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MISLEADING MAILINGS TARGETED TO SENIORS

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

JULY 26, 2001

Serial No. 107–44

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

75–753 WASHINGTON : 2001

For sale by the Superintendent of Documents, U.S. Government Printing Office
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MISLEADING MAILINGS TARGETED TO SENIORS

THURSDAY, JULY 26, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:09 a.m., in room 1100 Longworth House Office Building, Hon. E. Clay Shaw, Jr., (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
July 19, 2001
No. SS–7

Contact: (202) 225–9263

Shaw Announces Hearing on Misleading Mailings Targeted to Seniors

Congressman E. Clay Shaw, Jr., (R–FL), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on misleading mailings targeted to seniors. **The hearing will take place on Thursday, July 26, 2001, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Social Security affects the lives of almost every American. Nine out of ten seniors receive Social Security benefits. Seniors pay close attention to any information they receive concerning Social Security, as notices often refer to changes in benefits that make up a least half of the income for a majority of seniors.

Despite the fact that the law prohibits certain misleading communications, the Social Security Administration's (SSA's) Office of Inspector General (IG) continues to receive complaints and conduct investigations of misleading SSA-related solicitations. Recently, SSA's IG settled a case with the Lead Agency, Inc., who sent approximately 2.6 million death benefit insurance "lead card" mailings to seniors that appeared to be from or related to SSA. Information from these cards was then used to sell insurance policies.

More recently, the IG completed investigations regarding two types of misleading mailings targeted primarily to seniors. One mailing made claims about a fictional "Slave Reparations Act" and the other raised the prospect of $5,000 payments to "notch babies." Both mailings indicated that the payments would be coming from SSA, but that to receive the funds, the individual must supply their personal information, including their Social Security number to a National Victim's Register. All replies were directed to the TREA Senior Citizens League (TSCL), an independent affiliate of The Retired Enlisted Association (TREA). TSCL is a tax-exempt organization that advocates legislative reforms for seniors. According to the IG, these flyers generated more than 29,000 individual responses, many of which included copies of personal documents such as Social Security cards, drivers licenses, birth certificates, and detailed family genealogies.

TSCL denied any involvement with the flyer and the IG was unable to identify its origin. However, the IG investigation revealed that TSCL directed its data processing firm to create a database containing the respondent's personal information. This information was then used to send a letter to respondents disavowing any responsibility for the flyers, which included TSCL's standard fundraising brochure.

In announcing the hearing, Chairman Shaw stated: "Misleading mailing scams targeted at seniors are unconscionable crimes. Many of our seniors are particularly vulnerable, due to their limited income or isolated living environment. Deceptive mailings that appear to have the approval or endorsement of SSA are illegal and

will not be tolerated. The more seniors know about these scams, the more they and their families can protect themselves from becoming victims of these heartless perpetrators."

FOCUS OF THE HEARING:

The Subcommittee will hear testimony related to several misleading mailings targeting seniors. Testimony will include the experiences of victims and related investigation findings of the SSA/IG and other law enforcement officials.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should *submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label*, by the close of business, Thursday, August 9, 2001, to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B–316 Rayburn House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. **Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "http://waysandmeans.house.gov".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested).

Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman SHAW. Good morning. If members and guests would take their seats, I would like to welcome all of you here today.

We have a very discouraging issue, however, before us. Senior citizens are being unscrupulously targeted by misleading mailings and flyers, and these are from groups that seek to capture Social Security numbers and other personal information.

Why? So they can sell or rent the data for profit or, in some cases, use the information to solicit future sales or donations.

How do they get seniors to turn over sensitive personal information? By issuing promises they can't keep or using fear and threats. It is downright deceptive, and this Congress must do everything in our power to make it stop.

Nine out of 10 seniors receive Social Security benefits. It is no wonder why seniors pay more close attention to any information they receive which has the appearance of an official government document or otherwise looks like it might have anything to do with their Social Security checks.

I represent a large number of senior citizens in Florida, for whom preserving Social Security and Medicare benefits are of paramount concern.

The law clearly prohibits certain misleading communications, but the Social Security Administration's Office of Inspector General (OIG) continues to receive complaints from seniors. Last year alone, the inspector general (IG) opened up close to 40 new investigations of misleading Social Security-related solicitations.

My office receives countless numbers of letters generated by senior advocacy groups every year. Many of these campaigns serve the public good by informing and organizing individuals of like interests. Others merely fan fear, which then become all the more reason for seniors to support groups that claim to be their advocate here in Washington for change.

Today we will hear from the Social Security Administration's Inspector General, who will tell us how and why groups generate misleading mailings and the investigative strategies his office has used to fight these scams.

In addition, we will hear perspectives from the Arkansas State's Attorney General's office, whose staff works on the frontline, combating all types of consumer fraud.

Lorna Daniels, a targeted victim of these misleading flyers, is here to share her story and experience with us. Betty Severyn will tell us about American Association of Retired Persons' (AARP) many efforts to educate seniors on how to avoid falling prey to these unscrupulous organizations.

Finally, we will hear testimony from The Retired Enlisted Association (TREA) Senior Citizens League or TSCL and companies they work with on mailings. The addresses of TREA Senior Citizens League appears on the so-called slave reparation and notch flyers as the reply address.

While TREA Senior Citizens League claims no role in the distribution of these flyers, I find it problematic that they retrieved the unsolicited information from their mailbox and dumped it in their solicitation database. You can be sure we will explore these issues fully when they testify.

It is unconscionable for rip-off artists to prey on vulnerable Americans in their twilight years, many of whom live from check to check and cannot afford to lose any of their hard-earned benefits and savings. Perhaps I am old-fashioned, but I was taught to respect my elders, not to take advantage of them.

It is my goal to shine a bright light on these deceptive mailings so that senior citizens will be on guard and contact the Social Security Administration or their Member of Congress at the first sight of a scam.

The best protection against misleading mail schemes is education. We may not be able to completely eliminate these fraudulent groups from targeting senior citizens, but we can expose their schemes and educate seniors on how to protect themselves.

Mr. Matsui.

[The opening statement of Chairman Shaw follows:]

Opening Statement of the Hon. E. Clay Shaw, Jr., a Representative in Congress from the State of Florida, and Chairman, Subcommittee on Social Security

Welcome. Today, we have a very discouraging issue before us. Senior citizens are being unscrupulously targeted by misleading mailings and flyers—from groups that seek to capture Social Security numbers and other personal information.

Why? So they can sell or rent the data for profit—or in some cases, use that information to solicit future sales or donations. How do they get seniors to turn over sensitive personal information? By issuing promises they can't keep, or using fear and threats. It is downright deceptive, and it must be stopped.

Nine out of ten seniors receive Social Security benefits. It's no wonder why seniors pay such close attention to any information they receive which has the appearance of an official government document or otherwise looks like it might have anything to do with their Social Security checks. I represent a large number of senior citizens in Florida, for whom preserving Social Security and Medicare benefits are of paramount concern.

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Today we will hear from the Social Security Administration's Inspector General, who will tell us how and why groups generate misleading mailings, and the investigative strategies his office has used to fight these scams. In addition, we will hear perspectives from the Arkansas State's Attorney General's office whose staff works on the front lines combating all types of consumer fraud.

Lorna Daniels, a targeted victim of these misleading flyers, is here to share her story and experience. Betty Severyn will tell us about AARP's many efforts to educate seniors on how to avoid falling prey.

Finally, we will hear testimony from TREA Senior Citizens League and companies they work with on mailings. The address of the TREA Senior Citizens League appeared on the so-called slave reparation and notch flyers as the reply address. While TREA Senior Citizens League claims no role in the distribution of these flyers, I find it problematic that they retrieved the "unsolicited" information from their mailbox and dumped it in their solicitation database. You can be sure we will explore these issues fully when they testify.

It is unconscionable for rip-off artists to prey on vulnerable Americans in their twilight years, many of whom live from check to check and cannot afford to lose any of their hard-earned benefits and savings. Perhaps I'm old-fashioned, but I was taught to respect my elders, not to take advantage of them.

It is my goal to shine a bright light on these deceptive mailings so that senior citizens will be on guard, and contact the Social Security Administration or their Member of Congress at the first sight of a scam.

The best protection against misleading mail schemes is education. We may not be able to completely eliminate these fraudulent groups from targeting seniors, but we can expose their schemes and educate seniors on how to protect themselves.

Mr. MATSUI. Thank you very much, Mr. Chairman.

I want to, first of all, thank you very much, you and your staff, in coordinating with myself and our staff. I think you are doing a tremendous service, not only to the senior citizen population of America, but certainly to the American public.

I want to also commend my colleagues on both sides of the aisle of this Subcommittee, because I know each and every one of them feels as strongly as you and I do about this particular issue.

I intend to pursue this issue with the Chairman as far as it will go. I think criminal fraud was committed on senior citizens in this particular situation.

And I know three of those individuals that will be asked to testify this morning are in the audience. There is a fourth one, who claims to be ill, with a doctor's excuse. And as a result of that, he has failed to respond to the subpoena, although obviously a doctor's excuse would give that person that opportunity to do so.

But that individual will be eventually deposed or brought before this Subcommittee. I will guarantee you that. And so, he better get well quickly.

It is my belief that we need to educate the public. And the Social Security Administration has that responsibility.

But also, we need to make sure that individuals who commit these frauds and perpetrate these activities are given the full force of the law, so that they will be used as an example so that this will never happen again.

And if they think they are going to get out of this, they are greatly mistaken.

The inspector general doesn't have the tools that law enforcement officers have, but hopefully this will get, obviously with the Arkansas attorney general, but also with the U.S. Justice Department as well.

And I hope that nobody thinks that they are going to go to sleep at night feeling protected if they commit these kinds of activities.

I have had constituents as well that have been sent these flyers, some of whom undoubtedly sent money to this sham group. And as a result of that, I feel very strongly about being able to deal with this in a comprehensive way. And I said, this will not end until we get to the bottom of how this happened and the individuals who are actually responsible for it.

Mr. Chairman, I want to thank you very much for calling this Subcommittee hearing, and for your commitment to this issue.

[The opening statement of Mr. Matsui follows:]

Opening Statement of the Hon. Robert T. Matsui, a Representative in Congress from the State of California

Thank you, Chairman Shaw, for calling today's hearing. I am hopeful that today's hearing—taken together with the investigations that the Office of the Inspector General (OIG) has conducted in recent months—will help to alert our nation's senior citizens to the unscrupulous activities that some will pursue for the sake of their own gain or advancement.

I think it is simply unconscionable that there are some organizations and individuals who are willing to deceive senior citizens and prey upon their anxieties. Solicitations such as the ones we will hear about today seek to profit off of seniors in their seventies and eighties who depend on Social Security to provide a significant part of their income. It is disgraceful that any organization would try to take advantage of our senior citizens' trust in the good name of Social Security.

In addition, while the OIG's most recent investigation into solicitations about a fictional "Slave Reparations Act" and so-called "notch" legislation proved inconclusive, I look forward to hearing from Inspector General Huse about some of the information that came to light as a result of his office's inquiry.

Lastly, I am hopeful that today's hearing—and the increased attention that it will bring to the issue of misleading solicitations—will deter other organizations and individuals from pursuing these scams. Scams like the "Slave Reparations Act" not only deceive senior citizens, but erode their faith in their government and its responsiveness to their concerns.

Chairman SHAW. All members will be given an opportunity to place an opening statement in the record, including Jerry Kleczka, who is joining us on this panel this morning.

[The opening statements of Mr. Johnson and Mr. Kleczka follow:]

Opening Statement of the Hon. Sam Johnson, a Representative in Congress from the State of Texas

Thank you, Chairman Shaw for calling this hearing on misleading mailings regarding the Social Security "notch" issue. The people responsible for sending these misleading mailings are truly reprehensible and you are doing a great service for seniors by holding a hearing to highlight the Inspector General's findings.

It's obvious fraudulent groups like this prey on unsuspecting seniors. Luckily my constituents are smarter than this. While the misleading mailings highlighted by the Inspector General were supposed to have been sent last year, just *last week* I received a letter from a constituent. "Helen", had recently received a mailing. That mailing asked for money to be placed on a "National Notch Victim Register." In her letter to me, she asked me to advise her whether "this is another Scam-Rip off or on the level." Well, Tuesday afternoon I spoke with Helen and told her that she does not need to send anyone money in order to benefit from new laws. I also told her that legislation on the "notch" is never going to pass.

I appreciate AARP coming to testify today on this important issue and I also appreciate their help warning seniors about misleading mailings.

Besides the "notch" scam, another misleading mailing was scamming money from people for a "slave reparations" registry. That mailing also had the Retired Enlisted Association Senior Citizen's League as the recipient of return mail.

I will be very interested to learn today how the scam mailings, with a return address of the Retired Enlisted Association Senior Citizen's League, vary from the mailings that this group claims as their own. I am also looking forward to learning why on earth the Senior Citizen's League would ever glean information from fraudulent mailings, and why they would go so far as to use this improperly obtained information for fundraising of their own.

Opening Statement of the Hon. Gerald D. Kleczka, a Representative in Congress From the State of Wisconsin

Chairman Shaw, Ranking Member Matsui, and Members of the Subcommittee, thank you for allowing me to join you in today's hearing.

Our senior citizens are continually being besieged with misleading mailings from questionable advocacy groups telling them that the Social Security Administration is cheating them. These letters claim that retirees born between 1917 and 1926 are "Notch Victims" and are entitled to a $5,000 lump-sum payment. This is simply an attempt to extort money from the most vulnerable among us—those aged 75 to 84—by promising increased Social Security payments.

Congress corrected the flaw in the Social Security formula in 1977 and the benefit amount being received today by these retirees is correct. However, upon receipt of these mailings, concerned elderly immediately call us inquiring if the information is true and if the groups sending them are legitimate. I advise my constituents to throw out the material for it is nothing more than a scam!

One such group that continually solicits the elderly is The Retired Enlisted Association's (TREA) subsidiary—The Senior Citizens League (TSCL). Chartered by Congress in 1992 to serve the interests of our retired enlisted service members, this group expanded their reach to non-military retirees in 1994.

Since then, their repeated solicitations for contributions have been combined with replicas of $5,000 US Government-Social Security Trust Fund checks, plastic Notch Registry cards and requests to seniors to include TSCL in their will. Last year these types of deceptive tactics netted The Senior Citizens League over $12 million!

This is all done by telling our elderly that Notch legislation is pending in Congress which will give them more money. Although bills have been introduced to accomplish this, we all know that the Social Security Trust Fund is already strained, and legislation costing $45 to $60 billion to raise existing retiree benefits will never pass.

They go on to state that they are maintaining a notch registry and will inform contributors if benefits are increased. Further, the mailing requests that seniors check a box if they want their $5,000 award in four annuals payments or a monthly increase in SS benefits. Who died and left this group in charge of the Social Security program! As we all know, the Social Security Administration is charged with and *would* notify seniors of any change in benefits.

There is no need for this organization to maintain any registry list and clearly they have no say over any future benefit levels. This deception is being perpetrated to accomplish their real goal and that is "I'm enclosing a contribution to join with you and to help cover the cost of maintaining the register and to pay for our massive national campaign . . ."

The tactics employed by this group have continually raised serious concerns about their legitimacy. In a letter I wrote to The Senior Citizens League last May, I asked them to ". . . stop soliciting my constituents for money and asking them to include your organization in their wills." The time has come for Congress to *demand* they cease and desist, or serious consideration should be given to revocation of the TREA charter.

Again, Chairman Shaw—thank you for allowing me to participate today.

Chairman SHAW. Mr. Huse, welcome to the hearing. And you may proceed as you see fit. We have your full testimony, which will be made a part of the record, as will the testimony of all the witnesses here this morning.

I would like to point out to the Committee that in about a half an hour, we are going to be called for two votes on the floor. So at that time, we would recess for as long as necessary in order to complete our voting obligations, after which we would return to the hearing. Mr. Huse?

STATEMENT OF THE HON. JAMES G. HUSE, JR., INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

Mr. HUSE. Good morning, Mr. Chairman and members of the Subcommittee, and thank you for the opportunity to speak today about direct mail operators that profit by using references to Social Security to trick senior citizens into parting with sensitive personal information.

For over 60 years, the words "Social Security" have held special meaning for elderly Americans, so when mailings arrive with the official Social Security seal or references to Social Security, many seniors respond reflexively.

Today I will describe some of the investigations we have conducted this past year into organizations that misuse the Social Security Administration's (SSA) name and exploit the special bond between the Social Security Administration and its beneficiaries.

The first of these involved a company called Lead Agency, which sent solicitations to seniors that appeared to be from or endorsed by the SSA. These mailings offered to provide updated information on Social Security benefits. And in response, thousands of seniors forwarded their personal information to the company.

Lead Agency would then market the data to insurance companies and others, generating millions of dollars in revenue.

Pursuant to the settlement reached in this State, the Lead Agency agreed to a permanent injunction barring them from violating section 1140 of the Social Security Act and further agreed to dissolve its corporate charter and pay $595,000 in civil monetary penalties to the Social Security trust fund.

In a contemporaneous investigation, again working in east Texas with the U.S. Attorneys Office, we uncovered a separate but remarkably similar scam, a corporate doing business as United States Seniors Services, Inc., USSS, Acc-U-Lead, and Mass Mail Media had been sending similarly misleading solicitations to seniors in order to obtain personal information for resale on the open market.

The defendants in this matter ultimately agreed to pay a $200,000 civil monetary penalty to the Social Security trust fund, and agreed to the entry of a permanent injunction.

The last case I will discuss resulted in the issuance of a nationwide alert to seniors, urging them to exercise great caution when responding to solicitations promising additional Social Security payments.

This alert was based on the receipt of hoax flyers by more 29,000 seniors. They were duped into surrendering personal information with the promise of a $5,000 lump sum payment or a temporary increase in monthly benefits.

Along with the Postal Inspection Service, we initiated an investigation after our fraud hotline received nearly 100 calls about the flyers. A review of the flyers revealed that a post office box maintained by TSCL, a tax-exempt organization that states it advocates for legislative reforms on behalf of senior citizens, was listed on all of the flyers.

We contacted TSCL and learned that it had received over 18,000 individual responses to the flyers and had directed its data processing contractor to enter all of the victims' personal information into a database and to send each senior a letter denying any responsibility for the hoax. The letter indicated a solicitation for funds to support TSCL's campaigns.

We requested that TSCL discontinue entering the seniors' information into its database, but TSCL refused to comply with this request, disavowing any involvement with the hoax flyers and main-

taining that they must have been disseminated by a well-intentioned albeit confused supporter.

In an attempt to determine the person, individual or entity responsible for the creation and dissemination of the hoax flyers, we issued subpoenas to TSCL and its database firm to obtain all of the original responses.

Unfortunately, the flyers appeared in churches, senior centers, nursing homes, magazines, newspapers, and local government offices nationwide. Because of the informal distribution channels employed, which included hand-posting on cars and bulletin boards, we were unable to identify the source of the flyers.

Nevertheless, the investigation served to highlight the vulnerability of senior citizens to exploitation by those who use inaccurate, misleading or false information to solicit information or money from them.

Our office has made deceptive Social Security look-alike mailings a top investigative priority. While we have made significant progress, the three cases I previously described illustrate that the problem of deceptive mailing aimed at senior citizens is far from eradicated.

And we thank the Committee for its interest in these matters.

[The prepared statement of Mr. Huse follows:]

Statement of the Hon. James G. Huse, Jr., Inspector General, Office of Inspector General, Social Security Administration

Good morning, Chairman Shaw and members of the Subcommittee. Let me first thank you for the opportunity to speak with you today on a matter of great importance to the people of the United States—how misleading mailings victimize our nation's senior citizens, specifically, how direct mail operators use veiled references to "Social Security" to trick senior citizens into parting with sensitive, personal information. By selling such deceptively gathered information, these direct mailers can generate millions of dollars in revenue.

For over sixty years, the words "Social Security" have held special meaning for elderly Americans. Social Security checks have lifted millions out of poverty, and have provided an important source of additional income for many others. So when mailings arrive with the official Social Security seal, or references to "Social Security," many seniors respond reflexively. After all, Social Security is their lifeline. They rely on their Social Security check to put food on their table, to put a roof over their head, or simply to pay their bills. Surely, if a communication is arriving from Social Security, it must be important.

Today, my testimony will focus on how unscrupulous individuals, companies, and organizations have exploited this special bond between the Social Security Administration (SSA) and its beneficiaries. These parasitic groups recognize the powerful nature of the words "Social Security," and they seek to include them in their direct mail promotions at all costs. They have one simple goal in mind—lining their own pockets at the expense of individuals on limited or fixed incomes. I will also detail the investigative and legal strategies our office has employed to fight such scams. Finally, I would like to recognize the work of this Subcommittee in providing a variety of novel remedies to fight such scams. I can attest to the fact that these legislative remedies work, having used virtually all of these tools during my tenure as Inspector General.

The Predators and Their Mailings

There are several common themes that pervade the ranks of misleading mailers. First, they recognize the power of the Social Security moniker. Their mailers boldly reference Social Security on the outside of the envelope, promising such things as a "2001 Social Security Update," a "Social Security Supplement Policy," or additional Social Security benefits. These "teasers" lure seniors into opening the mailing, often under the mistaken assumption that the mailing is somehow approved by, or affiliated with, the Social Security Administration.

Typically, the mailers seek to disguise their true corporate origin. They will frequently use fictitious names such as "Senior Services" or acronyms such as "USSS" to further the ruse. Additionally, many mailings use Washington, D.C. street addresses or post office boxes in an attempt to confer "official status" on their deceptive mailings.

By now, the confused senior simply succumbs and supplies the personal information allegedly requested by the Social Security Administration or some SSA-approved entity. This is a grave mistake. This information now falls into the unrestricted hands of these private operators. It is typically resold to insurance firms, mailing-list houses, and other companies pitching products to seniors. In the process, these predatory individuals, companies, and/or organizations can derive millions of dollars in revenue. Meanwhile, the senior has exposed himself or herself to potential identity theft, by parting with personal information such as date of birth, Social Security numbers (SSN), home telephone number, and home address. Our experience indicates that such organizations frequently treat such information as a commodity, rather than protecting its personal nature. Indeed, the irony is that if such information were provided directly to the Social Security Administration as intended, it would be protected under the Privacy Act. In reality, the senior has been tricked into providing their personal information to an organization dedicated to its unfettered sale and proliferation.

Typically, the victims of such scams are elderly individuals who enjoy a trusting relationship with the Social Security Administration. Such advertisements cleverly play to their desire for more Social Security-related information or additional Social Security benefits. Indeed, many victims never even realize that they have been tricked into parting with their personal information—they just assume that the Social Security Administration never responded to their request for information.

Investigative and Legal Strategies

Since my appointment as Inspector General in November 1999, I have made fighting these scams a top investigative priority and, as a result, we have conducted major senior scam investigations. Two, in this past year, have resulted in the imposition of large civil penalties and permanent injunctions against the companies involved, and a third caused us to issue a nationwide alert about hoax flyers. In addition, our office receives many inquiries and reviews allegations relating to political fundraising solicitations that reference Social Security. I would like to briefly discuss each of these topics in turn.

One of the most egregious scams perpetrated upon the elderly involves "lead card" mailings. Typically, this scam involves sending misleading solicitations to senior citizens nationwide. These solicitations trick seniors into thinking that such mailings originate from the Agency, or are approved or authorized by the Agency, in direct violation of the Social Security Act. In reality, the solicitations are nothing more than a come-on for the sale of private burial and other funeral related insurance.

Case One: The Lead Agency, Inc.

After receiving complaints about several companies engaged in this type of activity, we took immediate action in two landmark cases pursued under Section 1140 of the Social Security Act, the provision prohibiting the misleading use of Social Security words, symbols or emblems. On February 16, 2001, the United States Attorney's Office, Eastern District of Texas, settled a civil lawsuit filed in Federal court on behalf of our office against The Lead Agency, Inc. (The Lead Agency), a Texas Corporation. The Lead Agency was a private company that formerly sent direct mail solicitations to senior citizens that appeared to be from, or endorsed by, SSA. The direct mail solicitations offered to provide updated information on Social Security benefits, and used explicit terms like "2000 Benefits Update" to lure the seniors into completing the enclosed reply card. In response to these solicitations, senior citizens forwarded highly sensitive personal information to The Lead Agency. Unbeknownst to these seniors, The Lead Agency would then market this sensitive data to insurance companies and agents who would, in turn, solicit the seniors to purchase burial and other private insurance policies. The Lead Agency generated millions of dollars in revenue from the sale of this sensitive personal information.

On November 13, 2000, U.S. District Judge Paul Brown issued a temporary restraining order (TRO), which authorized a modified workplace search of The Lead Agency, froze substantial corporate funds, and ordered the company to cease mailing the misleading solicitations. Pursuant to the final settlement reached in this case, The Lead Agency agreed to a permanent injunction barring them from violating Section 1140 of the Social Security Act. The company also agreed to pay $595,000 in

civil monetary penalties to the Social Security Trust Fund. Additionally, the company agreed to formally dissolve its corporate charter.

Case Two: United States Senior Services, Inc., *et al.*

On April 12, 2001, Judge Brown entered a permanent injunction against a series of Texas businesses involved in a separate, but remarkably similar, scam. We learned that a corporate entity doing business as United States Senior Services, Inc. (U.S.S.S.), Acc-U-Lead, and Mass Mail Media had been sending misleading solicitations to senior citizens employing terms such as "Social Security Update" to create the false impression that the mailings were from, or endorsed by, SSA. Again, senior citizens were duped into sending sensitive personal information to a private company, which then sold the information to insurance companies and agents. After several unsuccessful attempts to bring the company into voluntary compliance, we, in conjunction with the U.S. Attorney's Office, Eastern District of Texas, secured a TRO that authorized an administrative search of the business premises, detention of the corporate mail, and the freezing of corporate assets. The TRO also prevented the company from sending further misleading solicitations. The defendants ultimately agreed to pay a $200,000 civil monetary penalty to the Social Security Trust Fund, and agreed to the entry of a permanent injunction, which prohibits future misleading mailings to senior citizens as they relate to Social Security.

Case Three: OIG Nationwide Alert—Hoax Flyers

As you are aware, we recently issued a nationwide alert to senior citizens urging them to exercise great caution when responding to solicitations promising additional Social Security payments. This alert followed a lengthy investigation, which confirmed that more than 29,000 elderly persons had been duped by hoax flyers promising $5,000 in additional Social Security benefit payments, an increase in monthly benefit amounts, and/or slave reparations from the Government. Recipients of the flyers provided their name, address, SSN, telephone number, and date of birth to a post office box listed on the flyers in hopes of receiving the funds. Many seniors were so thoroughly confused by the hoax flyers that they sent copies of identity documents, including Social Security cards, driver's licenses, birth certificates, and military papers along with the completed flyer.

Along with the Postal Inspection Service, we initiated an investigation after our Fraud Hotline received nearly 100 fraud allegations on the hoax flyers. A review of these flyers revealed that a post office box address maintained by the TREA Senior Citizens League (TSCL), a tax-exempt organization that states it advocates for legislative reforms on behalf of senior citizens, was listed on all of the flyers. Consequently, we contacted TSCL, and learned that TSCL had at that time received over 18,000 individual responses to the flyers. We became concerned when we learned that TSCL had directed its data processing contractor to enter all of the victims' personal information into a database. TSCL then sent recipients of the flyers a letter denying any responsibility for the hoax that included a solicitation for funds to support TSCL's campaigns. We requested that TSCL discontinue the keying of personal information into its database, however TSCL refused to comply with this request. Therefore, we issued subpoenas to TSCL and its database firm to obtain all of the original responses in an attempt to determine the person, individual, or entity responsible for the creation and dissemination of the hoax flyers. TSCL disavowed any involvement with the hoax flyers, maintaining that they must have been disseminated by a well-intentioned, albeit confused, supporter.

These hoax flyers appeared in churches, senior centers, nursing homes, magazines, newspapers, and local government offices nationwide. Because of the informal distribution channels employed, which included hand posting on cars and bulletin boards, we were unable to identify the source of the flyers. Although we were not able to link any individual or entity to the creation of the hoax flyers, the investigation served to highlight the vulnerability of senior citizens to exploitation by those who use inaccurate, misleading or false information to solicit money from them. Our alert advised seniors to contact SSA with questions regarding their benefits and to contact their representative in Congress with questions regarding pending legislation.

Fundraising/Lobbying

Perhaps the most challenging area of deceptive practices we have encountered with respect to mailings targeting the elderly are direct-mail fundraising solicitations. We recognize that there are nonprofit and charitable organizations that work for the benefit of the American public and it is not these groups that concern my office. The companies that we monitor are the exception—those who shield them-

selves with the First Amendment while using scare tactics and half-truths to solicit contributions from the population least likely to have such funds to spare.

Often, these organizations use the same misleading words and phrases prohibited by Section 1140 of the Social Security Act to entice seniors into opening the mail. Once opened, the senior citizen is faced with urgent and inflammatory notices such as those that describe how the Social Security Trust Fund is being raided by politicians or those that inform the beneficiary that he or she is not receiving the appropriate benefit amount. The Social Security beneficiary is led to believe that the only way to preserve the Social Security Trust Fund, or to receive the correct benefit amount, is to send a contribution to sustain the fight. Time after time, frightened that their future earned benefits are in jeopardy, recipients of the mailings send their money to these organizations to support the cause. After all, better to spend $5, $10, or even $15 now than to risk losing the check from Social Security that most depend on for their livelihood.

Frequently, my office receives inquiries from senior citizens regarding the legitimacy of various fundraising organizations that target seniors by focusing on Social Security issues. One senior wrote regarding a fundraising organization that she had been "making payments to for a long time" and, she reports, "[t]hey keep pressing for more." *See* Exhibit 1. The concerned senior speculated that "the news is not as serious as the company states it is" and asked my office to advise her of the company's status. Such inquiries demonstrate how, at times, it is difficult to distinguish legitimate fundraising solicitations from scams. Scam mailings are often designed to resemble the inflammatory, yet constitutionally protected, fundraising solicitations that senior citizens are bombarded with daily. Although the OIG has pursued cases against political fundraising organizations where Social Security words and emblems are misused, our hands are tied when it comes to regulating the content of these mailings. For this reason, earlier this month we issued an alert advising seniors to contact their elected officials directly regarding legislation that may affect their Social Security benefits, rather than sending money time after time to intermediary organizations.

Progress on Deceptive Mailings

On May 14, 1992, this Subcommittee and the Subcommittee on Oversight held a joint hearing to examine deceptive mailings and solicitations to senior citizens and other consumers. In addition to highlighting the magnitude and severity of the problem then, the two Subcommittees expressed concern that existing laws designed to address misleading solicitations targeting the elderly were not being enforced.

Our office has made deceptive Social Security look-a-like mailings a top investigative priority. Through the judicious use of Cease and Desist letters, we have brought dozens of individuals, companies, and organizations into voluntary compliance with Section 1140 of the Act. In situations where such groups have refused to comply, we have imposed substantial civil monetary penalties against these chronic violators. *See* Exhibit 2. We have also worked closely with the Department of Justice to seek TROs, preliminary injunctions, and permanent injunctions against chronic offenders who refuse to stop disseminating misleading mailings. In short, we have taken this Committee's request for more aggressive enforcement of Section 1140 extremely seriously.

The impact of our enforcement efforts is readily apparent. We have seen a steady decline, since 1996, in the number of new individuals, companies, and organizations engaging in such deceptive SSA-related mailings generally. We have also seen a steady decline in the number of consumer complaints filed with our office about all types of deceptive SSA-related mailings. That said, there is still a core group of deceptive mailers who are unrelenting. Unfortunately, they have chosen senior citizens as their preferred target group. At times, we have been forced to dispatch teams of investigators to determine which entity or individual is ultimately responsible for these misleading mailings to seniors. These entities go to great lengths to disguise their identities and to frustrate potential Federal or State law enforcement activities. As evidenced by the three cases I previously described, the problem of deceptive mailings aimed at senior citizens is far from eradicated. We will continue our aggressive enforcement efforts until all of these senior scams have been exposed and terminated. Social Security's good name is based on decades of trust and good will—I will never permit swindlers to destroy the faith that America's seniors have placed in the Social Security Administration.

I would like to thank this Committee for its continuing focus on this important problem. A lasting prevention campaign includes not only aggressive enforcement action, but also requires exposure of the problem accompanied by maximal public outreach. I am grateful for the enforcement tools that this Committee has provided

under Section 1140 of the Social Security Act. We have tested these tools, with significant success in many instances. I also look forward to discussing any additional tools that this Committee may have under consideration. Quite simply, we need a continuously changing investigative and legislative arsenal to keep pace with today's misleading mailers. Thank you for the opportunity to testify today, and I am available to answer any questions that you may have.

EXHIBIT 1

North platte, Ne. 69101-4353-
10/14/99

Office of Inspector General.

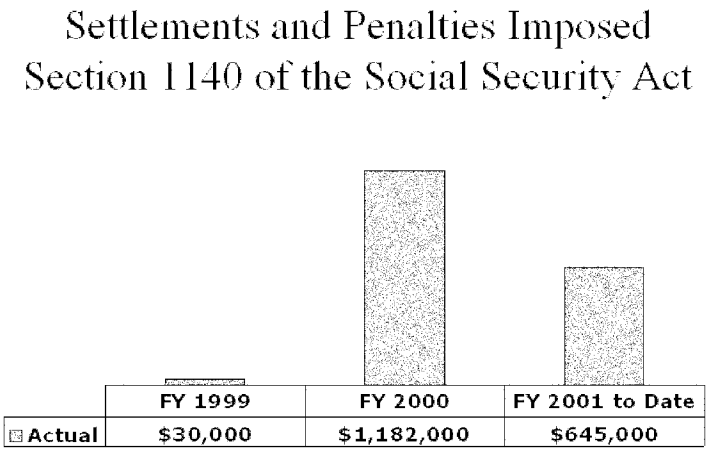
Im mailing your office, in regards to the mail, I've been making payments to for a long time, They keep pressing for more. And Im on a very low income. Im wondering if this address is O.K or Not?

I've had some fraud deals lately and will appreciate, if you can tell me that this Company is O.K. or Not.
Enclosed postage for same.

Sincerely,

P.S. I hear, that the Lottery is not as serious, as this Company states it is. you will probably know.

99 OCT 20 AM 10:03
SSA/OIG



Chairman SHAW. Thank you, Mr. Huse.

In your testimony you state that the seniors who respond to misleading mailings often provide personal identifying information, such as Social Security number, date of birth, address, and so forth.

Had this information been provided to the Social Security Administration, it would have been protected under the Privacy Act. But your experience indicates that these organizations treat this information as a commodity. This appears on page 4 of your testimony.

What have you learned about what happens to the information collected? Is it sold? To whom is it sold? What specific information is being sold? Once the information is sold, how is it used?

And I would like for you to also, in your answer, customize your answer to TREA organization, who will be with us later this afternoon, so they will have an opportunity to respond.

Mr. HUSE. Well, Mr. Chairman, speaking generally about how this information is used by the people who garner it, there is a commercial opportunity here. These databases and the information that are contained in them have value to companies that are interested in marketing products and services to seniors: insurance companies; medical service companies; in some instances, cemeteries and funeral directors; all people with an interest in providing goods and services to seniors.

But these are automatically, because they have been gathered together and they are already definitely a target audience, a quick step into the opportunity to do this.

They also have a big value to telemarketers, because if you are representing some of these products and services, here you have a target audience that has already been set up for you. So this is a big business.

Now, if you take all of this and you put it into the context of today's information age, you have another dimension, because in the hands of unscrupulous people, this information can be misused to create false identities. And ultimately, the original person providing their identifying data can easily become a victim. So those are concerns.

In the last case I discussed, TREA issue, at the point that these hoax flyers were responded to, and we know that there were 29,000 responses that we seized as a result of our investigative efforts, as a result of the issuance of our subpoena.

That information——

Chairman SHAW. You had to issue the subpoena to get that information. Is that correct?

Mr. HUSE. That is correct, Mr. Chairman.

Chairman SHAW. OK.

Mr. HUSE. We know that information was put into a database that TSCL had a contractor maintain for them. Now, what we don't know is what they did with that at all. They will have to answer as to what happened to that data.

At the point our investigation ended, we know that the data went to them, and they have some representations as to what they did with it. But we have no knowledge of what they did with it.

Chairman SHAW. As a nonprofit corporation, they have to file their income tax publicly?

Mr. HUSE. That is correct.

Chairman SHAW. They have to disclose that. But does that organization have subsidiaries that are not required to expose their income tax return to the public? Or affiliated companies?

Mr. HUSE. My sense is they do, but I just wanted to check with our investigative team.

Mr. Chairman, I am informed that they do not. The subsidiaries do not have to file under our tax laws.

Chairman SHAW. And they are for-profit?

Mr. HUSE. No. The subsidiaries are not-for-profit.

Chairman SHAW. They are not-for-profit but they don't have to file publicly. I am either misunderstanding your answer or don't understand where we are going with this.

Mr. HUSE. The big tent agency that they are all subsidiaries of has to make a public filing, but they do not.

Chairman SHAW. Well, do you know if they are a for-profit or not-for-profit organizations?

Mr. HUSE. They purport to be——

Chairman SHAW. What determines that the lead organization has to file its income tax publicly?

Mr. HUSE. I am not competent to answer that question, because I am not a tax expert.

Chairman SHAW. We can explore that.

Mr. HUSE. But we do know that TREA is a nonprofit agency under the tax law and makes a filing. TSCL also purports to be nonprofit, or says its nonprofit, but they don't file, to our knowledge.

