

**HEARING BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE**

**Stopping Senior Scams:
Developments in Financial Fraud Affecting Seniors**



**Testimony of
Timothy P. Camus
Deputy Inspector General for Investigations
Treasury Inspector General for Tax Administration**

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TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION
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“Stopping Senior Scams: Developments in Financial Fraud Affecting Seniors”

Chairwoman Collins, Ranking Member Casey, and Members of the Committee, thank you for the opportunity to testify on the topic of financial fraud affecting seniors.

We appreciate the emphasis the committee has placed on educating our senior citizens about tax-related fraud, including schemes employed by criminals who impersonate Internal Revenue Service (IRS) employees and those who use lottery or sweepstakes swindles.

The Treasury Inspector General for Tax Administration (TIGTA) was created by Congress in 1998 and is mandated to promote integrity in America’s tax system. It provides independent audit and investigative services to improve the economy, efficiency, and effectiveness of IRS operations. TIGTA’s oversight activities are designed to identify high-risk systemic inefficiencies in IRS operations and to investigate individuals and groups whose criminal activities assail the reputation and integrity of the IRS. TIGTA plays the key role of ensuring that the approximately 83,000 IRS employees¹ who collected more than \$3.3 trillion in tax revenue, processed more than 244 million tax returns, and issued more than \$400 billion in tax refunds during Fiscal Year (FY) 2016,² have done so in an effective and efficient manner while minimizing the risks of waste, fraud, and abuse.

TIGTA’s Office of Investigations (OI) protects the integrity of the IRS by investigating allegations of IRS employee misconduct, external threats to IRS employees and IRS data, and other attempts to impede or otherwise interfere with the IRS’s ability to collect taxes, which includes the impersonation of IRS employees. Specifically, OI investigates individuals who impersonate the IRS or its employees in

¹ Total IRS staffing as of January 7, 2017. Included in the total are approximately 16,200 seasonal and part-time employees.

² IRS, *Management’s Discussion & Analysis, Fiscal Year 2016*.

order to extort money from innocent taxpayers under the guise of a non-existent IRS tax liability of some kind.

TIGTA has provided ongoing oversight and testimony on the issue of tax fraud and scams. Sweepstakes and lottery scams, e-mail and phishing scams, and investment scams are among the top ten fraud schemes used by criminals to target senior citizens.³ Senior citizens are most likely to have a “nest egg,” to own their home, and/or to have excellent credit – all of which make them attractive targets for con artists.⁴ In addition, financial scams often go unreported by senior citizens or can be difficult to prosecute, so they are considered a “low-risk” crime.⁵

For the purposes of this hearing, I will highlight the two major IRS-related scams that have affected taxpayers over the past several years. Since the fall of 2013, much of OI’s investigative efforts and resources have been focused on the investigation of a telephone impersonation scam in which more than 1.8 million Americans reported to us that they received unsolicited telephone calls from individuals falsely claiming to be IRS or Department of the Treasury employees. In addition, the so-called “lottery scam” has reemerged as a significant threat to tax administration.

IMPERSONATION SCAM

Since October 1, 2013, more than 10,000 individuals in the United States have reported to TIGTA that they fell victim to this scam, and more than 1.8 million people reported to us that they had received a call from individuals impersonating IRS or Department of Treasury employees. The victims are of all ages, gender, economic status, and race. No one is immune from receiving the calls. I’ve received one myself, and I am aware of several lawmakers who have reported that they or their relatives have received calls as well. In addition, congressional offices have also referred numerous constituent complaints about the scam to TIGTA.

Here is how the scam works: The intended victim receives an unsolicited telephone call from a live person or from an automated call dialer. The caller, using a

³ *Top Ten Scams Targeting Seniors*, National Council on Aging, <http://www.ncoa.org/enhance-economic-security/economic-security-Initiative/savvy-saving-seniors/top-10-scams-targeting.html> (last visited Jan. 19, 2017).

⁴ *Common Fraud Schemes, Fraud Target: Senior Citizens*, Federal Bureau of Investigation, <http://www.fbi.gov/scams-safety/fraud/seniors> (last visited Jan. 19, 2017).

