

Testimony of
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Statement of Daniel L. Mihalko, Inspector in Charge
Congressional & Public Affairs
of the
United States Postal Inspection Service
On Elder Abuse, Neglect and Exploitation:
Are We Doing Enough?

Before the
Subcommittee on Crime, Corrections and Victims' Rights
of the
Committee on the Judiciary
U.S. Senate

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Mr. Chairman and members of the Subcommittee: thank you for holding this hearing on the topic of crimes against the elderly. I appreciate the opportunity to discuss the subject, and the role of the United States Postal Inspection Service in combating it.

Role of the Postal Inspection Service

The U.S. Postal Service delivers more than 200 billion pieces of mail a year, containing money, messages, and merchandise, to 138 million addresses at some of the most affordable postage rates in the world. U.S. Postal Inspectors are mandated to safeguard all of it--including the people who move it and the customers who use it.

Congress empowered the Postal Service "to investigate postal offenses and civil matters relating to the Postal Service." Through its security and enforcement functions, the Postal Inspection Service provides assurance to American businesses for the safe exchange of funds and securities through the U.S. Mail; to postal customers of the "sanctity of the seal" in transmitting correspondence and messages; and to postal employees of a safe work environment.

There are approximately 1,900 Postal Inspectors stationed throughout the United States who enforce roughly 200 federal laws covering investigations of crimes that adversely affect or fraudulently use the U.S. mail and postal system. Approximately 300 Postal Inspectors conduct mail fraud investigations, including those that target the elderly.

The Mail Fraud Statute and Its Use

There are countless illegal schemes that violate the nation's first consumer protection law--the Mail Fraud Statute, enacted in 1872. The statute is the most effective fraud enforcement weapon and U.S. Postal Inspectors have been using it for over 100 years. Last year, Postal Inspectors investigated 3,355 fraud cases and our analysts prepared more than 84,000 letters in response to mail fraud complaints. In 2002 Postal Inspectors arrested 1,634 mail fraud offenders, and 1,453 were convicted. As a result of these investigations, there was more than \$2 billion in court-ordered and voluntary restitution.

Swindlers long ago realized the adaptability of the postal system for perpetrating crimes. In the latter part of the 19th century, consumers found they could easily obtain goods by purchasing items through the mail. Unfortunately, many customers were deceived by misleading advertisements or were charged for merchandise they never received. The mail was being used by scam artists for a variety of schemes. In response, in 1872 Congress enacted legislation relating to the Post Office Department and the use of the mail to conduct certain fraudulent enterprises. The newly enacted law was used against schemes involving the sale of worthless securities and prize contests sent through the mail. By 1896, the statute was expanded to include mailed advertisements that misrepresented the expected investment return on bonds available for purchase. As the 19th century drew to a close, the mail fraud statute had established itself as the weapon of choice in attacking the fraud schemes of the day.

From 1920 to 1940, Post Office Inspectors were active in numerous investigations that would have a lasting impact on the history of fraud. The Roaring Twenties ushered in what might be termed the Golden Age of fraud with such legendary con men as Charles Ponzi, Joseph Weil, Oscar Hartzell and others challenging Post Office Inspectors and the mail fraud statute.

In Boston in 1919, Charles Ponzi, perhaps the most famous con artist of all time, developed what would forever after be called a "Ponzi scheme." Simply put, the scheme works by robbing Peter to pay Paul. Ponzi claimed he would buy International Postal Reply Coupons from foreign countries and then redeem the coupons in this country at a substantial profit due to differences in exchange rates. Ponzi gave personal notes as security for investors' money and guaranteed a 50 to 200 percent return in 45 to 60 days. Ponzi promised that investors would make millions, and the lure of quick fortunes caused thousands to invest their money. Ponzi never bought the coupons, but by paying initial investors with money he got from new investors, he created an investing frenzy. In just seven months, more than 30,000 people paid him more than \$9 million.

Ponzi was arrested by Post Office Inspectors and charged by both the District Attorney's Office and the United States Attorney's Office. He paid back some money, but then fled with several million dollars. He was caught, sent to prison and eventually deported to Italy. This didn't stop Ponzi, however. Years later, he convinced Italian dictator Benito Mussolini to give him a position in the Italian Treasury. True to form, Ponzi cleaned out a large sum and fled to South America, where he died in 1949.