Chairman SHAW. We can certainly find out about that, with that distinction. I think it is important to note here also that TREA is a Federally chartered corporation.

Mr. HUSE. That is correct. TREA stands for The Retired Enlisted Association.

Chairman SHAW. How did the "T" get on there?

Mr. HUSE. The "T" stands for "The." They just took the phrase "The Retired Enlisted Association" and made an acronym out of it.

Chairman SHAW. It sounds like an abbreviation for "Treasury," doesn't it?

Mr. HUSE. It does. It is very close to that.

Chairman SHAW. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Mr. Huse, let me just understand this. TREA is a Federally sponsored organization. Is that correct?

Mr. HUSE. It has a congressional charter to conduct its activities.

Mr. MATSUI. Exactly. But the senior citizen council, TREA Senior Citizens League, is separate. Is that correct?

Mr. HUSE. It is a sub-function or an entity that derived from TREA, but it is a separate entity.

Mr. MATSUI. Right. So there are two separate entities that one is, not a subsidiary, but one is a member of TREA, right? The senior citizen council? Is that correct?

Mr. HUSE. Right, TREA has the Senior Citizens League as part of its array of its——

Mr. MATSUI. Because TREA has other organizations as part of it. Is that correct?

Mr. HUSE. Correct.

Mr. MATSUI. OK. So we are really talking about the senior citizen council here, in terms of——

Mr. HUSE. Exactly.

Mr. MATSUI. Activities that you did your investigation on.

Mr. HUSE. The Senior Citizens League was the focus of our investigative efforts.

Mr. MATSUI. Yes. And not TREA?

Mr. HUSE. Correct.

Mr. MATSUI. OK. And TREA has very little to do with this. And when you mention that this is a congressionally sponsored organization, you have set that aside, right, because that is not the subject——

Mr. HUSE. Only in the sense or the context that it is the parent organization.

Mr. MATSUI. Exactly. But I want to make sure, so that people understand that TREA is not involved in the discussions we are having about possibly fraudulent documents being sent out to senior citizens.

Mr. HUSE. Right.

Mr. MATSUI. OK.

Mr. HUSE. Correct, sir.

Mr. MATSUI. It is the Senior Citizens League or TREA Senior Citizens League—is that correct—that we are talking about?

Mr. HUSE. The Senior Citizens League belongs to TREA.

Mr. MATSUI. I understand that. But it is a separate entity.

Mr. HUSE. And is a separate entity.

Mr. MATSUI. And Mr. George Smith is a current executive director of the organization.

Mr. HUSE. Right. Correct.

Mr. MATSUI. Now, let me ask you, how many people did you—I want to just set the record straight—how many people did you have from the inspector general's office actually on the investigation on this issue?

And then second, how many hours do you estimate you spent on this issue?

Mr. HUSE. This will be an estimate——

Mr. MATSUI. Sure.

Mr. HUSE. Because I didn't really——

Mr. MATSUI. No, no. I understand that.

Mr. HUSE. I would say probably a dozen or more individuals worked on this, attorneys and investigators, over the period of almost 1 year.

Mr. MATSUI. But your activities are not to find criminal fraud. Your activities are to try to uncover perhaps fraudulent activities and misleading information sent to senior citizens in this particular situation. Is that correct?

Mr. HUSE. Initially, our investigation began with complaints to our hotline. And you are correct, we began to look at the nature of those complaints.

Mr. MATSUI. Exactly.

Mr. HUSE. But the investigation—and we have the power to take that onto the focus of the United States Criminal Code—we looked at the possibility of criminal fraud. And our investigation came to a point where we had exhausted all leads, and then we closed it.

Mr. MATSUI. Mainly because everybody denied complicity of this, like no one could really say who was the one who originated this idea and made it happen.

Mr. HUSE. That is true. But we also employed all of the array of investigative techniques that we would normally employ, to include forensic examination in laboratories of the flyers to see if there were any leads that could be garnered by forensic sciences as to the origin. But we came up empty on that——

Mr. MATSUI. But you don't have the tools of subpoenaing somebody before a grand jury, so that they would have to testify under oath, or those kinds of tools that law enforcement agencies have. Is that correct?

Mr. HUSE. Well, actually, we do.

Mr. MATSUI. Oh, you do.

Mr. HUSE. If we had got to—and as you understand, we would have to come to some threshold where we would bring that to——

Mr. MATSUI. Have you reached that threshold in this situation?

Mr. HUSE. Well, no. And I don't think anyone ever will.

We worked with the Department of Justice as we went through this. We had an assistant United States attorney working with us as we conducted this investigation always looking for that, because that would be a focus, if we got there.

Mr. MATSUI. Then you are the focus of part of my attention today, then.

Mr. HUSE. OK, that is fine.

Mr. MATSUI. I am going to run out of time, but we have Mr. Smith, we have Michael Zabko, we have Maurice "Chip" Heartfield, who has stress problems now, so he will not appear, Christy Turner.

I understand Maurice "Chip" Heartfield, the president of Squire & Heartfield Direct—that is a direct mail firm, right? Is that right?

Mr. HUSE. I apologize. Could you ask that part——

Mr. MATSUI. Well, we have Maurice "Chip" Heartfield, president of Squire & Heartfield Direct. That is a direct mail firm, and Mr. Heartfield is the president of that firm. Is that correct?

Mr. HUSE. They are a marketing firm.

Mr. MATSUI. Marketing firm.

Mr. HUSE. And it is correct.

Mr. MATSUI. They are the ones that sent the mail out.

Mr. HUSE. Right. Correct.

Mr. MATSUI. I don't know whether this is the subject of an open hearing; I have to be somewhat careful.

But Mr. Heartfield must have talked to somebody at the Senior Citizens League about sending this material out. And do you know who that person he may have talked to, to get permission to send this material out, this slave reparations flyers and also the notch flyer?

Mr. HUSE. They deny any involvement with flyers whatsoever.

Mr. MATSUI. Well, is there some employee that you talked to at Squire & Heartfield that could say, "Yes, I sent it out"? I mean, there would have to be a pyramid here.

Mr. HUSE. And those interviews were conducted. But in all cases, and we exhausted every possible lead with all of the entities involved, there was a total disavowal. I know where——

Mr. MATSUI. Yes, you know where I am going.

Mr. HUSE. I do.

Mr. MATSUI. I mean, I can't understand it. I mean, you have a room full of people and everyone denies—they admit they sent it out, but no one can say, "Yes, this is the person who authorized me to send it out"?

Mr. HUSE. They say that no one authorized the——

Mr. MATSUI. See, this seems to me where you should take somebody to a grand jury and have them say this under oath. I mean, there has to be something in here that—I mean, you can't have this happen.

And I am not putting it on you.

Mr. HUSE. No, no.

Mr. MATSUI. I am just saying that this is not the way——

Mr. HUSE. But there was a decision made, during the course of the investigation, that if in the judgment of the Justice Department they wanted to take it to a grand jury, they could have, based on the evidence we had.

But I don't think that threshold, in their minds, was present.

Mr. MATSUI. OK. I don't want to get involved in a criminal investigation. That is almost improper. On the other hand——

Mr. HUSE. But just as long as you are clear that we conducted this from both contexts: a criminal investigation and a civil investigation. We were looking to have it go wherever it went from the leads we——

Mr. MATSUI. I am not too sure of that. I mean, that is where my problem is. And I don't know where your threshold is, and maybe we need to have a private conversation. I don't mean to say "private." I mean a conversation, just not in a public——

Mr. HUSE. I understand.

Mr. MATSUI. Because I don't want to do any damage to individuals that should not be damaged.

Mr. HUSE. Correct.

Mr. MATSUI. And I am sorry. I know my time has run out.

But somehow, you know, you can't have 50 people or 20 people all deny complicity, when their own office sent it out, and not be able to find out how the senior citizen council instructed somebody at this marketing firm to send out this information that was false and fraudulent. I don't know how we cannot find that out.

I mean, a lot of folks are going to get away with criminal activity.

Mr. HUSE. They never admitted that they sent anything out. That was our problem. I am being careful, too.

Mr. MATSUI. All right, I understand. But you know it came from their office, though?

Mr. HUSE. We know that the hoax flyers contained their address for the responses by anyone who chose to respond to those flyers. And those are over as one of the exhibits over there. Their address is on the bottom.

[The exhibits follow:]

SOCIAL SECURITY SUPPLEMENT POLICY

DEAR

WE ARE PROUD TO ANNOUNCE A SENIOR FINAL EXPENSE PROGRAM TO HELP PAY WHAT SOCIAL SECURITY DOES NOT PAY FOR YOUR FINAL EXPENSE. AT THE PRESENT SOCIAL SECURITY ONLY PAYS $255. THIS SENIOR PLAN WILL PAY 100 PERCENT OF ALL FUNERAL EXPENSES NOT PAID BY SOCIAL SECURITY, UP TO $25,000 FOR EACH SENIOR CITIZEN COVERED. IT IS YOUR LEGAL RIGHT AS A UNITED STATES TAXPAYER TO RECEIVE ALL THE INFORMATION AVAILABLE TO YOU. YOU MUST COMPLETE AND RETURN THIS REQUEST FORM WITHIN 3 DAYS.

BENEFIT REQUESTED

$2,500 ☐ $5,000 ☐ $10,000 ☐ $25,000 ☐

SIGNATURE

AGE SPOUSE'S

(AGE) PHONE

BEST TIME TO CALL

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO 3721 DALLAS TEXAS

POSTAGE WILL BE PAID BY ADDRESSEE

NATIONAL DATA RESEARCH CENTER

PO BOX 516039

DALLAS TX 75251 9931

ATTENTION
SENIOR CITIZENS

If you are a "notch baby", meaning you were born in the U.S. between 1911 and 1926, this news is for you. You may be entitled to receive $5,000 due to inequities in your Social Security payments. There is a measure attempting to be passed, but you must be registered in order to receive it. See the following article:

> Some 11 million Americans born from 1917 to 1926 will receive higher Social Security benefits under a bill proposed in the Senate.
>
> The bill would give the "notch babies" the option of receiving higher monthly payments for 5 years or a $5,000 settlement spread over 4 years. These Americans have been receiving a lower Social Security amount than others.
>
> Social Security will not contact "notch babies", so they should write to: National Victim Register
> TREA Senior Citizens League
> P.O. Box 96472
> Washington, DC 20090-6472

TREA is a senior citizen's organization. You will need to provide the following in order to register: name, address, telephone number, social security number.

Name: _____

Address: _____ CHICAGO, IL 60

Phone#: _____

Social Security #: _____ _____ _____

see attached

31JUL00

BORN PRIOR TO THE YEAR OF 1928 AND OF THE BLACK ETHNIC RACE?

DO YOU KNOW ANYONE WHO WAS BORN UP UNTIL 1927? DID YOU KNOW THAT THE GOVERNMENT IS REFUNDING MONIES TO ANYONE ALIVE THAT WAS BORN UP UNTIL THE YEAR OF 1927 DUE TO THE SLAVE REPARATION ACT? FOR MORE INFORMATION CONTACT:

NATIONAL VICTIM'S REGISTRAR
T.R.E.A. SENIOR SYSTEMS LEAGUE
PO BOX 96472
WASHINGTON, DC 20090-6472

PROVIDE THEM WITH THE FOLLOWING INFO AND AN APPLICATION WILL BE MAILED TO YOU FOR THE ISSUANCE OF A $5000.00 CHECK WHICH CAN BE EITHER ATTACHED TO YOUR SOCIAL SECURITY CHECK OR ISSUED IN ONE LUMP SUM:

NAME
ADDRESS BILOXI,MS 39532-3608
PHONE #
SOCIAL SECURITY #
DATE OF BIRTH June 7, 1918

May 26, 2000

NRTA Senior Citizens League
P.O. Box 96472
Washington, DC 20090-6472

SSN
SSN

Dear Sir,
My husband is in the terminal stages of prostrate cancer and was diagnosed Thursday, I am registering the both of us for the Social Security benefits under a bill proposed in the Senate, "notch babies".
Thank you,
Mrs.

Aug. 31 - 2000

Marianna Ark. 72360

National Victims Registrar
T.R.E.A Senior Citizens League
P.O. Box 96472
Washington, D.C 20090 6472

To Whom it May Concern
I im happy to get this address for I wanted to write Concerning.
My Problem I have a husband that has Alz. Blind + April his left leg was amputated yesterday his Price formed was $313.74 Please Call Fredd at
Name is. Born Nov. 2 1912
S S no 4,
my Name is Born Apr. 2 - 1914
S.S no.
We need assistance bad Thank in advance
Mr + Mrs
243
Marianna Ark, 72360

Mr. MATSUI. And let me just—29,000 people apparently sent——

Mr. HUSE. They took advantage of those flyers——

Mr. MATSUI. Right.

Mr. HUSE. And sent them to these people.

Mr. MATSUI. And then sent it to the Senior Citizens League.

Mr. HUSE. Correct.

Mr. MATSUI. And the Senior Citizens League then put it in their computers and then made direct solicitation of these people for additional money.

Mr. HUSE. Right.

Mr. MATSUI. And then some people then sent money back to the——

Mr. HUSE. In the process of the direct solicitation, though, in the literature that went back to all of the people who filled those flyers out, they called those flyers a hoax.

And this brings us to this huge gray area we have here, in terms of these kinds of activities, because they are complex and troubling.

Mr. MATSUI. Thank you. My time has run out. And I appreciate this, but we may need to further inquire here.

Mr. HUSE. Yes, sir.

Mr. MATSUI. Thank you.

Chairman SHAW. Mr. Lewis.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Huse, we don't know who sent the flyers out, but we know that when the flyers were returned with the funds, those flyers were used, put into the database.

Can they be held responsible for using those flyers in that way? If they are not the ones who sent them out, mailed them out, placed them around the different communities, can they be held responsible for using them?

Mr. HUSE. Not under the existing law. And that is a good question, but no.

Mr. LEWIS. What happened to the information in the database? How was that used?

Mr. HUSE. With specific focus on TSCL, the Senior Citizens League, we don't know what they did with their database information. For a fact, we don't know.

They have made some representations that they stopped that activity, but that is a question to put to them. We don't know.

At the point we closed our investigation, we don't know the disposition of that database.

Mr. LEWIS. Can you theorize what type of supporter it would have been that took these flyers and disseminated them? Who were these——

Mr. HUSE. Who were the people that answered, the 29,000 people?

Mr. LEWIS. No; who handed the flyers out, that placed them in the different communities.

Mr. HUSE. Well, we found that these flyers were distributed nationwide, so they had a wide broadcast on these. But we never found any person that we were able to talk to.

And these were the kinds of flyers that when you come out of church on Sunday would be on your windshield or perhaps in the back of a senior citizens center. They just appeared there.

And some of the dissemination or broadcast of these was accidental, where people thought, "Hey, this a $5,000 benefit coming to me. I had better let Mabel know down the street." Like all Xerox copies, we don't know which generation Xerox copy we have.

But nevertheless, somewhere they began. And every single one of them contained the information block on the bottom, where to send your name if you wanted to be included on these registries that were purported to be established for obtaining either the notch benefit on the one hand or the slave reparation benefit on the other.

I hope that was responsive.

Mr. LEWIS. It is just——

Mr. HUSE. I know. There is a gap.

Mr. LEWIS. Right.

Mr. HUSE. And there is a credibility gap there.

Mr. LEWIS. Yes.

Mr. HUSE. I admit that. I found it difficult trying to deal with that myself.

Mr. LEWIS. Thousands of these flyers are out there, and the gap between TSCL and those who disseminated those flyers, it seems like we could nail that down. Thank you.

Chairman SHAW. Mr. Becerra.

Excuse me. I have been corrected. Mr. Doggett was here when we started. Mr. Doggett.

Mr. DOGGETT. Thank you very much, Mr. Chairman.

If I understand correctly, all of the fraud that was committed here was done exclusively in the name of TREA Senior Citizens League. Is that correct?

Mr. HUSE. Again, they——

Mr. DOGGETT. It was done in their name.

Mr. HUSE. It was done in their name.

Mr. DOGGETT. They do not claim responsibility, but it was all done——

Mr. HUSE. It was done in their name.

Mr. DOGGETT. Under their name.

Mr. HUSE. Although they claim they committed no fraud.

Mr. DOGGETT. All right. TREA Senior Citizens League claims that no fraud was committed by anyone here?

Mr. HUSE. They recognize that the flyers were a hoax, so there was a fraud committed, but it is not their fault.

Mr. DOGGETT. They don't deny that there was fraud. They don't deny that the fraud was committed exclusively in their name. But they do deny they were responsible for this fraud. Is that a fair summary?

Mr. HUSE. It is a fair summary, and I would say very well-put.

Mr. DOGGETT. And is it also correct that TREA Senior Citizens League, based on your investigation, benefited financially from the fraud that they admit was committed here?

Mr. HUSE. Yes; they did. Correct.

Mr. DOGGETT. And I believe you have testified in your written testimony unequivocally to that effect, and Ms. Lorna Daniels, who we will hear from momentarily, has also testified in her written testimony that she was one of the victims who forwarded money to them. Is that correct?

Mr. HUSE. That is correct.

Mr. DOGGETT. But for some reason, Mr. George Smith, the executive director of TREA Senior Citizens League, has denied that they benefited financially in his written testimony. Is that also correct?

Mr. HUSE. I haven't seen his written testimony, sir.

Mr. DOGGETT. Well, I guess we will hear from him shortly. But that is how I read page 8 of his testimony.

As far as the relationship between TREA and TREA Senior Citizens League, I believe that TREA benefits financially from the activities of TREA Senior Citizens League. Is that correct?

Mr. HUSE. I don't know that for a fact. I would assume that because of their relationship.

Mr. DOGGETT. Well, if you could comment further on their relationship, do they have any common board members, employees or officers?

Mr. HUSE. Yes.

Mr. DOGGETT. Would you describe those for me? Let's begin with board members.

Mr. HUSE. We don't have that with us right now. We can respond to that later. Or if you could——

Mr. DOGGETT. Well, does article 20 of TREA Senior Citizens League proscribe some commonality between the two?

Mr. HUSE. Our understanding is that TSCL, the Senior Citizens League, pays a fee to TREA to allow its connection with them. Whether there are common board members, I don't know that.

Mr. DOGGETT. Well, as I read section 2 of article 20: "Control and management of TREA Senior Citizens League shall be vested in the board of trustees consisting of at least seven members elected or appointed by TREA's national board of directors. That would suggest to me that they are a wholly owned subsidiary of TREA."

Mr. HUSE. Based on our analysis, the position of treasurer may be common to both of the boards, but that is——

Mr. DOGGETT. Well, it does also say that TREA treasurer may be appointed treasurer of TSCL. But isn't it correct that under article 20 of TREA Senior Citizens League that seven of their members are elected or appointed by TREA national board of directors?

Mr. HUSE. That is correct.

Mr. DOGGETT. Well, then don't the two seem to be one and the same. I mean, they may have established a separate legal entity, just like some private corporation may have a wholly owned subsidiary, but I don't see the distinction in reality between the two.

Mr. HUSE. Neither do I. But that is, that particular——

Mr. DOGGETT. We have a congressionally chartered entity that has a wholly owned subsidiary that admits there was fraud here, admits it was done exclusively in its own name, does not admit, though your investigation concluded that they benefited financially from the fraud, and this is a charter that was issued by the Congress to this organization that is described as having been involved here.

Mr. HUSE. These may be distinctions without a difference.

Mr. DOGGETT. Distinctions without any real meaning.

Mr. HUSE. But they are distinctions that are allowable under the law. And they make it extremely difficult, in the context of this kind of an investigation, especially where you are brushing up

against what are really very possible First amendment activities, in terms of representing citizens' rights and so forth.

So we are rather circumspect. But there is no better statement of what you have here for a relationship than the one you made.

Mr. DOGGETT. Just in conclusion, Mr. Chairman, as a former judge, you won't find a more vigorous defender of the First amendment, but I don't think this has anything to do with the First amendment. I think is has to do with defrauding seniors.

Mr. HUSE. I meant from——

Mr. DOGGETT. I understand that is the argument that you have heard.

Mr. HUSE. The difference we have to have as a criminal investigative function——

Mr. DOGGETT. Of course.

Mr. HUSE. Looking at these activities, you need to be very careful how you couch——

Mr. DOGGETT. From your activities, is there any legislation or any changes in our laws in any way that you believe would be helpful in preventing the defrauding of seniors like this in the future?

Mr. HUSE. Well, we have some tools that come from the Social Security Independence Act that have helped us get to this point. Those tools, in the civil money penalty area, need to be strengthened. And some of those are proposed, I believe, in our legislative requests to the Committee.

Mr. DOGGETT. Thank you, Mr. Chairman. Thank you.

Chairman SHAW. Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman. Thank you, as well, for holding this important hearing.

And we have a number of people and organizations here to testify today. I think it is important that we not paint all of the organizations with the same broad brush.

But specifically, for TREA Senior Citizens League, just so I understand this in real life, their address mysteriously appeared on two separate senior-targeted flyers.

Mr. HUSE. Correct, sir.

Mr. BRADY. And their response was not simply to warn those seniors that this was a hoax. Their response was to warn them and to solicit them for money. Is that correct?

Mr. HUSE. That is correct.

Mr. BRADY. So they didn't simply warn the seniors. They said let's see if we can make some money off this. And so there is apparently a difference between a fraud that hurts you and a fraud that makes you some moolah? Is that correct?

[Laughter.]

And in effect, claiming to be good Samaritans, they simply ran up to the mugging victim and offered to sell them a new purse.

[Laughter.]

Is that sort of what happened here?

Mr. HUSE. It is what happened. But we have to be careful about establishing what the financial benefit was, because we don't know.

Their claim is there was a very minimal financial benefit. But at the point our investigation ended—and it ended because we had exhausted all remedies we had at that time.

Mr. BRADY. Sure.

Mr. HUSE. Now, we didn't go beyond that and get into the actual finances to establish whether it was minimal or great.

Mr. BRADY. Sure.

Mr. HUSE. We don't know.

Mr. BRADY. Well, we are going to get a chance to hear from them today. Thank you for your work.

I guess what bothers me the most is we have a congressionally chartered rip-off of our seniors.

And I hope, Mr. Chairman, that this Committee takes a hard look at this congressional charter, to see if it, in fact, stands up to how it was originally granted. Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. Brady.

Congressional charters are no longer issued. And it was problems arising out of instances like this that was the reason that Congress quit doing it.

But I think probably the Judiciary Committee should really have a hearing and look very carefully into all federally granted charters to see how they are being used. Some of them are being used very well, and then others you would be a little bit concerned about, because it is almost like a seal of approval of some sort. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman.

And thank you for bringing this to the public's attention, not just the Members of Congress.

And to Mr. Huse, thank you very much for the investigation. And hopefully we can continue to pursue this, because we are certainly not done.

Let me ask a question with regard to the number of responses that were received as a result of these flyers: 29,000 responses were received by the Senior Citizens League.

Mr. HUSE. That is correct.

Mr. BECERRA. I don't know if you have any sense of many responses you usually receive to these types of solicitations, but the response rate is certainly less than 50 percent. It is usually a fraction of what is sent out.

Mr. HUSE. Right.

Mr. BECERRA. So if 29,000 responses were received, there must have been 10 times, perhaps even more, of these flyers sent out throughout the nation.

How likely is it that a hoax like this, where 29,000 responses were received—not sent, but received, so obviously more were sent—how likely is it that a hoax like this could have been independently conducted by a number of different, unrelated players?

Mr. HUSE. We both know it flies in the fact of reason to think that something was nationwide broadcast and distribution of these flyers without some kind of organizational effort being involved.

Mr. BECERRA. It likely is, then, that this was a concerted, orchestrated effort by a particular entity.

Mr. HUSE. Correct.

Mr. BECERRA. You report that you could not determine the actual source of the flyer.

Mr. HUSE. That is correct.

Mr. BECERRA. And you also report the Senior Citizens League, TREA Senior Citizens League, maintains that this was probably the action of a well-intentioned supporter.

Mr. HUSE. Correct.

Mr. BECERRA. Did the Senior Citizens League ever give you any reason to believe that there was some well-intentioned supporter that may have done this? Did they explain what they meant by that?

Mr. HUSE. They meant that it was an accident, that someone who hewed closely to their efforts got off on some kind of a distracted activity and promulgated this hoax.

Mr. BECERRA. Are they speculating or are they saying that they knew this to be the case, that some well-intentioned supporter——

Mr. HUSE. It was couched in the form of speculation. No one ever produced a name or a person that might have been responsible.

Mr. BECERRA. And so this would have to have been, if the explanation that the Senior Citizens League gave were to be considered reliable, we would have to assume that there was some well-intentioned supporter who was willing to send out tens of thousands of these flyers throughout the nation.

Mr. HUSE. All exactly the same.

Mr. BECERRA. That is a very well-intentioned supporter who probably could support the entire activities of the Senior Citizens League without having to go out there to solicit money from fixed-income seniors.

Let me ask another question. TREA Senior Citizens League indicates in some press statements that it sent out that it made efforts to try to help the Social Security Administration, your agency, and the U.S. Postal Inspection Service in trying to determine who did this, to help in the investigation.

They posted advisories on their Web site, claiming that they had reported the scam to the SSA and that they were working with you and the U.S. Postal Inspection Service to identify the origins of the flyer.

Did they do as they indicated? Did they go out there and cooperate with you to try to make this possible?

Mr. HUSE. I don't doubt that they posted something on their Web site, although I never looked at the Web site to see what it was.

I wouldn't count the relationship during the course of this investigation with them as helpful to the course of our investigation. They opposed our subpoena process at every opportunity.

Mr. BECERRA. So let me make sure about something. They say that they were trying to help. When you requested documents, first you probably did so informally without any legal document or subpoena.

Mr. HUSE. Correct.

Mr. BECERRA. Did they help?

Mr. HUSE. No.

Mr. BECERRA. And even when you did say, "Well, if you are not going to give it to me informally, as a friendly matter, now we are going to issue subpoenas," did they help and provide the documents you requested as a result of the first subpoenas?

Mr. HUSE. As was their right, they attempted to quash the subpoena.

Mr. BECERRA. Quash meaning to stop enforcement of the subpoena.

Mr. HUSE. That is correct.

Mr. BECERRA. And did you have to go to Federal court to actually enforce some of these subpoenas?

Mr. HUSE. Yes. Yes, we did.

Mr. BECERRA. So you had to go to Federal district court to get the Senior Citizens League to fulfill the requirements of the subpoenas you issued upon them, even though on the Web site they indicate that they were working hand in hand with the Social Security Administration and the U.S. Postal Inspection Service to try and get this thing resolved.

Mr. HUSE. The subpoenas that were contested in court were the subpoenas we issued to their database company and their marketing company. TREA subpoena was not opposed.

Mr. BECERRA. I see.

Mr. HUSE. I am being very specific.

Mr. BECERRA. I understand. Mr. Chairman, one last question, if I may.

Because you have turned to the marketing, and as you already indicated in some other responses, TREA and TREA Senior Citizens League, which now has been clarified as pretty much being one and the same, have indicated that they had nothing to do with that solicitation.

Mr. HUSE. Correct.

Mr. BECERRA. Yet when that information from the 29,000 people who responded came in, private information, very personal information, they started recording it in their database.

Mr. HUSE. Correct.

Mr. BECERRA. And at the same time that they were issuing responses to these 29,000 people that responded, saying, "We have nothing to do with that initial mailer," they were also including solicitations themselves, saying, "Please contribute to our activities to help you."

Mr. HUSE. Right. Correct.

Mr. BECERRA. So while they claim that they did not have any responsibility for the initial fraudulent mailer, they took advantage of the 29,000 people who did respond, to try to now solicit them in a more legitimate fashion.

Mr. HUSE. Correct.

Mr. BECERRA. All right, thank you very much.

Mr. HUSE. It was a windfall promotion.

Mr. BECERRA. Perhaps, Mr. Chairman, the best thing that is going to come out of this hearing, because I don't think we are going to resolve everything here, is a statement, a notice, a warning, to seniors: Buyer beware. This goes on all the time.

Mr. HUSE. Which is what led us to the point of issuing the national press release on the hoax portion, even though we were disappointed with the results of our investigation.

Mr. BECERRA. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman. Thank you for holding this very, very important hearing.

Mr. Huse, I would like to ask you, just to try and get a big picture here, we already established through prior questions that 29,000 people responded to the hoax flyers, correct?

Mr. HUSE. Correct.

Mr. RYAN. They put the data in the database, sent back a mailing saying, "We reject these hoax flyers," and then they put a solicitation in there, correct?

Mr. HUSE. Correct.

Mr. RYAN. Have you established whether they have sold that database, sold those mailing lists or not?

Mr. HUSE. We have not established that. And the information, we understand, is they say they have not.

Mr. RYAN. They say they have not.

Now, I think a townhall meeting doesn't go by were probably any of us have these townhall meeting where a senior citizen born between 1917 and 1926, the notch years, comes up to us and says, they get this mailing, they are sending $10, $15, $20 a month sometimes to this group that promises to restore their benefits.

My colleague, Congressman Kleczka, has provided the Committee with an example of these documents that seems like what they do is, they send us a postcard, a postcard that probably costs a bulk mail stamp rate of about 14 cents, saying, "Please support efforts to restore the notch," and that is about all of the lobbying they. I have never once met somebody up here on Capitol Hill, and we are on the Social Security Subcommittee, lobbying on behalf of this organization to "fix the notch."

So it seems as if they are making these solicitations, asking for $5, $8, $10, $15; they send us only a postcard; and pocket the rest of the money and sell these mailing lists. Is that essentially what you have seen from the organization?

Mr. HUSE. That is correct. I have an aunt that does the same thing, that is a notch baby, and who falls into the category of people who respond to these and has interest in it.

Mr. RYAN. Right. And so the goal of a direct mail operation is to grow and expand the list as much as possible, correct?

And it has become, I think you mentioned in your opening statement, a commodity that good mailing lists are a commodity because they have respondents that will pony up.

Mr. HUSE. I would say, in today's age, especially with the kind information technology we have, somebody could tell you how to price a database like this, but I am sure it has great commercial value.

We know that as a result of notch activities, TSCL has made $35 million in the last 3 years almost exclusively on notch issue solicitation.

Mr. RYAN. On its notch mailings?

Mr. HUSE. That is correct.

Mr. RYAN. Thirty-five million dollars?

Mr. HUSE. That is right. That is in their tax statements.

Mr. RYAN. Have you analyzed what kind of efforts they do to promote passage of notch legislation here on Capitol Hill?

The question I am asking is, they bring in $35 million. All we ever see is a little postcard that probably cost them 14 cents in bulk stamps. It is a tiny, little post card. And that is the extent that I and any other Member of Congress I have ever spoken to about this has seen of their efforts to promote notch legislation. $35 million—where is the rest of that money going?

Mr. HUSE. We did not investigate that. And I would take that charge on if you assign it to me, but that is not one that I took in this instance.

Mr. RYAN. I think that is something that we will definitely be looking into.

Going on, back to the flyers and the dissemination of the flyers, they are claiming that it was a misinformed, confused, well-intentioned volunteer, acting on their own volition to put out these flyers and to have the mail go back to their post office box. Correct?

Mr. HUSE. Correct.

Mr. RYAN. And this was disseminated across the country?

Mr. HUSE. It appeared all over the United States.

Mr. RYAN. A lot of times, when you are organizing such a very organized dissemination of some kind of thing like this, oftentimes groups will hire temporary workers. They will go to Manpower or some local temporary agency and hire temps to disseminate these flyers. Have you, in your investigation, notified or found evidence of any temps being hired to disseminate these flyers?

Mr. HUSE. We looked for that type of lead, and we were not able to find anyone responsible.

Mr. RYAN. Have you questioned anybody who has handed out these flyers?

Mr. HUSE. Yes, we have.

Mr. RYAN. And what did they say? Where did they get their instructions?

Mr. HUSE. Well, unfortunately, the people we were able to find were people who got generations of the flyers——

Mr. RYAN. OK, so they——

Mr. HUSE. And they weren't sure. They were just spreading the word, because the $5,000 benefit was too good not to want to get on this registry of potential recipients.

Mr. RYAN. And your investigation is still open and you are still looking for the source of dissemination. Who is that well-intentioned, confused volunteer?

Mr. HUSE. Our investigation was closed at the point we issued the national alert, but I am beginning to think I had better reopen it.

Mr. RYAN. I think so.

Mr. HUSE. I mean, we could reopen it.

Mr. RYAN. I think it is important. And, you know, I have been doing this ever since I got in Congress, telling people: Don't send these groups your money. They are not looking at your best interests.

Senior citizens are literally—I hear this all the time—are sending $15 a month to this group because they think that is going to get their notch benefit.

And actually, the flyer that my colleague from Wisconsin gave us says right here, you check in a box: Compensation preference, check one. Would you like a $5,000 award in four annual payments of $1,250 or a monthly increase in your Social Security benefits?

It is as if this going to come if you just send us some more money, and we will get your notch benefits restored.

I would like to know, and if you could take a look at analyzing the level of their lobbying on Capitol Hill, and their express advo-

cacy on behalf of passage of this legislation. The Social Security Administration determines and Congress determines how these benefits get sent out, if they are ever given out.

It is legal to send this kind of a mailing out, isn't it?

Mr. HUSE. Correct.

Mr. RYAN. It is. It is legal. It may not be ethical, but it is legal.

Mr. HUSE. It is legal.

Chairman SHAW. Which mailing are we talking about, Mr. Ryan?

Mr. HUSE. It is not legal to send out a hoax, but it is legal to solicit direct mail——

Chairman SHAW. Will the gentleman yield?

Mr. RYAN. Yes, I will yield.

Chairman SHAW. If the gentleman would yield for a minute, these flyers that we have looked at, talking about the slave reparations act and these sort of things——

Mr. HUSE. That is a hoax. That is clearly illegal.

Chairman SHAW. You find out who did that, that is criminal activity.

Mr. HUSE. That is criminal activity. And if we found a person responsible for promulgating that activity, we would charge them under the United States Code.

Mr. RYAN. But there are also legal mailings that this group is putting out, sending to seniors, acting for direct mail solicitations, something like the solicitation that was included in the response to the hoax list that may not be illegal but is unethical, where they raised purportedly $35 million from.

It is important, I think, to look at the whole, big picture here. And it seems like an effort is under way to just grow and grow and grow a mailing list, sell the mailing list, and also reap more money off of the direct mail solicitations.

Mr. HUSE. Mr. Chairman, if it is the Committee's charge on any of these issues, we will certainly follow up on any of the matters that are still open, and I go back to some of the other, earlier questioning. But you can count on that.

Mr. RYAN. I see my time has expired. Thank you.

Chairman SHAW. I would like I think to follow up to what Mr. Ryan was just saying.

It is interesting to look at the income tax return, which Mr. Kleczka brought in, for TREA Senior Citizens League filed for the year 2000, in which it shows, in looking at the expenses, it shows the income in excess of $12 million and just about all of it went out to solicitation: over $2 million for printing and publishing, over $3 million for postage and shipping, and professional fundraising, $1.5 million.

I don't see anything on here which would be of any benefit, any of the expenditures here, which would be of any benefit to the people who have sent in the money. It just doesn't appear that their money was spent that way.

So it seems like it is just a solicitation machine. That is the appearance that it would give to me by looking at their return. Mr. Pomeroy.

Mr. POMEROY. Thank you, Mr. Chairman.

My colleagues have covered the ground very, very well, and I don't mean to go back over things already covered. I am very inter-

ested in the panels to follow. One area of question I would have is, to whom are these lists marketed? Did you do an investigation into that?

Mr. HUSE. These lists, and I am going to the earlier cases I discussed, because I don't know anything about TSCL's use of their database, but in other mailing activity, the two cases I talked about in my testimony, those lists were sold to insurance companies that are looking to send——

Mr. POMEROY. Stop right there.

I used to be a State insurance commissioner, and I am wondering whether you explored whether or not insurance companies acquiring lists or purchasing lists from groups that used fraudulent means to assemble those lists violates State laws in some way.

Mr. HUSE. I am certain they do, and maybe the Arkansas attorney general consumer people that follow me can speak to that. But it clearly would violate Federal law.

Mr. POMEROY. I would like you to use subpoena power in the IG's office to find out what insurance companies are acquiring these lists, lists assembled through fraud and deception. I believe that the State regulators in those States ought to commence activities against those insurance companies.

I would hope any insurance company paying any attention to this hearing at all ought to understand that when they acquire lists for purposes of going out and trying to sell policies, they are going to be held accountable for the practices used by those assembling those lists. And they may be buying a whole lot of trouble in addition to the lead lists, if they are not dealing with reputable outfits.

Mr. HUSE. We will respond——

Mr. POMEROY. Will you get me——

Mr. HUSE. We will.

Mr. POMEROY. You will proceed? You will find out the insurance companies? And I personally would like to know, as a Committee member, those insurance companies so I might contact the regulators of those companies.

Mr. HUSE. We will respond to you, sir.

