

STATEMENT FOR THE RECORD  
DENNIS M. LORMEL, CHIEF,  
FINANCIAL CRIMES SECTION  
FEDERAL BUREAU OF INVESTIGATION

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SPECIAL COMMITTEE ON AGING. I AM PLEASED TO APPEAR TODAY ON BEHALF OF THE FEDERAL BUREAU OF INVESTIGATION AND SHARE WITH YOUR COMMITTEE THE FBI'S EFFORTS TO ADDRESS FRAUDULENT SCHEMES WHICH PROMISE EVERYTHING FROM IMPROVED MEMORY, SEXUAL VITALITY, CURING OF TERMINAL ILLNESSES, RELIEF FROM CHRONIC PAIN AND, THE ULTIMATE PROMISE, A LONGER LIFE. THESE SCHEMES TARGET THOSE WHO ARE MOST CONCERNED ABOUT REVERSING THE EFFECTS OF AGING, THE ELDERLY.

COMBINING RESOURCES WITH OTHER FEDERAL AND STATE INVESTIGATIVE AGENCIES HAS BEEN A WINNING FORMULA FOR THE FBI IN THIS AND MANY OTHER TYPES OF INVESTIGATIONS. THE JOINT INVESTIGATIVE APPROACH NOT ONLY BRINGS ADDITIONAL RESOURCES IN TERMS OF MANPOWER AND INVESTIGATIVE TOOLS, BUT ALSO GIVES INVESTIGATORS ACCESS TO EXPERTISE PROVIDED BY REGULATORY AGENCIES SUCH AS THE FDA AS WELL AS A LARGER SELECTION OF APPLICABLE CRIMINAL AND CIVIL STATUTES FROM BOTH THE FEDERAL AND STATE LEVELS.

LET ME FIRST EMPHASIZE THAT THE FBI HAS IDENTIFIED ELDER FRAUD AND FRAUD AGAINST THOSE SUFFERING FROM SERIOUS ILLNESS AS TWO OF THE MOST INSIDIOUS OF ALL WHITE COLLAR CRIMES BEING PERPETRATED BY TODAY'S MODERN AND HIGH TECH CON-MAN. THE INTERNET, HIGH SPEED DIALERS, MAIL DROPS, AND COMPUTERS ARE JUST SOME OF THE TOOLS AVAILABLE TO THE FRAUDSTER TO SEPARATE A VICTIM FROM HIS MONEY. MANY ELDERLY CITIZENS RELY ON PENSIONS, SOCIAL SECURITY AND LIFE SAVINGS TO SUPPORT THEMSELVES. THE SERIOUSLY ILL AND THEIR FAMILIES ARE DESPERATE TO FIND SOME GLIMMER OF HOPE. THE LOSSES INFLICTED BY THESE UNSCRUPULOUS CON-MEN AND THEIR ORGANIZATIONS ARE BOTH FINANCIALLY AND EMOTIONALLY DEVASTATING TO THESE VICTIMS.

IT HAS BEEN THE EXPERIENCE OF THE FBI THAT THE ELDERLY ARE PREYED UPON BY THESE UNSCRUPULOUS INDIVIDUALS FOR SEVERAL REASONS:

- 1) OLDER AMERICAN CITIZENS ARE MOST LIKELY TO HAVE A "NEST EGG" , OWN THEIR HOME AND/OR HAVE EXCELLENT CREDIT ALL OF WHICH THE CON-MAN WILL TRY TO TAP INTO. FRAUDSTERS ARE VERY FAMILIAR

WITH THE OLD SAYING, "YOU CAN'T GET BLOOD FROM A STONE." LIKE ANY OTHER BUSINESSMAN, THE FRAUDSTER WILL FOCUS HIS EFFORTS ON THE SEGMENT OF THE POPULATION MOST LIKELY TO BE IN A FINANCIAL POSITION TO BUY WHATEVER HE IS SELLING.

2) INDIVIDUALS WHO GREW UP IN THE 30'S, 40'S AND 50'S WERE GENERALLY RAISED TO BE POLITE AND TRUSTING. TWO VERY IMPORTANT AND POSITIVE PERSONALITY TRAITS, EXCEPT WHEN IT COMES TO DEALING WITH A CON-MAN. THE CON-MAN WILL EXPLOIT THESE TRAITS KNOWING THAT IT IS DIFFICULT OR IMPOSSIBLE FOR THESE INDIVIDUALS TO SAY "NO" OR JUST HANG UP THE PHONE.

