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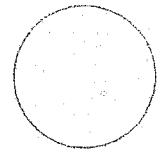
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Topics in Crime Prevention

*... a series of timely reports
to meet the needs of people
working to build safer
communities ...*

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National Crime
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ACQUISITIONS

MAR 18 1993

NCJRS

Let's Drive Con Artists Out of Business

Introduction

Wouldn't you like eternal youth, a new roof at rock-bottom prices, a vacation to Hawaii, a sweepstakes prize worth millions?

Con artists have always exploited all-too-human hopes and desires to "get something for nothing" through such classic scams as the pigeon drop, the bank examiner, and pyramid investment schemes.

Today, con artists use telecommunications and computer technologies to prey on victims who are often thousands of miles from the criminal's home base. Almost everyone's mail contains at least one offer of a contest prize, miracle cure, or fabulous investment opportunity. Fraudulent telemarketers have approached nine of ten Americans, according to a recent Louis Harris Survey conducted for the National Consumers League (NCL).

The same survey found that two out of three Americans did *not* know where to go for help when they suspected a telemarketing scam. And law enforcement officers will confirm that fraud of all types is vastly underreported, largely because victims are embarrassed to admit that someone they trusted made them look foolish.

This Report . . .

This report speaks to crime prevention practitioners, law enforcement, district attorneys, consumer and other advocacy organizations, businesses, and others concerned with educating the public about con games and providing a way to handle grievances. It explores current trends, surveys common frauds, discusses

federal, state, and local prevention efforts, and identifies resources that provide printed materials, technical assistance, and other information. Program profiles illustrate prevention strategies and the importance of community partnerships, particularly with the media and businesses.

The report is not an exhaustive treatise on consumer frauds—the diversity is astounding, and scams show distinct local and regional patterns—but it can direct you to organizations that track current trends and focus on both prevention and apprehension.

It's not easy to say no to a con artist—they're extremely persuasive, aggressive, and intelligent, and they exploit the credibility of newspapers, television stations, and the U.S. mails.

The Costs of Fraud

The financial impact of fraud is unknown, although the Alliance Against Fraud in Telemarketing (AAFT) estimates that telemarketing fraud alone is an illegal \$15 billion business. Detective Dennis Marlock of the Milwaukee Police Department believes that victims lose more money through con games than through burglary or robbery. "And it's just as devastating for a victim to lose \$1,000 in a scam as in a burglary," stresses Marlock. As

con artists become increasingly sophisticated, consumers have more difficulty telling legitimate promotions from scams. This hurts legitimate businesses—reputable direct mail marketers, financial institutions, investment brokers, charities, and repair shops, for example.

In addition to their economic costs, con games pose a more subtle threat to society because they feed on greed and violate trust. Prevention deserves priority on the criminal justice policy agenda.

A Unique Victim-Offender Relationship

An individual unwittingly chooses to become a victim of a con game—he or she calls a 900 number in response to a postcard or television ad, hands over money to a complete stranger, or volunteers a credit card or phone card number. It's not easy to say no to a con artist—they're extremely persuasive, aggressive, and intelligent, and they exploit the credibility of newspapers, television stations, and the U.S. mails. And people tend to think that con games happen to someone else, that they're too smart to fall for a scam.

This unique victim-offender relationship provides a valuable opportunity for the crime prevention community. Raising public awareness and educating consumers on how to distinguish fraudulent schemes from legitimate businesses, charities, and promotions can substantially reduce the risk of victimization. Equally important, victims of con games should not be blamed for being dumb or gullible, but be persuaded to report to both law enforcement and consumer groups.

“The clever thief won't use a gun to rob you blind. His weapons are subtle and far more dangerous . . . a winning smile, a sharp appearance, a glib tongue . . . and enough inside information about your business to make you virtually defenseless. I know. That's how I stole \$2.5 million in just five years.”

Frank W. Abagnale, Jr., author of
Catch Me If You Can, 1982

Cons for the '90s

The Hit Parade

Scams involving advanced loan fees, telemarketing sales, home improvements, auto repairs, and employment services were named the worst consumer ripoffs in a recent survey conducted by the National Association of Consumer Agency Administrators (NACAA) and the Consumer Federation of America (CFA). "Con artists prey on the vulnerable, especially victims of economic recession," says Stephen Brobeck, CFA's executive director. "At a time when most consumers have little or no discretionary income, they are defrauded each year of billions of dollars." For example:

- ≡ Loan brokers collect fees from consumers, knowing that they cannot find them mortgages or other loans as promised.
- ≡ Employment services sell lists of non-existent prospective employers or run a classified ad referring people to a 900 number that gives recorded

messages about job opportunities or employment agencies. Or the 900 number produces a live contact who agrees to help the victim find a job for an advance fee.

- ≡ The top telemarketing scams in 1991, according to the Alliance Against Fraud in Telemarketing, included guaranteed prize offers that a potential winner must call a 900 number to verify, other 900-number promotions, bogus investments in precious metals, direct debit scams which tap into people's checking accounts, fake Persian Gulf War souvenirs, credit cards for people rejected by reputable banks, and investments in rare coins and stamps guaranteed to yield fabulous profits.

Fraudulent telemarketers have approached nine of ten Americans, according to a recent Louis Harris Survey conducted for the National Consumers League (NCL).

- ≡ Home improvement "contractors" inspect a home for no fee and then overcharge for unnecessary repairs, or offer to do work (e.g., driveway sealing or roof repairs) with materials left over from another job. "Contractors" use inferior materials or take a deposit and never return.

- ≡ Hurt by tough economic times, some auto repair shops charge a fee to inspect a car just to find things to fix, imply that their recommended frequent service intervals are the same as those recommended by the manufacturer, and falsify labor rates.

Changing With the Times

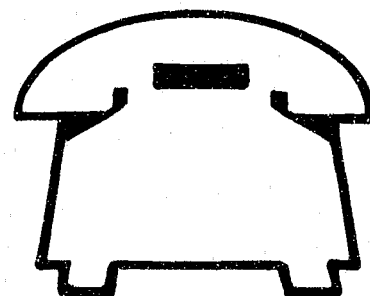
Con artists move with the times, putting new twists on their scams. One scheme tries to overcome consumer skepticism about postcards or phone calls that promise big prizes. Scam artists posing as a recovery service contact consumers swindled once by bogus prize offers and offer a second chance to win, or better prizes.

In an ironic twist, some firms offer to remove consumers' names from direct marketing and telemarketing lists. People can call a 900 telephone number (paying a per minute fee) or use a toll-free 800 number and charge the service to a credit card. What's the scam? You can have your name removed free of charge by contacting the Direct Marketing Association (DMA).

A ghoulish scam promises big bucks through investments in life insurance policies of people who have AIDS. New cons are exploiting businesses' uncertainties about complying with the Americans with Disabilities Act of 1990 (ADA), such as costly modifications to buildings that are actually not required, fake certification inspections, and posters which the seller falsely claims must be displayed under ADA regulations.

A Primer on Con Games: Facts, Examples, and Resources

For an annotated directory of all organizations involved in combating fraud, with acronyms, addresses, and phone numbers, see page 16.



Telemarketing and Phone Fraud

Everyone who has a phone presents a target to con artists whose preferred method of operation is the telephone. As telemarketing has grown in recent years (it's now a \$450 billion industry), so has telemarketing fraud. Telemarketing swindles overflow into other fraud scenarios: criminals use the phone in investment and medical frauds, or place newspaper and television ads, or mail postcards that persuade consumers to pick up the phone and dial-a-scam.

John Barker, spokesman for the Alliance Against Fraud in Telemarketing (an anti-fraud coalition

coordinated by the National Consumers League), says that his organization is moving away from using "telemarketing" and prefers to use "phone-related fraud," or simply "consumer fraud". "The era of the cold call seems to be on the wane," adds Barker. "There's so much consumer skepticism about the telemarketing industry that people are turning down legitimate charities and refusing to answer genuine surveys."

