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Telemarketing Fraud Prevention and Prosecution

The Experience of Five
Demonstration Sites

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Telemarketing Fraud Prevention and Prosecution

The Experience of Five Demonstration Sites

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EXECUTIVE SUMMARY

Congress has estimated that telemarketing fraud is a \$40 billion a year “industry.” Even worse, fraudulent telemarketers often prey upon those least able to recover, older Americans. Yet, telemarketing fraud remains a low priority for many state and local law enforcement agencies and prosecutors’ offices.

From 1999 to 2002, the U.S. Department of Justice, Bureau of Justice Assistance, funded five projects to combat telemarketing fraud:

- California Department of Corporations
- Georgia Governor’s Office of Consumer Affairs
- Vermont Attorney General’s Office
- North Carolina Attorney General’s Office
- Hillsborough County (Florida) State Attorney’s Office

While the projects varied both geographically and institutionally (in terms of agency sponsorship), all used the same two-pronged approach: prevention and enforcement.

This *Special Topics* report focuses on the experiences of these five projects as they worked to prevent, investigate and prosecute fraudulent telemarketing schemes. Highlights include the following:

- *Prevention efforts*, most often accomplished through consumer education and “reverse boiler rooms,” *raised public awareness and increased consumer complaints and reports of telemarketing fraud.* The five projects implemented a variety of creative techniques to reach out to the general public and particularly to communities of older citizens.
- *Enforcement efforts appeared most successful in so-called “perpetrator jurisdictions,” i.e., in jurisdictions where the telemarketing operations were located.* Wiretaps and use of RICO to preserve assets have been important tools for law enforcement in perpetrator jurisdictions.
- *Enforcement efforts encountered challenges in “victim jurisdictions.”* When perpetrators and victims are located in different jurisdictions—whether another state or another country—interagency cooperation is essential. Yet, many enforcement agencies lack the resources to

mount quality investigations and prosecutions of cases that may involve complex and voluminous evidence.

This report details the work of these projects and spotlights strategies and techniques that were found to be effective in the battle against telemarketing fraud. It also identifies common challenges and efforts that were undertaken to surmount them. Finally, the report concludes with a discussion of future trends in telemarketing fraud, particularly fraudulent telemarketers' use of computer technology to contact potential victims through "spam" email on the Internet, which coincides with older persons' increased use of the Internet.

BACKGROUND AND SCOPE OF TELEMARKETING FRAUD

While deliberating the Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994,¹ the U.S. Congress found that consumers and others lose an estimated \$40 billion to telemarketing fraud each year—more than \$4 million per hour. Businesses have used “telemarketing” since the 1930s. The term describes planned professional use of a telephone to “advertise, market, or provide service functions to both consumers and businesses.”² Many legitimate organizations employ telephone solicitations to conduct their daily business,³ as do numerous fraudulent firms that rely on the telephone and mail to convince victims to purchase goods or services, make an investment, or donate to a “charity.” Perpetrators of telemarketing fraud use the telephone to “deprive victims dishonestly of money or property or to misrepresent the values of goods or services.”⁴

The telephone is an ideal way for con artists to make quick money. Since nearly every home in America has a telephone, these criminals have an almost unlimited supply of victims. Anyone with a telephone can be a target of dishonest telemarketers. Victims range from well-informed, savvy, business professionals to gullible, novice investors. Sadly, however, the most common victims of fraudulent telemarketers are older people.

The reasons are several. First, as a group, older people purportedly own more than half of all the financial assets in this country. Many of these

¹ 15 U.S.C. §§ 6101-08 (1994).

² Statement on Introduced Bills and Joint Resolutions, 139 Cong. Rec. S2654, S2657 (daily ed. March 3, 1993) (quoting the testimony of Jon T. Hamilton, President-elect of the American Telemarketing Association, before a Congressional subcommittee in 1991).

³ Telephone marketing employed 8.3 million workers in 1997. *The Direct Marketing Association, Inc., Economic Impact: U.S. Direct Marketing Today* 9 (1997). In 1997, U.S. marketers spent \$58 billion on telephone direct marketing, \$13 billion more than their combined spending on newspaper, magazine, television and radio direct marketing.

⁴ *United States—Canada Cooperation Against Cross-Border Telemarketing Fraud, Report of the United States—Canada Working Group to President Bill Clinton and Prime Minister Jean Chretien* (1997) [hereinafter *Working Group Report*].

assets can be easily converted into large sums of cash. Second, older people are more likely to be at home to receive calls. Finally, most older Americans are just too polite to hang up.

Both legitimate and criminal telemarketing have increased significantly since the mid-1980s, as growth in low-cost telecommunications made this a cost-effective method of contacting large numbers of people. A solitary telemarketer with a systematic scheme can quickly contact hundreds of potential victims at low cost, and organized groups can reach thousands. According to law enforcement reports, a single caller can earn several hundred thousand dollars in one year, and large operations can make tens of millions of dollars.⁵

Every day in jurisdictions across the United States, scam artists deliberately target older people to deprive them of their hard-earned savings. Salespeople use high-pressure sales methods ranging from efforts to gain sympathy to harassment and even threats. Older people receive numerous telephone calls and visits at home. Victims can find the barrage of calls and demands for payment convincing or threatening enough to finally pay for something worthless that they neither need nor want. After paying, they become prime targets for repeated schemes. Increasingly, scam artists collect even more detailed information about their potential targets to gain their trust and to “sell” a seemingly appealing product.

The Victims of Telemarketing Fraud

Fraudulent telemarketing unquestionably reaches consumers of all ages, but the persistent targeting of older consumers has been apparent for many years, as evidenced by this quote from a telemarketer:

We targeted the wealthy and the elderly in our fraud. Retirees were easily accessible by phone, usually at home during the day, and thus easy to resell. We found the elderly intent on enlarging their nest egg, their limited income, and often interested in generating money for their grandchildren. Many were former businessmen who routinely committed on deals over the phone in their working

⁵ *Working Group Report, supra* n. 3.

days...[Older consumers'] most notable weakness is that once they recognize deceit, they are often too embarrassed to relay the events to their offspring, friends, counsel, and law enforcement.⁶

Victim demographics obtained directly from criminal operations substantiate this telemarketer's claim. As part of Operation Disconnect,⁷ the FBI analyzed lists of victims defrauded by fraudulent organizations and found that more than a third (34 percent) were chosen solely because they were older. The FBI's 1995 Operation Senior Sentinel⁸ found even more conspicuous targeting of older consumers. Older consumers were the intended victims of more than three-quarters (78 percent) of the cases analyzed.⁹

AARP's 1996 survey of 745 telemarketing fraud victims also found disproportionate representation among older consumers. More than half (56 percent) of the victims were age 50 or older, when that age group comprised just more than one-third (36 percent) of the general population.¹⁰ Similarly, the National Fraud Information Center reported that in 1997 almost four in ten (38 percent) of the telemarketing fraud complaints they received came from people age 50 or older, although at that time this group represented just more than one quarter (26 percent) of the general population.

⁶ U.S. Department of Justice/Federal Bureau of Investigation, *Operation Disconnect Press Briefing Material 10* (1993).

⁷ "Operation Disconnect" was a nationwide undercover operation conducted by the FBI in 1992-93, where fraudulent telemarketers were targeted as part of a "scam" conceived by FBI agents. During the course of the undercover operation, FBI agents were able to glean a tremendous amount of information about the inner workings of fraudulent telemarketing operations.

⁸ "Operation Senior Sentinel," begun in 1993, involved members of the AARP, posing as repeat victims and tape-recording their conversations with suspected fraudulent telemarketers. The tapes were then turned over to the FBI for use in criminal investigations.

⁹ U.S. Department of Justice/Federal Bureau of Investigation, *Senior Sentinel 7, 8* (1995).

¹⁰ AARP, *Telemarketing Fraud and Older People: A Report of Focus Group Discussions* (1996).

The Impact of Telemarketing Fraud

Being a victim of telemarketing fraud is a demoralizing experience for anyone, but especially for older Americans. The crime can inflict devastating, irreversible financial losses on older people, many of whom live on fixed incomes. Victims frequently suffer severe damage to their self-esteem, causing them to question their ability to care for themselves. As recognized by the telemarketer quoted in the previous section of this report, older victims are often embarrassed to tell family members and friends about the crime. Many older people fear that their families will view their victimization as a sign of diminishing mental faculties and take steps to place them in a nursing home. Others may blame themselves for having “willingly participated” in the transaction and somehow believe that they deserve what happened.

Investigation and prosecution of telemarketing fraud are complicated by victims’ tendency to underreport their losses. Despite better data collection and greater awareness of telemarketing fraud, the actual scope of the problem remains unclear. Victims underreport losses for many reasons—concern about how friends and family will perceive the loss, feelings of self-blame, and lack of knowledge about where to get information or make complaints. A 1992 Lou Harris¹¹ survey, conducted on behalf of the National Consumers League, found that less than one-third (31 percent) of people who had lost money reported the loss to authorities. The Consumer and Monetary Affairs Subcommittee of the U.S. House of Representatives’ Commerce Committee estimated in 1990 that only one in 10,000 telemarketing fraud victims reports the crime to authorities.¹² An AARP study of consumers’ marketplace behavior, not restricted to telemarketing, found that one-third of persons over age 65 reported “doing nothing” when faced with a self-described “major fraud.”¹³

¹¹ *News Conference Concerning Phone Fraud Swindles*, Federal News Service, July 7, 1992, Linda Golodner, National Consumers League.

¹² H.R. REP. No. 421 (1991).

¹³ AARP, *Consumer Behavior, Experiences and Attitudes: A Comparison by Age Group 73* (1999).

The Need for Prevention and Prosecution

The magnitude of fraud against older people is likely to increase dramatically as the nation ages. Perpetrators of financial fraud can look forward to an ever-expanding pool of potential victims. Census data project that the 65 and older age group will double to 70 million by 2030. In fact, the 85 and older age group is currently the fastest growing segment of the older population.¹⁴

Both prevention and enforcement are needed to reduce the distressing impact of telemarketing fraud on the lives of older victims. In 1998, AARP asked consumers ages 65 and older whether they knew where to go for more information about a charity requesting a donation; almost half (45 percent) said they did not.¹⁵ Effective outreach to forestall such victimization must convey accurately the dangers of telemarketing fraud and educate consumers on where and how to report suspected fraudulent schemes. Tape-recorded conversations obtained by undercover volunteers vividly demonstrate how criminals coerce and manipulate victims to surrender financial assets. Victims and potential victims who are educated to recognize the dangers of fraudulent telemarketing can avoid the psychological weapons being used against them. Prevention efforts also must reflect an understanding of, and a respect for, older consumers. Reaching out to older people requires recognition that people, no matter what age, have different personalities and, therefore, can respond differently to victimization and outreach efforts.

A coordinated, community-based effort that draws upon various resources remains the most effective weapon against telemarketing fraud. Fortunately, it often is easy to motivate a community to combat telemarketing fraud. The targeting of older people and the pervasive level of victimization frequently provoke outrage among individuals and agencies. Enforcement efforts, however, must be tailored to the needs of the particular jurisdiction. Such efforts can focus on improving investigation and prosecution of telemarketing fraud or on rallying community members

¹⁴ Federal Interagency Forum on Aging Related Statistics. *Older Americans 2000: Key Indicators of Well-Being*. <http://www.agingstats.gov/chartbook2000/population.html>.

¹⁵ AARP, *The 1998 AARP Survey on Charitable Donations: A Summary of Key Findings 9* (1998).

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against these crimes and holding offenders accountable. The nature of the crime is such that combining enforcement with prevention works best. Prosecutors, law enforcement representatives, social service agencies, citizen groups, senior groups and private businesses must band together if they are to fight this crime successfully and protect older people from victimization.

