

TESTIMONY
OF
MARY CHACANIAS (BELL ATLANTIC)
and
WILLIAM SUSHON (AT&T)
Co-Chairs of the
TOLL FRAUD PREVENTION COMMITTEE

As Sponsored By The
EXCHANGE CARRIERS STANDARDS ASSOCIATION'S
NETWORK OPERATIONS FORUM

Before The
FEDERAL COMMUNICATIONS COMMISSION

En Banc Hearing
Friday
October 9, 1992

Testimony
of
Mary Chacianas (Bell Atlantic)
and
William Sushon (AT&T)

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I. INTRODUCTION AND OVERVIEW

Good morning, my name is Mary Chacanas and my colleague is Bill Sushon. We are submitting this statement in our capacity as co-chairs of the Toll Fraud Prevention Committee ("TFPC"), which is made up of approximately 90 telecommunications companies. I am a Manager at Bell Atlantic and have 25 years of experience with the Bell System. I started my career with New Jersey Bell in the Network Department. After 17 years with New Jersey Bell, I accepted a position with Bell Atlantic in Arlington, Virginia, where my first job was to develop and coordinate a plan to provide equal access throughout the Bell Atlantic region.

In 1987, Bell Atlantic formed a regional telecommunications fraud committee which I chaired. This committee focused on resolving fraud issues in Bell Atlantic and hosted the first national toll fraud meeting in Washington, D.C. Shortly thereafter, the Toll Fraud Prevention Committee ("TFPC") was formed. Bell Atlantic continues its regional fraud committee and it actively participates in the TFPC. I am active daily in resolving toll fraud in Bell Atlantic and coordinating nationwide resolutions to fraud issues.

Bill Sushon is Industry Liaison for AT&T and has over 35 years experience with AT&T. His background includes assignments in Network Operations, Engineering, State Regulatory Matters, Bell Laboratories, External Affairs, and Marketing. He represents AT&T at the Exchange Carriers Standards Association ("ECSA")-sponsored Carrier Liaison Committee ("CLC") and its subtending fora and committees, including the TFPC. Bill has been one of the co-chairs of the TFPC since it began in 1988.

We are particularly pleased to have the opportunity to testify on behalf of the TFPC with respect to its efforts and activities to identify those issues involving fraud common to the telecommunications industry and specifically to discuss the TFPC's processes in development of the resolutions for voluntary implementation by the industry. This is, in essence, the mission of the TFPC and has been the focus of its work since its inception.

The TFPC has successfully negotiated the resolution of 17 issues and shared information on two technical issues (see Attachment A for Issue Status Report as of September 14, 1992). The issues cover the gamut on the types of fraud that can and have been perpetrated on the telecommunications industry. The first issue discussed by the TFPC was Centrex 3-way conference fraud. Other issues have included fraud perpetrated by prison inmates, cellular radio fraud, fraud flowing from telephone calling card information transmitted over VHF radio, and fraud committed via dial tone reorigination.

Five issues are in active status with the TFPC. They are third number billing fraud (Issue 017), incoming international collect to cellular (Issue 021), incoming fraud (both consumer and telecommunications) occurring on public phones (Issue 022), development of an informational fraud document (Issue 023), and PBX remote access fraud (Issue 024).

The TFPC is a committee under the auspices of the Network Operations Forum ("NOF"). The NOF is one of three interindustry forums under the umbrella of the Exchange Carriers Standards Association ("ECSA")-sponsored Carrier Liaison Committee ("CLC").

The TFPC's creation was prompted in mid-1987 by the industry. With an increasing toll fraud problem, the industry recognized the need for a place to share concerns and individual company experiences, as well as ways to prevent toll fraud. These mid-1987 industry discussions -- which were held in a task force under the CLC -- also revealed that there were organizations already in place to catch fraud perpetrators and prosecute them. But there was not an organization that had the prevention of toll fraud as its primary focus. Nor was there an organization that approached the issue from an operational and technical perspective, in essence, preventing the network fraud with technical fixes before the fraud occurred or devising a remedy after the fraud occurred.

While difficult to quantify the magnitude of the problem in total dollars, it was evident in early industry discussions that toll fraud was causing a significant annual revenue drain on telecommunications companies. It also became clear that all segments of the industry were being hurt -- exchange carriers, interexchange carriers, payphone owners and operators, and cellular companies, etc. Toll fraud was migrating from one company to another so quickly and in such a magnitude that individual company efforts to combat the problem were not enough. It was truly a nationwide problem that would ultimately impact the customer.

Additionally, as the network was becoming more sophisticated, the forms of fraud perpetrated were becoming more complex, and thus more costly to the industry. Industry responses to customer requirements such as systems integration and remote access to Private Branch Exchanges ("PBXs") and databases (through

Direct Inward System Access), intended to give greater control of the network to the customer, actually "assisted" criminals in their efforts to commit fraud. The forces which prompted these industry discussions ultimately led to the formation of the TFPC and its first official meeting in February, 1988. Since that time, the TFPC has become a key resource for the industry -- an arena in which to accomplish problem-sharing and problem-solving with respect to the battle against toll fraud.

