

**Testimony of Deputy Chief Postal Inspector Shawn Tiller
Before the Special Committee on Aging**

**United States Senate
113th Congress, 1st Session**

876-SCAM: Jamaican Phone Fraud Targeting Seniors

**Wednesday, March 13, 2013, 2:00 p.m.
Dirksen Room 562**

Chairman Nelson, Ranking Member Collins, and members of the Special Committee, I am Shawn Tiller, Deputy Chief Postal Inspector of the U.S. Postal Inspection Service. On behalf of the men and women of our agency, I appreciate the opportunity to present the testimony of the U.S. Postal Inspection Service in support of this hearing on Jamaican Phone Fraud Targeting Seniors.

As one of our country's oldest federal law enforcement agencies, founded by Benjamin Franklin, we have a long, proud, and successful history of fighting crime against those who attack our nation's postal system and misuse it to defraud, endanger, or otherwise threaten the American public. For over 250 years, Postal Inspectors have investigated criminal offenses involving the mail and the postal system. From embezzlements in colonial Post Offices to mail train robberies in the 1800s, from major fraud cases in the 1900s to the mailing of deadly anthrax in 2001, Postal Inspectors have worked diligently to ensure America's confidence in the U.S. Mail.

Postal Inspectors tenaciously investigate criminal offenses involving the mail or postal system. As federal law enforcement officers we carry firearms, make arrests, and serve federal search warrants and subpoenas. To carry out our mission, Inspectors work closely with the Department of Justice and U.S. Attorney's Offices, other federal and local law enforcement agencies, and local prosecutors to investigate cases and prepare them for court. Postal Inspectors enforce more than 200 federal laws related to crimes that adversely affect or fraudulently use the U.S. Mail, the postal system, postal employees, and postal customers.

To effectively enforce these laws, we have stationed approximately 1,400 Postal Inspectors throughout the United States and have a presence in Puerto Rico, Guam, and Germany, as well as at Universal Postal Union (UPU) Headquarters in Berne, Switzerland. In the last fiscal year, these 1,400 Inspectors reported nearly 8,000 arrests and indictments and 5,000 convictions.¹ They also responded to more than 3,300 incidents involving suspicious substances or items in the mail or at postal facilities.

My testimony will describe our experience investigating Jamaican lottery fraud and how we work to protect U.S. consumers, particularly in four key areas: (1) information-sharing, (2) investigative assistance, (3) cross-border jurisdictional authority, and (4) partnerships with law enforcement.

¹Arrests, indictments, and convictions may be related to cases from prior reporting periods.

International lottery and prize scams are not new. They are essentially a variation on traditional advance-fee scams in which victims are told they are “guaranteed” to win—or they have already won. The scammers instruct them to remit a fee to redeem their prize—described variously as taxes, duties, or handling fees. Unwitting consumers remit large sums of money to these crooks, but instead of a prize, all victims receive are more phone calls and mailings. Once they have taken the bait, the unrelenting scammers coerce victims into sending them even more of their hard-earned money.

A “cross-border” element occurs as the result of a criminal’s location. Evolving technologies allow criminals to easily cross international borders, both quickly and anonymously, to prey on Americans from countries overseas—and out of reach of U.S. jurisdiction. Sadly, the victims are often those who can least afford it. Older Americans on fixed incomes and the disadvantaged are represented disproportionately in victim demographics.

Unfortunately, the number of countries from which predators choose to operate and target Americans will only continue to increase, as will the number of victims. Disposable cell phones and voice over Internet protocol (VoIP) make it even easier for overseas criminals to reach American households, allowing them to disguise foreign phone numbers as U.S. numbers. This insidious practice allows scammers to victimize citizens where they typically feel safest: in their homes. Using victim “lead lists” which are sold in the underground market, scammers can even more precisely target their victims. They hone in on vulnerable groups according to age, income, occupation, and other factors—such as whether someone has entered previous lotteries and sweepstakes games.

Predators aggressively victimize Americans from outside the protection of our national borders by phone, through the mail, and over the Internet. They remain anonymous, and faceless to their victims.

