

False billing scams cost companies millions, USPS reports

BY LORE LAWRENCE

A false billing scam targeting human resource professionals costs U.S. business more than \$50 million annually, said a federal investigator for the U.S. Postal Inspection Service.

"It's a major loss and it's probably more than just the money," said Postal Inspector Camille Hammonds, who is based in Southern California, where much of this fraud originates. "You can't put a price tag on how much stress is put on human resource managers with this scam."

False billing has been around at least since 1949, when boiler-room con artists duped companies into paying for non-existent or inferior Yellow Pages ads, according to the U.S. Postal Inspection Service. But now this fraud has taken on a new twist.

Disgracing diversity

The latest ploy in this swindle is telemarketers contacting HR people responsible for outreach advertising and persuading them to buy ads in fictitious or marginal publications supposedly marketed to minorities, women and veterans, explained Hammonds. Even if an HR manager refuses to buy ad space, the telemarketer will often invoice the company anyway—the next step in the process of "backdooring"—confusing the manager enough to convince him or her that the ad was actually purchased.

And as soon as the manager agrees to pay the bill, the telemarketer will often send out another invoice, setting off a vicious cycle that can create major stress and embarrassment for even the savviest of HR professionals.

In one case worked by Postal Inspector Tim France, one person who had been victimized for six months had been brought to a near emotional collapse. The manager worked for a major East Coast university and bought

Ways to protect companies against telemarketing fraud

Postal Inspector Camille Hammonds suggests the following tips for protecting companies from advertisement telemarketing fraud:

■ Record the full name of the publication, company address and physical location, as well as the name of the caller, that person's job title, the return phone number and the date. Often the caller will give you an address that is actually a box number at a commercial receiving mail agency and the word "suite" is used in the company's address instead of a box number.

■ Inquire about the publication and its corporate operations. For example, ask the name of the publication's corporation. Who owns the business? Who are the president, the officers? Telemarketers do not want to give out that information and simply claim not to know.

Also ask for a copy of the magazine, and ask about its writing staff. Most of these publications, if they actually exist, are of extremely poor quality, which should be an immediate tip-off. In addition, articles in these marginal publications are usually downloaded off the Internet or come from a wire service, which may or may not have been paid for its stories. If the caller claims the company has a writing staff, ask for the editor's name and phone number. Is the editor at the same address?

■ Ask what the distributed circulation is. If the caller doesn't know, ask to speak to someone who does. If you can't get an immediate answer, a red flag should go up because the cost of an ad, whether it is for radio, television or print, is based on how many potential people will be able to hear, see or read the ad. Frequently, the caller will falsely promise to send a media kit that has all this information.

Beware: If the caller says, "Our readership is 150,000," understand that that figure is not referring to a distribution of 150,000. In fact, readership numbers often reflect grossly exaggerated actual distribution figures.

■ Ask what other publications the company may have. Many times callers will claim that the magazine is the sole publication when in fact this fraud will be centered around seven or eight magazines. Why don't they want you to know? The perpetrators of this scam want to "reload" you with their other publications. Information they obtain about companies and their personnel is passed on to other salespeople who will use it to con unwitting employees into believing that an ad was agreed upon and placed in other magazines.

■ Use of purchase orders for advertising eliminates confusion as to whether or not an ad was bought.

ad space in seven legitimate magazines to advertise two adjunct professor positions. Suddenly she began receiving calls from telemarketers working for alleged publications

she didn't know, who insisted she pay for ads she had never authorized.

"She was a nice lady," said France, "but they just browbeat her to the point where she

didn't know if she had done it or not."

The result: Over six months the manager authorized \$50,000 in payments before the school contacted authorities. But that was not the end of the manager's nightmare.

"She had an extreme nervous condition and had been put on Valium or anti-depressants. She almost lost her job," recalls France.

HR people are not the only victims in this scam. Legitimate minority publications and organizations suffer as well because confused managers may back off from placing ads with them, and use other venues to do outreach.

