



## Financial Exploitation of Elders

**Fraud examiners should know the red flags of elder financial abuse and how to identify and protect those who may be vulnerable.**

By Linda L. Saunders, CFE, CPA

Ninety-six-year-old "Mrs. Mabel Hunt" wanted to live out her life in her longtime home. One of her neighbors, "Rev. Bob," a minister, knew this and convinced her to allow him to become a "joint tenant," so that the state Department of Social and Health Services, he said, wouldn't be able to force her to sell her home and move her to a nursing facility. But Rev. Bob was lying and Mabel was too trusting. She walked straight into a financial exploitation trap.

Mabel didn't know that a joint tenant is actually a joint owner of her home. Once Rev. Bob was on the title, he obtained a line of credit against her house, liquidated most of the equity, and stole the funds for his own use. At the same time he offered to manage her money, and she allowed him to be a signer on her bank accounts. He promptly began siphoning off her money. She never suspected that Rev. Bob had an insatiable gambling habit and a desire to live a high lifestyle.

Rev. Bob mortgaged Mabel's house, traded in her Cadillac (that she hadn't driven in years), and quit paying utilities and important medical bills on her behalf. The scheme began to unravel when the power company cut off her electricity for non-payment.

Financial exploitation doesn't just happen to the elderly but, obviously, they are more susceptible to promising offers of assistance and companionship. Fraud examiners should know the red flags of elder financial abuse and how to identify and protect those who may be vulnerable.

### Assets Available to Exploit

Author Jack Olsen in his 1998 book, "Hastened to the Grave: The Gypsy Murder Investigation," writes that a million complaints of elder financial abuse are filed every year in the United States. Financial exploitation is on the rise because:

- the population is living longer;
- the baby-boomer generation is now aging; and
- retirees own houses that have greatly appreciated.

### Houseboat Equity

One of my retired clients, "Seymour Jones," had a few small monthly pensions and some certificates of deposits, all of which totaled less than \$300,000. The widower lived on an older, unremarkable, one-bedroom houseboat that he and his wife had purchased in the 1970s for \$7,000. Seymour had no idea that his floating home, moored on picturesque Lake Union in Seattle, was worth nearly \$500,000 but his hired caregiver did.

As head caregiver, "Bud Sholtz," convinced Seymour to negotiate a "reverse mortgage" on the home so that the monthly annuities from mortgaging the house equity would allow Seymour to afford 24-hour nursing care in his houseboat for another four to five years. Seymour had been in a nursing home for a short stay and vowed never to be there again.

Because Seymour had arthritis, Sholtz convinced Seymour's banker to order a signature stamp with Seymour's signature. Sholtz now controlled Seymour's bank accounts with that signature stamp and was able to drain \$7,600 per month from the monthly houseboat annuity deposited to Seymour's checking account, along with another \$1,500 to \$2,000 per month in his regular monthly pensions. Since Seymour was quiet, unassuming, and appeared to have adequate nursing care, his neighbors and friends didn't realize anything was amiss. And no one wanted to inquire about his financial affairs. After all, it was none of their business.

However, Seymour suspected that Sholtz was ripping him off so he asked one of the caregivers that Sholtz had hired to inspect Seymour's checking account. When the caregiver asked Sholtz about the account, he promptly fired her. The caregiver didn't blow the whistle on Sholtz because he had paid her under the table and she feared the taxman. The investigation only began after Seymour's death when his executor discovered various canceled checks with the rubber-stamped signatures.

### Vulnerable Situations and Red Flags

What makes someone a target for financial exploitation? Here are some situations that may make someone vulnerable:

- lives alone;
- diminished eyesight;
- memory loss/dementia;
- restricted mobility;
- must rely on friends, relatives, or private help;
- needs assistance with medications; and
- can't drive or carry groceries from the car.

Once you've identified a vulnerable target, look for the red flags that may indicate that the elder already may have been exploited:

- The address has changed one or more times after a long period of stability.
- The telephone number changes or becomes unlisted.
- The bank accounts change in any way.
- Bills are delinquent.
- Financial information isn't readily available.
- Alertness is diminishing from visit to visit, indicating medications have changed.
- Visitation patterns to church or old friends are changing.
- Caregivers or those giving medications are now handling finances.
- Caregivers, neighbors, or relatives are becoming overly attentive.
- The vulnerable person has just one (possibly dominating) caregiver/companion.
- The caregiver/companion is overly accommodating

#### **Methods to Query About Financial Affairs**

A financial exploiter works to isolate the vulnerable elder to make the elder totally dependent on the exploiter. When family, friends, social workers, or fraud examiners suspect someone is exploiting an individual, queries must be both tactful and persistent. However, superficial examinations often show nothing because the vulnerable person has been intimidated, "befriended," and often threatened by the perpetrator. Following are actions you should take.

