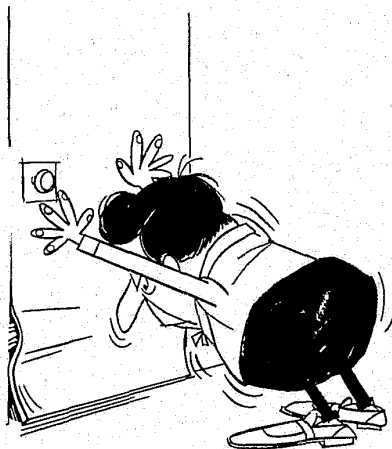


District Attorney
Information Service

BUYERS BEWARE



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SAN DIEGO COUNTY

EDWIN L. MILLER, JR.
DISTRICT ATTORNEY



A Message From The District Attorney:

Fraudulent practices in business hurt not only the victimized consumer but the many honest businessmen in our community.

The San Diego District Attorney's office has one of the largest fraud prosecuting staffs in the State of California. The most effective deterrent to fraud is, however, an alert and informed buying public. This booklet is designed to assist you, the buyer.

EDWIN L. MILLER, JR.
District Attorney

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Who Is a Consumer?

Corporations, partnerships, professional firms, non-profit organizations, government units, customers, clients, suppliers . . . all of these terms actually describe the same thing, people; people who form different alliances in their efforts to earn a living for themselves and their families. People are consumers. There is no such thing as dishonest businesses or employees . . . just dishonest people. The purpose of this booklet is to help honest people protect themselves against dishonest people.

What Is Fraud?

Fraud is an illegal act characterized by guile, deceit, misrepresentation, deception and concealment that is not dependent on physical force or the threat thereof. It may be committed by individuals acting independently, or by those who are part of a well planned conspiracy to obtain money, property or services; or to secure business or personal advantage.

What Is the Cost of Fraud?

Because fraud has a "domino effect" in the marketplace, only the direct costs can be estimated. Responsible authorities compute the annual cost of illegal acts in the marketplace to be in excess of \$40 billion annually in the United States.

These losses are not confined to dishonest seller — gullible buyer situations, but include losses passed along to the consumer by legitimate businesses in the form of higher prices. Business has no alternative but to include all of the costs in the price of the merchandise and services they sell. These losses include the cost of employee thefts, shoplifting, extra security, higher insurance rates, high employee turnover . . . even the reduced efficiency of honest employees who feel they may be suspected of illegal acts.

Fraud is a costly burden borne by honest people because other people are dishonest. It is not enough for honest people to maintain a high standard of personal ethics. To eliminate theft of buying income, people must also demand honesty from those with whom they come in daily contact.

How Can Fraud Be Prevented?

In most cases, fraud becomes a prosecutable crime **only when it is successful**. This means the individual must be his own first line of defense, and with knowledge as the primary weapon.

"How can I get the most for my money?"

Breathes there a person who . . . sometimes in desperation, sometimes in frustration, always in earnest . . . has not asked this question in these times of rampant inflation? A partial answer to this question can be found in some simple guidelines which are applicable to all buying situations. Follow these guidelines and you will have the best chance of getting your money's worth.

1. There is no Santa Claus!

Everyone would like to get something for nothing, but it is safer to face reality. If the offerer of that outstanding bargain didn't swoop down from the skies in a reindeer-powered conveyance before your startled eyes, go slow. A profoundly wise adage says, "You usually get exactly what you pay for!"

Remember, from the lowest scheme known to the police bunko squad to the most complicated conspiracy, the bait is a blatant appeal to the little bit of larceny in all of our souls. If the bait is offered, look for the hook!

2. Place Your Trust in God!

Expect weakness from mortals. Play safe. Before committing yourself to the purchase of any product, service or property, get at least three prices or estimates before making a buying decision. Avoid making exceptions to this rule . . . and don't take a salesman's word that his prices are low. Check for yourself!

3. When the Pressure Gets High . . . Blow Up!

Don't submit to high pressure tactics. Don't commit yourself to a purchase until you have considered it carefully in the privacy of your own home. Impose a 24-hour waiting period on yourself. During this time, consider

every aspect . . . not just the price. Consider the quality and reliability of the product, and the reliability of the merchant

NO!

... THANK YOU



selling it. Will he be there if adjustments are required? Consider the financial obligations involved.

Above all, remember that high pressure sales tactics are an insult to your intelligence. React just as you would to any insult. Tell him to leave your home, or leave his place of business. As the buyer, **you** must control the situation!

4. Get All The Facts . . . And Get 'Em In Writing!

Get a quote in writing which specifies exactly what you are getting. Where appropriate — with an appliance, a used car, a home remodeling job — obtain a written warranty that fully explains the supplier's obligations. Get in writing exactly whom you are to contact if the item you are buying proves to be defective.

Know exactly how much money you are spending. If you are making a time payment purchase, be sure you know the total price including finance charges before you sign anything. Beware of "Balloon" final payments . . . a big final payment written in to make the monthly payments look smaller. Don't hold still for "Pay-out Penalties," charges if you pay off the contract ahead of schedule.

5. Be Careful When Signing A Contract!

Don't depend on oral promises made by a salesman. Insist that all agreements be written into the contract itself. Do not sign any contract you do not understand, or any contract which has blank spaces. Make sure the contract details exactly what you are getting for your money, including the quality of materials to be used. Always get a signed copy of the contract for your own records. Before you sign a contract for a large investment or a substantial purchase, consult an attorney. The attorney fee is a modest investment in terms of insurance on your investment.

6. Shop For Credit, Too!

Only a limited number of suppliers finance their own time purchase contracts. Most firms discount their "commercial paper" to financial firms, and at varying rates of interest. You are under no obligation to use the regular source at which the supplier "lays off" or discounts contracts. If you have a preferred financial institution with which you have had amiable relations in the past, or which charges a favorable rate of interest, insist that they be used for financing, at terms you work out with the source.

How Can the District Attorney's Fraud Division Help You?

First, it should be understood what the Fraud Division does not do — it does not provide free legal advice and attorney service in civil law cases. Those consumer complaints and grievances normally resolved through civil litigation must still be handled in the usual manner.

However, the Fraud Division maintains extensive files and records in regard to the complaints they have received and processed. Citizens are encouraged to inquire in regard to any sales proposition they receive. Usually the office can assist by informing the inquirer if the firm or salesman has a record of complaints on file. It is a simple precaution . . . check with the Fraud Division if you have any doubts.

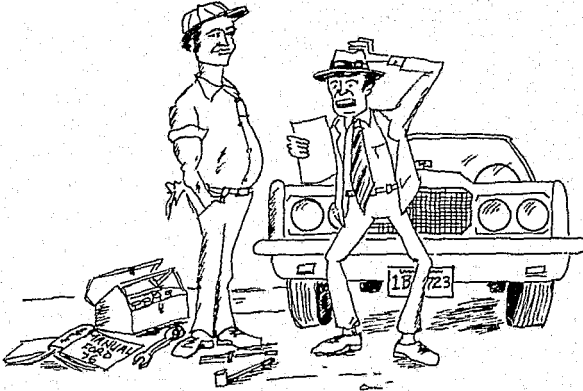
When a complaint is received by the office a determination is made as to whether the problem falls within the jurisdiction of this office. If such is the case, the office will then enter the case under the authority of law to help the complainant obtain redress of his or her grievances. The office will then take action in one of two ways: either the illegal acts will be prosecuted to the full extent of the law; or where justice may be best served by obtaining full restitution, in the less severe manner. Restitution, however, is rare.

How Do You File a Complaint With the Fraud Division?

Prior to contacting the Fraud Division with a complaint, the individual in all cases should make an attempt to resolve the matter with the party against whom he has a grievance. If this final attempt is not successful in obtaining satisfaction, then the individual should contact the Fraud Division . . . having in mind the specific relief he intends to request the office to obtain.

Be prepared to give the office your name, address and home and business phone numbers; and similar information in regard to the individual or firm against whom you are lodging the complaint. You will be asked to narrate all of the events which took place, including the time, date and place. In addition to supplying specifics as to your complaint, you will be asked to submit all of the documents for review — contracts, letters, invoices — pertaining to the transaction.

AUTOMOTIVE REPAIRS



Auto Repair Fraud, thy name is legion! There are so many possibilities for fraud in the auto repair industry it would be difficult to enumerate them specifically. But there are some industry practices that, once understood, make it easier to grasp the need for caution.

Book Mechanics

Shops or Repair Departments don't repair your car . . . individual mechanics do, and they vary in knowledge and proficiency. A common practice, particularly in car dealerships, is to hire "Book" mechanics. Under this system, the dealer or shop owner hires a mechanic who is required to furnish his own tools. All car manufacturers (and specialty publishing houses) turn out books which list all repair jobs, the number of hours or specific time such repairs should require, and the amount the mechanic should be paid for the work. So the mechanic is "paid from the book" only for the jobs he actually does.

The firm then marks up both the mechanic's charge and the parts required, and passes these charges along to the service customer. True, a service department manager is supposed to maintain careful supervision of work done, but under the crush of a heavy work load he is sometimes unable to do so.

So, an unscrupulous mechanic can do unnecessary work as a means of increasing his income . . . and do so without the knowledge or connivance of his employer. Basically, repairs are a man-to-man proposition between you and the repair mechanic.

THE 10 COMMANDMENTS OF AUTO REPAIR

Follow these "Commandments," and you will avoid difficulty with dishonest auto repairmen.



THOU SHALT DEALETH WITH THE MECHANIC!

Unless it is an emergency and you are dealing with a known shop, don't take the first diagnosis of the problem unless you are reasonably sure it is accurate. Shop for the right repair shop and mechanic, and go where you get the best deal. When you find a good mechanic, insist on his services. Even if he is on another job, wait until your trustworthy man becomes available to do your work.



THOU SHALT RELATETH ONLY SYMPTOMS UNTO THINE MECHANIC!

Just describe only the symptoms to the service writer or mechanic . . . no more. He is the expert, not you, so don't tell him what's wrong — let him tell you. Otherwise, he may simply record what you say, and obligingly do the wrong work. Be specific with symptoms, and jot down what you tell him to avoid misunderstandings.



TAKETH A FRIENDLY EXPERT WITH YOU!

If you have a friend with a knowledge of cars and their repair, ask him to accompany you when you drop off your car, and interpret what the mechanic is telling you. This is particularly important for women, the easiest repair customers to victimize.



DEMANDETH A SIGNED WORK ORDER FOR THINE SIGNATURE!

Insist on getting a detailed work order for your approval and signature. Avoid vague descriptions. Then put a notation on the work order to call for authorization of any additional work.



THOU SHALT GIVE NO AUTHORIZATION WITHOUT ESTIMATES!

If extra work is required, again insist on receiving a written estimate of the costs involved. Be sure the estimate includes all guarantees, and warranties in writing. Ask about storage charges, and any possible charges for diagnostic work . . . work done to determine what is wrong with the car. Again, avoid generalities, and insist on detailed itemization. Be sure to check off the completion date on the work, check off the odometer reading and record the serial number. Find out if new, used or reconditioned parts are to be used.

