Agenda – Executive Policy Committee – December 7, 2022

REPORTS

Item No. 25 Single Source Negotiation and Award of Contract for the Supply and Delivery of CipherTrace Inspector Software for WPS Cybercrime Investigations

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Chief Financial Officer approve a Single Source Negotiation and Award of Contract for the Supply and Delivery of CipherTrace Inspector Software, with CipherTrace Inc. in the estimated amount of $118,235 including PST.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Single Source Negotiation and Award of Contract for the Supply and Delivery of CipherTrace Inspector Software for WPS Cybercrime Investigations

Critical Path: Executive Policy Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
S/Sgt. J. Ewatski	Chief D. Smyth	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The requested software is for the purpose of conducting cryptocurrency cybercrime investigations. The software is required to enable members to track stolen cryptocurrency. Without the software, the WPS would not be able to properly conduct these investigations.

There are only two companies that offer the required software available to Canadian markets that are approved by all law enforcement agencies. The Winnipeg Police Service already has a licence for one; however, a secondary software is required. Further details are provided in the History/Discussion section.

The Recommendation of this report is not compliant with the Materials Management Policy or the applicable Trade Agreements. Further details are provided in the History/Discussion section.

RECOMMENDATIONS

1. That the Chief Financial Officer approve a Single Source Negotiation and Award of Contract for the Supply and Delivery of CipherTrace Inspector Software, with CipherTrace Inc. in the estimated amount of $118,235 including PST.

2. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Executive Policy Committee has the authority to approve single source negotiations where the Recommendation is not compliant with the Materials Management Policy or the applicable Trade Agreements.

IMPLICATIONS OF THE RECOMMENDATIONS

Funding for this purchase has been provided by Manitoba Justice through the Criminal Property Forfeiture Fund.

There are no annual maintenance and supply costs for this purchase. The purchase cost is for a 6-year (72-month) licensing agreement.

The work can be completed within the budget funds available. The funds are budgeted in account 001-294010-221021.

HISTORY/DISCUSSION

Cybercrimes and cyber-enabled crimes have increased at an exponential rate in Winnipeg in the last 5 years. Between 2016 and 2020, the Winnipeg Police Service saw a 371.34% increase in reported cybercrimes, including a 46.32% increase between 2019 and 2020.

The investigation of cybercrimes, specifically those involving cryptocurrency (the main medium which offenders use to profit off of their crimes), requires specialized training and knowledge. As technology in this area advances, the investigations become more complex and challenging for law enforcement. Investigators require continuous development in knowledge and technological ability.

In 2021, the Winnipeg Police Service implemented a framework to investigate this rising crime trend. A Cybercrimes Team was created within the Financial Crimes Unit with a mandate to investigate cybercrimes and provide expertise and guidance to other WPS Units in the investigation of cyber-enabled crimes. The WPS Cybercrimes Team has made significant improvements in training, knowledge and stakeholder relationships. However, the Team's ability to adequately investigate cybercrimes involving cryptocurrency was extremely limited. Investigators still had to rely on assistance from outside agencies to track the stolen funds of victims. This delayed investigations by weeks and months, making recovery of the stolen funds highly unlikely as the stolen funds were moved through online cryptocurrency exchanges in order to avoid detection and seizure by law enforcement. In order to surpass these limitations, the Cybercrimes Team sought out further investigative training and obtained software that would provide them the ability to track stolen cryptocurrency funds instead of relying the outside agencies.

In September 2022, the Cybercrimes Team began looking to acquire the CipherTrace Inspector Financial Investigations and Blockchain Forensics software through Civil Property Forfeiture funding. The software will enable WPS cybercrimes investigators to live-trace, seize and return stolen cryptocurrencies as well as identify and geographically locate offenders. Investigators will also be provided with an integrated case management system, digital evidence collection and management, up to date intelligence on cyber and cryptocurrency scams, and expert court testimony. While the purchase of one licence allows for only one user to have login credentials, the user can be changed as many times as required. CipherTrace is widely used as a primary tracing tool by major law enforcement agencies. CipherTrace also provides technical and

investigative support, expertise in court proceedings, as well as introductory and ongoing training related to the product and cybercrime investigations.

It should be noted that, while there are several companies that offer software to assist in cybercrime investigations, most do not offer cryptocurrency tracing as the primary role of the software. The only direct competitor to CipherTrace that is available in Canada is Chainalysis. The Winnipeg Police Financial Crimes Unit holds a one-year, renewable, licence for Chainalysis which was provided by the National Cybercrimes Coordination Centre at no cost to the Winnipeg Police Service. However, it is the practice of all North American law enforcement cybercrime investigative entities to employ primary and secondary Blockchain forensic software in order to ensure the integrity of their investigations. The secondary software acts as a quality assurance mechanism, double checking the primary software's tracing results.

As the estimated value of the proposed contract exceeds $75,000, which exceeds the thresholds for a single source under the Materials Management Policy and the applicable Trade Agreements, Executive Policy Committee approval is required.

On November 17, 2022, the Winnipeg Police Board received this report from the Winnipeg Police Service for review and consideration. On November 17, 2022, through communication from the Board Administrator, the Winnipeg Police Board advised that it accepted this report for review and approval, and indicated that the Winnipeg Police Service may proceed with the submission of this report.

FINANCIAL IMPACT

Financial Impact Statement

Date: October 14, 2022

Project Name:

First Year of Program **2022**

Award of Contract for the Supply and Delivery of CipherTrace Inspector Software for WPS Cybercrime Investigations.

	2022	2023	2024	2025	2026
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 118,235	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	110,490	-	-	-	-
Net Cost/(Benefit)	$ 7,745	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	7,745	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Amount reflects the cost including MRST and estimated foreign exchange. Funds are available within the 2022 Criminal Property Forfeiture funding awarded to the Winnipeg Police Service from the Province of Manitoba and the Winnipeg Police Service's 2022 operating expenses.

Kara Kubas October 14, 2022 for

Tara Holowka, CPA, CGA
Director of Finance
Winnipeg Police Service

CONSULTATION

This Report has been prepared in consultation with:

- The Winnipeg Police Board

OURWINNIPEG POLICY ALIGNMENT

Investigating cybercrimes can be costly. The hardware and software required to effectively combat this epidemic becomes more and more expensive to obtain as technology, and the methods used by cybercriminals, advances. By securing funding through the Province of Manitoba's Civil Property Forfeiture Unit, the Winnipeg Police Service is able to balance fiscal responsibility and responsiveness to the priority needs of the community it serves. The Winnipeg Police Financial Crimes Unit will hold a license for CipherTrace for 72 months.

The selection of this software as a primary tracing tool was made through an evidence-informed decision-making process. The Winnipeg Police Service considered several software options and made its decision on a variety of factors, including the operational need for the software, it's primary tracing function as well as the additional support and training provided by CipherTrace and the experience and proven success of partner law enforcement agencies who are already using the software.

The acquisition of the CipherTrace Inspector Financial Investigations and Blockchain Forensics software is a strategic investment towards crime prevention and policing. The software will enable the Winnipeg Police Service Cybercrimes Team to identify cybercrimes victims who may not be aware they have been targeted. The ability to locate and notify victims and to provide public awareness of cybercrimes will directly reduce the demands on the Service's frontline officers, providing them with the capability to proactively respond to community needs and calls for service.

These actions speak directly to the OurWinnipeg goals of Leadership and Good Governance and Good Health and Well-Being.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Winnipeg Police Service
Division: Div 43 – Criminal Investigation Bureau
Prepared by: J. Ewatski
Date: November 16, 2022
File No: CT.1/2022(860), MM#829-2022