In 1927, the Bureau of the Chief Post Office Inspector formed a special unit to investigate medical fraud cases that were proliferating throughout the country. This centralized unit of specially trained Inspectors was tasked with investigating quackery cases and compiling evidence to support criminal or civil prosecutions against the promoters. Common medical

frauds included alleged cures for cancer, arthritis and rheumatism, as well as worthless potions, beauty and diet products, rejuvenators and sexual devices.

In the years after World War II, work-at-home schemes conducted through the mail became more commonplace, including everything from mushroom raising, chinchilla breeding and bead stringing to plastic laminating, artificial flower making and envelope stuffing. One operator was running 44 related fraudulent companies.

By the late 1960s, the mail fraud statute became a key weapon in the war against organized crime. Organized crime strike forces in U.S. cities brought successful prosecutions against mobsters. Postal Inspectors joined these strike forces and participated in successful multi-agency investigations and prosecutions. Through the Organized Crime Control Act of 1970, mail fraud was considered a racketeering activity and a RICO (Racketeering Influenced and Corrupt Organizations) predicate.

The last years of the 20th century have affirmed the mail fraud statute as the premier fraud-fighting tool. Although more than 75 years have passed since the first Ponzi scheme, people are still falling victim to them. All the arrests, publicity and warnings have not deterred con artists from victimizing the innocent and the trusting.

Postal Inspectors have investigated a myriad of complex and noteworthy cases ranging from the swindles of the past like the Ponzi scheme to new twists on old scams, from investments to health care, all of which are now offered through telemarketers and over the Internet.

The language of the mail fraud statute remained unchanged for 100 years. It wasn't until 1994 that Congress expanded and enhanced the statute as part of the Violent Crime Control and Law Enforcement Act, inserting new language into Section 1341 that reads "or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier." Con artists who try to circumvent the mail by using private interstate couriers are no longer exempt from the law, as the 1994 Crime Bill amended the mail fraud statute to include them. The mail fraud statute can now be used for items sent through the U.S. Mail, as well as FedEx, UPS or other interstate carriers and couriers.

Working closely with the Senate Permanent Subcommittee on Investigations, Postal Inspectors helped craft legislation that addresses fraudulent sweepstakes and other deceptive mailings. As a result, the Deceptive Mail Prevention and Enforcement Act was passed and became law in April of 2000. The law protects consumers, especially seniors, against deceptive mailings and sweepstakes practices by:

- ? establishing standards for sweepstakes mailings, skill contests and facsimile checks,
- ? restricting government look-alike documents, and
- ? creating a uniform notification system allowing individuals to remove their names and addresses from all major sweepstakes mailing lists at one time.

Mailings must disclose in clear and prominent language that no purchase is necessary to enter a sweepstakes and that a purchase will not improve consumers' chances of winning a prize. The law also creates strong financial penalties for companies that do not disclose all terms and conditions of a contest.

Crimes Against the Elderly Investigated by U.S. Postal Inspectors

The most common examples of mail fraud against consumers investigated by Postal Inspectors are illegal contest and sweepstakes schemes, chain letters, travel and vacation fraud, merchandise misrepresentations, phony billing scams and fraudulent investment opportunities. In addition, there are work-at-home schemes, rebate fraud, and foreign lottery fraud - all through the mail. Older citizens, 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 elderly citizens.

Americans receive thousands of unsolicited phone calls from telemarketers each year trying to sell a variety of products, with older citizens often the target. By definition, telemarketing involves the use of the telephone. But 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. Many offers are legitimate, but unscrupulous telemarketers can be the smoothest of operators. Losses attributed to telemarketing fraud are estimated to exceed \$40 billion per year.

Tactics Used by Fraudulent Operators

Many senior citizens are vulnerable to being victims of telemarketing and mail fraud scams. Fraudsters recognize that many of these seniors are widowed and feel isolated. A telephone call from anyone is greeted with open arms. Experienced con artists understand elderly citizens' vulnerabilities and know what buttons to push when they have them on the telephone.

In searches of telemarketers' places of business, we have discovered the files they maintained on their victims. The files contained intimate details of the victims' health, the names of their children, vacation and travel memories, and even information on deceased spouses. Telemarketers, in particular, use this personal information when they call their victims. They mention family names, inquiring solicitously about their health, and very effectively portray themselves as being caring and knowledgeable. For the victims, these telephone calls may be their only regular contact with other people, and the victims actually value the interaction with someone willing to talk with them. Victims often even defend the fraud operators in the continued belief that they are "friends" who are trying to help them win a sweepstakes or manage investments. Some victims will even acknowledge that the fraud operator is taking advantage of them, but explain that they had no one else who showed interest in them.