THE DEMONSTRATION SITES

In 1998, the Bureau of Justice Assistance (BJA) selected and funded five demonstration sites to gather information and data on efforts to prevent, investigate, and prosecute telemarketing fraud:

- California Department of Corporations, Los Angeles, CA
- Hillsborough County State Attorney's Office, Tampa, FL
- Georgia Governor's Office of Consumer Affairs, Atlanta, GA
- North Carolina Attorney General's Office, Raleigh, NC
- Vermont Attorney General's Office, Montpelier, VT

The following sections detail, for each site, the nature of the telemarketing fraud problem, the history of efforts to combat telemarketing fraud, the challenges faced, and the strategies employed to meet those challenges. The remainder of the report contains suggestions based on "lessons learned" from the sites' collective experience and a discussion of future trends. Attached to this report are two appendices: Appendix I lists additional national resources; Appendix II is a glossary of terms relating to telemarketing fraud.

California Department of Corporations, Los Angeles, CA

Background

According to the National Fraud Information Center, in 1997, California led the nation in both telemarketing fraud complaints and reported fraudulent telemarketing operations. California generated nearly three times as many complaints as Florida, the second-ranked state. Although there were indications that law enforcement was successfully shutting down illegal prize scams, from July 1997 to July 1998, the California Department of Corporations (DOC) received information regarding more than one hundred illegal and fraudulent investment offerings originating from unlicensed boiler rooms¹⁶ in Southern California. These boiler rooms solicited investors across the country, attempting to raise an average of \$5 million each.

¹⁶ See Glossary, Appendix II, for definition of "boiler room."

The DOC is a state agency whose mission is to protect and inform the public about the sale of securities, franchises and off-exchange commodities. It has legal authority to seek three forms of remedies for violation of California laws: administrative, civil, and referral for criminal prosecution. Under administrative action, the DOC can request that the individual or company cease or desist operating. Civil action includes injunctions, damages, requests for restitution or disgorgement to any parties harmed by the illegal sale of securities, and/or placing the individual or company under receivership to monitor the dissolution of the illegal activities. In California, the district attorneys' offices have the authority to criminally prosecute fraudulent activities or larcenies by fraud. The California Attorney General can provide assistance in these cases, but it is specifically granted authority to investigate complaints involving charitable trusts.

Since 1988, the DOC coordinated and carried out five "MULES" (multi-state law enforcement sweeps). Participating states forwarded material to California to obtain search warrants, assisted in executing approximately 15 of those warrants, and used the evidence obtained to prosecute California telemarketers in their states. In 1997 and 1998, the DOC participated in task force operations entitled, "Field of Schemes" and "Cold Call."

Project Inception and Strategy

Drawing on past experience, the DOC proposed to implement "Operation Tough Call" and be a demonstration site for telemarketing fraud prevention and prosecution initiatives for BJA. Operation Tough Call (OTC) was a task force comprised of local, state and federal law enforcement, regulatory agencies, private sector entities, and investing public members established for the purpose of combining resources towards gathering, maintaining, and sharing information. The DOC saw a need for a task force that would work together over the long-term, instead of the short-term efforts of prior task forces that came together for one objective and then disbanded. Since the DOC had the regulatory authority to prevent and attack the fraudulent telemarketers, it took the lead. Various federal, state and local agencies agreed with DOC's idea of an information-sharing task force, and endorsed its leadership.

The DOC developed a comprehensive strategic plan to guide the implementation of OTC and its proposed activities. The plan identified several obstacles to addressing the problem of telemarketing fraud and boiler rooms. First, the available allocated law enforcement resources were insufficient because the investigation and prosecution of fraud cases requires extensive time and resources. Second, the law enforcement elements in California were working individually to address the problem with no coordination to share information and strengthen the response. Finally, the investing public remained at risk from scammers who stayed in business while lengthy investigations and prosecutions were underway.

OTC detailed the following goals and objectives to address these obstacles:

- Develop and implement a multi-agency/multi-state/multi-media approach to the problem of telemarketing fraud emanating from Southern California while enhancing ongoing efforts of law enforcement.
- Focus all available resources on identifying targets, gathering and maintaining evidence, and sharing information and evidence with all participating agencies for further investigation and prosecution.
- Bring the joint efforts of law enforcement, prosecutors, regulators and the legitimate industry to bear on fraudulent telemarketing operations.
- Proactively infiltrate every aspect of boiler room activities.
- Demonstrate to scammers and their salespeople that the local law enforcement and regulatory community will utilize modern task force techniques and technologies to put them out of business and prosecute them.
- Develop and implement training and consumer education programs to educate the investing public about how not to be victimized by telemarketing fraud.

Each participating agency executed a Memorandum of Understanding (MOU), pledging to commit resources to the goals and objectives.

Prevention Efforts

The prevention and public education component of OTC consisted of several endeavors. A consumer education program was developed to educate senior citizens and investors about telemarketing fraud through presentations to senior organizations, service agencies, churches, and small investor groups. Between May 2000 and April 2001, more than 50 presentations were made to groups that ranged from 25–135 people. In addition, consumer education materials were disseminated at numerous events devoted to elder and consumer issues, such as senior action fairs, health fairs, and large meetings of service group organizations. Attendance at these events ranged from 600–6,000 people. Because some seniors are isolated from the community and may have been unable to attend a presentation, DOC partnered with Meals on Wheels programs in Los Angeles County to disseminate fraud prevention materials to their clients. The education program reached more than 27,000 seniors throughout Southern California.

Another key initiative was the Telephone Victim Call Center (TVCC). WISE Senior Services, a care management and resource center for seniors and a public agency partner of the OTC Task Force, donated space for the TVCC. Approximately 30 senior volunteers were trained to make calls to victims regarding their experiences with telemarketers. The volunteers called phone numbers on lead lists obtained by the FBI during raids on boiler rooms. During each call, the volunteers provided advice on how to avoid being scammed and gathered valuable information from persons who had been targeted by scams. Volunteers experienced some problems in the beginning due to the age of the call lists and the frustration of reaching numerous disconnected lines and reassigned numbers. To deal with these problems, the TVCC began using lead lists no more than two years old and pairing experienced volunteers with new recruits to deter volunteers from giving up or quitting. By April 2001, volunteers at the TVCC had educated more than 70,000 victims nationwide on telemarketing and investment fraud.

Enforcement Efforts

The identification of more than 350 boiler rooms operating in three counties in Southern California was the basis for the OTC Task Force's

enforcement efforts. The boiler rooms were conducting unlicensed activities and obtaining more than \$1 billion from investors. An OTC senior volunteer made hundreds of undercover tapes that were forwarded to the National Tape Library.¹⁷ Beginning in October 2000, Task Force representatives contacted or visited more than 74 telemarketing operations suspected of conducting fraudulent activities. The operations were served with warning letters, administrative orders and administrative subpoenas. In addition, the DOC issued 92 Desist and Refrain Orders for illegal securities sales operations involving 20 entities and 30 individuals in California, Florida, Nevada and Utah.

To complement the administrative actions undertaken by the Task Force, the DOC developed relationships with a few prosecutors' offices whereby DOC staff referred cases to the district attorneys' offices with jurisdiction. By undertaking the role of legal and investigative support in potentially criminal matters, the DOC alleviated some of the time and resource burdens that historically inhibited prosecutors from pursuing telemarketing fraud cases. Specifically, the DOC provided investigative support and expert testimony to the County of Orange Boiler Room Apprehension (COBRA) Task Force in prosecuting ten boiler room salespeople in the summer of 2000. The Los Angeles County District Attorney's Office, the Orange County District Attorney's Office and the San Diego County District Attorney's Office were all participants in OTC.

To increase the OTC Task Force's ability to coordinate information and develop investigations, DOC staff created a database to track companies and individuals suspected of being involved in telemarketing fraud. Information was gathered from participating agencies, mooch lines,¹⁸ and other sources, and structured to allow the OTC Task Force members to collaborate and target telemarketers. For example, data were entered in two ways: (1) generic description of fraud case aspects, including company types, company functions, description of the fraud scheme, entity types, offering types, persons involved, and violations; and (2) case-specific information wherein the case was given a name, determined by the largest entity involved and a computer-generated number. As of July

¹⁷ See National Resources, Appendix I, for information on the National Tape Library.

¹⁸ See Glossary, Appendix II, for definition of "mooch line."

2001, the database contained more than 350 cases and 450 suspected fraudulent companies/entities. To maintain participating agencies' confidentiality, only OTC Task Force members were allowed to access the information. The MOUs executed between agencies addressed the protection of privacy and confidentiality of information. Unfortunately, despite the assurances of confidentiality several agencies were unwilling to share their information for the database. In addition, the database required significant manpower to establish and maintain, which meant that other facets of OTC suffered. Accordingly, the database utilization did not meet DOC's expectations.

Hillsborough County State Attorney's Office, Tampa, FL

Background

In 1998, Florida residents were defrauded of more than \$500 million. Almost 30 percent of that staggering amount was lost to telemarketing fraud. Florida ranked second (after California) in the number of victims of telemarketing fraud.¹⁹ Prior to 1990, Tampa, Florida, located in Hillsborough County,²⁰ was the second-ranked location nationally in the number of boiler room operations. The United States Attorney/Florida State Attorneys' Telemarketing Fraud Task Force succeeded in shutting down many of the boiler rooms in the mid-1990s; however, because of its large senior population, Florida still has a significant telemarketing fraud problem as a victim state. There have been numerous cases of older citizens losing their life savings to scam artists, and law enforcement statistics have shown that Florida citizens over the age of 60 are the prime targets of scam artists selling bogus products and services over the phone.

Project Inception and Strategy

In September 1999, the Hillsborough County State Attorney's Office (State Attorney's Office) received a grant from BJA to establish a Telemarketing Fraud Project. The Office proposed to combat telemar-

¹⁹ As reported in the Hillsborough County State Attorney's Office's original grant application submitted to the Bureau of Justice Assistance on May 28, 1999.

²⁰ Hillsborough County is in the West Central region of Florida, the home of a majority of Florida's older population. People over the age of 65 comprise 29 percent of the region's population, and those over age 90 are its fastest growing population segment.

keting fraud through consumer education and enforcement. The consumer education effort had four major components: (1) establishing a volunteer group to provide manpower; (2) conducting a reverse boiler room²¹; (3) giving live presentations to civic, neighborhood, and senior groups; and (4) establishing an ongoing relationship with Sun City Center, a retirement community located in southeastern Hillsborough County with over 17,000 residents.

The State Attorney's Office's planned enforcement effort focused primarily on establishing a formal, multi-agency Telemarketing Fraud Task Force. This was based on the Office's previous experience with telemarketing fraud investigations in Hillsborough County, where it became apparent that telemarketers relied on a lack of communication between governmental agencies to give the fraudulent operations time to exploit victims and relocate. The Task Force model was intended to close this communication gap and deprive fraudulent telemarketers of the opportunity to conduct business as usual. In addition, the Task Force was to participate in prevention efforts to educate the senior citizens of Hillsborough County about the dangers of telemarketing fraud.

Prevention Efforts

As noted, the State Attorney's Office sought to achieve its consumer education goals through four primary efforts. The first component was to establish an Elder Volunteer Committee to provide manpower to communicate the anti-fraud message. Volunteers were recruited through senior organizations such as AARP, TRIAD, and S.A.L.T.²² In addition, an Elder Affairs Coordinator educated the Elder Volunteer Committee and private agencies on detection, prevention and deterrence of telemarketing fraud. The original plan was to use the volunteer network to perform an ongoing reverse boiler room effort. While initial recruiting efforts were successful, the State Attorney's Office did experience difficulties in volunteer turnover and replacing the departed volunteers.

²¹ See Glossary, Appendix II, for definition of "reverse boiler room."

²² Descriptions of TRIAD and S.A.L.T. can be found in Appendix I, National Resources, under the listing for the National Sheriffs' Association (NSA).

