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# Senior Fraud and Financial Abuse

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## Fraud and Senior Financial Abuse

Fraud and Senior Financial Abuse is growing at an exponential pace. The senior population is rapidly growing and now the baby boomers are becoming seniors. At the same time our government agencies that help to police fraud and abuse are suffering from budget cut-backs resulting in fewer dedicated professionals to help with their ever-increasing case loads.

- Fraudsters are very aware of this and are exploiting the situation.
- What can we, as eldercare professionals, do?
- We must be aware, be alert, and know the warning signs.

Today we will:

- Identify Three concepts that tend to be foreign to the care manager or eldercare professional that are helpful in preventing or discovering fraud or abuse
- Identify two key care manager skills and experiences that may carry over into the financial and fraud arena
- Identify three thought processes of the senior and the care manager that could lead to fraud and senior financial abuse
- Identify three sources of senior financial abuse advocacy programs

Today's session is not designed as a unilateral discussion of me talking to you. It's intended to be interactive. We all have different experiences and those experiences should enhance the knowledge transferred today.

Please feel free to add to what I or others in the room say.

For the next 75 minutes we hope to make you think like a skeptical fraud and financial abuse professional. This may be a different way of thinking for many of you and more natural for others. But our objective is to simply get you to think and to arouse your awareness of the issues surrounding this ever-increasing problem in the eldercare community.

But first, let's review some terminology:

I'm a member of the Eldercare Resource Team in San Diego. We loosely categorize our members into two groups, the caregiver-type professionals and the finance-type professionals.

The caregiver professionals are those providing non-financial services directly to the senior or their family such as professional care manager, geriatric nurse or nurse practitioner, dietician, in-home care and so on. The background and personalities of these professionals are more in the area of social work and in-depth financial concepts are not typical strong points. However, for today only, all caregiver professionals will be called care managers to distinguish them from the non-professional caregivers which are many times family members or friends.

I'll be using the same general definitions in this presentation. I will also use the term of care manager and eldercare professional interchangeably. The presentation is geared to these professionals but

excludes no one. The fraud and financial abuse situations are in front of us all and even with a financial background, I hope this talk refreshes old knowledge, reminds us of forgotten issues, bring a fresh look to the concepts.

While the definition of senior can vary, sometimes at age 55, sometime 65, sometimes much older, I'll just use the term senior and the context of the concept I'm talking about will highlight the specific age. But keep in mind that fraud and abuse covers all ages.

There are many types of senior abuse which many of you see every day. Of all the types of abuse perpetrated against the senior, financial abuse is unquestionably the most difficult to uncover. There are no telltale signs such as bruises or a broken bone. But today we're focusing only on the financial abuse.

This handout is limited to ten pages which make it difficult to put in writing everything that I think will help you as the attendee. Therefore, I have prepared a full version that contains more examples and outside references that is available on my website. Simply click on the Seminars and Events menu choice, then Recent Presentations by Jim Colville.

**A little bit about myself.** I've been practicing as a CPA for over 35 years and have a wide variety of experiences including fraud and forensic accounting in the business world. I'm also a Certified Fraud Examiner (CFE). About six years ago my practice began to focus more and more with the aging population, mostly with taxes. Because of my background and when talking to clients, I became aware that my corporate fraud skills can cross over into the eldercare world quite easily. Fast forward to today, over half of my business is working with seniors, their adult children and other eldercare professionals primarily in tax, senior fraud and financial abuse and educational seminars.

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## Identify three concepts that tend to be foreign to the care manager or eldercare professional that are helpful in preventing or discovering fraud or abuse

### 1) Too much trust in external documents

We many times put too much trust in external documents, not questioning the source or the substance of what we're looking at. As a CPA I see this all the time.

Some examples:

#### a) Importance of bank statements and what to look for

Too often we think and say: "...the bank statement said...."

We must think in terms of "how did the transaction originate?" I wrote a check for \$100, but the bank statement says \$1,000. If you wrote the check for \$100, you wrote the check for \$100...period. Nothing changes that. Something is wrong:

- Bank error
  - Altered check
  - You got distracted, the check was really for \$1,000, an error on your part
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- Banks errors are generally easy to correct, just call the bank and explain.
  - Altered checks are much more problematic. They may look like a bank error, but the experienced banker will decline to issue the credit. How do you determine who altered the check? The first step is to determine who had access to the check, either before it was written or after.
  - An error on the part of the senior (or you or me) cannot be fixed by the bank, but you can still work with the payee to get the funds refunded. You may have paid the \$1,000 to your Visa bill. You don't lose the \$1,000, you just have a large credit on your account. Obtaining a refund is typically not a problem.
  - Additional issue: The follow up many times needs to be done by the senior themselves. Privacy rules make it harder for others to do this work.

**Lesson:** We many times review a bank statement online and use what we see as the deciding factor. Now, you must trace the transactions back to their source (the check book) to determine that what you did is was the bank recorded.