[The following was subsequently received:]

Social Security Administration
Office of Inspector General
Baltimore, Maryland 21235
October 4, 2001

The Honorable Earl Pomeroy
1110 Longworth House Office Building
Washington, DC 20515

Dear Mr. Pomeroy:

Question 1—**The name and address of any insurance company that was issued a cease and desist letter by your office.**

Cease & Desist Letters to Insurance Companies and/or Agents

Carleton Averill, III
Information Processing Services
P.O. Box 352528
Toledo, OH 43635–9946

John Seneczko
Guarantee Reserve Life Insurance Co.
530 River Oaks West
Calumet City, Ill. 60409

Omaha Division Insurance Co.
2316 S. 156th Circle
Omaha, Nebraska 68130–9900

The American Home Life Ins. Co.
400 Kansas Avenue
Topeka, Kansas 66603

Cease & Desist Letters to Insurance Companies and/or Agents—Continued

Edwin Oom, Jr.
Oom Insurance Agency, Inc.
606 E. Savidge Street
Spring Lake, Michigan 49456

Patrick Baird
PFL Life Insurance Co.
4333 Edgewood Road, NE
Cedar Rapids, Iowa 52499

William E. Bixby, III
C/o Old American Insurance Co.
3520 Broadway
Kansas City, MO 64111
and
701 N. Plano Road
Richardson Texas 75081

United American Insurance Company
2909 North Buckner Blvd
Dallas, Texas 75221

Globe Life and Accident Insurance Company
Information Center
Post Office Box 26711
Oklahoma City, Oklahoma 73126–9975

Equitable Life and Casualty
3 Triad Center, Suite 200
P.O. Box 2460,
Salt Lake City, Utah 84110–9944

NLS
P.O. Box 2417
Thomasville, GA 31799–9922

Dalvin Parker
President
Parker and Associates
3800 HWY 45 N
Meridian, Mississippi 39301

Life of Boston Insurance Co.
4343 Camelback Road
Phoenix, AR 85018

Montgomery Ward Life Insurance Co.
200 N. Martingale Road
Schaumburg, IL 60173–2040

Wichita National Life Insurance Co.
711 D Avenue
P.O. Box 1709
Lawton, OK 73502

Allen R. Mahaffey
United Benefits
301–B George St.
Beckley, West Virginia 25801

Question 2—**The name and address of any insurance company that entered into a settlement agreement with your office.**

Information Processing Services
P.O. Box 352528
Toledo, OH 43635–9946

Guarantee Reserve Life Insurance Company,
530 River Oaks West
Calumet City, Ill. 60409

Question 3—**The name and address of any insurance company that conducted business with entities named in your July 26th testimony.**

Insurance Companies Conducting Business with the Lead Agency, Inc.

As a result of an Office of the Inspector General (OIG) subpoena issued to Lead Agency, Inc., we learned that Banker's Life & Casualty Company, formerly known as Montgomery Ward Life Insurance Co., conducted business with the Lead Agency, Inc.

Insurance Companies Conducting Business with TREA Senior Citizens League.

In an August 16, 2001 letter addressed to your office, TREA Senior Citizen League disclosed that they rented their mailing list to five insurance companies during calendar year 2000. This included Garden State Life Insurance, GE Capital Corp., Mutual of Omaha Insurance Co., Mayo Clinic Health Letter and Physicians Mutual Insurance. We have no further information to provide regarding TREA Senior Citizens League and involvement with insurance companies.

Insurance Companies Conducting Business with United States Senior Services, Acculead, A.L.I., The Lead Room, and Mass Mail Media.

All information regarding insurance companies conducting business with United States Senior Services, *et al.* (USSS) has been extracted from USSS accounting records. The accounting records were secured during an enforcement action by OIG against USSS in early 2001. Enclosure 2 reflects any company listed on the Acculead Open Invoices listing, as of March 12, 2001, the A.L.I. Collections Report, as of May 28, 1999, and/or The Lead Room Account Register, as of March 6, 2001, that had the term "insurance" in their company name, or otherwise appeared to be working in the insurance business. Unfortunately, we do not have complete address information in most instances, and have not had the opportunity to independently

verify this information with the individual insurance companies. Nonetheless, this information may provide valuable leads for your inquiry. We are willing to provide the primary documents to your staff if you deem it necessary.

ACCULEAD

1st Constitution Insurance Agency
A.D.R. Insurance Marketing
ABC Insurance Service
Adam General Insurance Agency
AMA Insurance Services
American Health Underwriters
American Insurance
American Liberty Life
Americana Ins. Services Inc.
Approved Health & Life
Bankers Life and Casualty Co.
Beaches Insurance
Boswell Insurance Services
Cameron-Kramer Ins Marketing
Capitol Holding and Ins.
California Insurance Marketing
Central Florida Insurance Partners
Columbia Universal Life, TX
Combined Medical Ins Group
Compare Insurance Agency, Inc.
Congress Life
Continental Insurance Service
Credit Insurance Agency
Crown Life Ins. Co.
Econo-Wise Insurance Agency
Exline Insurance Agency
Family Insurance
Ferro Insurance Agency
First American Inc. Services
First Guaranty Insurance Co.
Gates Insurance
Go-Mac Insurance
Golden State Funeral Insurance Services
Goodland Insurance Marketing
Great Western Insurance Co.
H&R Insurance Planners
Hanna, Pyramid Life
Harrison Insurance
Health Underwriter Inc.
Independent Insurance Services Inc.
Independent Marketing & Ins. Service Inc.
Insurance Associates
Insurance Corner
Insurance Network
Insurance Plus, Inc.
Insurance Services, KY
Insurance Services, TX
Integrity Insurance
Jenkins Insurance & Investments
Kates Insurance Agency
Kibler Insurance Services
Legacy Ins. Services
Life of Boston
London Insurance Group
Met Life
Midland National Life
Mills Carolina Ins. Service, Inc.
National Insurance Marketing
North West Life
Occidental Life
Odom Insurance Agency
Omaha Division Ins.
Peninsula Insurance Group Agency, Inc.
Physicians Mutual
Professional Insurance System of Florida
Professional Ins. Assoc.
Provident Indemnity Ins. Co.
Pyramid Life Insurance Co.
Regan Insurance Agency, Inc.
Security Life
Security National Life
Senior American Ins. & Fin. Services
Shepherd Insurance Agency
Southern Security Life
Southwest Service Life Insurance Co.
Southwestern Life Ins. Co.
Standard Life
Star Insurance Agency
Statesman Life Ins. Co.
Tennessee State Insurance
Tri-State Insurance Agency, Inc.
United American Insurance Company
United Insurance Agency
United National Life
United Security Life Ins. Co. of Illinois
United Seniors Ins. Agency
Wichita National Life Ins. Co.
Windle Insurance Agency

A.L.I.

ABC Insurance Services
Beaches Insurance
Davault Insurance Corp.
Independent Insurance Services Inc.
Insurance Plus, Inc.
Mills Carolina Ins. Service, Inc.
National Insurance Marketing
Pyramid Life Insurance Co.
Senior American Ins. & Fin. Svces.
Standard Life

THE LEAD ROOM

Mutual Omaha
Braden Insurance Agency

Sincerely,

JAMES G. HUSE, JR.
Inspector General

Mr. POMEROY. Thank you very much. I yield back.

Chairman SHAW. Mr. Hulshof.

Mr. HULSHOF. Thanks, Mr. Chairman.

Mr. Huse, you raise an interesting and vexing problem for us because you have cited the First Amendment to the United States Constitution, which allows groups to speak publicly.

And I know, Mr. Chairman, we have had in the previous Congress, while it wasn't related to this issue, other groups, reputable groups, who have solicited their members with information that concerned the future of Social Security and certain actions Congress was taking. And certainly, while that is legally allowed, I remember that we had the discussion about some of the statements within those solicitations.

So I think maybe the usefulness of this, while we are certainly focusing on the Senior Citizens League, maybe the usefulness is for all of those organizations to be much more vigilant about the type of information that they send out, especially to older Americans across the country.

Now, you have not reviewed the testimony of the panels following you. Is that right, Mr. Huse?

Mr. HUSE. We have not had time to do that.

Mr. HULSHOF. As you know, and to my friend Judge Doggett, as a former prosecutor, were this a criminal trial or criminal prosecution, and if this were in fact a criminal proceeding, the prosecutions proceeds first and then there is the defense, and then the prosecution has the chance to rebut.

This is not that type of hearing. We understand that it is not adversarial in that regard.

But I do want to ask for your comments about some of the written statements of testimony that is coming up from witnesses after you, and I am referring to the written testimony of Mr. Smith, who is the chairman of TREA Senior Citizens League, at page 5, and I just ask your response because you won't have the chance to respond after Mr. Smith gives us his sworn testimony.

Mr. HUSE. I understand.

Mr. HULSHOF. "We too are victims of these hoax flyers, that we have tried to determine their origin," says Mr. Smith, "and that we have worked responsibly to counteract the misinformation these flyers have created ever since we first learned of them." True or untrue, at least from your vantage point?

Mr. HUSE. I would be troubled by the word "victim." I don't think they were a victim as much as they were the beneficiary. I think our investigation speaks to that.

Mr. HULSHOF. Going on, at the bottom page 5, again quoting from the written testimony, "29,000 seniors were misled into wasting their time and the cost of a stamp after reading these flyers."

Now, I understand from your testimony, while that wasn't part of your responsibility of investigation, but it is probably a pretty reasonable assumption it wasn't just 29,000 responses and the single cost of a stamp, was it, Mr. Huse?

Mr. HUSE. No.

Mr. HULSHOF. I mean, we are talking about, as my colleague Mr. Ryan from Wisconsin has said, the cost of a stamp and probably

a check in the mail to the Senior Citizens League. That is a reasonable assumption, is not?

Mr. HUSE. It is a reasonable assumption.

Mr. HULSHOF. Let me ask you this, on page 6 of Mr. Smith's written testimony, "It is our understanding that we were the first to alert the United States Postal Service authorities when this hoax started." Is that an accurate assertion?

Mr. HUSE. We have no way of commenting on the accuracy of that. It is not our understanding.

Mr. HULSHOF. On page 9 of Mr. Smith's testimony, "In summary, we have done everything we can to inform both our supporters and senior citizens-at-large about this hoax."

Would you agree or disagree with that assessment by Mr. Smith?

Mr. HUSE. On the record, they sent back their response to the hoax solicitations. And as far as I know, that is all they ever did.

Mr. HULSHOF. Regarding that, and my colleague Mr. Becerra asked you these questions, and let me follow up on what he has asked about the subpoena and their attempt to quash the subpoena that you issued. Is that right?

Mr. HUSE. Their marketing company and their database company opposed us on our subpoena process.

Mr. HULSHOF. They inevitably complied with that subpoena, at least in part, did they not?

Mr. HUSE. They did.

Mr. HULSHOF. And when you got the database, did you believe, or in your investigation, was the database complete or were there things missing from the database in response to the subpoena?

Mr. HUSE. We received a portion of the database at one point, and we realized it was incomplete.

Mr. HULSHOF. Let me ask you, because my time is about up, the amount of money, again, this being a legal organization, is it not a fact that TREA Senior Citizens League is designated as a nonprofit social welfare organization and civil league in accordance with Internal Revenue Code Section 501(c)(4)? They are a (c)(4) nonprofit. Is that true?

Mr. HUSE. That is my understanding.

Mr. HULSHOF. And I guess, Mr. Chairman, as a final comment—and I appreciate your candor and forthcoming today, Mr. Huse—on page 7 of Mr. Smith's statement, and I guess the question that is yet to be answered by not just this Committee but those even beyond the sound of these walls and the sound of our voices here today over the mass media, Mr. Smith says, "Far worse than the expenses we've incurred or the huge amount of time we've had to devote to fighting this hoax, it is our good name that may now be questioned as a result of this hoax." And I think that perhaps is an understatement.

[Laughter.]

Thank you for the time, Mr. Chairman.

Chairman SHAW. Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman. And let me thank you for convening this hearing.

I just want to make a couple points clear, for those who may be following this hearing, because I think getting information out to particularly our seniors is very important.

There are a lot of very legitimate groups out there that contact our seniors and try to organize our seniors so they can be more effective in their voice here in Washington and their own communities on their own issues that affect them. These groups are performing a very important function.

My concern is that when we see the types of misleading mailings and fraudulent mailings that are sent out, they sort of cast all groups in the same light, and I think that is unfortunate. So I want to make it at least clear.

I often at townhall meetings will get questions from constituents as to whether they should respond to a particular mailing or not. And I always caution them that if the mailing appears to be more interested in getting a check from you rather than for you, I would just throw it away.

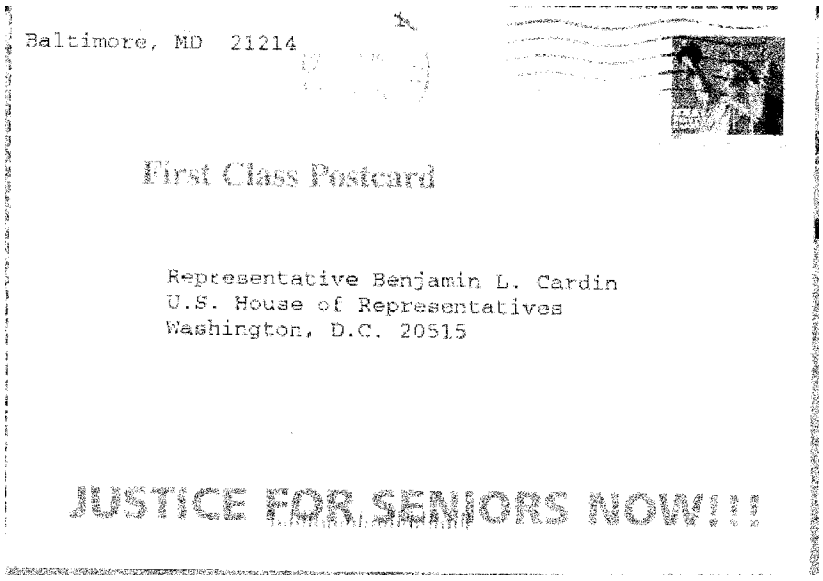
And that is clearly the case in the mailing information that we have before us today.

So I think this a very, very serious matter, when groups will take advantage of seniors and really cause I think a problem for legitimate groups that are out there trying to do work for our senior population.

Mr. Chairman, I am going to ask to put in the record a copy of the solicitation that was received by one of my constituents, and I am going to ask that her name and address be deleted from this. And once I find out what the notch registration number is, I might ask that be deleted or not, but that may depend upon questions later on, as to what is the legal significance of the notch registration number.

Chairman SHAW. Without objection.

[The information follows:]


Baltimore, MD 21214

First Class Postcard

Representative Benjamin L. Cardin
U.S. House of Representatives
Washington, D.C. 20515

JUSTICE FOR SENIORS NOW!!!

Dear Representative,

I'm a constituent and want you to co-sponsor, support, and vote for legislation that will cause my annual Social Security Cost-of-Living Adjustment to be based on a "Seniors-Only" formula, similar to the CPI-E, maintained by the federal government over the last 17 years — but never used! The current formula underpays me and is unfair. My Social Security checks are buying less each year because of this.

Please work to pass legislation such as H.R. 1423 introduced in the 108th Congress and keep me informed of your progress.

Signed:

This campaign is sponsored by The Senior Citizens League
P.O. Box 97173 • Washington, D.C. 20090-7173

FIRST CLASS

Enclosed: National Notch Victim Register
Record Verification

TO: TREA Senior Citizens League
P.O. Box 97173
Washington, D.C. 20090-7173

Title: Mrs. First: MI:

Last name: Suffix:

Street/P.O. Box:

City: Randallstown State: MD Zip: 21133

Notch Register Number: Temporary Number:

Member of Congress: U.S. Representative Benjamin L. Cardin

Compensation preference (check one):

☐ A $5,000 award in four annual payments of $1,250.
☐ A monthly increase to your Social Security benefits.
(Exact amount to be determined by past work history and other factors.)
☐ Undecided at this time.

DO NOT DETACH

The National Notch Victim Register: Verification Form

☐ I've checked the above information for accuracy and made any needed corrections.

☐ AND, I'm enclosing a contribution to join with you and to help cover the cost of maintaining the register and to pay for our massive national campaign to pass the $5,000 Settlement legislation for Notch Victims. I'm enclosing:

☐ $10 ☐ $15

☐ $20 ☐ $25

☐ OTHER $_____

☐ As a retiree, I support your work, but I'm on a fixed income and cannot make a member-level donation at this time. I'm enclosing ☐ $5 or ☐ $7 to help cover the cost of adding my name to the National Register and this campaign.

Please make your check payable to: TSCL (or TREA Senior Citizens League).

Contributions or gifts to TSCL are not deductible as charitable contributions for federal income tax purposes because of our grassroots lobbying efforts. Contributions are voluntary, and no government funds are accepted. See other side for more information on your Guarantee.

For the personal attention of:

Randallstown, MD 21133-

SENIOR CITIZENS LEAGUE

JUL 18 2003

Mr. CARDIN. Thank you, Mr. Chairman. And I yield back the balance of my time.

Chairman SHAW. Mr. Kleczka.

Mr. KLECZKA. Thank you, Mr. Chairman and members.

Mr. Chairman, if I might, I have no questions of the witness, however I would like to make a couple observations, if I might be able to.

My staff and myself have done extensive research on this group called TREA Senior Citizens League, and know full well, as was

pointed in the questioning, TREA and TSCL are one and the same. Make no distinction whatsoever. They are one and the same.

TREA group has been chartered by Congress as of 1992. They formed this subsidiary, TSCL to, in my estimation, shake down the seniors of the nation under the guise of this notch issue.

Now, for anyone in this Congress or anybody who has looked into the notch issue, we know that is a hoax also. There was a problem with Social Security payments; Congress corrected them back in 1977.

And we are going to hear testimony today from one of probably the most articulate and honest seniors groups in the country, and that is the AARP group. And they have produced a flyer, a brochure which says, what you are getting today, seniors, is the correct amount. And they put these out to all our districts and to all our seniors.

However, there are still unscrupulous groups who will use this notch baby issue in an effort to extract money out of our seniors. And who are the seniors that are repeatedly getting these mailings? Those, my friends, who are age 75 to 84, the most vulnerable in our society.

And the group that I have keyed on because they have just dumped another mailing across the country's is TREA Senior Citizens League, and this one they term "Summer 2001 Record Update and Verification." Well, does that sound official. They are updating their records and they are going to verify information for our seniors.

Well, if it has to do with Social Security, the agency that is charged with that is the Social Security Administration. Who died and left TREA Senior Citizens League in charge of Social Security in this country?

Now, they send the mailing and they use—one can say, well, maybe it is not a hoax, but it is sure misleading. Here is a copy of facsimile of a government check from the Social Security trust fund, and the amount is filled in already. It is $5,000.

Now, here is an 84-year-old senior in my district getting a copy of this check.

Then a couple weeks later, they get a copy of a "notch victim registry" card. Nice plastic card. Looks like a credit card.

And then they get a mailing, and this is the one that galls me the worst, Mr. Chairman, they get a mailing from TREA Senior Citizens League, asking seniors to put this group in their will. Put them in their will.

If the members of the Committee look at the back of my statement, I have a copy of this.

Now, enough is enough. This hearing is the most timely that I can think of. Why would an organization ask seniors of the country to check a box to show their preference as to how they want their $5,000. If in fact the Social Security benefits payments are ever changed, the Social Security Administration will inform every senior in the country.

This group has no business maintaining a registry, which I say is phony anyway. But they will come up and say, "Yeah, we got it on disk."

For sale to the insurance companies around the country and other businesses.

But what business does this group have maintaining a list of my seniors, called a registry? Or what right do they have to ask, "Hey, you guys want your payment in four equal amounts or should we just increase your Social Security check?"

Why are they doing this? Read on in the brochure: "Send us a contribution so we can maintain your registry and do more of these good works."

That is the misleading scam situation that our seniors are put into repeatedly throughout the year.

"But seniors aren't that dumb, to send the money." Sad to say, some may be. They are concerned. They all could use $5,000 just for drug costs alone. So they send the money.

And how do we know that is being successful? A copy of the tax filing from 2000 shows they have raised $12 million.

And what do they do with the money? Use that to mail more next year, to keep suckering these poor people who can least afford it.

Mr. Chairman, this is most timely and important hearing that we have had in a long time.

My letter to TREA group a year ago said, "Stop mailing my constituents asking for money." And now it is time that be extended and Congress demand that TREA Senior Citizens league stop mailing our constituents for money.

As for the charter, I think you have abused your charter. And I will be introducing legislation to revoke that charter so we can stop this shaking down of the poor seniors in this country.

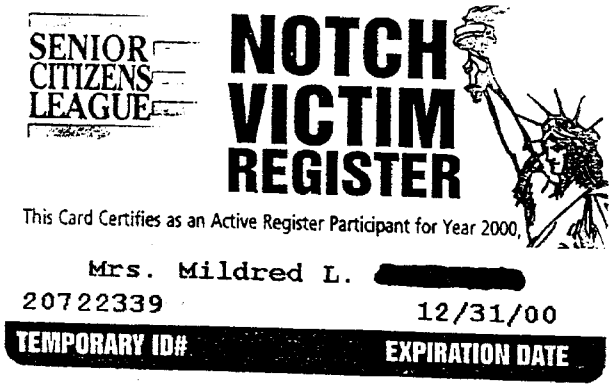
Mr. Chairman, thank you very much.

Chairman SHAW. Thank you, Mr. Kleczka.

And without objection, any of that information that you would like to put into the record, without objection, will be made a part of the record.

Mr. KLECZKA. Thank you very much.

[The information follows:]



February 23, 2001

Dear :

You are receiving this letter and the enclosed additional information because you responded to an appeal to send your name, address and other information including your Social Security number to our post office box. The flyer you responded to is inaccurate.

To introduce ourselves, we are **The Senior Citizens League.** We are a seniors' issues advocacy group dedicated to maintaining and expanding earned benefits by working with Members of Congress to ensure that American seniors' interests are fully represented. We accept no government money and work on those programs that our members tell us they need action taken on.

We do not want nor do we need your Social Security number. In fact we encourage everyone to only give your Social Security number to those with a legitimate need for it.

Since these flyers use our PO Box, we too are victims of this inaccurate information. We have formally requested that the Postal Inspection Service and the Social Security Administration investigate the sources of the flyers and assist us in taking appropriate steps to end the misinformation. After a meeting with representatives from these organizations, we trust that they too are taking the steps necessary to stop the false promises made by the flyers.

I am enclosing two pamphlets. One further explains **The Senior Citizens League** and the second is a compilation of various money-saving tips that we offer to our members and supporters in our newsletter. We hope they will be beneficial to you.

If you or someone you know has access to the Internet, please go to our website www.tscl.org and see what we do for our members and all American seniors.

If you know of anyone else who has become a victim of this misinformation, please share what you have learned and, if they have additional questions, ask them to call us at 1-800-333-8725. We will be glad to explain it further and send them additional information.

Sincerely,

Michael J. Zabko

Michael J. Zabko
Executive Director

909 N. Washington Street • Suite 300 • Alexandria, Virginia 22314
1-800-333-TSCL • (703) 548-5568 • Fax (703) 684-3258 • e-mail: mail@tscl.org • Website: www.tscl.org

Member of:
Free Speech Coalition • *"Protecting Nonprofits' First Amendment Rights"*
Alexandria Chamber of Commerce

★★★★★★★★

WHY YOU NEED TREA SENIOR CITIZENS LEAGUE

Over 42 million Americans depend on Social Security and Medicare. Today's retirees grew up during the Great Depression, fought World War II, and sacrificed to pay the bills. The sacrifice to pay Social Security and Medicare was made for a promise of future benefits.

Now many in Washington want to eliminate or reduce the benefits you earned. Our mission is to protect your benefits.

THE DANGER FACING YOUR BENEFITS

Medicare is close to bankruptcy, as we all know. Many in Congress are trying to cut Medicare benefits, make additional premium increases, and increase copayments and deductibles. Social Security is in equally dire straits since Congress has spent the reserves that should have been invested for the future. Now, some are talking about changing Social Security eligibility rules or potentially privatizing the system. Our goal is to protect both Social Security and Medicare for the future.

Benefits you are counting on may not be there in the future if you don't get involved now.

★★★★★★★★

HOW TREA SENIOR CITIZENS LEAGUE REPRESENTS YOU

To effectively defend your earned benefits you need the "grassroots" lobbying pressure and representation in Congress of TREA Senior Citizens League (TSCL). TSCL is a group of over 1,500,000 active senior citizen members and supporters concerned about the protection of their earned Social Security, Medicare, and military retirement benefits. TSCL members participate in a number of grassroots lobbying and public education campaigns to ensure governmental bodies live up to commitments.

Through TSCL's government affairs office, your viewpoint can be delivered directly to Congress. Our registered lobbyists spend time on the hill fighting to defend your earned benefits.

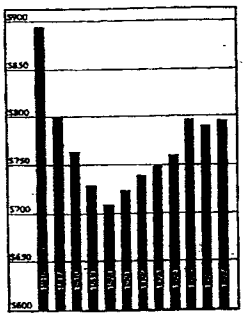
Membership in TSCL gives you a real opportunity to make your future

TSCL's Executive Director, Michael J. Zabko, served 20 years with the U.S. Navy, 10 of those as a benefits counselor. He is currently both a registered lobbyist and a certified veterans' compensation and pension counselor.

more secure. TSCL's vocally active members send mailgrams to the President of the United States and Congressional leaders, take part in surveys, sign petitions to Congressional leaders, and add their names to open letters to the President of the United States.

HERE ARE A FEW OF THE ISSUES THAT TSCL IS WORKING ON TO PROTECT YOUR BENEFITS:

1. Notch Reform.



The passage of long-overdue Notch Reform legislation for persons born in the Social Security "Notch" years of 1917 through 1926. Initiatives include the introduction of legislation to provide a one-time, Lump-Sum Settlement of $5,000 per Notch Victim.

2. COLA Protection.

The prevention of arbitrary changes in the Consumer Price Index (CPI) and the way Cost-of-Living Adjustments (COLAs) are calculated. Our initiatives include a campaign to have the senior citizen market basket known as the "CPI-E" used as a basis for the annual Social Security COLA calculation.

3. Defense of Earned Benefits.

The development of an understanding on Capitol Hill and in the White House that those who are already retired from the civilian or military work force have been promised benefits by the government, have earned those benefits with their taxes and their services, and that taking those benefits away amounts to breaking a contract and reneging on the government's solemn duty to fulfill its obligations.

WHO WE ARE

TREA Senior Citizens League (TSCL) was established in 1990 as a special project of The Retired Enlisted Association (TREA), which was founded in 1963 and chartered by an act of Congress. Effective January 1, 1995, TSCL became an independent 501(c)4 citizen's action organization.

Open to anyone who is concerned about protecting earned benefits, approximately three-quarters of the membership are between the ages of 70 and 79, nearly all are over the age of 60. Many served in the Armed Forces during World War II, Korea, or played a key part in the war effort at home or abroad.

TSCL is registered to conduct grassroots fundraising, public education, and lobbying activities in every state requiring registration. No government monies are accepted or utilized by TSCL.

★ ★ ★ ★ ★ ★ ★ ★ ★

TSCL has also raised funds for its sister organization, The Retired Enlisted Memorial Foundation, which provides scholarships and other assistance to the widows and offspring of retired enlistees of the United States Armed Forces. In 1995, TSCL made a donation of $30,000 to the Governor of Oklahoma's fund to aid victims of the April 19th terrorist bombing in Oklahoma City. In 1998, TSCL donated $10,000 to victims of Hurricane Georges in Puerto Rico.

This brochure is produced by TREA Senior Citizens League. We have a 501(c)4 classification from the Internal Revenue Service. Our mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. citizens, and to protect and defend the benefits that senior citizens have earned and paid for. In addition to Notch reform, we conduct campaigns in defense of retiree Cost-of-Living Adjustments (COLAs), and against cuts or means-testing of hard-won earned benefits. We strive to provide our members and supporters with the best possible service in order to maintain your trust in us. Therefore, we pledge to be responsible in our management and cost-effective in our fundraising. We follow accounting procedures established by the AICPA, are independently audited annually, make our audited financial statement available upon request, and have an independent Board of Trustees that has control of our funds and the freedom to allocate them in a manner which will carry out the mission of TREA Senior Citizens League. We support and comply with The Direct Marketing Association's Privacy Promise to consumers. **Because we lobby Congress on behalf of retiree and senior citizen rights, the IRS does not allow you to deduct your voluntary contribution for tax purposes.**

★ ★ ★ ★ ★ ★ ★ ★ ★

JOIN TREA SENIOR CITIZENS LEAGUE

Open to all concerned about protecting earned benefits.

Please send me information on the following:

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Date of Birth: (Optional) _____ Phone: ( ) _____ - _____

CONTRIBUTION ☐ $10 ☐ $15 ☐ $25 ☐ $___OTHER

TSCL contributions are not tax-deductible as charitable contributions.

Return this form, along with your check made payable to TSCL to:
TREA Senior Citizens League
909 N. Washington Street, Suite 300
Alexandria, Virginia 22314

Your Senior Citizens League Guarantee!!!

Our Board of Trustees, Employees, and Volunteers have proudly pledged to serve and work for the interests of retirees. If at any time, for any reason you are less than fully satisfied with our work, you may obtain a complete and immediate refund of your most recent contribution. Just send us a brief note, including your full address, and we will promptly refund your contribution.

Notch Victim Register Card Enclosed for the [redacted] Household

NOTCH REFORM LEGISLATION NOW BEFORE CONGRESS!

Announcing: Congressional legislation providing $5,000 Lump-Sum Social Security Settlement for persons born between January 1, 1917 and December 31, 1926

Dear Mrs. [redacted]

As you may know, $5,000 Lump-Sum Settlement Bills (H.R.148, H.R.568, and S.390) are now before both Houses of Congress.

These Bills provide compensation to persons born between January 1, 1917 and December 31, 1926 for the lower Social Security benefits they receive as a result of being born in these "Notch" years.

I've enclosed your official Notch Register Card -- will you take a moment to activate it by confirming your name and address is correct?

Your name will then be added to our National Register of Notch Victims.

Should the Settlement be voted into law, Notch Victims will have a choice between two methods of compensation:

Method #1: Four annual payments of $1,250 for a total Lump-Sum of $5,000, OR,

Method #2: A monthly increase in your Social Security checks for a period of four years. The exact amount of the monthly increase will be determined by your personal work history and age.

If you do not choose the $5,000 Lump-Sum, you will automatically receive the monthly increase. For the average Notch Victim, under normal circumstances, we believe the Lump-Sum will provide a larger Settlement.

Under the Bill, widows or widowers would receive 100% of the Settlement due their spouse.

As you may know, this long-overdue Settlement, first proposed by our Senior Citizens League, has gained strong support in Congress.

Frankly, this is largely a result of massive pressure from Notch Victims and our lobbying efforts.

Once Congress passes the Bill, I will promptly notify every Notch

(Over, please...)

"Defending Your Earned Benefits"

Senior Citizens League
an independent affiliate of The Retired Enlisted Association, proudly serving retirees since 1963
P.O. Box 96472 • Washington, D.C. 20090-6472 • www.tscl.org

Victim on the Register and give you full information on how to collect your Settlement.

This is important because you will likely have a limited time in which to make your claim or that of your spouse.

Will you help make sure the Settlement becomes reality? Will you help this campaign fight for what is rightfully yours?

Will you sign and return the enclosed Notch Victim PETITION TO THE CONGRESSIONAL LEADERSHIP?

Today, about 90 Members of Congress have co-sponsored our $5,000 Lump-Sum Settlement Bill. My goal is to gather 100 co-sponsors and help increase public pressure on Congress for a prompt vote and passage of the Settlement this year.

I believe our chances are better than ever because of the HUGE projected budget surplus and growing support for Notch Reform.

Your signed Notch Victim Petition will help me get the co-sponsors needed for passage -- I'll deliver your petition to the Republican and Democratic leadership in Congress along with others as we lobby in support of the plan.

Even though we have gathered over one and a half million signatures urging reform, it is vital we continue to expand our base of support. The stronger and larger our organization, the better equipped we are to fight for Notch Reform -- and against unfair cuts to Social Security and Medicare.

My goal is to reach one million households in the coming weeks to enlist their support for Notch Reform.

When you return your signed petition and activate your Registration to help our work, I urge you to also include a contribution to help our work in the pre-addressed envelope I've enclosed...

Your contribution of $5 or more will help ensure that our Notch Reform campaign can continue to expand. Your dues help us pay the cost of our massive and effective national grassroots lobbying campaign as well as the cost of lobbying Congress directly.

Working For Notch Reform,

Michael J. Zabko

Michael J. Zabko
Executive Director
TREA Senior Citizens League

P.S. Our $5,000 Lump-Sum Settlement Bill is now before both Houses of Congress. My goal is to put massive public pressure on Congress to approve the Settlement by the end of the year. Please respond today.

Your Senior Citizens League Guarantee!!!

Our Board of Trustees, Employees, and Volunteers have proudly pledged to serve and work for the interests of retirees. If at any time, for any reason, you are less than fully satisfied with our work, you may obtain a complete and immediate refund of your most recent contribution. Just send us a brief note, including your full address, and we will promptly refund your contribution.

Stop p... TREA Senior Citizens League, Inc., 909 N. Washington Street, #301, Alexandria, VA 22314.

You Can Help Fight To Protect Earned Benefits Through A Bequest In Your Will.

If you already have a will, it should be very easy to add a specific bequest (by codicil) to TSCL, to fight to protect Earned Benefits. You could simply ask your will-preparer to draw up the codicil, leaving the desired sum to "TREA Senior Citizens League" as your beneficiary.

If you do not yet have a will, now may be the time to do it!

In either case, the procedure should be simple. For a copy of our Estate Planning Guide, please send $1 for shipping and handling to: TSCL Estate Planning, 909 N. Washington Street, Suite 301, Alexandria, VA 22314.

Your Senior Citizens League GUARANTEE!!!

Our Board of Trustees, Employees, and Volunteers have proudly pledged to serve and work for the interests of retirees. If at any time, for any reason, you are less than fully satisfied with our work you may obtain a complete and immediate refund of your most recent contribution. Just send us a brief note, include your full address, and we will promptly refund your contribution.

DEC 7, 1999

United States Government 15-A 008

SOCIAL SECURITY TRUST FUND

No. 013840974594567000

Five Thousand and 00/100 $ ***5,000.00

Representative Kleczka!
Vote to Pass the $5,000 Lump-Sum Settlement NOW.
Notch Victims have waited too long already!

0913VBP50983-091823BM009128-00000A

DO NOT DETACH

Mr. Sylvester [redacted]
Milwaukee, WI 53207-4913

A-761-N25X4

Reply Form

PLEASE PLACE FIRST CLASS STAMP HERE

Rush

FIRST CLASS

Enclosed: National Notch Victim Register
Record Verification

TO: TREA Senior Citizens League
P.O. Box 97173
Washington, D.C. 20090-7173

$1,000 Reward

offered for information leading to the conviction of anyone unlawfully interfering with delivery of this document.

Office of The Executive Director
Washington, D.C.

The National Notch Victim Register:
Summer 2001 Record Update and Verification

Dear Register Member,

I've enclosed a copy of your record as it appears in our file on the National Register of Notch Victims. It is based on information you have provided in the past.

Will you review your file card, make any corrections, updates, or additions, and return it to me in the enclosed envelope?

Please also indicate your Settlement preference so I can verify it or add it to our records.

If you receive duplicate copies of this mailing, please return both file cards in one envelope so we can update our records.

I need your participation because we are beginning our Summer 2001 update of the Notch Victim Register and it is important our records are as accurate as possible.

In addition, should we need to contact you regarding the $5,000 Lump-Sum legislation, I need to be sure I have your proper mailing address and that the information on your record is complete.

That's especially important since Representative Ralph Hall (D-TX) and Representative Robert Wexler (D-FL) have introduced their $5,000 Lump-Sum Settlement legislation (H.R. 97 and H.R. 853) into the House of Representatives. Their bills are almost identical, and Senator Harry Reid (D-NV) has just recently introduced similar legislation

(Over, please...)

Senior Citizens League

A subsidiary of The Retired Enlisted Association,
Proudly Serving Retirees Since 1963
P.O. Box 97173 • Washington, D.C. 20090-7173

into the U.S. Senate.

Already, 74 Members of Congress placed their names on this legislation as co-sponsors! As the leading voice for national Notch justice, we will work to ensure other Members of Congress add their names as well and that Congress passes the legislation in the 107th Congress.

As you know, should the legislation pass, surviving spouses of Notch Victims will be eligible for up to 100% of the Settlement.

This is only fair, since both spouses worked and sacrificed to keep our country safe and free.

If you CHOOSE the $5,000 compensation plan, you will receive four installments of $1,250 each over four years ...

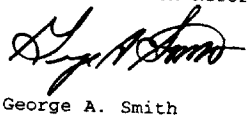
If you DO NOT CHOOSE the $5,000 Settlement, your monthly Social Security benefit checks will be automatically increased using a formula outlined in the Bill. This monthly increase will be determined by your age, work history, and other factors.

For many of you born in the Notch years, we believe the four annual installments of $1,250 will be the best option.

When you return your verified record, will you also help fund this national campaign for passage of the $5,000 Settlement by including a donation of $10, $5, $15 or any amount?

I'm counting on your support.

Yours For Notch Reform Now,



George A. Smith
Chairman

P.S. The $5,000 Settlement is now before both Houses of Congress and we are working for its passage. Please return your Verification Form and File Card within the next 10 days so we can promptly update corrections and verify that your record is accurate. Thank you.

[Additional material is being retained in the Committee files.]

Chairman SHAW. I have one final question for Mr. Huse, and then Mr. Matsui has a question.

Mr. Smith will testify later—at least his written testimony said: We sent respondents a letter informing that the flyers they had received were inaccurate, and we included a brief descriptive brochure to provide additional background on our organization. No reply envelope was provided and no reply was anticipated. Most important, a representative of the SSA IG's office was shown the content of this mailing, including the brochure, before it was ever mailed, and TSCL even made changes to the letter based on the request of the SSA representative.

Mr. Huse, is that a factual statement?

Mr. HUSE. That is not a factual statement, Mr. Chairman.