⁵ *Top Ten Scams Targeting Seniors*, National Council on Aging, <http://www.ncoa.org/enhance-economic-security/economic-security-Initiative/savvy-saving-seniors/top-10-scams-targeting.html> (last visited Jan. 19, 2017).

fake name and sometimes a fictitious IRS employee badge number, claims to be an IRS or Department of the Treasury employee. The scammers use Voice over Internet Protocol technology to hide their tracks and create false telephone numbers that show up on the victim's caller ID system; this technique is known as spoofing. For example, the scammers may make it appear as though the calls are originating from the IRS, in Washington, D.C., or elsewhere in the U.S. when, in fact, they may have originated from other locations around the globe, including India.

The callers may even know the last four digits of the victim's Social Security Number or other personal information about the victim. The impersonator claims that the intended victim owes taxes to the IRS and that, if those taxes are not paid immediately, the victim will be arrested or sued. Other threats for non-payment include the loss of a driver's or business license or deportation. The impersonators often leave "urgent" messages to return telephone calls and they often call the victim multiple times.

The victims we have interviewed say the scammers who made the threatening statements as described above demanded that the victims pay the money using prepaid debit cards, wire transfers, Western Union payments, or MoneyGram® payments. The scam has continued to evolve over time. Starting in April 2016, we noted that the victims were being told to pay the impersonators using Apple iTunes® gift cards. Between April and October 2016, between 70 and 80 percent of all payments made to the scammers were made via Apple iTunes® gift cards. In all cases, by the time the victims realized that they have been scammed, the funds were long gone.

TIGTA has made numerous arrests in connection with this scam and has a variety of investigations underway. Since October 2013, TIGTA has arrested, indicted, or prosecuted approximately 70 individuals and five call centers responsible for more than \$54 million paid by the victims to IRS impersonators.

For example, on July 8, 2015, the United States Attorney's Office for the Southern District of New York announced the sentencing of Sahil Patel for his role in a massive impersonation scheme. Patel pled guilty in January 2015 to conspiracy to commit extortion, conspiracy to impersonate a Federal officer, conspiracy to commit wire fraud, and aggravated identity theft.⁶

From at least December 2011 through at least November 2013, Patel, an Indian citizen, knowingly conspired with others to commit extortion by falsely impersonating a Federal officer and demanding money under such false pretense. Victims were

⁶ S.D. N.Y. Change of Plea Transcript filed Feb. 5, 2015; S.D. N.Y. Indict. filed Oct. 9, 2014.

contacted by telephone and told they would be arrested or otherwise charged with crimes by agents of the Federal Bureau of Investigation (FBI) or the IRS if they did not make payments to Patel and his co-conspirators.⁷

Patel was sentenced to 175 months in prison, followed by three years of supervised release. The court further entered a forfeiture judgment in the amount of \$1 million against Patel.⁸

In another case, Kaushik K. Modi, also known as Kaushik K. Patel⁹, a native of India who is living illegally in the United States, pled guilty on March 22, 2016 in the District of Maryland to money laundering conspiracy charges for his role in an impersonation fraud scheme. Sometime in early 2014, Modi was recruited by other Indian nationals to participate in a scheme to launder millions of dollars in fraud proceeds obtained from individual victims through a variety of schemes.

Modi was instructed via text messages to purchase large numbers of stored value cards, principally Green Dot® cards, and to forward the PIN numbers of the cards to other unidentified individuals. After forwarding the PIN numbers, Modi would receive instructions to use the cards, which had been loaded with monetary value by the coconspirators, to purchase money orders - principally MoneyGram® money orders at Walmart stores. He was further instructed to then deposit those money orders into bank accounts, either in Modi's name or in the names of third parties.

The money loaded onto the stored value cards by the coconspirators was derived from a variety of fraud schemes. Some of the money was derived from calls made by persons who impersonated IRS employees to convince innocent taxpayers that they owed taxes to the IRS and needed to send money to the coconspirators to avoid arrest and incarceration. On at least two occasions, victims of the IRS impersonation fraud deposited money directly into accounts held in Modi's name.