3) OLDER AMERICANS ARE LESS LIKELY TO REPORT A FRAUD BECAUSE THEY EITHER DON'T KNOW WHO TO REPORT IT TO OR ARE TOO ASHAMED AT HAVING BEEN SCAMMED. IN SOME CASES, AN ELDERLY VICTIM MAY NOT REPORT THE CRIME BECAUSE HE OR SHE IS CONCERNED THAT RELATIVES MAY COME TO THE CONCLUSION THAT THE VICTIM NO LONGER HAS THE MENTAL CAPACITY TO TAKE CARE OF HIS OR HER OWN FINANCIAL AFFAIRS.

4) WHEN AN ELDERLY VICTIM DOES REPORT THE CRIME, THEY OFTEN MAKE POOR WITNESSES. THE CON-MAN KNOWS THE EFFECTS OF AGE ON MEMORY AND HE IS COUNTING ON THE FACT THAT THE ELDERLY VICTIM WILL NOT BE ABLE TO SUPPLY ENOUGH DETAILED INFORMATION TO INVESTIGATORS SUCH AS: HOW MANY TIMES DID HE CALL? WHAT TIME OF DAY DID HE CALL? DID HE PROVIDE A CALL BACK NUMBER OR ADDRESS? WAS IT ALWAYS THE SAME PERSON? DID YOU MEET IN PERSON? WHAT DID HE LOOK LIKE? DID HE/SHE HAVE ANY RECOGNIZABLE ACCENT? WHERE DID YOU SEND THE MONEY? WHAT DID YOU RECEIVE IF ANYTHING AND HOW WAS IT DELIVERED? WHAT PROMISES WERE MADE AND WHEN? DID YOU KEEP ANY NOTES OF YOUR CONVERSATIONS? THE REALIZATION THAT THEY HAVE BEEN VICTIMIZED MAY TAKE WEEKS OR, MORE LIKELY, MONTHS AFTER CONTACT WITH THE CON-MAN. THIS EXTENDED TIME FRAME WILL TEST THE MEMORY OF ALMOST ANYONE.

5) LASTLY, WHEN IT COMES TO PRODUCTS THAT PROMISE INCREASED COGNITIVE FUNCTION, VIRILITY, PHYSICAL CONDITIONING, ANTI-CANCER PROPERTIES AND SO ON, OLDER AMERICANS MAKE UP THE SEGMENT OF THE POPULATION MOST CONCERNED ABOUT THESE ISSUES. IN A COUNTRY WHERE NEW CURES AND VACCINATIONS FOR OLD DISEASES HAS GIVEN EVERY AMERICAN HOPE FOR A LONG AND FRUITFUL LIFE, IT IS NOT SO UNBELIEVABLE THAT THE PRODUCTS OFFERED BY THESE CON-MEN CAN DO WHAT THEY SAY THEY CAN DO.

THOSE SUFFERING FROM CANCER, HEART DISEASE, MULTIPLE SCLEROSIS, DIABETES, HIV, PARKINSON'S DISEASE AND OTHER SERIOUS ILLNESSES ARE TARGETED FOR ONE SIMPLE REASON. THE CON-MAN KNOWS THAT MANY OF THESE INDIVIDUALS ARE DESPERATE TO FIND SOME REASON TO BELIEVE THAT A "MIRACLE CURE" EXISTS. THESE PEOPLE, MANY OF WHOM ARE ELDERLY BUT SOME WHO ARE NOT, ARE WILLING TO PAY WHATEVER PRICE IS ASKED AND SUBJECT THEMSELVES TO WHATEVER RISK IS REQUIRED TO GAIN AN ADVANTAGE OVER THEIR DISEASE. REGRETTABLY, IN MOST CASES, IT IS THE CON-MAN TAKING ADVANTAGE OF THESE INDIVIDUALS. IN ADDITION TO THE FINANCIAL LOSS, THESE PATIENTS OFTEN LOSE VALUABLE TIME AWAY FROM CONVENTIONAL MEDICAL TREATMENT WHICH COULD HAVE RESULTED IN A HIGHER QUALITY OF LIFE AND/OR PROLONGED LIFE. ALTHOUGH THE FBI HAS IDENTIFIED SEVERAL INSTANCES WHERE DIETARY AND NUTRITIONAL SUPPLEMENTS PROMISE ANTI-AGING EFFECTS HAVE BEEN UTILIZED TO DEFRAUD AMERICAN CITIZENS, THE NUMBER OF COMPLAINTS AND RELATED DOLLAR LOSSES HAVE NOT INDICATED A SUBSTANTIAL CRIME PROBLEM FALLING WITHIN THE JURISDICTION OF THE FBI. HOWEVER, THE FBI HAS BEEN INVOLVED IN SEVERAL INVESTIGATIONS CONCERNING "MIRACLE CURES" IN WHICH THE BUREAU HAS JOINED FORCES AND SHARED RESOURCES WITH THE FOOD AND DRUG ADMINISTRATION (FDA), THE U.S. POSTAL INSPECTION SERVICE (USPIS) AND OTHERS.

