

2006

Protecting Vulnerable Older Adults

An Investigation of Financial Fraud & Exploitation
Committed Against Older Adults

A Report of the
Area Agency on Aging 1-B
Advisory Council
Protecting Vulnerable Older Adults
Ad Hoc Study Committee



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Introduction

The Area Agency on Aging 1-B (AAA 1-B) was established in 1974 under a federal mandate of the Older Americans Act and the state Older Michigianians Act to serve the needs of over 435,000 older adults who reside in the southeast Michigan counties of Livingston, Macomb, Monroe, Oakland, St. Clair, and Washtenaw. The AAA 1-B is dedicated to: 1) educating and advocating on issues of concern to older persons; 2) allocating federal and state funding for social and nutritional services; 3) developing new older adult services; 4) coordinating activities with other public and private organizations; and 5) assessing the needs of vulnerable older persons and linking them with community-based long term care services. The AAA 1-B depends upon a strong network of direct service providers to achieve its mission of preserving the independence, dignity, and quality of life of older adults, family caregivers, and adults with disabilities.

The AAA 1-B Advisory Council helps achieve the agency mission by identifying needs and concerns of Region 1-B residents, and planning and developing appropriate actions that assure older persons have access to high quality, efficient and effective services. Each summer, the AAA 1-B Advisory Council establishes an ad hoc study committee to explore selected issues of concern to older adults. For 2006, the Advisory Council chose to investigate the issue of protecting vulnerable older adults from financial fraud and exploitation. Though adults age 60 and older comprise 15% of the population, they account for nearly 30% of fraud victims. To study this issue, the AAA 1-B Ad Hoc Study Committee called on several experts from the financial planning industry, local and statewide advocacy organizations, county prosecutors' offices, private practice attorneys, and the Michigan Attorney General's Office. This report is an outcome of the study and contains significant findings as well as policy recommendations for the AAA 1-B to advocate for change.



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Executive Summary

Fraud and financial exploitation are major threats to the health, well-being, and independence of older adults. Unfortunately, the rates of these crimes both in Michigan and the nation are on the rise. Current national, state, and local efforts to reverse this trend appear to be having little effect. Reported losses to victims nationwide during 2005 exceeded \$680 million, while losses to Michigan victims surpassed \$12.7 million. This represents respective increases since 2003 of 48.5% and 72.3%.

The consequences of fraud and exploitation to older adults can be extremely devastating. Older adults defrauded of all or most of their life savings often experience a dramatic decline in both their physical and mental health, and become increasingly dependent on others for care. According to a study published in the August 1998 issue of the Journal of the American Medical Association, older adult victims of financial abuse have 3 times the mortality rate of non-victims.

Because fraud and exploitation can have such a severe effect on older adults, the Area Agency on Aging 1-B (AAA 1-B) Advisory Council established an Ad Hoc Study Committee to investigate the impact of these crimes. Specifically, the Committee was convened to: 1) study current data regarding the prevalence and nature of these crimes, 2) explore national, state, and local approaches currently being used to address these crimes, and 3) develop new strategies and solutions that will lead to increased identification, reporting, prosecution, and ultimately prevention of these crimes.

From April through August, 2006 the Ad Hoc Study Committee held a series of meetings at which it heard from several experts and stakeholders, including representatives from the financial planning industry, local county prosecutors' offices, the Michigan Attorney General's Office, local and state aging advocacy organizations, private attorneys, and the media. As a result of these meetings, the Committee learned that:

- Financial exploitation is Michigan's fastest growing form of elder abuse.
- Older adults are particularly vulnerable to fraud and exploitation.
- Older adult fraud and exploitation are vastly underreported.
- Some penalties for fraud and exploitation are minimal and appear to have little deterrent effect.
- Prosecutorial units solely dedicated to senior crime seem to be extremely effective at successfully identifying and prosecuting criminals that defraud and exploit older adults.

Executive Summary

- Educating older adults and older adult service providers about fraud and exploitation, which includes emphasizing the variety of sophisticated psychological tactics scam artists use to defraud their victims, seems to be an effective way to protect older adults from being exploited and defrauded.

Based on a careful analysis of these findings, the Ad Hoc Study Committee developed a series of recommendations designed to enhance and improve state and local efforts to combat older adult fraud and exploitation. To facilitate implementation of these recommendations the Committee devised an Action Plan that identifies for each recommendation a strategy, responsible party(ies), target audience, and expected outcome. This Action Plan is presented in the pages immediately following this summary. The Committee believes that through implementation of these recommendations, older adults' will be at reduced risk of being defrauded and exploited.

ACTION PLAN TO PROTECT OLDER ADULTS AGAINST FINANCIAL FRAUD & EXPLOITATION

| Recommendation | Strategy | Responsible Party | Target Audience | Outcome |
|---|--|---|--|--|
| The Michigan legislature should enact tougher penalties for financial and exploitative crimes against the elderly | Advocate for state legislation imposing higher penalties | AAA 1-B | Michigan Legislators; senior advocates; Attorney General; County Prosecutors | Higher penalties will lead to more vigilant prosecution and serve as a greater deterrent to crime |
| All County Prosecutors should establish and promote senior crime units or specialists | Advocate with County Prosecutors | AAA 1-B | County Prosecutors | More crimes against the elderly will be reported and prosecuted |
| AAA 1-B should review Elder Abuse Task Force report final recommendations to identify needed advocacy and program development actions. | Present recommended advocacy and program development recommendations to Advisory Council and Board | AAA 1-B | Michigan Legislators; Department of Human Services | Victims of abuse, neglect and exploitation will be better protected |
| AAA 1-B Call Center should serve as a visible resource center to counsel victims of crime and direct them to the appropriate law enforcement or regulatory agency | Enhance capacity of Call Center to identify types of financial and exploitative crimes, build database of law enforcement and regulatory agencies; and promote Call Center as a resource for elderly crime victims | AAA 1-B | Older adults; family caregivers | Older adult crime victims will have a place to call to discuss their experience, and be directed to the law enforcement or regulatory agency that has jurisdiction over that type of crime or exploitation |
| AAA 1-B should collaborate with other stakeholders to convene a regional Leadership Summit on Senior Financial and Exploitative Crimes against the Elderly | Conduct a Summit on protecting vulnerable older adults that addresses strategies to prevent crime, seek justice, and assist victims | AAA 1-B; County Prosecutors; local law enforcement; Attorney General; Department of Human Services; WSU IOG; Macomb County Dept. of Senior Citizen Svcs | Leaders in Aging, Adult Protective Services, and law enforcement | Leaders will be knowledgeable about strategies and best practices for helping vulnerable older adults to protect themselves from crime and seek legal remedies |