II. THE TOLL FRAUD PREVENTION COMMITTEE

A. Its Processes And Procedures

The cornerstone of the TFPC's ability to develop solutions to toll fraud is its anonymity, which is accomplished by a set of strict operating principles and procedures. Once the telecommunications industry decided to share its toll fraud problems in an industry setting and attempted to move forward as a more cohesive group to combat toll fraud, it also realized that it would and could do so only with the protection of certain requirements to operate the Committee. Important to the industry's efforts was the ability to speak candidly about the types of fraud being perpetrated and individual company experiences in trying to beat the hackers at their own game. Thus, the most important of the TFPC's procedures are restricted attendance and the requirement of participants to sign non-disclosure agreements (see Attachment B for TFPC Operating Principles).

Due to the highly sensitive nature of the information that is discussed at TFPC meetings, the operating principles limit attendance to representatives of common

carriers and regulatory agencies. Others may attend, subject to TFPC approval on an invitational basis. At present, there are 87 members on the Committee, representing a wide range of industry segments from carriers to radio pagers. Interest in the TFPC continues to grow as considerable time and effort also have been devoted to establishing liaisons with a number of external organizations such as the United States Telephone Association and the Communications Fraud Control Association. The TFPC emphasizes this course of cooperative action with the telecommunications industry as beneficial to its goal of reducing and preventing toll fraud.

At its formation, the TFPC also recognized that the development of resolutions on toll fraud issues required, in many cases, the disclosure and exchange of sensitive and proprietary information. Thus, it knew that in order to achieve its purpose, certain precautions and measures had to be taken to avoid public or non-authorized disclosure or misappropriation of important information. Thus, the TFPC established a non-disclosure agreement which all members and participants must sign before they can attend a meeting (see Attachment C). To establish an agreement that met the needs of all of the participants was a daunting task, but it became clear that such an agreement was and still is essential to the TFPC's ability to tackle fraud prevention and to the industry's desire to participate in candid discussions of fraud issues and develop workable solutions.

Other operating principles also afford an environment conducive to discussion of fraud problems and consensus resolution of these issues. They include that TFPC meeting notes be written in a general fashion and published to TFPC participants to

avoid disclosure of any material generated by the Committee that might also assist in the perpetration of toll fraud (see Attachment D for the July 28-29, 1992 meeting notes from the most recent meeting of the TFPC).

B. Its Issues And Activities

The TFPC has several aspects to its work. First and foremost, the TFPC works to resolve toll fraud issues. Second, the TFPC recognizes the value in gathering and sharing information about frauds being perpetrated (i.e. where, when, how it occurred, etc.) Third and more recently, the TFPC has taken a role in education, not only for the industry, but for the customers of telecommunications services, too. The TFPC believes that efforts in each of these areas is necessary to be successful.

With respect to issue resolution, resolution is achieved by consensus. The consensus approach recognizes that while a proposed resolution of a specific issue may not be a participant's first choice, an effort is made to determine whether it is one that the participant can accept and support. Significant opposition to a proposal usually stops the resolution process. Each participant has committed to discuss issues and consider proposed resolutions in good faith. TFPC member companies reserve their independent judgment with respect to the implementation of the resolutions.

With respect to the TFPC's activities to gather and share information on toll fraud as well as educate both industry members and the public, the TFPC members regularly collect and distribute information such as news and magazine articles, as

well as television coverage which reference recent telephone fraud scams and other fraud-related concerns effecting the industry. In this way, the members keep abreast of what is being distributed via the media. In some cases, it was recognized that these efforts to warn the public could, in effect, help spread the fraud.

The TFPC has prepared an industry white paper on subscription fraud (see Attachment E). Subscription fraud is obtaining telephone service by intentionally or knowingly using false or fictitious information to establish an account in a manner to avoid payment of the service. As part of its ongoing efforts to educate those who are potential fraud victims, the TFPC will be distributing its white paper on subscription fraud and its message about subscription fraud in general throughout the industry via a number of different mediums -- possible telephone bill inserts, an ad campaign, distribution to newspapers and magazines, etc. The paper has been edited to avoid disclosure of any sensitive information that might aid subscription fraud perpetration.

The TFPC was successful in a similar approach to fraud resulting from the transmission of calling card information over VHF radio. When a call originator verbally passes their calling card number to the VHF (marine) operator, it is done on the open, unprotected airways. A fraud perpetrator only needs a simple VHF scanner to hear the card number given to the operator in the receiving area. The TFPC reached consensus that a way to combat this form of fraud would be to write an article for the various boating magazines and directories, alerting radio users of the problem. An article was developed specifically for "Boat U.S. Report" and sent to

other publications (see Attachment F for a copy of the article).

All of the TFPC's 24 issues and activities to share information and educate represent a significant undertaking by the members - as an industry and as individual companies. The irony in being here today is that we know the Commission is especially anxious to learn about the toll fraud solutions that are being developed and implemented. Yet the TFPC's ability to do its job effectively rests, in large part, on its being able to operate in relative confidentiality, subject to non-disclosure. Thus, we are in the somewhat awkward position of not being able to disclose the details of the toll fraud resolutions reached by the members. In this respect, however, the TFPC supports the Federal Communication Commission's recognition of the importance and urgency of the problem. We appreciate the attendance and participation of FCC staff at recent TFPC meetings. We as the TFPC would be happy to meet with each of you and your staff in a setting that would afford the appropriate confidential treatment of our sensitive subject matter. We hope that taking this approach does not inhibit any progress that you are making and we would look forward to the prospect of meeting with you and working in successful cooperation with your efforts.