One particular technique used by fraudsters is to target those who are ill or in early stages of dementia. It is known as "the check is in the mail." The telemarketer will call a senior posing as a representative of a local business or hospital and ask if they have paid their bill, invoice, etc. Since the senior's memory might be poor, the victim often thinks they have forgotten about this bill and will promptly write a check and put in the mail. Telemarketers target seniors also because they know they have large savings and or retirement funds they can withdraw if they choose. These large retirement accounts are attractive targets of con artists.

"You have won" schemes target elderly victims who have previously participated in lotteries, sweepstakes, and other prize winning opportunities. Seniors are told that they have won-- however, either administrative fees, taxes, or membership fees must be paid before the prize

check can be mailed. Foreign telemarketers are notorious for this type of scam. They are aggressive and fearless since they are in a different country, and they understand how difficult extradition can be to the United States. This is why the Postal Inspection Service is one of the leading agencies in the Cross-Border Fraud Investigative Initiatives and work closely with Canadian law enforcement.

Another tactic utilized by con artists is to tell a senior that they have won a large cash prize and then ask them to verify their identification by providing a credit card or bank account number so they can verify they have the right winner. These telemarketers are very persuasive and once they obtain the personal financial information of a victim, they can clean out their accounts.

One of the most notorious scams against seniors is what is known as the "reload." When fraud operators are successful in obtaining money from a victim, they often make an attempt to gain even more. This is the reload. In a typical reload, the fraud operator contacts the victim again and builds upon the original scam by adding a new twist to it, or pitches an entirely new scam. Sweepstakes "winners" may be told that their prize winnings have increased, but that additional fees are necessary to claim the new amount. Victims of fraudulent investment schemes may be convinced to invest even more money, or to convert their original investment to another market product which is invariably worth even less than what the victims were sold before. Fraudulent telemarketers also often network with each other. They sell each other the names of people they have successfully ripped off. The con artists refer to these lists as "mooch lists" or "sucker lists." If a telemarketer knows a particular senior has fallen victim to several scams, the telemarketer will call the senior posing as an attorney or law enforcement officer and advise that they have recovered the victim's money and it is either in a state fund or being held by the courts. The telemarketer will then request an administrative or bonding fee to release the funds, and in doing so steal from the victim again.

Fraudulent telemarketers have the same capability as legitimate businesses to buy lead lists. They can request lists of specific demographics such as the names of people over 60, widowed, handicapped, prior investments over \$10,000, etc. The companies that compile and sell lists may or may not know the intentions of the buyer. It is difficult to hold these companies accountable without hard evidence they had knowledge what the lists would be used for.

Impact on Victims

Illegal telemarketing and mail fraud schemes continue to target senior citizens who are often the most vulnerable and trusting. Many senior citizens have been robbed of their hard-earned life savings and frequently pay an emotional cost, losing not only their money, but also their self-respect and dignity. Postal Inspectors have interviewed victims who claimed they could not remember sending anything to the operators, or, out of embarrassment, minimized the level of victimization they experienced.

Interagency and Industry Cooperation

To increase efficiency in investigating suspected mail fraud, Postal Inspectors lead or participate in several law enforcement and consumer group initiatives aimed at safeguarding the public's

confidence in the U.S. Mail, and protecting consumers. Listed below are some of our major cooperative efforts.

Health Care Fraud Working Group

Chaired by the Department of Justice (DOJ) Fraud Section, this interagency group seeks to share investigative strategies, prevention and training programs and develop best practices in fighting health care fraud affecting those dependent on health care, mostly seniors, and the American government which bears much of the costs. Members include DOJ, the FBI, Health and Human Services Office of the Inspector General, state attorneys general offices, various health care groups and the Postal Inspection Service. The Postal Inspection Service is also an active law enforcement member of the National Health Care Anti-Fraud Association (NHCAA).