Between January 1, 2014 and March 24, 2015, Modi deposited into his bank accounts 241 money orders totaling more than \$2 million, all in furtherance of the instructions he received from the coconspirators. Moreover, Modi frequently purchased the money orders using stored value cards that were activated by using the identification information of persons who were the victims of identity theft.¹⁰

⁷ *Id.*

⁸ S.D. N.Y. Crim. Docket as of Jan. 25, 2017.

⁹ D. Md. Crim. Docket filed May 27, 2015.

¹⁰ D. Md. Plea Agr. filed Mar. 22, 2016.

On May 12, 2016, Modi was sentenced to time served, approximately 13 ½ months.¹¹ He was later ordered to forfeit and/or pay restitution of more than \$858,000¹² and could face deportation.¹³

In November 2015, this Committee made a direct referral to TIGTA involving a senior citizen located in Florida who was so frightened by the impersonators that he immediately drove to his local Walmart while remaining on the phone. During the drive, he crashed his vehicle and continued on foot to Walmart to obtain the MoneyGram® payment demanded by the impersonators. He subsequently reported his experience to the Aging Committee's fraud hotline, which contacted TIGTA. TIGTA special agents worked diligently on this referral and ultimately identified five suspects in Miami, Florida. On May 23, 2016, the five suspects were arrested for wire fraud and conspiracy to commit wire fraud.

The arrests were based on criminal complaints alleging that the defendants were involved in schemes to impersonate IRS agents and use the threat of arrest to obtain money from victims by falsely representing that the victims owed back taxes or other fees. According to the court documents, the suspects are responsible for almost \$3 million in schemes that defrauded more than 1,200 victims.

One of the defendants, Arnaldo Mirabal, was sentenced on January 5, 2017. He received 24 months incarceration and was ordered to pay \$97,486 in restitution.¹⁴ Legal action is still pending related to the other defendants.

Most recently, after an exhaustive three-year joint investigation, the U.S. Department of Justice obtained an indictment on 56 individuals, some of whom are located in the United States, and five call centers located in India.¹⁵ The investigation identified a total of approximately \$272 million dollars of fraud and thousands of victims. The October indictment not only included charges related to the IRS impersonation scam, but also charged the individuals and call centers for fraud related to their impersonation of Department of Homeland Security agents and officials. This is the largest single domestic law enforcement action to date involving the IRS impersonation scam. The indictment is the result of countless hours of solid

¹¹ D. Md. Judgment filed June 3, 2016; D. Md. Crim. Docket as of Aug. 31, 2016.

¹² D. Md. Order of Restitution filed Aug. 17, 2016; D. Md. Consent Order of Forfeiture filed Aug. 17, 2016.

¹³ D. Md. Plea Agreement filed Mar. 22, 2016.

¹⁴ N.D. Tex. Judgment filed Jan. 6, 2017.

¹⁵ S.D. Tex. Superseding Indict. filed Oct. 19, 2016.

investigative work, excellent cross-governmental collaboration, and the efforts of hundreds of TIGTA employees who have played a role in this investigation.

In addition to these investigative efforts, TIGTA has taken numerous other steps to combat this scam. Specifically, OI created a three-pronged “Advise and Disrupt Strategy.” The first part of this strategy involved analyzing and using the telephone numbers victims reported to us. When an impersonation scam related telephone number was reported to us more than three times, OI special agents called it in order to confirm an impersonator was on the other end of the line. If it was a confirmed part of the scam, we identified the telephone carrier who owned the telephone number and requested that the carrier take the number down. Of the 1,120 telephone numbers we identified using this method, 1,056 (94 percent) were successfully shut down, sometimes within a week.

A second part of the strategy was to post scam-related telephone numbers on the Internet which allowed potential victims to search to determine if the call they received was a part of the scam.