ACTION PLAN TO PROTECT OLDER ADULTS AGAINST FINANCIAL FRAUD & EXPLOITATION

| Recommendation | Strategy | Responsible Party | Target Audience | Outcome |
|--|---|---|--|--|
| <p>Educate the community on strategies for protecting vulnerable older adults from financial and exploitative crimes</p> | <p>Develop and implement a multi-faceted vulnerable older adult community education campaign</p> <p>Develop a Vulnerable Older Adult Victims Assistance Guide</p> | <p>AAA 1-B; County Prosecutors; Attorney General; AARP</p> <p>AAA 1-B; County Prosecutors</p> | <p>Local print, radio, and television media; agency and senior center newsletters; Libraries; home-bound elderly</p> <p>Older adults; caregivers; service providers; libraries</p> | <p>Older adults, caregivers, and service providers will be knowledgeable about strategies to protect against financial and exploitative crimes</p> |
| <p>Evaluate and document the success in implementing recommendations of this report, within 12 months of adoption</p> | <p>Produce a report that evaluates and documents the success in implementing recommendations of this report, within 12 months of adoption</p> | <p>AAA 1-B</p> | <p>AAA 1-B Advisory Council; Board of Directors</p> | <p>AAA 1-B will be held accountable for implementation of recommendations in this report</p> |

Findings

FRAUD & EXPLOITATION ARE ON THE RISE

Despite the fact that all 50 states have enacted elder abuse statutes, many of which specifically address financial fraud and exploitation, fraud and exploitation of older adults in the United States are on the rise. Between the years 2003 and 2005 total fraud complaints registered with the Federal Trade Commission (FTC) by adults over the age of 60 increased 45.7%, from 27,297 to 39,779, while identity theft complaints rose 19.4%, from 19,279 to 23,024. Financial losses resulting from fraud and exploitation are also increasing. In 2003, fraud victims reported total losses of \$459 million. By 2005 that amount had increased by 48.5% to \$682 million. Average loss per victim increased 33.4% from \$1,808 to \$2,412.

Fraud and exploitation in Michigan also appear to be rising. From 2002 to 2005, fraud complaints registered with the FTC by Michigan residents increased 102%, while identity theft complaints increased 54%. Identity theft complaints registered by residents age 60 and older increased 57%. During that same time period, total fraud losses experienced by Michigan victims increased 72.3% from \$7 million to \$12 million, while the average loss per

victim increased 4.7% from \$1,565 to \$1,638. Though these increases may in part be attributed to increased awareness and better reporting rather than by actual increases in crime, they do indicate a burgeoning problem that warrants action.

OLDER ADULTS ARE MOST VULNERABLE

More so than any other age group, older adults appear to be the favorite target of unscrupulous financial planners, identity thieves and other scam artists. Though adults age 60 and older comprise 15% of the population, they account for nearly 30% of fraud victims. A recent FBI investigation discovered that fraudulent telemarketers direct nearly 80% of their calls at older adults, and the National Association of Triads, Inc., reports that older adults are defrauded at twice the rate of the rest of the population. According to the National Association of Adult Protective Services Administrators, Adult Protective Services workers investigate and substantiate more cases of financial exploitation committed against older adults than they do for physical and sexual abuse combined.

Older adults are victimized by fraud and exploitation for a variety of reasons. As famed criminal Willie Sutton was purported

“One in eight adults over the age of 65 have been financially exploited.”

*Journal of Elder Abuse & Neglect,
Volume 3, No. 4, 1991*

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to have said when asked why he robbed banks, the primary reason criminals target older adults is because "that is where the money is". In an article published in its June 19, 2006 edition, USA Today reported that "baby boomers possess more than \$8.5 trillion in investable assets and stand to inherit an additional \$1 trillion from their parents". In addition, according to the U.S. Census Bureau, the median net worth of householders 65 and older is \$92,399, as compared to \$7,428 for those 35 and younger.

Older adult victims of fraud and exploitation also exhibit certain behavior patterns and possess certain characteristics that increase their vulnerability to these crimes. More often than not, they live alone, own their own homes, and conduct their daily affairs without assistance. They are also more apt to have recently experienced a negative life event (e.g., loss of a loved one, serious illness), are more willing to listen to a sales pitch from a stranger, and are more susceptible to the power of persuasion than non-victims. Older adults who are: estranged from their families, cognitively impaired, fear a change in their current living conditions, possess a physical, mental, or emotional dysfunction (especially depression), and/or are socially

isolated, are also more vulnerable to exploitation.

FRAUD & EXPLOITATION ARE VASTLY UNDERREPORTED

Complicating matters is the fact that financial fraud and exploitation are vastly underreported. Between January 1 and December 31, 2005 over 60% of identity theft victims

"Those most likely to financially deceive older adults are family members, friends, and caregivers, who feel entitled to take funds because of their established relationship"

*Clinical Geriatrics,
Volume 13, Number 2,
February 2005*

that registered a complaint with the FTC did not also notify the police. For one-fourth of those that did notify the police, no police report was taken. The National Center on Elder Abuse estimates that only 1 in 25 cases of financial exploitation

committed against older adults get reported annually. Experts offer several reasons for this phenomenon.