The popular image of "boiler-room" operations that move from state to state may blind prevention professionals and consumers alike to today's realities. According to the Louis Harris Survey, potential victims of phone scams are much more likely to initiate the call on the basis of a newspaper ad, a television spot, or mailing.

“Suppose everybody cared enough, everybody shared enough, wouldn't everybody have enough? There is enough in the world for everyone's need, but not enough for everyone's greed.”

Frank Buchman, religious leader, 1947

Some common phone-related scams include:

- ≡ Callers offer contest prizes or fabulous vacation package deals, but the victim must provide credit card information to win or qualify.

- ≡ Pay-per-call telephone numbers, known as 900 numbers, offer contest prizes, bogus products, or suspect services such as repairing a poor credit rating. Unsuspecting customers find charges from \$2 to \$50 and more on their monthly telephone bills. Scam victims are often led to 900 numbers by toll-free 800 numbers or mailings. Abuse has been such a problem for legitimate 900 services that the Federal Communications Commission (FCC) now requires recordings on 900 numbers that charge more than \$2 to give the company's name, the information that will be provided and the cost, and allow the caller to hang up before being charged for the call. FCC rules also mandate that messages aimed at children tell them to obtain permission from their parents.

- ≡ Con artists "steal" phone card numbers, often posing as a telephone company investiga-

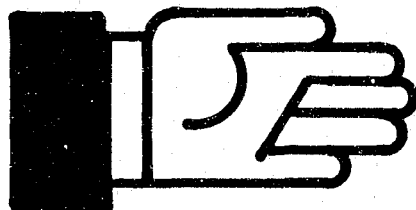
tor (checking a system failure) or law enforcement officer (with an emergency collect call about a family member that must be charged to a long distance carrier credit card) or government official (investigating for the FCC). The Communications Fraud Control Association (CFCA) warns businesses, universities, hospitals, and other organizations that provide calling cards to their employees to alert them to the tactics of "social engineers" who often target them. The loss to individuals, corporations, and telecommunications companies due to such "social engineering" has been conservatively estimated to be in excess of \$250 million a year. Everyone should be wary of "shoulder surfers"—people who hang out in airports and train stations using their eyes and ears to steal phone card numbers from careless travelers rushing to make phone calls.

Consumers can call a new toll-free helpline, 800-876-7060, to report frauds and locate local resources. The National Consumers League developed and operates the helpline, with funding from Citicorp, MasterCard, MCI Communications Corp., and VISA USA. All information reported to the helpline is forwarded to a telemarketing fraud database maintained by the Federal Trade Commission's Bureau of Consumer Protection to assist state and local law enforcement and collect case evidence needed to launch investigations. To speed up the availability of information on consumer fraud, NCL provides a national Fraud Alert Network to report new telephone-related frauds and trends to law enforcement, regulatory, and consumer protection officials quickly and efficiently, before they become widespread. "We're trying to hit telephone swindlers with some of their own medicine," said Linda F. Golodner, NCL president. "Our ultimate goal is to put these people out of business. We're taking the phones back."

≡ In one popular scam, computer hackers on college campuses sell long distance telephone services to students at fees too good to be true. The naïve customers are actually using other people's phone credit card numbers stolen electronically through modems and "pirate" electronic bulletin boards. According to Peggy Snyder of the CFCA, "The hackers think, 'What's the big deal? I'm ripping off a big phone company,' and neither hacker nor student thinks he or she is committing a crime. In reality, there are real costs associated with such criminal activity. Convictions for computer and telecommunications fraud can involve prison terms and substantial fines."

≡ Businesses with Private Branch Exchange (PBX) systems often don't realize they are vulnerable to toll fraud through remote access and voice mail features. Using computers to call a PBX and test random authorization codes, electronic burglars locate the correct code and make calls that will be billed to the PBX owner. Some voice mail systems also contain "windows" that unauthorized users can enter to make calls on that business's account. Preventive actions include employee education, regular monitoring of calls, changing access codes frequently, and shutting systems down during nonbusiness hours.

≡ Fraudulent charity pleas often have a name that sounds similar to that of a reputable, well-known organization such as the Salvation League (instead of the Salvation Army) or the American Cancer Association (instead of the American Cancer Society). They sell tickets to a circus that's a fundraiser for disabled children, to the police officers' ball, or other events. They may ask for contributions to help victims of the latest natural disaster—a hurricane, earthquake, or war. Reputable charities are always willing to send a financial statement or annual report, or people can contact the National Charities Information Bureau.

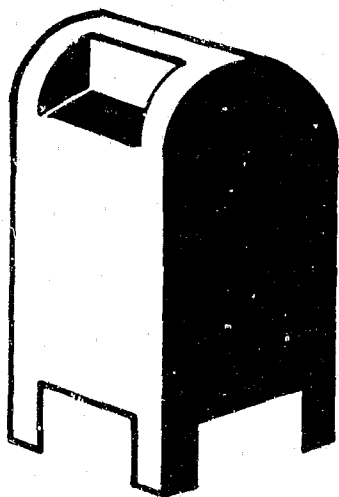


According to the Louis Harris Survey, victims of phone scams are much more likely to initiate the call on the basis of a newspaper ad, a television spot, or mailing.

Resources:

National Consumers League/Alliance
Against Fraud in Telemarketing
Communications Fraud Control
Association
Federal Communications
Commission
Federal Trade Commission
Direct Marketing Association
National Association of Consumer
Agency Administrators
American Association of Retired
Persons
Better Business Bureau
National Charities Information Bureau
State Attorney General's task force
on telemarketing fraud

The Direct Marketing Association (DMA), which represents more than 3,600 companies engaged in all aspects of direct marketing, has developed voluntary guidelines for the industry. DMA also operates a Telephone Preference Service (TPS) to help consumers remove their names from national telephone sales call lists by sending name, full address, and telephone number including area code to: Telephone Preference Service, Direct Marketing Association, PO Box 9014, Farmingdale, NY 11735. To have your name removed from national mailing lists, write to: Mail Preference Service, Direct Marketing Association, PO Box 9008, Farmingdale, NY 11735. Consumers who have not been able to resolve problems with a mail or telephone transaction can write to: Mail Order Action Line, Direct Marketing Association, 6 East 43rd Street, New York, NY 10017-4646.



Mail Fraud

The Mail Fraud Statute, first enacted in 1872, protects consumers from any type of fraudulent scheme that uses the mails in any way to further the fraud, including contacting potential victims or to receive payment. It's important to realize that not all misleading advertising is fraudulent. However, federal law does protect consumers from anyone who deliberately misrepresents products or services, makes false promises, or fails to disclose important information. Postal inspectors have successfully used the Mail Fraud Statute to prosecute phony vacation offerings, nonexistent foreign employment offers, bogus medical insurance supplements, exotic real estate and time-sharing scams, and diverse investment frauds including precious gems, penny stocks, oil wells, "limited edition" art work, and prospecting schemes.

Mail order con artists don't necessarily lie, but they are true artists when it comes to stretching the truth. Here are some examples cited in a *Modern Maturity* (April-May 1992) article on mail fraud.

≡ "Hide-A-Swat," guaranteed to kill flies and pests for only \$9.95, turned out to be a rolled up newspaper.

≡ People who ordered a "solar clothes dryer" got an old-fashioned clothesline and clothespins.

≡ A 10 cent nail was advertised as a "universal coat hanger" for only \$3.99.

Mail swindlers often use official-looking forms (look-alike invoices or government documents) and bold graphics to lure victims. They may promise a prize (the vacation for two could turn out to be a voucher for a budget motel) for attending a sales presentation for land or timeshare sales. And the mails also work for most scams conducted by telephone—free vacations and contest prizes, low-risk with high-return investments, sweepstakes, and bogus charities, to name a few.

Playing on consumers' guilt, some scams send people items—a good luck charm, mailing labels, greeting cards, a key chain—that were never ordered. Most consumers

don't know they are under no legal obligation to pay for unsolicited merchandise; they can return it, throw it away, or keep it.