- Interview the vulnerable elder apart from caregivers or companions to obtain any valuable information.
- Visit the elder numerous times to gain the elder's trust and give him or her emotional support.
- Respect the elder's privacy, but engage in more than superficial chitchat and polite answers to go beyond the typical conversation content of older people.
- Find out if the elder is receiving banking or bill-paying assistance and who helps, how often and how long the system has been in place, and if the elder reviews what the helper does.
- Discover where the elder's mail is delivered, if someone else collects his or her mail, and if the mailing address has changed recently. (Ask for copies of old tax returns or bank statements to check for changes in address or banks.)
- Determine if the elder ever signs blank checks, if anyone else has signing authority on any bank accounts, and if original checks accompany the bank statements. (Fan the checks to see if signatures are consistent with the persons authorized to sign.)
- Find out where the elder keeps financial information, who has access to this information if he or she is being cared for, and if caregivers have access to this information when the elder naps.
- Find out if the elder's activity, church friends, and patterns of attendance have changed, or if the elder's personality has changed, and, if so, when it changed.
- Discern where the elder met his or her "trusted friend," how long he or she has known the person, and if the acquaintance was through a "chance" meeting.

#### **Trusting the Professionals?**

If a doctor tells you someone appears to be well taken care of, you want to believe him. If a banker seems to think personal account requests are routine, it's easy to agree with her. But be skeptical and trust your gut feelings.

The Physician My client, "Leon Smith," was a World War II veteran who had lifetime free medical treatment privileges at the Veteran's Administration Hospital in Seattle. Many years earlier, some of Leon's relatives had tried to swindle him and his wife. Now, when the predatory relatives were trying to declare Leon incompetent, his long-time physician, "Dr. Sam," went to bat for him. Referring to recent medical records, Dr. Sam said Leon still had his mental faculties and he vouched for Leon's caregiver who dutifully brought him in for his appointments. To Leon's delight, the relatives went away, leaving him, he thought, in full charge of his own finances and care.

However, Dr. Sam was an unwitting enabler. The truth was that the caregiver - whom Dr. Sam assumed was a nurse - stole nearly \$300,000 in less than three years. Unbeknownst to Dr. Sam, this "nurse" was licensed by the state only as a "Certified Nursing Assistant," and wasn't really qualified to independently care for Leon. If you were the fraud examiner in this case, you might have trusted the well-meaning physician and overlooked the one person who was ripping off poor Leon.

The Banker Seymour Jones's caregiver conducted most of Seymour's bank business; the banker seldom talked with Seymour. After Seymour died, his probate attorney discovered that his checks had been endorsed with a signature stamp and sent me, as the Certified Fraud Examiner, to the bank to investigate. A customer services representative at the bank said the caregiver told her that the signature stamp he used on Seymour's checks had replaced an "old" one that had run out of ink.

The banker never verified that an old stamp existed and couldn't provide documentation that Seymour had ever authorized the purchase of a new stamp. The banker unwittingly turned over control of Seymour's checking account to the caregiver and enabled him to drain up to \$12,000 per month from his bank accounts.

The Minister In the opening case of Mrs. Mabel Hunt, her neighbor, Rev. Bob, managed to cash in her burial fund at the local funeral home. No one at the funeral home doubted Rev. Bob's motives. What they didn't know was that he had taken the money and flown to Hawaii with his lover. When Adult Protective Services, a state agency, interviewed Rev. Bob, after a complaint from the bank that held Mabel's funds, he said Mabel had loaned the money to him. They told him he should have documented the loan with a note but then they didn't follow up by looking for re-payments. They probably believed him because of the "Rev." in front of his name.

When Mrs. Hunt died, distant relatives of this 96-year-old found only refund slips at the funeral home when they went to bury her.

### **Whom do you Call?**

If you suspect financial exploitation, first contact your state social and health services division, which often will have an Adult Protective Services Department. Also, many local police departments now have elder financial exploitation squads.