Telemarketing and Internet Fraud

The Telemarketing and Internet Fraud Working Group is chaired by DOJ and as the name implies, focuses on the large problem of telemarketing and the dramatically increasing use of the Internet in fraud schemes. The former impacts the elderly significantly. This working group was the one which first brought attention to the cross-border problem of telemarketers operating in Canada and focusing on U.S. victims to evade prosecution. U.S. law enforcement was frustrated in its attempts to investigate and apprehend these operators in Canada, due to national sovereignty issues. It served as a catalyst in the development of the Cross-Border Crime Forum (see below). Members of this group include DOJ, the FBI, Federal Trade Commission, Secret Service, state attorneys general offices, and the Postal Inspection Service.

Corporate Fraud Task Force

Created in the wake of the Enron scandal to address the corporate criminal mismanagement, the corporate fraud task force was initiated by a Presidential Directive. Although the term "corporate fraud" implies a business fraud, the vast majority of the victims are the consumer investors who trusted the integrity of the firm. Many seniors have lost their life savings through this wave of corporate greed. The members of the group include several United States Attorneys in districts where the problem appeared, the Treasury Department, the Labor Department, the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), Federal Energy Regulatory Commission (FERC), Federal Communications Commission (FCC) and the Postal Inspection Service.

Council on White Collar Crime

Chaired by the Attorney General and his staff, this working group meets once a year and includes all the major agencies involved in combating white collar crimes, both civilly and criminally.

Securities and Commodities

Chaired by DOJ to focus on fraud in the stock market, its members include the Postal Inspection Service, the FBI, the SEC, the IRS, the Secret Service and various U. S. Attorneys.

Cross-Border Crime Forum

Established by another Presidential Directive, the Cross-Border Crime Forum meets once a year to address problems and solutions to cross-border crimes. Members include DOJ, the FBI, FTC, Customs, the Postal Inspection Service and our Canadian counterparts.

Consumer Education and Fraud Prevention Initiatives

Criminal prosecution is an important element in our fraud program, but it is not the only tool. Arrests are not the only solution. The Postal Inspection Service works to protect consumers by educating them about current fraud schemes so they don't become victims. For years, Postal Inspectors have led fraud prevention projects and participated with consumer protection agencies and other groups to help citizens protect themselves before they become victims of fraud.

Project kNOw Fraud

Responding to the proliferation of telemarketing fraud cases, the Postal Inspection Service led an interagency group of law enforcement and consumer organizations in what was named Project kNOw Fraud, one of the most ambitious fraud prevention initiatives ever undertaken. In 1999, Project kNOw Fraud sent a postcard to every household in America--more than 123 million addresses. The card contained valuable telemarketing fraud prevention tips. The project included a Web site and toll-free number to call for additional information or to report a fraud. In addition, a telemarketing fraud prevention video was produced and delivered to more than 15,000 public libraries. Funding to print, address and prepare the mailing for distribution came from money seized by the Postal Inspection Service in a telemarketing fraud case.

National Fraud Against Senior Citizens Awareness Week

People 60 years of age and older accounted for 26 percent of telemarketing fraud victims in 2001, according to the Alliance Against Fraud in Telemarketing and Electronic Commerce. Seniors, however, showed a much higher representation in specific categories--especially prize and sweepstakes fraud--where they accounted for 60 percent of the victims. In a hearing before the Senate Permanent Subcommittee on Investigations in June 2001, Postal Inspection Service representatives and the Pittsburgh Senior Action Coalition discussed the idea of having the Inspection Service and the Coalition initiate a national campaign with other agencies to raise the awareness of older citizens about illegal telemarketing and mail fraud schemes.

In support of the effort, the Senate passed a resolution, introduced by Senators Carl Levin and Susan Collins, designating the week of August 25, 2002, as "National Fraud Against Senior Citizens Awareness Week."

On August 26, 2002, the Chief Postal Inspector joined forces with Postmaster General John E. Potter, Federal Trade Commission Chairman Timothy J. Muris, Assistant Attorney General Michael Chertoff, and representatives of the Royal Canadian Mounted Police to announce the campaign kick-off. Popular actress Betty White, who fits the age range of the targeted group, signed on as spokesperson for the campaign. A total of 51 press events were held in cities nationwide.

Nationally, a multimedia campaign encompassed a wide range of activities: fraud awareness posters were created and posted at more than 38,000 Post Offices across the country; brochures were inserted in Postal Service mailings of stamps and philatelic materials; half-page ads were placed in 40 major metropolitan newspapers; public service announcements featuring Betty White were broadcast on television and radio stations; and fraud awareness flyers were mailed to roughly three million households of seniors and their families.