We in the Postal Inspection Service have investigative jurisdiction when the mail is used to commit a crime. In traditional foreign lottery scams, the mail nexus commonly occurs in solicitations sent to consumers. On the other hand, in Jamaican scams victims are most often solicited by phone and the Internet. Use of the mail arises more typically when a victim mails money to the scammer in Jamaica or to a conspirator, whose role is to consolidate and redirect the money elsewhere. Funds are almost always sent by mail, commercial courier, wire transfer, or human transport. Recent data from the Federal Trade Commission (FTC) estimates that fewer than 10% of fraud scams involve use of the mail and that nearly 7 in 10 incidents involve the telephone or Internet.² However, we consider any criminal misuse of the mail to be too high—and actively seek opportunities to mitigate harm to American consumers.

Consumer complaint data received through the Postal Inspection Service's complaint hotline from September 2008 to the present, indicates Jamaica ranks 16th in the total number of countries reported as an origin for foreign lottery and sweepstakes complaints. As a source nation, they trend significantly behind Canada, Australia, the Netherlands, England, and Spain (refer to Exhibit 1).

² "The Consumer Sentinel Network Databook for January–December 2012," Federal Trade Commission, February 2013.

Foreign Lottery and Sweepstakes Complaints						
United States Postal Inspection Service						
Country	2009	2010	2011	2012	Total	Rank
CANADA	18,999	8,561	14,856	5,532	47,948	1
AUSTRALIA	4,859	2,176	1,915	783	9,733	2
NETHERLANDS/HOLLAND	3,333	1,730	1,876	1,171	8,110	3
ENGLAND	2,054	1,631	2,154	1,966	7,805	3
SPAIN	981	1,397	2,183	1,616	6,177	4
JAMAICA	70	45	34	18	167	16

Fraud reports by consumers made to the Postal Inspection Service Criminal Investigations Service Center

Exhibit 1

This data does not indicate an increasing trend, as one would expect. But it supports the premise that mail is not the primary means used by criminals to conduct this crime. And it justifies our concern that our data does not represent the true level of threat this crime represents to American citizens.

Cross-Border Foreign Lottery/Sweepstakes Cases FY 2009 - FY 2012						
United States Postal Inspection Service						
Partnership/Task force	Fraud Loss	Victims	Indicted	Arrested	Convicted	
Alberta Partnership	\$ 35,478	26,290	2	1	0	
Project COLT	\$ 8,050,175	2,388	13	15	8	
Project EMPYOR	\$ 8,831,699	2,685	7	5	4	
Project JOLT	\$ 17,138,239	1,083	28	92	18	
Toronto Strategic Partnership	\$ 18,153,810	9,586	15	6	4	
Vancouver Strategic Alliance	\$ 830,776	570	1	2	2	
Foreign Lottery/Sweepstakes	\$ 53,040,177	42,602	66	121	36	

Exhibit 2

Despite the low number of complaints received by the Inspection Service, investigative efforts identified more than 1,000 victims who suffered losses of nearly \$17 million from fiscal year 2009 to 2012. These investigations were conducted in conjunction with the Jamaican Operations Linked to Telemarketing Task Force, also known as Project JOLT. To date, our combined efforts have led to 28 indictments, 92 arrests, and 18 convictions (refer to Exhibit 2). And we have returned nearly \$1.4 million to victims of these crimes.

The difficulty in accurately measuring the extent of cross-border fraud is similar to that encountered in measuring the scope of all fraud. The potential for fraud is infinite. Our experience, confirmed by the FTC, is that fraud is underreported. Victims may not know where to report fraud, or they are embarrassed to admit they have fallen victim to a fraud scheme. Older Americans may fail to report being victimized for fear they will lose their financial independence—when family members seek to control their financial affairs. As law enforcement agents who work one-on-one with victims of fraud, we know that cognitive impairment can hamper the ability of older citizens to make sound choices, to discern fraud, and sometimes to even recall being victimized at the hands of these criminals. Postal Inspectors investigating these crimes have reported instances in which they were able to return a victim's funds, only to have the victim re-send the money to criminals the following week, with no memory of events transpiring the prior week.

If you correlate the history of the Postal Inspection Service with the evolution of fraud, you can see how we have adapted our methods to address the challenges that have arisen as commerce, fueled by technological advances, has evolved. In 1872, mail moved from Pony Express to the railroads, and fraudulent promoters moved from state to state to avoid prosecution, taking advantage of the absence of federal law.