Chairman SHAW. Perhaps we will inquire of Mr. Smith later as to exactly what he is talking about. But you say that what I just read directly from——

Mr. HUSE. We categorically deny that.

Chairman SHAW. Of Mr. George Smith is an inaccurate statement.

Mr. HUSE. That is correct. There certainly was contact during the course of our investigation, but we never gave advice on how it should be mailed nor did we endorse it.

Chairman SHAW. Mr. Matsui, do you have a follow-up?

Mr. MATSUI. Thank you, Mr. Chairman.

Mr. Ryan asked a question about a volunteer somehow got all this to start. Did you ever ask who the volunteer was and the name of the volunteer and where the volunteer lives?

Mr. HUSE. We interviewed people who distributed it, but they didn't know where—the person that we were able to find, she found her original flyers in the back of a church or something and reproduced them on her own.

Mr. MATSUI. No, I am talking about—so no one was able to tell you who was the one that, or even a volunteer in the operation——

Mr. HUSE. No, exactly.

Mr. MATSUI. They just don't even know how it could have gotten out.

Mr. HUSE. But obviously it had to have some kind of organization because it went across the United States.

Mr. MATSUI. And let me just conclude by thanking Mr. Kleczka for all the work he has done. I appreciate it.

And I might just comment, he clarified something that I was mistaken on. I didn't realize that there was a nonseparation between TREA and TREA Senior Citizens League. And I appreciate hearing that.

But, again, thank you very much. I appreciate it.

[Questions submitted from Chairman Shaw to Mr. Huse, and his responses follow:]

Social Security Administration
Office of Inspector General
Baltimore, Maryland 21235
September 5, 2001

The Honorable E. Clay Shaw, Jr. Chairman
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, DC 20215

Dear Mr. Shaw:

1. You stated that both the Notch Victim and the Slave Reparation flyer had the same post office box address maintained by the TREA Senior Citizens League (TSCL), a tax-exempt organization that states it advocates for legislative reforms on behalf of senior citizens. This claim (of being tax-exempt) was listed on all the flyers. This flyer also requested personal identifying information including the Social Security number. TSCL directed its data processing contractor to enter all of the victims' personal information into a database. Did you find out why?

The sentence, "This claim (of being tax-exempt) was listed on all the flyers" is not on the flyers. However, the flyers do request personal identifying information including Social Security number. The investigation revealed that TSCL directed DMP to record all identifying information. It is TSCL's claim that they recorded the information so they could later contact victims.

2. In Mr. Smith's testimony, he stated that TSCL launched a public education campaign to inform their supporters and senior citizens-at-large regarding these hoax flyers. During your investigation what evidence did you see that would support their statement?

TSCL posted articles to their website that advised the public of this hoax.

3. Both Mr. Smith and Mr. Zabko indicated that some other party was responsible for producing and distributing these flyers. Can you tell us if you believe this is a credible conclusion and if not, why?

SSA–OIG was unable to identify the source of the flyers; we do not speculate as to who was responsible for circulating the hoax flyers.

4. Do you know if temporary workers were used in the distribution of these hoax flyers?

No, we have no information to support or refute the use of temporary workers in distributing the flyers. We did speak to one individual who was responsible for distributing the article in a local newspaper, and she stated that she did this as a community service.

5. Is Mr. Stubbs an employee of your office? If so, did you query him as to his recollection that a sentence be removed from the letter TSCL was sending to respondents denying their involvement in the hoax flyer? What exactly was his recollection of his involvement in the meeting with TSCL?

Mr. Stubbs is an employee of the Social Security Administration, Office of the Inspector General. Mr. Stubbs did not review or approve mailings. Mr. Stubbs did not direct or suggest to TSCL to remove a sentence that stated TSCL was denying their involvement in the hoax flyer. In a meeting between Mr. Stubbs and Mr. Zabko, Mr. Stubbs was shown a copy of a letter that stated the SSA was not cooperating with TSCL; it is that sentence that Mr. Stubbs suggested be removed from a letter TSCL was preparing.

6. Did your investigation include The Retired Enlisted Association? If so, who did you interview and what information did you find? Please include the details of how TREA and TREA Seniors Citizens League are related to each other, including what moneys pass between the two organizations annually and the source and use of those monies.

The investigation did not include TREA. We did interview a few TREA employees but only to gain background information on TSCL. Mark Olanoff, TREA Legislative Director, explained that TREA is a Section 501(c)(19) veteran's service organization and TSCL is a 501(c)(4) social welfare organization. Olanoff further explained that TREA has existed since 1963 and was chartered by congress in 1992. Olanoff recalled that TSCL became a subsidiary of TREA around the same time. According to Olanoff, TREA's board of directors appoints TSCL's board of trustees and TREA's treasurer can also be TSCL's treasurer. Olanoff stated that TSCL paid TREA, on

a quarterly basis, a trademark fee that is approximately 25% of TSCL's gross contributions.

7. Certain subpoenas were issued and resisted as part of your investigation. Please provide a summary of what subpoenas were issued to whom, which subpoenas were resisted, why, and how such resistence was ultimately resolved.

During the course of its investigation, the OIG subpoenaed the following entities: TREA Senior Citizens League (TSCL), Association Growth Enterprise (AGE), Direct Mail Processors (DMP), Public Interest Data, Inc. (PIDI) and Squire & Heartfield Direct, Inc. (S&H Direct). AGE and DMP fully complied with the subpoenas as issued. The subpoena issued to TSCL asked for, among other things, a copy of the database that was used to key in the victims' information. TSCL provided a database to Special Agent Alan Stubbs. In the process of analyzing this database, Special Agent Stubbs learned that TSCL had omitted portions of the database pertaining to contributions TSCL received as a result of the follow-up letter it issued to victims of the hoax. Due to TSCL's failure to fully comply with the subpoena, the OIG decided to issue a subpoena directly to Public Interest Data, Inc., the firm responsible for maintaining the database.

OIG issued a subpoena to PIDI as TSCL's contract data processing firm asking for a complete database pertaining to the hoax flyers. PIDI agreed to provide a copy of the database, but like TSCL, refused to turn over information that would indicate the amount of contributions received by TSCL as a result of the follow-up flyer. After negotiations with PIDI were unsuccessful, the OIG was forced to seek enforcement in U.S. District Court. Once the enforcement action was filed by the U.S. Attorneys Office, the OIG again entered into discussion with counsel for PIDI. Ultimately, PIDI did agree to provide this information without need for a judicial hearing, and the subpoena enforcement action was dismissed.

The OIG issued a subpoena to S&H Direct requesting documents pertaining to the "Slave Reparation Act" and other business conducted with or for TSCL and/or Michael Zabko. S&H Direct objected to the subpoena and refused to fully comply. The OIG was again forced to file subpoena enforcement pleadings in U.S. District Court. Ultimately, the OIG reached an agreement with S&H Direct whereby the company agreed to produce all of its documents related to the hoax flyer. The agreement specifically left open the possibility that the OIG would issue further subpoenas as necessary. Both subpoena enforcement actions were eventually dismissed without the need for formal hearing.

8. Did you find any evidence indicating any money was sent in with the flyers received by the TSCL mailbox? If so, how much money was received and from how many individuals?

The investigation found no evidence of any money being received in response to the hoax flyers. The hoax flyers do not request any contributions or donations; however, the follow-up letters that TSCL sent in response to the hoax flyers did request donations.

9. Did you find any evidence that flyers were mailed to any individual?

The investigation found no evidence that the flyers were mailed. The investigation revealed that the flyers were distributed through informal channels at churches, senior centers and through community bulletin boards.

10. Do you have any information as to whether funds were received from the TSCL followup letter, which included the solicitation? If so, how much money was received, what was the average amount received, and how many individuals sent in money?

Due to the fact that TSCL did not send a return envelope with the follow-up letter, we cannot discern if any contributions were sent in as a result of the follow up letter. According to Christy Turner, PIDI, all contributions are code based on a code placed on the return envelope. If a contribution is sent in, in a plain envelope, it is coded 'WM' for white mail. A review of the database provided by PIDI revealed TSCL, through Squire & Heartfield Direct (S&H), sent out response letters to everyone who sent in an anonymous flyer. According to S&H, these mailers were sent out in four batches on the following dates; 9/29/00, 10/27/00, 12/8/00, 2/16/01. These mailers did not have a source code attached to them because they did not contain a return piece. If any of these were returned to TSCL, DMP would have coded them with a source code for "white mail" and included the month and year they were received (ex. WM0601). A review of the information obtained from PIDI revealed that after 9/29/00, 357 responses were received and coded white mail. Of the 357 responses, 117 had donations with them. The donations totaled $2,085.05.

11. TSCL used the information received from the flyers to set up a database. In your investigation, did you determine whether information from that database was sold to other organizations?

According to our investigation and interviews with S&H and Christy Turner, all of the information from the anonymous flyers was coded to be excluded from TSCL main database and was not sold.

12. Can you confirm whether TSCL was the first to alert the Postal Service of the existence of these flyers?

SA Stubbs contacted the Postal Inspection Service on June 30, 2000 to obtain information on the post office box listed on the flyers. Between July 30, 2000 and the start of the formal investigation SA Stubbs had numerous contacts with various Postal Inspectors to ascertain information on postal regulations and violations. A formal meeting between the SSA–OIG and the Postal Inspection Service took place on September 26, 2000 with Postal Inspector Cowen. The Postal Investigation, as well as our investigation, was generated by consumer complaints. SA Cowen contacted TSCL on September 12, 2000, independent of SSA–OIG. We have no information to reflect TSCL contacted the Postal Inspection Service prior to September 12, 2000.

13. At the time of the hearing, the Associated Press reported that based on a review of tax records, six senior groups, including AARP collected at least $18.8 million last year by renting out their mailing lists. Of that, the lion's share, $16 million, went to a for-profit subsidiary of AARP, which charges to share the names of its more than 34 million members with mutual fund, credit card, and insurance companies. The National Committee to Preserve Social Security and Medicare, which was reported to have raised $27.6 million from donors last year, raised $1.3 million from the rental of their mailing list. The TREA Seniors Citizens League was reported to have raised just over $417,000 from the rental of their mailing list. Do these organizations obtain specific written consent of their members before they share these lists? Is all of this legal?

These organizations are not required to obtain the specific written consent of their members prior to sharing their mailing lists. Lists are often sold, rented or exchanged with other organizations, purportedly to provide additional member-related benefits or to further a tax-exempt function. Mailing lists are the intangible personal property of the organization that maintains them, and although the originating organization may impose confidentiality and/or use constraints on the renting organization, there are currently no legal prohibitions on selling/renting such lists without the express member consent.

14. You stated that one of the companies you investigated and then settled a civil lawsuit against was the Lead Agency, Inc. They sent direct mail solicitations under the guise of "2001 Benefits Update." The personal information they collected was then sold to insurance firms or agents that then solicited seniors for burial or private insurance policies. Is it illegal for the firms or agents to purchase or receive information received by these means? Once received, are these firms or agents required by law to safeguard the information received in any way? Are the insurance firms or agents affiliated in any way with the Lead Agency or companies involved in similar scams?

Under Federal law, it is not illegal for insurance firms or agents to purchase or receive information that was originally obtained in violation of Social Security laws. Additionally, there are no Federal laws or regulations that prohibit a private company from selling or transferring private information in its possession. We do not address state regulations governing the receipt or transfer of such information, as these regulations may vary by jurisdiction. It is common practice for insurance firms and agents to enter into contractual relationships with companies such as the Lead Agency in order to generate insurance leads. Pursuant to these contracts, the leads are purchased by the insurance firms and agents.

15. You mentioned the most challenging area of deceptive practices is direct-mail fundraising. How do you draw the line in terms of which mailings are legitimate and which aren't? What advice can you give to seniors so that they know the difference?

Section 1140 of the Social Security Act prohibits individuals or entities from using Social Security program words, letters, phrases or emblems in a manner that may lead a reasonable person to believe that a mailing or other item is approved, endorsed or authorized by SSA. We review all allegations of misleading advertising to determine whether this provision has been violated and take administrative action

where appropriate. Several mailings, however, do not appear to be from or endorsed by the SSA, but rather make bold and inflammatory statements about the Agency or its programs in an effort to solicit contributions. These mailings most often target the elderly. We would advise any senior citizens who has questions about the origin of a mailing to contact their representative in Congress or the Agency mentioned in the mailing.

Sincerely,

JAMES G. HUSE, JR.
Inspector General of Social Security

Chairman SHAW. At this point, there appears to be only one vote on the floor. We will recess for the appropriate time, and we will reconvene 5 minutes after the conclusion of this vote, which should be about 15 minutes.

[Recess.]

Chairman SHAW. The Subcommittee will come back to order.

We have changed the order of the second and the third panel. And we will now proceed with the third panel, which we have Mr. George Smith, who is the executive director and the chairman of TREA Senior Citizens League in Alexandria, Virginia; Christy Turner, the account executive for TREA Senior Citizens League, Public Interest Data Incorporated, Alexandria, Virginia; and Michael J. Zabko, who is a former executive director of TREA Senior Citizens League in Alexandria, Virginia.

If the witnesses will please stand, I would like to swear them in.

[Witnesses sworn.]

Chairman SHAW. If the witnesses would be seated, and we will proceed with Mr. Smith.

We have received written testimony from each of the witnesses, which will be made a part of the full record. It is my intention to ask each one of the witnesses at the appropriate time if the contents of the written statement are true, under oath. And so I would advise that any of the witnesses that may want to make any corrections in the written statement, that you do so as part of the testimony you do give to this Committee.

But in any event, your entire testimony will be made a part of the record, and you may proceed and summarize as you see fit. Mr. Smith?

STATEMENT OF GEORGE A. SMITH, CHAIRMAN, TREA SENIOR CITIZENS LEAGUE, ALEXANDRIA, VIRGINIA

Mr. SMITH. Mr. Chairman, and distinguished members of this Committee, my name is George A. Smith. After serving 21 years in the United States Army, I am now honored to serve as the volunteer chairman of the board of trustees of TREA Senior Citizens League, also know as TSCL.

I am 70 years old, so I think I am fully qualified to testify on a matter as important to senior citizens.

First, background information. TSCL was established in 1993 and currently has approximately 1.2 million members, supporters, nearly all of whom are over the age of 60.

Our staff includes three full-time registered lobbyists.

We have attached our 2001 legislative agenda to our written testimony, and you will see we work on a wide range of topics.

We also spend a large portion of our resources in educating our Members on important issues and have developed numerous publications on seniors issues.

We have also provided testimony for a variety of congressional committees. At our Web site, anyone can search through thousands of pages of information on Social Security and Medicare.

Finally, we offer our members a number of benefits at absolutely no cost, including a prescription card, which, by the way, meets and probably exceeds the standard laid out in the President's recent proposal.

On the subject of the misleading mail, first I want to stress: We never solicit or keep Social Security numbers in our records. Therefore, I was disturbed by the Social Security IG report and its possible implication that TSCL might have requested Social Security numbers on the so-called hoax flyers.

Let me be clear: TSCL and its service providers did not create or distribute these flyers. Our only involvement is that our post office box number and some variations of our name was placed on the flyers by the persons who created them.

By the end of this hearing, you will see we are also victims of this hoax, that we tried to determine their origin, and that we worked to counteract misinformation in the flyers.

To date, about 29,000 seniors have wasted their time and the cost of a stamp after reading these flyers. This hoax also cost TSCL time and money to inform these people that they had been misled.

Here are some of the actions we took, starting over a year ago:

We alerted the Postal Service authorities.

We put up a special Web site, alerting the public to the hoax.

We distributed six press releases to about 1,300 senior publications.

We contacted dozens of government officials, including every regional Social Security press officer.

Our massive public education effort seems to have helped. The influx of people responding to the hoax flyer dwindled to a trickle by the end of January.

Mr. Chairman, this Subcommittee requested my testimony on questions stemming from the IG report. As I stated in my letter to this committee, the report contains some extremely misleading information, so let me state the following for the record.

As indicated on page 8 of my written testimony, we only recorded respondents' names and addresses, and I should add, in some cases, birth dates, so we could write and tell them that they were being misinformed. Any claim that TSCL entered Social Security numbers into a database or otherwise recorded Social Security numbers is untrue.

Second, when we sent the letter informing them the flyers were inaccurate, we included a one-page descriptive brochure so they would know who was writing them.

This was not a fundraising mailing, though it included information on how to join our organization. No reply was anticipated, and no reply envelope was provided.

Further, a Social Security representative was shown this mailing, including the brochure and then asked for his comments before it was mailed. TSCL even made changes to the letter based on the request of the representative.

It is grossly unfair to imply that we were attempting to generate contributions through this public service.

In summary, I believe the public education campaign we conducted at our expense was so effective it helped slow the spread of the flyers. We continue to remind the public to protect Social Security number and private information.

Finally, and once again, although TSCL did nothing wrong, the IG report has left many people with the impression we did. This seems unfair.

Mr. Chairman, in our response to Social Security, we requested the record be set straight. Therefore, we would appreciate any assistance you might be able to offer in getting the record corrected.

In closing, we thank you for this opportunity, and we look forward to helping you to the best of our ability.

[The prepared statement of Mr. Smith follows:]

Statement of George A. Smith, Chairman, TREA Senior Citizens League, Alexandria, Virginia

Introduction

Mr. Chairman and Members of the House Ways and Means Committee's Subcommittee on Social Security, my name is George Smith. After serving 21 years in the United States Army, I now am honored to serve as the volunteer Chairman of the Board of Trustees of TREA Senior Citizens League, which also is known as TSCL.

Both TSCL and I share your deep concern about senior citizens, including the need to protect our senior citizens from those who seek to extract their personal information, possibly for illegal purposes. It is a pleasure to be here to testify on behalf of TSCL on this very important issue.

At the beginning, I should say that I am "social security qualified" to give my views to this Subcommittee, being 70 years old. My fellow Board of Trustees members are likewise fully qualified for their important responsibilities on the Board, most being over the age of 65.

TREA Senior Citizens League

Please allow me to provide you some background on TREA Senior Citizens League. TSCL was established in 1993 as a special nonprofit project of The Retired Enlisted Association (TREA), a tax exempt organization founded in 1963 and chartered by an act of Congress. In 1994, TSCL was separately charged as an affiliate of TREA, and in June 1995, the IRS recognized TSCL as an Internal Revenue Code section 501(c)(4) nonprofit, social welfare organization and civic league.

TSCL is open to anyone who is concerned about protecting his or her earned retirement benefits, and we send out many of TSCL's action packets and other materials to members and nonmembers alike. **You need not send a contribution to be placed on our supporter list and receive many of our public service booklets, informational literature and action packets. In fact, any member of the public can request and receive any of our informational literature, at no charge, at any time, and many do.** Currently, TSCL has approximately 1.2 million members and supporters, nearly all of whom are over the age of 60.

In keeping with our mission to defend and protect our members' earned retirement benefits, TSCL currently employs three full-time registered lobbyists dedicated to working for fair Social Security laws, and for changes to modernize, upgrade, and stabilize the Medicare program.

Representing the wishes of our members and supporters sometimes means we take issue with government policies. We believe it is our duty to advance the interests of our constituency, even though, from time to time, doing so may cause us to differ with the Social Security Administration, or even some Members of this Sub-

committee. I have included our 2001 Legislative Agenda as Attachment A so that you may see more fully the scope of issues on which we work.

In addition to our legislative efforts we also spend a large portion of our resources and time in educating our members on important issues affecting their benefits. TSCL members receive a copy of our flagship publication, *The Social Security & Medicare Advisor* newsletter, 10 times a year.

We have also developed and distributed numerous publications and booklets educating our members on such topics as "The Senior Survival Guide to the Medicare Maze," "The Senior Survival Guide to Caregiving," and my personal favorite, "The Senior Activist's Survival Manual," which we use to educate our members on how to communicate effectively with their Congressional Representatives.

By the way, every Congressional office receives a copy of our newsletter each time it is published and has done so for several years. Many Members of Congress use our "Congressional Corner" article to communicate with TSCL's members. We also send Members of Congress and other public officials a variety of policy papers, booklets and information. We have provided written testimony for the record for a variety of Committees, including the House Ways and Means Committee's Subcommittees on Health and on Social Security, and the Senate Committee on Finance. We are also members of The Free Speech Coalition, The Military Coalition and the National Military and Veterans' Alliance.

Our education efforts and communications with TSCL members and senior citizens in general are also enhanced through our website, www.tscl.org, where members can search through thousands of pages of information on Social Security and Medicare issues, and contact their Congressional representatives through the website's Legislative Action Center. We have also created a new Speaker's Forum where our three lobbyists are available to address seniors' groups and organizations on TSCL legislative issues.

Finally, we offer our members a number of membership benefits, including our MatureRx Prescription card. (Let me just say here that, this free member benefit meets, and probably exceeds, the standards laid out in the President's recent proposal for a senior discount drug program.) We also offer various other discounts on car rentals, moving van services, and like items. Unlike many other organizations, TSCL does not generate any revenue from these member benefits, nor does TSCL "sell" its members anything such as insurance.

Again, time does not permit me to enumerate all that we are doing for our TSCL members and supporters, but it is a substantial amount of activity. I have with me several copies of our *TREA Senior Citizens League 2000 Annual Report*, and they are available to interested members of the public on request.

The Hoax Flyers

We advise seniors to guard closely their private information, including their Social Security Number. We never, ever, solicit this type of information for our records, nor do we store it on our database. Thus, I was particularly disturbed by the Social Security Administration Inspector General's Report of July 6, 2001, and its implication that TSCL might have had something to do with requests for Social Security numbers and other misinformation in the hoax flyers talked about in that report.

I'm hoping that by the end of this hearing you will see that we too are victims of these hoax flyers, that we have tried to determine their origin, and that we have worked responsibly to counteract the misinformation these flyers have created ever since we first learned of them.

Let me be clear: TSCL and/or its service providers never put out, distributed, or were associated in any way with these flyers. Our only involvement was that the hoaxer used some variation of our name and our post office box number on the flyers. Regrettably, approximately 29,000 seniors were misled into wasting their time and the cost of a stamp after reading these flyers. I am sure many had their hopes dashed when we informed them they were misled. But the hoaxer who started sending out the flyers that caused this investigation also cost us a substantial amount of money and time as we struggled to inform the flood of some 29,000 people that they had been misled.

It is our understanding that we were the first to alert the United States Postal Service authorities when this hoax started. And, last year, long before the Social Security Administration published their warning, we put up a special consumer website (www.tsclconsumeralert.org) with full details on the hoax to make sure the public and our supporters knew about the hoax. **At every possible opportunity we have warned, and continue to warn, our supporters in particular, and older Americans in general, to never give out Social Security Numbers except as specifically required by law.**

Since last August, we have distributed six press releases warning the public that the flyers are a hoax (Attachment B). These press releases went out to about 1,300 senior-related publications in addition to media in areas where we heard flyers had cropped up. In addition, we sent press releases to the National Newspaper Publishers' Association, which represents over 200 African American publications. Our press releases were also sent to every Member of Congress. We've contacted dozens of elected and non-elected government officials, including the SSA's Headquarters Press Officer and each regional SSA Press Officer. The office of the Secretary of Veterans Affairs told us they'd be sure to get the word out to all of their regional offices as well as every VA hospital and clinic. The folks at the Better Business Bureau also agreed to spread the word to their regional offices.

As a result of this massive public education effort undertaken solely at the expense and time of TSCL, we seem to have been able to help put a stop to the spread of this hoax. **The influx of people responding to the hoax flyer dwindled to a trickle by the end of January. Only a handful have shown up for the past several months.**

Far worse than the expenses we've incurred or the huge amount of time we've had to devote to fighting this hoax, is that our good name may now be questioned as a result of this hoax.

Setting the Record Straight

The letter to me from the Subcommittee requesting my testimony today states that the Social Security Administration's Inspector General (SSA's IG) had completed investigations about "two types of misleading mailings," and that the focus of the hearing would be on "several different mailings, including slave reparation and notch. . . ." The Subcommittee sent me a subpoena so that I "may respond to questions . . . regarding TSCL's actions relative to these mailings."

The Subcommittee's letter prompted a response from me, which was hand-delivered on Monday, July 23 (Attachment C). The SSA's IG's Report of July 6, 2001 reveals that IG investigated two types of flyers. Those flyers, which have been referred to as "hoax flyers," were crude single page flyers that were apparently widely distributed in certain parts of the country. The Subcommittee's letter indicates that, according to the SSA IG's Report, "TSCL responded to the mail generated by these flyers by directing its data processing firm to create a database containing the respondent's personal information." This information was drawn from the IG's Report, and is misleading, if not absolutely false. The **only** data from the respondents we recorded were their names and addresses. These items were necessary so we could write to the respondents and tell them they had been misinformed. TSCL **absolutely did not record any** other personal information. Any claim that TSCL entered Social Security Numbers into a database or otherwise recorded those numbers in any way is untrue. TSCL never records Social Security Numbers, and in fact advises seniors to be wary about giving out their Social Security Numbers.

Finally, my response points out that the Subcommittee's letter quoted statements contained in the SSA IG's recent Report, that "TSCL . . . wrote to each victim disavowing any responsibility for the flyers, but included TSCL's standard fundraising brochure." That statement is incomplete and misleading. TSCL tried to correctly inform respondents who had been misinformed by the hoax flyers. We sent respondents a letter informing them that the flyers they had received were inaccurate, and we included a brief, descriptive brochure to provide additional background on our organization. No reply envelope was provided and no reply was anticipated. **Most important, a representative of the SSA IG's office was shown the contents of this mailing, including the brochure, before it was ever mailed, and TSCL even made changes to the letter based on the request of that SSA representative.**

After reading and rereading the SSA IG's Report of July 6, 2001, I replied to the Acting Commissioner of Social Security, pointing out several unfair statements in the SSA IG's Report (Attachment D).

Obviously, today's hearing was initiated by the Subcommittee's concern about the delivery of misleading information to senior citizens, and it is important that such information, such as the hoax flyers, be exposed as false. This is good for seniors, and good for the entire country.

Conclusion

In summary, we have done everything we can to inform both our supporters and senior citizens-at-large about this hoax.

In fact, I believe the public education campaign we launched after we first began seeing the flyers was so effective that it has helped slow the spread of the flyers—

certainly, the number of inquiries we receive has slowed from hundreds a day to a handful each month. Since there is no guarantee that this hoax will not be resuscitated, we are keeping our "Consumer Alert Website" updated, and we are continuing to remind both our supporters and the public to never give out their Social Security numbers or other private information.

I don't think I am being immodest in saying that TSCL's response to this could serve as a model for others who may have to rapidly respond to fast circulating, but inaccurate, claims such as those made in the hoax flyers.

Finally, and unfortunately, although TSCL did nothing wrong, the Social Security Administration, in its report, was willing to leave the impression that we did—this seems unfair.

Mr. Chairman, in our response back to the SSA's IG Report we requested that the record be set straight (see Attachment D). Therefore, we would appreciate any assistance you might be able to offer in getting the OIG Report corrected.

Attachment A

YEAR 2001 LEGISLATIVE AGENDA

JANUARY 2001

"In Defense and Protection of Earned Benefits"

In 2001, TREA Senior Citizens League's goals are to work for fair Social Security reform and for changes to modernize, upgrade and stabilize the Medicare program. TSCL will also continue to expand its legislative agenda to address other issues of importance to seniors such as increasing access to affordable long-term care, improving the quality of nursing home care, and enacting a fair Patients Bill of Rights.

As TSCL continues to work for these goals, it recognizes that the solutions to many of these problems will require Congress to authorize additional outlays of funds. The price of reform is often very high. However, as the country is in an unprecedented time of prosperity with the budget running huge surpluses, TSCL firmly believes that a significant portion of these surpluses should be dedicated to immediate and long-term reforms of Social Security and Medicare. Therefore TSCL urges the Administration and Congress fairly allocate any budget surplus to long term strengthening of the Social Security and Medicare trust funds; to immediate fixes such an improved and accurate COLA, Notch Reform and some form of optional, low-cost, prescription drug coverage; and lastly to tax cuts.

Medicare Improvements:

- ***Medicare Prescription Drug Benefit:*** *Diligently pursue the passage of legislation to establish a voluntary fair and universal outpatient prescription drug benefit for all Medicare-eligible beneficiaries.*

TSCL Position: TSCL will lend its full support and urge the grassroots efforts of its members and supporters to enable the passage of any proposed Medicare prescription drug benefit that is universal, voluntary, understandable, responsible and most importantly affordable. TSCL has and will continue to monitor the many prescription drug benefit proposals that surfaced in 2000 and that can be expected in 2001. TSCL remains objective in its view towards a prescription drug benefit in that the League supports virtually any effort that provides older Americans with some financial relief at the pharmacy window. However, the League does not support inaction or delaying tactics that only serve to prolong the hardships being experienced by older Americans.

This means we may from time to time support a bill that may not include all of the needed items but will benefit many. In no way will this preclude our continuing efforts to achieve all the needed drug prescription benefits.

Bills of Interest:

TSCL supports a number of bills in both the House and Senate that amend title XVIII of the Social Security Act to provide coverage of outpatient drugs under Medicare. The major bills in the Senate include S. 10—Medicare Prescription Drug Coverage Act of 2001, introduced by Senator Tom Daschle (D–SD) and S. 358—Medicare Prescription Drug and Modernization Act of 2001, introduced by Senators John Breaux (D–LA) and Bill Frist (R–TN). The major bills in the House include H.R. 339—Medicare Outpatient Prescription Drug Coverage Act of 2001, introduced by Rep. Eliot Engel (D–NY); H.R. 803—Medicare Modernization and Solvency Act of 2001, introduced by Senator Pete Stark (D–CA); H.R. 828—Senior's Health Care Choice Act of 2001, introduced by Rep. Felix Grucci (R–NY); and H.R. 1512—Medi-

care Extension of Drugs to Seniors (MEDS) Act of 2001, introduced by Rep. Bernard Sanders (I–VT).

• ***Medicare Improvements:*** *Work with Congress to modernize, improve and strengthen the Medicare program.*

TSCL Position: TSCL continues to support any efforts by Congress to improve and strengthen the Medicare program for the future as long as such efforts do not negatively impact on current beneficiaries. One of the primary things we support is a true modernization which of necessity will include "lockbox" protection of Medicare funds to prevent any future raids by Congress on these funds. TSCL will also continue to seek ways to improve and increase health care coverage under Medicare such as easing the requirements for beneficiaries to qualify for timely hospice care under the Medicare program. TSCL also supports legislative efforts to prevent sudden disruption of Medicare beneficiary enrollment in Medicare Plus Choice Supplement Plans.

Bills of Interest: TSCL supports H.R. 148, introduced by Rep. Bill Pascrell, Jr., (D–NJ), which prevents sudden disruption of Medicare beneficiary enrollment in Medicare Plus Choice plans.

Social Security Improvements:

• ***Social Security "Notch" Repeal or Settlement:*** *Continue to lead the fight to either repeal the previous law that created an inequitable distribution of Social Security monthly benefits to eligible recipients based on year of birth, or to gain support for an acceptable $5,000 settlement in order to bring the issue to closure.*

TSCL Position: One of TSCL's first priorities for reform of Social Security is compensation for over 9 million surviving Notch babies born during the ten-year period of 1917 through 1926. In 1977 Social Security was close to bankruptcy, and was expected to run out of money by 1981. Congress enacted legislation to change the way benefits were calculated, beginning with retirees who were born in 1917 and became eligible for benefits in 1979. The changes were major, and the transition between the old and new method of calculating benefits not only took place over a very short period of time, they did not work as anticipated. Those born during the Notch years received substantially lower benefits than those paid to retirees born before and after them. When represented on a chart, the disparity in benefits forms a deep "V" notch. Benefits plunged from a peak for retirees born in 1916 and hit the lowest part of the "V" for those who were born in the years 1920–21. Benefits began to rise for those born in 1922 until they became more in line with other retirees, starting with those born in 1927.

Although TSCL believes that Congress did the right thing in 1977 to save the Social Security system from bankruptcy, the Notch babies paid the price in lower benefits. TSCL believes that it is now time to compensate the "Notch Survivors" for the sacrifices they made over the past twenty years. No matter what explanations are given that the "Notch babies" are receiving the proper benefits, the fact is that people born before and after the Notch years are receiving substantially higher Social Security payments. TSCL believes that it is consummately unfair to penalize those people who sacrificed and suffered through WWII and were responsible for our ultimate victory. It's past time to pay these people what is their due and what is fair. TSCL has devoted a significant amount of its time and resources to finding legislative solutions to correct this inequity. Although TSCL would prefer to restore full Social Security benefits to "Notch babies", TSCL recognizes that "lump-sum" notch proposals that would provide a one time payment of $5,000, would cost significantly less than the traditional notch bills ($10 billion a year for four years vs. $300 billion). In a survey of TSCL members 85% indicated they would accept the $5,000 settlement proposal and that it would be a positive move to greatly improve their quality-of-life.

Bills of Interest: H.R. 97, introduced by Rep. Ralph Hall (4–TX) and H.R. 853, by Rep. Robert Wexler (D–FL) are the TSCL preferred bills since they support the payment of a $5,000 settlement. TSCL also supports H.R. 80 and H.R. 82, both introduced by Rep. Jo Ann Emerson (8–MO), and H.R. 870, introduced by Rep. Bob Clements (D–TN).

• ***Consumer Price Index—Elderly (CPI–E):*** *Work hard for the passage of legislation that establishes an annual Cost of Living Adjustment (COLA) index that accurately reflects the actual expenditures and needs of older Americans.*

TSCL Position: TSCL emphatically believes that the current method of calculating annual COLAs using the Consumer Price Index—Wage Earners (CPI–W) method does not accurately take the buying habits of older Americans into account. Put simply, older Americans do not have the same needs and buying patterns as younger workers. For example, seniors have no choice but to spend a significant percentage of their income on prescription drugs—an item which has risen rapidly in cost and will continue to rise. The Bureau of Labor and Statistics (BLS) market basket includes goods ranging from different kinds of meat to different kinds of electronic goods. The theory is that if the price of one good rises, a consumer will substitute a lower-priced good for the first item (ex. beef vs. chicken). When the cost of goods in the market basket falls, the CPI is adjusted downward. This results in lower COLAs.

Senior Citizens are affected differently than other consumers by the change in the cost of goods. In the case of electronics, whose prices are falling sharply with technological advances, seniors are affected negatively in two ways. First, seniors often do not use laptops, cell phones to the extent that younger people do, so their buying habits are not accurately reflected by the CPI. Thus, when the prices of these items fall, bringing a change in the CPI, lower COLAs result. However, seniors do not benefit since they do not save money on the lower prices of these goods because they do not buy them as often. Second, seniors are different from other groups of consumers because if the price of an item goes up, they often forego that item, either because there is no replacement or because they cannot afford even the replacement item. (ex. prescription drugs—if cost of a drug goes up and no generic is available, there is no substitution because seniors often cannot afford the drug at the higher cost.)

Currently the BLS compiles an experimental CPI–E, which tracks the change in prices for goods used by seniors age 62 and older. Over the 17 years for which CPI–E data has been available, it was found that the prices of goods bought by the general public rose by 73.9% while it rose by 85.1% for seniors (a difference of over 11 percentage points). Medical costs are only weighted as 5.6% of the CPI, but the CPI–E has found that the medical costs of seniors rose 181% in the past 17 years. A study commissioned by TSCL found that, had the CPI–E been used over a 17-year period instead of the CPI–W, a retiree with average benefits would have received a total of approximately $5,600 more in benefits over that 17-year period.

TSCL strongly supports legislation that would create a more accurate Social Security COLA by using the CPI–E vice the current CPI–W to determine the annual increase.

Bills of Interest: TSCL will work with Rep. Bernie Sanders (I–VT) to reintroduce his bill—Consumer Price Index Act for Elderly Consumers Act—in 2001 that directs the Bureau of Labor and Statistics to make the CPI–E permanent as the basis for calculating Social Security COLAs.

- ***Annual Costs of Living Adjustment (COLA):*** *Work hard with the Bureau of Labor Statistics and members of Congress to ensure that the "market basket" used for determination of CPI accurately reflects Seniors' buying habits and resist any legislative proposals to cap COLAs below inflation.*

TSCL Position: TSCL previously opposed a series of "technical corrections" to the CPI that ultimately which reduced annual Cost-of-Living Adjustments (COLAs) since 1995, sometimes to levels below the rate of inflation. We now realize that this readjustment on a more timely basis is necessary to reflect the actual costs of goods and services. As previously stated, TSCL believes the CPI–E index is the most accurate way to calculate Social Security COLAs. Therefore, TSCL remains opposed to any legislative effort to either delay the Social Security COLA or to further correct COLAs calculations based on calculations that have little reflection of the actual buying habits of seniors.

Bills of Interest: TSCL supports H.R. 832—Social Security Guarantee Act of 2001, introduced by Rep. Walter Jones (R–NC). This bill guarantees the right of individuals to receive Social Security benefits in full with an accurate annual COLA.

- ***Social Security Reform:*** *Vigorously support any effort to reform Social Security that protects benefit levels of current beneficiaries and addresses the inevitable structural funding problem facing the next generation of retirees.*

TSCL Position: TSCL supports any effort to reform Social Security that will not affect today's Social Security beneficiaries. TSCL will continue to support legislation that will transition the Social Security System into a system that offers a greater rate of return for future eligible beneficiaries, as long as today's retirees continue to receive their full SS benefit. TSCL will continue to oppose any legislation that

would reform Social Security by cutting current benefits. TSCL will continue to monitor the issue of Social Security privatization.

Bills of Interest: TSCL supports H.R. 14, introduced by Rep. Rob Portman (R–OH), which establishes a Bipartisan Commission on Social Security Reform.