Postal inspectors warn consumers not to consider all offers for goods and services legitimate merely because they are received through the U.S. Mail. On the contrary, consumers should be especially wary of dealing with firms or individuals whose integrity and reliability are unknown to them.

Resources:

U.S. Postal Service
Federal Trade Commission
State attorney general or consumer protection agency
Direct Marketing Association
National Association of Consumer Agency Administrators
American Association of Retired Persons
Better Business Bureau

The Seniors Versus Crime Project, a joint effort by the Florida Attorney General's Office and the American Association of Retired Persons (AARP), recruited senior citizens as "Senior Spotters" and helped launch more than 100 investigations into consumer fraud. Volunteers saved all junk mail delivered to their homes during a 6-week period in late 1991. This mail, which weighed 310 pounds, was forwarded to state consumer litigation attorneys for their review. Volunteers also logged phone and door solicitations. Attorneys found 100 cases that warranted investigation. "Senior Spotters" was hailed by the media as a resourceful and cost-effective program that helped raise awareness of older Americans' vulnerability to fraud and put some con artists out of business. For a 6-week period beginning in November 1992, Seniors Versus Crime will focus its "Senior Spotters" on telemarketing fraud, asking 134 volunteers to gather key information from all telemarketing callers.

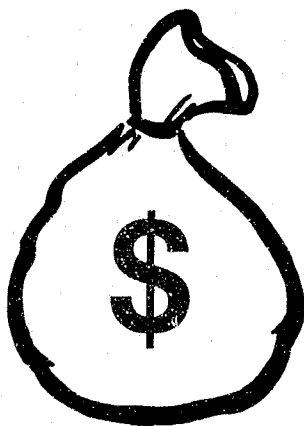
Investment Fraud

An estimated \$10 billion a year is lost to investment fraud, according to the North American Securities Administrators Association. Investment swindlers are ingenious criminals who gain people's trust and then offer them a once-in-a-lifetime opportunity to make a lot of money quickly and with little risk. It's an offer that's hard to refuse. These con artists use the telephone, the mails, newspaper and magazine ads, referrals from initial investors who were paid large profits just for this purpose, or an office that gives the appearance of a reputable investment firm. Here's a sample of investment frauds:

≡ The Pinellas County (Florida) Department of Consumer Affairs reported that a financial consultant took nearly \$2 million from 45 elderly clients for campsite investments that were never made (from a 1991 survey by the National Association of Consumer Agency Administrators/Consumer Federation of America).

≡ Satya Paul Gupta invested his life savings of \$80,000 with Deepak Gulati, a fellow Indian with an office on New York's Madison Avenue and a segment on a popular financial advice television program aimed at New York's Indian immigrants. Motivated by faith that his savings would be safe with someone from his native country, Mr. Gupta unwittingly became a victim of what government investigators call an affinity scheme—an investment scam where con artists and their victims are linked by religion, or ethnic background. Gulati sold 12% promissory notes which were not registered, backed, or insured by

collateral, and Gulati used funds from new investors to pay dividends to earlier investors. A Securities and Exchange Commission (SEC) investigation put Gulati out of business, and he pleaded guilty in July 1992 of defrauding fellow immigrants out of at least \$3.2 million. But it is doubtful if Mr. Gupta and other Indian investors will ever get their savings back. In the last 5 years, the SEC has investigated affinity fraud schemes in which Indian, Polish, Salvadoran, Chinese, and Vietnamese immigrants have been defrauded of millions by fellow immigrants (from "Immigrants Swindle Their Own," *New York Times*, August 24, 1992).



≡ By the time the International Gold Bullion Exchange collapsed in 1983, 25,000 customers had lost an estimated \$300 million. Investors purchased precious metals getting a discount price in exchange for agreeing to a delayed delivery program. Small checks were mailed monthly to assure customers that their investment was earning money. Some insistent individuals got their gold and silver, but for most delivery never came (from *Investor Alert*, Council of Better Business Bureaus).

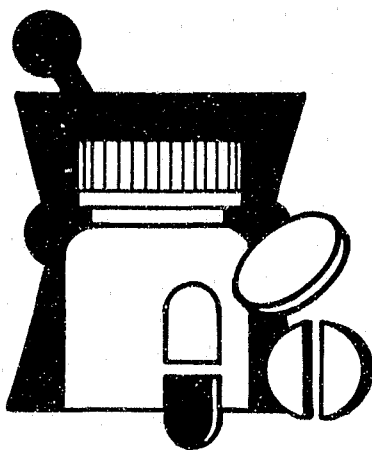
**Investment swindlers
are ingenious criminals
who gain people's trust
and then offer them a
once-in-a-lifetime
opportunity to make a
lot of money quickly
and with little risk.**

Investment swindlers have a wide range of options at their disposal—land sales, timeshares, commodities and futures trading, franchises, financial planning services, gold and silver, rare coins, and oil and gas leases. They don't discriminate against people with modest or low incomes—investment scams target the poor as well as the rich. Movie actors, business executives, college professors, widows, retirees, illegal aliens, and blue-collar workers have all been victims of investment fraud.

The National Futures Association stresses that the first line of defense against fraud is the individual's right to ask questions and say "No" until he or she gets the right answers. The Council of Better Business Bureaus echoes this with its basic prevention advice—"Investigate before you invest."

Resources:

Better Business Bureau
National Futures Association
Federal Trade Commission
North American Securities
Administrators Association
Industry Council for Tangible Assets
Commodity Futures Trading
Commission
State securities commissions



Health Fraud

Health fraud—also known as quackery—is a billion dollar business that sells false hope. These con artists prey on people's desires to find shortcuts to better health and miracle cures for chronic conditions and fatal diseases. "Quacks provide simple answers to complex problems," says Dr. John Renner, president of the Consumer Health Information Research Institute. "The 'one cause, one cure' answer is very comforting."

Elderly Americans alone spend an estimated \$10 billion a year on questionable or fraudulent health products or services. Quacks also target teenagers, exploiting their insecurities about physical appearance (e.g., weight, body build, breast development) and lack of self-confidence. Aside from the economic loss, quackery can delay an ill person from getting timely treatment and cause bodily harm.

Common health frauds include:

- ≡ Arthritis remedies, such as copper bracelets, mussel extract, huge doses of vitamins, desiccated liver pills;
- ≡ Cancer clinics that promise miracle cures and promote ineffective treatments such as laetrile and vitamin or mineral therapy;
- ≡ Cures for AIDS, such as massive doses of antibiotics, typhus vaccine, and herbal tea made from the bark of Brazilian trees;
- ≡ Instant weight loss schemes;
- ≡ Sexual aids and aphrodisiacs;
- ≡ Baldness remedies;
- ≡ Products that dissolve cellulite (fat deposits that accumulate around the thighs, stomach, and buttocks); and
- ≡ "Body toning" devices, such as electrical muscle stimulators, that promoters claim remove wrinkles and fat.

Certain techniques and phrases signal that a health product or treatment may be a "quack": promises of quick and dramatic cures, testimonials, imprecise and nonmedical language, appeals to emotion instead of reason, a single product that cures many ills, and criticisms of medical and nutritional science and their methods.

Health fraud—also known as quackery—is a billion dollar business that sells false hope.

Vigorous investigations and prosecutions of quacks are rare, according to a U.S. House of Representatives committee that examined health and nutrition frauds perpetrated against the elderly. Government regulations focus on products already on the market. The Federal Drug Administration deals with drugs or devices that have been marketed with false or exaggerated claims, while the Federal Trade Commission deals with false advertising. Health fraud through the mail lies in the province of the U.S. Postal Service. According to Dr. Renner, "arming consumers with the knowledge required to recognize harmful therapies and products" is the best defense against health fraud.

Resources:

National Health Care Anti-Fraud Association
Federal Trade Commission
Food and Drug Administration
State and municipal consumer protection agencies

Reputable organizations such as the Arthritis Foundation and the American Cancer Institute provide information on unproven remedies and appropriate treatment.

