



**DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL**

**Testimony of Ellen Klem, Oregon Department of Justice,
Office of the Oregon Attorney General
to the
United States Senate Committee on Finance**

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Good morning. I'd like to begin by thanking Chairman Hatch, Ranking member Senator Ron Wyden and members of the Committee for allowing me the opportunity to testify today. My name is Ellen Klem and I am the Director of Consumer Outreach and Education for Oregon Attorney General Ellen Rosenblum. My job is to travel the state educating Oregonians on how to be savvy consumers and avoid being scammed by scammers and fraudsters.

Every week, I'm in a different city talking to a different group of Oregonians. For example, last week I was on the northern Oregon coast in Astoria, Oregon with Attorney General Rosenblum talking to a group of older Oregonians at the Clatsop Retirement Village, and next week I will be in Albany, Oregon talking to a group of retired teachers.

Every day, I hear stories from our most vulnerable citizens about a wide variety of scams and frauds. To an unassuming Oregonian, these scams can be threatening, and quite frankly, scary. While fraudulent behavior, imposter phone calls and unofficial mail solicitations have always been a part of a scammer's repertoire, today's scammers use new tactics.

Lately, my conversations with Oregonians have focused almost exclusively on the IRS imposter scam. This is a major headache for too many Oregonians. Looking to take advantage of people during a busy tax season, these scammers tell victims over the phone that they owe money to the IRS or Oregon Department of Revenue. The caller demands that the person pay the money immediately through a temporary debit card or a wire transfer. If the victim refuses to pay, they are threatened with arrest, deportation or suspension of a business or driver's license. In many cases, the caller becomes aggressive and insulting. For a vulnerable Oregonian, this phone call can be devastating.

In 2014, the IRS imposter scam topped Oregon's list of consumer complaints. Last year, 1,340 Oregonians filed complaints with the Oregon Attorney General about this scam, nearly double the complaints as the next highest category. Victims of this scam reported losses totaling \$77,137.09. Unfortunately, we know this is just the tip of the iceberg. Many scam victims do not even report their losses because they either don't know whom to report to or are too ashamed that they have been scammed. For countless others, they may not even know they have been scammed.

That is why I am here today; to bring you the voices of Oregonians who have lost money, time and a sense of security because of these scammers. In particular, I would like to tell you the

stories of two of those victims and share what the Oregon Attorney General is doing to prevent this from happening to others.

The first story I would like to share is that of a victim I'll refer to as Diane. Last year she fell victim to the IRS imposter scam to the tune of \$15,000, the largest loss reported to the Oregon Department of Justice in 2014. Diane, a woman in her late 50s, lives and works in Turner, Oregon, a small town with fewer than 2,000 residents. On August 12, 2014 she received a message on her answering machine from a man claiming to be from the IRS and directing her to call him back at a Washington, D.C. phone number. She dutifully called him back and the person who answered her call proceeded to read her an affidavit for her arrest, threatened her with a fine of \$25,000 and 18 months in prison, and told her she would be arrested later that day if she did not pay. Needless to say Diane was terrified. She feared for her job and her financial future, and begged for forgiveness. The scammer told her it was possible to settle the matter, but only if she paid \$15,000 immediately by purchasing a pre-paid debit card at a local store. Hoping to avoid prison, and afraid of further consequences, Diane made the only choice she thought she had; she complied with the request – and she was out \$15,000.

Individuals like Diane who send money to the scammers aren't the only victims of imposter scams. In September 2014, I was contacted by Marissa Phillips, a small business owner outside of Portland, Oregon whose employee, Linda, had fallen victim to an imposter scam. After sending a small amount of money to the scammers, Linda realized her mistake and stopped answering the phone. But the scammers refused to give up. They kept calling. And, when it was clear that she wasn't answering the phone, the scammers began calling Marissa's small business; a business that provides in-home services for seniors and persons with disabilities. When Marissa called me, she reported that the scammers had called her business at a rate of 100 phone calls per minute for 20 minutes; that's 2,000 phone calls in less than half an hour. All the calls from scammers prevented the small business from providing help to those that actually needed it. The seniors, their families, hospitals, doctors and other staff could get nothing more than a busy tone when they called for assistance. Ultimately, the business was forced to change its phone number, and all of its marketing materials, incurring a significant cost.

While this scam can seem daunting, thankfully not everyone in Oregon who receives a phone call from an IRS imposter will fall victim to the scam. I'd like to think that's because we have been working so hard to educate all Oregonians, especially our most vulnerable.

The Oregon Attorney General has several educational tools aimed at scam prevention, because she and I both know that well-informed Oregonians are more likely to recognize fraud and less likely to become victims. We also know these scams can be hard to track and prosecute.

Because education is so critical, we have a number of resources available for consumers, including:

- A brochure with ten tips to protect you and your family from scams,
- A toll-free complaint hotline that is staffed 5 days a week with some of the most knowledgeable volunteers in the state,
- An easy to remember website – www.oregonconsumer.gov,

- A searchable online consumer complaint database called Be InfORmed, and
- Scam Alerts sent via email, our website, and Twitter.

But our educational efforts do not stop there. We also have an entire section of the Oregon Department of Justice devoted to financial fraud and consumer protection.

The 34 employees of the Consumer Protection & Financial Fraud section received 50,000 phone calls in 2014 alone and receives nearly 8,000 written consumer complaints every year. Last year alone, this section opened more than 80 formal investigations and, at any given time, they are working on 220 open investigations.

That is why we have also invested in strong partnerships with federal, state, and local government entities and officials, tribes, community organizations, advocacy groups, and members of the media. Through these partnerships we're able to share complaints, coordinate investigations, and disseminate information to the public. Our partners give us a bigger voice to share information and keep Oregonians safe.

In fact, one of our most successful partnerships is the Social Services Fraud Working Group, which meets monthly. The work group – in existence since 2011 – is multidisciplinary and comprised of more than 30 federal, state, and local agencies working fraud cases in the field of social services. At each meeting, members of the work group share tips and work collaboratively to fight social services fraud. The success of the work group has spawned two additional workgroups, one in Alaska and another in Washington state.

Unfortunately, Oregon is not unique in the number of reported scams. IRS imposter scam complaints are up nationally. Scammers target everyone, but especially older adults and other vulnerable individuals; they will not stop until they are caught and brought to justice. Unfortunately, that proves to be a challenge.

We look forward to continuing our collaboration with the IRS, the FTC, and other federal agencies like the Office of the Inspector General of the Social Security Administration that hosts our Social Services Fraud Work Group.

This concludes my testimony. Again, thank you Chairman Hatch, Ranking member Senator Ron Wyden and members of the Committee for inviting me today. I am available to answer questions.