III. CONCLUSION

The TFPC is keenly aware of the seriousness of telecommunications fraud and the magnitude of the implications for customers, for the network, and for the industry. Further, it believes that many of the issues and the concerns can be

resolved and that these interests can be protected via the TFPC processes. It is fair to say that what has been achieved and shared by the TFPC members to date, has not been easy. It has taken a lot of hard work behind the scenes and greater willingness on the part of the industry members to trust each other and the resolution process enough to discuss the vulnerabilities of their networks and systems as well as the losses from toll fraud. Sometimes it has produced frustration. The complexities of the network and the increasing sophistication of hackers have not offered up easy solutions. But, the TFPC affords its members and the industry the opportunity and the processes to consider a wide variety of telecommunications fraud issues and innovative responses to the serious problem of toll fraud.

TFPC ISSUE STATUS - 9/14/92

ISS NO.	ISSUE TITLE	STATUS	NOTE	MOD DATE
001:	Centrex 3-Way Conference	Resolved		4/2/88
002:	Prison Fraud	Resolved		3/15/89
003:	Access Denial	Resolved		7/6/89
004:	Cellular Radio Fraud	Resolved		10/26/88
005:	Intercompany Cooperation on Live Call Tracing	Resolved		7/6/89
006:	Dial Tone Reorigination	Resolved		4/5/90
007:	ICO/BVA/FGA Verification	Resolved		8/4/88
008:	Pro-X on Prison Lines	Resolved		10/26/88
009:	Customer Notification	Informational		
010:	Multiple Line Information Databases	Resolved		12/5/89
011:	Prisoner Placing Fraudulent Collect Calls to Business Offices	Resolved		7/6/89
012:	Weaving/Looping Fraud Detection	Informational		
013:	Incoming International Collect Calls	Resolved		7/9/91
014:	Sent Paid From Public Telephone	Resolved		12/5/89
015:	Telephone Credit Card Calling on VHF Radio	Resolved		10/10/90
016:	Calling Card Fraud Deterrent Options	Resolved		10/10/90
017:	Third Number Billing Fraud	Active		1/22/92
018:	Automated Collect Calls	Resolved		5/1/91
019:	System Enhancements to Deter Calling Card Fraud All Pins Fall/All Cards Fall	Resolved		7/28/92
020:	Subscription Fraud	Resolved		4/28/92
021:	Incoming International Collect to Cellular	Active		1/23/92
022:	Incoming Fraud both Consumer and Telecommunications Occurring on Public Phones	Active		1/22/92
023:	Development of an Informational Fraud Document	Active		4/28/92
024:	PBX Remote Access Fraud	Active		7/28/92

Toll Fraud Prevention Committee (TFPC)

Mission Statement

The Toll Fraud Prevention Committee provides a working Forum to identify those issues involving fraud, pertinent to the telecommunications industry and to discuss and develop resolutions for voluntary implementation by the industry.

Network Operations Forum
Toll Fraud Prevention Committee

OPERATING PRINCIPLES

- Due to the sensitive nature of the information that is discussed at TFPC meetings, attendance is limited to representatives of common carriers and regulatory agencies. Others may attend, subject to TFPC approval on an invitational basis.
- Voice recording devices are not permitted at TFPC meetings.
- Request to attend the meetings should be submitted to the NOF Secretary for review by the committee Co-Chairs.
- The Agenda for meetings are published 30 days in advance.
- TFPC attendees and invited guests will be required to sign a non-disclosure agreement.
- Only industry wide issues are discussed substantively.
- Cost, price, and marketing issues are not discussed.
- Agenda items can come from participants and non-participants. New items must be submitted to the Secretary, for review by the Co-Chairs. The originator may be invited to present the item.

- Issues should be submitted in writing, preferably on the TFPC Issue Identification Form.
- TFPC meetings notes are written in a general fashion, published, and circulated to TFPC participants.
- Meetings are hosted by a TFPC participating company.
- Issue discussion and closure are addressed in accordance with established Carrier Liaison Committee industry forum procedures.
- While reserving independent judgement as to implementation, each participant is committed to discuss issues and consider proposed resolutions in good faith.

THE TOLL FRAUD PREVENTION COMMITTEE**NON-DISCLOSURE AGREEMENT**

WHEREAS, the Toll Fraud Prevention Committee ("TFPC") was formed under the auspices of the Exchange Carriers Standards Association, Inc.'s Carrier Liaison Committee for the specific purpose of identifying those issues common to the telecommunications industry involving toll fraud and to provide an interindustry mechanism to discuss the develop resolutions for telecommunications toll fraud issues that will meet industry needs and requirements;

WHEREAS, the TFPC recognizes that the development of resolutions on toll fraud issues will require the disclosure and exchange of sensitive and proprietary information (hereinafter "sensitive and proprietary information") regarding toll fraud prevention by and between the TFPC participants;

WHEREAS, the TFPC recognizes that because of its purpose and the need to disclose sensitive and proprietary information to achieve the purpose, certain security precautions and measures must be taken to avoid public or nonauthorized disclosure or misappropriation of such information;