John H. Renner, M.D. *Health Smarts*. Kansas City, MO: Consumer Health Information Research Institute, 1990.

The Classic Cons

They're still around and claiming victims—regardless of exposés in newspapers, lectures by crime prevention officers, and warnings by legitimate businesses.

The Bank Examiner

Someone posing as a bank official, Internal Revenue Service agent, or other law enforcement officer asks for your help (in person or by telephone) to catch a dishonest teller. You are to withdraw money from your account and turn it over to him or her so the serial numbers can be checked or the money marked. You do, and you never see your money again.

The Pigeon Drop

A couple of strangers tell you they've found a large sum of money or other valuables. They say they'll split their good fortune with you if everyone involved will put up some "good faith" money. You turn over your cash, and you never see your money or the strangers again.

The Pyramid Scheme

Someone offers you a chance to invest in an up-and-coming company—like one that develops computer-generated programs that analyze the foreign currency market—with a guaranteed high return. You invest and ask others to do the same, and they recruit others, and so on. Sometimes the initial investors are paid a dividend (taken from second- and third-round investors). When the pyramid collapses (either the pool of new investors dries up or the swindler is caught), everyone loses—except the person who just skimmed the money off the top and never invested any of it.

Work-at-Home Schemes

A newspaper ad promises a good income for performing unskilled tasks at home (such as stuffing envelopes). Work at home schemes also emphasize easy work, convenience, and high hourly pay. Sound too good to be true? They are. After you've paid for supplies or a how-to book to get started, you find there is no market for the service or the product you're supposed to produce at home. And there is no way to get your money back.

Home Repairs

Homeowners' dread of expensive repairs and desire for low-cost improvements provide fertile ground for the con artist. Free inspections that reveal problems, workers who "just happened to be in the neighborhood," and unusually low prices for normally expensive jobs all signal fraud. Common home repair scams involve termite extermination, driveway paving, roofing repair, tree pruning, and topsoil delivery.

Auto Repairs

Many consumer advocates and automobile experts firmly believe that sluggish auto sales have spurred an increase in auto repair fraud. George Giek, who manages the American Automobile Association's repair shop certification program, says that many consumers never read the owners' manual and consequently are not really informed of the servicing requirements of the vehicle. "Owners must take the responsibility of locating the right repair shop with a good reputation," says Giek. "They must accurately describe the problems and insist on a written repair order. They should not sign the repair order until they have read it carefully and have seen a written estimate. The estimate should not be exceeded by more than 10%. If it is over 10%, you must be contacted before additional repair proceeds." Giek cautions, "Don't just ask for a tune-up when your car doesn't run right. Describe the symptoms. Do preventive maintenance—don't wait until you get stranded in the middle of nowhere. Finally, never give a repair shop a blank check."

Fraud detectives in the Milwaukee Police Department shifted their emphasis from apprehension to prevention with one goal in mind—depriving con artists of easy access to victims' money. Meetings with local financial institutions produced a "cash withdrawal alert form." Given to anyone who insists on withdrawing large amounts of cash, the form briefly outlines the deceptive ways of con artists and asks the customer to sign a statement saying he or she has read and understood the form. Within two years of introducing the form, the incidence of successfully completed frauds decreased by more than 80%. The only setback came shortly after the program's implementation, when con artists retaliated by forewarning victims about the form, claiming it was just a formality. Some even accompanied victims to the bank to speak on their behalf. Consequently, banks instructed tellers to call a manager before processing any out-of-the-ordinary cash transaction. This short delay caused con artists to panic, and the program regained its effectiveness.

Ponzi or Pyramid?

The term "Ponzi" is often used interchangeably with pyramid scheme. In the early 20th century, Carlo Ponzi swindled fellow Italian immigrants (including family members and the parish priest) out of millions until his investment scam collapsed and he went to jail. Ron Cleaver a Supervisory Special Agent at the Federal Bureau of Investigation Training Academy, however, makes a distinction between the two scams, saying that the traditional pyramid scheme involves a "transfer of wealth, with a participants sending so much money to the name at the top of the list and then some also to the person who brought him or her into the pyramid. There's often no product involved—you're just trying to get your name to the top of the list to collect money from those further down on the pyramid before it collapses. The scheme can involve a geometric progression that could theoretically exceed the population of a city, state or even the entire country." Cleaver defines the Ponzi scheme as one where victims believe they are investing in something, such as commodities, inventories, or managed investment accounts. The Ponzi artist takes the money rather than investing it, issues paper profit statements, and hopes investors don't demand actual payments. "If someone does demand a payout," says Cleaver, "the promoter will have to 'rob Peter to pay Paul,' taking new investors' money to pay off other investors."

State and Federal Agencies Take Action

Telemarketing fraud—which victimizes consumers, businesses, and the reputation of the legitimate telemarketing industry—presents a major concern to state attorneys general and federal agencies. Telemarketing con artists commonly operate in one state, but target victims in other states; in addition, operations move frequently to avoid apprehension. "National legislation must be enacted to pursue fraudulent telemarketers over state lines," says Bonnie Campbell, Iowa Attorney General and Chair of the National Association of Attorneys General (NAAG) Consumer Protection Committee. "State attorneys general as well as federal authorities have an important role to play in prosecuting telemarketing fraud."

Quick Tips

- Don't let greed overcome common sense.
- If it sounds too good to be true, it probably is.
- Get a second opinion.
- Never reveal your "vital numbers"—credit card, phone card, Social Security, bank account, or personal identification numbers (PIN)—to verify a contest prize, low-cost vacation, or other fabulous offers.
- Be wary of . . .
 - High-pressure sales
 - Demands for cash only
 - Need for quick decisions
 - Secret deals
 - No-risk, high-yield investments
 - Delayed delivery
- 800 numbers are free; 900 numbers aren't.

Proposed Legislation Targets Telemarketing

Currently, no laws address the problem of telemarketing fraud. The Federal Trade Commission (FTC) has authority to pursue some fraudulent telemarketers (Section V. of the Federal Trade Commission Act), but has not promulgated any preventive regulations. Two bills under consideration by Congress would direct the FTC to issue rules prohibiting certain telemarketing practices such as the hours during which calls can be made, the use of computer-generated calls, and consumer refunds. This legislation would authorize state attorneys general and private parties "that meet the jurisdictional

threshold to enforce the telemarketing rules if they provide the FTC with reasonable advance notice."

Other proposed legislation covers 900 numbers and requires coordinated rulemaking by the FTC and the Federal Communications Commission (FCC). The FTC would have to require 900 number services to disclose the call's cost and the odds of receiving a promised prize, as well as require a parental or guardian statement of consent for underage callers. In addition, a 900 carrier would have to supply the FTC with financial information and other records. The FTC would give state attorneys general enforcement powers.

With regard to the FCC, mandated rules would require carriers to provide, upon request, a list of 900 number services with names, addresses, business phone numbers, access numbers, descriptions of services, and charges. Billing procedures would break down 900 number charges and offer consumers the option of canceling unauthorized charges. The National Consumers League advocates a simple, inexpensive system that allows consumers to decide whether they want to receive unsolicited telemarketing phone calls.

At the state level, most attorneys general have a consumer complaint unit that handles written and telephone complaints on all frauds. Some operate special "consumer alert lines" that make reporting as user-friendly as possible. When complaints pile up and reveal patterns, class action suits filed by the attorney general

frequently drive con artists out of business, or at least out of that state. Attorneys general also develop consumer education campaigns.

**The NAAG/FTC
Telemarketing Fraud
Database played a key
role in the successful
FTC investigation of the
Morgan Whitney
Trading Group, a
company that
telemarketed precious
metals, including
platinum and silver, to
consumers throughout
the United States.**

FTC's Telemarketing Fraud Database Promotes Interagency Cooperation

The NAAG/FTC Telemarketing Fraud Database, developed in 1987, has become a major tool in investigations and prosecutions. The database collects information from 46 members: 30 state attorneys general, 7 other state and local agencies, 3 federal agencies (FTC, U.S. Secret Service, and the U.S. Postal Service), and 6 private organizations that contribute data but cannot access the database. These organizations are the Council of Better Business Bureaus, Call for Action, the Direct Marketing Association, the National Consumers League, the National Futures Association, and the National Office Machine Dealers Association.