The second component of prevention involved conducting a reverse boiler room utilizing the Committee volunteers. A reverse boiler room is where potential victims are contacted to warn them of the dangers of telemarketing fraud. Through a consultant, the Task Force organized education and technical assistance for the volunteers on how to run a reverse boiler room, based upon the AARP Reverse Boiler Room Leader Manual. The Reverse Boiler Room Program utilized senior volunteers from Sun City, Brandon, and West Tampa. AT&T Wireless donated ten phones to the program for approximately one year, allowing volunteers to conduct the operations in their communities rather than traveling to a designated site. Approximately 60 volunteers conducted more than 24 reverse boiler room operations in ten months. Through these operations, 9,147 senior citizens in Hillsborough County received information on the dangers of telemarketing fraud. The Task Force media partners provided coverage of the Reverse Boiler Room Program and regularly informed the community about issues relating to telemarketing fraud.

The third component of prevention involved reaching the senior population through numerous seminars and community events. At these outreach events, the Task Force distributed an educational packet, which included handouts and brochures from the Task Force members. The State Attorney's Office also provided screenings of AARP videos on telemarketing fraud and instructions to senior citizens on how to monitor suspicious phone solicitations and protect themselves from criminals perpetrating frauds. More than 15,300 senior citizens attended these seminars and events. In addition, other state and local agencies acted as co-presenters with the Office, thereby leveraging scarce resources.

As a fourth prevention component, the State Attorney's Office incorporated a community-based effort into the project. This endeavor served both the interests of prevention and prosecution. The Office opened a walk-in complaint center at the Sun City Center, a retirement community of 17,000 seniors over 60 years old. It has been estimated that the residents' combined assets are worth in excess of \$4 billion. For this reason, the community was the target of numerous fraud attempts.

The State Attorney's Office's walk-in center was located next door to the Sun City Community Association's Consumer Affairs and Complaints Office, and in the same facility as a satellite office of the Hillsborough County Sheriff's Department. The Sun City Consumer Affairs Office referred complaints regarding exploitation attempts to the walk-in center and the Hillsborough County Sheriff's Department. Prior to operating the walk-in center, the Office did not learn of fraud incidents until several months after they occurred. By being present in the community, the Office learned of ongoing scams sooner and could intervene before more crimes were committed. Initially, the walk-in center was staffed one day a week; however, by 2002, complaints and requests for information had decreased sufficiently that the walk-in center office was opened on a bi-weekly basis.

Enforcement Efforts²³

Enforcement centered on two efforts: (1) establishment of a multi-agency countywide task force; and (2) compliance checks on telemarketing operations to determine whether the operations were registered as required under Florida law.

The Florida law enforcement and regulatory agencies recruited to participate on the Task Force had an established interest in the prevention, deterrence, investigation, regulation and prosecution of economic crimes against older citizens. The following agencies were members of the Task Force:

- Hillsborough County State Attorney's Office
- Florida Department of Banking and Finance
- Office of Statewide Prosecution
- Office of the Attorney General
- Florida Department of Law Enforcement
- Florida Department of Insurance
- Florida Department of Agriculture and Consumer Services
- Bay Area Legal Services
- Florida Comptroller, West Central Florida Region

²³ Enforcement efforts have been hampered by a shortage of investigators, which was exacerbated by the events of September 11, 2001, because law enforcement agencies have diverted significant resources away from fraud investigation to terrorism-related issues.

The Task Force also included a variety of service organizations and media outlets with a record of dedication to senior citizens and fraud prevention, including AARP, AT&T Wireless Services, Channel 8 News, Channel 13 News, Hillsborough County Library, National White Collar Crime Center, Senior Friends of Brandon Hospital, Senior Volunteers, and the Sun City Retirement Residence.

A “Single Point of Contact” (SPOC) position was created to coordinate the investigative activities of the Task Force and act as lead investigator. A State Attorney’s Office investigator was appointed to the SPOC position. Five other investigators from the Comptroller’s Office, the Florida Department of Law Enforcement, the Office of the Attorney General, the Florida Department of Insurance, and the Florida Department of Agriculture and Consumer Services provided investigative expertise and acted as the liaison to their respective agencies. The State Attorney’s Office and the Office of Statewide Prosecution were to provide legal advice to the investigators when appropriate.

The SPOC was responsible for screening case referrals. The Task Force required that two of three criteria be met before committing their resources to a potential investigation:

- The investigation reveals that the target has victimized multiple persons or that the potential to identify at least fifty victims is great.
- The facts show that the target’s activity affects at least two judicial circuits of the State of Florida, and is therefore adequate to satisfy the multi-circuit and subject matter jurisdiction of the Office of Statewide Prosecution.
- The target’s activities fall within the statutory jurisdiction of at least one participating agency.

The Task Force planned to use comprehensive background analyses, interviews, surveillance, search warrants, electronic surveillance, and other standard intelligence gathering methodologies to develop adequate information to arrest, prosecute, and convict persons engaging in telemarketing fraud in Florida. All civil matters were to be referred to Bay Area Legal Services, a provider of free legal services to low-income persons and seniors.

The Task Force met on a quarterly basis. Task Force representatives reported that the Task Force provided an excellent forum for the exchange of ideas on tactics and strategies for ongoing and current investigations as well as intelligence regarding fraudulent telemarketers. However, in terms of cooperative or joint investigations, Task Force representatives reported that the integration of the Task Force members did not occur, for reasons that are unclear. Some Task Force members believe that the State Attorney's Office did not take a strong enough role in leading investigations. Lack of a strong leadership role may have stemmed from the SPOC's vision of the role as a "traffic cop," steering investigations to the agency with the most expertise and logical jurisdiction, e.g., referral of a complaint regarding a telemarketing scheme based upon sale of fraudulent securities to the Florida Department of Banking and Finance. Other Task Force members blamed this problem on a reluctance of agencies to share authority and resources. A further issue may be the sheer number of different agencies with different jurisdictions and missions. Also, the Task Force did not establish any formal policies or protocols on the operation of joint investigations or a comprehensive, cohesive enforcement strategy. Another significant barrier to joint investigations reported by several Task Force representatives was the lack of a forum where law enforcement agencies could discuss ongoing investigations in depth.

Because Hillsborough County has been home to a number of telemarketing operations, enforcement efforts also focused on ensuring compliance with Florida laws governing telemarketing registration. The State Attorney's Office investigator has conducted a number of "knock and talks" with telemarketing operations and has shut down those without the requisite licensing and registration. The State Attorney's Office has prosecuted 11 defendants since the project's inception, although no new prosecutions have occurred since 2000. Those defendants were prosecuted as a result of information received independently from the Task Force and the knock and talk operations.

Georgia Governor's Office of Consumer Affairs, Atlanta, GA

Background

Georgia's experience with telemarketing fraud is twofold. Georgia is the home of numerous fraudulent telemarketing operations (ranking sixth nationally with the highest number of boiler room operations by the National Fraud Information Center in 1999) and telemarketing fraud victims (ranking fourteenth by the same organization in the number of victims). In its application to become a demonstration site, the Georgia Governor's Office of Consumer Affairs (OCA) estimated that based on national figures, Georgia consumers had lost \$400-500 million to fraudulent telemarketers. At the same time, it estimated that only 20 percent of those victimized actually reported the victimization, and senior citizen advocates believed that older victims' reporting rate was even lower. Based on these facts, the OCA believed that the impact of telemarketing fraud in Georgia was much greater than was known.

Since 1996, telemarketing fraud has been a criminal offense under Georgia's Fair Business Practices Act (FBPA), administered by the OCA, and under the Georgia Securities Act and the Georgia Charitable Solicitations Act, which are administered by the Secretary of State's Office (SOS). These criminal statutes applied to the individual telemarketers making the calls; however, in 1997, the Georgia Legislature expanded these statutes to apply to owners and operators as violators. Penalties for criminal violations of these statutes include prison sentences ranging from one to ten years. The OCA's Elder Fraud Unit specialized in the investigation of telemarketing fraud under the civil statutes prior to 1996, and subsequently became the core of OCA's Criminal Division.

Project Inception and Strategy

BJA awarded OCA a grant to combat telemarketing fraud in September 1999. Similarly to the other demonstration sites, OCA's proposed strategy focused on consumer education and enforcement. Like the Hillsborough County (FL) State Attorney's Office, OCA planned to form a Telemarketing Fraud Task Force to support both of these efforts. In addition, to address a mistaken belief among first responders that telemarketing fraud is a civil matter, OCA's strategy included a law enforce-

ment education component. The consumer and law enforcement education components were primarily built around development and distribution of training and presentation materials. Another significant consumer education activity was the operation of a reverse boiler room. In addition, because the Atlanta area is home to a number of telemarketing operations, OCA's enforcement strategy included investigations by the agency itself.

Prevention Efforts

Initially, OCA formed the Georgia Telemarketing Fraud Task Force. The three primary members of the Task Force were the OCA, the SOS and the Georgia Attorney General's Office (Georgia AG's Office). Each member of the Task Force was devoted to improving the prevention, investigation and prosecution of telemarketing fraud, and was invited to join based on a demonstrated commitment to fight fraud. The offices signed Memoranda of Understanding (MOUs) that outlined the goals of the Task Force, the methods the offices would use to achieve the goals, and the individual responsibilities of each agency. The specific goals of the Task Force were to:

- Reduce the number of fraudulent telemarketing boiler rooms operating in Georgia.
- Prosecute subjects in telemarketing operations.
- Cross-designate investigators in the OCA and SOS to increase the resources available, particularly in high impact cases.
- Provide training at state-wide police academies to instruct local law enforcement officers regarding identifying and investigating telemarketing operations.
- Prosecute victim venue cases (as telemarketers targeting Georgia citizens are generally operating from boiler rooms outside of Georgia).
- Provide instruction and information to potential victims of fraudulent telemarketing scams to prevent citizens from becoming victims.

Under the MOUs, the primary responsibilities of the OCA and SOS were to investigate criminal violations of the aforementioned statutes and to present cases to the Georgia AG's Office for charging decisions. In turn, the Georgia AG's Office advised the investigative agencies on legal issues throughout the investigation and prosecuted the cases. The

Georgia AG's Office also was to assist in training for local district attorneys' offices to enhance their ability to prosecute telemarketing fraud cases.

The primary Task Force members coupled their project with the Consumer Fraud Task Force created in 1996 by the OCA, the Georgia Department of Human Resources' Division of Aging Services (DAS), and AARP. The Consumer Fraud Task Force comprised approximately 30 public and private sector agencies concerned with fraud targeting older people, including local law enforcement, the University of Georgia Cooperative Extension Service, the Better Business Bureau, the Federal Bureau of Investigation (FBI), Georgia Bureau of Investigation, U.S. Postal Inspection Service (USPIS), and U.S. Attorney's Office. These agencies shared information and resources at quarterly meetings. While law enforcement members used the Task Force meetings as a venue for the informal discussion of cases, the Task Force was not used to coordinate investigations.

The OCA, with input from both the Telemarketing Fraud Task Force and the Consumer Fraud Task Force, developed a dual-track training package for state agencies that interact with senior citizens. One track educated the audience to recognize if someone is being victimized by fraud. The other track used a "train-the-trainer" approach to educate consumers. The curricula also included a twenty-minute educational video produced in conjunction with Georgia Public Broadcasting. The video, which included interviews with victims and a telemarketer serving time in a Georgia prison, was broadcast on public television as part of a special on telemarketing fraud.²⁴ In an innovative decision, OCA distributed these training packages through University of Georgia Cooperative Extension Service agents, who are located in every county in the state, and public libraries. This avoided the expense and time of OCA having to establish its own distribution network for the training packages.