• ***Social Security Trust Fund Solvency:*** *Renew the commitment to support legislation that creates a tangible Social Security Trust Fund that is protected from funding raids to support other government programs or balance the federal budget.*

TSCL Position: TSCL will continue to support legislative efforts to create a tangible Social Security Trust Fund "Lock-Box" to permanently stop the government from spending Social Security money on other federal government expenses. TSCL also will continue to oppose any legislative efforts to balance the federal budget that continues to use annual Social Security surpluses in order to reach the balance target.

Bills of Interest: TSCL supports H.R. 2—Social Security and Medicare Lock-Box Act of 2001, introduced by Rep. Wally Herger (R–CA), which establishes a procedure to safeguard the combined surpluses of the Social Security and Medicare hospital insurance trust funds. TSCL also supports H.R. 96—Social Security Preservation Act of 2001, introduced by Rep. Ralph Hall (D–TX), which amends the Social Security Act to ensure the integrity of the Social Security trust fund by requiring the Managing Trustees to invest the annual surplus of the trust fund in interest-bearing obligations of the United States and certificates of deposits, and to protect the trust fund from the public debt limit.

• ***Repeal of the 85 Percent Social Security Tax Rate:*** *Continue to urge Congress to reduce or eliminate the 85% Social Security tax rate passed in 1993 and to fully eliminate all taxes on Social Security income.*

TSCL Position: Under current law, up to 50 percent of Social Security benefits may be taxable for individuals with annual provisional incomes between $25,000 and $34,000, and couples with annual provisional incomes between $32,000 and $44,000. Up to 85 percent of SS benefits are taxable for individuals with more than $34,000 in annual provisional income or couples with more than $44,000. These income levels are fixed and do not rise annually like personal exemptions or tax brackets. This means that as incomes and Social Security benefits gradually rise, increasing numbers of older Americans must pay the higher 85 percent tax on their benefits. TSCL also believes that an eventual total elimination of all taxes on Social Security income is warranted. The current practice of taxing Social Security income means that individuals are being taxed on monies that have already been taxed which is double taxation. If Congress wants to cut taxes for the American public they should start with those people who have paid taxes the longest and are now receiving Social Security. It's only fair!

TSCL was very encouraged in 2000 when the House of Representatives passed H.R. 4865, The Social Security Tax Relief Act, that would have repealed the 1993 Social Security 85 percent tax rate increase and returned it to the former 50 percent rate. Unfortunately, this bill did not make it through the Senate. TSCL will continue to actively work with Congress to reintroduce and enact legislation in 2001 to repeal the 85 percent tax rate increase.

Bills of Interest: TSCL is currently supporting two bills, H.R. 122, introduced by Rep. Sam Johnson (3–TX); and H.R 192, introduced by Rep. Bob Stump (3–AZ), that would amend the Internal Revenue Code of 1986 to repeal the 1993 income tax increase on Social Security benefits. TSCL also supports two Senate bills—S. 181, introduced by Sen. Richard Shelby (R–AL) and S. 237, introduced by Sen. Tim Hutchinson (R–AR).

• ***Social Security Earnings Limit Expansion:*** *Continue to urge Congress to abolish the earning limits for workers between the ages of 62 and 64 who are receiving Social Security benefits.*

TSCL Position: Last year, TSCL submitted testimony to Congress in support of the repeal of the earning limit that previously required a dollar for dollar reduction of the Social Security benefits for individuals who worked after reaching age 65. Although the Social Security benefit offset was repealed for retirees age 65 thru 70, those who retired early (under age 65) are still penalized for working. Younger retirees can only earn up to $10,680 in 2001 without losing any SS retirement benefits. Exceeding this amount requires a $1 reduction for every $2 of earning over the limit.

TSCL continues to believe that those choosing to receive a reduced benefit at age 62 should be afforded the opportunity to supplement their SS benefit by also being allowed to work without any offset.

Bills of Interest: None.

- ***Repeal/Amend Social Security Offset and Windfall Laws:*** *Urge Congress to repeal or amend Social Security Offset and Windfall laws that reduce Social Security benefits of retired government and state employees.*

TSCL Position: Individuals who have worked at jobs covered both by a federal or state government pension, and by Social Security should be entitled to benefits from each. However, under the Windfall law, Social Security benefits of a retired federal or state government employee can be reduced by as much as $260 a month (based on someone applying for benefits in 2000 at age 62). Under the Offset law, individuals with government pensions can be hit even harder when they try to collect a spousal or survivor benefit based on their spouse's Social Security benefit. The Offset law can almost completely eliminate a spouse or survivor's Social Security benefit.

TSCL supports legislation that would amend or repeal the Windfall and Offset laws.

Bills of Interest: TSCL supports H.R. 664, introduced by Rep. William Jefferson (D–LA) and S. 611, introduced by Senator Barbara Mikulski (D–MD) which both guarantee a minimum $1200 combined monthly income from a government pension and Social Security benefits before the Offset could be applied. TSCL also supports H.R. 1073, introduced by Rep. Barney Frank which amends the Windfall formula, giving 93 percent of affected retirees more Social Security benefits, but prefers H.R. 848, introduced by Rep. Max Sandlin (D–TX) which just simply repeals the Windfall provision.

Other Key Priorities:

- ***Increased Access to Affordable Long Term Care:*** *Continue to work with Congress to seek innovative solutions to increase access to affordable long-term care, whether through Medicare or though other programs.*

TSCL Position: TSCL remains very concerned over the lack of affordable long-term care for senior citizens. Many of those who need such care are forced to "spend down" their own assets before they can qualify for Medicaid. Although long-term care insurance does exist, these plans are only affordable for younger senior citizens. Older seniors who are now at the age when they will most likely need long term care never had the opportunity to purchase these plans, and cannot afford them now.

TSCL will continue to seek innovative ways to increase access to long-term care for senior citizens, whether through the existing Medicare program, or through other mechanisms.

Bills of Interest: None.

- **Fight to Prevent and Expose Social Security/Medicare Fraud, Waste and Abuse.**

Bills of Interest: None.

Attachment B

Misleading Information Aimed at Seniors

Alexandria, VA (August 2000) The Senior Citizens League (TSCL) has recently received reports of a possibly fraudulent scheme aimed primarily aimed at African American seniors. We have discussed this with both the Social Security Administration and the United States Postal Inspection Service. Flyers in Chicago, Milwaukee, Baton Rouge and Jackson, Hattiesburg and Canton, Mississippi appeal to those born before 1928 and of the "Black Ethnic Race". It goes on to claim that if people send in their name, address, phone, date of birth, and Social Security number to the "TREA Senior 'Systems' League" that an application will be mailed to them leading to either the issuance of a $5000 lump sum check or larger Social Security checks.

"This is a misleading statement that appeals to the most vulnerable seniors who really need every penny to pay for prescribed drugs, pay rent and buy food" said Michael Zabko, TSCL's Executive Director. "To even imply the 'Slave Reparation Act' will give them $5000, is a senseless and irresponsible act. The only legislation in the 106th Congress regarding reparations is H.R. 40, which is a proposal to form

a commission to study the merit of this issue. H.R. 40 was referred to the House Judiciary Committee on January 6, 1999 and then to the Sub-Committee on the Constitution on February 25, 1999 and remains there today."

The League is urging the Postal Authorities to find the persons responsible for this misinformation since the League's mailing address appears on the flyers. Mr. Zabko went on to say, "We urge anyone with information on this to contact us at 1–800–333–8725 or contact the Postal Inspection Service through your local post office. We will vigorously attempt to stop this misinformation and demand an immediate end to the use of our name in conjunction with this.

TSCL is working for Notch Reform, an unrelated topic. One proposal is for a $5000 lump sum or Social Security payment increase to compensate certain individuals for lower Social Security benefits. TSCL does not ask for Social Security numbers. In fact we caution our members that giving out Social Security numbers is very risky due to the growing threat of 'Identity Theft'."

TSCL is a national group of politically active seniors concerned about the protection of their earned Social Security, Medicare, military and other retirement benefits. TSCL members participate in a number of grass roots lobbying and public education campaigns to ensure governmental bodies live up to commitments. For more information about TSCL, send a self-addressed business-size envelope to: TSCL INFO, 909 N. Washington St., Suite 300, Alexandria, VA 22314.

Seniors Warned Not to Give Out Their Social Security Numbers!

Alexandria, VA (August 2000) "Seniors should never give out their Social Security numbers just because they are asked for them," warns Michael Zabko, Executive Director of TREA Senior Citizens League (TSCL). "We've recently received reports of flyers being circulated indicating that people born from 1917 through 1926 must register their social security numbers with TSCL to collect benefits of pending legislation. This is 100% false—there is NO REASON to give out your Social Security number."

"It IS TRUE that TSCL is working for passage of Notch Reform. But we do not need your Social Security number for this. Giving out your Social Security number is risky because criminals can use Social Security numbers to obtain bank accounts, false drivers licenses, and more. 'Identity theft' is a growing crime in America and seniors are often the victims."

"It is probable these misleading flyers are being circulated by well-meaning people, says Zabko. The Social Security Notch issue has growing support in the 106th Congress and there are now almost 200 Members of Congress who have cosponsored the legislation." Perhaps this growing interest has sparked grassroots efforts for passage that mistakenly request Social Security numbers."

"We've received a number of reports of flyers being circulated urging citizens to send their social security number to us for registration. Others indicate that we are providing a settlement for the Slave Reparation Act. Possibly some good intentioned person has taken a lot of information and pieced it together to garner support to pass this legislation. Unfortunately they have misstated some important information. Indeed, TSCL has been active in educating older Americans regarding the improper use of social security numbers," continues Zabko.

TSCL is a national group of politically active seniors concerned about the protection of their earned Social Security, Medicare, military, and other retirement benefits. TSCL members participate in a number of grassroots lobbying and public education campaigns to ensure governmental bodies live up to commitments. For more information on TSCL send a self-addressed business-sized envelope: TREA Senior Citizens League, Dept. BP100, 909 N. Washington St., Suite 300, Alexandria, VA 22314.

Media Alert

African American Seniors Targeted With Hoax

Alexandria, Virginia, September 21, 2000—TREA Senior Citizens League (TSCL) is urging all media professionals to help end a hoax that is currently victimizing African American senior citizens.

"We are asking the media to put out information informing senior citizens, particularly those of African American descent, that the "Slave Reparation Act" is a hoax," said Michael Zabko, TSCL Executive Director. "And, we'd like all media representatives to join us in reminding senior citizens that at no time should they provide their social security number or other vital information to any cause without first checking it out to see if it is valid."

Currently, fliers are being circulated across the south that claim the "Slave Reparation Act" will provide a financial settlement to those who apply for it. It targets those born before 1928 and of the "Black Ethnic Race." However, The Slave Reparation Act does not exist. To date, fliers have been located in Baton Rouge, La.; Canton, Hattiesburg and Jackson, Miss.; and in Chicago and Milwaukee, Zabko noted.

The flyer further states that individuals can obtain more information on this 'Act' by writing to the TSCL post office box in Washington. "This is completely untrue," says Zabko. "There is no 'Act' and TSCL's name is being unjustly slaughtered by this hoax."

"We've received over 10,000 inquiries from victims to date. As far as we can tell, we are the only financial victims of this hoax since the flyer doesn't ask people to send money to anyone, and we're grateful for that." says Zabko. "But it is costing our organization thousands of dollars to respond to all the questions we are receiving by phone and mail."

To ensure that all inquiries are handled quickly and accurately, TSCL has established an immediate response system. "We tell all those who call that the letter is a hoax and that the letter is in no way authorized or approved by TSCL. For those who write in, we have a form letter that we send out immediately that states the same thing, and then goes further to advise individuals to not give out their social security number without first checking if there is a legitimate use for it. We're trying to stop this beast from growing, but we need help."

In an August 29 letter to the chief postal inspector, TSCL urged the Postal Inspection Service to "initiate a nationwide investigation of the unauthorized use of the name and address of TREA Senior Citizens League by the publishers and distributors of false and misleading printed matter directed toward senior citizens." A similar letter has been sent to the Social Security Administration. And, TSCL has alerted the Better Business Bureau, the NAACP and Attorney Generals in most southern states.

Unfortunately, this has not stopped the flyers from circulating.

"We need media outlets to help inform the African American community that this is a hoax so we can stop this thing in its tracks." says Zabko. "Our membership includes many African Americans and we are gravely concerned that they are being targeted."

"This hoax is like a computer virus," Zabko added. "A person receives the misleading flyer and then may innocently pass it along. But it's a cruel hoax that appeals to the most vulnerable seniors who really need every penny to pay for food, rent and medication. We all need to pitch in and see that our senior citizens are not taken advantage of by this hoax."

At this time, the only legislation in the 106th Congress regarding reparations is H.R. 40, which is a proposal to form a commission to study the merit of this issue. H.R. 40 was referred to the House Judiciary Committee on January 6, 1999 and then to the Sub-Committee on the Constitution on February 25, 1999, where it remains today.

"We urge anyone with information on this misleading information to contact us at 1 800 333 8725 or contact the Postal Inspection Service through their local post office," Zabko stated. "TSCL is working diligently to put an immediate end to this hoax and the misrepresentation of our organization's name and address."

TSCL is a national group of politically active seniors concerned about the protection of their earned Social Security, Medicare, military and other retirement benefits. TSCL members participate in a number of grass roots lobbying and public education campaigns to ensure governmental bodies live up to commitments.

TSCL has created a special, temporary media website for members of the working press who want more information on the hoax. Please do not publish the URL for this site since it is not designed for high levels of public traffic. Visit it at *tsclconsumeralert.org*

Usual contact information and format

TSCL, 909 N. Washington St., Suite 300, Alexandria, VA 22314.

Seniors Group Victimized by Misinformation

STATEMENT BY MICHAEL J. ZABKO

EXECUTIVE DIRECTOR

TREA SENIOR CITIZENS LEAGUE

Defending the Earned Benefits of More Than 1.5 Million Americans

In response to false information being erroneously circulated under the guise of a TSCL campaign

Alexandria, Virginia—9/21/00—

Since as early as January of 2000, the TREA Senior Citizens League (TSCL)—a prominent seniors grass-roots advocacy organization—has been a victim of misleading information that is causing distress among American senior citizens. Because our good name has been linked to several flyers that are full of incorrect and possibly inflammatory information we have been appealing for assistance from the Social Security Administration and other Government agencies in order to help track and eliminate these flyers.

The original materials we were made aware of asked for personal information including Social Security numbers, something we do not want and have no need for, in order to sign up for notification of a settlement of the Social Security Notch issue. The latest wrinkle in this proliferation of misinformation has been a new flyer that says if elderly black Americans send in their personal contact information, once again including Social Security numbers, to a League post office box, we will ensure they receive a $5,000 payment due to "slave reparations."

We have received some support from the Better Business Bureau in Washington D.C. in getting the correct information out to the public. They have noted on their website that the problem exists and that we are working with them to try and eliminate it (http://www.dc.bbb.org/report.html?recordid=18400).

We assume that many people have been calling Social Security offices due to an Associated Press article on September 19th that we know appeared in USA TODAY and the Washington Post. The article noted that individuals should call their local SSA offices if they received one of the flyers. Even though we have informed the Social Security Headquarters office in Baltimore, Md., of new developments, we are concerned that the information we have passed on to them has not been forwarded to their district and local offices. Yet, it is at the local level that this false information is causing the most damage.

The League is as much a victim of this hoax as the individuals who receive the erroneous flyers. Whoever initiated the flyers used our legitimate P.O. box number and contact information and our office has been besieged with calls and letters. Additionally, some newspapers and other organizations continue to spread the misinformation and by implication have made it appear that the League is responsible for spreading these misleading flyers.

We are asking that if anyone has questions to please contact us at 1–800–333–8725. If you need instant information please go to a special website we set up to answer questions about this problem located at www.tsclconsumeralert.org. The site includes true information about the League, the actions we have taken to stop this false information from spreading, and what we do daily to help seniors.

The Senior Citizens League is a seniors' advocacy organization being forced to use our resources in a manner unacceptable to our membership. The tremendous amount of time, effort and funds we are using to make sure the correct information is received by those most affected, could be better utilized in our primary purpose which is the betterment of the quality of life of older Americans. If anyone has information on who is distributing these misleading flyers, please contact us so we can hopefully put an end to this problem in the very near future!

The Senior Citizens League is a national group of politically active seniors concerned about the protection of their earned Social Security, Medicare, military and other retirement benefits. It is affiliated with The Retired Enlisted Association, established in 1963. League members participate in a number of grassroots lobbying and public education campaigns to ensure governmental bodies, including the Social Security and Health Care Financing Administrations, live up to their commitments. For more information please contact TREA Senior Citizens League, Dept. SF946.

NEWS

TREA Senior Citizens League
909 N. Washington St., Suite 300
Alexandria, VA 22314

Contact: Michael J. Zabko, Executive Director

(800) 333 8725

TSCL Supports Actions to Investigate Hoax Aimed at Seniors Citizens

Alexandria, Virginia, October 3, 2000—"We're starting to see some positive steps being taken that we hope will put an end to the circulation of misinformation about a supposed 'Slave Reparation Act,'" said Michael J. Zabko, executive director of TREA Senior Citizens League.

"There is no 'Slave Reparation Act,'" Zabko said, "and the issue is not—and has never been—on TSCL's legislative agenda. We're receiving thousands of calls and letters from senior citizens who are hopeful that they can get some much-needed money to help pay for their medicine, food and rent. It's not true. That makes it more than just a hoax—it's cruel." The fliers in question purport that those born before 1928 and of the "Black Ethnic Race" are eligible for a lump sum payment from the government.

TSCL met with representatives from the Postal Inspection Service and the Social Security Administration, among others, last week to discuss possible steps to investigate the hoax that is targeting senior citizens. "A major concern to us is that many of the fliers being circulated ask for personal information, such as social security numbers," Zabko noted. "Under no circumstance, should anyone give out their social security number without first verifying that there is a legitimate use for it, like getting a loan."

"We're all concerned about protecting the privacy and security of our senior citizens. So any steps taken now to safeguard information will be helpful in the long run," Zabko said.

According to Michael Ouellette, TSCL director of legislative affairs, there are many people who have begun to recognize the impact that this hoax might have if it is not taken seriously. "We want to thank Arkansas Attorney General Mark Pryor, Congressman Bobby Rush (D–IL), Chicago Ward 3 Alderman Dorothy Tilman and Cook County State's Attorney Richard A. Devine who all contacted our office once they were alerted to these fliers. Each of these individuals, in turn, contacted various government agencies such as the Social Security Administration, Postal authorities, and/or the Secret Service. Their repeated inquiries helped bring several representatives together to discuss ways to investigate, and eventually stop, the spread of misinformation."

As early as January, TSCL was alerted that various fliers were being circulated to senior citizens that contained a request for personal information, including social security numbers. The fliers note that individuals can obtain more information by writing to the TSCL post office box in Washington, D.C. These materials are not authorized or approved by TSCL. TSCL took immediate action. In addition to contacting authorities about this hoax, TSCL initiated an immediate response system to respond to incoming queries and help clarify the misinformation.

TSCL is a national group of politically active seniors concerned about the protection of their earned Social Security, Medicare, military and other retirement benefits. TSCL members participate in a number of grass roots lobbying and public education campaigns to ensure governmental bodies live up to commitments.

TSCL has created an emergency web button on its website that contains information about the hoax. Visit TSCL at www.tscl.org for more information.

NEWS

TREA Senior Citizens League
909 N. Washington St.
Suite 300
Alexandria, VA 22314

Contact: Michael J. Zabko, Executive Director

(800) 333 8725

TSCL Working With Government Agencies to Stop Hoax

Alexandria, Virginia, October 2, 2000—TREA Senior Citizens League (TSCL) is encouraged by the actions being initiated by government agencies to safeguard senior citizens and stop the hoax circulating about a "Slave Reparation Act."

"We met with representatives from the Postal Inspection Service and the Social Security Administration on Tuesday [September 26] and feel confident that these agencies are taking appropriate steps to investigate the hoax," said Michael J. Zabko, executive director of TSCL. "TSCL agrees to cooperate fully with any investigations underway by the Social Security and postal agencies and has been able to turn over samples of the erroneous fliers and other information that may assist them in their efforts. Our goal is to safeguard the private information and benefits of our senior citizens and to clear TSCL's name, which has been unjustly linked to this hoax."

Fliers are being circulated across the south that claim the "Slave Reparation Act" will provide a financial settlement to those who apply for it. They target those born before 1928 and of the "Black Ethnic Race." Additionally, the fliers ask for personal information, such as social security numbers. The fliers note that individuals can obtain more information on this 'Act' by writing to the TSCL post office box in Washington, DC.

"There is no 'Slave Reparation Act,'" Zabko noted, "and this issue is not—and never has been—a part of TSCL's legislative agenda. These fliers are nothing more than a nuisance chain letter that is playing on the hopes of our senior citizens. We want to stop them from being circulated. Or, at the very least, we'd like to inform the public of this hoax so that it is no longer taken seriously."

Since the onset of this hoax, TSCL has taken steps to ensure that all inquiries are handled quickly and accurately. "We established a rapid response system that includes a recorded message on our office voice mail system, a form letter to send to those who respond to the fliers, and a hot button on our website where the public can get more information," Zabko said. "All these let the public know that the fliers are a hoax and that the materials are not authorized or approved by TSCL."

TSCL is a national group of politically active seniors concerned about the protection of their earned Social Security, Medicare, military and other retirement benefits. TSCL members participate in a number of grass roots lobbying and public education campaigns to ensure governmental bodies live up to commitments.

TSCL has created an emergency web button on its website that contains information about the hoax. Visit TSCL at www.tscl.org for more information.

Attachment C

July 23, 2001

Honorable E. Clay Shaw, Jr.
Chairman
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
Rayburn Building, Room B316
Washington, DC

Dear Mr. Chairman: I am Chairman of the Board of Trustees of the TREA Senior Citizens League ("TSCL"), a nonprofit, tax-exempt educational organization, which supports, and advocates for, the rights of senior citizens.

I am in receipt of a copy of your letter to me dated July 19, 2001, informing me of the hearing before your subcommittee on Thursday, July 26, 2001, and enclosing a subpoena to testify.

I wanted to let you know, since I was not in the D.C. metropolitan area this week and was not able to receive your letter and its attachment personally, that I will be traveling to Washington to attend, and will look forward to seeing that you and your Subcommittee are accurately informed regarding TSCL and our activities.

It would appear that you and your Subcommittee thus far may have received inaccurate information regarding the subject of the hearing, and if so I wanted to be sure that you had the correct facts even before the hearing begins.

There are two specific concerns in that regard that surfaced upon reading your letter of July 19. First, your letter states that the Social Security Administration's Inspector General (SSA's IG) had completed investigations about "two types of misleading mailings," that the focus of the hearing will be on "several different mailings, including slave reparation and notch . . ." and that you sent me a subpoena so that I "may respond to questions . . . regarding TSCL's actions relative to these mailings." As the SSA's IG's report of July 6, 2001 reveals, the IG investigated two types of flyers. Those flyers, which have been referred to as "hoax flyers," were not mailed to the best of our knowledge, and the SSA IG's report does not mention that any were mailed. The point is to not confuse the distribution of the hoax flyers with any mailings TSCL was forced to send out to those who were misled by the fliers.

The second point is the statement in your letter that, according to the SSA IG's report, "TSCL responded to the mail generated by these flyers by directing its data processing firm to create a database containing the respondent's personal information." In fact, as the SSA IG knows, TSCL **only** recorded the respondent's name and address, which was necessary so that it could write to the respondent to tell the respondent that he or she had been misinformed, and that TSCL **absolutely did not record** other personal information that may have been sent out, such as the respondent's Social Security Number. Any intimation that TSCL Entered Social Security Numbers into a database or otherwise recorded those numbers in any way is categorically false. TSCL never seeks or gathers Social Security Numbers, and in fact advises seniors to be wary about giving out their Social Security Numbers. More information on that subject is available on TSCL's web site, at www.tsclconsumeralert.org.

Your letter, quoted statements contained in the SSA IG's recent report, that "TSCL . . . wrote to each victim disavowing any responsibility for the flyers, but included TSCL's standard fundraising brochure." That statement, while somewhat accurate, is incomplete and misleading. TSCL endeavored to correctly inform respondents who clearly had been misinformed by the hoax flyers. It sent respondents a letter correctly informing them that the flyers they had received were inaccurate, and it informed respondents, honorably we would submit, and for the benefit of the respondents, who TSCL really is. The brochure that was sent was not a fundraising vehicle and no reply envelope was provided, as the SSA IG knows well.

Unfortunately, the statements in your letter, which are also contained in the Advisory that your Subcommittee has released, and which is set forth on your Subcommittee's web site, creates a false impression of TSCL's activities. After reading and rereading the SSA IG's report of July 6, 2001, I replied to the Acting Commissioner of Social Security, attempting to point out the several instances of pejorative inferences and/or misleading information in the SSA IG's report directed against TSCL. A copy of my letter to the Acting Commissioner is attached hereto.

I appreciate the opportunity to appear before your Subcommittee on July 26. With best regards.

Sincerely yours,

GEORGE SMITH
Chairman
Enclosure

Attachment D

July 18, 2001

Honorable Larry Massanari
Acting Commissioner of Social Security
Social Security Administration
6401 Security Boulevard
Altmeyer Building
Room 900 Baltimore, MD 21235

Re: Response to the July 6, 2001 Report of the Inspector General, Social Security Administration

Dear Acting Commissioner Massanari:

I am Chairman of the Board of Trustees of the TREA Senior Citizens League ("TSCL"), a nonprofit, tax-exempt education, which supports, and advocates for, the rights of senior citizens.

On July 6, 2001, the Inspector General of the Social Security Administration issued a report to you entitled "Misleading Solicitations Target Senior Citizens" (hereinafter "the report" or "the OIG report"). TSCL was featured prominently in that report—which was disseminated to the public through the press and the SSA website—and I am writing to point out certain statements or implications in the report concerning TSCL that we believe are inaccurate, unfair, misleading and inappropriate.

It is our hope that you will correct immediately such unfair statements, in a press release or other follow-up statement, with respect to certain critical facts that either were not contained in the OIG report or were stated in such a way that a false impression regarding TSCL may exist in the mind of the public. Statements about this matter on your agency's web site repeat many of the same prejudicial statements concerning TSCL confirmed in the OIG report. Because of the way it is arranged, the web site material may be even more unfair than the OIG report, and probably, by virtue of its potentially extensive reach, is even more damaging than is the OIG report, although both items present the appearance of attempts to seriously harm TSCL.

We are saddened that the OIG report disparages citizens and the organizations advocating their causes contrary to the viewpoint of SSA, in the guise of an investigative report. Whether it is appropriate for a government agency to issue a document, using appropriated funds—in possible violation of Federal law—to disparage one side in a public policy and lobbying dispute, is a serious issue.

Misstatements or Harmful Implications Regarding TSCL

The OIG report summarized the OIG's investigation into "hoax flyers" that have been distributed nationwide by persons unknown, providing false information about Social Security and falsely using the name of our organization—TSCL—as a contact. I want to say at the outset that TSCL at all times has supported the Social Security Administration's investigation into the still unknown origin of the hoax flyers. One reading the OIG report, newspaper accounts of that report, or the press release announcing that report would not necessarily come to that conclusion. In fact, the report is written in such a way that it appears TSCL may have tried to impede a proper investigation, when nothing could be further from the truth. This subject is discussed in more detail below.

Approximately one-half of the OIG report is given to a discussion of the OIG's investigation of the hoax flyers, and it concludes, in the section labeled "Outcome," with the statement that "although the investigation did not identify the source of the hoax flyers, it did highlight the vulnerability of senior citizens to exploitation. . . ." This followed a two and one-half page discussion in which the only non-governmental organizations named were TSCL and its affiliate, and in which it was reported how much direct public support funding TSCL had obtained in the period 1997–1999. To prepare a report for public consumption in this manner, we would submit, is profoundly unfair to TSCL.

That the report was meant to attack TSCL is clear throughout. For example, in the very second sentence of the section entitled "The Investigation," TSCL is described as "a tax-exempt 501(c)(4) organization that **purports** to advocate for legislative reforms favorable to senior citizens" (emphasis added). The use of the pejorative term "purports" is inappropriate. The OIG is very well aware of TSCL's legislative efforts and successes, including legislation now pending in Congress, in both the House of Representatives and the Senate (*e.g.,* H.R. 97, H.R. 853. S. 835), that has the sponsorship of dozens of Members of Congress and widespread Congressional support. Any implication that TSCL is not advocating on behalf of the interests of senior citizens is an outright falsehood. And this is but one of many examples of unnecessary and unfair attacks against TSCL in the OIG report. It is apparent that the OIG used the "hoax flyer" investigation primarily to prepare a public report critical of TSCL and the positions for which it advocates, since these political positions are opposed by the Social Security Administration ("SSA").

Furthermore, although that same section of the report had stated that "the OIG was unable to identify the origin of the hoax flyers . . ., "it follows by saying:

> [t]he investigation did determine, however, that (1) the return address listed on the hoax flyers was TSCL's address. . . . and (6) TSCL's marketing and data processing firms resisted compliance with the OIG's subpoenas.

The construction of that paragraph of the report, including the specific facts related therein, was misleading and most unfair to TSCL. All of the facts related in

the numbered statements (1) through (5) were furnished to the SSA by TSCL voluntarily, many, many months ago. It has been known for well over a year, after the hoax flyers first surfaced, that someone had prepared these false or misleading flyers using TSCL as the contact organization, and including TSCL's mail address. To announce these as "findings" or "determinations," as it did, was an effort by the OIG to imply that the OIG had reached certain "conclusions" based upon its discovery of information, and that this "discovered information" implicated TSCL. In fact, most of the OIG's "determinations" were simply undisputed facts. All of this information was well known many months ago; TSCL had reported it to the SSA, and had communicated it to the public by putting it on the TSCL website, **www.tscl.org**. Nevertheless, the implication, when such information is revealed the way the OIG revealed it, is that all of the relevant information discovered in the investigation still pointed to TSCL somehow. In fact, this information was known when the investigation first began, and the whole point of the investigation—which TSCL urged the OIG to conduct—was to determine the origin of the hoax flyers. Thus, although the report stated that the OIG was unable to identify the origin of the hoax flyers, the report was deceptive in not telling you or the public that TSCL urged the OIG to investigate the matter of the hoax flyers, and that TSCL voluntarily disclosed information to the OIG in an effort to determine the origin of the hoax flyers.

To simply report such "determinations," without any accompanying discussion of how the OIG came into possession of the underlying facts, or without explaining why such "determinations" may be significant in the least, was misleading. Most of these so-called determinations should have been mentioned, if at all, in the section labeled "The Investigation," not the section labeled "Outcome." And certain matters should have been mentioned, if at all, only with a full explanation. Statement (2), which actually says that the hoax flyers "were very similar to the notch reform flyers that TSCL acknowledges distributing in its normal course of business," is a case in point. What does the OIG mean by that statement? That the hoax flyers were similar in **format** to TSCL's materials, or that TSCL's own materials are **false**? This latter disparaging, and libelous, implication seems to have been produced intentionally in the OIG report.

The misleading nature of the OIG report is underscored by statement (6) in the same paragraph ("Outcome") on page 2, indicating that "TSCL's marketing and data processing firms resisted compliance with the OIG's subpoenas." Why was such a statement even included, particularly in the section of the report labeled "Outcome"? And if it was relevant at all, why were not other, even more relevant facts included as well? Other relevant facts would be, for example: (1) that the OIG's office issued very broad subpoenas to TSCL itself and its mail processing agent in the fall of 2000, and TSCL and its agent, while objecting to the breadth and unnecessarily intrusive reach of those subpoenas, reached an agreement with the agent and voluntarily complied with the subpoenas; (2) that, although the information provided by TSCL should have been sufficient for the OIG investigation, the OIG could have contacted TSCL for further information (including information in the hands of its agents) if it felt such further information was necessary, but instead the OIG, without contacting TSCL, simply issued very broad-reaching subpoenas to TSCL's agents; (3) that the subpoenas that were resisted by TSCL's marketing and data processing firms were resisted only in part, again for reasons related to the unnecessarily broad reach of the subpoenas and on very solid First Amendment grounds, and that the OIG **modified its subpoena demands**; and (4) that the subpoena matters ultimately were settled, without litigation. By even mentioning "resistance" to the subpoenas, as it did, the OIG report tried to communicate that TSCL, through its agents, had something to hide, when the OIG knows very well that TSCL and its agents disclosed all relevant information.

A critique such as this runs the risk of being laborious, but the OIG report is so infected by innuendo and misleading implications that it is difficult to summarize succinctly all of the ways in which the report was unfairly fashioned. Suffice it to say that, if the intention of the OIG report was to disparage TSCL, the report was successful. TSCL has been working very hard in the past days to try to correct any false impression generated by the misleading statements in the report and follow-up reports by the media. We believe that this state of affairs was intended by the OIG. We also believe that, instead of truly attempting to determine the origin of the hoax flyers, (1) the OIG simply used its "investigative report" as a platform to create resentment against persons and organizations that are critical of the SSA, and that believe in, and fight for, issues that are contrary to SSA's positions.

Although the potential damage to TSCL from the OIG report is incalculable, we believe that the situation could be ameliorated by a statement issued from your office, detailing the extreme cooperation that TSCL exhibited throughout the OIG's

investigation, confirming that TSCL was a victim of the hoax flyers, and assuring the public that, although the SSA does not necessarily endorse the views advocated by TSCL or espoused by its members, it recognizes the right to have and express those views under the United States Constitution.

The OIG Report's Suggestion of Remedial Measures

Although the OIG report states that one of its purposes is "to suggest remedial measures to help reduce the risk of similar scams in the future" (OIG report, p. 1), the report really offers no such suggestions at all. Instead, it goes on for more than two full pages, arguing against the legislative positions advocated by TSCL and others in support of "notch" reform, and concluding that "the federal government should do whatever is necessary to provide Social Security beneficiaries with balanced and non-inflammatory information on the notch issue." (OIG report, p. 5.) This general suggestion was merely part of the concluding statement in a diatribe by the OIG against TSCL—an organization that has been known to criticize the SSA—in a situation where the OIG not only did not disclose such friction, but used the context of an investigative report to cloak its attack.

This kind of legislative advocacy by the Social Security Administration, in the framework of a so-called investigative report, has been used to disparage TSCL and its members for their sincerely-held views, and to intimate, without any support in the law, that their actions are somehow impermissible. It illustrates, and in fact constitutes, viewpoint discrimination, and is doubly wrong because of the deceptive context in which it was made. As mentioned above, it may violate federal law prohibiting lobbying with appropriated funds.

TSCL advocates notch reform, as do other organizations, and as it is entitled to do under the First Amendment. Bills submitted in Congress throughout the past two decades, sponsored by scores of congressmen and senators, would enact such reform. And as mentioned above, there are bills pending currently in both the House and the Senate that would provide relief to those affected by the notch issue, with substantial Congressional support. H.R. 97, for example, introduced by Rep. Ralph Hall (D–TX), has 80 cosponsors, and H.R. 853, introduced by Rep. Robert Wexler (D–FL), has 21 cosponsors. The OIG report, while admitting that congressional support for notch reform truly exists, somehow discounts the significance of that fact by stating that no notch reform legislation has yet been enacted. If legislation had been enacted, there would no longer be a need to seek legislative redress of this unfair treatment of certain seniors. On the one hand, the report rails against fundraising in support of the notch issue, all the while admitting, on the other, that "reasonable people may disagree on the merits of the notch reform issue." (OIG report, p. 4.)

The report is blatantly, and inappropriately, negative in its treatment of TSCL throughout. It even attempts to disparage TSCL in connection with some of its communications with its members, stating (without giving TSCL notice or a chance to respond) that TSCL had not honored certain commitments made in certain fundraising solicitations. (OIG report, p. 4.) Even if this were true, and TSCL had fallen down on one of its promises, the OIG's use of its "investigative knowledge" in this way is a tactic to be deplored. Quite simply, the OIG has used its investigation of the hoax flyers to put together a "hit piece" against TSCL, with rhetoric that can only be described as strident and inappropriate.

TSCL stands by its position on notch reform, and intends to continue to advocate for the rights of senior citizens. We could easily respond to the anti-notch reform statements made in the OIG report, but believe you already know our position on this matter. For further information, please visit our web site at www.tscl.org.

In addition to the press release or follow-up statement requested above (page 1), we request a copy of the "fact sheet" alluded to in the final paragraph of the OIG report. If the fact sheet is similar or identical to the fact sheet that is found on your agency's current web site, we request that the fact sheet also be edited to remove the misstatements and adverse inferences concerning TSCL. The materials on that web site concerning TSCL are extremely prejudicial to TSCL in the same way that the OIG report (which is the basis for the web site material) is damaging to TSCL.[1]

[1] Aside from discussing its investigation of TSCL, which comprised a significant portion of its report, the OIG merely announced ("Outcome," p. 2): "[d]espite a thorough investigation by the OIG . . . the OIG was unable to identify the origin of the hoax flyers. The informal distribution channels employed, which included hand posting on cars and bulletin boards, made source identification nearly impossible." Nowhere was there mention of contacting any of the 29,000 persons who wrote to TSCL. Nowhere was there any discussion of the various locales involved, and the percentages of respondents in each locale. One wonders just how thorough this investigation actually was.

Please correct these materials so that they reflect the truth, instead of attempting to disparage a nonprofit organization with which SSA disagrees about public policy issues.

We appreciate your consideration of the matters set forth above, and look forward to your response.