As part of its initiative to rebuild crime prevention through public-private partnerships, the Washington State Attorney General's Office created the Stop Fraud Network in 1991. The project seeks to reduce the number of senior citizen fraud victims by raising awareness of approaches used by con artists. In addition, a statewide fraud hotline—staffed by senior volunteers—provides a reporting mechanism and collects information on the latest con games. The centerpiece of the Stop Fraud Network campaign is a 23-minute video that contains re-enactments of common frauds, including telemarketing fraud. Other components include public service announcements, anti-fraud brochures and stickers, a speakers' bureau, and a quarterly *Washington Alert* newsletter distributed through senior centers. The Washington State Crime Prevention Association co-sponsored the program, with substantial funding from PEMCO Insurance companies. When the Stop Fraud Network moved into a maintenance mode in 1992, the Attorneys General Office launched a Business Watch campaign that provides a video on check fraud (entirely funded by the Deluxe Check Company), a "Stop Check Fraud" brochure, and a booklet on con games that target businesses.

FTC attorneys and other investigators use the database to identify targets for prosecution, identify prospective witnesses, and share information on each other's investigations. Membership in the database is also available to local law enforcement agencies that need the information for law enforcement purposes.

The NAAG/FTC Telemarketing Fraud Database played a key role in the successful FTC investigation of the Morgan Whitney Trading Group, a company that telemarketed precious metals, including platinum and silver, to consumers throughout the United States. Morgan Whitney offered leveraged investments in precious metals, with consumers typically paying 20% of the cost in cash and borrowing the remaining 80%. The company promised high profits, with virtually no risk, and failed to disclose the substantial fees they charged customers. The FTC filed a complaint against Morgan Whitney in September 1990, which resulted in an asset freeze and appointment of a receiver. A settlement reached a year later required Morgan Whitney to relinquish a significant portion of its assets (valued in excess of \$1.6 million) to the FTC to compensate victims for their losses.

Building—or Energizing—A Comprehensive Fraud Prevention Program

Four objectives drive today's fraud prevention efforts:

- ≡ Raise public awareness of both classic and new con games;
- ≡ Educate teens, adults, and older Americans through presentations, printed materials, and the media;
- ≡ Give professionals and private citizens resources for reporting fraud and seeking help; and
- ≡ Convince victims of fraud to report the crime to law enforcement, another criminal justice agency, or a consumer protection group.

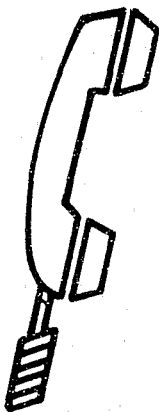
While a state or local criminal justice agency—law enforcement or attorneys general office—serves as a logical focal point for program development, an effective prevention initiative depends

heavily on community partnerships with the media, businesses, financial institutions, other government agencies, and advocacy organizations.

Who's the Audience?

Conventional wisdom says that most con artists prey on older Americans, exploiting their trust, loneliness, and financial assets. According to various estimates, persons 65 and older constitute up to 30% of all fraud victims, even though they are approximately 12% of the population. Nevertheless, prevention efforts cannot ignore the other 70%.

An effective prevention initiative depends heavily on community partnerships with the media, businesses, financial institutions, other government agencies, and advocacy organizations.



What Do You Say to a Telemarketer?

Say, "No, I need time to think and talk to my family. Please send me information in the mail."

"Society has come to view those who fall prey to confidence criminals as either greedy, gullible, or brain dead, and culpable for their own victimization," says Detective Dennis Marlock of the Milwaukee Police Department. "This view is inaccurate. It can happen to anyone." Marlock argues that people with more education are easier to dupe because of their "it-could-never-happen-to-me" attitude. Lt. Lori Marceau of the crime prevention unit in the Wichita, Kansas, Police Department echoes this belief, saying

"People who fall victims to fraud know better, but they think they are too smart to fall for a scam or that they can outsmart the con artist."

John Barker of the National Consumers League believes that telemarketing fraud, like marketing in general, is shifting from mass marketing to targeting specific groups—such as people turned down for credit and individuals in specific age and income groups. Research reveals that income drives investment fraud, with swindlers focusing on the 25-40 age group who have disposable income but little time to research investments. Most credit card fraud victims are young adults in the 21-30 age range. The Harris survey showed that persons 65 and older were the least familiar with how 900 numbers worked. However, they were also the least likely age group to call 900 numbers.

"Society has come to view those who fall prey to confidence criminals as either greedy, gullible, or brain dead, and culpable for their own victimization," says Detective Dennis Marlock of the Milwaukee Police Department. "This view is inaccurate. It can happen to anyone."

Barker advocates adopting the targeted marketing strategy to prevention. "We need to get the right messages to the right group. If you hand out 900-number prevention messages to the el-

derly, you're missing the boat. You need to reach young people and should run a public service ad on MTV." In a related vein, Barker says "We might also reconsider the notion that the brochure is the best way to educate. We must use television—wouldn't it be great to have Bart Simpson do a public service ad on credit or telephone card fraud?"

A Word on Training

Police officers may be unaware of the complexities and the inexhaustible variations found in con games. Their reports can reflect this lack of knowledge, unintentionally hindering investigations and prosecutions. Moreover, basic crime prevention courses do not cover hi-tech frauds that depend on phone lines and computer technology.

Detective Bob Snyder of the Computer Crimes Unit of the Columbus, Ohio, Police Department argues that when people try to report hi-tech frauds they often hit a "wall of ignorance" and just give up. When consumer complaints do trigger investigations, police officers must know how to follow complex billing and audit trails. This is not easy given

Crime prevention officers and fraud investigators agree that most victims of con games don't report to law enforcement.

that as many as 40 phone companies may operate in one state.

Both the FBI Academy in Quantico, Virginia, and the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia, (operated by the U.S. Department of the Treasury) offer courses in fraud prevention and white-collar crime. FLETC will pilot a class in telemarketing fraud in late 1992. State crime prevention agencies and associations often provide workshops on con games.

Believing that telephones are the key to the sophisticated con, the Communications Fraud Control Association (CFCA) tries to draw law enforcement personnel to its trainings by offering them a \$25 membership compared to the \$1,800 fee charged to telecommunications carriers.

Officer Lael Gunter believes that her police department's proactive approach to fraud produces results in Corvallis, Oregon. "In recent months, we received seven reports of suspected Bank Examiner scams, and not one attempt was successful!" The Corvallis Police anti-fraud efforts target financial institutions, providing stand-up placards that outline the Bank Examiner and Pigeon Drop cons to educate both employees and customers. This also gives notice to con artists that the community is familiar with these scams. The media are also enthusiastic partners. Before the roofing and driveway paving con artists made their predictable appearance in the spring, the police issued releases for the newspapers and radio spots to alert the public. The local newspaper runs an "Alert Bulletin" for the police about the types of con artists working the area and ways to prevent victimization.

Why Don't People Report?

Crime prevention officers and fraud investigators agree that most victims of con games don't report to law enforcement. A spokesperson for a highly popular consumer information feature aired on Washington, DC's WRC-TV evening news believes that many people aren't sure where to get help and turn to the media first. She adds, "We are always there to take information, and we investigate. But we also refer people to law enforcement." The criminal justice system must convince victims of scams that it takes the problem seriously and genuinely wants to help.

Looking for Partners?

Try the media first—exposés about con games make great reading, listening, or viewing. A.C. Nielson, a rating system, indicates a rise in viewership for WRC-TV's consumer segments. Newspapers and television stations can alert communities to new scams and educate audiences about classic cons. They can direct consumers to a variety of educational resources and emphasize the importance of reporting fraud.