Many older adults do not report fraud because they feel embarrassed or ashamed at being conned, and often feel partially responsible for being victimized. They may also fear that family members will conclude that as a result of being scammed they lack the ability to properly care for themselves and will thus be relegated to a nursing home or other long-term care facility. Often family members (or others with close relationships to the victim) are the exploiters. Recent estimates by Adult Protective

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Services (APS) workers place the percent of older adults financially exploited by a family member at between 60-90%. Though they may want the exploitation to stop and their money or other assets returned, older adults seldom want family members to be punished. In some instances, they refuse to believe that they are even being victimized.

The process for reporting fraud and exploitation is also very confusing. It often requires a certain degree of proficiency working with computers and the Internet, is extremely circuitous, and can be quite time consuming. Depending upon the type of financial crime committed, victims may need to contact one or more of the following 23 organizations:

- local law enforcement
- local county prosecutor's office
- Federal Trade Commission
- United States Postal Inspection Service
- National Association of Securities Dealers
- United States Securities and Exchange Commission
- United States Secret Service
- Michigan Office of Financial and Insurance Services

For identity theft alone, the Michigan Attorney General's Office reports that the average identity theft victim spends about 175 hours of time and \$1,400 just restoring their credit.

- Michigan Public Service Commission
- Michigan State Police
- Michigan Attorney General's Office
- One of the three major national credit reporting bureaus (Experian, Equifax, or TransUnion)
- Federal Bureau of Investigation
- Internal Revenue Service
- Federal Communications Commission
- United States Department of State
- Social Security Administration
- United States Department of Education
- United States Department of Justice
- Bank or credit union
- Credit card company(ies)
- Mortgage company
- Other creditors

Unfortunately, when older adult victims of fraud do make a police report, according to a 2004 study published by the United States Department of Justice Office of Community Oriented Policing Services, the quality of their reports often makes investigation

difficult. If cognitively impaired, the victim may not remember important details or may not be able to properly recount the sequence of events involved in the crime. If mobility impaired, victims may feel daunted by and overwhelmed at the prospect of having to regularly travel to and

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from the prosecuting attorney's office or to court. Since cases of fraud and exploitation may take years to go to trial, it is also quite possible that a victim's cognitive or physical health may decline to the point that he or she may become incapable of testifying.

Though resources and organizations exist that support and assist older adults with their efforts to report fraud and exploitation, older adults sometimes lack the knowledge needed to access these services. One solution for overcoming this barrier is to establish and regularly publicize a toll-free victim hotline. This strategy is currently being used by the Macomb County Department of Senior Citizen Services Victim Liaison program, which after implementation, experienced a substantial increase in utilization of its services.

THE CONSEQUENCES ARE DIRE

The consequences to older adults of being financially defrauded or exploited can be especially dire. In addition to suffering a direct financial loss, fraud victims often experience additional problems that stem from being defrauded. Table 1, excerpted from a 2004 report on identity theft issued by the U.S. Department of Justice Bureau of Justice Statistics, illustrates the most common problems (other than direct financial loss) experienced by victims of identity theft.

TABLE 1: PROBLEMS EXPERIENCED AS A RESULT OF ID THEFT

| Type of Problem | % of Households Experiencing Problems |
|---|---------------------------------------|
| Contacted by a debt collector/creditor | 34.1% |
| Banking problems | 30.5% |
| Problems with credit cards | 25.8% |
| Had to pay higher interest rates | 15.4% |
| Denied phone or utility service | 11.5% |
| Turned down/had to pay higher insurance rates | 6.7% |
| Subject of a civil suit/judgment | 4.6% |
| Subject of a criminal investigation | 4.4% |
| Other problem | 17.8% |

Note: respondents could select more than one type of problem
Source: U.S. Dept. of Justice Bureau of Justice Statistics

Unlike younger victims, older adult victims of fraud and exploitation often lack the means (i.e., supplemental employment) or time needed to recoup their losses, which according to statistics presented by Betty F. Malks, Santa Clara County Director of Aging and Adult Services, often leads to increased dependence on public assistance. In addition, the shame and embarrassment associated with being exploited often undermines their self-esteem and tends to increase feelings of inadequacy. These feelings, combined with the fear of being re-victimized, often cause older adults to socially withdraw and cease engaging in normal routine activities. This in turn can exacerbate existing medical conditions; causing a decline in physical health, and an intensification of existing mental illness, especially depression. A study published in the August 1998 issue of the Journal of the American Medical As-

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sociation (JAMA) revealed that older adult victims of financial abuse have 3 times the mortality rate of non-victims.

MICHIGAN IS RESPONDING

In 1996, in response to the emerging problem of older adult fraud and exploitation, the Michigan Office of Services to the Aging (OSA) and the Michigan Family Independence Agency (currently known as the Department of Human Services), formed the Senior Exploitation and Abuse Quick Response Team (SEAQRT). SEAQRT is a statewide effort comprised of representatives from:

- OSA
- Michigan Adult Protective Services
- Office of the Attorney General
- Michigan State Police
- Office of Financial and Insurance Services
- Prosecuting Attorneys Coordinating Council
- Department of Community Health
- Michigan State University Extension
- Social Security Administration
- Sixty-Plus Law Clinic
- Elder Law of Michigan
- U.S. Postal Service
- AARP
- Medicare/Medicaid Assistance Program

Representatives from other agencies and industries with a vested interest in the health and well-being of Michigan's older adults also serve on the team.