WHEREAS, the companies represented in the TFPC will benefit from the TFPC efforts to prevent toll fraud and the resolutions of toll fraud issues:

AS SET FORTH HEREIN:

As a condition of my participation in the TFPC, I agree to follow the procedures set forth herein:

- 1. Except pursuant to Paragraph (3) below, I will not divulge any of the sensitive and proprietary information obtained, and not otherwise available, as a result of my participation in the TFPC, to any individual other than:*
 - a. The individuals directly participating in the TFPC;*
 - b. The individual from whom the information was obtained;*
 - c. In response to a lawful demand by a Court, legislative or regulatory body having jurisdiction to request such information. In such instances, all reasonable measures and precautions will be taken to ensure the security of the sensitive and proprietary materials and information. Individual companies shall be provided notice of such demands or requests.*
- 2. I will use such information solely for the purpose of participating in the TFPC processes and implementing resolutions of issues addressed by the TFPC. Individual companies are free to implement their own resolutions.*

3. *I will not consult with any individual(s) except those described in paragraphs (1) (a), (b), (c), and (d) concerning sensitive and proprietary information without a prior express written request to and obtaining prior approval from the individual who provided the sensitive and proprietary information. I will provide prior written notice of the request for sensitive and proprietary information to the TFPC Co-Chairpersons or the Secretary.*
4. *I will take reasonable precautions to ensure non-disclosure of the sensitive and proprietary materials and information obtained as a result of my participation in the TFPC.*
5. *I will not make copies of any TFPC proprietary materials and information without a prior express written request to the TFPC Co-Chairpersons and without prior express written approval from the TFPC Co-Chairpersons. As a condition of receiving any copy of any TFPC materials or information, any copy of any TFPC materials or information, any individual to whom a copy is given shall sign and date a copy of this Agreement, reflecting his or her understanding of the terms of this Agreement.*
6. *Upon request of the company providing the sensitive and proprietary information or upon completing use of such information, I will return all copies of the materials and all other materials containing the sensitive and proprietary information (such as notes, graphs, diagrams, or charts based on any such information), accompanied by a written statement (attached as Exhibit 1 herein) attesting to my good faith effort to determine that no other copies of such materials have been made available to, or retained by the parties to whom disclosure was not specifically authorized. Materials shall be returned to:*

Art Walsh
TFPC Secretary
290 W. Mt. Pleasant Avenue
LCC-4E238
Livingston, NJ 07039

7. *I will abide by requests for non-disclosure from those individuals providing sensitive and proprietary information and materials to the TFPC*

In addition, I understand that the following procedures will be employed to ensure non-disclosure of sensitive and proprietary information.

8. *Specified documents (i.e., issue identification forms, presentation documents, etc.), including the cover page and all other pages of the document will be prominently marked as follows:*

TFPC PROPRIETARY INFORMATION

NUMBERED COPIES - DO NOT REPRODUCE

This document contains confidential, sensitive and proprietary information subject to a non-disclosure agreement. It is not to be copied, further distributed or disclosed except upon written request to and written approval from the TFPC. This document must be returned to:

**Art Walsh
TFPC Secretary
290 W. Mt. Pleasant Avenue
LCC-4E238
Livingston, NJ 07039**

- 9. *A log will be maintained by the TFPC to indicate who has received each document subject to this Agreement and who has returned the documents to the TFPC.*
- 10. *Companies contributing sensitive and proprietary information to the TFPC may change the status of such information to non-proprietary. In doing so, the company representative shall provide written notice to the TFPC Secretary.*

WHEREFORE, I, as an authorized representative of _____ have agreed to these terms and procedures and have signed this document on this _____ day of _____, 1992.

**Name of Company Executive
(optional signature)**

Company Position

Address

**Phone Number of Company
Representative**

Name of TFPC Representative

Company Name

Address

**Phone Number of TFPC
Representative**

THE TOLL FRAUD PREVENTION COMMITTEE

I have undertaken a good faith effort to determine that no other copies of materials used, generated or exchanged at the TFPC, including those materials containing sensitive and proprietary information have been made available to, or retained by parties to whom disclosure was not specifically authorized pursuant to the Non-Disclosure Agreement. Materials have been returned to:

**Art Walsh
TFPC Secretary
290 W. Mt. Pleasant Avenue
LCC-4E238
Livingston, NJ 07039**

Name

Company Name

Address

Date

**TOLL FRAUD PREVENTION COMMITTEE
MEETING NOTES
JULY 28-29, 1992
HOSTED BY: U S TELECOM**

CALL TO ORDER

Bill Sushon, Co-Chair, called the meeting to order and welcomed everyone. He introduced the host Barry Berman of U S Telecom who reviewed the hotel accommodations and meeting arrangements. Barry also extended an invitation to the participants to visit his company premise and view various aspects of the Private Payphone operations. Bill thanked Barry for the invitation and continued the meeting with a review of the TFFC Mission Statement and Operating Principles.

FOLLOWING THE AGENDA (Attachment 1)

Call to Order

Roll Call

Signing the Non-Disclosure Agreement (as needed).

Bill verified that all participants had signed the Non-Disclosure Agreements and the agreements were on file with the Secretary. Art Walsh, Secretary, confirmed, that all participants attending the meeting had signed the Non-Disclosure Agreement (Attachment 2).