VI

THOU SHALT ASKETH FOR THE RETURN OF REPLACED PARTS

A repair shop with any kind of volume must "junk out" or trade in replaced parts, or else be buried in junk in practically no time. Thus, if you insist on the return of the replaced parts, you are sure replacement has been done. Then too, with the returned parts, if a controversy were to occur, examination of the replaced parts would reveal if the replacement was actually necessary. Exceptions should be made to this rule only when the replaced parts are too heavy, or when the warranty requires that the repair shop retain them. Even then, ask to see them before they are disposed of.

VII

THOU SHALT ROAD-TESTETH THINE AUTO BEFORE THOU PAYETH YE TAB

Ask for a vehicle road test before you pay the bill. Otherwise, you could get your car back with the same problems it had when you took it in for work.

VIII

READETH THOU THY OWNER'S MANUAL

If you don't have an owner's manual, get one and read it from cover to cover . . . then read it again. You will learn information in regard to maintenance and service procedures that can save you big bucks! The maintenance/service needs of the particular vehicle have been determined by an independent authority, the **Society of Automotive Engineers (SAE)**. Since this information is compiled by the people who design cars, it is the most authoritative available.

Learn what Octane Rated Gas your car is designed to use, then ask your filling station man to tell you how to transpose this **Octane Test Rating** into the **Federal Rating** required to be posted on the pumps. In most cases, you will find you have been buying more expensive gas than your car requires. Learn the SAE ratings of the proper oil to use for both crankcase and transmission, and for your car's hydraulic system. Learn what service should be performed periodically, and the number of miles at which the service should be performed. Trust the SAE listing.



**HE WHO DIAGNOSES ONLY
HATH NO INCENTIVE TO
GIVETH THOU THE WORKS!**

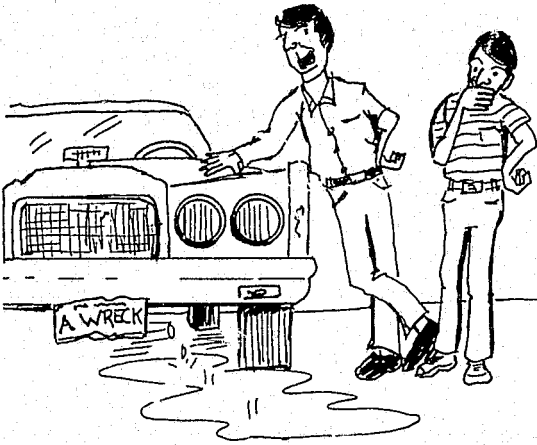
Where you feel the problem might be of a major repair nature, it might be helpful to take your car to a diagnostic center . . . a facility which does not have repair facilities, and thus has no inclination to "promote" in-house repair jobs. It would be money well spent, for instance, to learn that a problem you believed to be of major proportions was actually minor.



**IF THOU BUYETH
RE-CONDITIONED PARTS
OF MAJOR NATURE
GETTETH THOU A GUARANTEE**

In the purchase of a reconditioned motor, as an example, it is completely possible that a motor with a cracked block might slip through inspection procedures. True, you pay a lesser price when you purchase "as-is," and more for guaranteed parts . . . but when the part and installation labor might prove to be a total loss, the difference in price is worth it!

For Sale By Owner



All new and used car dealerships are required to be licensed by the State Department of Motor Vehicles. A dealership is defined as one who makes more than an occasional sale, or four or five cars a year. Some used car dealers make a practice of selling used cars out of their back yards . . . attempting to give the

impression you are dealing with the car's previous owner. Always ask to see the title and registration number, then check both out with the Department of Motor Vehicles. Remember, if the car was taken in trade by a dealership after it had changed hands six times . . . consigned to the auction . . . then purchased by Shady Freddie . . . the title will list only Shady Freddie and the John Doe Motors as previous owners. If he tells you the car is only a one-owner car, and uses the title to "prove" the point, tell him you know better. The title shows only the last two owners. Care is needed in buying through so-called "Owner" channels, because this is the channel through which stolen vehicles are re-sold.

The Danger Signal

Will the "owner" permit you to copy the title number and registration number for check-up purposes? If he won't, he is attempting to conceal misrepresentation he has made.

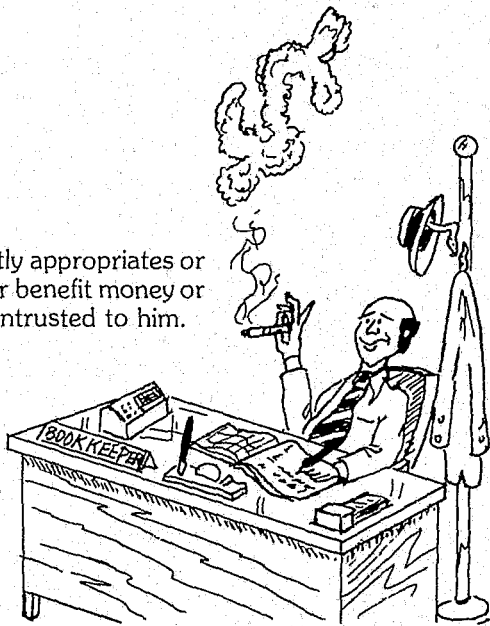
FRAUDS AGAINST BUSINESSES

To this point, we have been examining frauds by people in business against consumer-people. Now let us take a long look at frauds against business . . . a cost which has been estimated to comprise 10% of the cost of all the items we buy . . . a cost far in excess of the loss to burglaries and armed robbery.

Embezzlement and Pilferage

The embezzler fraudulently appropriates or converts to his own use or benefit money or property that has been entrusted to him.

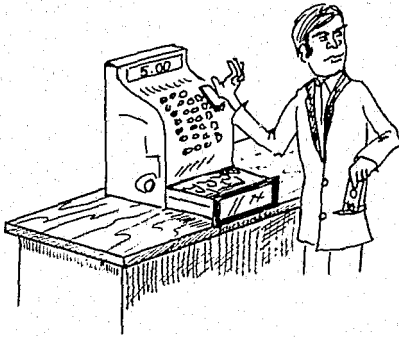
The pilferer may just take that which does not belong to him. The net result is the same: The loss of cash, securities, tools, spare parts, raw materials, scrap, machinery, office supplies and other items. Individually, these crimes may be quite small, but the cumulative cost is far from small.



Authorities estimate that up to 50% of those who work in plants and offices are guilty of theft to some degree . . . with from 5% to 8% of employees stealing in volume. From 60% to 75% of retail inventory shortages are usually attributable to employee theft.

Extensive employee dishonesty is symptomatic of mismanagement, not that an insolvable problem exists. All that is needed are controls to alert management that losses are taking place and where they are taking place. Once the loss can be pinpointed, procedures may be devised to stop the loss.

As an indication of the scope of this problem, here are only a few of the frauds perpetrated against unwary businesses:



- **“Short Ringups”** — The cash sale of a \$5 shirt is rung up on the cash register as a \$2 sale to cover a dip into the till for \$3.
- **Unauthorized Mark-downs** — Frequently done in collusion with those in other departments on a reciprocal basis.
- **Employee Misuse** — A Manager has his lawn mowed by a company employee on company time.
- **Equipment Misuse** — An employee uses the copying machine for his at-home business.
- **Fictional Suppliers or Employees** — Payments are made to phony service suppliers and/or employees.
- **Lapping** — A clerk steals from incoming payments, then applies other incoming remittances on other items to cover the amounts stolen.
- **“Bumming”** — A disbursements manager forges a company check to his account, then destroys the cancelled check when it returns.
- **“Kiting”** — Increasing the size of company or customer checks.
- **“Loading”** — Overcharging customers, ringing up the proper amount, then pocketing the difference.
- **Double Payments** — Paying suppliers twice, then pocketing the second check.
- **“Hoaking” The Inventory** — Doctoring the inventory to cover pilferage and sale of merchandise.
- **Pocketing** uncollected wages.
- **Overloading** expense accounts.
- **Boosting** the amounts of suppliers’ invoices . . . often splitting with the supplier.
- **Mislabeled** and shipping merchandise to an employee’s or relative’s home for disposal.
- **Smuggling** home tools and supplies.

- **Tossing** pilfered items over the fence for retrieval later.
- **Substituting** valuable materials for scrap being dock loaded.
- **Altering** bills of lading to cover up partial off-loading prior to destination.
- **Checking out** incoming shipments as short when such is not the case.
- **Diverting** cartons from truck to personal car.
- **Recording** out-going trucks as having one more carton than actually carried.
- **False** petty cash vouchers.

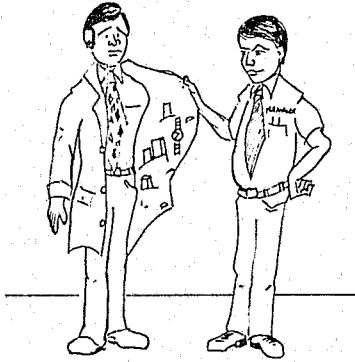
The Warning Signals

Once principal warning signals occur, a company should take steps to reduce embezzlement and pilferage. Here are some more early warnings:

- Vague reasons for bad debt writeoffs.
- Collections decline as a percentage of what is due.
- Records are re-written, allegedly for reasons of neatness.
- Inventory shortages are noted . . . indicative of fraudulent purchases, unrecorded sales, or pilferage.
- Reluctance of the accountant to release records in the daytime, and an unusual amount of regular overtime work.
- Regular usage rate of raw materials is exceeded.
- A spurt of sales returns is noted . . . a possible sign of concealment of accounts receivable payments.
- Books are not kept up to date.
- Employee seems sensitive to routine questions.
- Vacations are refused and promotions declined.
- The pattern of business alters when the regular employee is absent.
- Company products appear in outlets which have not placed orders.
- Drivers take too much time in making deliveries.
- Tool replacement is inconsistent with production load.
- Containers of desirable parts or merchandise are frequently damaged.
- Cartons are partially empty where they should be full.
- The employee goes to his car during working hours, and loiters in areas other than his own department.

Insist that your employees sign a waiver permitting the use of periodic polygraphic examinations in regard to these frauds, and use a "lie detector" examination in hiring people. Failure to submit to these tests should snap on a warning light!

Shoplifting



Although most shoplifting is a spur-of-the-moment crime, there are those who have elevated the crime to a profession. Frequently “boosters” are drug addicts who steal to support a drug habit.

A number of means are available to cut down on shoplifting. Convex, wide-angle mirrors; one-way mirrors; raised observation platforms; and continuous monitoring by TV camera all make it possible for the shopper to be observed as he shops . . . and a watched shoplifter is a frustrated thief. The best preventive is good salesmanship. A courteous, attentive sales person, at the customer’s elbow and eager to help, makes shoplifting next to impossible to do!

Some shoplifters work in teams . . . one to divert the attention of the sales person, the other to take the merchandise. A number of shoplifting “aids” are used . . . “booster boxes” — wrapped boxes that appear to be carefully wrapped packages, yet have a hinged, fast access side through which stolen merchandise may be thrust . . . booster pants and bloomers with extra “legs” and tight cuffs that will hold surprisingly large objects . . . “hanger hooks” sewn to the lining of outer garments to conceal small items. Amateurs frequently try to take several items of clothing into the fitting booth, then wear them out under other clothes. Palming is another technique in which shoplifters cover small items with the palm of their hand, then transfer them to purse or pocket.