As part of its prevention plan, the Consumer Fraud Task Force organized a Reverse Boiler Room Operation conducted by more than 100 AARP volunteers on March 29, 2000. A local public television station donated its

²⁴ This video also was provided to the Vermont Attorney General's Office for their prevention efforts.

phone bank for the volunteers to use. The Task Force obtained a mooch list²⁵ from a telemarketer arrested for fraudulent practices. The volunteers called each person on the list and explained that his or her name had been obtained from a mooch list taken from a person arrested for fraud. The volunteers identified additional victims of the telemarketing scam and provided information on how to avoid being a victim of telemarketing fraud and what to do if contacted by a suspicious telemarketer.

As another education activity, the OCA Administrator has participated in a monthly show on Georgia Public Radio called the *Georgia Gazette*. Consumers are able to call-in and ask questions on a variety of topics. The OCA utilizes this show to educate the public about telemarketing fraud and to announce educational events sponsored by the office.

Enforcement Efforts

OCA's enforcement effort had two major components: development and distribution of a training curriculum about telemarketing fraud for a law enforcement audience, and investigations of boiler rooms in the Atlanta area. OCA developed a curriculum for law enforcement officers to teach: (1) that telemarketing fraud is a crime; (2) the mechanics of a telemarketing fraud scheme; and (3) considerations in investigating a telemarketing fraud complaint. As part of this curriculum, OCA made another video specifically for a law enforcement audience. OCA has distributed the curriculum to the state's 11 regional police academies. A four-hour course in telemarketing fraud investigation and case development utilizing the curriculum also was offered through in-service training at the regional police academies, as well as a longer course at the Georgia Public Safety Training Center. In addition, this training curriculum and video were made available to prosecutors through the Georgia Prosecuting Attorney Council.

Overall, OCA's investigative enforcement effort has been vigorous and has resulted in the shutdown of several boiler room operations in the Atlanta area. OCA's use of wiretaps and prosecutors' use of RICO in the investigation and prosecution of boiler rooms are excellent examples of law enforcement utilizing the strongest statutory tools available for enforce-

²⁵ See Glossary, Appendix II, for definition of "mooch list."

ment. Specifically, OCA ran a 17-line wiretap out of a regional drug interdiction center on a suspected telemarketing fraud scheme involving the sale of magazine subscriptions. As a result of this wiretap, OCA was able to arrest the principals. The AG's Office was able to use RICO to freeze the luxury home and cars owned by the principals of the operation.

To solicit additional investigative information on telemarketing fraud, the OCA established a Fraud Tip Line. The OCA continuously advertised the tip line in employment newspapers that are free to the general public in the Atlanta area. The ad encouraged individuals with knowledge of phony telemarketing operations in Georgia to call and provide anonymous information. At least four cases were developed from calls made to the tip line. One of those cases involved two men who were part of a complex foreign currency telemarketing fraud operation known as "Foreign Currency International" (FCI). Prior to receiving the tip, the OCA and members of the Consumer Fraud Task Force participated in a joint investigation of FCI. The tip led OCA to two men who had left FCI and begun their own fraud operation selling Japanese Yen Futures. The OCA and Consumer Fraud Task Force charged the two men on May 1, 2001, with nine counts of telemarketing fraud.

A challenge for enforcement has been the delay between the completion of investigations and indictment. OCA does not have in-house prosecutorial resources and presents cases for charging to the Georgia AG's Office or district attorneys' offices. Unfortunately, OCA's preferred prosecutorial resource, the Georgia AG's Office, because of caseload, is unable to review charges to make a decision on presentation to the grand jury for indictment within a consistent time frame. OCA has noted deterioration in the quality of the cases as a result of the delay, due to loss of witnesses, loss of witness memory, and information becoming stale.

Another challenge has been communication among agencies, particularly to ensure that they do not duplicate one another's investigations. In its initial grant application, OCA recognized this problem and proposed forming a telemarketing fraud task force in partnership with Georgia's Secretary of State. Subsequently, OCA decided to utilize the existing Georgia Consumer Fraud Task Force to fulfill this role. However, the

Task Force has not had significant law enforcement involvement or a separate law enforcement meeting.

Cross-border issues also have been barriers to investigation of “victim venue” cases. While OCA reports success in working with other law enforcement agencies within the United States, such as the Iowa Attorney General’s Office and the U.S. Attorney’s Office in Las Vegas, Nevada, cooperation with law enforcement agencies outside the U.S. has been problematic at best, greatly delaying several investigations. Part of the delay also has been attributed to the processing of Mutual Legal Assistance Treaty (MLAT) requests at the U.S. Department of Justice and the reluctance of other countries to cooperate. This is especially true when the perpetrator is operating from Canada. The requirement for extensive resources to gather evidence at remote locations has led OCA to direct its limited resources to the investigation of in-state perpetrators.

North Carolina Attorney General’s Office, Raleigh, NC

Background

North Carolina ranks fourth in the nation in complaints of advance-fee loan scams that lure financially vulnerable consumers or business owners with the false promise of guaranteed, low interest loans to consolidate or pay off debts and clean up credit records. These and other fraudulent operations target North Carolina’s considerable population of retirees, blue-collar workers and military personnel. In addition, North Carolina is experiencing a surge in the number of boiler room operations locating within the state. This reflects a trend in the telemarketing fraud industry to subcontract operations across national borders and state lines.

The North Carolina Attorney General’s Office (North Carolina AG’s Office) has worked specifically to prevent the telemarketing fraud industry from developing further within the state and to reduce the number of victims of fraud. For the past ten years, the Office has worked with federal authorities to set up task forces to address the problem of deceptive telemarketers through more stringent regulations and legislation, to cooperate with industries whose services are used by telemarketers, and to coordinate law enforcement efforts. The Office is an active participant

in the Consumer Protection Committee of the National Association of Attorneys General (NAAG) and a member of the National White Collar Crime Center (NW3C) (NAAG and NW3C are described in the BJA & the Grant Partners section, *infra*).

Project Inception and Strategy

In December 1999, the North Carolina AG's Office used its grant from BJA to form a telemarketing fraud project within its Consumer Protection Division, which is responsible for civil enforcement of state telemarketing fraud statutes, *inter alia*. Criminal offenses were to be referred by the project to the appropriate local or federal prosecutorial agency. The project's efforts were centered on consumer education and enforcement. The project planned to leverage its efforts through networking with other law enforcement agencies and the private sector. Specifically, the goals and objectives of the telemarketing fraud project were to:

- Increase case investigation and dissemination of information obtained by the North Carolina AG's Office to other law enforcement agencies.
- Develop mooch lines to collect case evidence.
- Increase the availability of written materials and speakers for the business community and the general public.
- Identify and educate key industries on methods to identify scams.
- Train volunteers to continue these functions.

The North Carolina AG's Office collaborated with the North Carolina Senior Consumer Fraud Task Force (Task Force) to achieve the project goals. The Task Force is a group of 30 state and private-sector agencies concerned about fraud against older people, including AARP, Bell South, the Better Business Bureau, the FBI, the North Carolina State Bureau of Investigation, the U.S. Postal Inspection Service (USPIS), and the U.S. Attorney's Office. The Task Force conducts its business through informal meetings where members of the group may discuss issues and the progress of case collaborations in a round-table format. The North Carolina AG's Office is responsible for reporting on investigative topics and running the statewide alert program for investigators. The Task Force is co-chaired by an assistant attorney general and the North Carolina State Director of the AARP.

Prevention Efforts

The North Carolina AG's Office's project staff initially intended to develop, produce, and distribute special consumer education materials to combat telemarketing fraud. However, the special investigator faced many time management challenges in pursuing the prevention and enforcement goals of the project. Consequently, the Task Force became the project's most valuable resource in the prevention efforts. The Senior Fraud Alerts that were compiled by the North Carolina AG's Office were distributed via e-mail to the members of the Task Force, who in turn circulated the alerts to each of their respective members and affiliates. The Task Force estimated that these alerts quickly reached almost one quarter of North Carolina's population of 7.6 million people. For maximum exposure, the alerts were e-mailed, posted on websites, hung on senior citizen bulletin boards and publicized by the news media.

Special Public Service Announcements (PSAs) were created to provide additional prevention messages. The PSAs were funded by the North Carolina AG's Office from settlement money received in civil actions against telemarketing fraud perpetrators. The PSAs featured victims, geriatricians, clergy and the adult children of victims to show the impact of telemarketing fraud. In addition, the special investigator and other project staff maintained active public speaking calendars to warn business and community groups across the state about telemarketing fraud. In 2000, project staff spoke at 39 engagements for audiences such as the North Carolina Fraud Examiners Association, the McCullers Ruritan Club, and the AARP Senior University.

The special investigator educated newspapers across the state regarding the classified advertisements of fraudulent businesses, which promised loans and credit cards for people with poor credit ratings. These ads were vital to advance fee loan scammers based in Toronto and elsewhere. Newspapers throughout the state subsequently stopped running the ads, and many of them reported suspicious ad placement attempts to the investigator, who shared them immediately with Canadian law enforcement in Toronto.

Enforcement Efforts

Fraudulent telemarketers rely on the fact that targeting victims across jurisdictional boundaries makes it more difficult for law enforcement officials to investigate and prosecute their crimes. To address this issue, during the first 12 months of the project, the special investigator assigned to the project worked diligently to cultivate relationships with law enforcement entities in Canada and across the United States. Relationships were established with Canada's Project PhoneBusters,²⁶ the Royal Canadian Mounted Police, the Metropolitan Toronto Police Department, and the Ontario Ministry of Consumer and Business Affairs. Within the United States, the special investigator worked on cases with the Federal Trade Commission in Dallas and Los Angeles, several U.S. Attorneys and state attorneys general, the Florida Department of Banking and Finance, and the Orange County (CA) Sheriff's Department. During this time, the special investigator assisted in the arrests of ten individual telemarketers in California and Florida on state and federal charges. In addition, the special investigator prompted raids on 12 suspected boiler rooms in California, Florida, North Carolina, British Columbia, and Ontario.

Having an investigator concentrating so completely on the North American telemarketing fraud industry has been invaluable. The investigator compiled a database of the major and minor players, their subcontractors, their techniques and support networks, and the constantly changing names, addresses and phone numbers they employ. From this database, the investigator has been able to establish patterns and link complaints to specific scams. The special investigator also provides an important link between local law enforcement and other state, federal or provincial officials that are investigating telemarketing fraud cases with victims in North Carolina. Early in the project, the investigator linked the New Bern (NC) Police Department with the USPIS and local sheriff's deputies in Palm Beach County, Florida. In that instance, a Canadian telemarketing operation had victimized an elderly man in New Bern. The man had mailed money to a post office box in Boca Raton. The men picking up the check in Boca Raton were arrested and charged by Florida officials and extradited to North Carolina.

²⁶ PhoneBusters is a complaint intake and telemarketing fraud intelligence center jointly operated by the Ontario Police Department and the Royal Canadian Mounted Police.

In June 2001, the special investigator completed a substantive report that identified trends in telemarketing fraud and 30 major telemarketing fraud groups. The report illustrated the various components of a telemarketing fraud operation with call centers in one location, fulfillment houses in another, checking account debiting or credit card processing in another, and the people behind the scams in yet another location. Much of this information was generated from computer records and recorded sale verification tapes obtained when several operation call centers were shut down in Fayetteville, Raleigh, and Charlotte, North Carolina. This intelligence has been shared with Canadian and federal law enforcement agencies since these groups are located outside North Carolina.

Project staff had hoped to develop mooch lines to collect additional case evidence, but were unable to find older telemarketing fraud victims or family members who were willing to turn over their phone lines. Instead, the special investigator identified potential victims through cooperation with other investigators, and asked them for permission to place recording devices on their phones. The project staff obtained 33 tape recordings as a result of these efforts. The recordings were provided to other North Carolina law enforcement agencies and to the National Tape Library in San Diego.

