime need to go further, by establishing the reasons behind the increasing occurrence of identity theft.

Another area within identity theft that would benefit from future investigation is the sentencing of identity thieves. Detectives in the area of study have stated that they believe most of the offenders they charge with identity theft receive *probation* and that this sentence is not an effective solution. These detectives believe that possibly stricter sentencing policies for first time and repeat offenders would be more effective in reducing the amount of identity theft. An investigation into recidivism rates for these

crimes might show whether or not current sentencing policies adopted by the judiciary truly deter or rehabilitate these particular offenders.



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## APPENDICES

APPENDIX A: Formal Letter Requesting Data



November 15, 2002

2210 Oak Cliff Court  
Valrico, FL 33594

B. Holder  
Tampa Police Department

Attention: Chief of Police

Dear B. Holder,

Subject: Criminological Research

I am a graduate student at the Criminology Department in the University of South Florida, who would like to conduct research into the phenomenon of 'Identity Theft', in this state. I have been participating in an intern program with the Tampa Police department's fraud and counterfeiting section observing officers investigate various fraud offenses. After an initial evaluation I feel that a case study of identity theft in the jurisdiction of Tampa would provide informative and practical information for both academics and practitioners in the field. In order for me to conduct a quantitative study of identity theft in Tampa I need to conduct a secondary analysis of cases found in the departments versidex database system.

I would not want to see the specific details of any case but merely a summary printout of numbers and categorizes within which they fall over a designated period of time (two and a half years). The relevant cases for this study would be for the following offenses: Credit card Fraud, Internet Fraud, Check Fraud, Motor Vehicle Theft, Robbery and Identity theft (coded as: *Use Name/ Seal of Another*). So far there have not been any research studies conducted in America that have looked at the numbers of police cases reported, most academic research does indicate an increase in this crime but hasn't quantified it.

In exchange for free information I would be happy to provide a unique study to the Tampa Police Department on a growing problem that they like the rest of the country are experiencing. My case study would keep the department anonymous by making no reference to it specifically, but rather stating that it is a case study of a Southern municipal police department.

Sincerely Yours,

Stuart Allison  
Graduate Student  
University of South Florida (Criminology Dept.)

## APPENDIX B: Sample Size

Below is a list of the various sample sizes for each of the specific questions investigated for the entire period of study.

### *(A) Number of Incidents for each type of Offense*

Identity Theft:	N = 662
Credit Card Fraud:	N = 575
Check Fraud:	N = 852
Robbery:	N = 4,924
Motor Vehicle Theft:	<u>N = 18,992</u>
Total Incidents	N = 26,005

### *(B) Number of Arrests for each type of Offense Examined*

Identity Theft:	N = 61
Credit Card Fraud:	N = 132
Check Fraud:	N = 237
Robbery:	N = 738
Motor Vehicle Theft:	<u>N = 1,465</u>
Total Arrests:	N = 2,633

### *(C) Characteristics of Offenders and Victims*

- Age:                      Victims      N = 50  
                                 Offenders    N = 52
  
- Relationship:            Known      N = 20  
                                 Stranger     N = 29
  
- Race:                     Victims      N = 54  
                                 Offenders    N = 52
  
- Gender:                  Victims      N = 54  
                                 Offenders    N = 52
  
- Employment Status:    Offenders    N = 34
  
- Number of Offenders:   Offenders    N = 61