The Warning Signal

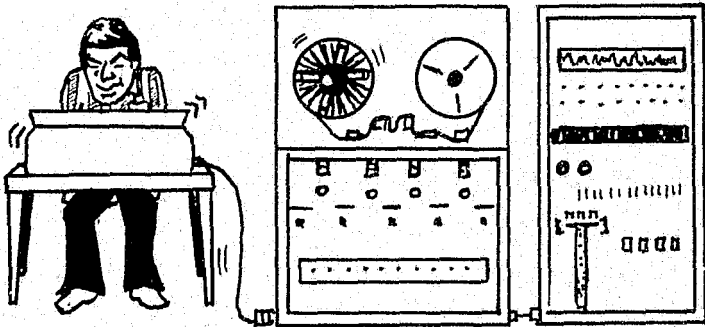
It is the intent of the shoplifter to escape undetected, and few will try a “boost” under direct surveillance. Watch for the furtive glance around, or the use of a small mirror by the shopper anxious to determine if he or she is under observation.

Computer Fraud

Obviously, computers do not commit crimes. But computer capabilities can and are frequently misused as a powerful partner in crime.

Electronic Data Processing is used in a wide range of company activities . . . and frequently the computer base contains a range of information which encompasses the full scope of business activities. As a result, computer abuse can take the form of embezzlement, misappropriation of computer time, theft of programs, and illegal appropriation of such confidential data as marketing plans, business forecasts, product design and technical data, secret manufacturing processes and financial information.

The vulnerability to computer crime is enhanced by management's failure to recognize the hazards to which EDP operations are exposed. This is caused by ignorance of computer functions and personnel, or because of a naive assumption of computer invincibility. When audits end at the computer, the assumption that the audit is complete is false. Many frauds depend on undetected manipulations of input data. It is also possible to alter programming to add a few cents to the cost of many purchased items, and to keep a double set of records . . . thus stealing amounts which do not distort the reported results. Without computerization, the thousands of cost changes required would have been too difficult to do without arousing suspicion.



The Warning Signal

Since the methods and possibilities of computer fraud are limited only by the extent of the imagination, we will not attempt to cover the scores of possibilities. Rather, we ask you to remember that the well operated computer can and should be programmed so as to reveal any program alterations, unauthorized use or deviations, or access to programs or information. Unless these countermeasures are in effect, criminal exploitation of your computer is always possible.

Bribes, Kickbacks, Payoffs

The extent of bribes, kickbacks and payoffs is pervasive, and is frequently ignored by the company whose employee takes the bribe, and even viewed by some employees as a prerogative of employment in certain capacities.

They are offered to obtain new business, to retain old business, to cover up short deliveries or inferior quality products and services, to secure figures on competitive bids, to obtain approval or speedy acceptance of plans or completed work, to influence legislation, to obtain licenses, to obtain loans, to negotiate "sweetheart" contracts, to prevent work stoppages, to obtain proprietary information or industrial espionage, to effect zoning changes, to sell securities at inflated prices, to prepare and approve false financial statements and for many other reasons.

The result is that the ethically operated company is at a distinct disadvantage if it has to compete for business against firms which obtain an "edge" through bribery.

The Warning Signals

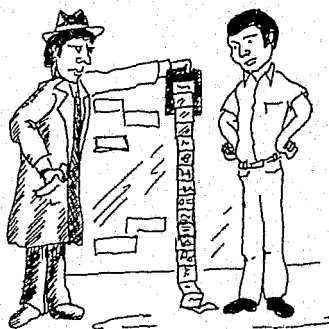
Here are some signs that employees might possibly be influenced by bribes, kickbacks or payoffs.

1. If employees complain about the quality of supplies they must work with. If employees use petty cash to buy supplies from outside sources when they are available from your stock.
2. If reputable suppliers seem disinclined to submit bids to or otherwise deal with your purchasing department.
3. Despite a policy of rotating suppliers, you still seem to do a lot of business with the same supplier.
4. Are vacations refused, or promotions shunned for fear that corrupt practices will be discovered?
5. If an employee is constantly associating with, or being entertained by certain vendors.
6. If an employee's standard of living is higher than his income level will justify.
7. If certain costs for materials are out of line with industry norms for no apparent reason.
8. For any given category of purchases, if the responsibilities relating to the issuance of bid requests, review of bids, and approval of bids are vested all in one individual.
9. If anyone who can influence the selection of suppliers has a financial interest in, or relatives employed by, current vendors.

10. If there is a high incidence of order-splitting . . . perhaps calculated to avoid competitive bidding required for purchases over a given dollar amount.
11. Does your buyer seem to have a relatively easy time acquiring tickets for hit shows, big football games, sports classics, etc.?
12. If your employees are vacationing at facilities owned by vendors.

Credit Card Fraud

Credit card losses may be suffered by the issuer, the merchant who accepts the card as a valid basis for the extension of credit, and by the consumer. Complete three-way cooperation is necessary to eliminate the many possibilities opened through card use.



Twenty percent of fraud-related losses are due to the issuance of cards as the result of false applications; 20% result from cards that were issued to, but never received by legitimate applicants; and 60% involve cards which were lost by, or stolen from, cardholders.

Elaborate "rings" exist to exploit credit cards . . . often involving multi-step operations.

Efforts are made to observe credit card transactions, and to obtain the card number and purchaser's name. Frequently clerks are bribed to obtain this information. Then, public records are studied to gather background information about the cardholder . . . address, homeowner or renter, occupation, and so forth. This information is then used to fill out an application for another credit card, indicating a change of address. Naturally, the credit check indicates a legitimate cardholder, so the new card is sent to the new address indicated. Sometimes, the rip-off artists are even able to steal cards in the manufacturing stage . . . and from the mails or mailboxes by being able to recognize the mailing by sight.

Cards obtained in this manner may be used safely for about 28 days, or until the legitimate consumer opens his mail . . . and the bill for the merchandise or services obtained by fraud.

Even when the cards may no longer be used safely by the thieves, they have still not lost their use. Confederates attempt to return them to other user-cardholders in lieu of the right card. If the individual notices

that he has not been returned the correct card, it is the result of a mixup with another customer, and the correct card is then returned. If he fails to notice the switch, the ring has another card which may be used in fraudulent transactions. In this case, if the cardholder is not aware he has lost his correct card, and hence is unable to notify the issuer, he may be held liable for some of the merchandise sold the person using the card.

The Warning Signals

The Credit card user should be alert for these danger signals:

1. The usual monthly bill from the issuer does not arrive (perhaps has been changed by a defrauder).
2. A charge slip included in the bill does not correspond with the customer's copy.
3. He does not have a customer's copy for items on the bill.
4. The person behind you at the cashier seems unusually attentive to your credit card transaction.
5. A renewal card does not arrive several weeks before the expiration date of your current card.
6. Double imprinting by the cashier or clerk is noticed.
7. A waiter misplaces the card.
8. You are the victim of a pickpocket, or your card disappears from your hotel room.
9. You are returned the wrong card. Always check after a transaction.

The credit card acceptor should be alert for these indicators of trouble:

1. The card has expired or is not yet valid.
2. The card has been altered.
3. The card is on the issuer's "hot list."
4. Signatures on the card and charge slip are significantly different.
5. The customer's appearance, dress, education, age, or economic level is not consistent with what may be expected by one with the credit level indicated.
6. Cardholder attempts to rush a transaction.
7. Cardholder makes a purchase, leaves the store, then returns for more purchases.
8. Cardholder makes multiple purchases . . . all under the floor limit.
9. Cardholder attempts to split his purchases between charge slips (probably to forestall an authorization call to the issuer).

Check Fraud



Check fraud costs the nation more than a billion dollars annually, and takes so many forms that they are impossible to enumerate. Here are a few of the more sophisticated frauds that may be recognized by their *modus operandi*:

A man who identified himself as an executive for a local company calls the bank, indicating he is sending his assistant to the bank, and would like to have the assistant call him when he arrives. The "assistant" arrives, is given the message, and makes the call. This "identifies" him to the bank official, and he is permitted to cash what turns out to be a counterfeit check bearing the name of the local company.

A passer opens a bank account by depositing cash, and receives a stamped duplicate of the deposit slip. Returning the same day to two or three different tellers at the same bank, he presents the duplicate deposit slip to prove he has the funds to cover the check he is presenting for cash. Money far in excess of the deposit is withdrawn.

A passer opens an account at a bank, then has a small check approved for cash by a bank officer who must initial the check before the teller can cash it. This "OK" signature or initial is then copied before the check is cashed. Later, the passer forges this "OK" signature or initial on a stolen, forged or counterfeit check for a large amount, then makes up a good check for a lesser amount. He presents the legitimate check for cashing, and is told to get the officer's approval. He takes the small check to the officer and obtains the necessary approval then switches for the large check on the way back to the teller.

Passers establish a phony company, issue bogus payroll checks, and cash them with local merchants who, when they call the "Company," are told the person presenting the check is, in fact, an employee.

Access is obtained to a company's check writing machine, executive signature imprinter and blank checks.

Raising the face value of a check or "kiting" is a common deception for which bank tellers and bookkeepers maintain vigilance. But there are several variations for which bank employees may not be looking. One such scam has the passer deliberately overpaying a bill, and receiving a refund check from the company. Then, the amount of the refund check is kited and cashed!

A passer possessing stolen travelers checks carefully forges the counter signature on all checks but the top check. Before asking the hotel cashier, teller, etc., to cash, he openly countersigns the top check, then obscuring his vision, fakes countersigning the balance. When he detaches the checks from the book, he palms the top check and presents the remainder for cash.

The Warning Signals

1. The handwriting of the person presenting the check is out of character with his or her character and age.
2. The check writer writes very slowly . . . particularly when writing the signature.
3. The type on counterfeit checks may contain misspelled company names, addresses, towns and so forth.
4. Oddly shaped numerals may indicate a raised, or "kited" check . . . as might poor spacing, blots, erasures or changes in ink colors or line thicknesses.
5. The Payee's name as shown on the endorsement is different from the way it is spelled on the face of the check.
6. A juvenile presents a check . . . or a teenager presents a Government Pension check (as indicated on the left side of such checks).
7. The date on the check is old or postdated.
8. The person presenting the check is a glib or distracting talker, is overly attentive to the people around him, or tries to rush the process because of being "late for an appointment."
9. The details on the identifying documents do not correctly describe the check casher.

FRAUDS AGAINST BUSINESSES AND BUYERS OF BUSINESSES

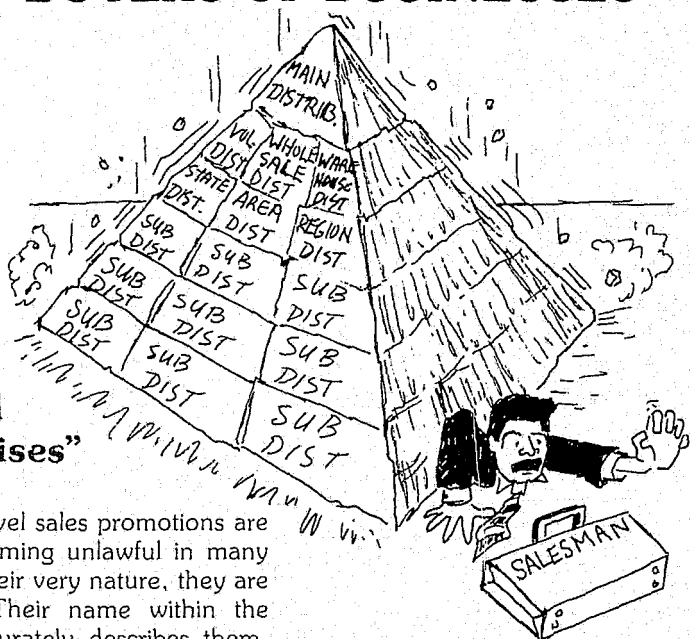
Pyramid "Franchises"

Multi-level sales promotions are rapidly becoming unlawful in many states. By their very nature, they are deceptive. Their name within the industry accurately describes them. They are called "Dealer Loaders."