Bill Sushon reviewed the minutes of the last meeting and requested comments from the group. As there were no comments received, the minutes were deemed accepted by the committee.

INFORMATION SHARING

Bill distributed various news and magazine articles, submitted by the membership, which referenced recent telephone fraud scams and other fraud related concerns affecting the industry (Attachment 3). He also noted the recent FCC Public Notice which referenced an upcoming "en banc" meeting to be held by the Commission. (Attachment 4) He introduced Linda Dubroof of the FCC who would provided the committee with additional information in relation to the meeting.

Linda thanked Bill and reviewed some of the general details of the meeting. She noted that there would probably be 5-6 commissioners present who would request presentations from the participants. She also indicated that there would be a question and answer period in which the commissioners would be seeking resolution proposals to some of the toll fraud concerns. Linda continued noting that a second notice would be forwarded, identifying the meeting date, on 7/31/92. She encouraged the group to select a member of the committee who would represent the TFFC at the meeting.

The committee discussed the suggestion and tentatively agreed that the Co-Chairs should represent the committee, at the hearings. Further discussions will take place during New Business.

Liela Gibson reported on the letter forwarded to the ICCF in relation to the assignment of a separate ANI digit for COCOT owners. She continued noting that upon receipt of the letter from the TFPC, the ICCF recommended support for the assignment of the separate ANI digit and directed the NANP Administrator to assign a pair of digit to the COCOT owners.

Bill thanked Liela for the report and continued the meeting with a review of the Internal and External position paper developed for Subscription fraud. Mary Chacarias noted that various industry newspapers and organizations (e.g. Teleconnect Magazine, United States Telephone Association - USTA) had published or distributed the information developed in the paper. Other members of the committee also responded noting that the information was also going to be distributed to various regulatory agencies and law enforcement agencies. Bill thanked the group for their efforts and continued the agenda with a review of the pending issues.

PENDING ISSUES:

Issue #017 - Third Number Billing Fraud

Mary Chacarias reviewed the issue and questioned whether it was viable to maintain 3rd number billing as a product. She noted that her company supports maintaining the product but would research live operator verification. Pete Eschmann reported that his company has experienced a significant decrease in the 3rd number billed fraud due to internal procedures being initialized. Larry Kepfer noted that there was a need for provisioning the identified fraud (thresholds, etc.) Carmine Colella commented that with the use of the EEM data being retrieved from the LIDB Database, thresholds could be applied at the local level to control 3rd number fraud. He also noted that regional funding for DBase 2 is being discussed with some resolution by 3rd Qtr. 93.

The group continued to discuss the issue noting the need for additional awareness programs, regulatory relief, limited use of the product, threshold restrictions and additional tariff application.

Mary recapped the discussions and suggested that the subworking group continue to work the issue and provide a recommendation for resolution, at the next meeting. Liela Gibson agreed to sponsor a conference call on August 24, 1992, with the subgroup to further discuss the issue. The group agreed that contributions should be forwarded to the Secretary by August 12, 1992 at which time they will be distributed to the participants. The conference call information is as follows:

Date: August 24, 1992
Time: 11:00 A.M. (EDT)

Number: 303-238-6512
Host: US West

The Issue will remain Active, pending a report from the subworking group, at the next meeting. (Attachment 5).

Issue #019 - System Enhancements to Deter Calling Card Fraud (All Pins Fall/All Cards Fall)

Mary reviewed the issue and recapped the previous meeting discussions relating to the issue. Carmen Colella offered a text contribution, as a proposed resolution statement for the issue. The group discussed the contribution and recommended various changes to clarify the resolution. The following text was agreed upon by the group as a resolution statement for the issue. The committee also agreed to Close the issue: (Attachment 6)

Each validation system owner should make full use of the data currently being stored in the validation systems (ie. LIDB EEM data) to monitor queries on calling card. The companies are to develop control features to act upon the data (ie. EEM data) either in the validation systems or Operating Service Systems (OSSs).

NEW BUSINESS:

Larry Kepfer noted that the subworking group leadership should be comprised of an EC/IC/Interested Party Co-Chair to ensure all interested parties are represented. He also suggested that a "minutes review" committee be established, for each subgroup, to review the meeting minutes, rather than waiting for each meeting participant to review and comment on the minutes. The committee discussed the suggestion and agreed to select subgroup Co-Chairs. Liela Gibson of U S West and Bruce Wells of MCI were selected as the Co-Chairs for the group working on Issue #017 - Third Number Billing Fraud. Rich Petillo of AT&T, Larry Kepfer of BellSouth and Barry Berman of US Telecom, Inc. were selected as Co-Chairs for the subgroup working on Issue #022 - Incoming International Collect to Payphones. Additional Co-Chairs will be selected by the participants of each work group.

Larry also reported that his company was experiencing problems, with various switching machines, in relation to the introduction of the Dial Tone Re- Origination fix. He noted various types of switching equipment (i.e. #5 ESS, Stromberg Carlson, DMS10, DMS 100) and explained the problems which were occurring on each one.

Barry Berman commented that NYNEX had been participating in a "Code Activated Dialing" trial with his company, which seems to be successful in processing only those calls designated with a specific code. He offered to share the information with any interested party. Liela Gibson suggested that Pete Eschmann provide information on the trial, at the next meeting.