The Postal Inspection Service's Web site, www.usps.com/postalinspectors, promoted the campaign and offered seniors tips on how to protect themselves from mail and telemarketing fraud. Hundreds of consumer-oriented organizations with Web sites catering to older citizens added links from their sites to the Postal Inspection Service site.

An immediate success of the campaign was declared when, during its first week, a woman in her 80s went to a small Post Office near Pittsburgh, Pennsylvania, to mail a \$2,200 cashier's check to Canada, telling the postmaster she needed the money right away because her husband had won \$162,000 in a Canadian sweepstakes. She had to mail the check to pay for taxes on the winnings before she could receive the prize money. The postmaster, educated by the Postal Inspection Service's campaign, told her "Don't mail him anything. It's a scam." And it was. The venture was being investigated by Postal Inspectors and our Canadian counterparts.

National Consumer Protection Week

In 1999 and 2000, the Postal Inspection Service and the Postal Service Consumer Advocate's Office joined the AARP, Consumer Federation of America, Department of Justice, Federal Trade Commission, National Association of Consumer Agency Administrators and National Association of Attorneys General to launch National Consumer Protection Week (NCPW). The purpose of NCPW is to educate consumers about various types of mail fraud, including identity theft.

In 2001, the NCPW theme was "If it's too good to be true, it probably is." The campaign focused on the technological advances that have provided new avenues for scams that were once perpetuated solely through the use of the mail. The theme for 2002 was "Deceptive Mailings - Don't Be Duped." An educational video news release was issued featuring Senators Susan Collins and Carl Levin speaking on the Deceptive Mail Prevention and Enforcement Act. In February 2003, NCPW focused on identity theft, which is currently the fastest growing crime.

Operation: Identity Crisis

Just last week, the Postal Inspection Service, in conjunction with the U.S. Postal Service, the Federal Trade Commission, the U.S. Secret Service, and various other government agencies and private companies unveiled a national consumer awareness campaign. Known as "Operation: Identity Crisis," the campaign focuses on the ease with which identity theft occurs unless consumers take steps to prevent it. This crime affects all age groups, including older Americans. The percentage of seniors as a victim group rose from 17 percent to 23 percent as reported by the FTC in 2003. The campaign also provides prevention tips to businesses to help them protect consumer data and ensure privacy.

The national information campaign features newspaper ads appearing in 17 newspapers in markets with the highest number of identity theft complaints (Arkansas, California, Florida, Georgia, Illinois, Michigan, New Jersey, New York, Pennsylvania, and Texas) and a three million piece mailing to residents in the above-mentioned states. Jerry Orbach of television's Law & Order, as the national spokesman, appears in Public Service Announcements. Also as part of the campaign, the Postal Inspection Service produced a new consumer video on identity theft entitled "Identity Crisis," and revised a Postal Inspection Service brochure on identity theft.

Crime Doesn't Pay... or Does It? The Establishment of the Consumer Fraud Fund

We recognize that the success of the fraudulent operator depends heavily upon the victim's participation. Fraud is a crime that can be reduced or prevented by educating the general public and specific groups, like the elderly. Accordingly, the Postal Inspection Service established the Consumer Fraud Fund to augment fraud prevention programs. The fund was created with monies received from criminal fines and forfeitures in cases where victims could not be identified. The consumer protection programs that will be financed using the fund entail a series of fraud prevention programs designed to educate the American public and to create consumer awareness of the various fraud schemes being perpetrated, including many which are aimed at the elderly population.

Enhanced Enforcement

To make the most effective use of the Deceptive Mail Prevention and Enforcement Act of 1999 and protect consumers, the Postal Inspection Service established a Deceptive Mail Enforcement Team, composed of Postal Inspectors, Inspector Attorneys and Inspection Service fraud analysts. The team reviews complaints related to promotional mailings to assess their compliance with the Act and ensure swift, investigative attention as appropriate.

Other Enforcement Strategies

In those instances where the crime does not meet federal prosecutorial guidelines, Postal Inspectors bring their cases to local prosecutors or seek alternative solutions. Regrettably, most frauds target those who can least afford it--the elderly, the poor, the disadvantaged, or the ill. These frauds most often result in relatively small monetary loss and are not always prosecutable under federal guidelines. Although the loss is significant to the victim, it is often not significant enough to support a federal criminal action.