Borrowing from police Bunko Squad parlance, let's take a look at a typical Pyramid scam . . .

When the company representative "organizes" a state, he offers four levels of distributorships. The particular level of distribution the victim achieves is dependent on the amount of inventory he buys, and the commitment he makes to set up distributorships at a lower level. Our pyramid, let's call it the Alakazam Cleaner Co., requires the State Distributor to purchase \$10,000 in "backup" inventory at list, and set up five District Distributorships. The District Distributors must purchase a \$5,000 inventory, and each set up ten Division Distributors. The Division Distributors must purchase \$2,000 in inventory, and each set up fifteen Sub-Distributors. The Sub-Distributors must purchase \$500 in inventory, and each set up five salesmen.

All this organization is done from the top down, on a 30%/10%/10%/10%/5% commission override schedule. Chart this, and you can see why this is called pyramiding.



DIST. LEVEL	BACKUP INV.	TOTAL INV. SOLD	NO. DIST. REQUIRED	TOTAL DIST.
State	\$10,000	\$ 10,000	5	5
District	5,000	25,000	10	50
Division	2,000	100,000	15	750
Sub	500	375,000	5	3750
INVENTORY		\$510,000	PEOPLE	4555

Okay, so now we have a distribution force of 4,555 people, and an overall inventory of 510,000 bottles of Alakazam Cleaner at a list price of \$1 per bottle, to be sold by 3,750 sales people. They have their work cut out for them in a typical area containing approximately 38,800 families. Given a 5% share-of-market (high), and a 4-week bottle life (fast), this indicates that 510,000 bottles is a 21-year, 9-month supply.

But actually, the odds against such a program actually being staffed are fabulous. Usually, those who buy in find themselves unable to set up enough lower level distributors to recover their initial inventory investment. Since the salesmen are recruited by the lowest level only, the initial program produces all chiefs, and no Indians . . . and the main thrust of those involved is to sell each other inventory, while no one is selling products at the retail level. Eventually everyone concerned becomes discouraged, and attempts to dump his inventory for whatever price he can get.

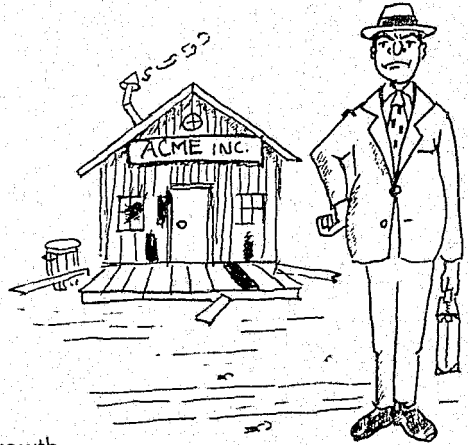
The Warning Signal

Will the person urging you to buy a distributorship sign a legal agreement to "buy-back" your inventory should you be unable to sell it? Would this person even have the financial capabilities of meeting such a contractual obligation should it be necessary? Unless the answer to both questions is "YES" . . . forget it!

FRANCHISE INVESTMENTS

True, some people have become wealthy buying and operating franchises. Many, many more have lost their shirts because they did not investigate before investing.

Before entering into a franchise agreement, there are a number of factors which should be determined.



I. About the Franchising Company . . .

1. How long has it been in existence . . .
2. What is its potential growth . . .
3. What are its assets and liabilities . . .
4. What is the experience or background of management?

II. About the Franchiser's Product(s) or Services(s) . . .

1. Are these products or services available from other sources, and if so, at what prices . . .
2. How does the quality compare with the competition . . .
3. What will be the acceptance of the products or services . . .
4. Who will pay for promotion of the product or services . . .
5. What restrictions, limitations, etc., does the franchising agreement impose?

III. About Yourself.

1. How much time can you devote to the venture . . .
2. Can you compete in this field . . .
3. Do you have sufficient assets to handle day-to-day operating costs, and still have a reserve for contingencies . . .
4. How experienced are you in handling employee training and supervision . . .
5. Can you afford to lose your investment?

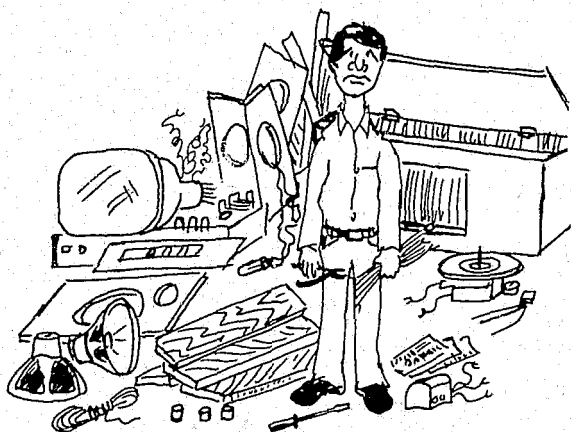
These are just a few of the questions which require answering. Play safe and have your lawyer check out the agreement while you are calling other franchise holders for the opportunity to examine their business records.

The Warning Signal

Is the promoter more interested in setting up the distribution system than he is in selling the product or services to the consumer? Will he

give you the names, addresses and telephone numbers of all of the other franchise holders . . . and arrange for you to interview them and see their business records? If the answer to these two questions is "NO" . . . that should be your answer too.

Work-At-Home Schemes



Here is a class of scheme which is intended to victimize those who are desperately seeking a way to supplement their incomes without leaving home.

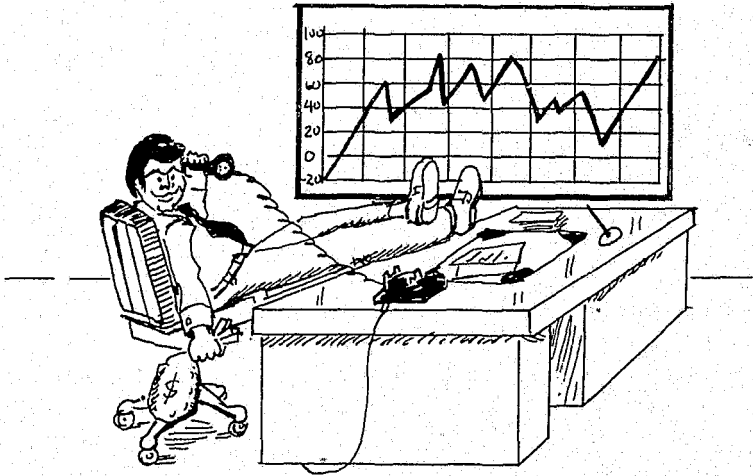
This fraud usually consists of an advertised claim that the reader can "Earn Up To \$4.00 An Hour At Home!" The body copy tells you that

you buy parts and/or components from them after qualifying through the payment of a registration fee, assemble the units at home, and sell the finished product back to the advertiser. Naturally, the "work agreement" states that the finished product must meet the standards of the advertiser . . . and few who get involved in the scheme are able to meet the high quality standards the promoter maintains.

The Warning Signal

Look for loopholes in the agreement whereby they buy back the finished units. If they are the sole arbiters of the units they will be required to buy, the inference is that the deal is a phony.

Commodity Option Brokers



Commodity Option Companies trade in such commodities and futures as coffee, lumber, silver, gold, sugar, pork bellies, grain, etc. . . . providing a needed service to business in providing speculative assurance against extreme fluctuations in price over a period of time.

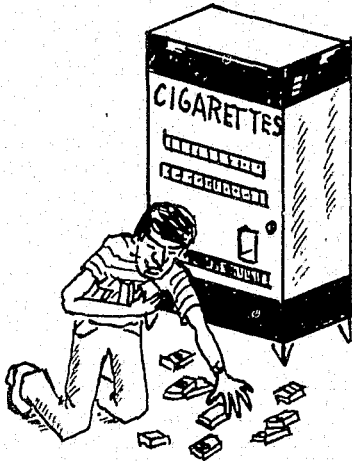
Fraudulent firms tell the unwary that investors will make money regardless of whether the market and commodity in which the investment is made goes up or down. They take your money cheerfully, but frequently conveniently forget to execute your buy and sell orders.

If anyone approaches you to invest in such a company, check first with the State Department of Corporations. This authority can tell you whether the company is legitimate or not . . . since such companies must be licensed by them, and their salesmen must be registered.

The Warning Signal

If all investors made money on the commodity market, regardless of market conditions, then everyone would invest in this manner. Money is made only by highly skilled analysts in these specialized fields. If you are told there is no way you can lose . . . make sure by by-passing the investment.

Vending Machine Promotions



These promoters promise high return on minimum investments and a few hours a week of your time.

In reality, they are in the business of selling vending machines . . . usually those of inferior quality at vastly inflated prices. Most promoters offer to place the machines in "prime" locations — high traffic areas. Most machines are placed in second rate filling stations . . . usually beside machines that have been there for some time. You will find that other machines vend a wider selection of nationally known brands, make change, and are more durable than yours. But once you have invested, you have two chances of getting your money back or making money on your route . . . slim, and none.

If you wish to go into the vending machine business, contact a local vending machine company. Any legitimate operator will be frank with you, and discuss the difficulties you may anticipate in finding good locations and servicing machines. Generally, they can steer you to where you can buy high quality machines at a reasonable price locally, and under circumstances where you may make your choice of the products you wish to vend.

The Warning Signal

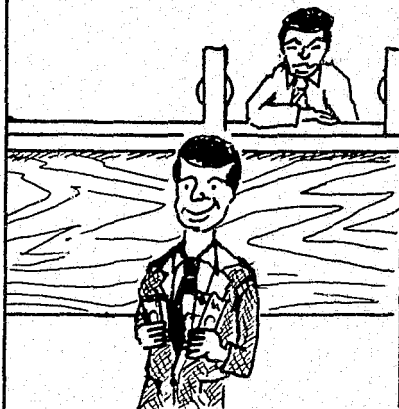
When the vending machine company also wants to control the merchandise you vend from the machines you purchase from them, and will not sign an air-tight contract to repair or replace machines during a reasonable warranty period, or will not release a machine to you for your use in obtaining a "third party" evaluation of the machine . . . look out!