The final part of the strategy was to deploy a TIGTA auto-dialer to call back the impersonators with a message ordering them to cease and desist their criminal activity, while also occupying the impersonators’ time and telephone lines. The strategy resulted in over 141,000 auto-dialed calls back to the scammers.

In addition, we have developed an outstanding working relationship with the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC) to combat this scam. Since the FTC also received reports of the impersonation scam, we agreed that research of its data would be very useful in linking the criminals to multiple victims. Over the past three years, we have partnered with the FTC to deliver multiple webinars, sponsored by the Veteran’s Administration and AARP, to raise public awareness of identity theft and the IRS impersonation scam. We also began sharing information that was linked on the FTC website to help educate people.

As part of our efforts with the FTC and the FCC, we began working with the USTelecom Consortium and the Robo-Call Task Force to identify how technology might be used to stop the spoofed calls that were being placed by the Indian call centers. In one successful pilot program, TIGTA and the Department of Homeland Security worked with Verizon to block almost 2 million calls that had been spoofed to appear as though the calls were being made from the IRS.

The IRS has also assisted greatly in warning the public about the scam. We routinely updated the IRS as we noticed changes in the manner in which the scammers were using the IRS as a means to trick people into paying them money. In turn, the IRS updated its website and posted information on its own to warn taxpayers about the scam.

Further, we also identified the need for a robust public awareness campaign that included the print media, television media, and Public Service Announcement (PSA) videos. We recorded five PSA videos that received over 71,000 views, and we provided approximately 100 print and broadcast interviews, resulting in over 4,400 news stories in both large and small media markets, with an estimated 113 million views. In addition, we provided testimony about the scams to two congressional committees. The PSA videos can be viewed on our website at www.tigta.gov. The IRS also hosted the TIGTA PSA video on its website and created its own warning videos and messages

As the impersonation scam progressed, we also worked with the private sector companies who were caught in the middle of this massive fraud. The companies used by the impersonators to monetize the scam cooperated by using techniques to help warn consumers. For example, when a prepaid debit card is purchased, there is a fraud warning that now appears on the signature screen. Likewise, MoneyGram® has placed banners on its kiosks advising customers if they have been told to pay their taxes by MoneyGram®, it is a scam and they should not proceed with the transaction.

Since Apple iTunes® cards were being used 70 to 80 percent of the time by the impersonators as a means of cashing in on the fraud, Apple worked with TIGTA to create an audio message to help protect consumers. Apple also agreed to fund the nationwide distribution of this message at grocery and convenience stores, which resulted in more than 46 million consumers receiving this valuable message. Further, Walmart has also agreed to train its employees and post warning placards and fraud warning messages on cash envelopes.

As a result of these collaborative investigative and outreach efforts, TIGTA has seen a significant reduction in the effect of the impersonation scam on the public during the fall of 2016. For example, there has been a 93 percent reduction in identified victims regarding the scams, from 834 victims in October 2016 to 61 victims in December 2016. Moreover, we have also seen a reduction in victim losses from \$4.2 million in October 2016, to \$300,000 in December 2016, a reduction of 93 percent. Today, there are 92 percent fewer reported calls each week. However, it is critically important to note that sustained investigative efforts, and ongoing outreach to ensure

people do not become victims in the first place, is critical to ensure continued success in combating this scam.

LOTTERY SCAMS

While the impersonation scam was growing at an unprecedented rate, another scam, the lottery scam, also continued to target and victimize senior citizens. Although the lottery scam was not nearly the size or scope of the impersonation scam, its results were equally devastating for its victims. Its premise is simple: the scammer contacts the victim to advise the victim that he or she has won a lottery or some other prize, but before the winnings can be released, the victim is instructed to pay a non-existent Federal tax in order to receive the prize. Both the IRS impersonation scam and the lottery scam are very simple, but very effective in their use of the IRS as a means to cause confusion with their intended victims. Over the last several years, TIGTA has conducted investigations that have identified approximately 30 individuals who were responsible for defrauding victims out of millions of dollars related to the various lottery schemes.