In these cases, we seek alternative resolution whenever the crime is certain, but lacks criminal prosecutive appeal. Alternative resolutions consist of civil or administrative action. In instances where the criminal activity does not meet federal or state prosecutive guidelines, yet the scam affects a large number of consumers, often the most disadvantaged, Postal Inspectors take quick action to withhold mail or to encourage the promoter to voluntarily discontinue the fraud. Over the past decade, more than 5,500 envelope stuffing, chain letter and coupon fraud scams have been halted in this manner. We have achieved similar success in combating illegal foreign lottery mail. Since 1994, over 10 million envelopes containing foreign lottery material have been destroyed.

Withholding Mail Order

A Withholding Mail Order (Title 39, USC 3003) enables the Postal Service to withhold an addressee's mail if they are using a false or assumed name to conduct or assist with activity that violates lottery, mail fraud or use of a fictitious name or address statutes.

Temporary Restraining Orders and False Representation Orders

The Postal Service has unique remedies for civil/administrative relief under the postal false representation and lottery statutes, Sections 3005 and 3007 of Title 39. Temporary Restraining Orders (TROs) and False Representation Orders (FROs) enable Postal Inspectors to stop mailed-in responses (most of which contain checks) before they reach the operator of a fraud scheme. An immediate stop of mail requires a TRO, which is sought from a U.S. District Court with approval by and assistance from the United States Attorney's Office. If a TRO is issued, the mail is detained pending completion of administrative proceedings. FROs are issued by a Postal Service Judicial Officer. If issued, mail sent to the promoters will be returned to its senders, thereby preventing victim losses.

FROs are often used to combat illegal lotteries, both foreign and domestic. Lottery promotions usually involve the purchase of a share in a foreign lottery pool and promise large winnings for little effort. They often target senior citizens who are most vulnerable to such scams. Such promotions are usually conducted from a foreign country. Those who pay money to enter a pool that plays numbers in an overseas lottery usually see no return, even if one of the pool's numbers wins, because participants are usually not made aware of what numbers are played or what numbers win. If a pool number does win, and a payout is made to participants in the pool, it is often in an amount disproportionate to a participant's share of the pool, but a participant has no way of knowing that.

Reporting Fraud Complaints

Each year the Postal Inspection Service responds to thousands of consumer fraud complaints received through our toll-free mail fraud hot line, online complaint system, or by mail. In addition, we receive numerous complaint referrals from federal, state and local law enforcement agencies, prosecutors, and industry and consumer groups. Nearly all of these complaints question the legitimacy of promotional offers they received in the mail. Postal Inspectors urge consumers to report incidents of potential mail fraud. Information that is collected by complainants is input to the Postal Inspection Service's Fraud Complaint System, which helps identify violators of the Mail Fraud or False Representation Statutes.

Civil Asset Forfeiture Reform Act

The Civil Asset Forfeiture Reform Act (CAFRA) of 2000 was of great help to Postal Inspectors resolving fraud cases. Prior to CAFRA, when the best or the only way to seize proceeds of a fraud was forfeiture, the requirements of forfeiture were such that it was very difficult to provide victim restitution. Moreover, it was only possible to pursue forfeiture in mail fraud cases when money laundering could be proven. CAFRA changed all of that. Now forfeiture of assets in mail

fraud cases can be accomplished by showing the property is a proceed of the crime. Further, restitution to identified victims is through a much more efficient and simplified process.

Frequently Asked Questions About Mail Fraud and Prevention Tips

Below are frequently asked questions about mail fraud schemes, as well as tips and suggestions to assist consumers in identifying a potential fraud.

Which schemes generate the most complaints?

1. Contest and sweepstakes fraud. A consumer is told he or she is a guaranteed prize winner, but the "free" prize could end up costing hundreds of dollars, and often the victim never receives a thing.
2. Chain letters. These usually require the recipient to send money to others on a list. The letter promises fantastic earnings to participants if the chain is continued. They fail to tell participants it is mathematically impossible for every person to benefit.
3. Foreign lotteries. Any lottery involving a foreign country and conducted through the mail is illegal; they may also be fraudulent. You may not even be entered to play.
4. Travel scams. Recipients are promised a dream vacation, which becomes a nightmare. Travel arrangements are either unavailable when the traveler wants to go, or transportation and lodging are paid for in advance, but not booked by the travel agent, who pockets the money.
5. Work-at-home schemes promise work stuffing envelopes or assembling products. The only real work is selling the program to dupe others into falling for the scheme.
6. Investments. Enticing pitches promise low-risks with high returns in exotic minerals, strategic metals, and rare gemstones, ostrich ranching or other "can't miss" offers.
7. Phony billing scams. These target businesses and professionals, using unsolicited calls or letters offering Yellow Page ads, copy machine supplies, specialty advertising items and other overpriced products. They may imply they are your regular supplier offering a special discount.
8. Internet auction fraud. Buyers place bids for items on an auction Web site. Successful bidders "win" the auction and pay via the U.S. Mail. They're scammed when the seller doesn't deliver the goods after receiving payment, delivers something other than the advertised item, or doesn't disclose relevant information about the item. Inspectors investigate Internet fraud when the mail is used as part of the scam.