For other community partners, try banks and other financial institutions, brokerages, telephone companies, senior centers, insurance companies, hospitals, universities, and colleges.



The Eastlake, Ohio, Police Department developed its con game prevention program specifically for senior citizens, but expanded the effort beyond older residents in response to requests from the community at large. Officer John McCauley of the crime prevention unit gives presentations to civic groups, the Chamber of Commerce, and banks and other businesses, emphasizing how convincing a swindler can be. "It isn't just uneducated people who are targeted and victimized. It's the middle class and the wealthy. Humans are humans; it can happen to anyone." McCauley uses a slide show and hands out pamphlets after his presentation, stressing that law enforcement can't prevent frauds and catch con artists unless victims report. The police department also distributes posters summarizing various frauds involving financial institutions. If tellers are suspicious that a withdrawal involves a con game, they can ask the customer to read the poster. As in all Eastlake's crime prevention programs, media partnerships play a major role in educating the community.

Looking for Ideas?

- ≡ Make sure all crime prevention presentations talk about preventing con games, covering telemarketing as well as the classic scams and patterns in your community.
- ≡ If your community has a growing immigrant population, work with its leaders to translate a flyer on basic con game prevention tips into appropriate native languages.
- ≡ Work with local government or consumer groups to establish a hotline that people can call to check contractors' or solicitors' credentials.
- ≡ Work with a high school or college journalism class and cable television station to produce a public service ad on telemarketing fraud. Make it the showpiece of a community-wide anti-fraud campaign designed and implemented by young people.
- ≡ Investigate what remedies—from financial counseling to restitution—are available in your community or state for victims of con games. Ask the media to publicize your findings.
- ≡ Use teens or senior citizens to collect junk mail or log telemarketing calls, analyze the results, and report to the municipal or county district attorney or state attorney general.
- ≡ Ask banks and other financial institutions to enclose credit card prevention tips with statements. Telephone companies can include phone card fraud prevention tips in bills.

Help Businesses Fight Credit Card Fraud

Consumers are only liable for up to \$50 if their credit cards are used fraudulently. So why should they care about credit card fraud? It's a hassle to replace credit cards, and it's difficult to straightening out a credit rating that's soured because a thief used your card. Dollar losses due to card fraud totalled just over \$1 billion in 1991. Financial institutions pass the cost of fighting credit card abuse on to businesses and card holders through annual fees and other charges. Make sure your fraud prevention presentations warn people to:

- Protect their credit cards more carefully than cash;
- Notify the bank or credit card company immediately if a card is lost or stolen;
- Remember to get a card back after buying something. Don't leave it lying on a counter or table;
- Retain all carbon copies of receipts from purchases and receipts from ATM transactions;
- Check billing statements carefully;
- Destroy all old cards or cards no longer used; and
- Never give your card number over the phone to anyone offering prizes or gifts.

- ≡ Make sure all Neighborhood Watch groups look out for door-to-door sales and home repair cons and alert each other—and law enforcement—to anything suspicious.
- ≡ Include information on credit card and phone card fraud in orientation sessions for new students at colleges and universities.
- ≡ Work with hospitals, public health agencies, the American Cancer Society, the Arthritis Foundation, and an AIDS education organization to present a community forum (for young people and adults) on health quackery and its costs.
- ≡ Develop training sessions for criminal justice agencies and consumer advocates on new frauds and potential areas of cooperation, such as reporting hotlines.
- ≡ Get your prevention message out in new ways—refrigerator magnets, phone message pads, and bookmarks.
- ≡ Liven up a con game presentation to senior citizens or businesses with a surprise visit from McGruff.
- ≡ Alert the community to seasonal scams such as home repairs in the spring and fake charity solicitations during the holiday season. Use calendars, newspaper articles, and Neighborhood Watch meetings.

THE RESOURCE DIRECTORY

ORGANIZATIONS

Alliance Against Fraud in Telemarketing (AAFT) % National Consumers League (NCL)

815 15th Street, NW
Suite 928-N
Washington, DC 20005
202-639-8140

Founded in 1988, coordinated by the National Consumers League, AAFT is a coalition of public interest groups, trade associations, labor unions, businesses, law enforcement agencies, consumer reporters, and consumer protection agencies. AAFT members promote cooperative educational efforts to alert the public to the high incidence of telemarketing fraud and to formulate specific actions to protect potential victims.

AAFT publishes *The Consumer Protection Handbook*, a 185-page manual on telemarketing fraud and other con games. The handbook, which comes in a three-ring binder with separate sections on specific categories of fraud and a list of agencies and organizations that offer assistance to fraud victims, is available for \$45 to nonprofit groups, media, and government agencies.

"Swindlers are Calling," a popular brochure produced by the National Futures Association, in

cooperation with AAFT, is available in both Spanish ("Cuando Lost Estafadores Lllaman") and English. Single copies are free. Contact Laura Oatnery of the NFA at 800-621-3570 concerning bulk orders.

AAFT also puts out "You Are Not a Definite Winner," a look-alike postcard that alerts consumers to the growing problem of "guaranteed free prize" offers that end up costing big bucks. Single copies are free.

"Dial 900: What Does It Mean?" is a four-color brochure, published by NCL in cooperation with Sprint, describes differences between regular long distance service, toll-free 800 services, and the pay-per-call 900 number service and offers tips on what to do about unauthorized charges. Single copies are free.



Edits and distributes to members *The AAFT Quarterly*, which reports on current trends and developments in telemarketing fraud and enforcement efforts. AAFT also publishes periodic Information Bulletins on topics and trends of interest to consumer affairs professionals.

NCL also operates a Fraud Alert Network to alert law enforcement, regulatory, and consumer protection officials to new scams. A new toll-free helpline, 800-876-7060, for consumers began in the fall of 1992.

American Association of Retired Persons (AARP)

Criminal Justice Services
601 E Street, NW
Washington, DC 20049
202-434-2222

AARP offers brochures, videos, and slide presentations for senior citizens. The basic brochure, "How to Spot a Con Artist," is available in English and Spanish. The videos, "Fraud and Other Con Games" and "Health Quackery," average 20 minutes in length and can be borrowed for one-time use (the borrower must pay return postage) or purchased for \$20. To obtain a catalog or for information on videos, call AARP.

Commodity Futures Trading Commission (CFTC)

Office of Communication and Educational Services
2033 K Street, NW
Washington, DC 20581
202-254-8630

The CFTC is the federal regulator and overseer of the trading of commodity futures and options contracts in the U.S. The agency ensures that the futures trading process is fair and protects both the rights of customers and the financial integrity of the marketplace. Available free from the Office of Communication and Education Services is the introductory brochure, "The CFTC," which includes a list of CFTC publications. A brochure, "Before Trading—Get the Facts," is available free from CFTC.

Communications Fraud Control Association (CFCA)

1990 M Street
Suite 508
Washington, DC 20036
202-296-3225

CFCA was founded in 1985 by telecommunications security professionals to combat the growing problem of telecommunications fraud. CFCA now has more than 300 individual and corporate members—including long distance carriers and many of the Bell Operating Companies,

smaller resellers of telecommunications services, PBX owners, corporate end-users, operator service providers, public pay-phone providers, state and local authorities, and telecommunications consultants. CFCA serves as a clearinghouse for information about hackers and reported incidents of toll fraud and conducts training seminars to inform telecommunications managers and investigators how criminals defeat systems and how to combat this fraud. A bimonthly publication, *The Communicator*, focuses on telecommunications fraud, while a weekly faxed *Fraud Alert* gives members up-to-date information. CFCA offers a brochure on how to protect a PBX (private branch exchange) system. A hand-out and poster, perfect for college campus or employee orientation packets, warn against the crime of stealing and/or using unauthorized long distance service.