For example, Reginald A. Lowe, Willie J. Montgomery, and Tanika Armstrong all pled guilty on October 25, 2016, in the District of Nevada, in connection with a telemarketing fraud scheme.¹⁶

From November 2008 to September 2013, Lowe, Montgomery, and others devised a scheme to defraud and obtain money by means of false and fraudulent pretenses. As part of the scheme, they obtained "lead sheets," which identified persons who had previously entered sweepstakes, lotteries, or other prize-drawing contests, and who were thus thought to be susceptible to misrepresentations regarding potentially winning a prize, sweepstakes, or lottery. The defendants knew these leads typically consisted of contact information for elderly or retirement-age people or others who were particularly vulnerable or susceptible to schemes.

The conspirators, in the role of "talkers," would contact potential victims by telephone and falsely represent to them that they had won prizes consisting of large amounts of cash or other high-value merchandise. In doing so, the talker would represent himself as an official or employee of a lottery/sweepstakes committee or a Government regulatory authority. The talker would frequently represent himself to be an official or employee of the IRS and would then tell the victim that in order to receive

¹⁶ D. Nev. Crim. Docket as of Nov. 18, 2016.

the prize, he or she must first send money as payment for taxes on prize winnings or other fees.

In total, the conspirators fraudulently obtained approximately \$1,175,670 from the scheme, which claimed at least 66 victims from 22 different states. Lowe and Montgomery both agreed to full restitution to victims of the scheme¹⁷ and were scheduled to be sentenced on January 25, 2017; however, on January 14, 2017, Lowe passed away while in custody awaiting his sentencing hearing.¹⁸ Montgomery's and Armstrong's sentencing hearings are scheduled for April 2017.¹⁹

In another case, convicted fraudsters Kenneth Kaufman and Kecia Place willfully conspired to devise a scheme to defraud and to obtain money through the use of materially false and fraudulent representations from early 2014 until February 2015. The conspirators contacted individuals and falsely advised them that they had to first pay a sum of money to cover taxes or fees in order to receive the lottery or prize money. Victims were instructed to send the taxes or fees through a variety of methods, such as a U.S. Postal Money Order, check, or direct deposit of funds into bank accounts established for the scheme, or via Western Union or MoneyGram® funds sent to the conspirators. Kaufman and Place received approximately \$380,000 from at least 20 victims.²⁰

Kaufman was sentenced to 33 months in prison, and Place was sentenced to one year and one day in prison. Kaufman was ordered to make restitution in the amount of \$355,433. Place is jointly and severally liable for \$78,864.50 of the restitution.²¹

Further, Daile Ferguson, was convicted and sentenced on October 11, 2016, in the Southern District of New York for conspiracy to commit wire fraud in connection with a lottery scheme.²²

According to the court documents, Ferguson, who entered the United States using a Jamaican passport, was involved in a scheme to obtain money from elderly victims by informing them that they had won substantial cash prizes in an international sweepstakes lottery, but that before they could claim their prizes they had to pay fees

¹⁷ D. Nev. Plea Agr. filed Oct. 25, 2016.

¹⁸ D. Nev. Stipulation to Continue Sentencing Date filed Jan. 20, 2017.

¹⁹ D. Nev. Crim. Docket as of Jan. 25, 2017.

²⁰ N.D. Ga. Indict. filed Mar. 18, 2015.

²¹ N.D. Ga. Amended Judgment filed Jan. 7, 2016; N.D. Ga. Judgment filed Nov. 19, 2015.

²² S.D. N.Y. Judgment filed Oct. 12, 2016; S.D. N.Y. Indict. filed Feb. 17, 2016.

and taxes. The victims sent hundreds of thousands of dollars in cash and checks to conspirators in the United States and in Jamaica. Ferguson received more than \$430,000 from approximately 87 different individuals throughout the United States. Approximately 43 victims were over 70 years old and approximately 59 were over 60 years old. One of the victims, a resident of Connecticut, received a letter purporting to be from a “tax return officer” with the IRS. Additionally, the victim received several telephone calls from various individuals, including an individual who identified herself as an employee of the IRS and demanded that the victim make payments in order to receive the supposed winnings. As a result of the telephone calls and e-mails that the victim received from the conspirators, the victim sent approximately \$20,000 through various means to numerous individuals, including Daile Ferguson.²³