SEAQRT's main function is to provide local advocates with assistance in dealing with suspected cases of exploitation. Past efforts have included providing case review/follow-up consultation, strategy recommendations, and resource identification.

"Financial exploitation is the fastest growing form of elder abuse committed in Michigan".

*Kim Worthy, Wayne County Prosecutor
Detroit News 12/29/06*

In 2004, the team provided elder abuse and prosecution training to over 90 individuals. Today SEAQRT continues to develop cross training programs for human services workers, law enforcement agencies, prosecuting attorneys, and the general public.

On May 25, 2005 Governor Granholm announced the creation of the Michigan Task Force on Elder Abuse. In her announcement the governor pointed out that "each year, an estimated 80,000 Michigan citizens aged 60 and older are the victims of financial fraud and physical abuse". The task force was charged with identifying resources and changes in law that will assist in the prevention of elder abuse. Members of the task force include representatives from local law enforcement, the medical

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community, prosecutors' offices, health care organizations, the judiciary, area agencies on aging, aging advocacy organizations, elder law attorneys, the financial industry, tribal communities, and the older adult community at-large.

As of September 2006, the task force has completed numerous interviews and conducted several public hearings resulting in a draft report consisting of 62 different recommendations for improving and enhancing Michigan's efforts to respond to and prevent the abuse of Michigan's older adults. Currently, the report awaits approval by the full task force, after which it will be sent to the governor for her review.

LOCAL INITIATIVES ARE ALSO UNDERWAY

Local efforts to combat older adult fraud and exploitation have also been recently initiated. In 2004, under the leadership of Oakland County Circuit Court Judge Sosnick and Oakland County Senior Citizen Advocate Lynn Alexander, the SAVE Task Force (Serving Adults Who Are Vulnerable and/or Elderly) was created. Backed by Blue Cross Blue Shield of Michigan, the State of Michigan, and the Citizens Alliance

of the Oakland County Circuit Court, the task force is comprised of individuals and organizations, including the AAA 1-B, that attend to the needs of older adults. Included are representatives from home care agencies, senior residences, human service organizations, financial institutions, nursing homes, government entities, local law enforcement, prosecutors' offices, universities, and citizens with an interest in older adult issues.

"Penalties for fraud and exploitation are inadequate. First time offenders are usually sentenced to probation regardless of the amount stolen."

*John Latella
Chief of Macomb County's
Senior Crimes Unit*

The goal of the task force is to develop a more coordinated community response to the issue of elder abuse. In the fall of 2005 SAVE hosted its first symposium at which 65 participants attended public awareness

presentations related to elder abuse and exploitation. On March 30, 2006 SAVE held a second symposium for another 140 individuals that showcased and discussed ways for improving the current community response to elder abuse and exploitation.

SPECIALIZED PROSECUTORIAL UNITS SHOW PROMISE

Efforts to improve the identification, investigation, and prosecution of criminals that target older adults have also recently been undertaken in Michigan. In January of 2005, acting on a promise he made during

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his election campaign, Macomb County Prosecutor Eric Smith established within his office a special investigative unit called the Senior Crimes Unit (SCU). Headed by Assistant Prosecutor John Latella, the SCU is purported to be the first county level prosecutorial unit in Michigan solely dedicated to prosecuting crimes committed against older adults. Every crime committed against an older adult in Macomb County is funneled through the SCU and handled by a dedicated prosecutor.

Since its inception, the SCU has successfully investigated and prosecuted over 200 cases.

Part of the SCU's success is due to a cooperative effort with the Macomb County Department of Senior Citizen Services. Since 2005, the department has employed a full-time victim liaison to help older adult crime victims understand and navigate the complexities of the legal system. The liaison works very closely with the SCU to help ensure that older adult victims of crime in Macomb County receive the support they need during what can be a very stressful and trying time.

LEGISLATIVE ACTION

Recently, the Michigan legislature has also taken notice of the rising tide of financial-

related crimes taking place in the state and has enacted legislation in an effort to address the problem. In 2004, legislators passed a series of laws that strengthened prosecutors' ability to combat identity theft and increased protections for victims. Victims no longer have to file charges in the jurisdiction in which the crime took

place, but can file them in the jurisdiction in which they live. Victims of identity theft now also have the absolute right to file a police report. In the past, the filing of a police report for identity theft was at the discretion of the police.

The legislature also extended the statute of limitations for identity theft, and provided courts with the option to impose a \$25,000 fine and an additional 5 year consecutive sentence on identity thieves convicted of fraud stemming from the identity theft they committed.

TRAINING IS KEY

In recognition of the need to better educate Michigan's older adults about fraud and exploitation, particularly as a means of protecting them against victimization, advocacy and other groups throughout the state have recently begun to develop and implement fraud prevention programs.

“Due to the costs in both time and money, and the small likelihood of recovering any stolen assets, the best legal approach to use to combat fraud and exploitation is through criminal prosecution rather than civil litigation.”

*David Cohen,
The Law Offices of Sam Bernstein*

Findings

The Macomb County Prosecutor's Office has developed a program called S.C.A.M.S. (Stopping Crime Against Macomb Seniors). S.C.A.M.S. consists of a series of separate workshops that address fraud and identity theft. AARP has a program called Fraud Fighters in which trained volunteers educate older adults on identity theft, healthy credit, internet safety, payday lending, and a variety of scams that include living trust, investment, and home improvement fraud. Lighthouse of Oakland County offers workshops on predatory lending and the Michigan Attorney General's Office has a dedicated special assistant who travels throughout the state to educate older adults on identity theft.

Law enforcement has also recognized the need for training. In 2005, in cooperation with the Office of Services to the Aging, Wayne State University Developmental Disabilities Institute, and the Michigan Coalition Against Domestic and Sexual Violence, the Michigan State Police began offering a training for its officers entitled "Understanding and Investigating Vulnerable Adult Abuse and Neglect: The Role of Law Enforcement".