Council of Better Business Bureaus (CBBB)

4200 Wilson Blvd.
Suite 800
Arlington, VA 22203
703-276-0100

The Council of Better Business Bureaus promotes ethical standards of business practices and protects consumers through voluntary self-regulation and monitoring activities. Programs include a self-regulatory mecha-

nism to assure truth and accuracy in advertising; a mediation/arbitration service for resolving consumer-business disputes; an advisory service that sets standards for charitable organizations and distributes information about thousands of soliciting organizations; and consumer information services and voluntary industry guidelines for advertising and selling products and services.

CBBB offers a 13-page brochure, "Tips on Avoiding Telemarketing Fraud," which describes different types of telemarketing fraud, along with examples of suspicious sales pitches and ways to recognize bogus offers. Bulk copies are available for \$15 per 100; single copies are available by sending \$1 for postage and handling, and a self-addressed envelope, to the Council.

Investor Alert! How To Protect Your Money From Schemes, Scams, and Frauds, a 192-page book published with the North American Securities Administrators Association (NASAA), describes different types of investment fraud, how to avoid them, and where to find help. A compilation of *Investor Alert* bulletins, the book includes a chapter on telemarketing fraud and boiler-rooms. Copies can be purchased by sending \$6.95 per copy, which includes shipping and handling, to CBBB.

**Direct Marketing Association,
Inc. (DMA)**

11 West 42nd Street
PO Box 3861
New York, NY 10163-3861
212-768-7277

Founded in 1917, the DMA studies consumer and business attitudes toward direct mail and related direct marketing statistics. It offers Mail Preference Service for consumers who wish to receive less mail advertising, a Mail Order Action Line to help resolve difficulties with mail order purchases, and a Telephone Preference Service for people who wish to receive fewer telephone sales calls. Contact DMA for a free single copy of the brochure "Tips for Telephone Shopping," available in six languages (English, Spanish, Japanese, Chinese, Korean, and Vietnamese). Requests must be made in English.

**Federal Communications
Commission (FCC)**

Informal Complaints and Public
Inquiries Branch
2025 M Street, NW
Stop Code 1600A2
Washington, DC 20554
202-632-7553

The FCC regulates domestic interstate and foreign communications by radio, television, wire, cable, and telephone. The FCC

seeks to keep consumers advised of developments in the telecommunications industry by issuing public notices or fact sheets. Released in June 1992 as part of a series on toll fraud, the "Consumer Alert Telecommunications Toll Fraud" Public Notice outlines different types of toll fraud, identifies steps consumers can take to detect it and lessen their chances of becoming victims, and informs them what they can do if they become victims of toll fraud. Write the FCC for copies. The FCC has authority to handle complaints that involve billing disputes that arise from acts of interstate or international toll fraud. If individuals are unsuccessful in resolving a billing complaint themselves, they can file a complaint with the FCC. There is no special form to complete. Simply write a letter and include a copy of the telephone bill listing the disputed charges to: Informal Complaints and Public Inquiries Branch, Enforcement Division, Common Carrier Bureau, FCC at the above address.

Federal Trade Commission (FTC)

Public Reference Branch
Room 130
6th & Pennsylvania Avenue, NW
Washington, DC 20580
202-326-2222 (Note: This number connects callers to a complex, but efficient voice mail system. Follow the instructions, be patient, and you will be directed to the appropriate FTC department.)

The FTC enforces a variety of consumer protection laws designed to keep the marketplace free from unfair, deceptive, or fraudulent practices. It cannot resolve individual complaints, but finds them invaluable in developing law enforcement actions.

Available free from the Public Reference Branch are *A Guide to the Federal Trade Commission*, *What's Going on at the FTC?*, *Consumer Quiz* and the publications list, FTC "best-sellers."

Other publications include "Facts for Consumers" brochures devoted to single-issue topics such as "Telephone Investment Fraud," "Investing by Phone," "Magazine Scams," "Art Fraud," and "Telemarketing Travel Fraud". The FTC also publishes the free booklet "Consumer Alert: Investing in Rare Coins" in cooperation with the American Numismatic Association which tells consumers how to identify fraudulent coin sellers. For information on the National Association of Attorneys General/FTC Telemarketing Fraud Database, contact Jack Crowley, FTC, Room 250, Washington, DC 20580. 202-326-3280.

High Technology Crime Investigation Association (HTCIA)

National Office
Post Office Box 2046
Walnut, CA 91788-2046
818-666-6445

HTCIA, founded in 1987, is a nonprofit corporation that provides a forum for the exchange of contemporary information regarding high-technology crime, bringing together public and private sector interests. It provides both basic and specialized training in the field of high-technology crime for law enforcement, private industry, and prosecutors.

National Association of Bunco Investigators (NABI)

400 East Pratt Street, Suite 800
Baltimore, MD 21202
410-752-8150

Founded in 1984, this organization provides its 560 members with frequent updates on current scams and con artists across the country. It publishes a newsletter approximately every two weeks, holds an annual seminar, and maintains an extensive library of training videos along with a database on suspected con artists.

sourcebook listing consumer protection laws enforced by NACAA and member agencies, and a clearinghouse that issues a monthly bulletin (\$110 annual subscription fee) of voluntary and government-mandated recalls of automobiles, food, toys, and other products. Other published materials include a directory of consumer agencies, a consumer education bibliography, and the NACAA Conference Roundtable Manual—an annual report on major investigations, enforcement actions, legislative initiatives, and consumer education programs.

Industry Council for Tangible Assets (ICTA)

6728 Old McLean Village Drive
Suite 200
McLean, VA 22102
703-847-1740

ICTA offers a 10-page brochure, "The ICTA Consumer Guide to Precious Metal Financing," describing what consumers need to know before financing a precious metal investment. *The Investor's Guide to Precious Metals*, a 12-page booklet, explains the buying, storing, and selling of gold, silver, platinum, and palladium. Single copies of the two publications are available by writing the ICTA.

National Association of Consumer Agency Administrators (NACAA)

1010 Vermont Avenue, NW
Suite 514
Washington, DC 20005
202-347-7395

NACAA is a nonprofit membership organization composed of the administrators of local, state, and federal government consumer protection agencies. NACAA members are involved in all aspects of consumer protection: resolving individual consumer complaints, enforcing consumer statutes and regulations, conducting consumer education programs, and supporting consumer legislation. NACAA produces several publications, including a newsletter, a consumer legislation

National Charities Information Bureau (NCIB)

19 Union Square West
New York, NY 10003-3395
212-929-6300

Founded in 1918, the NCIB is frequently referred to as a "watchdog" of national charities and nonprofit organizations. NCIB makes full evaluative reports on some 300 nonprofit organizations that raise money nationwide. NCIB is also a repository of information on thousands of other nonprofit agencies. *The Wise Giving Guide*, published four times a year, gives one-line summaries of the full reports on organizations that NCIB evaluates. Single free copies of the *Guide* can be obtained by writing to NCIB, Department 193.

National Council Against Health Fraud (NCAHF)

PO Box 1276
Loma Linda, CA 92354
909-824-4690

NCAHF, founded in 1977, works to educate the public about health misinformation and fraud and quackery. It advises consumers, helps locate expert witnesses for trials, assists law enforcement officials with health fraud cases, and gives consumer service awards. NCAHF's main office is located on the campus of Loma Linda University, where it maintains a library on controversial health practices and a collection of quack medical devices. The Council also operates the NCAHF National Resource Center, which maintains a bookstore and information service at 3521 Broadway, Kansas City, MO 64111 (816-753-8850).

National Futures Association (NFA)

200 W Madison Street
Suite 1600
Chicago, IL 60606-3447
800-621-3570 (in IL,
800-572-9400)

A congressionally authorized self-regulatory organization of the U.S. futures industry, NFA provides educational materials to its members as well as the investing

public. The NFA booklet, "Investment Swindles: How They Work and How to Avoid Them," was prepared as part of NFA's continuing education efforts to assist in recognizing and avoiding investment swindles. In addition, "Swindlers are Calling," a pamphlet describing what telemarketing fraud is, how it works, and how to avoid becoming a victim, is available in Spanish and English (free).