While we adapted our investigative tactics, Congress responded by enacting the Mail Fraud Statute in 1872. It is the oldest consumer protection law, and it has withstood the test of time, changing little through the years. In 1994, Congress modified it to include

private couriers, allowing us to address private overnight shipments. And Congress also created the false representation statutes.

The False Representation and Lottery Statute, 39 U.S.C. § 3005, allows the Postal Service to take administrative action to return to consumers mail sent in response to a lottery or scheme that seeks to obtain money or property by mail through false representations. These proceedings effectively stop the flow of money to unscrupulous promoters. These statutes, which were strengthened by Congress with the Deceptive Mail Prevention and Enforcement Act of 1999, have gained muscle through stiffer penalties and provide a more effective tool for law enforcement.

Because administrative proceedings under this statute may be time-consuming and mail scams often are of short duration, two federal statutes, 18 U.S.C. § 1345 and 39 U.S.C. § 3007, authorize U.S. district courts to issue injunctive relief to prevent consumer losses while administrative proceedings are pending.

Additionally, in cases where a promoter uses a fictitious name or address in connection with a fraudulent scheme in violation of 18 U.S.C. § 1341, or to escape identification, the Postal Service can withhold mail in response to the scheme pending adequate identification and proof of entitlement to the mail.³

³ 39 U.S.C. §§ 3003, 3004

Our criminal enforcement work is not limited to federal prosecutions. We also use our expertise in fraud investigations to assist state and local authorities with cases pursued in state courts. These tools are all components of a valuable arsenal we use to combat fraud in the United States. As we have become more effective within our borders, criminals have fled to the safe havens in foreign countries—often outside the reach of U.S. authorities. We saw this in the late 1990s with the surge of telemarketing crime that migrated across our border into Canada. We responded accordingly.

In 1998, the Centre of Operations Linked to Telemarketing Fraud (COLT) was launched. It was an integrated project to combat telemarketing fraud originating from Canada. We are active participants in this task force, which includes Canadian law enforcement officials, other U.S. federal law enforcement agencies, and the U.S. FTC.

The COLT mission is threefold: to investigate mass-marketing fraud, to carry out interception operations, and to offer prevention and educational programs. COLT team members are tasked with investigating mass-marketing fraud based in the greater Montreal area. Through prevention and education, it also aims to be proactive in ending fraudulent activities and raising public awareness about this crime. Since its launch in 1998, the initiative has led to the recovery and return of more than \$24 million to the victims of telemarketing fraud. We participate in other cross-border task forces, including the Alberta Partnership, Project Emptor, the Toronto Strategic Partnership, and the Vancouver Strategic Alliance.

At the time COLT was formed, the telemarketing and boiler-room issue was not a problem in Canada and did not focus on Canadians. Canada did not have existing laws to combat the problem for American victims. Prosecutors relied on established methods, such as requesting assistance through Mutual Legal Assistance Treaties (MLATs) and traditional extradition procedures. There is a striking similarity today to the situation in Jamaica. We should be prepared to assume this will continue to be the challenge faced, as these schemes migrate to other locations around the globe.

In expanding our cross-border partnerships, we have aligned with private-sector stakeholders to develop a phone number termination process with more than 60 phone companies and the Canadian Anti-Fraud Centre to terminate phone numbers listed on fraudulent mass-marketing solicitations. This process prevents victims from receiving further payment instructions from suspects. In Fiscal Year 2012, 4,000 phone numbers were submitted for termination.

We are pleased to have the opportunity to participate in Project JOLT—the multi-agency, international task force led by U.S. Immigration and Customs Enforcement. Private-sector companies, including Western Union and MoneyGram, also participate. JOLT was established to combat Jamaican-based telemarketing fraud that preys on citizens in the United States and other countries. Now in its third year, progress has been made on a number of fronts. Information-sharing between agencies continues to increase as we learn how to better coordinate and facilitate its flow between countries. The Jamaican government is developing new laws to address issues on numerous fronts—including using video-conferencing for victim testimony and creating statutes to deal with the

complexities of these technology-based crimes. We embrace the advances made and adapt our strategy accordingly. But we all acknowledge there is a great deal more to achieve.