THE "HOLDER IN DUE COURSE" CREDIT DOCTRINE

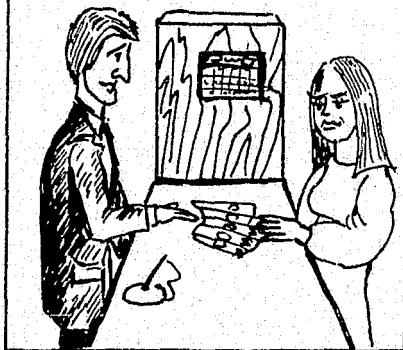
**BUYER SIGNS CONTRACT, ACCEPTS
THE MERCHANDISE . . .**



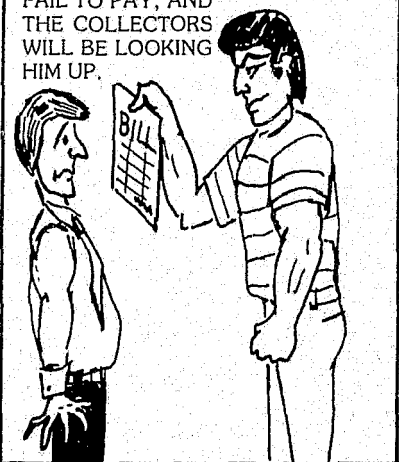
**SELLER SELLS CONTRACT TO
BANK OR FINANCE CO.**



**BUYER MUST THEN MAKE PAY-
MENTS TO THE "HOLDER IN DUE
COURSE" . . . EVEN THOUGH THE
MERCHANDISE PROVES FAULTY.**



**FAIL TO PAY, AND
THE COLLECTORS
WILL BE LOOKING
HIM UP.**



Merchants, car dealers and other sellers need cash to replace the inventory they sell, pay sales commissions and achieve a smooth "cash flow." They are not in the banking or money lending business, and can't wait out the 12, 24 or 36 months while the customer pays off a time purchase contract. So the firm has the customer sign a time purchase contract for the merchandise or service price, plus the interest cost over the period of the contract.

This contract is then "laid off" or discounted to a lending institution for the amount of the contract price, less interest . . . converting the contract into cash for themselves.

The finance company then notifies the buyer that the regular monthly payments will be made to them.

While the satisfied customer couldn't care less whom he pays, the dissatisfied customer is another matter entirely. If the merchandise or service purchased is not as promised . . . is not delivered . . . or is faulty when delivered . . . or breaks down during the warranty period . . . the buyer may be informed by the finance institution that they expect the payments to be made anyway.

In short, the bank or finance company may disclaim responsibility for any defects in the goods, or failure to perform as promised. However, recent legislation provides for a remedy against financing agencies as well as sellers in such situations.

THE MORAL: Pay cash when you can . . . and don't buy anything on credit you wouldn't pay cash for.



HOME IMPROVEMENT FRAUDS



"Free" is a term that may be used only in a relative sense. In this tough old world, someone must pay for that which is free . . . and that someone is usually you.

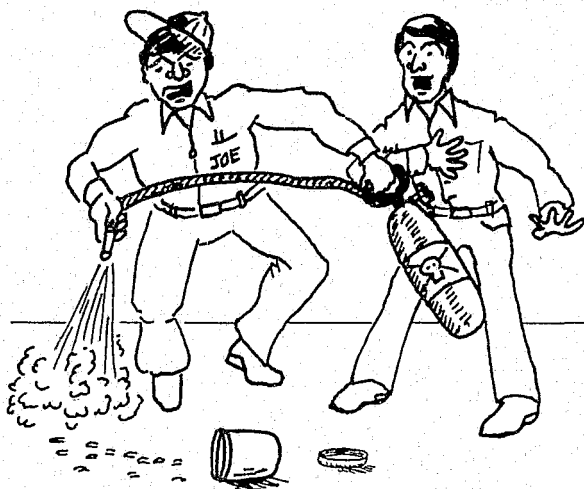
Free Inspection

Do you really think the man who makes a "free" inspection of your home's furnace or heating system is doing so out of the goodness of his heart? Who pays him? How does he earn his living? In truth, he earns his living by finding real or imagined problems you didn't know existed.

A typical "free inspection" rip-off is the man who identifies himself vaguely as a "heating inspector," without flatly claiming to be with City Permits & Inspections. He thrives on widows with little knowledge of furnaces. Invariably, his inspection results in the finding that colorless, odorless, tasteless carbon monoxide gas is escaping from the firebox into your ductwork, and that the owner is lucky to still be alive. The furnace is then summarily disconnected, and the owner is warned not to use it until repairs are made. Naturally, the owner is dismayed at losing heat during a heating season . . . but the inspector volunteers to "Help find a good, responsible firm to do the repair work right away." Naturally, the phony "inspector" and the recommended firm are in cahoots, and the "hustler" is paid a commission for finding "marks" for the unethical repair firm.

The Warning Signal

A "free inspection" will be worth every cent you pay for it. Rather, call three firms to look at your equipment, and to give you an itemized quote on the work required. Never let any unknown person in your home . . . and if any individual even insinuates he is in an official capacity, demand to see his credentials. Meter readers, city inspectors, telephone repairmen . . . all carry official identification. If you still have doubts, call the office the individual claims to represent.



Termite Inspection

Here's another "quickee" that catches a number of homeowners off base annually. The "Termite Inspector" offers to make a "free" inspection of your home. Upon inspection, you are informed that you have live termites in your home which must be eradicated immediately. Sometimes the Inspector even brings along a few insects to show you as "evidence" of the infestation. You are told you will receive a discount if you contract his firm's services immediately. The pesticides may or may not be required, may or may not be applied properly, and the proper pesticide may or may not be used. Investigate other companies and ask for customer references.

The Warning Signal

"Beware of Greeks bearing gifts!" Be suspicious of anyone who is eager to get your signature on a service contract. Moreover, most ethical companies cannot afford to hire door-to-door "inspectors." Again, call several regularly listed firms to check your home and provide work estimates.

SCHEMES DIRECTED PRIMARILY AT CONSUMERS

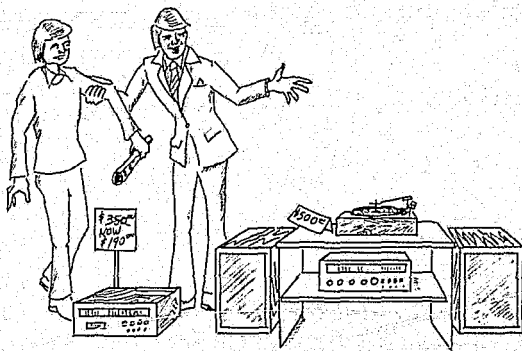
Authorities report more than 800 schemes, each with variants, have been utilized to prey on consumers. With this vast array, this section can only touch on the more common schemes in the hope of making the public more wary.

The perpetrators of frauds prey on the foibles of human nature. The *modus operandi* of these criminals flashes danger signals to anyone who takes the time to notice them . . . they all understand human weaknesses and exploit them.

- They offer something for nothing, or a great deal for very little.
- They take advantage of the consumer's lack of specific knowledge about the products or services they sell.
- They offer beguiling promises.
- They rely on tactics designed to prevent consumers from making pre-transaction investigations, or attempt to discredit in advance what they know the results of such an investigation will reveal.
- They play on the emotions of their victims, as well as prey on their trust, taking shrewd advantage of the element of fear. They inform their victims that the honest and reasonable price quotations supplied by legitimate product and service firms are outrageously high, and that they can save the prospect money. They do . . . by supplying inferior products and services.

Don't ignore these warning signals. The presence of several usually indicates the use of deceptive practices not used by legitimate trade.

Bait And Switch



This scheme is more accurately called false advertising. A product or service is advertised at a very desirable price or accompanied by a free

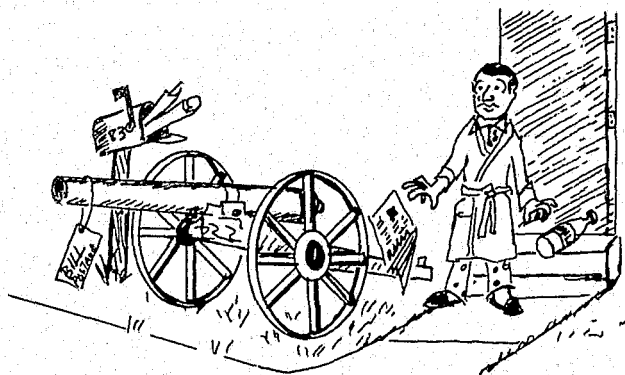
gift which attracts or "baits" you into the place of business. Once you have been lured into the store, a salesman informs you the product is sold out, or the advertisement was in error. He might "helpfully" warn you the product is unsatisfactory, and is actually not a bargain at the price it is offered. His solution? To "Pay a little more, and get a really good product," which the store just happens to stock.

Sometimes other techniques are used to switch you to an alternate item at a higher profit for the merchant. The product advertised is unattractively displayed, or actually gimmicked so that it doesn't work properly when demonstrated. The solution is always to buy a more expensive product. If you insist on buying the advertised product at the special price, your order is taken reluctantly, and you are told, "The factory has back ordered the item, and it will be a long time before delivery will be possible."

The Warning Signal

Anytime a businessman is reluctant, for any reason, to sell you merchandise or services he has paid to advertise — look out — particularly if an effort is made to sell you a more expensive alternate.

Unordered Merchandise



The shipment of unordered merchandise through the mails does not violate postal laws unless made C.O.D. The shipper is depending on creating a "guilt complex" in the recipient of unsolicited and unordered items such as ties, key chains, good luck pins, etc. They want the recipient to feel obligated to pay for the merchandise, or return it to the sender.

If you receive unordered items, you can:

1. Pay for the merchandise if you desire.

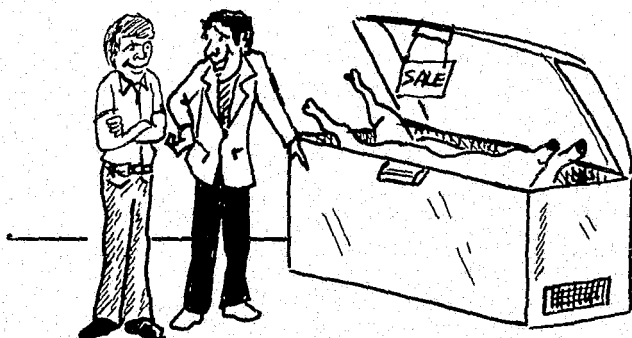
2. Write, "Return To Sender," on the unopened package and put it back in the mails.
3. If you don't want the merchandise, set it aside for a reasonable period of time and if unclaimed, destroy it.
4. Under the laws of the State of California, treat unordered merchandise as an unconditional gift.

The Warning Signal

Did you order the merchandise? If you didn't, you are under no obligation to pay for it, or to pay for returning it to the sender.

This does not apply to mail delivered in error to your home by the postal service, which should be returned to the mails.

Home Food-Freezer Plans



The con artist approaches his victim with a "terrific way of saving on the food budget in the face of inflation." You are offered a special "package plan" whereby you buy a freezer filled with staple perishable foods for only \$1,000 . . . "Under this plan, you are getting foods regularly priced at \$400 for just \$350, and we have a time purchase program you can use to get started with your savings," is the smooth sales pitch. What you won't be told is that you are going to pay \$600 for a freezer that ordinarily retails for \$300 . . . that the "six-months supply of food" probably won't last your family nearly that long . . . and that the interest on the time-purchase contract will cost more than your total savings on the food, for which you will still be paying months after it is consumed. Not all wholesale food plans are frauds, but enough are so as to make a complete investigation mandatory.

The Warning Signal

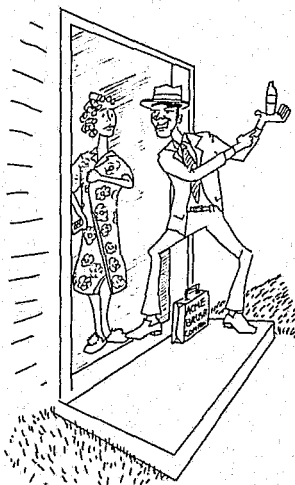
Confucius say, "The whole cannot cost more than the sum of the parts." Price all elements in a Food Freezer Plan, then add on the finance charges. The results will open your eyes.