A barrier has been limitations on manpower available to the project. The assistant attorney general assigned to the project has been able to devote only a portion of his time to telemarketing fraud matters due to other cases. In addition, while the special investigator has had success in networking with federal and Canadian law enforcement agencies, he has not achieved similar success with state agencies. Because the North Carolina AG's Office does not have original criminal jurisdiction, criminal enforcement must occur at the federal or local level. Referral of cases for federal prosecution has been hampered because most cases fail to meet administrative guidelines in terms of the total dollar amount of loss suffered. On the local side, prosecutors are reportedly uninterested in handling cases seen as complex and requiring a great deal of resources, particularly because of multi-jurisdictional issues.

Vermont Attorney General's Office, Montpelier, VT

Background

Vermont is attractive to telemarketers due to its older population and its close proximity to Canada. Although the population of Vermont is only 608,827, more than 22 percent of the population is age 55 and older, and more than 12 percent is age 65 and older. Most of Vermont's 251 towns and cities are very small and geographically isolated. Many senior citizens in Vermont are secluded, living some distance from hospitals, police departments, banks and other support resources normally available to older people in urban settings. It is estimated that Vermont consumers lose \$80 million annually to telemarketing fraud.

The full scope of the impact of telemarketing fraud in Vermont is unknown due to suspected underreporting of complaints. In 1997-98, the FTC Consumer Sentinel database listed 22 complaints by Vermont consumers against telemarketers in Canada and 93 complaints against telemarketers in the United States. During a comparable timeframe, the Vermont Attorney General received only 27 complaints. In contrast, the Adult Protective Services (APS) for Vermont reported that one-third of their cases involve financial exploitation. The Vermont APS has tracked 771 allegations of telemarketing fraud during 202 case investigations. Because the adult children of older victims make most of the allegations, APS believes that embarrassment prevents victims from reporting the crime. It is believed that only one in 20 Vermont victims contacts state authorities to lodge complaints.

Project Inception and Strategy

The Vermont Attorney General's Office (Vermont AG's Office) commenced its telemarketing fraud project using a grant from BJA in January 2000. The AG's Office housed the project within the Consumer Protection Unit (CPU) of its Public Protection Division (PPD). The Consumer Assistance Program (CAP), which is the intake center for consumer complaints made to the AG's Office, also is located in the CPU. The project was designed in two phases. The initial phase was to focus on prevention; the second phase was to focus on enforcement. The project hoped to decrease the susceptibility of victims to telemarketing fraud

through a comprehensive prevention strategy, and to increase case reporting and referral, followed by investigation during the enforcement phase. The specific goals of the project were to:

- Develop an outreach and education program and curriculum for workshops directed at senior citizens.
- Serve as liaison between U.S. and Canadian authorities to encourage Canadian prosecution of these crimes.
- Develop cases for investigation and possible enforcement.
- Create a volunteer network of senior citizens to maintain the workshop program.
- Create a network of professional senior advocates to strengthen the workshop program and to provide an awareness of telemarketing fraud to professionals and paraprofessionals who work with seniors.
- Develop a strategy to investigate and stop facilitators of telemarketing fraud.²⁷

The Vermont Attorney General hoped that the project would serve as a model for how rural states with limited resources can harness the power of non-attorney advocates and outside volunteers to identify, investigate and prosecute criminal cases, and educate consumers in the process. This hope reflected his belief that law enforcement personnel in small states can assist efforts to solve an international problem like cross-border telemarketing fraud.

To enhance its overall telemarketing strategy, the Vermont AG's Office also supported legislation that would help prevent these crimes and make enforcement easier. Project staff testified in support of a state telemarketing registration and do-not-call bill. The Vermont AG's Office's support of this legislation culminated in its passage in May 2002. The new legislation requires that telemarketers register with the state and not contact persons who register with the Direct Marketing Association's do-not-call list.

Project staff also sought the assistance of several public and private sector partners to implement the goals and objectives. AARP, the Retired and Senior Volunteer Program (RSVP), Area Agencies on Aging, APS, the

²⁷ Facilitators typically provide lists of victims' names and other types of support services to fraudulent telemarketers.

U.S. Attorney, the Vermont State's Attorneys, and the National Sheriffs' Association pledged to work with the Vermont AG's Office to address telemarketing fraud.

Prevention Efforts

The project's enforcement activities centered around three efforts: making live presentations to senior, neighborhood, and civic groups; spreading the telemarketing fraud message using public broadcasting resources; and conducting a reverse boiler room. The assistant attorney general responsible for implementing the project developed a standardized presentation to educate senior citizens about telemarketing fraud. The presentation included an explanation of what telemarketing fraud is and how consumers are victimized; a short summary of recent research on how senior citizens respond to telemarketing calls; audio and videotapes showing how fraudulent telemarketers actually work; and role-plays to engage the audience. The workshop was presented across Vermont at senior meal sites and housing facilities, assisted care facilities and community care homes, civic groups and service organizations. In the initial 22 months of the project, staff conducted 221 workshops attended by more than 3,700 seniors.

Originally, project staff intended to train a core group of 50 volunteers from AARP and RSVP to maintain the workshop program. In addition, the volunteers would be trained to conduct follow-up visits to workshop locations and actively seek out victims of telemarketing fraud. The volunteer training included strategies for:

- Interviewing and obtaining accurate information from telemarketing victims.
- Screening cases for appropriate referrals to the Vermont Attorney General's Office.
- Making recommendations, based on prescribed case profiles, of those cases that warranted further investigation.
- Using standardized interview forms.

During follow-up visits, volunteers provided senior consumers with educational brochures on telemarketing fraud, but no complaints were made to the volunteers. Although more than 300 volunteers were trained, the

program was only able to maintain a core group of ten active volunteers. The core volunteers have continued to visit their assigned locations, but the project has adapted the volunteer network to be an avenue for information dissemination. Approximately 70 volunteers receive a monthly newsletter alerting them to new scams, announcing training opportunities, and highlighting the efforts of the project.

The Vermont Attorney General's Office also provided training to professionals and paraprofessionals who work with senior citizens, including the Area Agencies on Aging and home-based health care providers, to identify clients who may be victims of telemarketing fraud. The training was expanded to include businesses and organizations that have frequent contact with seniors, such as the Vermont Bankers Security Committee, local colleges, and private courier services. Workshops were held for 12 business and civic clubs, reaching more than 325 members of the business and professional communities. In addition, project staff developed a "Banker's Tool Kit" and a "Credit Union Tool Kit" to give the financial services industry sufficient background on telemarketing fraud. The tool kits enabled tellers and others to recognize the signs of fraud victimization in their customers and to report concerns to the appropriate authorities. More than 100 kits were distributed.

Local public broadcasting entities agreed to air telecommunications fraud information on behalf of the project. In May 2001, the Vermont Attorney General and a representative from the NW3C were interviewed about telemarketing fraud on Vermont Public Radio's "Switchboard" program, a statewide call-in program aired during the evening prime-time hour. In addition, three AARP videos, customized into Public Service Announcements with a personal introductory message from the Vermont Attorney General, were sent to 24 community cable-access television stations throughout Vermont. The response by the cable stations was extremely positive and they ran these videos on several occasions. The project also participated in the Vermont Senior Fraud Panel Series, a consumer education program that was presented in communities throughout the state in 2001. More than 250 senior citizens were reached through the Panel Series, and several panel sessions were videotaped and broadcast on community cable access television.

In May 2001, the project partnered with the NW3C to conduct a reverse boiler room. During a two-hour calling session, 75 volunteers contacted more than 1,600 Vermont residents with a telemarketing fraud recognition and prevention message. Other outreach efforts include television, radio, and newspaper coverage of the project activities. Vermont's efforts have been featured on three network affiliate news programs, two community cable programs, four radio programs, and 14 newspaper articles.

As a result of the consumer education efforts, consumer telemarketing fraud complaints have increased dramatically. Since the project's inception, there have been 413 complaints of telemarketing fraud, compared to 27 complaints received during the 12 months preceding the Vermont AG's Office's grant application.

Enforcement Efforts

Project staff recognized the importance of investigating and prosecuting fraudulent telemarketers as an instrumental step to shutting down operations and preventing further victimization of Vermont citizens. To facilitate prosecution of Canadian-based telemarketers, who are involved in 95 percent of Vermont's open investigations, project staff attempted to establish closer working ties with Canadian law enforcement. The project faced many challenges, however, including a lack of funds to travel and cultural differences in work styles.

After several failed attempts to establish a rapport, the project joined efforts with the Ohio Attorney General's Office. The Ohio Attorney General's Office is a member of the Strategic Partnership, the telemarketing fraud task force in Toronto. Project staff and the Ohio Attorney General's Office visited Project Colt, the telemarketing fraud task force in Montreal comprised of members of the Royal Canadian Mounted Police, the Montreal Police Department, and the Quebec Provincial Police. Since that visit, the Vermont AG's Office, with assistance from the NAAG, has linked Project Colt with investigators and prosecutors in U.S. communities where fraud victims lived. Local investigators interviewed the victims and forwarded reports directly to Project Colt.

In June 2001, the Vermont Attorney General testified before the Senate Permanent Sub-Committee on Investigations concerning the great need on both sides of the U.S.-Canadian border to increase investigative and prosecutorial resources for cross-border fraud. State investigators and prosecutors have been severely curtailed in their ability to investigate and prosecute these crimes because of difficulties in obtaining investigative assistance from Canadian authorities struggling with their own resource issues, and because the MLAT process precipitates lengthy delays.

A significant barrier to more vigorous enforcement efforts for the initial 24 months of the project was the lack of an investigator because local law enforcement was uninterested in investigating these types of cases. In December 2001, the project hired an experienced, part-time criminal investigator, who has developed cooperative relationships with Canadian authorities, improved fraud investigations, and enabled the project to respond to the increased number of complaints. Unfortunately, this investigative effort has not resulted in the filing of criminal charges by the Vermont AG's Office because most of the perpetrators are located outside the United States, primarily in Canada. While the project has achieved some progress in developing stronger ties with Canadian law enforcement authorities, the stronger ties have not resulted in completed investigations. Project staff believes this is because Canadian law enforcement resources are limited and, logically, are applied to cases involving Canadian victims. Thus, investigations have been conducted, but other than the referral of the investigations of a Vermont-based suspect to the U.S. Attorney's Office, these investigations have been "pending" until cooperation is received from Canadian authorities.

CHALLENGES IN IMPLEMENTING PREVENTION AND ENFORCEMENT EFFORTS

Although each demonstration site made substantial progress in its efforts to prevent, investigate, and prosecute telemarketing fraud, many of the sites reported similar obstacles and frustrations. The following sections describe barriers to implementing a successful program and suggestions for surmounting them, based upon the demonstration sites' collective experience.

Program Planning

Before implementing any proposal to combat telemarketing fraud, agencies need to establish realistic goals in light of available resources, including time, funding and personnel. Several demonstration sites found that although their initial proposals contained clear goals and objectives, some of those goals were unattainable.

After establishing goals, agencies need to decide project staffing. Ideally, an initiative would include adequate personnel to implement and monitor every aspect of the plan—a prosecutor to manage the project and provide appropriate legal advice, an investigator to follow up on leads and develop cross-jurisdictional law enforcement relationships, an educator to produce and implement a comprehensive prevention plan, and a volunteer coordinator to ensure that an active pool of volunteers is available to disseminate the prevention message and provide victim assistance. In reality, hiring new personnel or reassigning current employees may not be possible because of budgetary constraints. The demonstration sites found that it is better to keep plans simple and do them well rather than stretch personnel with an overly ambitious program.

Next, a project should assess existing resources. For example, other agencies may have developed educational materials that can be compiled to communicate the prevention message. Another major task can be establishing information dissemination networks. A great deal of time and

energy can be saved by using existing distribution networks, as the North Carolina AG's Office did with its Senior Fraud Alert system and the Georgia OCA did with its consumer education curricula through the University of Georgia Cooperative Extension Service. Ultimately, a project wants to avoid duplicating effort or "reinventing the wheel." An example is the California DOC database, which required a great investment of resources and labor; yet in many ways this was duplicative of two existing databases, FTC's Consumer Sentinel and FBI's Internet Fraud Complaint Center.

