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Internal Audit Department Investigative Report 2019-7

Investigative Review of Fraudulent Tax Deed Surplus Payments

**Issued:
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The files and draft versions of audit reports are confidential and exempt from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5th District) and §119.0713, Florida Statutes. Workpapers supporting the observations noted within this report become public record and will be made available upon request once the final audit report has been issued.

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Table of Contents

Summary	3
Background	3
Methodology	4
Results	4
Conclusion	5
Acknowledgements	5
Appendix I – Attorney General News Release	6

Summary

On March 4, 2019, the Collier County Clerk's office ("Clerk") received a copy of a February 13, 2019 news release (see Exhibit A) issued by the Florida Attorney General's Office ("AG") and the Florida Department of Law Enforcement (FDLE). The release highlighted the arrest of a Florida man on charges involving fraudulent claims for surplus tax deeds using stolen personal identities. The scheme allegedly resulted in losses totaling \$871,264 in approximately 10 Florida counties, and occurred between August 2016 and January 2018.

Although a disbursement was made to a company having a name similar to the name of a company used by the Subject, and there is a pending disbursement to a company with a similar name, to date it appears that no payments have been made by the Clerk as part of the Subject's fraudulent claims scheme.

Total # Transactions	Total Amount of Transactions	Questioned Costs	Taxpayer Savings	Description	Total # Observations	# Open Observations
2	\$ 25,253.96	\$ 12,652.88	\$ -	Number of tax deed	0	0

Background

Tax deed sales are the auction of properties for which tax certificates are sold by the Tax Collector's Office to satisfy delinquent taxes. The buyers of these tax deed certificates have from 2-7 years to force a sale of the property. At that time, the property goes to auction, and the proceeds from the sale pay the delinquent taxes. If additional funds remain, parties with interest in the property are notified to claim the surplus. Surplus funds are held by the County Clerk's office until any outstanding legal issues are resolved, and the Clerk disburses the balance once the correct disbursement amount is determined.

In the case reported to the Clerk, FDLE arrested the Subject, who allegedly, while representing 10 different businesses, submitted 28 fraudulent claims for surplus tax deed disbursements. The scheme was uncovered after the Brevard County Clerk noted possible discrepancies with tax deed claims. The AG's release ***did not*** include any references to Collier County, although we found that the Subject had a residence in Lehigh Acres, which is in adjoining Lee County.

Methodology

In an effort to determine whether any potentially fraudulent claims may have been filed or any Collier County funds were disbursed involving this scheme, we performed the following procedures:

- We conducted internet based research regarding the Subject and his known Florida business interests and addresses.
- We reviewed tax deed records and disbursement supporting documentation obtained from the Clerk's Recording Department - Tax Deeds.
- We conducted public records research regarding civil litigation records via Collier County's Circuit Court of the Twentieth Judicial Circuit Court's database.
- We researched Collier County's Official Land Records database to identify any possible references to White or his known business entities.
- We researched corporation and business filings via Florida's Secretary of State Division of Corporation's database. In addition, we research several other state corporation databases.
- We conducted public records research via the Collier County Tax Collector and Property Appraiser's websites.
- We researched Collier County and Florida state lien/judgment indices.
- We researched Florida's Professional Licensing database.

A search of possible Collier County disbursements was performed using the 10 company names and zip codes included in the AG's Press Release, in an attempt to identify any potential payments via Collier County's SAP database. Additional Sunbiz research using the Subject's name, company name(s) and known addresses also identified thirteen additional company names which we included in our search.

Results

We found a February 2014 Tax Deed payment to a company with a similar name and address in Brandon, FL, for \$12,652.88. Ultimately, we concluded that this payment was not a part of the scheme for the following reasons:

- The transaction occurred more than two years prior to the start of the Subject's alleged fraudulent claim activities, which purportedly began in August 2016.

- The underlying claim form was signed by a party who was identified in other state tax deed sales (California) as an officer of that corporation.
- A copy of the Clerk's cancelled check revealed that the funds were deposited into an HSBC account consistent with instructions provided by the Claimant.
- The Form W-9 submitted by the Claimant includes an employer tax identification number (EIN) which appears to be assigned to the company, according to our research.

We also found a pending disbursement for \$12,601.08, based upon a claim filed by a company with a similar name to one of the Subject's entities. When we initially researched this, an attorney representing the Clerk recommended that an interpleader be filed in order to determine the validity of this claim, to protect the Surplus Funds for the apparent owner of record.

Subsequently, on October 24, 2019, the Court found that both the apparent owner and the financing company with the similar name, did not answer and were in default on their claims to the surplus balance. The Court ruled that \$2,691.70 be paid to legal counsel, and \$168.00 was paid to the Clerk's registry fee. The remaining \$10,581.09 remains in the Clerk's registry account, and the Clerk is excused from further proceedings on this case.

Conclusion

Based upon a review of publicly available documentation and tax deed surplus records obtained from the Clerk's office, it does not appear that the 2014 surplus amount involved the Subject or his business entities used to support his alleged scheme.

On the 2019 pending disbursement, the Clerk took sufficient action to determine the validity of the claim on the surplus funds. We cannot determine if the company submitting the claim was related to the Subject, and further evidence would need to be presented prior to any disbursement related to this case.

No disbursements from the Clerk to any of these entities in question were found.

Acknowledgements

Internal Audit would like to thank the Clerk's Recording Department - Tax Deeds for their assistance in this matter.

Appendix I – Attorney General News Release

Dear Court Clerks and Comptrollers:

The Florida Attorney General's office and the Florida Department of Law Enforcement have arrested a man on charges related to using stolen identities to submit fraudulent claims for surplus tax deeds. The elaborate tax deed scheme occurred between August 2016 and January 2018. The crime spree spanned 10 counties, resulting in \$871,264 in losses to individuals and businesses in Florida.

Attorney General Ashley Moody said, "This elaborate plot to steal tax deed surplus money incorporated identity theft and forged documents across 10 Florida counties. According to the investigation, the defendant illegally posed as different individuals representing numerous businesses to claim money for properties that did not belong to him. We will continue to work with law enforcement to investigate and prosecute attempts to steal from Floridians using identity theft or any other illegal tactic."

For more information, and specific details on the fraudulent claim documents used, please read the [February 13, 2019 Attorney General News Release](#).

FDLE became aware of the defendant's criminal actions after receiving a complaint that the company, Green Tree Servicing, LLC, submitted fraudulent documents to obtain disbursements from the Brevard County Clerk of Court. Upon closer examination of the claim documents, the Brevard County Clerk of Court noted irregularities. Specifically, one assignment of mortgage transferred an interest in a previously recorded mortgage to Green Tree Servicing, with the witness signatures being indiscernible on the documents. The crimes occurred in Brevard, Charlotte, Citrus, Lake, Lee, Pasco, Pinellas, Polk, Sarasota and St. Lucie counties.

Thank you,



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