Sincerely yours,

GEORGE SMITH
Chairman

cc: Hon. James G. Huse, Jr.
Inspector General
Social Security Administration
6401 Security Boulevard
Altmeyer Building
Room 300
Baltimore, MD 21235–6401

Chairman SHAW. Thank you, Mr. Smith. Ms. Turner.

STATEMENT OF CHRISTY TURNER, ACCOUNT EXECUTIVE, PUBLIC INTEREST DATA INCORPORATED, ALEXANDRIA, VIRGINIA, ON BEHALF OF TREA SENIOR CITIZENS LEAGUE

Ms. TURNER. Good afternoon. My name is Christy Turner. I am——

Chairman SHAW. Pull the microphone closer to you, would you please?

Ms. TURNER. Sorry.

Chairman SHAW. Thank you.

Ms. TURNER. Good afternoon. My name is Christy Turner. I am an account executive of Public Interest Data.

We are the database that handles nonprofit organizations' mailing lists. And I am here today on request of the Committee to answer any questions you may have. Thank you.

Chairman SHAW. Mr. Zabko.

STATEMENT OF MICHAEL J. ZABKO, AMERICAN RED CROSS, LA PLATA, MARYLAND, AND FORMER EXECUTIVE DIRECTOR, TREA SENIOR CITIZENS LEAGUE, ALEXANDRIA, VIRGINIA

Mr. ZABKO. Good morning, Mr. Chairman. My name is Michael J. Zabko, and I am the former executive director of TREA Senior Citizens League, herein referred to as TSCL.

It's a 501(c)(4) nonprofit organization and was incorporated in Colorado with offices in Alexandria, Virginia.

I am no longer serving in the capacity of executive director of TSCL. And while I am willing to cooperate with this inquiry, I'm certain that your best information will come from TSCL itself. Therefore, I'm accompanied by my personal counsel, the Honorable Mark A. Fury.

I am here in response to your subpoena to discuss issues regarding the actions of TREA Senior Citizens League with regards to two sets of flyers made by parties unknown to us.

These flyers misstated our position regarding the Social Security notch issue for recipients born between 1917 through 1926, and fabricated a position on slave reparations that TSCL has never even spoken on.

As executive director of TSCL, I first became aware of the existence of the flyers as a result of a fax from Mr. Tim Kelley of the Social Security Administration. It was received at our offices on January 13th, 2000.

The fax included a copy of a flyer advising seniors of the notch issue and requesting Social Security numbers in addition to other information that would make the respondent a Member of a national register for notch victims.

For reasons that I am still not aware, the makers of this flyer used a variation of TSCL name and directed the responses to TSCL post office box, presumably to give their flyers credibility.

We responded to Mr. Kelley by letter, dated January 18th of the year 2000, denying TSCL's knowledge or involvement in the production of the flyer. And subsequently, we instituted efforts to ascertain who was behind these printings.

In every case, TSCL has made every effort to establish that—that we had no involvement in the production of and/or the distribution of these flyers, and made numerous efforts to inform the public of our lack of involvement.

These efforts included contacting the Postmaster General's office, the Better Business Bureau, and responding to additional requests for information from the Social Security Administration Inspector General's Office and the Office of the State Attorney General of Arkansas.

In addition to sending a letter to everyone who tried to contact us as a result of the original flyers, TSCL put up information denying involvement in them on our Web site.

I personally appeared on local TV, radio, and public interest and news programs, and reached out to the AG offices of the States in which we do business in an attempt to set the record straight.

By August of 2000, at least three State or Federal agencies were actively investigating this issue and had contacted us for further information about these flyers, which included the offices of Representative Bono, the Social Security Administration IG's office, the Arkansas AG's office, and the Postmaster General's office.

As near as we can determine, and confirmed by the subsequent investigation of the Social Security Administration IG's office recently completed, the flyers were produced by some party other than TSCL for purposes that are still not clear.

The resulting influx of mail in response to the flyers did contain names, addresses, telephone numbers, and other personal information of the respondents to the false flyers, which we directed our commercial mailing house to sequester under lock and key until such time as either the Postmaster General or the Social Security Administration could be contacted and determination be made what to do with this.

We continued processing this mail normally and provided the utmost security to protect that information that we had received unsolicited.

The sequestered information was inspected by both agencies, the Postmaster General's office and the Social Security Administration's office, and ultimately was turned over to the Social Security Administration after meetings with the Social Security, specifically

Inspector Stubbs and a representative from the Postmaster General's office, Mr. Cohen.

It was also concluded in those meetings that the right course of action was to get a letter to each of those 29,000 respondents, denying our involvement in the potentially fraudulent information, and to advise them of our interest in protecting their personal information, and including a copy of legitimate TSCL brochures so that they would know the difference.

At Mr. Stubbs' advice, we removed a line from the letter pointing out the difficulty we were having in making the various government entities understand that we were the good guys in this affair.

Having discussed this mailing with and shown it to representatives of all Federal agencies by which we had been contacted at that time, I must confess I am somewhat surprised to be here to respond to your subpoena about including proper TSCL information in the mailing.

While under my direction, TSCL made every effort to keep the government agencies informed and to solicit their input on how best to proceed to clarify this problem.

TSCL had at that time of my departure in February of this year 1.3 million members, who contributed, on average, of about $10 per year. Our books are audited annually by Johnson & Lambert, a reputable CPA firm here in the city, and also has been audited by Ernst & Young. We also have filed 9nineties in accordance with all IRS rules and regulations.

TSCL has no need for engaging in fraudulent activities to increase its membership or to improve its finances. Our sole goal was to protect the interests of seniors. And I for one stand with the Committee in its attempt to identify the wrongful activities of a few and eliminate them.

Thank you.

[The prepared statement of Mr. Zabko follows:]

Statement of Michael J. Zabko, American Red Cross, La Plata, Maryland, and former Executive Director, TREA Senior Citizens League, Alexandria, Virginia

Good morning Mr. Chairman, my name is Michael J. Zabko. I am formerly the executive director of the T.R.E.A. Senior Citizens League (hereinafter referred to as TSCL), a 501(c)(4) non profit organization, incorporated in Colorado with offices in Alexandria Virginia. I am no longer serving in the capacity of Executive Director of TSCL, and while I willingly cooperate with this inquiry, I am certain that your best information will come from TSCL itself. Therefore, I am accompanied by my personal Counsel, Hon. Mark A. Fury.

I am here in response to your subpoena to discuss issues regarding the actions of the Senior Citizens Leagues with regard to two sets of flyers made by parties unknown to us. These flyers misstated our position regarding the Notch Issue for Social Security recipients born between 1917 and 1926, and fabricated a position on Slave Reparations that TSCL has never even spoken on.

As executive director of TSCL I first became aware of the existence of the flyers as result of a fax from Tim Kelly of the Social Security Administration, received at our offices on Jan. 13, 2000. The fax is a copy of a flyer advising seniors of the Notch issue, and requesting Social Security numbers in addition to other information which would make the respondent a member of a national register for notch victims. For reasons that I still am not aware of, the makers of the flyer used a variation on the TSCL name, and directed the responses to TSCL's post office box, presumably to give their flyer credibility.

I responded to Mr. Kelley by letter dated January 18, 2000 denying TSCL knowledge of or involvement in the production of the flyers and subsequently I instituted efforts to ascertain who was behind these printings. In every case TSCL made every

effort to establish that TSCL had no involvement in the production of or distribution of these fliers and made numerous efforts to inform the public of our lack of involvement.

These efforts included contacting the Postmaster General's office, the Better Business Bureau, and responding to additional requests for information from the SSA Inspector General's office and the office of the state Attorney General of Arkansas. In addition to sending a letter to everyone who tried to contact us as result of the original Flyers, TSCL put up information denying involvement in them on our web site. I personally appeared on local TV and radio public interest and news programs, and reached out to the AG's offices of states in which we do business in an attempt to set the record straight.

By August of 2000 at least three state or federal agencies were actively investigating this issue and had contacted us for further information about these fliers which include the offices of Representative Bono, Social Security Administration's IG's office, Arkansas AG's office and Postmaster general's office.

As near as we can determine, and as confirmed by the subsequent investigation of the SSA IG's office recently completed, the fliers were produced by some party other than TSCL for purposes that are still not clear. The resulting influx of mail in response to the flyers did contain name, address, telephone numbers and other personal information of the respondents to the false flyers, which we directed our commercial mailing house to sequester under lock and key until such time as either the Postmaster General or the SSA could be contacted.

The sequestered information was inspected by both agencies, and ultimately turned over to the SSA, after meetings with SSA Inspector Stubbs and representatives of the Postmaster General. It was also concluded in those meetings that the right course of action was to get a letter to each of the 29,000 respondents denying our involvement in the potentially fraudulent information, advising them of our interest in their protecting their personal information, and including a copy of legitimate TSCL brochures so that they would know the difference.

At Mr. Stubbs' advice, we removed a line from that letter pointing out the difficulty we were having making the various governmental entities understand that we are the good guys in this affair. Having discussed this mailing with and shown it to representatives of all federal agencies by which we had been contacted at that time, I must confess that I am somewhat surprised to be here today responding to your subpoena about including proper TSCL information in the mailing.

While under my direction TSCL made every effort to keep the government agencies informed and to solicit their input on how best to proceed to clarify this problem. TSCL had, at the time of my departure in February of this year, 1.3 Million members, who contribute on average $10 per year. Its books are audited annually by Johnson & Lambert CPA, and has been audited by Ernst & Young. TSCL had no need for engaging in fraudulent activity to increase its membership or improve its finances. Our sole goal was the protection of the interests of senior citizens, and I, for one, stand with the Committee in its attempts to identify the wrongful activities of a few, and eliminate them.

Chairman SHAW. Mr. Zabko, you heard Mr. Smith state that in the employ of TSCL are three paid lobbyists. Is that correct?

Mr. ZABKO. That is correct, sir.

Chairman SHAW. And are they full-time employees?

Mr. ZABKO. Yes, sir. That is correct.

Chairman SHAW. Now, on your 990, you show a total of five employees. Who are the other two?

Mr. ZABKO. The other two employees?

Chairman SHAW. Yes.

Mr. ZABKO. An administrative assistant and a receptionist.

Chairman SHAW. And that is the full—those are all the employees that they had?

Mr. ZABKO. That is it, sir.

Chairman SHAW. Were you compensated——

Mr. ZABKO. Yes, sir, I was.

Chairman SHAW. For your service. And what was your compensation? Were you the——

Mr. ZABKO. I believe it was——

Chairman SHAW. Seventy thousand dollars, approximately?

Mr. ZABKO. I think it was——

Chairman SHAW. That is what is shown on the 990.

Mr. ZABKO. I think it was—$73 on the 990. Yes, sir, that is correct, then.

Chairman SHAW. Mr. Smith has testified that he is not compensated, that he works as a volunteer. Do you agree with that?

Mr. SMITH. Yes, sir.

Chairman SHAW. Is that correct?

Mr. ZABKO. I have no idea, sir. That——

Chairman SHAW. All right. Have you been—what was your reason for leaving?

Mr. ZABKO. The board of directors decided to dismiss my services.

Chairman SHAW. Mr. Smith——

Mr. SMITH. Yes, sir.

Chairman SHAW. In your written testimony, which you repeated, you again stated that a representative of SSA's IG's office was shown the contents of the mailing that you made in reply to the receipts that you got from the fraudulent flyer that was out there. And you said that a representative the SSA IG's office was shown the contents of this mailing, including the brochure, before it was ever mailed, and TSCL even made changes to the letter based on the request of SSA's representative.

I think you were sitting here when Mr. Huse denied that. Could you tell this Committee who exactly was there, who suggested the changes from the IG's office?

Mr. SMITH. At this time, sir, I was not involved in the actual operations. Mr. Zabko was the person that was present at that meeting, and he was the executive director at that time.

Chairman SHAW. Well, are you telling us now, Mr. Smith——

Mr. SMITH. And I testified to the fact that he didn't—that the meeting was held, sir.

Chairman SHAW. But you don't know whether it was or not?

Mr. SMITH. The reference that I have, it was held, sir, on the 26th.

Chairman SHAW. What?

Mr. SMITH. On the 26th of September, the meeting was held.

Chairman SHAW. But you were not there?

Mr. SMITH. No, sir, I was not there.

Chairman SHAW. And you don't know whether they approved it or not. Is that correct?

Mr. SMITH. No, sir, not for a fact.

Chairman SHAW. So the statement in your testimony is incorrect and you wish you correct——

Mr. SMITH. It was based on the information that I was given, yes, sir.

Chairman SHAW. All right, Mr. Zabko, was the IG's office involved at all in sending out the correction to the people had sent in a reply to that mailer?

Mr. ZABKO. Mr. Shaw, we had a meeting with the Arkansas attorney general's office (AG), Ms. Debbie Broadway I believe was the

young lady's name that was there. Mr. Cohen from the postal administration was there. A Mr. Stubbs from the Social Security Administration was there.

They came to talk to us about these particular flyers, the flyers that are all the way to the far left, the ones on the slave reparation and the notch issue.

Also in that meeting was counsel for TREA Senior Citizens League and another representative for—a part-time employee that we had for media. We had hired a consultant for media work.

During that meeting, we discussed these flyers at great length. I answered questions in regards to how those flyers became in existence.

At the end of the meeting, we were discussing unofficial subpoena form. And at that point in time, our counsel had thought that the subpoena was much too broad in respect to what the Social Security Administration was looking for, and had—we had discussed that we would be more than happy to cooperate but in a much more limited aspect that specifically pertained to the fictitious flyers.

After that conversation, it was well agreed, at least in my opinion, that we were going to talk and provide all the information that they wanted at a—in a limited fashion, and it would be agreed upon by the Social Security Administration and our legal people.

Just before the termination of that meeting, we also produced a copy of the letter that was sent to these respondents and also a copy of the brochure that was placed in there, the information brochure about our organization.

We showed that to those three people, the inspector general's office from Arkansas—the IG's office, rather, from Arkansas; the postal inspector, Mr. Cohen; and Mr. Stubbs from the Social Security Administration.

Mr. Stubbs pointed out clearly to me that there was an error in the letter. In the letter, we had written that up until that point in time, we had not heard from these entities after asking for help to resolve this issue. And I distinctly remember him saying: This is not true, because we are here today to resolve this and help bring an end to this.

So we agreed to change that particular sentence in that letter that went out to these respondents to these fictitious flyers.

Chairman SHAW. So it was from the Social Security Administration that was represented. It wasn't from the Social Security IG's office. Is that correct or am I misunderstanding you?

Mr. ZABKO. I believe Mr. Stubbs is employed by the Social Security Administration IG's office, or was at that particular point in history.

Chairman SHAW. We can certainly check on that. But you were there?

Mr. ZABKO. Yes, sir, I was.

Chairman SHAW. You have first-hand knowledge.

Can you tell us what percentage of your income is from contributions and what is from other sources, and also name the other sources?

Mr. ZABKO. I would have to refer to be exactly sure, sir, on a 990 form. But the majority of the income is contributions.

Chairman SHAW. The 990 also shows that there is $400,000 from the rental of lists. Is that a correct figure?

Mr. ZABKO. Sir, I can't quantify that because you have——

Chairman SHAW. On the 990, on page 6, it says $417,161 is shown as other revenue, and it is shown as list rental. Is that renting lists to outside organizations?

Mr. ZABKO. That would be correct, then.

Chairman SHAW. Who do you rent them to?

Mr. ZABKO. Multiple——

Chairman SHAW. Would you tell us who?

Mr. ZABKO. I don't know exactly, sir. I'd have to research that.

Chairman SHAW. Can you give us a partial list of those that you rented to?

Mr. ZABKO. To be quite candid, political action committees rent them. Other——

Chairman SHAW. Which ones? Tell us.

Mr. ZABKO. Other nonprofits——

Chairman SHAW. Tell us which ones.

Mr. ZABKO. I don't know, sir, at this point in time.

Other nonprofit entities rent them. I believe other seniors organizations rent them.

Chairman SHAW. Can you name any such organizations?

Mr. ZABKO. I could, yes.

Chairman SHAW. Would you?

Mr. ZABKO. I believe AARP rents lists.

Chairman SHAW. Rents them from you?

Mr. ZABKO. I believe so, yes, sir.

Chairman SHAW. AARP, you say?

Mr. ZABKO. Yes, sir.

Chairman SHAW. Yes.

Mr. ZABKO. I can't think of any political committees that rent lists directly from us. Other entities—like I said, other nonprofits rent lists.

Chairman SHAW. Could you tell us, you also testified as to the—you had three full-time paid lobbyists. Who are they?

Mr. ZABKO. At this current time, sir? I don't know——

Chairman SHAW. Tell us who they were, and we will find out who they are right now from Mr. Smith.

Mr. ZABKO. OK. At the time when I was employed there, I was a current lobbyist. There was a gentleman by the name of Mike Plumer that was a lobbyist, and Michael Oulette was a lobbyist.

Chairman SHAW. Mr. Smith, are they still employed by——

Mr. SMITH. Mike Plumer is currently employed by us. Virginia Torsch is the other lobbyist. And Kathy Angiolillo is the other lobbyist that we have.

The three present we have are those three people.

Chairman SHAW. Do you, Mr. Smith, or you, Mr. Zabko, know of any time that the IRS has questioned your tax exempt status?

Mr. SMITH. About our tax exempt status, sir?

Chairman SHAW. Yes, sir.

Mr. SMITH. As a 501(c)(4), yes, sir.

Chairman SHAW. They have questioned it?

Mr. SMITH. No, sir. We've never had questions about our tax exempt status.

Chairman SHAW. Mr. Zabko.

Mr. ZABKO. I am not aware of any, sir.

Chairman SHAW. Can you give us an idea of how your expenses are allocated, such as how much money is spent for salaries, the office expenses, and fundraising?

Mr. ZABKO. It's allocated under the standard procedures that AICPA, American Institute of Certified Public Accountants, endorses.

Chairman SHAW. That wasn't the question. I wasn't asking about accounting standards. I was asking about how they are allocated.

Well, let me just put it this way, to make it short: Is the allocation shown on the 990 correct?

Mr. ZABKO. I would say, it is, sir.

Chairman SHAW. Could you, Mr. Zabko, tell us exactly how your advocacy on legislative issues has actually helped seniors?

I notice here, in looking at your 990, it says a "statement of organization's primary exempt purpose," and you show that: The primary exempt purpose of TREA Senior Citizens League is to monitor developments of interest to senior citizens, to educate and alert senior citizens, primarily TSCL members and supporters, about their rights and freedoms as U.S. citizens, and defend the benefits senior citizens have earned and paid for.

Would you tell me exactly how you, Mr. Zabko, have defended the benefits senior citizens have earned and paid for?

Mr. ZABKO. Excuse me, sir.

TSCL, sir, has taken numerous polls, queried numerous seniors, to determine how we should best represent that information to Members of Congress.

We have prevent—presented surveys to Members of Congress upon their request. We provide information about numerous issues. We worked extensively on the notch issue, trying to get Congress to bring it to the floor for a vote.

Chairman SHAW. Let's be very specific on that. Who have you met with, specifically, in order to lobby for change of the notch provision in the Social Security law?

Mr. ZABKO. Off the top of my head, sir, I could think of a couple: Mr. Lieberman in the Senate is one. In the House, I could think of Mr. Hall; Mr. Hall currently has a bill in the House.

Chairman SHAW. Have you ever talked to anybody on this Committee that has jurisdiction over this matter?

Mr. ZABKO. Mr. Hayworth. Mr. Hayworth on this Committee. Yes, sir, we have.

Chairman SHAW. Have you appeared in his office with him?

Mr. ZABKO. Yes, sir.

Chairman SHAW. Okay. Anyone else?

Mr. ZABKO. Not that my recollection serves for this particular Congress. But then again, sir, I was not here after February.

Chairman SHAW. Mr. Smith, are you involved in any of the lobbying activities of the organization?

Mr. SMITH. Sir?

Chairman SHAW. Are you involved in any of the lobbying activities of the organization?

Mr. SMITH. No, sir. I am not, sir.

Chairman SHAW. Are you involved financially in any way with any of the organizations that TSCL does business with?

Mr. SMITH. No, sir.

Chairman SHAW. Is it your testimony that as a volunteer, it is strictly volunteer, and you do not receive any compensation directly or indirectly because of your involvement with this organization?

Mr. SMITH. The only compensation I get, sir, is travel and per diem. Other than that, there is no other compensation.

Chairman SHAW. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Mr. Zabko, after you received your subpoena, you undoubtedly talked to Mr. Smith, I take it. Is that right?

Mr. ZABKO. No, sir, I did not.

Mr. MATSUI. Not at all?

Mr. ZABKO. No, sir.

Mr. MATSUI. Did you ever talk with Chip Heartfield after you received the subpoena?

Mr. ZABKO. No, sir, I did not.

Mr. MATSUI. Did you, Mr. Smith, talk to Chip Heartfield after you received your subpoena?

Mr. SMITH. Today?

Mr. MATSUI. I am sorry?

Mr. SMITH. My present subpoena for being here, sir?

Mr. MATSUI. Yes.

Mr. SMITH. No, I haven't had an opportunity to talk to——

Mr. MATSUI. You haven't had any contact with him?

Mr. SMITH. Not with Mr. Heartfield.

Mr. MATSUI. You never directed anybody to have contact with him either. Is that right?

Mr. ZABKO. With Mr.——

Mr. MATSUI. With Mr. Heartfield.

Mr. ZABKO. No, sir.

Mr. MATSUI. And you either, Mr. Zabko? Is that correct?

Mr. ZABKO. I missed the question, sir.

Mr. MATSUI. I am sorry. You never directed anyone to have any contact with Maurice "Chip" Heartfield after you received your subpoena?

Mr. ZABKO. No, sir. I'm not in that capacity.

Mr. MATSUI. OK.

Mr. SMITH. No.

Mr. MATSUI. You seem to be the one that was involved in all the activities while this was going on. Is that correct? In other words, when the 29,000 pieces of mail came back, you were then in charge of the Senior Citizens League. Is that right?

Mr. ZABKO. That is correct.

Mr. MATSUI. And you say that there were three lobbyists, there was an administrative assistant, and an office receptionist; five of you, right, in the operation at that time?

Mr. ZABKO. There was a total of eight in the office.

Mr. MATSUI. I am sorry?

Mr. ZABKO. A total of eight employees in the office.

Mr. MATSUI. Who were the other three?

Mr. ZABKO. There was myself, there was an administrative assistant, there was a receptionist, there was a lobbyist—we call him

the legislative director, there was his assistant, there was another administrative assistant, and there was a member services person, and there was also a public affairs person.

Mr. MATSUI. The reason I ask that——

Mr. ZABKO. We——

Mr. MATSUI. I was under the impression you had five in your direct response to Chairman Shaw, and then in the tax return it says five. But you are saying there were eight, because you had three lobbyists plus five others. Is that right?

Mr. ZABKO. There was a total of eight employees in the organization, sir.

Mr. MATSUI. OK. And it sounded to me, from your responses to Chairman Shaw, that you were wanting to get to the bottom of this, how these flyers got out. Is that correct? And so you did an independent investigation yourself, right?

Mr. ZABKO. We attempted one, yes, sir.

Mr. MATSUI. Yes, you attempted one. And you talked to everyone of the other seven employees in your office, is that correct, about how this could have happened?

Mr. ZABKO. Yes, sir.

Mr. MATSUI. And all of them denied any involvement in this. They had no idea how that flyer got out.

Mr. ZABKO. That is correct, sir.

Mr. MATSUI. Because I know that Squire & Heartfield Direct—that is the direct mail firm that you use. You have contacted, at that time, Maurice "Chip" Heartfield as well, as president, right, to ask him, how that could have happened? Is that correct?

Mr. ZABKO. That is correct.

Mr. MATSUI. And what was his response to you?

Mr. ZABKO. Well, they, as us in our office, were baffled on how this could've taken place. They could not come up with a conclusion that was substantiated with any individual or individuals starting this.

Mr. MATSUI. So Mr. Heartfield was baffled himself. Is that right?

Mr. ZABKO. That's correct.

Mr. MATSUI. Now, did he tell you that somebody from your office, one of the eight of you, made contact with him and said we should send out these two pieces of mail?

Mr. ZABKO. These particular flyers, sir, as far as—I'm to the understanding have not been received through the United States mail. We could not find any evidence that somebody had intentionally mailed these two flyers to any individuals.

Mr. MATSUI. OK. Let me put it this way, then: Did you ask Mr. Heartfield—he sent it out, right?

Mr. ZABKO. No, sir, he did not.

Mr. MATSUI. What did he do with them?

Mr. ZABKO. Sir, he didn't do anything with them. They came into our office. We have—in a direct mail organization, you have a company that actually receives that mail.

Mr. MATSUI. OK. Can I ask you this, then: Mr. Heartfield, then, said that he had nothing to do with this himself. He didn't print these two documents. He told you specifically he had nothing to do with them, then, right?

Mr. ZABKO. That is correct.

Mr. MATSUI. So, I want to just make sure I understand this correctly, so there is no misunderstanding. You are saying that he is saying he disavowed to you that he had anything to do with this. He had no idea anything about these two flyers.

Mr. ZABKO. Those two flyers that you're pointing to?

Mr. MATSUI. Right.

Mr. ZABKO. That is absolutely correct, sir.

Mr. MATSUI. OK. Do you use any other direct mailing firms?

Mr. ZABKO. No.

Mr. MATSUI. He is the only one you ever used, when you were chief, running the operation at the Senior Citizens League? That is the only company you used for direct mail efforts? Is that correct?

Mr. ZABKO. Yes, sir, as far as I know—remember.

Mr. MATSUI. Just so I can get this again for the record: And there were no other firms that printed or sent out direct mail when you were running that operation?

Mr. ZABKO. Well, sir, when you say "printed" and "sent out," that's a whole another statement.

Mr. MATSUI. I wasn't aware of that. Help me—explain what I said, then.

Mr. ZABKO. All right. The Heartfield Company, Squire & Heartfield Company, is a consultant. They in fact will find the print shops, the mail shops, to take the printed materials that get sent out to the United States Postal Service.

When you talk about printing, that could be done at any number of print shops in a different area. We go out for the best bids and to get the best services that could be provided.

The same goes with the mail shop. When a piece of mail is actually printed, it then goes to another facility, another entity or another organization, that takes that particular mail, puts it into the postal stream through the Post Office. They have postal inspectors there, watching this mail as it goes into the truck to be actually put into the United States mail stream.

Mr. MATSUI. And so you are saying—you used a number of different—you are aware that Heartfield Direct uses a number of printing operations before the mail is actually sent out.

You must have contacted all these printing companies then, because obviously this was a major concern to you, right? Maybe there was some wildcat operation? Is that right?

Mr. ZABKO. Sir, the particular print shops that we use would not have printed anything like this, because we have to approve the actual printing. OK, this is——

Mr. MATSUI. I understand that.

Mr. ZABKO. This is an agreement between the organization and that print shop. Those particular documents that are on display were not anything similar to what we in fact printed.

Mr. MATSUI. I understand that. But what I am asking is that you must have contacted these print shops because you obviously wanted to get to the bottom of this. There was a lot of pressure on you. So you must have contacted these print shops since Mr. Heartfield said, "I don't know anything about this." Then you went, "Well, we've got to get to the bottom of this."

So you must have called the print shops up. Isn't that correct?

Mr. ZABKO. I don't recall calling those print shops up, sir, because these were not quality printed pieces of material. These were made off of copy machines or fax machines that were sending this information. This was not a—at any length, a quality printing job that would come from a reputable printer that we would have used.

Mr. MATSUI. A minimum of 29,000 photocopied documents. That is interesting.

So you didn't go beyond Mr. Heartfield, in terms of your investigation about how that could have got out there with your name, with your company's name on it, your 501(c)(4)'s name on there, and the return address?

Mr. ZABKO. Yes, sir, we did.

Mr. MATSUI. Who else did you go to?

Mr. ZABKO. We've contacted numerous people that actually faxed these things to our office.

Mr. MATSUI. No, no. I am not talking about the people—I am not talking about the victims. I am talking about the people that you might have had a suspicion—I mean, obviously, you want to get to the bottom of this so you can say, "Hey, it wasn't me. It wasn't our company, our eight employees. It was somebody else," that person or that group.

I sense that you would have been at least curious enough to want to find out who might have defrauded you. I mean, Mr. Smith claims you were victimized. You want to find out who victimized you, right?

Mr. ZABKO. Well, sir, we would have no reason to contact those print shops, once again, because that was a very poor quality of print work. In fact, we would have never allowed a print shop to print something like that, having not our correct name on it.

Mr. MATSUI. So under——

Mr. ZABKO. If you look at those documents, they clearly annotate that it's "TREA Senior Systems League," and they talk about TREA being a seniors organization. In that particular document you have there, it clearly shows that the dates are even incorrect in regards to the notch issue in two different places.

Mr. MATSUI. Well, my time has run out, but I just want to make sure I understand this. So you are saying under oath that you never contacted any one of the print companies that you use to find whether or not they might have surreptitiously sent out these documents? Is that correct?

Mr. ZABKO. Sir, once again, I would like to restate, as far as I know, up until my departure from TREA Senior Citizens League, there has never been an established piece of mail that was sent out. These are all pieces of paper that have been handed to one person to another person or faxed to somebody. So, therefore, I would not have a reason to contact our quality print shops through Mr. Heartfield.

And just for the record, Mr. Heartfield may have done that. He may have contacted them on our behalf.

But I did not take that action.

Mr. MATSUI. Did you ask Mr. Heartfield if he actually did make contact with some of these print companies?

Mr. ZABKO. I don't remember, sir, but I will tell you that, as sure as I'm sitting here, that those are not pieces of material——

Mr. MATSUI. I am not asking that question.

Mr. ZABKO. That we printed.

Mr. MATSUI. And you said that over and over.

Mr. ZABKO. And, therefore, we wouldn't——

Mr. MATSUI. I am asking you whether or not Mr. Heartfield said to you that he made contact with these print shops and they don't have any idea who sent it out either.

Do you know whether or not he told you that during your conversation or after your conversation?

Mr. ZABKO. Sir, I don't remember.

Mr. MATSUI. You don't remember. Thank you.

Chairman SHAW. Mr. Lewis.

Mr. LEWIS. I have no questions at this point.

Chairman SHAW. Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Shaw.

Your testimony reminds me of hearings we had in Congress a couple of years ago, dealing with the publication companies using sweepstakes to entice people to buy their magazines with absolutely misleading information to the consumer, in which millions of dollars were received from primarily seniors. And ultimately, Congress passed new laws to protect our seniors from the sweepstakes problems.

I have heard your response in regards to the flyer that requests Social Security numbers, but I want to move on to the regular mailings that you sent out to my constituents and to seniors around the nation.

And I am curious as whether you think, in retrospect, looking at this—and I understand it was probably designed by the mail order consultants that tell you what is the most effective way in order to get a response from the people that you mail to.

But the highlighted part in the mailer that dealt with notch issue says: Will you review your file card, make any corrections, updates, additions, and return it to me in the enclosed envelope? Because you will have a choice between accepting the settlement in one or two payments, will you also indicate your settlement preference for our records? If you choose the $5,000 compensation plan, you will receive four annual installments of $1,250. Or if you do not choose the $5,000 settlement, your monthly Social Security benefit checks will automatically increase, using the formula outlined in the bill.

And then you go to the reply card, which gives you a place to check to verify the information is correct, that you are registering on the national notch victim register. And then of course the rest of this deals with sending money in to your organization.

Do you think this is fair? I mean, how would you like your parents to receive this mailer and send in a check?

Mr. Zabko, I know you are longer with the company, but do you think this is a fair way in which to inform seniors, as you say?

I am looking at your tax return, and you indicate that your government affairs operation, one of your two principle functions, you spent $4 million. This is part of it, I assume, is to energize the public. And then $4.5 million to educate.

I mean, do you really believe this right way to educate, in order to try to get a check from people? You are not successful by just

getting back this register; you want to get a check. Isn't that the purpose, to get a check?

Mr. ZABKO. Well, in the capacity that I had with the Senior Citizens League, sir, we tried our utmost to respond to the concerns of the members of our organization. One of those concerns was this notch issue.

This notch issue appears to be a very contentious situation, one that nobody wants to make a decision on.

Mr. CARDIN. Sir, do you know what the prospect of this Congress taking up the notch issue was when you were employed by this operation, by this company?

Mr. ZABKO. Do I know the prospect, sir?

Mr. CARDIN. Yes.

Mr. ZABKO. Well, it must have been on the radar scope because there was pieces of legislation that continually would be introduced——

Mr. CARDIN. Did your lobbyists tell you there was a good chance that Congress would consider a notch bill this Congress?

Mr. ZABKO. We had numerous indications from different Representatives that there would be some——

Mr. CARDIN. Was your objective to get a check from the people that you mail out to?

Mr. ZABKO. Our objective, sir, was to cause these individuals to actively participate in the U.S. Government's way of doing business.

Mr. CARDIN. Sir, I am reminding you, you are under oath.

But are you saying—I want to get this clear. This was designed for a specific purpose. Was the purpose, was one of the primary purposes in order to get a check returned in the envelope?

Mr. ZABKO. I would have to say that direct mail does do that, sir. But that was not the only purpose in those pieces of mailings that went out to individuals.

Mr. CARDIN. You have energized mailers coming to our office, postcards, on different subjects. Are you aware that there is no return address from our constituents on the postcards that are sent to our office?

Mr. ZABKO. That is correct, sir.

Mr. CARDIN. You think that is an effective way to lobby Congress, by getting names of individuals without addresses, so we have no ability to know if they live in our districts or we can contact them? You think that is an effective way to try to change policy here in Washington?

Mr. ZABKO. One of the reasons that addresses were not put on there was the individuals concerned did not want to release that information to the Federal Government. And they could, if they so desired, write that information in. We had talked to numerous people of our organization that did not want that information on there.

We also communicated with individuals in Congress and would provide, if they asked us, the individual's name, the constituent's name, so that they could send back information in regards to that information.

Mr. CARDIN. Who put the return addresses on these postcards?

Mr. ZABKO. Who put the return addresses?

Mr. CARDIN. Isn't it correct that your operation, not my constituent, but you put the return addresses on the postcards that were sent to our office?

Mr. ZABKO. I cannot see the return address on there.

Mr. CARDIN. Well, I will be glad to make them available to you. They are all identical, as far as the print is concerned. But the operation—I assume you are familiar with the postcards that sent into our office from your organization?

Mr. ZABKO. I would guess that's what you're referring to, sir. But I cannot see that from this point.

Mr. CARDIN. Well, who puts the return address on it?

Mr. ZABKO. Sir, it depends on what return address you're speaking of there.

Mr. CARDIN. On the postcards that are sent to our office on issues.

Mr. ZABKO. If it's the constituents address and it's in handwritten form, then it is the constituent.

Mr. CARDIN. It is imprinted——

Mr. ZABKO. If it's in print, it's printed at the print shop.

Mr. CARDIN. That's my point.

I would submit to you that you don't want us to have the addresses of the individuals because you are not really trying to influence policy here. What you are trying to do is get checks from our constituents, not checks for our constituents.

And I think that is the concern that many of us have here.

That last mailer is clearly fraudulent, in requesting Social Security numbers. You have acknowledged that you don't know how that came about. I accept that for the moment.

But what I can't accept is your testimony as to the efficacy of the mailers that you are mailing out, getting checks from my seniors, telling them that you are going put them on a national register for compensation that is not, at this moment, on the schedule to be considered by Congress, and you make no effort to really engage them in the process.

And last point, Mr. Chairman, if I might, there is a notch register number here, and it says "temporary number." Can you tell me what this number means?

Mr. ZABKO. When I was employed with TSCL, a temporary number would be for somebody who was not a member but wished to join. That individual would be somebody that solicited to join our organization.

Mr. CARDIN. Well, wait a minute. I am looking at a "notch victim register" form, not for membership in your organization. The form here says that you make a contribution. It doesn't say anything about joining.

Mr. ZABKO. Correct.

Mr. CARDIN. It has a temporary number on it.

Mr. ZABKO. I misspoke, sir. That would be, in fact, what you just said. It would be for individuals that are interested in donating to our organization to become active in the notch issue. And that number——

Mr. CARDIN. So what is the temporary number mean?

Mr. ZABKO. That number was just a temporary number that was applied to that individual, so that we'll be able to find him.

Mr. CARDIN. That is their notch register number.

Mr. ZABKO. That's correct.

Mr. CARDIN. You have a national notch registry?

Mr. ZABKO. Yes, we do.

Mr. CARDIN. And if this person sends you back a check, will he then get a permanent number or is the person still listed under the temporary number?

Mr. ZABKO. No, sir. They would receive a permanent number, I believe.

Mr. CARDIN. Would it be different than the temporary number?

Mr. ZABKO. In some instances.

Mr. CARDIN. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman.

Just out of curiosity, Mr. Zabko, you were at the Senior Citizens League when these two flyers appeared with your post office box on them. Is that right?

Mr. ZABKO. Yes, sir.

Mr. BRADY. Was your dismissal in any way related to the actions of the Senior Citizens League in response to these two mysterious flyers?

Mr. ZABKO. Not that I am aware of, sir.

Mr. BRADY. Would you say that your board would also confirm that?

Mr. ZABKO. Yes, sir.

Mr. BRADY. Would the members of the board confirm that?

Mr. ZABKO. I would say so.

Mr. BRADY. Great.

Mr. Smith, you are now the chairman and executive director of the organization?

Mr. SMITH. I'm chairman of the board, sir. We do not have an executive director. It's the same.

Mr. BRADY. OK. Obviously, you want to run a good, solid organization. But how do you justify soliciting these seniors for membership dollars after they have received such a fraudulent flyer? I mean, how do you justify it?

