

## ANATOMY OF A FRAUD

### FRAUD SCHEMES AND THE ELDERLY



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## WHAT WE HOPE TO ACCOMPLISH

- Attendees will observe the fraud cycle from the perspective of the fraudster involving elderly victims
- Attendees will identify complexities surrounding various fraud schemes and the elderly
- Attendees will gain a more thorough understanding of the methodology used by fraudsters when targeting elderly victims
- Attendees will discuss mitigation methods from individual perspectives as stakeholders.

## QUICK IN HOUSE REQUESTS

- Please silence phones
- We are all busy in our work day so please feel free to get up and leave if you need to address a matter
- Please crumple up a few sheets of paper into a ball and toss them at me at around 12:00

## ***FINANCIAL EXPLOITATION OF THE ELDERLY WHAT WE KNOW....***

- Only 1 in 44 cases of elder financial abuse are reported
- Between \$27 million and \$124 million in NYS in documented personal losses and public expenditure on elder financial abuse (NYS Cost of Financial Exploitation Study 2016)
- In 2010 financial exploitation losses estimated at 2.9 billion nationwide (NYS Cost of Financial Exploitation Study 2016)
- High number of hours per case basis on elderly financial exploitation (NYS Cost of Financial Exploitation Study 2016)
- Many enforcement agencies often forced to place a minimum loss policy on fraud schemes.

## *FRAUD SCHEMES CONTINUE TO EVOLVE*

- Work from home scheme
- Lottery scheme
- Romance scheme
- Charity scheme
- IRS Tax scheme
- Sweepstakes scheme
- Secret Shopper scheme
- Emergency scheme (grand child)
- Counterfeit check scheme
- Advanced Fee scheme
- Investment scheme
- Pyramid Scheme
- Identity theft
- Credit card fraud
- Social Engineering / Social Media
- Contractor / Utility scheme
- Medicare / Health schemes
- Phishing schemes

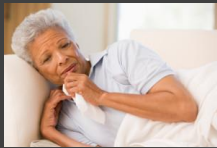
IN VIRTUALLY ALL FRAUD SCHEMES THERE EXISTS A NECESSARY ELEMENT OF HUMAN BEHAVIOR – THE PERPETRATOR NEEDS THE TARGET TO COOPERATE IN ORDER FOR THE SCHEME TO WORK



The bad guy needs you to walk through the door he is presenting to the targeted victim. The door he is offering depends upon the scheme and the manner in which he intends to utilize the victim.

## ARE FINANCIAL CRIMES VICTIMLESS CRIMES? IF A FINANCIAL INSTITUTION WRITES OFF A THEFT IS THERE STILL A VICTIM?

- Depression
- Loss of trust
- Unable to replace lost money
- Embarrassment
- Loss of primary residence
- Dependency on government programs
- Financial misery, poverty



## FRAUD CYCLE IS OFTEN COMPLEX

*IN ADDITION TO BEING VICTIMIZED DURING INDIVIDUAL SCHEMES THE ELDERLY OFTEN BECOME A MEANS TO AN END IN LARGER FRAUD SCHEMES*

- Targeted victim – direct theft of \$



- Money Launderer / – elderly victim used to funnel fraud \$ back to fraudster

Stakeholders Sharing knowledge



Understanding the bad guy



Collaboration



Prioritization

## THE FRAUD CYCLE

IN ORDER TO EFFECTIVELY PREVENT, MITIGATE AND INVESTIGATE FRAUD SCHEMES INVOLVING THE ELDERLY WE MUST FIRST UNDERSTAND THE MANNER IN WHICH THEY ARE TARGETED AND USED IN THE SCHEME.....

IN MANY FRAUD SCHEMES WE MISTAKENLY ASSUME THAT THE ELDERLY VICTIM IS CAUGHT UP IN AN INDIVIDUAL SCAM WHEN, IN FACT, THEY ARE IN A FRAUD CYCLE...INVOLVING MULTIPLE SCHEMES

### Joe

Joe is 72 years old from Syracuse, NY and retired. He worked for 32 years at a factory and has a substantial retirement account. In the last year Joe has fallen victim to sweepstakes scams and sent over \$15,000.00 to fraudsters.

### Helen

Helen is 75 years old from London and widowed. She has very few family and friends and is often lonely. She recently saw an ad for a social website aimed at connecting retired members who are looking for friendships.

### Billy Bad Guy

Billy bad guy is a 33 year old career criminal who started out committing petty theft and is now committing fraud to supplement his income. He lives in Florida and is proficient with computers and technology. Billy is also has the gift of gab and is considered a very smooth talker.

## SETTING UP THE FRAUD

FRAUDSTER MUST PREPARE IN ORDER TO PULL OFF A FRAUD

Billy is preparing to pull off a large fraud by using the Business Email Compromise – he plans to send fake Emails to a bank employee posing as the CEO of a company in order to have a large amount of \$ wired to him.



Billy knows that one of the most important factors in being successful is to shield himself and "launder" the money through other people before receiving the money.





## ***TO DO CHECKLIST – SETTING UP JOE***

Billy has purchased Joe's contact information from the dark web – since Joe has sent so much money to fraudsters they are now selling his information to make money by promoting him as someone to profit from.



Billy contacts Joe by email and lures him into an accounting position with his company and promises him large sums of money. Joe is skeptical after losing money so he questions Billy.

Billy has planned for this so he sends Joe the link to his fictitious company by clicking on this link [www.billybadguyincorporated123.com](http://www.billybadguyincorporated123.com)

Joe looks at the website and is convinced he might recuperate his previously lost \$. He follows Billy's direction and opens a separate bank account.

## ***BILLY IS A BUSY FRAUDSTER....***

For purposes of this presentation the extent of the primary fraud will be an overview

Business Email Compromise requires extensive social engineering and research on the part of the fraudster

In this scenario, the easiest part of the prep work for Billy has been setting up Joe and Helen as his money mules.



## EXECUTION OF THE FRAUD CYCLE



## DISCUSSION PERSPECTIVES DRIVING IDEAS

Perception vs your role as a stakeholder?

- Attorney for Joe's family?
- APS representing Joe?
- Law Enforcement in Joe's jurisdiction?
- Financial Institution?

How would you mitigate or investigate?

How would you convince Joe or Helen this is a scam?





## **CONCEPTS FOR STAKEHOLDERS – USE THE OTHER DOOR**

- Don't go through the door that is offered to you.
  - Use the door you know.
  - You cannot verify a known through an unknown. If you walk through the door offered you are walking into the unknown.
- ☐ Clicking on company link
  - ☐ Doing research – online romance
  - ☐ Call me at this # - find a known number



## **STAKEHOLDERS – ENFORCEMENT/INVESTIGATION**

- ✓ Jurisdictional issues – Not always as clear cut as they seem. Fraudsters often want to give the perception that there is an out of country Nexus – easy way to stay off the radar.
- ✓ Some level of investigation should be performed to support the out of country aspect or confirm that there is a closer US nexus.
- ✓ Spoofed IP's are not always a dead end – alternatives exist with a little open source digging
- ✓ Fraud victims should always be encouraged to file online reports through IC3.
- ✓ LE and Prosecutors should consistently be monitoring IC3 database for correlations and identification of the point of compromise.
- ✓ LE and prosecutors should consistently be monitoring FinCen SAR database – primary reporting tool for financial institutions with an abundance of investigative information.