Door-To-Door Salesmen

There are many legitimate door-to-door firms and salesmen, and many offer excellent products at reasonable prices. But many are fast-buck experts who back a glib sales pitch with high pressure sales tactics.

You'll be enticed with promises of small monthly payments or easy credit; claims that you can't buy similar products in the stores; and have your sales resistance worn down by the salesman's reluctance to leave without an order.

Typical of the breed are cookware salesmen selling to young (little sales resistance), single working girls. According to them, you can't buy similar products in the stores. A set similar to the \$299.95 Hope Chest Special of waterless stainless steel offered is available at the housewares department of any moderately sized department store for \$75.



The Warning Signal

Federal Trade Commission regulations and California Civil Code sections now make it possible for you to change your mind about purchases made within your home involving a purchase sum of \$25 or more. This rule gives you three days in which you may change your mind and cancel your contract; gives you a written contract; and gives you two copies of your *Notice of Cancellation Forms*. The buyer may then use the forms at any time prior to midnight of the third business day after the transaction to cancel the contract. Failure to comply with these rules represents a prosecutable offense, and signals that the salesman is operating illegally.

Magazine Subscriptions



The typical magazine subscription solicitation presentation is a complete array of misrepresentation, misinformation and misdirection held together by lies.

Magazine "crews" are recruited to travel from city to city, working each stop. They are never selling subscriptions. Rather, they are "putting themselves through college," or "earning scholarship points to study theology in Europe," or, "earning funds for a charitable organization!"

"Boiler Plant" phone crews use a different slant. "You have been selected to receive 'free' magazines (with only a nominal fee to recover

the costs of postage and handling) because . . . you just had a baby . . . changed your residence . . . are a 'thought-leader' of the community . . . have just had your hair cut," or some equally important justification.

The solicitor states that the mark will receive the publications for a limited amount of time . . . say 30 months . . . and that most people prefer to pay \$3.50 a month in installments. Tally up the cost-per-publication you receive, and you will find that the \$105 you have committed yourself to pay exceeds the normal subscription rates by \$15 to \$20. Often, you do not receive all of the magazines you ordered.

The Warning Signal

Remember the 3-day cancellation rule. Before you sign a subscription contract, make sure you are signing for the magazines you want at the price you agreed to pay; compare the price to the price you would pay if you subscribed to the magazines yourself; and get a true copy of the contract for your records.

Retirement Homes

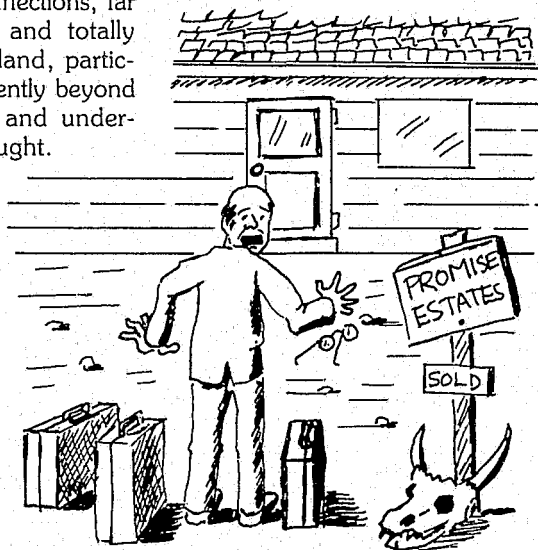
Those wishing to retire to the sunny Southlands are trapped by ads reading, "Buy a King-Sized Western Estate! Just \$1 Down and \$10 a

month!" The price is so low, the family sees little way to lose money on the land bought unseen.

But the price isn't low if you are buying land far from streets or roads, far from utility connections, far from other habitations, and totally devoid of water. Other land, particularly in Florida, is frequently beyond even the tidal flats . . . and under-water even during a drought.

The Warning Signal

Improved land, with utility connections and suitable for homesites, **never** sells for low, low prices unless there is some factor that depresses its value. A good rule; "Don't buy land you haven't seen!"



Charitable Solicitations

The generosity of Americans in helping those in need has made charity rackets a profitable operation for swindlers. Usually the appeal, "Won't you give a dollar to help this deserving society," is enough to open the flood-gates.

Exactly what appeals are legitimate? It is often difficult to tell. Many worthy charities employ professional fund raisers, who are paid a percent of what they raise. Obviously then, the better charities are those which devote the least amount of their budgets to staff and fund raiser salaries.



Many appeals are pure fraud, raising funds for non-existent causes.

To be safe, follow these three practices:

1. Demand to see proper identification for any solicitor making an appeal.
2. Restrict donations to causes and organizations with which you are familiar. A simple rule, donate only to those charities approved as deductions by the Internal Revenue Service.
3. If you have any doubts, ask for a certified financial statement from the charitable organization. Do not donate to any which does not furnish this information.

The Warning Signal

Is the charity an approved income tax deduction?



Fake Lab Tests

Some schemes can affect the health of thousands of persons. A Texas mail order laboratory claimed to have developed an effective urine test to detect cancer. More than 15,000 tests were performed at \$10 apiece before investigation disclosed that the tests were fake,

and the scheme was stopped.

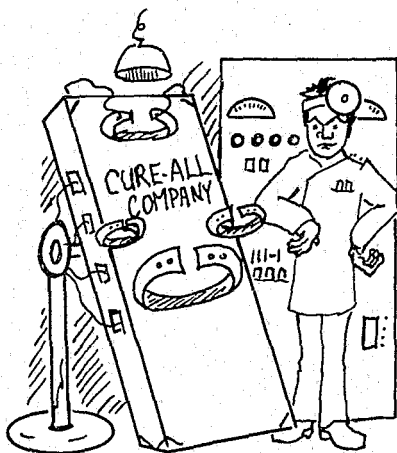
Often, a fraudulent testing lab will operate in collusion with an equally fraudulent "Medical Clinic." The "Testing Lab" diagnoses a deadly disease, and refers the sucker to a "Specialized Medical Clinic," which proceeds to "cure" the sucker of a non-existent disease at heavy expense. This has been done so convincingly that the benefactor of this miraculous cure has later testified in court as to the efficacy of the "cure"!

The Warning Signal

Were you referred to the laboratory by a competent physician? If not, forget it. Your physician will refer you to an ethical laboratory, then evaluate the results of the testing before telling you the results.

Medical Fraud

The principal victims of medical fraud are those afflicted with incurable diseases such as arthritis. Today, millions of dollars are being spent on research to find cures for those diseases now classified as incurable. You can be absolutely certain that if a cure is found for your particular ailment, it will not be advertised through a classified advertisement nor sold door to door. At this point in time, there is no "cure for cancer that the government won't let be distributed." There are only useless or harmful nostrums . . . peddled by charlatans.

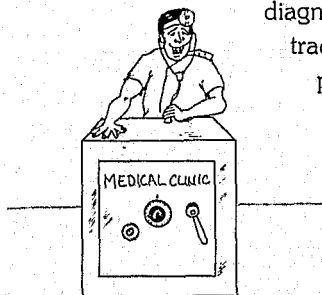


The Warning Signal

Is the medicine prescribed by qualified physicians? If it isn't, forget it!

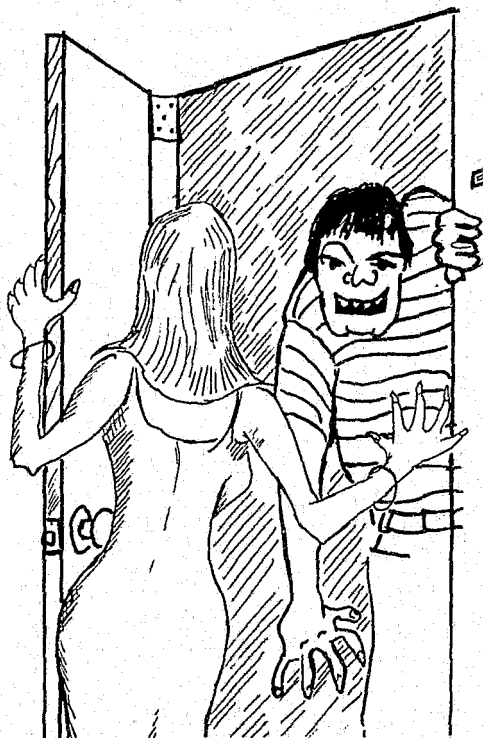
Medical Clinics

The poor, often not knowing how to get proper medical care, are frequently the target of mail-order advertising and other promotions of "free" medical clinics. Frightened by false medical diagnoses, thousands sign long term contracts for unneeded and worthless medical products and treatments. When patients fall behind in their payments, collectors passing themselves off as "health officials," tell tardy patients they will lose welfare and other public assistance support if they don't pay up.



The Warning Signal

Check with the local and state medical offices. If they are unaware of the clinic, beware.



Computer Dating

Computer dating services are a spin-off of the tremendous advances that have been made in computer technology. The theory is cagey. You enroll (at a fee), fill out lengthy informational forms about yourself which are then transferred to a key-punch form. Presumably, this material can then be fed into the computer, and your interests, age, education, background and other key factors will match you with an enrollee of the opposite sex who will be a perfect companion for you, and willing to date you. Often, you are required to pay additional fees for each computer search that is made.

There is a built-in problem in matching, based on the "egocentric predicament." Most people have a tendency to describe themselves as they would like to be . . . not as they are. No computer is better than the material fed into it as input. An industry saying is, "Garbage in, garbage out . . . good in, good out." Your ideal date could be a real dog! Be careful too, to check how many members the service has, and where they are located. If the service accepts enrollments from the entire United States, your ideal date could be a lady or gentleman living in Wyoming, Texas, or some equally distant place.

The Warning Signal

If you aren't given the basic information such as: how many members; where are they located; how accurate is the basic input; how much screening is done to eliminate undesirables, etc.; sound the fraud alert.

Song And Book Publishers

Have you produced the "Great American Novel," or written a smash hit song? So have another 20 million people . . . and there is a complete fraudulent industry created to take advantage of would-be authors and composers. These promoters run ads which inform you that, "A Publisher's Representative Will Be In Town To Screen Unpublished Manuscripts and/or Songs." Answer the ad, and the Rep will confirm that you have produced a winner, and that his firm will publish it for you. Buried in the contract which goes into great detail about the division of royalties, etc., is a clause which says that you will pay the cost of printing and publishing, or a promotional fee. You'll get a few copies of your song or book, together with the bill. The bill will be for considerably more than the printing and paper cost of the publisher.

The Warning Signal

Only the "Ego Press" asks an author or composer to pay the costs of publishing or promoting a book or song. Legitimate publishers handle these costs themselves and usually are willing to offer an advance against royalties to facilitate your cooperation in doing the necessary pre-publishing re-write work usually required. If the contract calls for paying the publisher, forget it. It is a racket.

