

Cynthia Mormon
Acting Inspector in Charge, U.S. Postal Inspection Service
Statement for U.S. Senate Special Committee on Aging Field Hearing
“Trust Your Instincts? Tools to Empower Seniors to Identify Scams and Fraud”
Indiana State Fair, Indianapolis
August 5, 2014

Good morning Senator Donnelly and members of the Committee, I am Acting Inspector in Charge Cynthia Mormon of the U.S. Postal Inspection Service, Detroit Division. In this role, I direct the division’s activities in the states of Indiana and Michigan through the management of programs encompassing criminal and security investigations in support of the U.S. Postal Service by protecting its people and assets, securing the nation’s mail system and ensuring public trust in the mail.

Thank you, Senator Donnelley, for calling this important hearing on Tools to Empower Seniors to Identify Scams and Fraud, and for the opportunity to share the important work the Inspection Service is doing to combat fraud against older Americans.

As one of our country’s oldest federal law enforcement agencies, founded by Benjamin Franklin, the U.S. Postal Inspection Service has a proud and successful history of fighting criminals who attack the nation’s postal system and misuse it to defraud, endanger, or otherwise threaten the American public.

As the federal law enforcement, crime prevention, and security arm of the U.S. Postal Service, our goal is to promote confidence in the U.S. Mail. We work to assure that American businesses can safely dispatch funds, securities, and information through the mail; that postal customers can entrust their correspondence to the mail; and that postal employees can work in a safe environment.

To effectively enforce some 200 laws under our jurisdiction, 1,300 federal Postal Inspectors are stationed throughout the U.S. and in Puerto Rico, Guam, and Germany, as well as at Universal Postal Union (UPU) Headquarters in Berne, Switzerland. In the last fiscal year, the mail fraud program obtained over 400 arrests and 410 convictions nationwide. Of those, approximately 37% were specifically related to foreign lottery/sweepstakes schemes, work-at-home scams, and sweetheart scams. These schemes that are conducted through the mail disproportionately target older Americans.

I will also discuss prevention efforts the Postal Inspection Service engages in to educate all citizens of these crimes and ways they can protect themselves. Finally, I will discuss how a consumer who has fallen victim to these crimes can receive help.

Foreign Lotteries and Illegal Sweepstakes

Foreign lottery and illegal sweepstakes schemes are initiated by mail, email, phone, or fax. These types of frauds are characterized by sometimes hostile, escalating intimidation. These telemarketers gain the trust of the victims by spending hours on the telephone with them. Victims generally don't believe they have fallen to a fraud scheme and may describe the fraudsters as their "friends." In reality, the fraudsters are relentless and demanding. They threaten, coerce, and use psychological intimidation tactics. The fraudsters begin by telling the victim they've won a lottery or sweepstakes, often an international promotion. The victim must remit a fee, described as taxes, duties, or handling charges, to claim the prize. Unwitting consumers remit large sums of money, but instead of a prize, all they receive are more calls and mailings. Once victims take the bait, unrelenting scammers coerce them into sending even more of their hard-earned money. Some scammers send victims a check or money order as an "advance" and tell them they must send money to collect the rest of the prize—which is not how legitimate promoters operate. To gain victims' trust, some scammers use the name of well-known sweepstakes. Legitimate operators don't charge entry fees and don't require customers pay a fee to collect winnings. When consumers win a legitimate promotion, they pay taxes directly to the government, not to the operator. Older Americans, and anyone subject to such schemes, should get a promoter's number from directory assistance to verify their legitimacy. And any American who receives a notice that they've won a foreign lottery or sweepstakes shouldn't believe it, as it is illegal to buy or sell foreign lottery or sweepstakes tickets across the U.S. border.

Some may ask, why older Americans are the target of this type of fraud. Older Americans, the physically challenged, and "shut-ins" conveniently receive many of their purchases by mail. Sadly, that makes them easy prey for mail fraud operators. The problem is compounded by operators who sell the names and addresses of their victims to other criminal elements, resulting in the repeated victimization of many older citizens.