Finally, a project will want to consider potential partners and what they bring to the table. Obtaining commitments from these partners up front in a formal arrangement can be helpful in clarifying responsibilities and ensuring commitment of resources. It may be wise to consider one set of partners for prevention and another set of partners for enforcement because investigative information will need to be limited to law enforcement.

Partnership

Partnership is a key aspect of any initiative to address telemarketing fraud. Without the collaboration of public and private agencies, any program is severely limited. Each of the demonstration sites improved cooperation among law enforcement agencies and utilized the community and the media to support the prevention campaigns. Even so, maintaining the commitment of partners can be a difficult task. The changing priorities of agencies that serve the public and the political dynamics of many public offices may not always coincide with the goals and objectives of a project to combat telemarketing fraud. Additionally, coordination of information between partners can be an issue requiring new procedures or protocols, as office policies often prevent information sharing. Addressing how information will be shared in the beginning will promote better investigations and cause fewer frustrations among partners down the road.

The demonstration sites have partnered with a wide variety of agencies and organizations including law enforcement agencies, administrative and

social service agencies, non-profit organizations, educational institutions, and private sector entities. For example, the Georgia OCA's relationship with the University of Georgia resulted in a cost efficient method of distributing its consumer education package. Similarly, the Hillsborough County (FL) State Attorney's Office's partnership with other Florida law enforcement agencies resulted in beneficial exchanges of intelligence and investigative techniques. However, as noted above, it is important to identify the purpose of the partnership so that resources are not spent educating partners who can have no realistic effect in achieving project goals. For example, the Hillsborough County (FL) State Attorney's Office reconsidered including Bay Area Legal Services on its Task Force when no telemarketing fraud civil matters were generated.

A project also should strongly consider involvement of federal agencies. The multi-jurisdictional nature of telemarketing fraud sometimes makes it easier for federal law enforcement agencies to complete investigations initiated by state law enforcement and organizations.

Involvement of private sector organizations is another important consideration. Fraudulent telemarketers often rely upon financial service companies (such as Western Union) or overnight delivery services (such as Federal Express) to unwittingly abet their schemes by transferring the victim's payment to the perpetrator. Victims also will often use their banks to issue cashier's checks for the perpetrator's payments. Educating these entities about the likely signs of telemarketing fraud can assist in both prevention and reporting.

Similarly, education of caregivers, whether employed privately or by adult protective services, can yield dividends in prevention. The North Carolina AG's Office has had tremendous success with its Senior Fraud Alert system, using the North Carolina APS network in getting word out to care providers and other persons having direct contact with potential victims.

Finally, identification of non-profit organizations that can be beneficial partners is important. These organizations provide additional manpower and often have existing information dissemination networks and physical assets (such as meeting facilities) that can be utilized. For example, the

California DOC housed its Operation Tough Call project in a building provided by a senior service center. The North Carolina AG's Office was able to tap into the North Carolina AARP to widen its distribution of Senior Fraud Alerts. Non-profit organizations also can provide the most likely source of trainers for a train-the-trainer approach to communicating the telemarketing fraud message. This is extremely important because some of the demonstration sites have found it difficult to fulfill a busy speaking calendar concurrently with enforcement activities due to manpower limitations.

Prevention Efforts

Almost all of the demonstration sites reported that developing and maintaining an adequate pool of volunteers is an arduous and often frustrating task. While using volunteers to undertake prevention efforts is a worthwhile and cost-effective approach, the development of a volunteer program requires time and effort. One site suggests establishing a volunteer network as early on in the effort as possible.

Development or adaptation of existing educational materials along with a planned distribution method has been a very successful prevention technique. The educational materials allow other groups to spread the prevention message, which leverages the resources of a telemarketing fraud project. The materials also are "self-perpetuating" in that they are always available. Similarly, videotapes, while labor-intensive to produce, can have a long shelf life and be readily available to provide to free distribution networks such as cable access and public broadcasting, as the Vermont AG's Office and Georgia OCA did. Among the materials available are the OCA's consumer education curricula, which have train-the-trainer and direct presentation perspectives for general and law enforcement audiences. The Federal Trade Commission also has consumer education materials. The Oregon Bankers Association has developed educational materials for tellers and other banking personnel to alert them to the threat to consumers posed by telemarketing fraud.

Reverse boiler rooms have been a popular consumer education tactic. However, there is some question whether such efforts really provide the

biggest bang for the buck. Training volunteer callers, arranging for phone lines, and compiling call lists are labor-intensive administrative tasks. In contrast, live presentations at organizational functions means that another organization provides the audience and space for the presentation.

Enforcement Efforts

Many of the sites included mooch lines in their investigative efforts. Unfortunately, all of those sites found it difficult to convince victims or their families to turn over their phone lines. The North Carolina AG's Office overcame this obstacle by placing recording devices on victims' phones. Although mooch lines provide invaluable investigative information, they may not be the most viable approach to gathering intelligence on a telemarketer's *modus operandi*.

Additionally, cross-border and cross-jurisdictional issues have severely hampered the sites' enforcement efforts, particularly in "victim" jurisdictions. "Perpetrator" jurisdictions have had greater success in enforcement efforts, but whether sufficient resources are available for both investigation and prosecution has been an issue. Efforts to coordinate agencies and utilize their different resources also have been a key to successful enforcement. Success has generally occurred when the telemarketing fraud projects have provided direction for the investigation, using other agencies to provide "muscle" or manpower for wiretaps or search warrant execution, or for special resources such as a phone bank. Differences in laws and investigative styles and lack of funding for travel, or restrictions on use of funding, impeded many efforts to establish partnerships and conduct investigations. It may be helpful to tap into national resources to break down jurisdictional barriers, as the Vermont AG's Office did when it utilized the NAAG and the NW3C to establish relationships with Canadian law enforcement.

Another issue has been how to prioritize complaints for investigation. The demonstration sites' consumer education efforts generally have resulted in increased numbers of complaints, but increased reporting has not translated into a greater number of enforcement cases. There are several reasons: (1) larger numbers of complaints have not resulted in addi-

tional investigative and prosecutorial resources; (2) agencies often have tried to investigate fully all complaints, which is impossible given limited manpower; and (3) investigations of perpetrators located outside the United States have, for the most part, stopped at the border because of lack of cooperation from foreign law enforcement agencies and the time-consuming MLAT process. Perpetrators put this time to good use by either disappearing or hiding the operations' assets.

FUTURE TRENDS IN TELEMARKETING FRAUD

Computers rival telephones as a vehicle for scammers to quickly target a large number of victims. Scammers now use the myriad opportunities of an exploding Internet to revitalize old scams to defraud customers. So-called “silver surfers” represent the fastest growing segment of new Internet users. According to a 1999 survey, adults age 50 and older “spend on average 6.3 more days per month on the Internet, stay logged on 235.7 minutes longer and view 178.7 more unique pages per month” than surfers of other ages.²⁸ Scam artists have adapted their techniques to the Internet, and consequently, the number of Internet fraud victims, ages 60 and older, is growing.²⁹ There is no reason to believe these figures will abate. Indeed, the Hillsborough County (FL) State Attorney’s Office reports that fraudulent telemarketers have already begun to use the Internet to further their scams. Educating law enforcement and prosecutors on how to investigate and prosecute telemarketing fraud conducted via the Internet will become a necessity as “spam” telemarketing fraud schemes, whereby potential victims are contacted through unsolicited e-mails, become more prevalent. In addition, training prosecutors and investigators on obtaining electronic evidence and presenting it to juries is becoming critical because fraudulent telemarketers are using computers to support their operations. Georgia OCA reports that boiler rooms use computers to track mooch lists, commissions and sales, and to provide caller scripts.

The other major issues are fraudulent telemarketers’ use of borders and disposable technology such as calling cards, cellular phones, and laptop computers, to avoid identification. Many of these schemes are based in Canada or other countries. The perpetrators close down their schemes and move on before U.S. authorities are able to identify them because of the inherent delays in using the MLAT process and the resource problems of Canadian and other foreign law enforcement agencies.

²⁸ CyberAtlas (July 6, 2000). “Baby Boomers and Seniors Fastest Growing Web Groups.” http://www.cyberatlas.internet.com/big_picture/demographics/article/0,1323,5901_334031,00.html.

²⁹ *Ibid.* <http://www.fraud.org/internet/lt00stat.htm>.

TELEMARKETING FRAUD PREVENTION AND PROSECUTION

Perpetrators also are increasingly utilizing disposable technology to avoid identification. Both tactics pose immense barriers to successful investigation and prosecution.

THE BJA PROGRAM & THE GRANT PARTNERS

Bureau of Justice Assistance Program

In October 1997, the U.S. Department of Justice, Bureau of Justice Assistance, awarded grants to the American Prosecutors Research Institute, the National Association of Attorneys General, and the National White Collar Crime Center to jointly address the immense challenges telemarketing fraud cases present to state and local law enforcement. AARP joined the collaboration as a non-funded partner. Together these agencies pursued the following objectives: (1) to raise the awareness of telemarketing fraud within the state and local law enforcement and prosecutorial communities through training to enhance their ability to investigate and prosecute telemarketing fraud; (2) to assess the needs of states and local communities to prevent and combat telemarketing fraud; (3) to identify how state and local law enforcement could best leverage their respective resources; and (4) to educate consumers to prevent them from becoming victims of telemarketing fraud. In a collaborative effort, the grant partners developed a training curriculum for investigators, prosecutors and victim advocates; conducted trainings throughout the country; and evaluated a cross-section of jurisdictions blighted by telemarketing fraud.

American Prosecutors Research Institute

APRI is the non-profit research, training, and technical assistance affiliate of the National District Attorneys Association (NDAA). APRI is committed to providing interdisciplinary responses to the complex problems of criminal justice. APRI provides vital information and consultation services to prosecutors nationwide through training courses, networks of experts and prosecutors, and original publications. APRI's White Collar Crime Program assists local prosecutors in their efforts to prevent and prosecute white collar crimes, including crimes involving schemes to defraud older people.

Under BJA's telemarketing fraud initiative, APRI's efforts have focused upon educating prosecutors with the substantive knowledge necessary to

prosecute these crimes. Since 1998, APRI and its grant partners have sponsored twenty telemarketing fraud trainings around the country, reaching more than 1,000 state and local prosecutors. APRI also has held telemarketing fraud trial advocacy training for local prosecutors under the auspices of the NDAA at the National Advocacy Center in Columbia, SC. In November 2002, to capture the experience of local prosecutors in investigating and prosecuting telemarketing fraud, APRI hosted a National Symposium on Telecommunications Fraud and Financial Exploitation of the Elderly. In addition, APRI and AARP, with contributions from the other grant partners, published a reference manual, *Telemarketing Fraud: Investigation, Prosecution & Prevention*, and distributed it to 2,700 local prosecutors' offices.

APRI's other major effort has been to gather and analyze data from the five telemarketing fraud demonstration sites selected by BJA. APRI, along with the other grant partners, visited the demonstration sites in March–April 2000, and again in February–May 2002, to obtain baseline data for assessing the sites' telemarketing fraud efforts. In April 2001, APRI conducted additional research through questionnaires and follow-up telephone interviews to document the progress of the demonstration sites' telemarketing fraud prevention and prosecution efforts.

National Association of Attorneys General

Founded in 1907, NAAG comprises the Attorneys General and chief legal officers of this country's states, territories, commonwealths, and the District of Columbia. NAAG is dedicated primarily to promoting cooperation, coordination, and communication among its members and their staffs. NAAG has played an integral role in the organization and provision of joint telemarketing fraud enforcement training with its grant partners and has provided telemarketing trial advocacy training to hundreds of Attorney General office-based attorneys.