From July 10 to August 3, 2006 the Michigan State Police, the Michigan Sheriff's Association, and Michigan Association of Chiefs of Police provided training to 476 Michigan law enforcement

officers on how to better investigate identity theft, credit fraud, and counterfeiting complaints. During the four hour course, officers were trained in the latest investigative techniques and in the areas of victim assistance, identity theft rings, prosecution of offenders, and criminal law.

The Michigan chapter of the International Association of Financial Crimes Investigators is also actively involved in the training of law enforcement officers and in October of 2005 held a one day training entitled "Fraud Investigation Tools & Techniques".

"Financial abuse is one of the most destructive forms of abuse because older adults are generally unable to recoup their losses and as a result, may lose their ability to live independently."

Elder Financial Protection Network

Conclusions

Despite current efforts by local, state, and federal law enforcement agencies, the Michigan legislature, the Michigan Governor's Office, and local and national aging advocacy organizations, older adult fraud and exploitation continues to rise in Michigan. The U.S. Census Bureau projects Michigan's 60 and older population to grow at an average rate of just over 9% every 5 years for the next 24 years, reaching 2.6 million by the year 2030. If the current rate of financial exploitation and defrauding of older adults in Michigan continues, the potential extra burden that the results of these crimes may place on the state's public assistance, healthcare, and long-term care systems could be devastating to Michigan's ability to adequately respond to the needs of its older adult residents.

To help protect Michigan's older adults from the devastating effects of financial abuse and exploitation, the 2006 AAA 1-B Advisory Council Protecting Vulnerable Older Adults Ad Hoc Study Committee conducted a thorough and extensive review of the findings presented in this report. From this analysis, the Committee developed a set of recommended actions that address the need for greater deterrents to older adult financial fraud and exploitation, and increased identification, reporting, prosecution, and prevention of these crimes. The intent of these recommendations is to help ensure that older adults in Michigan continue to have the opportunity to maintain their safety and independence.

Recommendations

During the course of its investigation, the AAA 1-B Protecting Vulnerable Older Adults Ad Hoc Study Committee identified several practices and activities related to the prevention of older adult fraud and exploitation that show promise in reducing the prevalence of these crimes. These discoveries, combined with extensive analysis and problem solving on the part of the Committee and the experts it convened to study older adult fraud and exploitation, led to the development of strategies and solutions for addressing the problem that are contained within the following recommendations.

1) The AAA 1-B should partner with other older adult advocacy organizations to advocate for tougher penalties for financial and exploitative crimes against the elderly.

The Committee applauds the Michigan legislature for 2004 legislation that strengthens the ability of prosecutors and judges to prosecute and sentence identity thieves and that provides stronger protections for victims. Several experts testifying before the committee, however, indicated that the legislation did not go far enough.

Criminals convicted of fraud and exploitation in Michigan are frequently sentenced to probation, and rarely serve jail time. When these criminals are sentenced to serve time, Michigan's sentencing guidelines do not adequately take into account the severity of the crime, nor its impact on the victim, unless violence is involved. Though defrauding someone of their life savings is not considered a violent crime,

for older adults it can be devastating. The Committee, therefore, believes that the Michigan legislature should change the state's sentencing guidelines and increase the weight placed on crimes committee against older adults.

Michigan's sentencing guidelines also call for concurrent rather than consecutive sentences for criminals convicted of defrauding multiple victims. That means that a criminal convicted of defrauding 10 different victims will, rather than serve ten consecutive 2-10 year sentences, serve only one 2-10 year sentence. The result is that the potential benefits to criminals of committing fraud often outweigh the risks, and the crimes continue. Consequently, the Committee believes that the legislature should give judges the discretion to make sentences consecutive depending on the facts of the case.

Recommendations

2) The AAA 1– B should advocate that all County Prosecutors establish and promote senior crime units or specialists.

In speaking on the success of Macomb County's Senior Crime Unit (SCU), unit chief John Latella indicated that prior to the establishment of the SCU, crimes committed against older adults by the same criminal operation in different communities within the county would have been assigned to different prosecutors. Often, the result was that these patterned crimes would go unnoticed and these criminals would "slip through the cracks". Now that all crimes committed against older adults in Macomb County are funneled through the SCU, Mr. Latella indicated that it is easier to identify trends and disseminate information about repeated scams.

The establishment of a senior crime or similar unit (e.g., Oakland County Prosecutor's Office Elder Abuse section) or assignment of a prosecutor(s) to specialize in senior crime will maximize utilization of resources and strengthen existing county efforts to more effectively combat, reduce, and prevent fraud, exploitation, and other crimes committed against older adults.

3) The AAA 1-B should review the Michigan Elder Abuse Task Force report final recommendations to identify needed advocacy and program development actions.

According to Wayne County Prosecutor Kim Worthy in an article published in the December 29, 2005 issue of the Detroit News, "financial exploitation is the fastest-growing form of elder abuse". This is a sentiment echoed by many other experts across the nation, including the National Association of Adult Protective Services Administrators. Consequently, the AAA 1-B will review the recommendations of the task force and seek AAA 1-B Advisory Council and Board support for recommendations that are consistent with this report.

4) The AAA 1-B Call Center should serve as a visible resource center to counsel victims of crime and direct them to the appropriate law enforcement or regulatory agency.

Being victimized by crime is a traumatic event. Not knowing where to go or who to turn to for help can further exacerbate the problem. This additional uncertainty can lead to a substantial increase in anxiety and a delay in investigating the crime such that the criminal escapes prosecution.

Recommendations

As the Ad Hoc Study Committee learned, seeking help and reporting fraud can be quite daunting. There are at least 23 agencies to which one could report being victimized by a financial-related crime, depending upon the specifics of how the crime was committed. This often leads to the 'wrong door' being opened first, followed by a myriad of aggravating and frustrating attempts to find the 'right door'. Because of this, victims often don't receive the help they need and the crimes committed against them don't get reported or prosecuted.