Other common types of mail fraud include advance-fee loans, credit repair offers, business opportunities scams, home improvement schemes and supplemental health insurance frauds, to name a few.

Are the fraudulent schemes directed at any particular group?

Sophisticated con artists target older citizens who often live alone, have sizable savings accounts and may be disarmed by convincing salespeople. Favorite schemes include sweepstakes scams, guaranteed prize promotion investments and foreign lotteries. Many seniors are victimized repeatedly through the sale of victim lists. Other operators offer to help recover victims' previous losses--for a fee, only to scam them all over again.

How do people avoid being scammed?

A consumer's good judgment is the last line of defense against the con artist. Consumers should be skeptical of any offer that sounds too good to be true. The following questions can help consumers evaluate questionable offers:

- ? Do I have to pay to receive a "prize" or enter a sweepstakes?
- ? Do I have to provide personal or financial information?
- ? Am I a "guaranteed" winner or told "no risk is involved?"
- ? Am I pressured into responding right away?
- ? Do they ask for advance payment or accept cash only?

If the answer is "yes" to any of these questions, consumers should be wary. Consumers should ask that all statements about the product or service be provided in writing, and check the offer with the consumer protection agencies, the Better Business Bureau (BBB), State Attorney General, or the National Fraud Information Center, at 1-800-876-7060.

The Postal Inspection Service's Web site, www.usps.com/postalinspectors/offers more tips on postal-related crimes and allows consumers to submit a mail fraud complaint online. Fraud complaint forms are also available at every Post Office. In addition, the Postal Inspection Service offers several publications to assist consumers in preventing mail fraud. Copies may be obtained by calling 1-800-332-0317.

Publication 280, Safeguard Your Personal Information

Publication 300-A, Consumer and Business Guide to Preventing Mail Fraud

Publication 281, Consumer Fraud by Phone or Mail, Know How to Protect Yourself

Summary of Recent Fraud Investigations by U.S. Postal Inspectors

? A fraud operator in Rhode Island obtained a list of elderly women who had previously entered sweepstakes contests. He relentlessly pursued these victims, calling a 76-year-old victim at least 38 times, and an 85-year-old woman at least 95 times, with news that they were sweepstakes "winners." Many women fell for his scheme, and mailed the fraud operator a ten percent "processing fee" to claim their prizes, which he described as being \$75,000 to \$150,000. After victims sent the fees, he called them again to say their winnings were increased, and convinced them to send even more money, which was used to support the fraud operator's fondness for luxury and drugs. Postal Inspectors' interviews revealed a callous disregard for his victims. One woman was blind; one depleted her entire savings account and took out cash advances on a credit card to send in the processing fees; and one had to turn to her children for financial support after she exhausted all of her savings. The fraud operator pled guilty to twelve counts of conspiracy, mail and wire fraud, and interstate transportation of stolen property. He was sentenced to five years in prison and ordered to make restitution of more than \$218,000.

? The operator of fraudulent lottery marketing enterprises in Vancouver, Canada, and Barbados pled guilty to illegal interstate transportation of gambling material. With a staff operating from telephone rooms in Vancouver, Kelowna, and Toronto, Canada, the operator sold chances, shares and interests in Canadian, Australian, Spanish, Irish and U.S. lotteries to senior citizens in the U.S., using trade names such as "The Lottery Connection," "Winners," "New Eagle," and "Project Rainbow." During their investigation, Seattle Postal Inspectors learned that his victims averaged 74 years of age, and that losses per victim ranged from \$10,000 to \$329,000. As part of his plea agreement, the operator agreed to pay \$11.7 million in restitution to victims of the scheme.