To encourage cooperative and coordinated state responses to telemarketing fraud, NAAG developed and administers a list serve that enables its members (at least one contact in each state) to communicate confidentially about ongoing investigations, prosecutions, and trends. NAAG also

serves as Chair of the Steering Committee of the National Tape Library and as a member of the United States delegation to the United States - Canada Working Group, which addresses, *inter alia*, cross-border telemarketing fraud. NAAG also publishes a bi-monthly *Telemarketing Fraud Bulletin*, which chronicles the telemarketing enforcement, prevention, and legislative efforts of state, local, and federal enforcers and is provided, free of charge, to its members as well as to every state and local attendee at grant-funded trainings.

In the prevention arena, NAAG joined with AARP to host “Victim’s Voices - A Forum on Fraud.” In addition, NAAG collaborated with the U.S. Department of Justice, the Federal Trade Commission, the U.S. Postal Inspection Service, and AARP in “Project kNOw Fraud,” during which more than 120 million anti-telemarketing fraud postcards were sent to U.S. households, and National Consumer Protection Week, a nationwide consumer education and law enforcement effort with the theme “Armchair Armor - Shopping Safely From Home,” including telemarketing fraud.

National White Collar Crime Center

NW3C provides a national support network for law enforcement agencies, regulatory bodies, state and local prosecutors’ offices, and other organizations involved in the prevention, investigation, and prosecution of high-tech and economic crime. The actions and projects of the NW3C are guided by its members’ support and resource needs. In addition, the NW3C serves as an effective gateway to federal, state, and local agencies, and some private-sector agencies.

One NW3C project has been participation in the BJA-sponsored national telemarketing fraud initiative. In conjunction with the grant partners, the NW3C played an active role in the development and delivery of eight regional training events. Other activities include the ongoing provision of technical assistance to the BJA-funded telemarketing fraud demonstration sites; convening a telemarketing roundtable attended by representatives from public and private industry; hosting a showcase event at the 2001 Economic Crime Summit for representatives of the demonstration proj-

ects; co-sponsorship with the Vermont Office of the Attorney General of a reverse boiler room; and sponsorship of law enforcement personnel from the demonstration projects to attend a special session of the NW3C's Financial Investigations Practical Skills (FIPS) training program.

The NW3C is currently developing a new training program—Telemarketing Fraud Advanced Skills Team (TFAST) training. The mission of this training is to provide a scalable cross-disciplinary team model for the criminal justice system by providing tools for utilizing public and private resources and community partnerships. The research section of the NW3C is examining two programs targeting telemarketing fraud aimed at older people—the Vermont Attorney General's Office and the Phoenix Elder Fraud Prevention Team—to determine the programs' implementation processes, community impact, and criminal justice impact.

American Association of Retired Persons

AARP is a nonprofit, nonpartisan membership organization for people age 50 and over. In 1995, AARP responded to the specific targeting of older persons by fraudulent telemarketers, and the often-brutal destruction of victims' lives and finances, with an initiative to combat telemarketing fraud. Combining education, communication and legislative and judicial advocacy in dozens of states, AARP worked to expose the criminal aspect of telemarketing fraud to potential victims, strengthen legal protections and encourage the growth of shared fraud prevention efforts among consumer, aging and law enforcement agencies.

Since 1998, the AARP Foundation has worked with the grant partners to develop a curriculum and training for telemarketing fraud prevention and to train members of state and local law enforcement bodies and the community volunteers who support local activities. Additionally, AARP has offered technical assistance to the five grant demonstration sites, providing materials, support for volunteer development and help with local projects such as reverse boiler rooms. In 2001, AARP began research projects to examine known victims' current thinking and behavior, obtained through interviews, and reveal new strategies for public education and intervention that are proven to help victims avoid involvement in fraud.

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TELEMARKETING FRAUD RESOURCES APPENDIX I

AARP

AARP is the nation's largest organization of mid-life and older persons, and is dedicated to enriching the experience of aging for all Americans.

601 E Street, NW
Washington, DC 20049
(800) 424-3410
(202) 434-2277
www.aarp.org

Administration on Aging

330 Independence Avenue, SW
Washington, DC 20201
(800) 677-1116
www.aoa.dhhs.gov

American Prosecutors Research Institute (APRI)

APRI is a nonprofit research, program development, and technical assistance resource for prosecutors. Telemarketing fraud training is one of many subject areas in which APRI is involved.

99 Canal Center Plaza
Suite 510
Alexandria, VA 22314
(703) 549-4253
www.ndaa-apri.org

Better Business Bureaus (BBB)

The BBB operates to promote ethical relationships between businesses and the public through self-regulation and consumer and business education.

Council of Better Business Bureaus, Inc.

4200 Wilson Boulevard, Suite 800
Arlington, VA 22203-1804
(703) 276-0100
www.bbb.org

Commodity Futures Trading Commission (CFTC)

The CFTC regulates commodity futures and option markets in the United States. It protects market participants against abusive trade practices and fraud.

Three Lafayette Centre, Suite 4100
1155 Twenty-first Street, NW
Washington, D.C. 20581
(202) 727-2421
www.cftc.gov

Consumer Information Center (CIC)

The CIC provides federal consumer publications to interested people.

Pueblo, CO 81009
(719) 948-4000
www.pueblo.gsa.gov

Federal Communications Commission

1919 M Street, NW, Room 254
Washington, DC 20554
(202) 418-0200
www.fcc.gov

Federal Trade Commission (FTC)

600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(202) 326-2222
www.ftc.gov/ftc/who.htm

Consumer Sentinel Helpline-FTC

(202)326-2913
E-mail: sentinel@ftc.gov

Consumer Response Center- FTC

202-FTC-HELP
www.ftc.gov

National Association of Attorneys General (NAAG)

NAAG provides training on telemarketing fraud issues to its members as well as to state and local prosecutors. In addition, NAAG's Telemarketing Fraud Task Force promotes interstate cooperation by keeping its members informed about the telemarketing fraud enforcement activities in other jurisdictions.

750 First Street, N.E.
Suite 1100
Washington, DC 20002
(202) 326-6000
www.naag.org

National Center for Victims of Crime (NCVC)

The NCVC is a nonprofit organization dedicated to the service of victims of crime. Their focus is on serving individuals and communities to provide services and training as well as advocate new laws.

2000 M Street, NW, Suite 480
Washington, D.C. 20036
(202) 467-8700
www.ncvc.org

National Consumers League (NCL)

The mission of the NCL, the nation's oldest consumer organization, is to identify, protect, represent and advance the economic and social interest of consumers and workers.

1701 K Street, NW, Suite 1201
Washington, D.C. 20006
(202) 835-3323
www.natconsumersleague.org

National Fraud Information Center (NFIC)

The NFIC supports the only nationwide toll-free hotline for consumers to obtain advice concerning telephone solicitations and report possible telemarketing fraud.

P.O. Box 65868
Washington, D.C. 20035
(800) 876-7060
www.fraud.org

National Crime Prevention Council (NCPC)

The NCPC, most recognized through mascot McGruff the Crime Dog, is a nonprofit organization dedicated to preventing crime and building safer communities.

1700 K Street, NW, Suite 1200
Second Floor
Washington, D.C. 20006-3817
(202) 466-6272
www.ncpc.org

National Institute for Consumer Education (NICE)

The mission of NICE is to empower people to become informed consumers through workshops, seminars and educational materials. The target audience of NICE is made up of schoolteachers, educators, government officials, and the media.

Eastern Michigan University
207 Rackham Building
Ypsilanti, MI 48197
(734) 487-2292
www.emich.edu/public/coe/nice/nice.html

National Sheriffs' Association (NSA)/TRIAD

The NSA is a nonprofit organization that facilitates the networking and sharing of information of various law enforcement projects. The NSA also provides assistance to jurisdictions that wish to start TRIAD programs.

TRIAD is a national community policing strategy that allows law enforcement to work closely with senior volunteer groups to reduce crime against the elderly. TRIAD programs are implemented and developed at the local level by councils called SALT (Senior and Law Enforcement Together).

1450 Duke Street
Alexandria, VA 22314-3490
(703) 836-7827
www.sheriffs.org

North American Securities Administrators Association (NASAA)

The NASAA is the oldest international organization devoted to investor protection. The organization helps protect consumers against securities fraud.

10 G Street, NE, Suite 710
Washington, D.C. 20002
(202) 737-0900
www.nasaa.org

**Office for Victims of Crime
U.S. Department of Justice**

810 Seventh Street, NW
Washington, DC 20531
(202) 307-5983
www.ojp.usdoj.gov/ovc

National White Collar Crime Center

The NW3C provides investigative support such as financial bank record transaction analyses and funding. In addition, the Center has case funding money available for witness travel expenses.

7401 Beaufont Springs Drive
Suite 300
Richmond, VA 23225
(800) 221-4424
www.nw3c.org

Police Executive Research Forum (PERF)

PERF is a national organization of progressive police executives from local and state law enforcement agencies that is dedicated to improving policing through public policy debate.

1120 Connecticut Avenue, NW, Suite 930
Washington, D.C. 20036
(202) 466-7820
www.policeforum.org

National Tape Library (NTL)

The NTL is a site in San Diego where copies of tape recordings of fraudulent telemarketing sales calls are maintained. Prosecutors can use the NTL to find out whether an individual they are prosecuting has been tape-recorded defrauding a victim.
(619) 285-4200

U.S. Department of Justice

Fraud Section, Criminal Division
Washington, DC 20530
(202) 514-2008
Criminal.Division@usdoj.gov

United States Postal Inspection Service

Mail Fraud Division
222 South Riverside Plaza
Suite 1250
Chicago, IL 60606
(312) 765-4500
www.usps.gov/websites/depart/inspect

The USPS can be contacted through their local offices nationwide. To find the local office nearest to your jurisdiction, refer to
www.usps.gov/ncsc/locators/find-is.html

United States Securities and Exchange Commission

450 Fifth Street, NW
Washington, DC 20549
(202) 942-7040
www.sec.gov

CANADA-British Columbia

Director of Trade Practices

Ministry of Attorney General
Consumer Services Division
5th Floor, 1019 Wharf Street
Post Office Box 9297
Provincial Government
V8W 9J8
(250) 387-9112
Fax: (250) 953-3533

FBI Legal Attache

U.S. Embassy
Ottawa, Ontario
K1P 5T1
(613) 238-1253
Fax: (613) 4208

Pacific Northwest Telemarketing Initiative

Project Emptor- Inspector Bill Ard
(604) 543-4935

TELEMARKETING FRAUD PREVENTION AND PROSECUTION

Phonebusters—Ontario Provincial Police

Box 686
North Bay, Ontario
P1B 8J8
(888) 495-8501
Fax: (705) 494-3618

Project Colt

4225 Dorchester
Westmount, Quebec, Canada
H3Z 1V5
(514) 939-8304
Fax: (514) 939-8628

R.C.M.P. National Headquarters

Economic Crime Branch
1200 Vanier Parkway, Room H-548
Ottawa, Ontario
K1A 0R2
(613) 991-4331
Fax: (613) 993-4299

RCMP Commercial Crime Section —British Columbia

12992 76th Avenue
Surrey, British Columbia
V3W 2V6
(604) 543-4987
Fax: (604) 543-4997

RCMP Commercial Crime Section —Ontario

275 High Point Drive
Milton, Ontario
L9T 5E8
(905) 876-9657
Fax: (905) 876-9757

Toronto Police Service

40 College Street
Toronto, Ontario
(416) 808-7324
Fax: (416) 808-7302
Email: fraudsquad@torontopolice.on.ca

GLOSSARY OF TERMS

APPENDIX II

Essential to the prevention of telemarketing fraud is an understanding of the terminology used. What follows is a list of many of the phrases and terminology utilized by fraudulent telemarketers in conducting their trade.

Ad Specs - Advertising Specialties; promotional type items, including pens, keychains, magnetic business cards, baseball caps, etc. mainly sold to small business customers.

Automatic Dialer - A lead generating system that uses a computerized machine to randomly telephone potential customers and broadcast a pre-recorded “speed pitch” which gives a brief explanation of the promotion and invites customers to call the telemarketer.