#### b) Must have all the bank statements, no missing months.

Let's say you are reviewing the clients banking activity and have about five years of bank statements and that in a particular time frame there was very little activity, including months

with no activity. But you notice that one statement is missing. The ending balance on one statement agrees with the beginning balance on the next available statement. It's very easy to assume that there was no activity during the month with the missing statement.

Upon further investigation we found:

- \$10,000 was transferred from client's account into flaky adult child's account
- From another of the client's accounts \$10,000 was transferred into this account
- So now we have one check going out and one check coming in, both for \$10,000 so the balance in the account remains the same. What is your conclusion now?

Another example

- Mom has \$600,000. As soon as the bad adult daughter is on the account, she opens a new account and transfers \$100,000
- 4-5 years later when mom's health is declining and the rest of the family is getting involved, they only see the \$100,000 account and the current activity.
- Mom passes, the \$100,000 is distributed to the 4 children, \$25,000 each, including bad daughter....all looks good.

**Lesson:** Trace the sources of the opening balances, even if it's several years back.

## 2) **Aggressive sales tactics**

Some personalities can't say no and this can become a big problem with age as the reasoning skills begin to diminish. Many eldercare professionals have agreeable personalities.

If you hear your client talking about the "nice guy" who called or see documents laying around, pay attention.

As a senior in retirement, there are very few significant investment decisions to be made. Investments pay off over long periods of time. In retirement years, the investments are now providing monthly income and should be invested in a conservative manner in that investment losses should be avoided. Yes, there are investments that can still be made, maybe moving between bonds and CD, but these can be done without the assistance of someone you don't know.

If high pressure tactics are used, then that is a warning sign that the investment could be a scam.

### 3) The Old Ways and the New

#### The Old

We used to receive monthly bank statements and reconcile our accounts at that time. One simple (paper) bank statement.

#### The New

The statement is available online – Many of us don't do the reconciliations any more as we can see the activity as it happens. Sometimes there are many confusing and complex screens.

For the senior, this can be problematic as their life's experience is the Old way. As the eldercare professional, you may have the challenge of explaining this to the client.

Your experiences are probably more in tune with the present (online banking etc.) but, back to the first point, you may be too trusting of what you see.

Passwords--Not in the loved one's life experiences, now, at this stage in their life, they're bombarded with excessive and complex passwords and rules.

Online review of banking activity every few days is critical. Checks, bank card purchases, automatic payments, and everything else have different rules as to the timeline for reporting errors or questionable transactions to the bank. These time periods are all less than a month.

## Two key care manager skills and experiences that may carry over into the financial and fraud arena

### 1. Listening

The eldercare professional is in a much better position to notice things that could later prove to be a red flag for financial abuse. The investment advisor, insurance brokers, daily money manager, CPA, lawyer and others typically don't interact with the senior in the way that the care manager does. The meetings are usually in the advisors office, rather than the home of the senior and the session tends to be more formal.

But by being in the home of senior and interacting with them on a more personal basis, much can be learned.

- a. The senior's sudden behavioral change which is later determined to be a result of fraud or financial abuse.

There are many reasons for behavioral change; medications, illness, loneliness... the list goes on. The care professional is usually well tuned into this and many have a sixth

sense as to noticing the change quickly and perhaps even the nature or cause of the change.

This is where the senior, the family and others in the care circle look to you. You don't need all the answers, just the recognition of the potential problem and getting others involved. This could be law enforcement or other professionals.

**Story:** The senior was being pressured on the phone to buy a particular investment. He was suspicious, yet, at the same time, thought it was a good idea. At first he was saying no, then became less and less defensive (aggressive sales tactics) and then purchased the investment. About two weeks later he realized what had happened and suddenly got depressed, did not want to talk to anyone, had feelings of shame, began drinking and so on.

This is where your experiences and skills come into play. You would pursue this automatically not knowing the outcome, but regardless of the cause, investigation by a compassionate person is needed.

## **2. Observation with the senior when interaction with family**

- a. This is just an extension of the previous section. The senior may be able to live with the bad decision, but is not willing to let others know. Therefore, the shame, the guilt or whatever the emotion is may cause dramatic change in behavior when around family.
- b. The professional's skill in communication with both the senior and the family is invaluable

## **Three thought processes of the senior and the care manager that could lead to fraud and senior financial abuse**

### **The Senior**

First, as we know, not everyone has the same personality traits and don't develop a change in their personality as they age. However, the common changes that may occur are mentioned here as they are key thought processes that can lead to senior financial abuse.

#### **1) Diminished reasoning capacity**

- a) This can be compounded with today's information overload, making it very difficult for the senior to make good decisions in everything they do.