All Region 1-B older adults therefore need a highly visible and consumer friendly place to contact that possesses thorough knowledge of the correct procedures for reporting fraud and exploitation and from which they can acquire any additional assistance they may need. Based on its exemplary history of providing information and assistance to older adults, the Ad Hoc Study Committee believes that the AAA 1-B Call Center can fulfill this role for communities where no such local resource exists by educating callers on recourse options for victims and where to report.

The Macomb County Department of Senior Citizen Services, through its Victim Liaison program, currently provides this type of service to Macomb County's older adult residents. In addition, this program also

provides extensive victim assistance and support to older adults victimized by crime. The victim liaison works closely with Macomb County's Senior Crime Unit to help victims navigate the complex legal system, help them prepare for court appearances, and if requested, accompany them in court. The victim liaison also links victims to appropriate community supports and resources to assist them with other (non-legal) issues that may have arisen as a result of being victimized.

New to some areas in Region 1-B is 2-1-1 service. 2-1-1 is an easy-to-remember toll-free telephone number that connects callers with information about and referrals to community-based supports and resources. Callers to 2-1-1 with complex needs and/or requests are referred to human service organizations with specialized expertise. In Region 1-B, the AAA 1-B is recognized as the Aging Specialist organization to which referrals would be made. Hence, the AAA 1-B should educate 2-1-1 programs on how to identify victim needs, the Call Center's capacity to counsel victims and direct them to the proper resources, and when to refer callers to the AAA 1-B or to other local resources.

Recommendations

5) The AAA 1-B should collaborate with county prosecutors and other stakeholders to convene a regional Leadership Summit on Senior Financial and Exploitative Crimes against the Elderly.

During the course of its investigation, the AAA 1-B Ad Hoc Committee observed that there is rising interest in older adult fraud and exploitation across the state. Recently, individual communities have taken steps to address the problem, be it through the formation of a Senior Crimes Unit in Macomb County, the SAVE Task Force in Oakland County, or an Elder Abuse Unit in Wayne County. The committee believes that now the time has come for a regional initiative whereby stakeholders can come together to share their successes and their concerns and address issues that are of a more global concern.

The purpose of the summit would be to discuss, develop, and share strategies for preventing crime, seeking justice, and assisting victims. Key stakeholders would include county prosecutors, local law enforcement, the Michigan Attorney General's Office, the Department of Human Services, the Wayne State University Institute of Gerontology (IOG), the AAA 1-B, and the Macomb County Department of Senior Citizen Services.

6) The AAA 1-B should facilitate efforts to educate the community on strategies for protecting vulnerable older adults from financial and exploitative crimes.

Research reported in May 2006 by the National Association of Securities Dealers Investor Education Foundation revealed that con artists employ multiple and sophisticated tactics to "put their victims in a kind of psychological haze that somehow changes what might otherwise be a normal established ability to spot and resist persuasion". The best way to defend against these tactics is to understand them before encountering them. Though understanding persuasion tactics is not a guarantee for avoiding fraud, it does improve the ability to identify their effects and defend against them.

In February 2006, in response to a question he received about combating fraud, Detroit Postal Inspector Fred Van de Putte replied, "A well informed public is one of the best weapons we have". AARP, the Senior Exploitation and Abuse Quick Response Team, the Michigan Office of Financial and Insurance Services, and the Michigan Attorney General's Office all provide trainings that can be tailored toward educating the community on ways to protect older adults from fraud and exploita-


Recommendations

tion. The AAA 1-B should work with these entities to help them identify venues at which to educate older Region 1-B residents.

The AAA 1-B should also develop a Vulnerable Older Adult Victims Assistance Guide. As indicated earlier, reporting financial fraud and exploitation can be extremely daunting. The Victims Assistance Guide would clarify and outline the steps involved in reporting fraud and exploitation and serve as a tool for caregivers, service providers, and others to use when assisting older adult victims of these crimes.

7) The AAA 1-B should evaluate and document the success in implementing the recommendations of this report, within 12 months of adoption.

The Ad Hoc Study Committee recognizes that many good intentioned reports often sit unused after being published. Therefore the committee has established a 12 month deadline for evaluating and documenting progress toward implementing the recommendations contained within this report. A formal report to this effect will be presented to the AAA 1-B Advisory Council and Board of Directors.



Appendices

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Appendix A

2006 Ad Hoc STUDY COMMITTEE MEMBERS

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Appendix B

TOTAL NUMBER OF FRAUD AND IDENTITY THEFT COMPLAINTS FROM MICHIGAN CONSUMERS* JANUARY 1 – DECEMBER 31, 2005

Excerpted from

Federal Trade Commission Consumer Sentinel Complaint Figures, January 25, 2006

Fraud Complaints from Michigan Consumers

n = 11,618

Top Fraud Complaint Categories for Michigan Consumers

| Rank | Top Categories | Complaints | Percentage ¹ |
|------|---|------------|-------------------------|
| 1 | Internet Auctions | 2,294 | 20% |
| 2 | Prizes/Sweepstakes & Lotteries | 1,968 | 17% |
| 3 | Foreign Money Offers | 1,404 | 12% |
| 4 | Shop-at-Home/Catalog Sales | 1,379 | 12% |
| 5 | Internet Services & Computer Complaints | 784 | 7% |

¹Percentages are based on the total number of fraud complaints from Michigan Consumers.

Amount Paid by Michigan Consumers

| Total No. of Complaints | Total Amount Paid Reported | Total Complaints Reporting Amt Pd | Percentage of Complaints Reporting Amt Pd | Average Amt Pd ² |
|-------------------------|----------------------------|-----------------------------------|---|-----------------------------|
| 11,618 | \$12,732,877 | 7,775 | 67% | \$1,638 |

²Average amount paid is based on the total number of fraud complaints where Michigan consumers reported amount paid. One consumer reported an amount paid of \$2.5 million.