Back End - The actual shipping of the product being offered by the telemarketer. For a boiler room (see below) to ship its product to the customer in a timely fashion, it must be able to “fulfill the back end” of the sale.

Boiler room - A telemarketing phone room. The term is used to describe the physical and emotional atmosphere of a typical telemarketing phone room. Most of these rooms are sparsely furnished with groups of desks and telephones and are characterized by a high-pitched level of excitement generated by the sales reps.

Breakage Certificate (Cert) - Travel certificates offered as prizes or bonuses by telemarketers designed with the intent that the majority of customers who receive them will never utilize the travel or vacation. These certificates often contain so many restrictions and qualifications that most customers find them too prohibitive to use. Since most suppliers of “breakage certs” realize that a limited percentage of customers will ever actually travel, they are able to sell the certificates to telemarketers at very low prices, generally \$2.00—\$50.00 apiece.

Business Opportunity/Franchise Scams - Attempts to sell businesses or franchises to entrepreneurs. Projected income figures are usually grossly exaggerated.

Button Up - Similar to a closer (see below), this term normally refers to a floor manager who finalizes a sale on behalf of the sales rep. During the “button up,” the manager may also “verify” the information which the sales rep presented to the customer.

Catalog Rebuttal - Many telemarketers will instruct customers to mail in a photograph of themselves with their award or bonus. Customers are told that this photograph will appear in a future promotional catalog to be published by the company. This rebuttal tends to lend legitimacy to the promotion even though the catalog is never actually published.

Chargebacks - A customer’s cancellation of an original purchase that was made utilizing a credit card. The customer subsequently receives a refund on his/her credit card and the telemarketer’s merchant account is charged with an offsetting chargeback for the amount of the sale.

Charity Room - Telefunding where a small portion of the funds raised—usually less than 10%—goes to the charity on behalf of which the sale was made.

Check Debit - Sight Draft System; a method of payment that allows the telemarketer is able to receive funds directly from the customer’s checking account via electronic transfer. This eliminates the drafting of a check as well as the float period for the check to clear.

Closer - A telemarketing sales rep who specializes in finalizing or “closing” the sale to a customer. “Closers” are usually experienced telemarketers who take the sale from the “fronter” and generally command a higher commission per sale.

Closing Rate - The actual percentage of customers who purchase the product out of all those who are contacted. Typical closing rates fall between 3%—10% based on the experience of the sales reps and the sales tactics used.

Cold Calling - Unsolicited outgoing telephone calls to potential customers. Potential customers' names and telephone numbers are usually purchased by boiler room owners in the form of "lead lists."

Control Number - Claim number, activator number; the number listed on a mailer or promotional card sent out to prospective customers. Sales reps use this number to verify that the customers have been preselected to receive an award or bonus. Most telemarketers represent that this is a unique customer number which has been registered in their computer system, when in fact the number acts merely as a state or mail batch identifier.

Cramming - The practice of billing consumers for telephone services that they never ordered.

Customer Service - A separate division in most telemarketing companies whose sole responsibility is to handle customer complaints.

Dropping Mail - The process of mailing large volumes of promotional materials (award notification letters or cards) enticing potential customers to call in to the boiler room. This practice is used as part of an "inbound" system and mail is usually "dropped" several times per week by the telemarketer.

Dupes - Persons recognized by the telemarketing industry as being the easiest to persuade to part with their money, based on a number of factors, including age and prior entries into sweepstakes and contests.

Employment Scheme - A scheme that preys on persons desperate for work. They advertise that they can arrange to obtain jobs for prospective clients for an up-front fee.

Fronter – Generally, an inexperienced sales rep who handles the first portion of a customer sale. The “fronter” will obtain basic customer background information and provide the customer with an outline of the promotion before turning the telephone over to a “closer” to finalize the deal.

Gimme Gift – The award or bonus that all customers receive. Even though sales reps advise customers that they may receive one of several valuable prizes, every customer actually receives the same “gimme gift,” usually a prize of very low value. Typical “gimme gifts” include a travel certificate or a piece of cheap jewelry.

Hard Gift – An extra or throw-in gift given in addition to the “gimme gift” in order to entice the customer to make a purchase. Like the “gimme gift,” it usually has a very low cost, although it is represented to be quite valuable. Typical “hard gifts” include a diamond pendant or designer watch.

Inbound System – Boiler rooms which receive incoming customer calls, through the use of mailers, newspaper advertising or automatic dialing systems.

In the Ether – When a sales rep is able to excite a customer about the awards and bonuses he/she may have won, that customer is said to be “in the ether.” Sales reps will then bring the customer “out of the ether” by explaining the terms and conditions under which these awards or bonuses may be obtained.

Laydown – An easy sale. A customer who is so excited about the promotion that he or she becomes an easy target for the sales rep.

Lead Costs – The costs associated with obtaining and contacting new customers. These costs include lead lists, telephone bills, advertising expenses, postage and the costs associated with distributing a mailer.

Lead List – A list of potential customers which a telemarketer purchases from a lead specialist. This list of names and telephone numbers repre-

sents potential customers who are most likely to be interested in the promotion, based on past buying tendencies, income bracket, etc. Lead lists are often sold at a cost of between \$3.00 and \$5.00 per name (based on 1998 information).

Lottery Schemes - Victims are told they are entered into a fool-proof method to win state or foreign lotteries. Sales of foreign lotteries are inherently illegal. The scammers generally purchase few, if any, lottery tickets, and overhead and commission costs take up a large portion of the funds.

Mail Drop - A commercial mail receiving agency in which individuals or businesses lease post office boxes in order to receive mail and other deliveries.

Mailer - The actual letter, card, or award notification that the telemarketer mails to potential customers in order to entice them to call in for more information. Mail is “dropped” by most boiler rooms that utilize an “inbound” system.

Merchant Account - A VISA and/or MasterCard operating account utilized by telemarketers so that customers can charge purchases on their own credit card. A merchant account is actually a clearing account which the telemarketer maintains at a bank. Customer charges are credited to the account and funds are subsequently transferred to a separate corporate bank account, usually the next day. In general, telemarketers have an extremely difficult time obtaining merchant accounts due to the high volume of chargebacks and the nature of the industry.

Misrepresentations - Untrue or exaggerated statements made by a sales rep in order to entice a potential customer to buy. Misreps may include false statements concerning award, bonus or product values, product or award quality, facts concerning the telemarketing company, odds of winning a specific award, etc.

Mooch - A sucker (see below). A term used by telemarketers to describe a naïve customer who is easily influenced and manipulated by the sales rep when closing a sale.

Mystery Pitch - A salesperson solicits money by convincing victims that they have been selected to receive a valuable prize, but the salesperson is prohibited “by law” from disclosing the prize. No such law exists.

No Sale Room - A separate phone room used by some telemarketers to re-contact potential customers who refused to initially make a purchase. These “no sale” reps will usually feign a lack of understanding as to why the customer did not initially choose to take advantage of the promotion.

Omissions - Significant facts relating to a telemarketing promotion which the sales rep elects not to tell the customer. Omissions may include hidden costs or restrictions relating to the promotion of which the customer is not fully aware.

One in Four (Five) - A common promotion used by telemarketers where potential customers are notified that they are guaranteed to receive one of the four or five listed awards currently being given away. These awards are usually listed in order of descending value and often include an automobile, cashier’s check, vacation package, jewelry, etc. Variations on this theme include a “two in six” or allowing the customer to delete one of the prizes from those listed.

Outbound System - Unsolicited customer contacts generated exclusively through “cold calling.” Telemarketers purchase “lead lists” and sales reps call these leads without invitation. Opposite of an inbound system and generally a more difficult sale.

Pre-Qualification - Qualifying customers in advance of the lead or sale, in other words, verifying that the potential customer can afford the promotion and has ready access to funds before spending a considerable amount of time trying to make the sale.

Prize Room - A company whose pitch is to convince victims that they have won a valuable prize but first must send a fee or purchase some product to qualify for the prize.

Product Room - A company whose pitch offers to sell a product (jewelry, travel, or provide a service such as time share resales). The product is inevitably never delivered, has substantial added costs or is in fact worth far less than stated in the telemarketing pitch.

Promotion - The total package being offered to the customer, which usually includes a product, bonus or award and any other incentives used to help close the sale. This package is usually referred to as a promotion, a limited offering, contest or lottery being provided to “select” consumers.

Rebuttal - Standard responses used by sales reps to overcome typical consumer objections. “Rebuttals” are often preprinted and readily available to the sales rep in order to help overcome customer hesitancy to purchase.

Recovery Room - Boiler room in which callers tell victim(s) they can obtain refunds from companies that previously defrauded victim(s). An up-front fee is paid for this service.

Reload (Load) - An attempt to resell to a customer who has already purchased from a telemarketing company in the past. Customers who have made a purchase in a previous promotion are often re-contacted and promised the chance of winning more valuable awards in exchange for a subsequent purchase. Customers can be “reloaded” five, six or more times, each time being promised grander awards with greater chances of winning.

Reload (Load) List - A lead list of customers who have previously made purchases in one or more telemarketing promotions. Telemarketers may keep these leads for themselves or sell them to other boiler rooms.

Rip and Tear - Operations that collect as much money as possible in a short period of time and relocate before they are identified. Frequently, they use aliases and rent mail boxes, known as “mail drops,” to help avoid detection.

Sales Pitch - The actual printed document used by sales reps to help convey the nature of the promotion. This “pitch” lists all the key selling points which management deems necessary to complete the sale. With experience, sales reps tend to develop their own unique pitch or selling style which works best for them.

Seed Pitch - The actual pitch used by an automatic dialing system when generating leads. The “seed pitch” is replayed continuously over the telephone in an attempt to solicit potential customers.

Sight Draft (Check Debit) - A method of payment whereby the telemarketer is able to receive funds directly from the customer’s checking account via electronic transfer. This eliminates actually drafting a check as well as the float period for the instrument to clear.

Spiff - An incentive bonus given by a telemarketing owner or manager to a sales rep for exceptional or sustained performance. “Spiffs” are usually given out in the form of cash bonuses once a sales rep has surpassed a predetermined goal or level.

Straight Travel Certificate (Cert) - A telemarketing promotion whereby the company offers the customer a travel certificate of one kind or another as the only award or bonus instead of “one of four.” Sometimes this travel cert may also be supplemented with a “hard gift.”

Stroke - A customer who has no intention of making a purchase but strings the sales rep along as if they are interested in the promotion. Customers who have previously been unsatisfied in dealings with telemarketers will sometimes “stroke” the sales rep as a form of revenge.

Takeover (TO) - Similar to a “button up” and a “closer,” one sales rep may “takeover” for another to try and close the sale. A sales rep may ask

for a “TO” to put a fresh voice on the phone who can try a different tack to sell the customer.

Travel Certificate (Cert) - A certificate which, upon completion, entitles the holder to receive a vacation package to a specific destination. The vacation package may include accommodations only, one way or round trip airfare for one or two people, or a combination of these with additional attractions or discount coupons. Most telemarketers are able to obtain travel certificates for between \$2.00 and \$50.00 apiece. They are often used as the “gimme gift” in a “one in four” promotion.

Verification - Confirmation of a customer order. After the sale is made, most telemarketers will recontact the customer and confirm the information provided by the sales rep and verify that the customer has made his/her payment in the prescribed manner. Verifications are normally handled by a manager or verifying specialist.

Verification Rate - The percentage of customers who continue with the purchase upon verification. Depending on the product, promotion and the experience of the verifier, telemarketing verification rates may vary between 60% and 95%.

X-Class Certificate - A high-priced travel certificate offered by numerous telemarketers. Airlines offer various classes of airfare, including Y-class, which is generally the most expensive. As a bonus or “gimme gift,” telemarketers often will give customers one free airfare with a second available only at the Y-class rate.



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