#### **2) Trust**

- a) Trust in those close to them. Many times the senior develops an attachment to the caregiver, the one providing ongoing care and begins to believe that this is the only person that can care for them and anyone else is out to get them. This can lead to a very risky situation with too

much trust in one person and setting the stage for confrontation that will have an extremely negative outcome.

b) Fraudster likeability and persistence:

If you hear your client say: "I met the nicest young man at the grocery store today." Is that a red flag? Probably not. However, if you hear them say, "I had the nicest young man that I met at the grocery store over for dinner yesterday." Antennas up; but not necessarily an alarm. But now they may say, "I had the nicest young man that I met at the grocery store over for dinner yesterday and I'm going to help him in starting his own business."

Likability..."the nicest young man" and persistence paid off for this fraudster.

3) Short term memory loss

In one case the senior "loaned" money (cash) to a new friend and did so almost every day, very seldom remembering the previous loans. She also wrote each loan down on a piece of paper with the amount and date and then filed the notes in a box. But with diminishing capacity and memory issues, she never really referred to the pieces of paper. This went on for quite a while to the tune of over \$250,000

### **The Eldercare Professional**

- 1) Most professionals are good listeners. Use that trait to hear beyond what is said, "reading between the lines". We get in trouble when we don't act on the intuition, the piece of information that doesn't make any sense.
- 2) Managing your time. To say it another way, if your calendar is over loaded and an out-of-the-ordinary situation pops up, you less equipped to deal with it. You may have a intuition on a financial fraud issue, you may say to yourself "I need to follow-up on that" and so on. Use the technology tools to their fullest. That means use tools that you may not be using now. Don't get bogged down in email when there many other tools available that are much more effective.
- 3) Know yourself. As social workers, as eldercare professionals, we have a built-in problem solving trait, but most of this is with social interaction, helping others, finding the reason for the change in personality. But the investigative skill in the financial world is totally different. Eldercare work uses a lot of intuition and financial work is based heavily on facts.

### **Three Sources of Senior Financial Abuse Advocacy Programs.**

You should probably be teaching me this section as the longer you've been in the field the more resources you become aware of. For purposes of this session, advocacy means law enforcement plus

government and non-government professionals or organizations that can help once a fraud or financial abuse has occurred or can help with prevention.

### **1. Government agencies and programs at various levels**

- Adult protective services (APS) - Most states have APS or similar agencies with a different name. In California this can be the first step.
- State Ombudsman's Office - In California, they deal with any issues related occurrences in a nursing home.
- Police and sometimes the State Attorney General's Office
- It's not uncommon for the more complex cases to get higher level agencies involved: Commodities Futures Trading Commission, Federal Bureau of Investigation (FBI), Federal Deposit Insurance Corporation (FDIC), Federal Trade Commission (FTC), Food and Drug Administration (FDA)

### **2. Nonprofit organizations**

The organizations typically have a specialty and can help in both advocacy and prevention. The list is endless, much too long to list here. Internet searches are a great source.

### **3. For-fee professionals**

With government budgets are being slashed, more and more seniors are using for-fee professionals for assistance. While this does cost money as compared to free government assistance, many times it's much more effective. Each case is different.

## **Conclusion:**

It's not possible to cover all the issues in a session like today's nor go in depth as much as hoped. This is compounded by the fact that everyone here has a different background and experience level. I hope today that I got you thinking. To think about what you already know and refresh your thinking on new information and to think about what you don't know and provide incentive for additional self-study.

Most all eldercare professionals are very compassionate and caring people. They care about the seniors and their families and go out of their way to help, when practical. Many times we get wrapped up in our work, get rushed or otherwise temporarily lose that compassion. Be aware of your own emotions and never lose the compassion in your work. It's too valuable for you, the seniors and their families.

## Some Indicators or Red Flags of Senior Financial Abuse

- Frequent expensive gifts from the senior to others such as the caregiver
- Purchases that do not fit the senior's spending habits, such as the purchase of a new car, or the inappropriate choice of car (a Hummer for a 95 year old senior who no longer drives).
- Missing money, credit cards, ATM card, papers, antiques, etc.
- Numerous unpaid bills – a sign of the senior inability to manage finances or lacks the funds
- Piles of mail with sweepstakes solicitations
- A recent new or change in a will or power of attorney or changes in a long-standing trust
- Relative or caregiver's name added to a bank or investment account
- The senior is unaware of monthly income and expenses
- The senior signs a loan or mortgage
- Signs documents but doesn't know what they mean
- Frequent checks made out to cash
- Unusual activity in the bank or investment accounts
- Family member or caregiver refuses to spend money on the senior
- Signatures on checks or documents appear to be forgeries
- Placement in nursing home or residential care facility against the seniors wishes or estate plan
- Bank or credit card statements sent to an address other than the elder's home address
- Noticeable change in appearance and grooming (could be other than financial issues going on)
- Change in mood
- Hesitancy to enter into conversations
- The senior is not allow to speak or make decisions on their own