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—including Jamaican government and enforcement officials—joined together to discuss our investigative efforts, cross-border challenges, private and public cooperation, and “best practices” in fighting this crime. We have laid a solid foundation to address it head-on, and we will continue to build a comprehensive strategy. Collaboration relies on trust and understanding, and as with any relationship, it does not occur overnight.

Our arrest, indictment, and conviction statistics reflect domestic activity. Postal Inspectors have no arrest authority in other countries. However, we have worked closely with Jamaican authorities to pursue the extradition of criminals identified in scams affecting American consumers, which allows prosecution in the United States. Extradition is often a complex and lengthy process, but it is not impossible.

For example, beginning in 2005 Postal Inspectors identified five men who were operating a massive foreign lottery scam and pension scheme that swindled at least 17,000 mostly older postal customers out of more than \$17 million. While the names of the offers changed constantly, the results were unanimous—not one postal customer won a single prize. We successfully extradited a suspect from Costa Rica, who, in this

country, pled guilty to one count of mail fraud and was sentenced to four years and three months in prison. A second suspect, extradited from Italy, was sentenced to two years in prison after pleading guilty to one count of mail fraud. A third suspect, extradited in 2007 from Amsterdam, pled guilty to one count each of mail fraud and conspiracy, and was sentenced to a year in prison.

We are confident that, through cooperation with the Department of Justice and Office of International Affairs, we will be able to extradite suspects from Jamaica as circumstances warrant.

Our partnerships have continued to expand beyond traditional law enforcement alliances. We hold a unique position as a member of the International Postal Community: Our Chief Postal Inspector is Chairman of the Postal Security Group of the Universal Postal Union under the United Nations. This alliance has allowed us to develop non-traditional approaches and alternative strategies to fight postal crime on a global scale. For example, we leveraged this relationship to combat West African fraud schemes, commonly referred to as “419” scams, which have for decades plagued almost every industrialized country in the world. Acknowledging that the fraudulent letters bore counterfeit postage, Postal Security Group members agreed to allow them to be seized and destroyed under existing postal policies and procedures, which were enhanced through memoranda of understanding. Since that time, millions of letters have been seized and destroyed, which has helped mitigate the issue. Criminals, however, have since moved the scheme to the Internet.

While the “enforcement” part of law enforcement—arrests and convictions—can be an important deterrent to traditional advance-fee fraud, awareness and education are most critical in dealing with cross-border fraud. Law enforcement has an impact, but it is diminished when criminals reside in countries outside our jurisdiction. Arrests alone will not vanquish these crimes. In these instances, law enforcement is not the first line of defense.

Education empowers consumers to make informed choices when confronted by solicitations and suspicious claims. It *is* clearly the first line of defense. When a consumer’s decision-making ability is compromised, due to cognitive impairment, medical issues, or other obstacles, a trusted caregiver can assume that role. When that defense is compromised, or when consumers make the wrong decision, it creates a call to action for law enforcement, consumer groups, and government leaders to intervene. Through education, we can reduce the number of people who fall victim to fraud, stave their financial demise, and prevent the emotional toll. Through enforcement efforts, we may bring offenders to justice, but we are seldom able to make the victim whole. Even if we are able to restore some portion of their financial loss, we cannot repair the emotional scars sustained.

Our agency has long valued the power of a strong consumer-awareness program. Beginning in 1999, we led a major interagency alliance in the Know Fraud Campaign (with a play on the words K-N-O-W and N-O). It was launched in November of that year with public service announcements and a national press conference that featured the Postmaster General, the Attorney General of the United States, and representatives of

all of its partners—the FTC, the Federal Bureau of Investigations (FBI), the Securities and Exchange Commission (SEC), the Better Business Bureau (BBB), and AARP. Approximately 100 other press events were held around the nation. The first Know Fraud Campaign consisted of a postcard with consumer tips to educate citizens about how to protect themselves and their loved ones from illegal telemarketing solicitations. It included a toll-free number for information or to register a complaint, a website address, and other helpful information. The card was mailed to every household in the nation—120 million addresses. In 2001, we followed up by launching a second Know Fraud Campaign that focused on identity theft.