Americans receive thousands of unsolicited phone calls from dishonest telemarketers each year, with older citizens often the target. By definition, telemarketing involves the use of the telephone. However, calls are often

preceded or followed by a postcard or letter. In most business transactions, including fraudulent ones, it is difficult not to use the mail. Telephone calls are being made from overseas using Voice over Internet Protocol (VoIP) devices. These technological devices can be purchased online and connected to any computer. They allow individuals to select a U.S. area code to make international telephone calls appear as domestic calls.

Callers may use well-rehearsed sales pitches designed to sound believable. The victim may be transferred from person to person, so it sounds like a genuine business setting. Beware of high-pressure pitches that require immediate decisions! Legitimate firms will always give consumers time to think an offer over.

As stated before, victims are sometimes reluctant to tell anyone that they have been victimized. It is important for family members and close friends to know the signs of someone in the midst of potential victimization. Victims can receive phone calls and solicitations from several fraudsters at the same time. When stacks of mail offering lottery tickets for sale or contest information are discovered, community members are encouraged to talk to their loved ones and inquire about these mailings. Relatives could also volunteer to help older family members balance their checkbooks, and ask about any questionable checks or sudden large withdrawals, offer to go over credit card statements to ensure that only authorized purchases are listed, or ask to go through the mail to see if they are receiving unsolicited lottery offers.

Work-at-Home Schemes

Work-at-Home scheme victims receive a solicitation by mail or email, or respond to a job ad online or in print. Fraudsters “hire” respondents without an interview or background check to work as a “payment processor.” They must deposit checks or money orders from the company into their own bank accounts, then wire money to their “employer” and keep a portion as pay. There are several variations of the work-at-home scheme. The “envelope stuffing” scam requires the victim to pay a fee to obtain a “starter packet” to stuff envelopes at home. If anything is received, it’s likely to be information on how to convince *others* to send the victim money for information on envelope stuffing—in essence, the victim starts to become part of the scam. Modern mailing techniques and equipment have virtually eliminated the need for people to perform legitimate envelope stuffing, addressing, and mailing services from their homes. The “shipping specialist” scam requires the victim to accept packages from United States merchants and reship them to a foreign address. These items were purchased with

stolen credit cards and the victim becomes an accomplice in the fraudulent activity. In a variation known as the “mystery shopper,” victims receive a check by mail or email and must cash or deposit it. Once cashed, they’re instructed to visit a store or money-transfer company to test customer service or make some other observation. It usually involves making a small purchase and wiring the remaining money to the fraudster.

Older Americans are targeted by these scammers because they tend to spend a lot of time at home and are sometimes looking for ways to make additional money. Unfortunately, by the time the victim finds out, usually through their banking institution, the money they have spent on these work-at-home “jobs” is gone.

‘Love Losses’ Scam

‘Love Loss’ scammers create male and female characters to entice potential victims. The criminal may send “photos” of an attractive person purporting to be of the person on the other side of the computer screen, but it’s just part of the scam. They move quickly from general chatter to professions of love and marriage. After a short time, they ask the victim to assist them in coming to the United States to meet. The fraudster has a check that needs to be deposited into the victim’s bank account and then wire-transfer thousands of dollars to them to expedite their visit. Perhaps they claim to have a medical emergency or other problem and they need assistance with by cashing a check or money order. Other scams might be a family member of the criminal was in a serious or fatal car accident and they need money to cover hospital or funeral costs.

Victims are drawn in by these scammers, because of the personal interaction which usually takes place over the phone. Scammers use phone redirect services that can be answered by anyone anywhere in the world. It’s a favorite service of fraudsters who pretend to be in one country but are actually halfway around the world. During these phone conversations, the criminals will quickly refer to the victim as their “boyfriend” or “girlfriend” in an effort to move the online relationship forward. It’s all calculated to make the victim believe they want to meet them but need financial assistance to do so. They prey on unsuspecting, innocent victims who are searching for a relationship. It’s only after they’ve built trust that the request for funds begins.

Postal Inspectors advise people *never* send money to someone they don’t know or have never met. Consumers should cash checks or money orders only for relatives or someone they know personally and trust.