Bill Sushon suggested that companies experiencing problems with the DTR fix should share the information with the group. Larry Kepfer agreed to bring additional information at the next meeting.

Mary informed the group that a request had been made to address Issue #021, at this time, due to travel constraints of some participants. The group agreed to postpone additional New Business and begin discussions of the issue. It was noted, that the issue may have to be revisited the following day, if additional participants attend the meeting.

Issue #021 - Incoming International Collect to Cellular

Bill reviewed the issue and noted that Lee Kaywork and Dave Daniels were investigating the possible use of a trial in relation to the application of a recognition tone for cellular. It was noted that after investigating the requirement of the proposed trial, it was agreed that the proposal could not be applied to the cellular industry. The issue was being referred back to the subworking group for resolution.

Mary Chacarias reviewed the Action Item reflected in the Issue Statement requiring participants to respond to the question of numbering guidelines in each company. Pete Eschmann reported that a filing was pending with the FCC which addresses the issue. Liela Gibson supported Pete's comments noting that a new set of strawman guidelines for geographic codes had been proposed to the FCC, along with dissenting opinions, for final assignment guidelines after January 1993. The committee began discussions of the issue in relation to whether cellular telephone numbers could be validated in the database. Mary suggested that an Action Item be developed requiring the LECs to verify if cellular telephone numbers were residing in the LIDB Database and have Toll Billing Exception (TBE) as a default.

Liela Gibson noted that a new Standards committee was being formed in the ICCF entitled ABS Forum to address (Local Access Routing Guide) LARG issues. She suggested that anyone interested in participating should contact their ICCF representative.

After much discussion, the committee developed an Action Item for the participants to provide information as to whether the Cellular Industry considers a "warning tone" as an acceptable solution to the issue. Liela also requested that the participants investigate other ongoing efforts, within the cellular industry, to address this concern. The issue will remain Active pending further discussion at the next meeting (Attachment 7)

NEW BUSINESS (cont.)

Pete Eschmann offered a contribution entitled PBX Remote Access Fraud, for consideration as a new issue. Pete also supported the contribution with a suggested resolution identifying opportunities that can be examined for further action. The committee discussed the contribution and suggested various text additions to the Issue Title and Suggested Resolution. The contribution was accepted as a new issue entitled "CPE Fraud". The committee also selected a subworking group to work the issue and develop recommended solutions. The following participants agreed to participate in the group with Pete Eschmann of NYNEX, Barry Berman of US Telecom and Kathy Peterson of AT&T being selected as Access Customer Payphone Representative/Access Provider Co-Chairs of the group. Joy Smith-Levine and Patsy Ramos also agreed to participate in the group. The Secretary assigned Issue #024 to the new issue (Attachment 8).

Due to the lateness of the hour, Mary suggested the committee adjourn and continue with the agenda the following day.

DAY 2

Mary welcomed everyone and recapped the events of the previous day and requested comments from the group. Jim Albrecht commented on a new fraud scam which was recently identified by his company. Linda Dubroof also referenced scams which had been brought to the attention of the FCC. Liela Gibson noted that the ICCF was addressing the subject of Billed Party Preferences and suggested that the group may wish to have a tutorial on the subject. The group agreed with Liela's suggestion. Liela agreed to contact the appropriate party and arrange for the tutorial. Mary thanked Liela for her suggestion and continued with the agenda.

Issue #022 - Incoming Fraud Both Consumer and Telecommunications Occurring on Public Phones

Mary Chacarnias reviewed the issue and requested comments from the group. Kathy Peterson noted that she wished to present the results of the subworking group meeting held on June 19, 1992 and proceeded to highlighting the responses received from the Action Items developed for the issue. (Attachment 9) She also reviewed the data which was received in relation to the renumbering recommendation and the quantification of proposed revenue losses from incoming collect or payphones. Kathy continued with her report and reviewed the proposed resolution process developed by the group.

The committee thanked Kathy and began discussion of the proposed resolution. The group discussed various items of the proposal with Pete Eschmann noting that validation of calls processed on lines in the 8000/9000 group would eliminate approximately 90% of the fraud. Liela Gibson noted that a policy would have to be agreed upon to assign all future coin lines into the 8000/9000 line groups to enforce the resolution. The committee continued to discuss the proposed resolution as it related to CCITT standards and international agreements.

Kathy informed the group that AT&T will arrange to mechanically track the unbillable international incoming calls handled by AT&T. This allows a measurement to be monitored during the trial timeframe. Mary recapped the discussion and questioned whether the participants agreed with the proposed resolution. There was a general agreement that the proposed resolution was a viable solution to the issue. Before consensus could be reached on agreement of the proposed resolution, it was recognized that the concern as to whether the proposed resolution would apply to semi-public telephones, had not been resolved. Kathy Peterson agreed to sponsor a conference call to address the concern, prior to the next meeting. The following conference call information was presented:

Date: September 16, 1992
Time: 2:00 P.M. (EDT)

Number: 1-800-457-0183
Code: 517933
Host: AT&T

The issue will remain Active, pending a response from the subgroup. (Attachment 10,11).

Issue #023 - Development of Informational Fraud Document

Mary reviewed the issue and requested comments from the group. It was noted that Allan Jones was preparing a contribution for the issue and would report at the next meeting. Jaryl Ambler Brown agreed to contact Allan and offer her assistance in the preparation of the contribution. The issue will remain Active, pending discussion at the next meeting (Attachment 12).