SEVERAL EXAMPLES OF PREVIOUS CASES ARE AS FOLLOWS:

IN MARCH 2001, GREGORY E. CAPLINGER, DBA, INTERNATIONAL INSTITUTE OF MEDICAL SCIENCE HOSPITAL AND CLINICS, WAS INDICTED IN THE EASTERN DISTRICT OF PENNSYLVANIA ON 39 COUNTS OF WIRE FRAUD. CAPLINGER HAD FALSELY REPRESENTED HIMSELF TO BE A BRITISH AND U.S. TRAINED PHYSICIAN WITH A DOCTOR OF SCIENCE DEGREE WHO WAS BOARD CERTIFIED IN INTERNAL MEDICINE, IMMUNOLOGY AND ONCOLOGY. CAPLINGER USED THESE FALSE CREDENTIALS AND OTHER MISREPRESENTATIONS TO CONVINCE SERIOUSLY ILL PATIENTS TO TRAVEL FROM THE UNITED STATES AND CANADA TO THE DOMINICAN REPUBLIC FOR TREATMENT. HE CONVINCED PATIENTS TO TRAVEL TO THE DOMINICAN REPUBLIC TO PARTICIPATE IN HIS IMMUNOLOGICAL PROTOCOL AT HIS CLINIC WHICH USED AN MEDICATION CALLED "IMMUSTIM." CAPLINGER CLAIMED THAT "IMMUSTIM" WAS A MEDICATION EFFECTIVE IN THE TREATMENT OF CANCER, HIV/AIDS, EPSTEIN-BARR VIRUS, HEPATITIS, CHRONIC FATIGUE SYNDROME, ALLERGIES AND OTHER IMMUNOLOGICAL DYSFUNCTIONS. CAPLINGER RECEIVED IN EXCESS OF \$500,000 FROM PATIENTS AND APPROXIMATELY \$2,000,000 FROM INVESTORS HE CONNED INTO PROVIDING HIM FUNDING FOR HIS "CLINIC".

CAPLINGER FLED THE COUNTRY ON THE SEVENTH DAY OF HIS TRIAL AND EVENTUALLY TURNED HIMSELF IN TO AUTHORITIES IN THE DOMINICAN REPUBLIC. INVESTIGATION IN THIS MATTER ALSO DETERMINED THAT CAPLINGER WAS NOT A DOCTOR AND HAD BEEN SITED FOR PRACTICING MEDICINE WITHOUT A LICENSE IN 1984 IN FLORIDA. HE ALSO PLEAD GUILTY TO CHARGES OF PRACTICING MEDICINE WITHOUT A LICENSE IN THE STATE OF NORTH CAROLINA IN 1988. IN 1993 HE PLEAD GUILTY TO THEFT CHARGES IN FLORIDA FOR TAKING MONEY FROM THE ELDERLY AFTER PROMISING TO TREAT PATIENTS FOR ALZHEIMER'S DISEASE. CAPLINGER IS AWAITING SENTENCING AND COULD RECEIVE 195 YEARS IN JAIL AND A FINE OF \$9.75 MILLION.

THE FBI IS ALSO INVOLVED IN A NUMBER OF ON-GOING CASES WHICH I AM NOT AT LIBERTY TO DISCUSS IN DETAIL AT THIS TIME. HOWEVER, I CAN PROVIDE YOU WITH A SUMMARY OF SEVERAL CASES WITHOUT IDENTIFYING THE SUBJECTS OF THESE INVESTIGATIONS.