? Three Illinois men were sentenced for their roles in a telemarketing scheme targeting the elderly. The operators paid other telemarketers up to \$1,000 per name for a good "sucker," and then telephoned senior citizens with news that they had won a large cash prize or were owed a federal tax refund. Victims were told to mail or wire \$500 to \$2,000 to pay fees or taxes due on their "windfall" before their claims could be processed. During Postal Inspectors' questioning, the men admitted that they also browsed through phone books looking for given names such as Agnes, Rose, and Elmer that were common in prior generations. The operators would often "reload" their victims, calling the same person many times with variations of their pitch. They also used telephone calling cards to make it difficult for authorities to obtain records of their calls. Upon sentencing, the judge said the men's crimes were more serious than drug offenses or bank robberies, because they robbed vulnerable people of their dignity at the end of their lives.

? A mail fraud operator running a fraudulent telemarketing scheme pled guilty to charges of mail fraud. Operating out of Hawaii, the principal operator purchased lists of elderly individuals over 65 years of age who had made prior \$10,000+ investments. He defrauded seniors for more than five years, promising up to 30 percent returns while selling investments in silver coins for 400 to 500 percent more than the coins' actual value. The principal was difficult to identify because his name was not on any bank accounts or documents related to the businesses. He distanced himself from authorities by using "runners" in Nebraska, Iowa and New Jersey to pick up his mail and set up bank accounts, and by frequently changing company names and addresses. Postal Inspectors discovered his true identity when they executed a search warrant at the home of one of his runners. After his arrest, he pled guilty to a forfeiture count which allowed the government to utilize \$132,000 in cash and coins seized by Postal Inspectors for victim restitution. The court ordered the principal accountable for \$1.1 million in restitution. In March 2003 the Federal District Court in Nebraska sent disbursement checks to the victims as part of the restitution order pursuant to recent changes in the Civil Asset Forfeiture Reform Act (CAFRA) which allows the victims' restitution to be identified and provided without burdening elderly individuals with completion of the Petitions for Remissions. An employee of the operator was identified late in the investigation and was indicted earlier this year.

? Postal Inspectors launched an investigation of a Santa Rosa, California woman acting as office manager for a fictitious law office. The suspect befriended an elderly woman and used her identity to open multiple credit card accounts. She also assumed the identity of a former resident of an assisted living facility where she worked, opened at least three credit card accounts in the second woman's name and rented a storage facility using her identity. Postal Inspectors obtained search warrants for the storage facility and the suspect's residence and arrested her in Minnesota. She was later indicted for mail fraud, identity fraud, wire fraud and bank fraud.

? Seattle Postal Inspectors led a joint investigation of the 60-year-old mastermind of a Ponzi scheme who bilked more than 3,200 victims of approximately \$70 million. Thousands of elderly victims lost their life savings in the scheme, in which proceeds from new investors were used to pay off previous investors. The judge found the defendant obstructed the government investigation, made no effort at restitution, provided no cooperation and has no remorse. He was sentenced to 30 years in prison after he was found guilty of 25 counts of mail fraud, wire fraud, money laundering and conspiracy. An accomplice was sentenced to 24 years in prison. The

government seized approximately \$25 million from accounts in Samoa that will be used for restitution to victims.

? A citizen of Quebec, Canada, was sentenced to 10 years in prison, three years' probation and ordered to pay more than \$1.2 million in restitution as a result of "Project Colt," a joint United States and Canadian law enforcement effort to curb cross-border telemarketing fraud. The man was charged with directing the operation of a fraudulent scheme in Montreal that victimized mostly elderly American citizens. Telemarketers posed as attorneys or government officials and claimed to have recovered money for persons victimized by previous lottery prize schemes. Postal Inspectors' investigation revealed that victims mailed purported taxes and/or fees to release the "recovered" money, which never existed. The defendant was also sentenced to two years, three months in prison for victimizing a Florida resident.

? Postal Inspectors arrested a man in Atlanta, Georgia for operating a sweepstakes scheme. The operator of the scheme placed telephone calls to elderly persons throughout the United States promising them that they won large amounts of money via a lottery, sweepstakes or contest. Victims were led to believe that if they mailed money as payment for taxes or entry fees, they would receive their "winnings." No winnings were ever sent to these victims. In some cases, elderly victims were victimized several times. To date, the investigation has disclosed more than 32 victims with losses in excess of \$161,000.