Mr. SMITH. Well, one of the things, sir, is that, being a senior, no one really takes the time to educate many seniors on what is going on. And many times, things that affect them, when they find out about them, it's too late. And so, as far as I'm concerned, what we've been doing in the past is basically education.

Now, in order to do this, it's like anything else, it takes funds to do it with. The members have a right, if they feel that we are not providing what it is that they want or they're not getting the results of what they want, I think you will find in that mailing that we will send them their money back, if they ask for it.

Mr. BRADY. But, Mr. Smith, you didn't simply tell them that this was a hoax and this was wrong and you were correcting it. You also included a solicitation for membership and dollars, correct?

Mr. SMITH. No, sir. It was not a solicitation; it was a brochure.

Now, our brochures always contain an opportunity to join. And that's basically what it was.

Mr. BRADY. I used to run a nonprofit organization for 18 years, and there is no difference between a solicitation to join and a bro-

chure with the solicitation to join. You are asking for money for membership from these people.

Mr. SMITH. If you——

Mr. BRADY. My point is, how do you justify, after you knew these people had been already frightened and/or solicited or scammed, why didn't the Senior Citizens League simply say, "This is wrong. You need to be aware of this. Stay on your toes"?

Mr. SMITH. We said all those things, sir. And in the letter——

Mr. BRADY. But then you continued——

Mr. SMITH. That we sent them, and I guess you have a copy of that——

Mr. BRADY. Obviously, it was altruistic. Did you receive any memberships from the mailing to the 29,000 seniors?

Mr. SMITH. I could not tell you specifically, but I'm sure we did receive some.

Mr. BRADY. More than out of——

Mr. SMITH. Not——

Mr. BRADY. Did you receive more than 1,000 memberships, perhaps? Or less?

Mr. SMITH. I cannot be specific on that. I would have to check with the data people.

Mr. BRADY. What other revenue besides the membership did you receive from these 29,000?

Mr. SMITH. Sir? Please state again, sir.

Mr. BRADY. What other revenue, in addition to the membership revenue, what other revenue did the Senior Citizens League ultimately receive from these seniors who had been defrauded?

Mr. SMITH. That was the only thing we were asking them to join, for membership.

Mr. BRADY. So those lists, the 29,000-name database, was not sold and no revenue was received by the Senior Citizens League? That is what you are saying under oath?

Mr. SMITH. As far as I'm concerned, and the records that I have available to me, that these lists have been put aside and have not been used for anything else.

Mr. BRADY. Other than a single solicitation?

Mr. SMITH. The single mailing that we made to them.

Mr. BRADY. Well, to show your good faith, would the Senior Citizens League destroy that database, since its use is already up, and return the dollars to those seniors who were solicited after being victimized, to show your good faith as an organization that simply wants to educate?

Mr. SMITH. Yes, sir. The only reason why we haven't destroyed the list was because of the Social Security IG investigation. We maintain the lists and we maintain the data available until such time as they resolve the issue. When they do, then we will destroy it.

Mr. BRADY. At that point——

Mr. SMITH. I would like——

Mr. BRADY. You will destroy it——

Mr. SMITH. Sir?

Mr. BRADY. At that point, you will destroy it. And you are saying that it has not, at any point, been sold, given, made available, to any other organization at all?

Mr. SMITH. That is my understanding from the data company.

Mr. BRADY. So the sole copy of that will be destroyed, is what you're saying.

Mr. SMITH. The copies that we maintain on file now are not being used for anything except staying on file in case needed by the Social Security in the investigation.

Mr. BRADY. And you are saying—again, I just want to understand——

Mr. SMITH. Yes, sir.

Mr. BRADY. It has never been used except for one solicitation to those 29,000 people? In any form, it has never been used——

Mr. SMITH. Can——

Mr. BRADY. Distributed, made available?

Mr. SMITH. Can I——

Mr. BRADY. I just want to understand.

Mr. SMITH. No, sir. I'm just—no, sir. But let me—can I——

Mr. BRADY. No, sir, it hasn't.

Mr. SMITH. Just cover it a little bit further, sir?

Some of these names were people who were previous members of TSCL. If you were to check their file, which is not being used now, you will find that in the past they may have donated. But it has not been done since we have done that, put the file in hold.

Mr. BRADY. Run that by me again.

Mr. SMITH. Well, in the responses that we got, some of the people that responded had already been TSCL members. And so, if you were to pull their file up, you would find that they had donated previous to this hoax thing.

But they, too, were put in hold, and they're no longer mailed to.

Mr. BRADY. OK. But, again, you are saying that list was used one time, has never been sold, never been leased, never been made available, never distributed, at any other point, other than that one mailing? Is that correct?

Mr. SMITH. This is what I've been told by the vendors and also by the data people.

Mr. BRADY. OK.

No further questions, Mr. Chairman. I am done. Thanks.

Chairman SHAW. Ms. Turner, was it your job to take the responses to the fraudulent mailing and enter them into your database?

Ms. TURNER. No, sir. The data entry company is the one——

Chairman SHAW. Speak up, please.

Ms. TURNER. I'm sorry. The data entry company, they're the ones that actually enter the data. We just maintain the data.

Chairman SHAW. So you don't do any of the actual feeding it into the database?

Ms. TURNER. No, we don't actually do the keypunch.

Chairman SHAW. This is contracted out?

Ms. TURNER. Yes, sir.

Chairman SHAW. And to whom is it contracted out?

Ms. TURNER. Direct Mail Processors (DMP).

Chairman SHAW. Who?

Ms. TURNER. Direct Mail Processors.

Chairman SHAW. Is that Mr. Heartfield?

Ms. TURNER. No, sir. That is in Hagerstown, Maryland.

Chairman SHAW. I am having trouble hearing you. Pull that microphone closer to you, please.

Ms. TURNER. Sorry. It is Direct Mail Processors. They're located in Maryland.

Chairman SHAW. Direct Mail Processors.

Ms. TURNER. Yes, sir.

Chairman SHAW. And do you review the results of their putting that information into the database?

Ms. TURNER. Not on a daily basis, but I do check records. I see the records.

Chairman SHAW. Do your records include the Social Security number of any of your members whatsoever?

Ms. TURNER. No, sir. The database doesn't have a field for a Social Security number. We just go by ID number.

Chairman SHAW. Mr. Becerra.

Mr. BECERRA. Mr. Chairman, thank you.

Thank you for appearing today. We appreciate your testimony.

Let me ask a couple of questions, to follow up on some of the questions that have been asked by colleagues.

Is the Senior Citizens League—I want to be sure about something—did I hear correctly that you are willing to relinquish the information obtained by that fraudulent mailer that you received as a result of the 29,000 response, at least as to those that are new, represent new data that you received that you did not already have on file for individuals?

Mr. SMITH. Say again, sir?

Mr. BECERRA. You received, from 29,000 people, responses to this fraudulent mailer, that Senior Citizens League claims it had nothing to do with.

Mr. SMITH. Yes, sir.

Mr. BECERRA. You had a data processing firm input that data for you, and you subsequently mailed a letter to these individuals, indicating that you had no responsibility for that hoax mailer.

Mr. SMITH. That's right.

Mr. BECERRA. Now that you know this was a hoax mailer and that there is concern that data was obtained, personal data was obtained from these individuals, these seniors, on a fraudulent basis, I believe the questions were asked earlier: Would you now relinquish that personal data from these seniors that you have in your possession?

Mr. SMITH. Under no circumstances, sir. We—the—we didn't keep the personal data. We never put the personal data on file.

Mr. BECERRA. What did you put on file?

Mr. SMITH. Only the name and address and, in some cases, a birth date.

Mr. BECERRA. And what did you do with all of the responses, written responses, that you received, or the communications that you received that contain that personal information?

Mr. SMITH. That packets themselves, the documents themselves, I correct—correct me—Mr. Zabko can verify this—were turned over to Social Security?

Mr. ZABKO. That is correct. Those pieces of information were delivered to the Social Security Administration upon their request.

Mr. BECERRA. So at this stage, does the Senior Citizens League have in its possession any personal information from any of these 29,000 individuals who responded to this fraudulent mailing?

Mr. SMITH. Not personal information, sir.

Mr. BECERRA. Other than name and address?

Mr. SMITH. Name and address, and maybe a birth date. But——

I was just informed, there have been some documents trickling in that maybe have not been turned over to Social Security, but they too were put in a, if you want to call it a lockbox.

Mr. BECERRA. And you will be returning that Social Security?

Mr. SMITH. Yes, sir.

Mr. BECERRA. And you have not logged any of that personal information, aside from name and address, into any database system that you have?

Mr. SMITH. No, sir. As best to my knowledge, we have not.

As I said, the information comes in to DMP. And from that point on, their instructions is not to utilize any of this information.

Mr. BECERRA. And you were asked earlier if on a good-faith basis the Senior Citizens League would return any moneys collected as a result of having obtained these individuals' names and addresses through this fraudulent mailer. And I don't recall the response.

Mr. SMITH. Had they sent money, the money and any personal documents, my best understanding, I think Mr. Zabko can address that, was returned to these individuals.

Mr. BECERRA. OK. You are saying "to the best of your understanding." That is not a——

Mr. SMITH. I can't verify, sir. I wasn't there.

Mr. BECERRA. OK, Mr. Zabko, can you tell us if in fact any of that money collected from any of these 29,000 individuals was returned?

Mr. ZABKO. Sir, as far I know, there was no money collected from those 29,000 individuals, based on the response of those fictitious flyers.

Mr. BECERRA. What about based on your subsequent solicitation to those individuals that you sent out?

Mr. ZABKO. Sir, I don't know. I was not there after February, and I have no knowledge of that.

But I can tell you that we ordered, in writing, the direct mail shop, when the mail came in, that if there was any moneys involved in those letters, to notify us immediately. Up to my departure, there were no notifications that any moneys were received along with those fictitious flyers.

And we also notified them: Do not type in, because there is no space, or collect, any of the personal information, other than a name and an address. But you're no——

Mr. BECERRA. OK. Now you are going beyond the information I need for the question I have asked.

Mr. ZABKO. I'm sorry, sir.

Mr. BECERRA. Let me see if I can direct it to Mr. Smith, since, Mr. Zabko, you are saying you were gone, you left before any responses to your solicitation directly to any of the 29,000 individuals may have occurred.

So, Mr. Smith, in the communication you had with the 29,000 individuals who responded to this fraudulent mailer, in that mailer,

where you explain that you had nothing to do with that mailer, you also included solicitation materials for the Senior Citizens League, correct?

Mr. SMITH. Yes, sir. There was a join brochure.

Mr. BECERRA. And I think this Committee has asked, members of this Committee have asked, if, in good faith, the Senior Citizens League would be willing to return any moneys collected by the Senior Citizens League as a result of that solicitation, which was predicated upon obtaining these individuals' names and addresses resulting from that fraudulent newsletter.

And I don't know if you responded yes or no, that you would, on a good-faith basis, return any moneys that were obtained as a result of that solicitation that came as a result of having names and addresses of individuals who responded to that fraudulent mailer.

Mr. SMITH. As the chairman of the board, and I can speak for the board, we definitely would return any money. We do not want anything that would taint the name of TSCL.

As we said, we guaranteed the individuals, on our mailings, that we would return the money if they're not satisfied with the services or with the things that we do in their name.

Mr. BECERRA. So is that a "yes," that you will return——

Mr. SMITH. Yes. Yes, sir.

Mr. BECERRA. I know my time has expired. Thank you, Mr. Chairman.

Thank you very much.

Mr. SMITH. Thank you, sir.

Chairman SHAW. Mr. Smith and Mr. Zabko, could both of you identify the lady and the gentlemen sitting behind you, who are advising you during the question period?

Mr. SMITH. The first gentleman is David Washington, a first vice president of TREA, The Retired Enlisted Association; Virginia Torsch, who is the legislative director for TSCL at this time; and Mr. Bill Olson and Mr. John Miles, who are TREA's attorneys—I mean, TSCL's attorneys. I'm sorry, sir.

Mr. ZABKO. And the gentleman behind me, as I indicated in my original statement, is the Hon. Mark Fury, my personal counsel.

Chairman SHAW. Thank you.

Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman.

Let me ask each of the three of you a quick question, and a yes or no would be preferable.

Have any of you been party to a conversation where a discussion included using flyers to get lists, using flyers talking about notch babies, using flyers talking about slave reparations, to get lists? Have any of you been part of a conversation like that?

Mr. SMITH. I have not, sir.

Mr. ZABKO. No, sir.

Ms. TURNER. No, sir.

Mr. RYAN. OK. Ms. Turner, I just want to nail down your role. Who do you work for exactly?

Ms. TURNER. Public Interest Data.

Mr. RYAN. Again, closer into the mike, please.

Ms. TURNER. Public Interest Data.

Mr. RYAN. And that is a database management firm, correct?

Ms. TURNER. Yes, sir.

Mr. RYAN. OK. And that is a for-profit firm?

Ms. TURNER. Yes, sir.

Mr. RYAN. OK. Now, your role is to manage TREA and TSCL's database, correct?

Ms. TURNER. Correct.

Mr. RYAN. OK. When the 29,000 names came in, that came in through your firm and you managed that database, correct?

Ms. TURNER. It actually arrived at DMP, who keyed it onto our database.

Mr. RYAN. OK. They came into your mail house firm, correct?

Ms. TURNER. Correct.

Mr. RYAN. Which then comes onto your database.

Ms. TURNER. Exactly.

Mr. RYAN. And then you control the firm that does the actual data entry in Hagerstown, Maryland, correct?

Ms. TURNER. We don't control them; we work with them. They're a separate company.

Mr. RYAN. OK, but you tell them what to add and what not to add, correct? Where to put the lists—you manage where the lists are stored and all of those things, correct?

Ms. TURNER. Exactly.

Mr. RYAN. And you design the fields on every database, correct?

Ms. TURNER. Right.

Mr. RYAN. OK. You did not include any Social Security identification numbers in this list, correct?

Ms. TURNER. No, sir.

Mr. RYAN. OK. Did you intermingle or include the list from the hoax flyers into any other list that is held by TSCL?

Ms. TURNER. It's all on one database, but there is a code for the flyers, and that code is what we use to omit from all of the mailings.

Mr. RYAN. OK. So the list that came from the hoax documents is in the main TREA database.

Ms. TURNER. Yes, sir. It's coded as the hoax flyers, so we know that these records are——

Mr. RYAN. OK.

Ms. TURNER. From the hoax.

Mr. RYAN. Last year, TREA made $417,000 on its list rental, correct?

Ms. TURNER. I don't know that.

Mr. RYAN. That is off the tax form, I believe, tax return.

Well, do you control—when someone wants to rent the list from TREA, you actually send it to that person, correct? If it's an insurance company, if it's AARP, they want to rent the list, they send a check to TREA. You're the person who actually sends that list or rents it out, correct?

Ms. TURNER. Correct.

Mr. RYAN. Has this——

Ms. TURNER. Our office does, not me, personally. My office does.

Mr. RYAN. Your office does, right.

When the list has been rented out, and you have a separate code for those 29,000 names, have you ever seen the list rented out

which included all of these names? Has the entire list been rented, including the 29,000 from the hoax mailing?

Ms. TURNER. No, sir. It's part—part of the list rental program, it automatically omits the code for the hoax flyers. We have several flags that are omitted, the do-not-mails, the deceased, and part of the flags that are standard omits are the hoax flags.

Mr. RYAN. OK. Do you know whether or not after the mail went out to the hoax list—it had the solicitation in there, the form that looks like a solicitation—do you whether or not people actually joined up from that original list after receiving the follow-up mailing?

Ms. TURNER. We ran some counts before, and I don't know the numbers right now, but there were a few people that did respond.

Mr. RYAN. What was the last count you recollect?

Ms. TURNER. Honestly, I can't remember, but we can get that information——

Mr. RYAN. OK. And when that person then signs up, they go into the general list. And is their code dropped and they are part of the regional TREA group, correct?

Ms. TURNER. Actually, the way we set up is anyone who had that code, no matter if they made donations before or after, have not received any more mailings.

Mr. RYAN. OK. Now, Mr. Smith——

Mr. SMITH. Yes, sir.

Mr. RYAN. Can you tell me, just briefly, what is the relationship between TSCL and TREA? Do they have any overlapping board members? Can you tell me who controls what? What is the relationship between TSCL and TREA?

Mr. SMITH. The Retired Enlisted Association represents retired individuals. I am a past national president of The Retired Enlisted Association.

TSCL is an affiliate initially, right now, in the files that we have, and we're in the process of changing that.

Of The Retired Enlisted Association, the board of trustees that operate TSCL as an independent operation are selected, resumes are turned into the board of directors——

Mr. RYAN. OK.

Mr. SMITH. Of TREA. They are selected and then elected——

Mr. RYAN. Let me——

Mr. SMITH. To run TSCL. And that is the—from that point on, the board of trustees of TSCL is responsible for running the operation.

Mr. RYAN. OK. So let me move on then. Mr. Zabko, if I could just ask a couple quick questions. I see that the red light is coming on.

Have you ever used flyers in solicitations before? Has TREA or TSCL ever used flyers in solicitations before?

Mr. ZABKO. Not that I can remember, sir.

Mr. RYAN. Mr. Smith, is that your answer as well?

Mr. SMITH. No, sir. I'm not aware of them.

Mr. RYAN. OK. Can you estimate how many solicitations have been sent over the years through TREA or TSCL?

Mr. SMITH. Solicitations by TSCL are separate from solicitations by TREA.

Mr. RYAN. TSCL.

Mr. SMITH. TSCL solicitations?

Mr. RYAN. Yes.

Mr. SMITH. I couldn't tell you the number, sir. But we can get that number for you.

Mr. RYAN. OK. And one last question, and I would like to ask, because I don't know if Mr. Kleczka put this in the record or not, but I would like to ask that his submission be put into the record, pertaining to a person's will.

Do you, Mr. Smith, Ms. Turner, or Mr. Zabko, know of any will or any bequest that has been made on behalf of a member to you? Namely after the solicitation in which you mentioned to a member that they could bequest money to you from their estates, has that transaction ever taken place? Are you, TREA or TSCL, listed in anyone's will, to your knowledge?

Mr. SMITH. Now, in TSCL, sir, no. But since I was in Memorial Foundation in TREA, yes, we have received those.

Mr. RYAN. Mr. Zabko.

Mr. ZABKO. As far as TSCL is concerned, no, sir.

Mr. RYAN. But TREA?

Mr. ZABKO. None that I know of.

Mr. RYAN. I have no idea about TREA, sir.

Mr. ZABKO. Would you have any—Mr. Smith, do you have any idea of how many people have arranged to leave money in their wills to TREA?

Mr. SMITH. No, sir. The one just recently happened.

Prior to that, the only other moneys that are left to Memorial Foundation, which is a 501(c)(3), would be from our life membership dues, and people can leave that to the Memorial Foundation.

Mr. RYAN. Do you think that's ethical, Mr. Smith?

Mr. SMITH. For TREA, sir?

Mr. RYAN. Yes.

Mr. SMITH. Certainly, sir, to the Memorial Foundation, because it benefits our members.

Mr. RYAN. Do you think that—Mr. Chairman, if I may—I will yield. I see that my time has expired.

Chairman SHAW. If you will ask them what TREA Memorial Foundation does. I notice that they got a $70,000 grant from TREA. Perhaps Mr. Smith could enlighten us as to how this benefits their members.

Mr. RYAN. That is where I was——

Mr. SMITH. Yes, sir. The Memorial Foundation is set up to provide benevolent assistance to our members. It also provides to disasters, which we have donated over $200,000. We donated to the various things that has happened in Puerto Rico. We donated to the bombing in Oklahoma from the Memorial Foundation.

We also provide 40,000 $1,000 scholarships per year to the members and dependents of The Retired Enlisted Association.

The money from TSCL is donated to the Memorial Foundation. Yes, sir.

Is that——

Chairman SHAW. It was Mr. Ryan's question. I just formulated it.

Mr. RYAN. Thank you.

Chairman SHAW. Mr. Hulshof.

Mr. HULSHOF. Thank you, Mr. Chairman.

Mr. Zabko, in the brochure that you sent out to the 29,000 respondents, there is a brief bio, and I want to check just some of this information.

It mentions that you then were the executive director, that you served 20 years with the U.S. Navy. Is that true?

Mr. ZABKO. That is true, sir.

Mr. HULSHOF. Ten years as a benefits counselor. Is that true?

Mr. ZABKO. That is correct.

Mr. HULSHOF. You have stated under oath today that you are a registered lobbyist. You also state in this brochure that you are a certified veterans compensation and pension counselor. Is that true?

Mr. ZABKO. I have a certificate from the Veterans Administration (VA), sir.

Mr. HULSHOF. OK. So the certification itself is from the VA?

Mr. ZABKO. Yes, sir.

Mr. HULSHOF. Now, is there any continuing education requirements in order to maintain that certification?

Mr. ZABKO. As of now, I don't know, sir.

Mr. HULSHOF. Do you continue to be a certified veterans compensation and pension counselor? Are you still a member of good standing? Or has that certification been revoked?

Mr. ZABKO. It has not been revoked, sir. But I have not been doing that particular work.

Mr. HULSHOF. Let me ask you, in your written statement, on page 3, you mention the potentially, and I am quoting from you, "potentially fraudulent information," referencing the flyers. It wasn't potentially fraudulent, was it, Mr. Zabko? It was in fact false information. Isn't that true?

Mr. ZABKO. Fraudulent, sir, is a legal definition. And unfortunately, I don't have a degree in that particular profession.

Mr. HULSHOF. Well, the flyer says that there is a slave reparation act. You know that now—I don't know at the time—but there is no such legislation as a slave reparation act. You know that now, correct?

Mr. ZABKO. That is true. There was legislation, but there was no act.

Mr. HULSHOF. Is it your testimony, after all of what you have heard today, and as we have undertaken this examination of you, that the Senior Citizens League continues to be a victim of a cruel hoax?

Mr. ZABKO. Yes, sir. That it is.

And I also would like to add that in speaking with Mr. Cohen of the postal authority, he referred to this whole thing as a nuisance chain letter, and everyday we have these particular instances going on, more so now with the Internet than we do previous to the Internet.

Mr. HULSHOF. Well, let me talk about these particular flyers. Let me paraphrase, then, your testimony as: These flyers appeared out of the blue; that they included something called a "national notch victim register," which the Senior Citizens League has used something like that in the past; that you had the same post office box number on this flyer that in your published brochures. And so all

of that information, which was accurate, or at least consistent with what you had put out, that someone out in America wanted to give a black eye to the Senior Citizens League. I mean, is that what we are led to believe here today?

You can consult with counsel, if you choose.

Mr. ZABKO. Thank you.

As I indicated in my statement, sir, I to this day don't know why that has been done, nor do I know who has done it. And I cannot speculate that it was done fraudulent reasons or any other. I just know that it happened, and we did everything possible to protect the private information of the individuals that sent us that information.

Mr. HULSHOF. Nonetheless, even though you would consider the Senior Citizens League and perhaps yourself, on the receiving end of some of these questions today, as victims of this hoax, the league was able to profit, at least in some regard as far as the solicitations, the 29,000 respondents gave checks in—true?

Mr. ZABKO. I don't know that for sure, sir.

Mr. HULSHOF. And if you were a victim of this hoax, then why is it that, while you were executive director, that the Senior Citizens League chose not to cooperate with this investigation?

Mr. ZABKO. Sir, I don't believe that we chose not to cooperate.

Mr. HULSHOF. Well, let me ask you about this letter that I have, that was cc'ed to you, dated October 5th of the year 2000 by attorney and counselor at law Michael Boose to John May, who is the CEO of Associated Growth Enterprises, and it is referencing the subpoena for records of, or relating to, TREA Senior Citizens League, and paraphrasing the text of the letter, which we can make it part of the record:

Please be advised, as the second paragraph states, that the Senior Citizens League strongly objects to your company—being the Associated Growth Enterprises—providing any of its documents, records, materials or confidential business information to the Social Security Administration in response to their subpoena.

[The information follows:]

Fairfax, Virginia 22030
October 5, 2000

John May
C.E.O.
Associated Growth Enterprises, Inc.
1101 Mercantile Lane, Suite 100
Springdale, MD 20774

Re: Subpoena for records of, or relating to, TREA Senior Citizens League.

Dear Mr. May:

I represent TREA Senior Citizens League ("TSCL"), which asked me to contact you regarding a subpoena from the Office of Inspector General of the Social Security Administration for records of, or relating to, TSCL.

Please be advised that TSCL strongly objects to your company providing any of its documents, records, materials or confidential business information to the Social Security Administration in response to the subpoena. You may not be aware of this, but earlier this week representatives of TSCL met with Special Agent Alan F. Stubbs concerning the subpoenas that were issued to TSCL and its direct mail processing firm. Had TSCL known of the subpoena that was issued to your company, you or a representative of your company could have been invited to participate in that meeting or arrangements could have been made for a similar meeting with you.

In any event, during the meeting, the scope of the subpoenas were narrowed quite significantly, and it is our understanding that the Office of Inspector General will not be seeking to enforce the subpoenas as issued.

Prior to your providing any of TSCL's documents, records, materials or confidential business information to the Office of Inspector General, it is respectfully requested that you have your attorney contact me to discuss this matter. While I will not be in my office on Friday, I will be available to speak with your counsel regarding this matter on Monday and Tuesday of next week. My office number is (703) 691–7717 and my cell phone number is (571) 213–1015.

I thank you for your cooperation in this matter.

Sincerely,

MICHAEL BOOSE
Attorney & Counselor at Law

cc: Michael J. Zabko
Alan F. Stubbs

Mr. HULSHOF. Now, is it your testimony that this was cooperation?

Mr. ZABKO. Sir, the context of that particular letter was that individual company no longer did business with us. And in fact, the postal authorities seemed to think somehow that they were the ones that were handling our mail.

We were trying to communicate with that particular company, and in fact could not receive any communication from their legal people, and, therefore, that letter was generated to them.

We wanted to speak to them and consult counsel before we participated with this very broad subpoena that was being placed on the organization.

Mr. HULSHOF. Mr. Smith, my time also has expired.

And I see that we are running on autopilot, so let me continue with just a few other questions.

[Laughter.]

Mr. COLLINS. I am in charge.

Mr. HULSHOF. OK, Mr. Collins.

I just wanted to follow up, Mr. Smith, and if I could, ask the staff to provide this, because I just want to make sure we get on the record.

To Mr. Smith at the end. Mr. Zabko, if you would pass that down to Mr. Smith? If you would pass that down to Mr. Smith, please? Thanks.

Mr. Smith, I think Mr. Kleczka provided this to us, and it is a mass mailing that has gone out. And I think the receipt date—perhaps, Mr. Kleczka, if I could inquire?

It says July 12th of 2001?

Mr. KLECZKA. Right.

Mr. HULSHOF. Would that have been from your office, Mr. Kleczka?

Mr. KLECZKA. Yes, sir.

Mr. HULSHOF. Mr. Smith, is this your signature, or at least a computer-generated facsimile of your signature on the bottom of——

Mr. SMITH. Yes, it is, sir.

Mr. HULSHOF. Of that mailing?

Mr. SMITH. Yes, it is, sir.

Mr. HULSHOF. OK.

Final question: This fraudulent flyer that is out there—and just as your statement to us has some bold. I assume that is because you want us to pay particular attention to that statement, even though you have since said that you didn't know this per se, as far as working with the Social Security office, changing the mailing, and I think you have corrected that part of the record.

But in this mass mailing to senior citizens, you bold the part that says that they are going to get these checks.

Does it trouble you, sir, that this language in this mailing that occurred after this investigation has begun is very similar—eerily similar, I would submit—to the actual language that is included in these fraudulent flyers? Does that trouble you, sir, as the executive director of the Senior Citizens League, that the language that you include in this mailing is very similar to the information that were on these hoax flyers?

Mr. SMITH. If you give me a second to read this, sir. Sir, one of the things that, when you have a situation as the hoax flyers, you have to address that situation, and we did this. But we still have to continue to provide the services that we indicated to the people who send us money that we would.

And to do this, we would have to continue doing the things we said, and we do have these things on record.

We're not trying to continue the hoax. We're merely trying to continue the services that we said we would provide when these people send their donations.

And so, that's what we do. And, of course, that's what we have to continue to do, sir.

Mr. HULSHOF. Thank you, Mr. Chairman.

Chairman SHAW. Thank you.

Mr. Pomeroy.

Mr. POMEROY. I am finding this all rather implausible. A mailing, a national mailing, soliciting funds, which come to you, and you don't know anything about it. So then you send out a letter to the 29,000 respondents, disclaiming knowledge of the earlier one, and soliciting funds.

Now, if that passed the smell test—well, let me put it this way: It doesn't pass my smell test. It is pretty extraordinary.

But we will go on. I want to inquire as to the recently noticed mailing that you do assume responsibility for, and ask you some questions on that.

Mr. SMITH. OK, sir.

Mr. POMEROY. Mr. Smith, I noted that you responded—you characterized the IG's report as containing extremely misleading information. That struck me, because you seem to have some expertise in that business of writing reports or writing documents with extremely misleading information.

This clearly conveys the impression that someone is about to get $5,000 and, on the second page, specifically and explicitly represents a level of lobbying activity that you undertake on behalf of those sending in money.

You indicate that you are a leading voice in the effort: As the leading voice for national notch justice, we're working to ensure all Members of Congress add their names to the settlement, and that Congress passes the legislation in this session.

Now, as chairman of the board, can you tell us the members of this Subcommittee, the Social Security Subcommittee of the Ways and Means Committee, that have been contacted by you on this issue, by your organization?

Mr. SMITH. We presently, I can tell you, from February on, sir. That's—I can verify from February on, when I became the chairman of the board.

At that time, we brought on board Michael Plumer and Mrs. Torsch. And I am sure that she has been up and talked to various people. Mike Plumer is the individual that is dealing primarily with the Social Security notch issue.

Mr. POMEROY. Mr. Smith, I heard earlier testimony that it was Mr. Hayworth of the Committee that had been contacted.

Mr. SMITH. That was prior to February, sir.

Mr. POMEROY. Well, I would be very interested in receiving a list of member contacts that have been made.

I will submit for the record a constituent letter that I got relative to this mailing, to try and convey to you the kind of concern and misinformation that letters like this—the impact of letters like this on those who receive them.

This letter is from an elderly constituent, writing about this letter, raising questions about it. And he notes: One lady here was waiting for her $5,000 so she could pay for a trip she wanted to take, which never came.

You know, you are raising hopes of people without realistic expectation of receiving the $5,000, and even for some, raising the expectation that the check is in the mail and the legislation isn't even on any kind of likelihood of being enacted.

I mean, I think that is just an egregious disservice to those you represent.

I have asked the IG to send us information on the insurance companies to whom you have sold lists. I would also ask you to provide that information to the Committee.

Are you aware that you routinely sell your mailing lists or rent your mailing lists, I guess the term is, to insurance companies?

[The information follows:]

Office of The Executive Director
Washington, D.C.

For Persons born from January 1, 1917 through December 31, 1926

Dear Friend,

If you were born between the dates above, please complete and verify the file card I've enclosed so your name can appear on the National Register of Notch Victims.

Notch Victims are those individuals who currently receive lower Social Security benefits as a result of being born in the Social Security "Notch" years from 1917 through 1926.

To compensate you for the lower benefits you receive, Notch Victims will be eligible for a $5,000 Settlement if legislation already supported by 74 Members of Congress is approved.

Will you review your file card, make any corrections, updates or additions, and return it to me in the enclosed envelope?

Because you will have a choice between accepting the Settlement in one of two payment methods, will you also indicate your Settlement preference for our records?

Here are the two Settlement methods:

If you CHOOSE the $5,000 compensation plan, you will receive four annual installments of $1,250, OR ...

If you DO NOT CHOOSE the $5,000 Settlement, your monthly Social Security benefit checks will be automatically increased using a formula outlined in the Bill.

This monthly increase will be determined by your age, work history, and other factors.

For many Notch Victims, we believe the four annual installments

(Over, please ...)

Senior Citizens League

A subsidiary of The Retired Enlisted Association,
Proudly Serving Retirees Since 1963
P.O. Box 97173 • Washington, D.C. 20090-7173

of $1,250 will be the best option.

As you may know, should the legislation pass, surviving spouses of Notch Victims will be eligible for up to 100% of the Settlement.

It is important our records are as accurate as possible.

Should we need to contact you regarding progress of the $5,000 Lump-Sum Settlement, I need to be sure I have your proper mailing address and that the information on your record is complete.

That's important because Notch Victims must continue to put pressure on Congress for passage of Settlement legislation. From time to time, I will therefore send you petition forms, information on how to effectively get your message across to Members of Congress, and more.

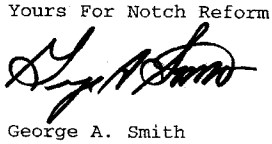
As you may know, both Representatives Ralph Hall (D-TX) and Robert Wexler (D-FL) have introduced their Notch Settlement legislation (H.R. 97 and H.R. 853) into the House of Representatives. Their bills are almost identical, and Senator Harry Reid (D-NV) has just recently introduced similar legislation into the U.S. Senate.

Already, 74 Members of Congress placed their names on this legislation as co-sponsors! As the leading voice for national Notch justice, we are working to ensure all Members of Congress add their names to the Settlement and that Congress passes the legislation this session.

When you return your verified File Card, will you also help fund our major national campaign for passage of the $5,000 Settlement by including a donation of $10, $5, $15, or any amount?

I'm counting on your support.

Yours For Notch Reform,



George A. Smith
Chairman

P.S. The $5,000 Settlement is now before both Houses of Congress and we are working for its passage. Please return your Verification Form and File Card within the next 10 days so we can promptly update your information into our records and verify the information on your card is accurate. Thank you.

[redacted]

Minot, N. Dak.
58701

Minot N. D.
7/10/01 - 58701

Dear Rep. Pomeroy,

I am enclosing another letter recieved from Senior Citizen League, which I have been recieving for several years.

Is this legal as they are asking for money? I suppose a lot of the seniors are giving money, which they can't afford.

One lady here was waiting for her $5000 so she could pay for a trip she wanted to take which never come.

I believe the $5000 bonus payment should pay the back payment & a monthly increase after the $5000 bonus payment.

As a notch baby I recieve before medicare $801 a month, my wife gets $332 before the medicare premium.

My wife was born in 1928 and is not a notch baby, but seeing I am she gets penalized also.

I am surprised the Social Security has not had legal action for discrimination for us born in these years. Sincerely

[redacted]

Mr. SMITH. Yes, sir. I am not aware of the exact companies, but I can get that list.

Mr. POMEROY. Good.

Mr. SMITH. And you've requested it; it will be forwarded to you, sir.

Mr. POMEROY. Thank you very much.

I have been looking at your tax return, trying to figure out where all this money that you make goes. You report income of $12 million.

And in looking at it, you had $51,000 in legal fees last year. What was that for?

Mr. SMITH. I would imagine it pertained to the change of the board of directors and some of the other legal things that were done. I would have to—if it was for the total year, I would have to ask Mr. Zabko.

Mr. POMEROY. Were you involved in litigation or anything?

Mr. SMITH. No, not at all.

Mr. POMEROY. The $1.5 million, $1.591 million, professional fundraising fees. What does that involve?

This is in a period of time where Mr. Zabko was director. Perhaps you could shed light on where the——

Mr. ZABKO. Sir, the fees for the legal fees, most of those are State-required fees to register in the different States with the attorney generals' offices, to do fundraising in those States. Quite a bit of that is done.

And then a small portion of it was just regular legal consultations.

Mr. POMEROY. On the professional fundraising, the $1.59 million?

Mr. ZABKO. That is for fundraising counsel and fundraising endeavors.

Mr. POMEROY. You pay your fundraising consultants more than $1.5 million? And that is not about stamps and postage; that is a separate line item. This is just professional fees for those people that these write——

Mr. ZABKO. Professional fees, that's correct, sir.

Mr. POMEROY. These misleading letters? Pardon me?

Mr. ZABKO. No, sir. They did not send those misleading letters, sir. Those are professional fees for fundraising.

Mr. POMEROY. The people that make the phone calls to—no. I am sorry. I don't understand your answer.

This letter that is before you. Not the disputed pamphlets, but the letter that was mailed out that you do you not contest.

Mr. ZABKO. That is—those letters that you are holding up there, sir, yes, that is part of the professional fundraising——

Mr. POMEROY. This is an example of what you get for $1.59 million? Is that correct?

Mr. ZABKO. That's an example of a fundraising letter, yes, sir.

Mr. POMEROY. So you have very highly paid consultants that write misleading letters designed to generate cash to you and names that you then sell to others?

Mr. ZABKO. Sir, I'm not quite sure if that's correct.

Mr. POMEROY. I have no other questions.

Chairman SHAW. Mr. Zabko, let me follow up on that for just a moment.

Who is that professional fee paid to?

Mr. ZABKO. I believe part of that is Squire & Heartfield Direct.

Chairman SHAW. And is that the company that is owned by Mr. Heartfield?

Mr. ZABKO. Mr. Heartfield I believe is the vice president of that company.

Chairman SHAW. Who is the principle in that company?

Mr. ZABKO. The principle in that company I believe is Mr. Jeremy Squire.

Chairman SHAW. I am looking down the list of officers, directors, and trustees, as well as key employees. And except for you, there is no compensation showed by any of the names. This is coming from your 990, which was signed by Mr. Smith.

Do any of these individuals do business with TSCL?

Mr. ZABKO. Do business as in they were paid by TSCL?

Chairman SHAW. Yes, are they principles in any other company that does business with——

Mr. ZABKO. From the best our knowledge, sir, no.

The only payment that they will receive is for reimbursable expenses, such as meals or travel.