IN SEPTEMBER 1999, THE SALT LAKE CITY OFFICE OF THE FBI INITIATED A JOINT INVESTIGATION WITH THE FDA. THIS INVESTIGATION CENTERED ON THE ACTIVITIES OF AN INDIVIDUAL TREATING SERIOUSLY ILL PEOPLE WITH AN "ALL NATURAL" PRODUCT HE PRODUCED, THE INGREDIENTS OF WHICH HE HAS ADVISED CAME TO HIM IN A "DREAM." ACCORDING TO THE SUBJECT OF THIS INVESTIGATION, THIS PRODUCT WAS EFFECTIVE IN TREATING MIGRAINE HEADACHES, CANCER, MULTIPLE SCLEROSIS, PARKINSON'S DISEASE, CHRONIC PAIN, SPINAL CORD INJURIES AND OTHER ILLNESSES. THE SUBJECT ADVISED PATIENTS THAT HIS "ALL NATURAL" PRODUCT CONTAINED BOTANICAL EXTRACTS, B VITAMINS AND AMINO ACIDS. EXTENSIVE CHEMICAL ANALYSIS OF THE PRODUCT PERFORMED BY THE FDA DETERMINED THAT AMONG OTHER THINGS, IT CONTAINED PROCAINE AND LIDOCAINE. THE COST OF THESE TREATMENTS, WHEN PERFORMED IN THE SUBJECT'S CLINIC, WAS \$10,000 EACH. INFORMATION DEVELOPED THROUGH INVESTIGATION DETERMINED THAT THE SUBJECT HAD CONTRACTED WITH A PHARMACIST TO MIX HIS PRODUCT AND PAID THE PHARMACIST \$15.00 PER VILE. THE COST TO PATIENTS WAS \$500.00 PER VILE. HUNDREDS OF VICTIMS SOUGHT TREATMENT FROM THIS INDIVIDUAL WITH MANY PARENTS BRINGING PARAPLEGIC CHILDREN, WHO HAD SUFFERED SPINAL CORD INJURIES, IN THE HOPE THAT TREATMENT BY THE SUBJECT MIGHT RESULT IN THEIR BEING ABLE TO WALK AGAIN. MANY OF THE VICTIMS DIDN'T HAVE THE FINANCIAL RESOURCES TO PAY FOR THE TREATMENTS AND RESORTED TO MORTGAGING THEIR HOMES AND BORROWING FROM RELATIVES. IN ONE CASE, A CHURCH MOBILIZED ITS PARISHIONERS AND THROUGH FUND RAISING ACTIVITIES, WERE ABLE TO PAY THE COST OF THE TREATMENTS FOR ONE CHILD. MANY OF THE PATIENTS LEARNED OF

THIS "MIRACLE TREATMENT" THROUGH CHATROOMS ON THE INTERNET FREQUENTED BY THOSE SUFFERING FROM SPECIFIC AND SERIOUS DISEASES AND AILMENTS. SEARCH WARRANTS WERE EXECUTED AT THE SUBJECT'S HOME, ONE CLINIC IN SALT LAKE CITY AS WELL AS THE HOME OF THE PHARMACIST WHO RESIDED IN CALIFORNIA.

IN NOVEMBER 2000, THE RICHMOND OFFICE OF THE FBI INITIATED A WIRE FRAUD INVESTIGATION AGAINST AN INDIVIDUAL RESIDING IN HENRICO COUNTY, VA, WHO WAS REPRESENTING HIMSELF AS A DOCTOR AND A SURGEON. THIS INDIVIDUAL CLAIMED TO HAVE FOUND AN HERBAL CURE FOR VARIOUS TERMINAL CANCERS. HE WAS SELLING A MEDICINE "SOUP" WHICH HE CREATED AND CLAIMED WOULD CURE CANCER. THE CHARGE FOR A 45 DAY SUPPLY OF THIS "SOUP" WAS \$10,000. THE SUBJECT OF THIS INVESTIGATION ADVISED PROSPECTIVE CLIENTS THAT HE HAD CURED THE QUEEN OF THAILAND OF CERVICAL CANCER AND CURED HIS OWN WIFE OF STAGE IV BRAIN CANCER. HE ALSO CLAIMED TO HAVE CURED MORE THAN 100 OTHERS WITH HIS "SOUP". ONE VICTIM, IDENTIFIED THROUGH INVESTIGATION, PAID \$85,000 FOR "SOUP" AND A SKIN TREATMENT TO CURE HIS SKIN CANCER.