Debt Adjusting

This racket takes advantage of those who are deep in debt, and who are being pressed by their creditors for payments. The claim is that the debt adjustment firm will take over the financial management of the debtor's income, and payment of his/her bills. Each creditor is then notified that the firm is managing the debt, and will prorate income in proportion to the amount of the debt with each creditor. The person in debt is led to believe that such an arrangement is available only through the Adjusting Firm, and that the arrangement will end the possibility of lawsuits. Neither statement is true.



Any company that will make arrangements through a Debt Adjuster will make arrangements directly with the debtor, and without an additional five percent fee. It also is true that your creditors may still sue you for their money, despite the claims of the Debt Adjusters.

The Warning Signal

Ask the debt adjusting firm for a firm contract for their services . . . one with guarantees that you will not be sued for the principal amount owed creditors on accounts under the adjuster's management. If they fail to give you this written assurance, forget it, and contact your creditors directly.

Service and Repair Frauds

The Low Price Trap

This is known in the fraud fraternity as the "Lowball Gaff." A ridiculously low offer is made as bait by those who have absolutely no intent to deliver the service or merchandise offered at the price offered. Here is one version of how it works.

Your washing machine won't work, so you call a repairman, relate to him the symptoms exhibited by the machine prior to breakdown, and ask what the cost will be to repair it. You are told that it sounds like, "The flawinsaw isn't gleefing the serinflight," and that the cost of repair is usually only \$10. So you authorize the repairman to come out and start work. On arrival, the repairman promptly disassembles the machine and makes a startling discovery. "The pump isn't cycling with the transmission, and the sequence phaser is burnt out. It will call for TP Kit and a Phaser Kit, plus labor costs." Added up, these goodies will cost you \$35 for the kits, \$19 for labor, and a \$12 "service call" fee . . . or a total of \$66. So you now have three options:

1. Pay what the repairman demands;
2. Pay to have the washer reassembled but unrepaired;
3. Or be prepared to have the repairman leave with your washer still disassembled and spread all over the basement floor . . . and pay the service call fee.

(Authorize the first option, and the repair kits installed will include parts you do not need, sold only in combination with the necessary parts . . . a technique used to "jack the ticket price.")

The Warning Signal

Insist on a written authorization estimate, signed by you, before any work is performed. If the repairman will not prepare such an estimate for your signature, send him packing!

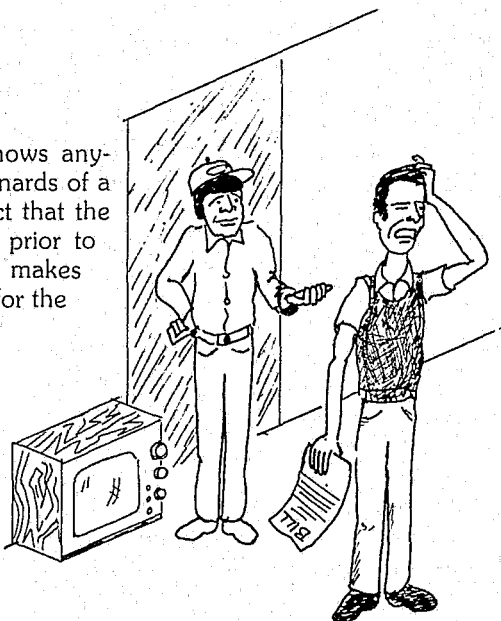
Phony TV Repairs

Practically no one knows anything about the intricate innards of a TV set, other than the fact that the set seems to break down prior to your favorite shows. This makes TV repair a lucrative field for the unscrupulous.

Although most sets can be repaired in the home, you are told that set must be taken to the shop for repairs. Permit this, and you lay

yourself open to being charged a transportation fee and a "Bench

Fee," a charge simply for setting the set on the work bench. In fact, many TV "repairmen" are not really repairmen, but service truck drivers paid simply to bring sets into the shop for repairs. Once the phony repairmen get the set in the shop, they fix the set not only by making adjustments and needed repairs, but replacing parts which are not needed, and charging for labor not performed. It pays to deal only with a reputable firm in obtaining service and repairs.

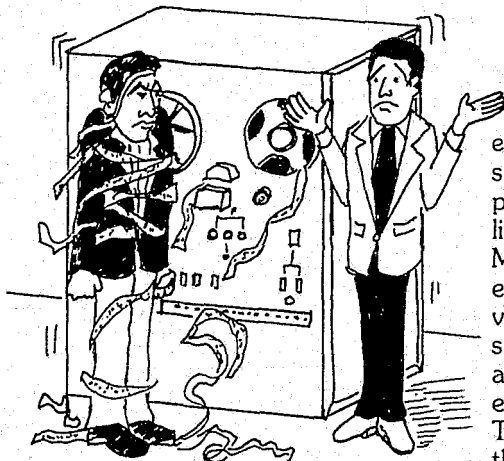


The Warning Signal

Ask the repairman to complete a written work agreement, based on his examination of the set in your home. If he will not do so, do not let him take the set from your home, or do the repair work on it. When calling a repairman, find out if he charges a transportation fee or a service call fee before permitting him to come to your home. If he does, save money by taking the set to his shop yourself.

Self Improvement Schemes

Psychologists agree that there are eight common denominators or basic wants of all people. An appeal to one of these universal desires is most likely to trigger action. For this reason, most fraudulent schemes appeal to one or more of these basic wants. One of the eight is the desire for self-improvement . . . to better one's economic or social position.



Trade Schools

Certainly there are good, even prestigious trade schools that graduate people particularly qualified to earn a living in their specialty trade. Many trade schools, however, have been organized to victimize persons with little schooling who are desperately trying to improve their economic opportunities. These people fall easy prey to the sales pitch that the school can guarantee the graduate

such jobs as computer programming, airline mechanics, airline hostesses, over-the-road trucking, U.S. Civil Service, or other occupations.

The classified ad reads, "Over-The-Road Semi Drivers Needed. Earn \$18,000 a Year!" The ad is located in the help wanted section. The sales presentation implies that you will receive professional training, housing while attending, and a well paying job when you finish. After enrolling you find that the training is inadequate, there are no dormitories, and postgraduation jobs are no easier to find than before you attended the school.

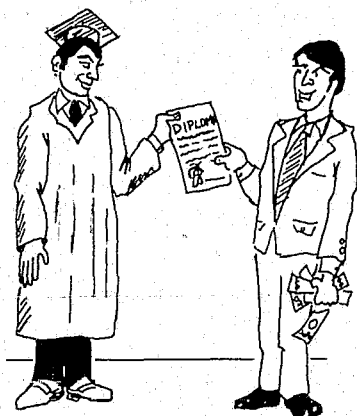
Other trade schools are designed to earn tuition money for the operation and, in addition, provide the "school" with a no-cost source of profitable labor.

Typical of this ilk of trade school is the Beauty School. High School graduates are solicited to enroll to learn this highly paid profession. In addition to tuition, each student is required to purchase a kit which includes the basic tools of the trade. Seldom do the Beauty Schools provide dormitories or any extra-curricular activities. The course is taught

with the students working on school customers under the supervision of teachers.

Actually, the Beauty School could enroll the student, provide free tuition, housing and food, and still make a profit on the charges made to the customers the students "learn" on.

Another equally fraudulent variation of the Phony Trade School is the High School Diploma Mill. Frequently, tuition is expensive, and in terms of academic accreditation, the diploma may not be worth the paper on which it is printed.



The Warning Signals

Trade Schools operated for profit must be licensed by the State Department of Education. Before enrolling, check with this Department. Also, check with your local Board of Education to see what programs and vocational courses are available through the public school system. Unless the State Department of Education gives the school a clean bill of health, steer clear.

Personal Improvement Contracts

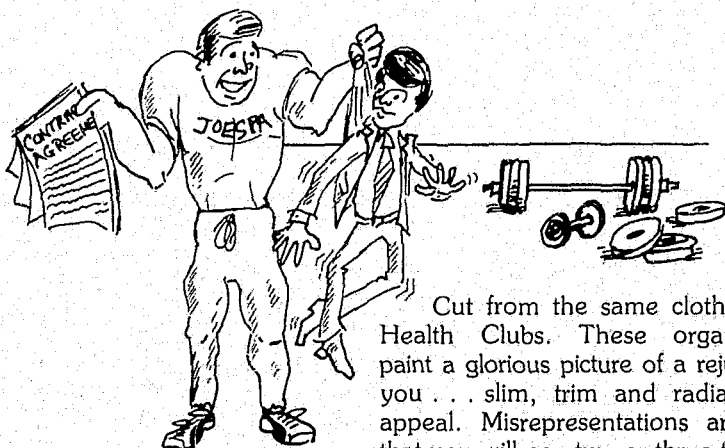
Another of the eight basic wants is the need to feel attractive to the opposite sex. Hence, this powerful drive is played upon by con artists. Unethical dance studios, for instance, set their sights on widows, widowers and elderly people who are more likely to be lonesome for companionship. You are told that you can make new acquaintances, meet new friends and become



the life of the party by learning to dance. All these things will happen at weekly dance parties sponsored by the school for its patrons. You are given low cost "come on" lessons, then "tested" to determine your aptitude. Regardless of the results of the test, you are told you show so much promise that you qualify for a scholarship discount on the regular two year course. Needless to say, the tuition for the two year course is still sizeable. One woman "bought" this story so often, that she eventually spent over \$30,000 on dance lessons for which she would have to live to age 100 to receive!

New legislation regulating the dance studio business was enacted recently to eliminate certain fraudulent practices existing in some studios. A written agreement for dancing lessons is now required and a copy must be given to the customer. "Lifetime" contracts have been outlawed as a result of many persons paying enormous sums on such agreements. The law now prohibits dance studio contracts exceeding the sum of \$2,500 or payments on such contracts running more than two years from the date the contract is signed.

The contract must provide that the dance lessons and other services will begin twelve months from the date the contract is signed. Also, the Legislature has declared that contracts entered into as a result of false representations or information are not enforceable. By law, your contract for dance lessons must provide a right to cancel the contract in case you decide not to continue your lessons.



Cut from the same cloth are the Health Clubs. These organizations paint a glorious picture of a rejuvenated you . . . slim, trim and radiating sex appeal. Misrepresentations are made that you will pay two or three times the "special enrollment fee" if you delay enrollment. You should be aware that a two year enrollment at \$20 per month plus finance charges amounts to more than \$480. If you are not aware of this at the time you sign, you will be when you are contacted by the financial institution

to whom your contract is sold. You could be required to pay even if you stop using the "spa" facilities or if it goes out of business.

Contracts for membership in health studios, figure reducing salons, gymnasiums, and body building or exercising studios have been subject to recent legislation also. These contracts must also be in writing with a copy provided to the customer. As in dancing contracts, a health studio contract cannot be for the lifetime of the customer and payments on health contracts cannot extend beyond two years from the date the contract is signed.

No health contract may exceed \$500 for the total contract price and the services to be rendered may not extend over a period exceeding seven years from the date the contract is signed. The contract must provide that the agreed upon services begin within six months from the date the contract is signed. Disability of the customer relieves him of payment on the contract for services not yet rendered. Any contract entered into as a result of fraud, or misleading information of representations, is not enforceable.

The Warning Signal

Use common sense. Studios and clubs make their money from enrollments, or offer big "bargain" enrollment incentives. Rather, they are more likely to overcrowd classes or facilities in their drive for income. Such offers are usually misrepresentations, and should set off alarms.