They are liable for any check or money order they cash or deposit, so they should ensure it's legitimate before they do so.

Postal Inspection Service Prevention Efforts

The Postal Inspection Service works to educate older Americans against these and other types of fraud that may affect them. Postal Inspectors provide on average 1600 fraud prevention presentations per year nationwide.

The Postal Inspection Service is also heavily involved in several international multi-agency task forces attempting to combat the issue of foreign lottery fraud. One of these task forces is Project JOLT. This task force was established to combat Jamaican-based telemarketing fraud that preys on older Americans and citizens of other countries. In December 2012, the Inspection Service hosted a two-day summit focused on Jamaican lottery fraud. More than 90 federal, state, and private-sector stakeholders joined together to discuss our investigative efforts, challenges, and "best practices" in fighting these types of crimes.

In addition, in 2011, the Inspection Service partnered with Litton Entertainment to produce Public Service Announcements that air on 115 local news stations. These PSAs include a synopsis of a specific fraud along with a victim who tells their story and how the fraud has affected them as well as their loved ones.

The Postal Inspection Service partners with the Postal Service every year on the National Consumer Protection Week campaign. During the 2013 campaign, AARP joined the Inspection Service in their prevention messaging. As part of the campaign, a postcard was sent to every resident in the country. AARP set up a "Fraud Fighter Call Center" in Washington State and special postcards were sent to residents. These postcards provided the phone number to the call center. At the completion of National Consumer Protection Week, AARP was able to directly correlate the number of phone calls to their call center and the prevention postcard sent to residents of Washington State.

During the campaign of 2014, the Detroit Division hosted several events in Michigan and Indiana. During these events, Postal Inspectors were present during the multiple shred events throughout the states. At those events, Inspectors interacted with consumers bringing sensitive documents to be shredded. Postal Inspectors educate them on how to protect themselves against fraud, one of those ways being to shred sensitive documents instead of throwing them away in a garbage can. Inspectors also conducted prevention presentations at local post

offices and senior living centers. An Inspector in the Fort Wayne Domicile participated in a radio show. During the radio show, the Inspector discussed the mission of the Postal Inspection Service as well as prevention tips to listeners.

The prevention tips discussed at all of these venues help the consumer understand the fraud before they fall victim to it. When discussing any type of fraud related crime, Inspectors stress the importance of the consumer taking their time. It is a good idea to contact the Better Business Bureau and request information on the company who is seeking payment. The consumer can inquire about the firm or organization making the offer. Often, the company has no track record of complaints. But the scam may be very familiar to watchdog consumer-protection agencies. It is also important to ask questions and not rush into anything, especially when money is involved. One of the most important prevention messages Inspectors provide related to foreign lotteries is that no legitimate lottery requires payment before winnings are awarded. It is recommended that anyone who has received solicitations of any kind in the past place their phone number on the Do Not Call Registry. They can do this by calling 1-888-382-1222.

How to Report Fraud

If a customer believes they or a family member has been victimized, and it involves the U.S. Mail they need to report it to the Postal Inspection Service at 1-877-876-2455. The victim should also consider filing a complaint with the Federal Trade Commission. If the victim's identity has been affected, they should contact the fraud units of the three major credit bureaus and request a "fraud alert" be placed on their credit file. A copy of their credit report should be ordered from the credit bureaus to check whether fraudulent accounts were opened without consent.

If their financial information has been affected, the banking institutions need to be contacted, by phone and in writing, to report the crime. Also, financial PIN and passwords need to be changed immediately. Always retain any fraud-related correspondence that is received.

The first line of defense against con artists is good judgment. We tell consumer to be skeptical of anything that sounds too good to be true.

The Postal Inspection Service enforces the Mail Fraud Statute, which is the oldest and most effective consumer protection law. This statute can help consumers receive justice for any scheme to get money or something of value from them by offering a product, service, or investment opportunity that does not live up to its claims.

Senator Donnelly, thank you and the members of this Committee for highlighting this significant and troubling issue and allowing us to testify. We look forward to continuing to work with local communities to educate our older consumers, and their family members, on how to identify these schemes and prevent them from happening to themselves, their loved ones and others.

###