SOME OF THE "PATIENTS" LEARNED ABOUT THE "SOUP" TREATMENTS BY WORD OF MOUTH AND OTHERS VIA THE INTERNET. SOME OF THE PATIENTS WERE TOLD THAT THEIR MEDICAL DIAGNOSIS WAS WRONG AND THEY DID NOT HAVE CANCER. HE TOLD THEM THEY WERE ONLY SUFFERING FROM A VIRUS WHICH, NOT COINCIDENTLY, HIS "SOUP" WOULD CURE. IN SOME INSTANCES, VICTIMS WERE INSTRUCTED TO DISCONTINUE THEIR CONVENTIONAL MEDICAL TREATMENT AND TO RELY SOLELY ON HIS SOUP. TO DATE, INVESTIGATION HAS DETERMINED THAT THE SUBJECT RECEIVED OVER \$350,000 FROM THE SALE OF HIS SOUP AND BOGUS MEDICAL TREATMENTS.

THE SUBJECT WAS ARRESTED ON 2/16/2001 AFTER INVESTIGATION DETERMINED THAT HE HAD BEGUN TO LIQUIDATE VARIOUS BANK ACCOUNTS. APPROXIMATELY \$207,660 AND TWO VEHICLES WERE SEIZED AT THE TIME OF HIS ARREST.

IN APRIL 1999, THE SAN DIEGO OFFICE OF THE FBI INITIATED AN INVESTIGATION OF AN INDIVIDUAL WHO ADVOCATED A REGIME OF HERBAL CONCOCTIONS, THE USE OF AN ELECTRIC DEVICE REFERRED TO AS A "ZAPPER", AND THE REMOVAL OF ALL METAL FROM THE PATIENTS MOUTH, TO CURE CANCER. ONE OF THIS INDIVIDUALS PATIENTS HAD BEEN DIAGNOSED WITH BREAST CANCER THROUGH CONVENTIONAL MEDICAL PROCEDURES. A MALIGNANT TUMOR, APPROXIMATELY 1.5 CENTIMETERS IN SIZE, WAS DISCOVERED AND THE PATIENT'S MEDICAL

DOCTOR RECOMMENDED SURGERY TO REMOVE IT. THIS PATIENT, CONVINCED THAT THE SUBJECT OF THIS INVESTIGATION COULD CURE HER CANCER AND ON HIS RECOMMENDATION, HAD ALL OF HER TEETH CONTAINING FILLINGS REMOVED BY A DENTIST. FOLLOWING TREATMENTS AND TESTS COSTING SEVERAL THOUSAND DOLLARS, THE SUBJECT ADVISED THE PATIENT THAT HER CANCER WAS "HEALING". AT THE URGING OF FAMILY MEMBERS, THE PATIENT RETURNED TO HER REGULAR PHYSICIAN AND LEARNED THAT THE TUMOR WAS NOT HEALING AND HAD ACTUALLY GROWN TO 14 CENTIMETERS.

THIS INVESTIGATION DETERMINED THAT THE SUBJECT WAS ALREADY WANTED ON A STATE ARREST WARRANT IN NASHVILLE, INDIANA, FOR THE UNLAWFUL PRACTICE OF MEDICINE. HE WAS ARRESTED ON THE OUTSTANDING WARRANT AND RETURNED TO INDIANA FOR PROSECUTION.

THE FBI IS ALSO INVOLVED IN SEVERAL OTHER ON-GOING INVESTIGATIONS WHICH, DUE TO THE SENSITIVE NATURE OF THESE INVESTIGATIONS, CAN NOT BE DISCUSSED AT THIS TIME.

THE FBI WILL CONTINUE TO IDENTIFY, INVESTIGATE AND WORK TO PROSECUTE THOSE WHO WOULD TAKE ADVANTAGE OF THE ELDERLY AND THE SERIOUSLY ILL.

AT THIS TIME I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

THANK YOU.