Top Michigan Consumer Locations for Fraud Complaints

| Consumer City | Complaints |
|---------------|------------|
| Detroit | 545 |
| Grand Rapids | 365 |
| Ann Arbor | 291 |
| Lansing | 287 |
| Kalamazoo | 201 |

Identity Theft Complaints from Michigan Victims

n = 7,139

Identity Theft Complaints from Michigan Victims

| Rank | Top Categories | Complaints | Percentage ¹ |
|------|-----------------------------------|------------|-------------------------|
| 1 | Phone or Utilities Fraud | 1,976 | 28% |
| 2 | Credit Card Fraud | 1,908 | 27% |
| 3 | Bank Fraud ² | 1,169 | 16% |
| 4 | Govt. Documents or Benefits Fraud | 531 | 7% |
| 5 | Employment Related Fraud | 421 | 6% |
| 6 | Loan Fraud | 361 | 5% |
| | Other | 1,587 | 22% |
| | Attempted Identity Theft | 536 | 8% |

¹Percentages are based on the victims reporting from Michigan. Percentages add to more than 100 because approximately 20% of victims from Michigan reported experiencing more than one type of identity theft.

²Includes fraud involving checking and savings accounts and electronic fund transfers.

Top Michigan Identity Theft Victim Locations

| Consumer City | Complaints |
|---------------|------------|
| Detroit | 1,122 |
| Grand Rapids | 204 |
| Lansing | 139 |
| Ann Arbor | 137 |
| Flint | 115 |

*Adults age 18 and older

Appendix C

TOP TEN TELEMARKETING SCAMS, JANUARY – DECEMBER 2005

Source

National Internet Fraud Watch Information Center

| CATEGORY | % OF ALL COM-PLAINTS | AVERAGE LOSS |
|---|----------------------|----------------|
| Prizes/Sweepstakes <i>Requests for payment to claim prizes that never materialize</i> | 31% | \$4,990 |
| Scholarships/Grants <i>Falsely promise to help get scholarships or government educational grants, for a fee</i> | 11% | \$366 |
| Magazine Sales <i>Misrepresent cost of subscriptions or pretend to be a publisher offering renewals</i> | 9% | \$120 |
| Credit Card Offers <i>False promises of credit cards, even if credit is bad, for a fee</i> | 9% | \$282 |
| Fake Check Scams <i>Consumers paid with phony checks for work or items sold, instructed to wire money back</i> | 7% | \$3,714 |
| Advance Fee Loans <i>False promises of loans, even if credit is bad, for a fee upfront</i> | 6% | \$1,414 |
| Lotteries/Lottery Clubs <i>Requests for payment to claim lottery winnings or get help to win, often foreign lotteries</i> | 5% | \$2,430 |
| Work-at-Home Plans <i>Materials sold on false promises of big profits working at home</i> | 3% | \$348 |
| Phishing <i>Calls pretending to be from well-known source asking to confirm personal information</i> | 3% | \$588 |
| Travel/Vacation <i>Offers of free or discount travel that never materialize</i> | 2% | \$885 |

| AGE OF VICTIMS | |
|-----------------------|-----------------|
| Ages | % of Complaints |
| 19 and Younger | 1% |
| 20 – 29 | 16% |
| 30 – 39 | 16% |
| 40 – 49 | 17% |
| 50 – 59 | 15% |
| 60 – 69 | 11% |
| 70 and Older | 22% |

| TOP METHODS OF PAYMENT | |
|------------------------|---------------|
| Category | % of Payments |
| Wire | 34% |
| Bank Debit | 22% |
| Check | 18% |
| Credit Card | 11% |
| Money Order | 6% |
| Debit Card | 4% |
| Cash | 3% |
| Telephone Bill | 1% |
| Cashiers Check | 1% |

COMMON FRAUDS & SCAMS

Excerpted from

**BITS* Fraud Protection Toolkit:
Protecting the Elderly and Vulnerable from Financial Fraud and Exploitation
February 2006**

- **Advance fee fraud or "419" fraud** – Named after the relevant section of the Nigerian Criminal Code, this fraud is a popular crime with West African organized criminal networks. There are a myriad of schemes and scams – mail, email, fax and telephone promised are designed to facilitate victims' parting with money, ostensibly to bribe government officials involved in the illegal conveyance of millions outside the country. Victims are to receive a percentage for their assistance.
- **Charitable donation scam** – Scam artists claiming to represent charitable organizations using e-mails and telephone calls to steal donations and in some cases donors' identities.
- **Fake prizes** – A perpetrator claims the victim has won a nonexistent prize and either asks the person to send a check to pay the taxes or obtains the credit card or checking account number to pay for shipping and handling charges.
- **Fictitious relative** – The perpetrator calls the victim pretending to be a relative in distress and in need of cash and asks that money be transferred either into a financial institution account or wired.
- **Financial institution employee fraud** – The perpetrator calls the victim pretending to be a security officer from the victim's financial institution. The perpetrator advises the victim that there is a system problem or internal investigation being conducted. The victim is asked to provide his or her Social Security number for "verification purposes" before the conversation continues. The number is then used for identity theft or other illegal activity.
- **Financial institution examiner fraud** – The victim believes that he or she is assisting authorities to gain evidence leading to the apprehension of a financial institution employee or examiner that is committing a crime. The victim is asked to provide cash to bait the crooked employee. The cash is then seized as evidence by the "authorities" to be returned to the victim after the case.
- **Government grant scams** – Victims are called with the claim that the government has chosen their family to receive a grant. In order to receive the money, victims must provide their checking account number and/or other personal information. The perpetrator may electronically debit the victim's account for a processing fee, but the grant money is never received.
- **Identity theft** – Using one or more pieces of the victim's personal identifying information (including, but not limited to, name, address, driver's license, date of birth, Social Security number, account information, account login credentials, or family identifiers), a perpetrator establishes or takes over a credit, deposit, or other financial account ("account") in the victim's name.