WHEN FRAUD HITS

What To Do

When you have a problem, go first to the businessman against whom you have the complaint. If your complaint concerns a large company, and you cannot locate the salesman, write or phone the company. Check the product instruction book or the guarantee for the address. Also, libraries have copies of *Standard and Poor's*, a business directory in which you can find the address you need.

To complain, first give your name. You are important and not ashamed to be speaking out for what you consider to be right. Then tell your story. Tell it straight and avoid the temptation to "tell 'em off." Give the company a chance to reply and settle up . . . but don't be put off. If you are not satisfied, take your problem to the president of the company. Then, if the problem persists, contact the appropriate regulatory agency listed in the index of this publication.

HOW TO DO IT

Telephoning

In phoning a business firm, state your name and say you want to speak to someone about a complaint you have. If you are referred to someone else, tell him your name and the type of complaint you have, such as: "Hello, this is Mary Jones, and I have a complaint about an encyclopedia salesman. Are you the person to talk with about this problem?" If he says he is, ask his name and position, and write it down for future reference. He will be prepared to hear your complaint in detail . . . Then listen! There could have been a misunderstanding. If you were wrong, admit it to yourself and to him. Both of you will feel better. But if he gives you weak excuses such as "human errors, you know," or "we can't control the computer," stick with your position until you get full satisfaction.

Writing

Always keep a copy of what you write. The basic form for a letter to a business firm or agency is:

Your Street Address
Hometown, Calif.
Month 27, 1978

The Agency (or the Company)
Bigtown City Building
Bigtown, USA

Dear Sir:

I am writing about (Name and model number of product) bought (date) and (merchant). The bill of sale number is _____ (etc., to identify what you are complaining about).

My complaint is: (Then tell your story.)

I thought you would like to know of my dissatisfaction. I look forward to your reply explaining how the problems can be resolved.

Sincerely,
(Your Name)

For contracts, give the company name and the salesman. Include the date and place of the transaction, whether you bought an item or signed a contract. When complaining to a company or an agency, your story is strengthened by **copies** of any contracts, papers, advertisements, labels, letters or samples that you have to exhibit. **Do not send originals!**

If you do not get an answer to your letter, write again. Send carbon copies to the Attorney General, the District Attorney, the City Attorney, and the newspaper and radio and television stations. This lets the company know you are determined to settle your complaint. Remember that the company is in business to serve you.

CONSUMER INFORMATION DIRECTORY

The following is a list of agencies which should be of assistance to the Consumer:

FEDERAL GOVERNMENT

AGENCY	AGENCY MISSION	CONSUMER AREA
Administration on Aging Office of Human Development Department of H.E.W. 330 Independence Avenue, S.W. Washington, D.C. 20201	Federal clearing house on matters of concern to older citizens.	Housing Legal problems Homemaker service
Agricultural Research Service Department of Agriculture 14th St. & Independence Ave., S.W. Washington, D.C. 20250	Agricultural research and marketing of farm products	Agriculture Farm products
Bureau of Labor Statistics General Accounting Office Building, Room 1539 441 G Street, N.W. Washington, D.C. 20212	Collects statistical data	Cost of living
Children's Bureau Office of Child Development Department of H.E.W. 330 Independence Avenue, S.W. Washington, D.C. 20201	Operates federally funded programs for social services for children.	Head Start Child abuse Day care
Community Services Administration 1200 19th Street, N.W. Washington, D.C. 20506	Help low-income families attain economic self-sufficiency	Community ac- tion programs Senior services
Consumer Advocate U.S. Postal Service 475 L'Enfant Plaza West, S.W. Washington, D.C. 20260	Represents interests of mail customers in complaints and suggestions	Obscene mail Mail fraud
Dept. of Housing & Urban Devel. 451 Seventh Street, S.W. Washington, D.C. 20410	Administers housing and community development programs	Mortgage insurance Urban renewal

AGENCY	AGENCY MISSION	CONSUMER AREA
Drug Enforcement Administration Department of Justice 1405 I Street, N.W. Washington, D.C. 20537	Enforce controlled substance laws	Controlled substances
Extension Service Department of Agriculture 14th St. & Independence Ave., S.W. Washington, D.C. 29250	Provides national program leadership, technical and organizational assistance to State Extension Services.	Farming technology Standards of living 4-H programs
Federal Aviation Administration Department of Transportation 800 Independence Avenue, S.W. Washington, D.C. 20591	Regulates aviation industry	Air traffic control Airport certification Aviation safety
Federal Communication Comm. 1919 M Street, N.W. Washington, D.C. 20554	Regulates interstate communications	Television, radio telegraph and telephone
Federal Trade Commission Pennsylvania Ave. at 6th St., N.W. Washington, D.C. 20580	Keeps competition free and fair in economic system	Price-fixing False advertising Truthful labeling Fair Credit Reporting Act Truth in Lending Act
Food & Drug Administration Dept. of Health, Education & Welfare 5600 Fishers Lane Rockville, Md. 20852	Protects against impure or unsafe foods, drugs and cosmetics and other potential hazards.	Food additives New drugs Radiation hazards Toxic chemicals
Interstate Commerce Commission 12th St. & Constitution Ave., N.W. Washington, D.C. 20423	Regulates interstate surface transportation	Public transportation Fair rates Reasonable service
National Credit Union Admin. 2025 M Street, N.W. Washington, D.C. 20456	Charters and supervises all Federal credit unions	Credit unions
Office of Communication Department of Agriculture 14th St. & Independence Ave., S.W. Washington, D.C. 20250	Provides information on consumer activities and environment	Food programs Food stamps Environment Conservation

AGENCY	AGENCY MISSION	CONSUMER AREA
Office of Consumer Affairs Department of H.E.W. 330 Independence Avenue, S.W. Washington, D.C. 20201	Recommends improvements in government consumer programs	Consumer protection
Office of the Consumer Advocate Civil Aeronautics Board 1825 Connecticut Avenue, N.W. Washington, D.C. 20428	Regulates civil air transport industry	Air travel complaints Rates
Securities & Exchange Commission 500 N. Capitol Street Washington, D.C. 20549	Protects interests of public investors in securities market.	Securities transactions
Social Security Administration 6401 Security Blvd. Baltimore, Md. 21235	Administers national program of retirement and disability payments	Establish eligibility File claims Appeals
Superintendent of Documents Government Printing Office N. Capitol and H Streets, N.W. Washington, D.C. 29401	Prints wide variety of inexpensive and informative publications	Topics of general interest
Veterans Administration 810 Vermont Avenue, N.W. Washington, D.C. 20420 Regional office: 2022 Camino Del Rio North San Diego, Ca. 92108	Administers system of benefits for veterans and dependents	VA hospitals National cemeteries
Women's Bureau Department of Labor 200 Constitution Avenue, N.W. Washington, D.C. 20210	Presents policies on welfare of working women	Working conditions Opportunities Discrimination

INDEPENDENT AGENCIES

AGENCY	CONSUMER AREA
American Bankers Association 90 Park Avenue New York, New York 10017	Banking

AGENCY	CONSUMER AREA
American Council on Consumer Interests 238 Stanley Hall University of Missouri Columbia, Missouri 65201	All areas of consumer concern Information on consumer topics
American Home Economics Assoc. 1600 Twentieth Street, N.W. Washington, D.C. 20009	Areas related to home economics and families
American Medical Association Washington, D.C.	Medical ethics Medicine
American Red Cross Washington, D.C.	First aid programs Armed services field programs
Associated Credit Bureaus, Inc. Houston, Texas	Credit bureau information
Better Business Bureau 230 Park Avenue New York, New York 10017	Information on the consumer services of all BBB
Consumer Union of U.S., Inc. 256 Washington Street Mount Vernon, New York 10550	Publishes Consumer Report (a magazine on consumer concerns) Rates selected products
Cooperative League of USA 59 East Van Buren Street Chicago, Illinois 60600	Information on co-ops
Cuna International, Inc. Box 431 Madison, Wisconsin	Credit union information Publishes Everybody's Money (a money management magazine)
Grocery Manufacturers of America 205 East 42nd Street Washington, D.C. 20036	Supermarkets
Institute of Life Insurance 227 Park Avenue New York, New York 10017	Life insurance policies Types Coverages
Insurance Information Institute 110 William Street New York, New York 10038	Information on various types of insurance

AGENCY	CONSUMER AREA
Mobile Home Manufacturers Assoc. 6650 N. Northwest Highway Chicago, Illinois 60631	Mobile homes
National Canners Association Home Economics — Consumer Service 1133 Twentieth Street N.W. Washington, D.C. 20036	Canned food products Labeling of canned food
National Consumer Finance Assoc. 1000 Sixteenth Street, N.W. Washington, D.C. 20036	Budgeting
National Dairy Council 111 North Canal Street Chicago, Illinois 60606	Dairy products
Soap and Detergent Association 485 Madison Avenue New York, New York 10022	Soap Detergents

STATE AGENCIES

AGENCY	CONSUMER AREA
Attorney General's Office 110 West A Street San Diego, California 92101 237-7351	Complaints involving business activities inside and outside the County of San Diego
Department of Consumer Affairs 1350 Front Street San Diego, California 92101 237-7384	General complaints
Department of Corporations 1350 Front Street San Diego, California 92101 237-7341	Corporate security and franchise violations
Department of Motor Vehicles 3960 Normal San Diego, California 92103 297-3511	Complaints regarding false advertising of automobiles

AGENCY	CONSUMER AREA
State Contractors' License Board 1350 Front Street San Diego, California 92101 237-7417	Complaints about licensed contractors

LOCAL AGENCIES

AGENCY	CONSUMER AREA
Better Business Bureau 4310 Orange Avenue San Diego, California 92105 283-3927	General complaints
City Attorney's Office 202 "C" Street San Diego, California 92101 236-6220	Complaints regarding false advertising and theft which amounts to a sum less than \$200. for each individual transaction
Department of Agriculture, Weights and Measures 5555 Overland Avenue San Diego, California 92123 565-5781	Complaints of product weights and labels.
District Attorney's Office 220 West Broadway San Diego, California 92101 236-2474	Complaints involving consumer fraud and grand theft
Postal Service 2535 Midway Drive San Diego, California 92110 293-5410	Obscene mail Mail fraud
San Diego Police Department 801 West Market Street San Diego, California 92101 236-5911	Complaints involving city licenses, city business solicitations, forgery, and bad checks
Sheriff's Department 222 West "C" Street San Diego, California 92101 236-2951	General complaints

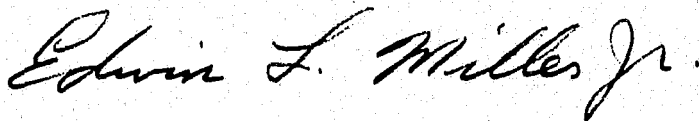


NOTES

TEN WAYS A BUSINESSMAN CAN HELP STAMP OUT WHITE COLLAR CRIME

1. Set an example at the top.
2. Speak up against improper actions by others.
3. Don't give gifts to government officials to curry favors.
4. Don't encourage any form of commercial bribery.
5. Straighten out any suggestion of impropriety immediately.
6. Consult a lawyer in case of doubt.
7. Keep alert to extravagance.
8. Report all irregularities to the proper authorities.
9. Get to know the prosecuting authorities.
10. Be willing to testify against those who commit white-collar crime.

BY:

A handwritten signature in cursive script, reading "Edwin L. Miller Jr.".

District Attorney
San Diego County
1978

END