NEW BUSINESS (cont.)

Liela Gibson informed the group that she would update the committee on the activity surrounding the allocation of central office codes for the cellular industry, at the next meeting.

Mary recapped the events of the meeting and identified the following Action Items requiring response at the next meeting:

- 1. Status of Central Office Guidelines (Geographic Codes)**
- 2. FCC Presentation (Linda Dubroof)**
- 3. Bellcore Presentation on Billed Party Preference (BPP)**

As there was no other New Business to discuss, Mary suggested the committee discuss the future meeting date requirements and develop an agenda for the for the next meeting. The participants discussed the suggestion and agreed to the following meeting schedule and Agenda:

NOV. 4, 1992	12:00 P.M. - 5:00 P.M.	Dallas, TX	GTE
NOV. 5, 1992	8:00 A.M. - 12:00 P.M.	Dallas, TX	GTE

Agenda:

- Issue #017 - Third Number Billing Fraud*
- Issue #021 - Incoming International Collect to Cellular*
- Issue #022 - Incoming Fraud Both Consumer and Telecommunications Occurring on Public Phones*
- Issue #023 - The Development of an Informational Fraud Document*
- Issue #024 - Remote PBX, Voice Mail Systems, Other Like CPE Fraud*

As there was no other new business to discuss, Bill and Mary thanked the host Barry Berman of US Telecom for the fine meeting arrangements and hotel accommodations and adjourned

the meeting.

CONCURRED:

Mary Chacanas
Co-Chair (Access Service Provider)

Bill Sushon
Co-Chair (Access Service Customer)

ATTENDANCE
TOLL FRAUD PREVENTION COMMITTEE MEETING
July 28-29, 1992

<u>NAME</u>	<u>COMPANY</u>	<u>TELEPHONE NUMBER</u>
Abildgaard, Jane	Centel	312-399-7359
Albrecht, Jim	Sprint	816-854-7598
Ambler-Brown, Jaryl	Com Systems	805-371-3917
Berman, Barry	US Tele-Comm, Inc.	516-829-8000
Bonczek, John	NYNEX-TRG	212-997-2756
Bordt, Martin R.	Bell Mobility Cellular	416-798-5057
Calcara, Lilli	Sprint	913-624-4608
Chacanas, Mary	Bell Atlantic	703-448-4742
Colella, Carmen	Ameritech	708-330-6164
Coulter, Peter	AT&T	201-644-1951
Dubroof, Linda	FCC	202-634-1808
Duffy, Barbara	SNET	203-771-2397
Enright, Henry	McCaw	201-967-3089
Eschmann, Pete	TRG	914-644-4719
Fox, Stephen	Stentor	613-560-3388
Galarneau, Bernie	Telecom Canada	613-560-3386
Gibson, Liela	US West	602-235-1451
Jordan, David P.	MCI	202-887-2700
Karlsson, Rosemary	USA Int. Ltd.	407-367-8700
Keenan, William	Bellcore	201-829-3323
Kepfer, Larry	BellSouth Telecommun	205-977-1112
Kluck, Linda	Sprint	214-506-1601
Levine-Smith, Joy	US Tele-Comm, Inc.	516-829-2000
Lucash, Norb	USTA	202-835-3260
McCash, Mario J.	Teltrust	801-535-2019
Petersen, Kathleen	AT&T	908-580-8265
Ramos, Patsy	Pacific Bell	510-823-1543
Routh, Micky	United Tel	913-345-6401
Schumacher, Ann	Cons. Comm. Public Svs	
Sushon, Bill	AT&T	908-953-4476
Toothman, Mike	Bell Atlantic	703-448-5144
Walsh, Arthur	Bellcore	201-740-4313

Thirty-two (32) Attendees

**Subscription Fraud
An Industry White Paper
By the Toll Fraud Prevention Committee
of the
Exchange Carriers Standards Association**

It's a billion-dollar-a-year business that's getting bigger every year. The United States Secret Service estimates that telecommunications fraud exceeded \$1.2 billion in 1991.

Consumers in every state are paying more than they need to because of fraud and the issue is of legitimate concern to regulators, local and long distance companies alike.

Only through the concerted efforts of everyone affected by fraud will its costly impact be reduced, if not eliminated.

There are many types of telecommunications fraud; one of the most pernicious is Subscription Fraud.

A legitimate question to ask is: If the industry is aware of the problem, why doesn't it establish procedures to eliminate the fraud? The answer is: Many procedures are in place to identify and prevent potential fraud, but more weapons are needed to successfully combat those who conspire to defraud local and long distance companies.

In some cases, regulatory guidelines designed to promote universal service frequently enable the person intent on fraud to gain access to the network with a minimum of verifiable references. Long distance companies, which frequently suffer the largest loss from fraud, do not have any input prior to a subscriber signing up for their service. Rather, they are notified of their selection after the fact. The fraud, however, begins immediately.

Calls are made to and bridged between countries that have no direct communication links, such as the Middle East. Calls from restricted telephones such as prison telephones or coin telephones are accepted "collect" and then relayed to distant points.