National Health Care Anti-Fraud Association (NHCAA)

1255 Twenty-Third Street, NW
Washington, DC 20037
202-659-5955

NHCAA, founded 1985, is an association of private insurance carriers, Blue Cross and Blue Shield organizations, self-insured corporations, and federal and state regulatory and law enforcement agencies. NHCAA's mission is to enhance the identification, prevention, detection, and prosecution of health care fraud. NHCAA promotes information-sharing among members (with appropriate legal safeguards); engages in public education on health care fraud issues; trains members and non-members alike through national and regional conferences, semi-

nars, and workshops; and serves in an advisory capacity to industry, regulatory, and legislative bodies.

National Insurance Crime Bureau (NICB)

10330 South Roberts Road
Palos Hills, IL 60465
708-430-2430

A not-for-profit organization supported by 800 insurance companies, NICB investigates vehicle theft and insurance claim fraud. It offers a toll-free number (800-TEL-NICB (8:30 a.m.-5:00 p.m., local time) for people to report these crimes. NICB also conducts training seminars for law enforcement officers in techniques of investigating auto theft and insurance claims fraud and assists with their investigations.

North American Securities Administrators Association (NASAA)

1 Massachusetts, NW, Suite 310
Washington, DC 20001
202-737-0900

NASAA is the national voice of the 50 state agencies responsible for investor protection and the efficient functioning of the capital markets at the grassroots level. NASAA's efforts are devoted to: coordination of efforts among

state securities divisions, development of policy, liaison with federal agencies and industry self-regulatory organizations, and investor education. Among the educational materials offered are a 20-minute video tape, "Calling for Your Dollars" (\$20); "Investigate Before You Invest: Ten Do's and Don'ts for Investors," a 2-page tip sheet of self-defense tactics for investors faced with high-pressure telephone solicitors; and information sheets on penny stock fraud, investing in coins, oil and gas investment frauds, and precious metals bank financing programs. NASAA periodically issues the *NASAA Investor Bulletin* and works with the Council of Better Business Bureaus on the quarterly *Investor Alert*.

Professionals Against Confidence Crime (PACC)

20500 South Cicero
Matteson, IL 60443
Contact Agency (Milwaukee)
414-935-7325

This international nonprofit organization of law enforcement officers, academicians, and business security professionals offers flyers on con games that target businesses, as well as training materials and seminars for fraud investigators. PACC also publishes a monthly law enforcement criminal intelligence bulletin and provides assistance in identifying and locating fraud suspects.

U.S. Department of Health and Human Services (HHS)

Public Health Service
Food and Drug Administration (FDA)
Office of Consumer Affairs
HFE-88
5600 Fishers Lane
Rockville, MD 20857
301-443-3170

HHS administers programs concerned with the health, welfare, and income security of U.S. residents. The FDA is responsible for ensuring the safety and effectiveness of food, cosmetics, drugs (both human and veterinary), biologics (e.g., vaccines and blood for transfusion), medical devices, and radiological products. Brochures on health/medical quackery are available free from the above address. Bulk orders may be obtained by writing to the Food and Drug Administration, Office of Public Affairs, Communications Staff (HFI-40), 5600 Fishers Lane, Rockville, MD 20857, or by calling 301-443-3220.

U.S. Postal Inspection Service

475 L'Enfant Plaza, SW
Washington, DC 20260-2100
202-268-5400

The U.S. Postal Inspection Service, with offices in all major cities, investigates all crimes affecting the Postal Service or the public through the mail, including mail fraud. Postal Inspectors investigate complaints about all

types of bogus goods and services offered through the mail. Investigations may lead to criminal indictments, injunctions, or to Mail Stop Orders, which cut off the flow of mail. Mail fraud schemes include telephone solicitations and newspaper advertisements, because money sent in response to them is usually mailed. The Postal Inspection Service offers free brochures on mail fraud schemes aimed at consumers (in English and Spanish) and businesses, and brochures on mail bomb detection and mail theft prevention.

U.S. Secret Service (SS)

Office of Public Affairs
1800 G Street, NW
Room 805
Washington, DC 20223

The United States Secret Service, a law enforcement bureau under the Department of Treasury, is primarily responsible for the protection of the President and the Vice President of the United States and other designated individuals. In addition, the Secret Service is charged with the enforcement of criminal laws for the Department of Treasury relating to obligations and securities of the United States and of other financial crimes such as: financial institution fraud, access device, telemarketing, computer, and telecommunications fraud. The U.S. Secret Service offers two

brochures, "Credit Card and Computer Fraud" and "The Secret Service Story." Contact your local Secret Service office or write the Office of Public Affairs at the above address.

**IF IT SOUNDS TOO GOOD TO BE TRUE,
IT PROBABLY IS.**

SELECTED FRAUD PREVENTION PROGRAMS

Bank Alert

Officer Lael E. Gunter
Corvallis Police Department
180 NW 5th Street
Corvallis, OR 97330
503-757-6975

Cash Withdrawal Alert Program

Detective Dennis Marlock
Milwaukee Police Department
749 West State Street
Milwaukee, WI 53233
414-935-7325

Confidence Crime Against Seniors

Patrolman John McCauley
Eastlake Police Department
35150 Lakeshore Blvd.
Eastlake, OH 44095
216-951-1400



Never buy any memberships without reading all the fine print.

Be wary of auto repair bargains.

Be alert when you shop by mail.

Watch out for those "at-home" jobs that promise big bucks.

Be cautious about sharing credit card information with telephone solicitors.

**IF YOU THINK YOU'VE BEEN CONNED, CALL THE
POLICE.**

Stop Fraud Network/Washington Business Watch

Doug Shadel
Office of the Attorney General
7th Floor Highways/Licenses
Building
Olympia, WA 98504
206-389-2130

Contact Maureen Scharber at 206-753-6224 to obtain a free 23-minute video that contains reenactments of common fraud schemes and materials developed for the Business Watch Campaign (a check fraud video, check fraud brochure, and booklet on con games that target businesses).

≡ State attorney general's office

≡ State or municipal consumer protection agency

≡ State securities commission

≡ Your local Better Business Bureau (BBB), or the one where the suspect company is located. BBBs take reports regarding fraud operators, but have no power to prosecute. For the phone number of an out-of-state BBB, call the Council of Better Business Bureaus at 703-276-0100.

≡ For a list of repair shops approved by the American Automobile Association (AAA), check with the local AAA club. This information is free to members and nonmembers. To be AAA-approved, a repair shop must have a good reputation, up-to-date diagnostic gear, and its mechanics qualified in at least five of eight repair specialties. For information on the AAA's repair-shop approval program, contact George Giek, Managing Director Automotive Engineering and Road Services, AAA National Headquarters, 1000 AAA Drive, Heathrow, FL 32746. 407-444-7000. Fax 407-444-7380.

National Criminal Justice Reference Service (NCJRS)
Box 6000
Rockville, MD 20850
800-851-3420

NCJRS is a centralized clearinghouse of criminal justice information. Its key resource is a collection of more than 110,000 books, articles, and reports dealing with the broad spectrum of criminal justice issues including fraud. The document database, containing abstracts of all the documents in the collection, can be searched directly on DIALOG, on CD-ROM, or by calling the reference service. Criminal justice information specialists are available to supply a range of reference, referral, and distribution services.

The Seniors Versus Crime Project

V.C. Thornton
Project Director
PO Box 627
Lake Worth, FL 33460
407-585-2289

OTHER RESOURCES

≡ Check your public library for the three-volume, annual *Encyclopedia of Associations*, consumer information magazines such as *Consumer Reports*, and vertical file materials.

SELECTED PUBLICATIONS

John H. Renner, M.D. *Health Smarts*. Kansas City, MO: Consumer Health Information Research Institute, 1990.

Deborah Sontag. "Immigrants Swindle Their Own." *New York Times*, August 24, 1992.

"Dial S-W-I-N-D-L-E." *Modern Maturity*, April-May 1991.

Dennis Marlock. "How to Con a Con." *FBI Law Enforcement Bulletin*, July 1992.

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