ElderAngels ([www.elderangels.com](http://www.elderangels.com)) is a clearinghouse for victims of financial elder abuse based in San Francisco. The organization guides victims and their defenders to private or public entities for legal recourse. President Fay Faron, a private detective, began the non-profit group in 1993 after investigating a case of serious elder financial exploitation, the "Foxglove" case. (Her investigation became the subject of "Hastened to the Grave: The Gypsy Murder Investigation," by Jack Olsen, mentioned earlier.) Ann Flaherty is the group's executive director.

Washington State has a Senior Citizens' Lobby ([seniorlobby@uswest.net](mailto:seniorlobby@uswest.net)) that monitors and supports legislation to help protect elders. Currently, Washington State Senate Bill 5184, Vulnerable Adult Abuse, yet to be enacted, is an effort to give the Department of Social and Health Services the responsibility to investigate complaints of financial exploitation and to be able to release information to appropriate investigative agencies.

Many states have enacted laws to punish financial exploitation of elders; check with senior groups or prosecuting attorneys who handle fraud cases in your jurisdiction.

Check [www.fraud.org](http://www.fraud.org) for such topics as "Tips for Seniors," and "Helping Seniors Targeted by Telemarketing Fraud."

### **Exploiters Remain Elusive**

Unfortunately, the chances of convicting financial exploiters of the elderly are still rare. In two of my cases, the elder victims died before they could testify against their perpetrators. The elderly are reluctant to testify because of a false sense of loyalty to the exploiters, or because they lose their mental faculties to be good witnesses against the exploiters. Therefore, deterring this fraud should take priority over trying to recover funds and goods after theft. Alert the elders' families to the financial exploitation red flags.

Educate the public through local organizations such as Kiwanis, Rotary, and local senior centers. I regularly speak to both social and professional accounting organizations about my case experiences and the red flags to look for in vulnerable adults.

Once you discover a possible crime, then victims, witnesses, accountants, investigators, forensic experts, regulators, assisting agencies, and law enforcement must function as a team to bring successful closure to the exploitation case. All factions must share victim information and investigative techniques. Careful tracing and documentation of financial records is essential to enable law enforcement to prosecute the perpetrators.

Financial exploitation of elders, like so many frauds, isn't decreasing. As society ages, all fraud examiners must be vigilant to prevent, detect, and deter this particularly reprehensible crime.

### **SIDEBAR**

#### **Collect and Analyze Evidence Immediately in an Exploitation Case**

When collecting information in a possible elder financial exploitation case, treat everything - banking data, invoices, credit card statements - as if it could be future evidence.

Don't mark originals. Try to identify if marks made on documents were made by a vulnerable elder, a friend, another accountant, or perhaps the perpetrator.

Don't assume you'll have access to documents later; they often disappear when you need them. Make copies of everything immediately.

Obtain statements and affidavits from the vulnerable elder as quickly as possible; the elder may lose lucidity or die before you have what you need.

Early in the investigation, a fraudster may think he'll never be caught so take advantage of his cavalier attitude about sharing information and get it all in writing.

Start an information inventory at the beginning of the examination. Document everything you've done and seen.

Other potential items of evidence could be correspondence, junk mail, trash, catalogues, and mailed advertisements. On mailed items, always note the names and addresses on the mailing labels.

Use the "Bates" stamping system on all documents to sequentially number all documents and to keep an inventory of all information for possible courtroom use. Your local stationery and office supply stores can order Bates stamps, or you can purchase software that prints numeric labels for numbering your documents.

Construct a timeline of dates, events, sources, and references using a spreadsheet software such as Excel. Then using analysis software such as Microsoft Access or File Maker Pro, you can sort your data by various elements.

### **Financial Information**

In solving a financial crime, you need to quantify the damages, unless you choose to prosecute on one isolated theft amount. In financial exploitation, the perpetrator often weaves a tangled web to camouflage transactions to look like loans with repayments; he may have created multiple bank accounts. The fraudster may get creative and launder money through several accounts to disguise his thefts over time. Once he finds financial sources, the bleed may extend over many years especially if he is tapping into monthly cash flows such as pension funds, annuities, and savings accounts.

Again, you can use Excel software to analyze transactions in a straightforward case. On the Excel analysis, be sure to schedule a period of time showing a baseline of income and spending habits of the victim prior to the exploitation. This will help explain that the elder's future spending habits weren't his but the fraudster's. You may then tie in financial gains with timeline events, such as trips taken by the perpetrator right after funds are stolen.

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**Footnote:** Since writing this article in 2001, Linda Saunders has a new e-mail address: [CPA@ForensicCPA.org](mailto:CPA@ForensicCPA.org), and a new website: [www.ForensicCPA.org](http://www.ForensicCPA.org).