*BITS is a nonprofit, CEO-driven financial service industry consortium made up of 100 of the largest financial institutions in the U.S. BITS works to leverage the intellectual capital of its members, fostering collaboration to address emerging issues where financial services, technology, and commerce intersect. BITS is the premiere financial services industry forum for developing and disseminating successful strategies and guidelines to improve security, reduce fraud, and manage risk (www.bitsinfo.org).

Appendix D

- **Inheritance scams** – Victims receive mail from an “estate locator” or “research specialist” purporting an unclaimed inheritance, refund or escheatment. The victim is lured into sending a fee to receive information about how to obtain the purported asset.
- **International lottery fraud** – Scam operators, often based in Canada, use telephone and direct mail to notify victims that they have won a lottery. To show good faith, the perpetrator may send the victim a check. The victim is instructed to deposit the check and immediately send (via wire) the money back to the lottery committee. The perpetrator will create a “sense of urgency,” compelling the victim to send the money before the check, which is counterfeit, is returned. The victim is typically instructed to pay taxes, attorney’s fees and exchange rate differences in order to receive the rest of the prize. These lottery solicitations violate U.S. law, which prohibits the cross-border sale or purchase of lottery tickets by phone or mail.
- **Internet sales or online auction fraud** – The perpetrator agrees to buy an item available for sale on the Internet or in an online auction. The seller is told that he or she will be sent an official check (e.g., cashier’s check) via overnight mail. When the check arrives, it is several hundred or thousand dollars more than the agreed-upon selling price. The seller is instructed to deposit the check and refund the overpayment. The official check is subsequently returned as a counterfeit but the refund has already been sent. The seller is left with a loss, potentially of both the merchandise and the refund.
- **Investment Property** – Property is sold to the vulnerable as a guaranteed investment with high yield returns. The victim is convinced to buy investment property through, or in conjunction with, a property management firm that will handle all the loan documents, make all the loan payments, place the tenants, collect the rents and maintain the property. The victim is told that he or she has to do nothing other than be the buyer and borrower. The property then falls into foreclosure. The victim finds that the property was inflated in value, payments at the closing were made to the property management company or affiliated parties, no loan payments have ever been made, and any collected rents have been stolen as well.
- **Itinerant fraud** – Victims are coerced, intimidated or otherwise conned into paying unreasonable amounts for poor quality work. Door-to-door solicitations occur where perpetrators offer services such as roofing or paving, auto body repair, etc. Often the work is fully paid for, but only partially completed, never started or of such poor quality that the victim must pay legitimate contractors to repair the work.
- **Misappropriation of income or assets** – A perpetrator, often a family member or caregiver, obtains access to a vulnerable adult’s Social Security checks, pension payments, checking or savings account, credit card or ATM, or withholds portions of checks cashed for an elder adult.
- **Pharming** – A malicious Web redirect sends users to a criminal’s spoofed site even though the user entered a valid URL in the browser’s address bar. This redirection usually involves worms and Trojans or other technologies that attack the browser address bar and exploit vulnerabilities in the operating systems and Domain Name Servers (DNS) of the compromised computers.

Appendix D

- **Phishing** – Technology or social engineering is used to entice victims to supply personal information such as account numbers, login IDs, passwords, and other verifiable information that can then be exploited for fraudulent purposes, including identity theft. Phishing is most often perpetrated through mass emails and spoofed websites.
- **Phone company scam** – While pretending to be a representative from a local phone company, the perpetrator purports that a problem exists on the telephone line. The perpetrator asks the victim to call back under the guise of conducting a test. This allows the perpetrator to make long distance phone calls and bill them to the victim.
- **Pigeon drop** – The victim puts up “good faith” money in the false hope of sharing the proceeds of an apparent large sum of cash or item(s) of worth which are “found” in the presence of the victim.
- **Power of Attorney fraud** – The perpetrator requests a Limited or Special Power of Attorney, specifying that legal rights are given to manage funds assigned for investment to the perpetrator, a trustee, an attorney, an asset manager, or other title that sounds official and trustworthy. Once the rights are given, the perpetrator uses the funds for personal gain.
- **Spoofing** – An unauthorized website mimics a legitimate website for the purpose of deceiving consumers. Consumers are lured to the site and asked to log in, thereby providing the perpetrator with authentication information that the perpetrator can use at the victim’s legitimate financial institution’s website to perform unauthorized transactions.
- **Stop Foreclosure Scam** – The perpetrator claims to be able to instantly stop foreclosure proceedings on the victim’s real property. The scam often involves the victim deeding the property to the perpetrator who says that the victim will be allowed to rent the property until some predetermined future date when the victim’s credit will have been repaired and the property will be deeded back to the victim without cost. Alternatively, the perpetrator may offer the victim a loan to bridge his or her delinquent payments, perhaps even with cash back. Once the paperwork is reviewed, the victim finds that his or her property was deeded to the perpetrator. A new loan may have been taken out with an inflated property value with cash back to the perpetrator, who is now the property owner. The property very quickly falls back into foreclosure and the victim, now tenant, is evicted.
- **Telemarketing scams** – The victim is persuaded to buy a valueless or nonexistent product, donate to a bogus charity or invest in a fictitious enterprise.
- **Unsolicited work** – A perpetrator arrives unexpectedly at a residence and offers to perform work for a reasonable fee. After starting the work, the perpetrator insists that the victim pay more than originally agreed before the work will be completed.



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