Ferguson was sentenced to 33 months in prison, followed by three years of supervised release. Ferguson was further ordered to pay more than \$439,000 in restitution to the victims. He was scheduled to begin his sentence on January 17, 2017.²⁴

In another case, Adrian Foster, who also entered the United States with a Jamaican passport,²⁵ pled guilty to conspiracy to commit wire fraud in the Southern District of New York on October 13, 2016.²⁶

From at least 2009 until at least 2014, Foster and others participated in a telemarketing scheme to defraud victims, many of whom were elderly. Members of the conspiracy located in Jamaica telephoned individuals living in the United States and then telephoned these individuals and informed them they had won the lottery. The individuals were told they must pay various taxes and fees prior to receiving their winnings.

In total, Foster and his coconspirators defrauded the victims of more than \$1 million during the course of the conspiracy.²⁷ Foster was sentenced to 15 months’ incarceration and ordered to forfeit \$23,940; however, additional restitution is pending.²⁸

²³ S.D. N.Y. Crim. Compl. filed Dec. 16, 2015.

²⁴ S.D. N.Y. Judgment filed Oct. 12, 2016.

²⁵ S.D. N.Y. Crim. Compl. filed Mar. 11, 2016.

²⁶ S.D. N.Y. Crim. Docket as of Oct. 20, 2016.

²⁷ S.D. N.Y. Indict. filed June 13, 2016.

²⁸ S.D. N.Y. Judgment filed Jan. 13, 2017; S.D. N.Y. Consent Order of Forfeiture filed Jan. 13, 2017.

In a similar example, Davel Godfrey Young was sentenced on June 10, 2016 in the Northern District of West Virginia for conspiracy to commit wire fraud as a result of his role in an international lottery scheme.²⁹

Young and coconspirator Zicko Peterkin, who both were residents and citizens of Jamaica, conspired with each other and others to fraudulently obtain money from U.S. citizens through an international lottery scam. Young and his coconspirators advised the victims that they were required to pay taxes and processing fees prior to the release of the lottery prizes.³⁰

Young was sentenced to 30 months in prison. Following his prison sentence, Young will be on supervised release for 24 months and will be removed from the United States. Young was further ordered to pay more than \$232,000 in restitution to victims.³¹

In summary, as can be seen by the significant investigations noted above and the resulting criminal actions taken against the defendants, we at TIGTA take seriously our mandate to protect the integrity of the IRS. As such, we plan to provide continuing investigative coverage in this area and look forward to our continued collaboration and discussions on ways we can combat these types of frauds and scams in the future.

Chairman Collins, Ranking Member Casey, and Members of the Committee, thank you for the opportunity to share my views.

²⁹ N.D. W.Va. Judgment filed June 13, 2016.

³⁰ N.D. W.Va. Indict. filed Sep. 4, 2013.

³¹ N.D. W.Va. Judgment filed June 13, 2016.



Timothy P. Camus **Deputy Inspector General for** **Investigations**

Mr. Timothy P. Camus has served in the Treasury Inspector General for Tax Administration (TIGTA) and the Internal Revenue Service Inspection Service, TIGTA's predecessor organization, as a Special Agent, for 25 years.

After an exemplary investigative career, Mr. Camus was promoted into TIGTA management. In June 2003, Mr. Camus became a member of the Senior Executive Service, and in January 2011 he was promoted to the position of the Deputy Inspector General for Investigations for TIGTA. As the Deputy Inspector General for Investigations, Mr. Camus is responsible for overseeing and leading all aspects of TIGTA's law enforcement mission.

During his law enforcement career, Mr. Camus has successfully investigated domestic terrorism, death threats made against public officials, bribery and extortion cases, as well as thefts of Government property and all other facets of white collar crime and fraud that impact the IRS. In 2008, Mr. Camus was awarded the Presidential Rank Award for Meritorious Service.