While the obvious thing to do is simply hang up on telemarketers, many people have trouble doing that, said Patrick Donley, senior litigation counsel in the fraud section of the U.S. Department of Justice's criminal division. Donley, who has prosecuted many boiler room cases, stated that often people have difficulty disconnecting because they were taught etiquette that says hanging up is impolite.

"As long as (telemarketers) can keep you on the phone, they have a chance of getting your money," he said.

Marketing madness

Telemarketers stalking HR professionals get their names in a number of ways. Dun & Bradstreet, for example, contains names of HR people across the country. A telemarketer also can buy a hot "lead" [name] from another telemarketer who has already had some success with that particular person. But the best leads, as well as the "magazines," are usually locked away in a safe because con artists want to keep the best victims—known as "mooches"—for themselves.

That's not surprising, given that owners of such operations can make over \$1 million a year, and the "sales people" can earn commissions between 25 percent and 40 percent, depending on how good they are, according to the U.S. Postal Inspection Service.

And most are good. A typical marketing call, said Hammonds, might go like this:

"Hello, Mary, this is Juan Ortega from the National Hispanic Employment Journal. How are you doing today? I am getting ready to send out your invoice for the \$1,895 ad you purchased on May 5 for our holiday edition, and I want to verify your address ..."

"Juan Ortega," who may in fact be of any ethnicity, uses the HR manager's first name to give the impression the two have spoken before, said Hammonds. But the manager may have spoken to someone else—probably the telemarketer who sold the lead to "Juan Ortega." Now the manager may be confused and think the ad was in fact purchased.

The telemarketer will read the ad and then transfer the manager to a "verifier," who will read the ad all over again. Hammonds continued. The HR person approves and has unwittingly bought another ad. The cycle will continue, until the manager figures out what is going on.

But sometimes when victims confront the telemarketer, they end up being blackmailed—that is, the telemarketer will threaten to tell the person's supervisor if payments are not continued. Hammonds added.

Few HR professionals will admit to having

SEE POSTAL SCAMS, PAGE 13

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False billing scam targets HR

POSTAL SCAMS, FROM PAGE 6

ing been taken, but those who do admit to being swindled say they consider it a learning experience.

"[Over the years], I believe I have paid for ads not ordered," said Jeannine Niaccaris, vice president of Geron Corporation in Menlo Park, Calif. "Fortunately I caught on sooner as opposed to later. The calls tend to come in with an opening that can throw you off guard. [If there's a new HR person], they don't know if the company has done it in the past so they tend to say yes, or they get tired of the long sales pitch and break down and say yes, even though they don't necessarily want the ad. The final way it happens is when the bill does come from accounting, and you can't remember if you placed the ad or not."

But once burned, HR people can develop proactive tactics to hold criminals at bay. When Niaccaris caught on, she decided to put a stop to it.

"I'd call back to the organization and challenge them," Niaccaris said. "I let them know first I didn't authorize it, and second, I'm not going to pay it," she added.

Another precaution she takes is to document any such call, note with whom she spoke and the substance of the conversation.

"I've trained myself against scams," Niaccaris said. Ultimately, she decided to let an ad agency handle advertising after receiving 10 telemarketing calls in one week.

Raenell Transue, president of the SHRM San Diego chapter, told one caller flat out "I don't remember any such ad."

When the telemarketer insisted she had placed ads previously, Transue was blunt. "I said we didn't authorize it," she said. "I never did pay for anything."

Nowadays when Transue gets such calls, she asks for the caller's number, so she can call right back. If she calls back and hears background noises that may indicate the place is a boiler room, she contacts local authorities.

Were she ever defrauded, Transue said she would inform her supervisor and explain she thought she was dealing with a legitimate publication. She said she also would recommend that the matter be turned over to the police department and the district attorney.

The U.S. Postal Inspection Service investigates the crime of false billing. To report an incident or to find the nearest Postal Inspection Service office, call 1-800-275-8777, or visit the web site www.framed.usps.com/websites/depart/inspect/. **HR**