In transportation centers or on street corners, fraudulent "call sell" operations are established. A local telephone operator, when checking for authorization to bill a call to the account, will receive positive, but fraudulent, acceptance. Losses of \$20,000 to \$30,000 in a single day have been generated.

What can be done to correct this vulnerability, to protect the consumers who ultimately pick up the tab? There are no easy answers, but each party can play a significant role: the local telephone company, the long distance company, state and federal regulators, legislators and consumers.

The local telephone company is the first point of contact, where the network connection is made. While it might seem easy to keep fraudulent customers off the network, it is difficult in practice. Local telephone companies can improve their effectiveness by following these steps:

- o **Initial Service Request** - Local telephone company representatives should be aware of the typical profile of an account set up for subscription fraud.
- o **Installation Service** - Installation techniques can provide excellent intelligence before fraud starts. Virtually every location requires on-site work, since multiple lines are ordered. The installer also will be one who can identify anyone on the premise should an arrest occur.
- o **Customer Service** - Telephone accounting systems frequently use billing thresholds called high toll notifiers. The local telephone company should evaluate the feasibility of developing programs to improve early detection. Further investigation would be necessary to demonstrate whether or not fraud has been committed. Moreover, where special billing and collection contracts exist between local telephone and long distance companies, additional steps can be developed.
- o **Security Department** - The privacy of communications is a guiding principle for local telephone companies and there are well defined procedures and regulations on what can be done in pursuing leads or divulging findings to external parties. The operations of the local telephone company's Security Department properly allow for the detection of billing evasion schemes, including accumulation of data that can be used in a court of law. Consequently, security managers should work closely with their internal coordinates to investigate suspect accounts.
- o **Product Development** - Data base services which support alternate billing services can be enhanced to offer added protection. Thresholds to count collect and bill to third number attempts to be deployed. New products and services should be analyzed for fraud implications prior to deployment. Enhancements to billing systems should facilitate the identification and tracking of fraud losses.

Long distance companies have an incentive to identify subscription fraud. A long distance company that protects its own network (e.g., by blocking calls from a problem telephone line) can help protect the industry as well. The long distance company can work cooperatively with the local telephone company through their respective security departments. In that way, efforts to investigate accounts, document any abuse, and shut down the fraud (including involvement of the appropriate law enforcement agencies) will help prevent its migrating to another company.

Where a contract for billing exists between the long distance and local telephone companies, the long distance company should arrange to accelerate delivery of billing tapes. Delivery at long intervals (e.g., every 30 days) virtually eliminates the value of the local telephone company's high toll notifier systems. Rather, such delays make it likely that a long distance company will be victimized by defrauders.

Regulators need to recognize and support the industry's growing need to reduce telecommunications fraud. Losses are not always easily quantified and may not appear to impact state residents (e.g., international calls are under interstate jurisdiction). Nevertheless, losses are enormous in the aggregate, and significant harm is done in the local market. The long distance companies recover these losses from legitimate callers. The local telephone company must also recover its administrative expenses (negotiation, installation, investigation, disconnection, adjustments, etc.), as well as losses from line rentals and local usage.

Regulators' concerns about nondiscrimination and privacy are shared by all. However, regulators need to permit the local telephone company sufficient flexibility--when negotiating new service--to take legitimate precautions to protect itself, its rate payers, and indeed, even the industry. This may include requiring positive identification from applications. Some greater latitude is also appropriate when the telephone company suspects that fraud will likely generate large uncollectibles, as with Subscription Fraud. Timely pre-billing corrective action should take place so that losses do not escalate, while, for example, written warnings of suspension are mailed.

Telephone customers can play an important role by reporting incidents of suspected fraud to their local telephone company business offices. Caution is appropriate, and their timely referrals are appreciated.

Subscription Fraud--and all telecommunications fraud--penalizes each consumer, the industry, and the whole economy. No one segment of the industry can combat fraud effectively, but

concerted action can change the trend line of mushrooming losses. Above all, flexibility and speedy cooperation are needed. One must remember that fraud is big business, and the returns are dramatic. One can expect that the defrauders will be as imaginative and resilient in the future as they have been in the past. So must be those who will battle telecommunications fraud.

May, 1992

BOAT U.S.

The Exchange Carriers Standards Association's Toll Fraud Prevention Committee (TFPC), a telecommunications industry forum, has asked us to caution our members against charging VHF Marine Ship to Shore call telephone calling card numbers. In many areas, VHF radio transmissions via the marine operator can be monitored by scanning radios on land (and on other watercraft) up to one hundred miles from the marine operators location.

Telephone service thieves have been known to monitor the marine operator channels in order to obtain calling card numbers which they then use from public phones or cellular telephones. Often, when this happens, thousands of dollars in fraudulent calls are charged to the card number before the fraud is detected and the number disabled.

The Committee suggests a number of more secure alternatives to card billing, for ship to shore calling. By placing the call collect or by billing to a third number, listeners would not hear your personal identification number (PIN - the last four digits of your card number). Some local telephone companies offer their subscribers Marine Identification Numbers (MIN) for calls within the local area.

While telephone companies and long distance carriers do not usually expect customers to pay for fraud calling of this nature, they recommend that you heed this concern to avoid the inconvenience of having to identify all the fraud calls on your bill and being without your card number until a new one can be issued.

When your calling card number is used for fraud, a serious industry problem becomes your personal problem.