In successive years, we continued to launch consumer-education initiatives targeting current and ongoing scams:

- We created a crime-awareness and -prevention video series, distributed free of charge to American consumers, featuring topics such as identity theft, work-at-home scams, telemarketing fraud—and foreign lotteries.
- Since 2009, we have hosted a weekly radio show called "Don't Fall For It," and invited numerous guests, including victims of fraud, law enforcement personnel, and representatives of consumer organizations such as the Better Business Bureau and AARP. The show has covered telemarketing and credit report fraud, work-at-home scams, merchandise-reshipment schemes, sweepstakes and lottery fraud, and senior fraud scams. The show can be heard on Chicago's WBIG 1280 AM radio station or on the Internet at www.wbig1280.com.
- In fiscal year 2011, we facilitated more than 600 consumer-awareness and fraud-prevention events across the country in Post Office lobbies, shopping malls,

government buildings, financial institutions, colleges and universities, religious institutions—even a military base. Postal Inspectors participated in phone bank call-centers to reach out with consumer-awareness tips for callers. We tweeted, blogged, taped televised public service announcements, contributed prevention messaging for media websites, participated in media interviews, and held press conferences—all targeting consumer fraud. These combined activities have allowed us to reach more than 100,000 consumers at hosted events, and nearly 26 million more consumers through broadcast and print media.

- In fiscal year 2012, as part of our annual National Consumer Protection Week (NCPW) campaign, we focused on foreign lottery fraud. At community centers and other venues, we worked with our law enforcement and regulatory partners to present information to older Americans and their caregivers. We placed advertisements in print and broadcast mediums and, for the first time, used outdoor advertising on highways and interstate billboards to spread the word. We messaged to the public via digital graphic displays at airports, subways, and large-scale public events. In this manner we engaged nearly 800,000 consumers in presentations and at events we hosted, and reached close to 122 million consumers through commercial media.
- In fiscal year 2013, we built on this success. We partnered with AARP to target consumers, caregivers, and older Americans with fraud-prevention materials we placed in more than 30,000 Post Offices across the country. We co-sponsored a mailing with AARP to 25 million households across the nation, targeting communities with high percentages of older Americans and directing consumers to our fraud-prevention websites. In Washington State, we mailed 2 million postcards to older Americans and their caregivers to direct them to fraud-

prevention resources and provide contact information for AARP's Fraud Fighter Call Center. We continue to conduct presentations and staff information booths at national venues to offer consumers a personal point of contact—all with the goal of increasing fraud awareness. We delivered more public service announcements for TV, radio, and print that focused on foreign lottery fraud and enhanced our fraud website, DeliveringTrust.com, with more comprehensive crime-prevention messaging. And, in a new initiative that is reaching more Americans than ever, we are using our Consumer Alert News Network, a law enforcement and private sector collaboration, in which we made available crime alerts for broadcast on television stations in 88 media markets three times each week. This year-round endeavor gives us access to 3 million households with each aired segment. We continue to add new markets and increase viewership.

We firmly believe consumers can be empowered through education. And we can help older Americans by alerting their caregivers about the warning signs of fraud and victimization. That is why we remain committed to prevention and outreach efforts, and seek innovative ways to deliver our message to the public.

While we work to combat these crimes on a number of fronts, we offer several proposals for consideration by the Committee that we feel would strengthen our efforts in combating this issue:

- Explore remedies, both legal and technological, that can disrupt the phone service of suspected scammers and disable their illegal operations.

- Encourage law enforcement agencies and consumer groups to share criminal complaint information.
- Establish joint fraud investigation training for international and U.S. law enforcement personnel. Combining our programs will promote a unified approach to addressing this problem. Further, it would encourage partnerships and strategy-sharing, and convey an understanding of each nation's legal systems.
- Create a national database to simplify the reporting process for crime victims and allow for the development of intelligence related to crime patterns and trends. It would include methods of incorporating and sharing information between federal agencies, as well as international partners, which often face barriers that limit the effectiveness of data.

We of the Postal Inspection Service commend the members of this Committee for focusing attention on this significant and troubling issue. We thank you for inviting us to testify today and contribute our experiences and recommendations.