Chairman SHAW. And what is The Retired Enlisted Association in Aurora, Colorado?

Mr. ZABKO. I'm sorry, sir, "what is it?" you're asking?

Chairman SHAW. Yes, The Retired Enlisted Association in Aurora, Colorado.

Mr. ZABKO. It's just that, sir. It's The Retired Enlisted Association. It's an organization that is a (c)(19), 501(c)(19) organization.

Chairman SHAW. What do they do?

Mr. ZABKO. They are a group of individuals that are vested in lobbying and working with benefits that affect retired enlisted people from the armed forces.

Chairman SHAW. OK. We are going to have to recess. We have one vote on the floor, and we will come back and complete it.

The scheduled markup for the full Committee that was scheduled at 2 o'clock is being delayed. We want to try to finish up with this panel and the final panel as quickly as we can so that we can go into the full Committee markup.

So we will stand in recess for approximately 15 minutes.

[Recess.]

Chairman SHAW. Mr. Collins may inquire.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Smith, I have a constituent who just recently sent me all the information that came in an envelope to him from you all. I believe it is the same letter that has been referred to here earlier.

And his response was this, he sent me this little handwritten note with it, it said: Sir, about once a year I get this. This year I saw your name on this. Could you please tell me if it is on the up-and-up? I don't think so.

But then it had my name on it and he thought it might be on the up-and-up. Of course, you know what I told him, I hope, and that was, "No, it's not. Don't send them a dime."

But on this letter that you signed, you say a mail order house handles this for you?

Mr. SMITH. Yes, sir.

Mr. COLLINS. I can't find a date on it as to when the letter was actually drafted. Is it customary not to put dates on letters?

Mr. SMITH. Well, normally what they do, sir, in the mailings, they draft the letter, they put a mail date on it, and then it's kind of like in a slot of mailings that we get. And in some cases, they may not make that date. And I think that may be a reason why they don't put that date on it.

Mr. COLLINS. Well, it was hard to tell when this particular letter was sent out.

But it does indicate and insinuate that there will be compensation. And it goes on to say that the $5,000 settlement is now before both Houses of Congress and we are working for its passage. How do you interpret that, "it is before both Houses of Congress"?

Mr. SMITH. Well, my interpretation, sir, the bill has been introduced. So——

Mr. COLLINS. So it would be within a committee then?

Mr. SMITH. Yes, sir. You're there, trying to get cosponsors, which is our responsibility to lobby.

Mr. COLLINS. But it is not before the House; it is before a committee.

Mr. SMITH. I would say——

Mr. COLLINS. This letter is a little misleading in that direction, too, is it not?

Mr. SMITH. Say again, sir?

Mr. COLLINS. I said, the letter is misleading in that direction, too, then, is it not? It is not before both Houses; it is before committees in each House.

Mr. SMITH. I think the determination for individuals out in the field, when a Congressman introduces a bill, it's considered that bill is—is going before the House of Representatives.

As a layman out here, I don't think too many of us are much aware whether the bill is before a committee or if it is legislation that is introduced.

Mr. COLLINS. But you said this was a letter to educate those folks. Shouldn't you tell them that it is before a committee, if you are trying to educate them, rather than misleading them that it is before the whole House or the whole Senate?

Mr. SMITH. Well, we try to, sir.

Mr. COLLINS. I mean, that is the purpose of the letter, is it not, to educate the people? Is that what you said?

Mr. SMITH. Yes, sir.

Mr. COLLINS. And it is a fundraising letter also.

Mr. SMITH. Yes, sir.

Mr. COLLINS. What is your return address? Is it P.O. Box 97173? That is what is on this envelope.

Mr. SMITH. One thing, sir, that may be the mail return address, sir, to DMP.

Mr. COLLINS. This is the "Rush. First class. $1,000 reward offered for information leading to the conviction of anyone unlawfully interfering with the delivery of this document." And it is to P.O. Box 97173. Is that the correct address?

Mr. SMITH. It should be, sir, yes.

Mr. COLLINS. How long have you had——

Mr. SMITH. That is not our individual——

Mr. COLLINS. How long have you had this address?

Mr. SMITH. Office address. Sir?

Mr. COLLINS. How long have you had this address?

Mr. SMITH. That's a mail-drop address.

Mr. COLLINS. How long has this been a mail-drop address? Mr. Zabko, do you know?

Mr. ZABKO. Sir, I could shed some light on that.

That particular address, if I'm not mistaken, was developed on the request of the postal inspector after we started receiving these. We terminated the original post office box that I believe was in existence from 1994.

Mr. COLLINS. The post office box on the false flyer then was your original box?

Mr. ZABKO. Was the very original post office box, yes, sir. And with the information received from the postal inspector general's office, we in turn changed that and stopped using that particular post office box and then activated another one. And I couldn't see the number, but I believe——

Mr. COLLINS. And you did that because this was a false representation of your organization? This is a copy of what is over there.

Mr. ZABKO. Yes, sir. That is correct.

Mr. COLLINS. And you said you received replies for some 29,000 people based on this?

Mr. ZABKO. Those flyers, yes, sir.

Mr. COLLINS. You may have answered this: Did you return the money to the 29,000 people?

Mr. SMITH. At far as we know—I think you—Mr. Zabko mentioned the fact that there was no record of any money being received from those people in the original hoax that came in.

There was some money received when they responded to the letter we sent to them, indicating that it was a hoax.

Mr. COLLINS. You did not keep a record as to whether or not any money came in due to this false flyer?

Mr. ZABKO. Sir, to the best of my knowledge, up until February, there was no money received. We did keep very good records.

Matter of fact, there is a written document that went to the processing center where the mail is actually opened, indicating that in fact those documents that were received with money would be actually hand-processed at that point in time and that the organization would be notified immediately, and that money would be safeguarded, and we would make a determination based on the Social Security Administration and the postal authorities on what to do with that money.

Mr. COLLINS. But you received 29,000 replies, people put their own stamp on it, but no money?

Mr. ZABKO. That is correct.

Mr. COLLINS. I believe that about as much as I believe anything else you have put forth.

You said you have a per diem, Mr. Smith.

Mr. SMITH. Yes, sir. My per diem is $50 a day.

Mr. COLLINS. Are you on per diem today?

Mr. SMITH. Sir?

Mr. COLLINS. Are you on per diem today?

Mr. SMITH. Only for meals, sir.

Mr. COLLINS. That is all I have, Mr. Chairman.

I tell you what, this thing just bothers me, that we would have people in this country that would scam senior citizens the way this thing is set up.

Chairman SHAW. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. Smith, you indicated that you are a victim of the hoax flyers. However, I understand the IG seemed to think that you were a beneficiary because of the funds that you got through your fund raiser that you sent out.

Now, I understand that you said that you changed the letter that you sent out based on the request of the Social Security representative. Could you tell me what changes you made to that letter?

Mr. SMITH. Mr. Zabko was the individual involved in the changes on the letter.

Mr. JOHNSON. But isn't it your signature at the bottom?

Mr. SMITH. Sir?

Mr. JOHNSON. Your signature at the bottom?

Mr. SMITH. It shouldn't be. It would be now, but it wasn't prior.

Mr. JOHNSON. It wasn't?

Mr. SMITH. No, sir, not prior to February. The letter that was sent, responding letter?

Mr. JOHNSON. Yes.

Mr. SMITH. Are you speaking about that one, sir?

Mr. JOHNSON. Yes.

Mr. SMITH. To the hoax?

Mr. JOHNSON. Yes.

Mr. SMITH. I think Mr. Zabko's name was on that.

Mr. JOHNSON. Your name was on the letter. OK. Could you tell me what changes you made based on the recommendations of the Social Security representative?

Mr. ZABKO. As I stated earlier, sir, there was a question on a sentence in there that referred to the fact that we, TSCL, had not been receiving any help from the governmental agencies up to that time.

I believe it is Mr. Stubbs from the Social Security inspector general's office, reviewed that letter while we were having this meeting, and brought out the fact that is incorrect, that they were in fact there, and they were going to help find the culprit or culprits, whoever was doing this hoax.

So we in fact changed that to reflect that we are communicating with the Social Security Administration and the postal authorities to fix this problem.

Mr. JOHNSON. Have you ever had any letter like this before?

Mr. ZABKO. Sent to our office, sir?

Mr. JOHNSON. Fraud letter sent out under your name.

Mr. ZABKO. No, sir, I have not.

Mr. JOHNSON. Mr. Smith, could you explain to me exactly what the relationship is between The Retired Enlisted Association and the Senior Citizens League?

Mr. SMITH. Yes, sir.

Mr. JOHNSON. Precisely. You understand why I am asking this? The Senior Citizens League is who you are representing, I think, today.

Mr. SMITH. Yes, sir.

Number one, sir, The Retired Enlisted Association, which was started in 1963, was chartered in 1992, is a fraternal organization of retired——

Mr. JOHNSON. Yes, that is fine. But what is the relationship between the two? That is what I want to know.

Mr. SMITH. We are an affiliate of The Retired Enlisted Association.

Mr. JOHNSON. You are what?

Mr. SMITH. An affiliate.

Mr. JOHNSON. Affiliate.

Mr. SMITH. Yes, sir.

Mr. JOHNSON. Does that mean they sponsor you?

Mr. SMITH. No, sir. It means that we belong to them, basically.

Mr. JOHNSON. You belong to them?

Mr. SMITH. Yes, sir.

Mr. JOHNSON. Were they aware of these letters?

Mr. SMITH. We are—we are a corporation under them.

Mr. JOHNSON. OK. Were they aware of these fraudulent letters? And did you talk to them about it?

Mr. SMITH. Yes, sir. Mr. Zabko made them aware.

I became first aware of them at the convention last year in September, when Mr. Zabko notified us, because the chairman of TSCL serves on the board of—as a nonvoting member on the board of TREA. And that information was brought to TREA convention, that these letters—prior to that, I can't speak for the knowledge of——

Mr. JOHNSON. What was their reaction when they found out?

Mr. SMITH. Well, the reaction was, is to do whatever we can do, whatever was necessary, to find out who was doing—who was putting them out.

Mr. JOHNSON. Are you a notch person?

Mr. SMITH. Yes, sir. No, sir. No, sir, not quite.

Mr. JOHNSON. Yes, yes, no.

Mr. SMITH. I'm 70, sir. I'm not, sir.

Mr. JOHNSON. OK. When the notch first started, do you recall how many years it was?

Mr. SMITH. What the years between——

Mr. JOHNSON. Yes.

Mr. SMITH. The timeframe, sir?

Mr. JOHNSON. Yes.

Mr. SMITH. I think it's 1916 to 1927.

Mr. JOHNSON. No. That is currently what you say. But what was it originally?

Mr. SMITH. I have no idea, sir.

Mr. JOHNSON. I believe it was a 3-year period, 1919 to 1921. And organizations over time have increased that date so that you could make money. True or false?

Mr. SMITH. Well, the information that I have available to me, sir, indicates those dates, so that's why I use those dates.

Mr. JOHNSON. Where did you get the dates?

Mr. SMITH. From the data that has been put out by our—I had——

Mr. JOHNSON. Well, who do you rely on for that kind of information?

Mr. SMITH. Well, actually, sir, you have to rely on the Congress, but the information——

Mr. JOHNSON. Well, if you rely on the Congress, you would see a chart that says that corrected itself, and there has been no problem since 1921. And yet you guys go out to 1926, I believe.

Now, how do you account for that, if you are using our data?

Mr. SMITH. I have to get back to you, sir. I don't have an answer.

Mr. JOHNSON. OK. So, maybe what you are telling the people out there is a little bit off-base.

Can I ask Ms. Christy Turner a question?

Ms. Turner, I would like you to tell me, you said you use a mail house, and that you don't mess with the names or the lists at all. Is that true or false?

Ms. TURNER. We have a—Direct Mail Processors are the ones that key the data onto our database.

Mr. JOHNSON. They key it onto your database.

Ms. TURNER. Yes, sir.

Mr. JOHNSON. But how do they get those names?

Ms. TURNER. It comes in the mail. They pick it up at the post office box.

Mr. JOHNSON. They receive the mail, and they key your database.

Ms. TURNER. They key directly into TSCL's database.

Mr. JOHNSON. What is your job, then? What do you do? Just sit there and look at the computer?

Ms. TURNER. No. I manage the database. I help prepare output lists to send to additional mailings. I work with Squire & Heartfield in preparing new files to go out.

Mr. JOHNSON. How do you know that the data that came in from that hoax mailer didn't get into the database if your mailer is putting it in?

Ms. TURNER. They were keyed with a special—they were keyed with a special code.

Mr. JOHNSON. Yes, but you said some of them were previous members. So how did you differentiate?

Ms. TURNER. The names and addresses are keyed to the database. The donation history is what captures the Code, so we can tell by their donation history if they've given prior to responding to the hoax flyer or if they've given after the hoax flyer.

Mr. JOHNSON. OK. Well, what do you do precisely with the mail yourself? And how do you keep hoaxes like this from happening if you don't have any input at all into your mailing agent?

Ms. TURNER. I'm sorry?

Mr. JOHNSON. How do you keep hoaxes like this from happening if you don't have any input yourself to the mailing agent that you hire?

Because, you know, we hire them, too. All of us do. And I am telling you, we have input into them. You must have input into your mailer.

Ms. TURNER. Our job is just to maintain the database. We don't—we don't determine——

Mr. JOHNSON. You don't mess with the database at all?

Ms. TURNER. We maintain it, yes.

Mr. JOHNSON. You just told me that the mailer did.

Ms. TURNER. The mailer keys into the database.

DMP receives the mail from the post office box. They sign onto our system, and they enter the responses onto our system.

Mr. JOHNSON. And how are you involved in responses that you mail out?

Ms. TURNER. How am I involved? I'm sorry, say that——

Mr. JOHNSON. You don't have any input into the mail that goes out. Is that true or false?

Ms. TURNER. No, sir. I receive instructions from the client and their authorized vendors. They ask me to pull a certain amount of names. I follow their instructions and create the output list for their request.

Mr. JOHNSON. OK. So how do you control it if they decide to send a hoax mailer out?

Ms. TURNER. We have a standard suppression. The hoax mailer is flagged with this special code. That code is omitted from all outgoing lists.

Mr. JOHNSON. Yes, but the mailer is doing it. How do you know that they are not doing the hoax themselves? You don't know, do you?

Ms. TURNER. No, sir.

Mr. JOHNSON. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Kleczka.

Mr. KLECZKA. Thank you, Mr. Chairman.

It is really a miracle to me that we have a bogus mailing go out and magically your return address is on there, and then you get 29,000 responses and then you mail those people to join your organization, which some people responded to.

I don't think you are a victim of this hoax. My gut feeling is, I think you got caught.

But let me go back to the other portion the hearing the Chairman called today to talk about misleading mailings.

Mr. Zabko, I think you were the executive director when this little number went out.

OK, now here is a mailing that went to Mildred from my district in Milwaukee, Wisconsin, and you sent Mildred this real nice little plastic "notch registry" card.

And then on the mailing you say, "Please remove your register card and return your reply form in the enclosed reply envelope with your check."

Well, let's say Mildred sent back this response with $25. My question to you is, what should Mildred do with this card? What is the value of this card?

Mr. ZABKO. Mildred is now part of our organization with that card.

Mr. KLECZKA. Good.

Mr. ZABKO. OK? She receives——

Mr. KLECZKA. Now, for $25 bucks, what does she get?

Mr. ZABKO. She receives newsletters, she receives manuscripts——

Mr. KLECZKA. Does she receive annual requests for another contribution?

Mr. ZABKO. Yes, she should.

Mr. KLECZKA. Annual or biannual? Do you send them out twice or once?

Mr. ZABKO. I believe they are annual, sir.

Mr. KLECZKA. OK, but the fact of the matter is, even though it is kind of fancy, nice, looks almost like a Visa card, the value of this thing is zero, because it doesn't entitle Mildred to anything.

At least Publishers Clearinghouse, you have a remote chance of winning something.

[Laughter.]

But this is a dead end for Mildred, who, thank God, sent it to me and not to you.

Let me ask you a couple more questions on your repeated mailings.

OK, you ask seniors in my district and nationwide to join and sign up for the notch victim registry. What do you do once you have the registry compiled? What do you do with this registry?

Mr. ZABKO. Sir, we've used it for different purposes for Members of Congress. When they're interested in knowing how many people are interested——

Mr. KLECZKA. OK. I would think the big interest here is, should by a strike of lightening the bill would pass, I would think this information would be very important to the Social Security Administration.

Do you happen to share your notch registry with the Social Security Administration?

Mr. ZABKO. Not at this time, sir.

Mr. KLECZKA. OK. Do you think they already have a listing of the seniors who would be affected by the notch, the nonexistent notch?

Mr. ZABKO. I don't know for sure, sir.

Mr. KLECZKA. Well, if they send these folks a check every month, and these folks were born between 1917 and 1926, I can guarantee you the Social Security Administration knows about these people.

All right, now, you ask my constituents and Mildred here to check two other boxes, OK? You say, "Millie, a $5,000 award is yours. Do you want it in four annual payments of $1,250 or do you want just a normal monthly increase to your Social Security payment?"

What is the value of this? Let's say Mildred checks the four annual payments. "I want the money quick." What happens then? You put that in your database.

Mr. ZABKO. At that time, the organization was compiling—at the time that I was there, the organization was compiling this information for Members of Congress to use to determine what way this legislation should go.

Mr. KLECZKA. What does the bill call for?

Mr. ZABKO. Excuse me?

Mr. KLECZKA. What does the bill call for?

Mr. ZABKO. There is numerous bills that I was aware of last——

Mr. KLECZKA. The House bill.

Mr. ZABKO. There is—I believe there was four of them, sir.

Mr. KLECZKA. All right.

Mr. ZABKO. Some of them are——

Mr. KLECZKA. Well, the fact of the matter, the House bill—because I don't have much time—the House bill gives the seniors an option, should the bill pass. So whether or not Mildred marks this for you doesn't make any difference.

And I am wondering, why are you asking this information?

And then tell me this, this is for Members of Congress. I have been around here a couple, 3 years now. You folks have been in existence bilking seniors since 1994. I ain't never met you.

[Laughter.]

I don't know you. I respond to you by saying, "Don't send my constituents any more requests for money. And please don't ask them to put you in their will," and you never even respond to me or sent your lobbyist to my office to say, "Hey, wait a minute."

The fact of the matter is, this is a hoax. This is to make the mailing sound credible, as if the senior named here has a choice in the matter.

But you have no reason to know whether or not they want the lump or just a monthly increase. You have no reason on Earth to maintain a notch registry, because the Social Security Administration already has that.

And I can tell Mr. Johnson why there has been a change in the notch years. Originally, yes, it was 1917 to 1921, all right? So that makes the seniors, if they are in that period, that would make them about 80 to 84 years old, or 79 to 84.

But your organization expanded that to expand your mailing list, because now, using 1917 to 1926, you are catching all the seniors 75 years old to 84 years old.

And in a couple years, you are going to have to up that again, because your list is getting kind of narrow.

But, Mr. Chairman, again, this is a real disservice to all our seniors. This is a bogus group, claiming to compile information, which is, number one, none of their business; number two, they have no say in this matter before Congress.

And as far as indicting that we raise annually some $12 million off this scheme so we can educate Members of Congress, that is totally false, because what they do, they take that money and proliferate the mailings for next year. So it is a vicious circle.

And as I indicated in my previous remarks, I really think that Congress should consider revoking the charter, because TREA is the same as TREA Senior Citizens League. They are one and the same. There is no firewall. They are intertwined.

And I have already asked that legislation be drafted.

So you folks can stop taking advantage of our senior citizens.

And my legislation—and I hope you will support it—would take away your Federal charter.

Chairman SHAW. We are going to have to move right along.

I just want to make a couple of observations here.

One is that your mail house is in Maryland, you are Virginia, and your post office box in Washington. I would submit that is only to mislead the people that you are some kind of an official organization, because there is no other reason I can think of that you would be in Washington.

One last question I have for Mr. Zabko: Do you know any individual in any way, shape or form, involved in sending out the two fraudulent flyers?

That is a direct question. It is yes or no.

Mr. ZABKO. I do not know of anybody that actually sent those flyers out, no.

Chairman SHAW. That is not my question. Do you know anyone involved in it?

I am not saying who actually sent it. Those are weasel words.

My question is, do you know anyone involved in that process? Yes or no?

Mr. ZABKO. Only the people who faxed us or sent those pieces of information and then, in turn, sent that information to someone else. I would have knowledge of those individuals, but nobody directly that has sent that information on purpose.

Chairman SHAW. Who are the individuals that you are referring to?

Mr. ZABKO. Sir, we were receiving faxes from individuals that are members of our organization that in fact found these particular flyers in different locations. They, in turn, had alleged that there was people in their towns passing these out.

So, therefore, I would have knowledge of those individuals, receiving them and telling me that.

But to——

Chairman SHAW. Mr. Zabko, when you received 29,000 replies, how many flyers would have to be put on windshields or distributed to get that kind of a response? Hundreds of thousands. You know that, and I know that. And so we know that there were hundreds of these flyers put out.

And my question is, do you know any individual who was in any way involved in the original distribution, printing, manufacture, or in any other way connected with the original flyer as it went out? Yes or no.

Mr. ZABKO. No, sir.

Chairman SHAW. You do not know of anybody? And that is your testimony?

All right, I would also like to make just one final comment and that is the question of this whole idea of registering somebody is absolute nonsense. Obviously, it is meant for people to think they had to be on your list to get some money back, which they are not ever going to get back from the Federal Government.

I mean, to me, it is just abhorrent. And I think it something that, in my opinion, is highly unethical, and the Congress should continue to pursue it.

And I also want to say that Mr. Heartfield is not here because of a letter that we received from his physician. He has agreed to answer questions under oath.

And having listened to the testimony and conferred with my fellow Subcommittee colleagues, though I did excuse Mr. Heartfield, it is clear that we will need to hear from him in the future. We will work with Mr. Heartfield's attorney to arrange a face-to-face appearance before designees of this Committee. If necessary, we will utilize our authority to again subpoena Mr. Heartfield.

Thank you, and this panel is excused. And we will now go on to the final panel.

[Questions submitted to the panel from Chairman Shaw, and their responses follow:]

TREA Senior Citizens League
Alexandria, Virginia 22314
September 26, 2001

Honorable E. Clay Shaw, Jr., Chairman
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
Rayburn Building, Room B316
Washington, DC 20515

Dear Mr. Shaw:

This responds to your letter dated August 24, 2001. That letter thanked me for appearing before your Subcommittee at its hearing on July 26, 2001, it requested me to respond to a very long list of questions, and it requests documents. In subsequent back-and-forth correspondence, the timing of this response was adjusted because of the amount of work involved, activities of TSCL, and my own schedule. In addition, the national tragedy that we have been experiencing has undoubtedly affected the schedules of all of us. I appreciate the Subcommittee's consideration in that regard and, in accordance with your correspondence, look forward to our entire response, including attachments (unless otherwise requested), appearing in the record of the hearing.

OVERVIEW

First of all, let me say that this entire process—from appearing before the Subcommittee on short notice, and without any warning about the nature of the uninformed (or misinformed) attempt to malign the TREA Senior Citizens League ("TSCL"), to being asked to spend literally dozens of hours writing answers to a very long list of questions, and to locate, copy and provide to the Subcommittee hundreds of pages of documents beyond what TSCL has already provided—has been extraordinary. TSCL has attempted to cooperate fully through it all, despite the incredible unfairness of the process to which it has been subjected.

TSCL is dedicated to purposes that are beneficial to the public, and its activities have been primarily and substantially devoted to those purposes. With all due respect, one wonders whether the hostilitydirected against TSCL by the Social Security Administration and your Subcommittee has been generated primarily because of disagreement with the legislative positions TSCL has been advocating. Such a connection seems obvious not only from the language in the Social Security Administration's Inspector General's Report dated July 6, 2001, but also from some of the questioning of myself and Mr. Zabko, TSCL's former Executive Director, at the hearing before your Subcommittee on July 26, 2001.

And TSCL's sincere efforts to obtain fair and impartial treatment and to set the record straight have apparently fallen on deaf ears. For instance, prior to the hearing on July 26, I wrote you a letter trying to point out the unfairness of the SSA Inspector General's July 6 report. (A copy of that letter, dated July 23, 2001, and enclosing my letter of July 18 to the SSA Acting Commissioner, is attached and incorporated by reference as Attachment A.) Not only was that information ignored, the Subcommittee seemed critical of the Inspector General for not being even harsher.

As just one specific example of unwarranted treatment of TSCL is the Subcommittee's conduct with respect to the issue of TSCL having shown a representative of the SSA Inspector General's Office in September 2000 its proposed letter to the "hoax flyer" respondents (prior to TSCL having sent the letter to the respondents)—a letter which was accompanied by a pamphlet on savings tips and by TSCL's own organizational brochure. The sending of that letter to the hoax flyer respondents was the source of much criticism directed against TSCL by the SSA IG and by the Subcommittee, on the theory that TSCL, by including its organizational brochure, was attempting to somehow profit from the hoax flyer episode, by developing a list of possible contributors. This was mentioned prominently in my written testimony (page 9) submitted to you for inclusion in the record of the July 26 hearing, and it prompted a question by one of your Subcommittee Members to the SSA IG, Mr.

Huse, at the hearing. My recollection is that Mr. Huse, obviously uninformed or misinformed, categorically denied that such an incident occurred. Mr. Zabko, however, subsequently testified at length about the meeting that took place in September 2000, when the SSA IG's representative, Agent Stubbs, not only was shown the proposed mailing, but suggested a correction of the proposed TSCL letter. (See Transcript of Hearing of July 26, 2001, pp. 79–82.) The Subcommittee, having heard Mr. Huse make his denial, first tried to impugn my testimony by challenging my statement about the meeting, apparently on the theory that it was not based upon my personal knowledge since I was not present at that September 2000 meeting. (Obviously, however, I would not need to be at the meeting to relate what transpired as reported to me.) In any event, Mr. Zabko was present at the meeting, and he set the record straight. Mr. Huse was not recalled to explain his incorrect testimony and, as far as I know, Mr. Huse has never explained the error of his testimony in that regard. If so, it seems remarkable that Mr. Huse would not take it on himself to come forward and correct the record when he realized that his testimony was in error.

Furthermore, it is evident that the only criticism against TSCL in connection with the so-called "hoax flyer" episode that lends any theoretical support to speculation about TSCL's conduct is related to the brochure. Clearly, Members of the Subcommittee subscribe to a theory that TSCL, even if it was not responsible for the hoax flyers, used the hoax flyer phenomenon as a way to raise money. But even that is not fair, and the undisputed facts demonstrate such unfairness. Not only did TSCL go to great trouble and expense to alert the hoax flyer respondents that the information in the hoax flyers was incorrect; it also coded its computer files so that the persons to whom it wrote (i.e. the hoax flyer respondents) would be clearly identified so as to be distinct from TSCL's Membership and supporters, and would not be used as a separate list, either for purposes of soliciting contributions or renting the list to others. In short, TSCL had nothing to do with the hoax flyers, and it acted reasonably in dealing with the hoax flyer problem that was thrust upon it.[1]

At the Subcommittee hearing on July 26, 2001, the testimony confirmed the facts set forth above, and certain Subcommittee Members not only appeared to disbelieve such testimony, but seemed to scoff at the notion that TSCL was not profiting from the hoax flyer issue. Hopefully, at some point the Subcommittee Members will acknowledge the unfair consequences this attitude has had for TSCL. Not only did TSCL go to great lengths and much expense in trying to correctly advise the public about the hoax flyer issue (in addition to sending letters, its website contained extensive information about the matter), it also has had to deal with the attitudes, demands, and negative public utterances of both your Subcommittee Members and the SSA regarding the matter.

TSCL is an honorable organization. Its efforts are directed at benefiting the public welfare, and particularly senior citizens. It tries to do what it says it will do. This does not mean that TSCL will not advocate for legislation that the Subcommittee Members may not believe in, and it does not mean that the Subcommittee would approve of every word in every one of TSCL's mailings to the public. There is no question that certain Subcommittee Members disapproved of certain language in some of TSCL's mailings to the public. This does not mean that the mailings were in any way wrong. Nevertheless, TSCL is carefully reviewing its mailings to make possible improvements.

As mentioned above, it is our understanding that this response and its attachments (except for two attachments that are confidential, as indicated below) will be set forth in the published hearing of the Subcommittee that took place on July 26, 2001.

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[1] One of the Subcommittee's questions, addressed further on in this letter, has to do with contributions received by TSCL from hoax flyer respondents. As indicated below, it appears that certain of the hoax flyer respondents (TSCL is advised that there were no more than 115 gifts from hoax flyer respondents in response to the TSCL brochure, totaling $1,009) sent in a contribution to TSCL subsequent to receiving the explanatory letter from TSCL. Perhaps it should have been expected that a relative few persons would have been interested in contributing to TSCL after receiving the material that TSCL sent. That was not, however, the intent of TSCL in sending the information. Furthermore, even assuming that such gifts would not have been made even in the absence of receiving the TSCL brochure, the receipts are so small that this would seem to be a non-issue. Finally, in view of the disapprobation that TSCL received at the Subcommittee hearing on this matter, TSCL committed to return these contributions, and has done so.

RESPONSE TO QUESTIONS

The questions contained in your letter of August 24, 2001, are set forth below, each question being followed by my response. As I am sure you understand, much of the information that is being provided is beyond my personal knowledge, but was put together based upon information furnished by a variety of persons. All information that is being provided is true and accurate to the best of my knowledge.

1. **Q.** You and Mr. Zabko stated that TSCL cooperated with the Social Security Administration's (SSA's) Offer of Inspector General's (OIG's) investigation. However, the Inspector General indicated in his statement that when his office requested TSCL to discontinue the keying of personal information into its database, TSCL refused to comply. What is your response?

RESPONSE: I am not certain that such a request by the SSA IG's office was ever made. The Inspector General made certain mistakes in his testimony, and this could be an example of another mistake. Assuming that such a request was made by the SSA IG's office at some point during the SSA IG investigation, it is my view that it should have been accompanied by some suggestion of the SSA IG regarding alternatives so that any documents or files constituting possible evidence would not be inadvertently destroyed. To the best of my knowledge, the SSA IG never proposed any alternatives regarding the method used by TSCL which would accomplish that goal.

You may recall our testimony that the SSA IG's representative actually looked at the proposed TSCL mailing to the individuals who had written to TSCL, the purpose of which was to inform them that the flyers were incorrect. (The SSA Inspector General erroneously denied this fact during his testimony before the Committee on July 26). No criticism of the proposed TSCL letter was made by the SSA IG's office based upon inclusion of the TSCL brochure. Certainly, there was no suggestion by the SSA IG at the time in question that inclusion of the brochure—the main reason, as we understand it for the tremendous suspicion/criticism of TSCL by your Subcommittee—was in any way inappropriate. The fact of the matter is that TSCL at all times tried to cooperate with the SSA, and was looking to the SSA for advice and assistance in how to handle this matter, and instead it has been treated as the target of the investigation.

TSCL has always believed that records of the names and addresses of the individuals sending "hoax flyer" information to TSCL should be retained, not only with respect to normal record-keeping issues (e.g., alerting such individuals of the incorrect information, checking for duplicates, suppressing future mailings to such individuals), but also for purposes of furnishing such information to the government.[2] And this is in fact what was done. As I believe you know, TSCL made the SSA IG's office totally aware of what records it was keeping. In fact, the SSA IG inspector accompanied TSCL personnel at TSCL's data entry vendor's plant in Hagerstown, Maryland, to review the actual data entry procedure.

I believe that an objective review of what actually occurred will demonstrate that TSCL's actions in this matter were consistent with a desire to discover the truth, that it cooperated mightily with the SSA IG's office, and that TSCL has been most unfairly criticized.

2. **Q.** In your testimony you labeled the person or persons who created the two flyers as a "hoaxer." At one point, early in the OIG investigation, Mr. Zabko and others thought it might be a misguided supporter. Since you have been an advocate for the notch, do you have an opinion as to who may be responsible for the hoax flyers?

RESPONSE: I have no single opinion as to who may be responsible for the hoax flyers. The likely possibilities would seem to include an individual or a group, or even various individuals or groups acting independently from one another, attempting either (through ignorance) to assist individuals in recovering benefits that might

[2] TSCL wrote to the SSA IG, in follow-up to the discussions at the July 26 hearing, to determine if the SSA IG agreed with the Subcommittee's apparent view that the records should be deleted. The SSA IG subsequently informed TSCL that it did so agree, and he requested that TSCL deliver an electronic file of the complete deleted records, as well as the hard copies of any further responses received from persons writing to TSCL because of the so-called hoax flyers. TSCL also asked for advice as to whether the Postal Service would want such records preserved, but there was no response to this request. TSCL is in the process of complying with that request, which will result in TSCL losing all of its records identifying such individuals. Compliance with this request, means, of course, that TSCL would not be able to identify such names in the future or suppress future mailings to such individuals, assuming that such individuals appear on future lists rented to TSCL or otherwise come to TSCL's attention.

be available or (through malice) to injure individuals by providing false information and/or to injure TSCL by attempting to associate the TSCL name with false information. Insofar as the principal victim of the hoax flyers was TSCL, it is always possible that the hoax was perpetrated by an individual or group which disagreed with the legislative agenda of TSCL, or which viewed itself as a competitor of TSCL. There are undoubtedly other possibilities as well.

3. **Q.** Since TSCL has never done any mailings about so-called Slave Reparation, do you think these flyers also may be from a misguided supporter?

RESPONSE: I do not know. Since TSCL has never had any connection with any such issue of which I am aware, it might be more likely that whoever perpetrated the misinformation intended to harm TSCL. See the above response to Question 2.

4. **Q.** Please verify whether any financial contributions were received with the 29,000 responses received as a result of the Notch Victim and Slave Reparation flyer, and if so, what was the total number and dollar amount received. In addition, please provide the number of individual memberships and total dollar amount received from the follow-up mailing TSCL sent to each of the flyer respondents.

RESPONSE: (a) I am informed that TSCL's records do not reflect any contributions having been received with the approximate 29,000 responses received by TSCL as a result of the hoax flyers. TSCL early decided that if any property (including money) was received with such responses, it would be returned.

(b) It is difficult to say whether any memberships and/or contributions were "received from the follow-up mailing TSCL sent to each of the flyer respondents," because no one necessarily knows what motivated memberships and/or contributions. Furthermore, fundraising solicitations mailed by TSCL contain a coded reply form and a reply envelope. TSCL's follow-up mailing to the flyer respondents did not contain a coded letter, coded reply form or a reply envelope, because it was not intended as a fundraising solicitation.There are instances, however, where TSCL had already received, and instances where TSCL subsequently received, membership applications and/or contributions from persons who happened to be hoax responders in response to certain TSCL mailings. In an effort to be responsive to that question, TSCL instructed its vendors to consider a contribution "received from" TSCL's follow-up mailing if it was received from a hoax flyer respondent without any code (white mail) or with an application from a TSCL brochure. I am advised that of the nearly 29,000 individuals receiving follow-up letters from TSCL, no more than 115 gifts from such individuals, totaling $1,009, were received in response to the TSCL follow-up mailing with the brochure. Again, however, it is difficult to say for certain that even this amount was "received from" the follow-up mailing of TSCL.

5. **Q.** As a member of the Board of Directors of TSCL in 2000, what were your duties and responsibilities? What oversight did you provide of Mr. Zabko in his day to day duties? What evaluation did the Board undertake of Mr. Zabko's activities? How often did the Board of Directors meet? How often does the Board of Directors meet today?

RESPONSE: (a) As you will recall from the testimony before your Subcommittee on July 26, 2001, TSCL's Board of Directors is known as the Board of Trustees. Additionally, I was not a member of the TSCL Board of Trustees in 2000, but was elected in February 2001. My duties and responsibilities as a member of TSCL's Board of Trustees in 2001 have been to attend meetings, review the organization's policies and certain documents, and assume the types of management/oversight/fiduciary responsibilities that directors of nonprofit organizations assume. In addition, I have been entrusted with the duties of a chief executive officer, and have been in charge of all significant decision-making not requiring a decision by the Board of Trustees.

(b)–(c) To the best of my knowledge, Mr. Zabko functioned as Executive Director, on a day-to-day basis, reporting directly to the Chairman at the time, but without any day-to-day oversight from other Trustees, and the Board of Trustees simply evaluated his performance in the context of evaluating the organization itself.

(d)–(e) I am informed that, during the year 2000, the TSCL Board of trustees met three times. The current Board meets as needed, but no less than four times per year.

6. **Q.** Has TSCL ever discussed the idea of a mailing, including a survey, involving Slave Reparation? If so, who participated in this discussion? What was decided?

RESPONSE: (a) To the best of my knowledge, no.

(b) Not applicable.

7. **Q.** When did the Board of Directors become aware of the SSA OIG investigation of the Slave Reparation and Notch Victim flyers? What steps did the Board take? What investigation did the Board authorize? Who was interviewed? What was the outcome?

RESPONSE: (a) Although I was not on the Board at the time, I am informed that the Board of trustees first became aware of the actual investigation of the flyers sometime during the period January–September, 2000. I am not certain either when the SSA OIG investigation began or when the Board as a body first learned anything about the actual investigation. Of course, individual Board members also could have learned about the incorrect flyers through communications from the TSCL staff, including information posted on the organization's web site informing the public about the incorrect flyers.

(b)–(d) To the best of my knowledge, the Board did not formerly take or authorize any particular action, although the members of the Board were kept advised regarding the erroneous flyers and the negative impact this was having on TSCL because of the influx of mailings to TSCL generated by the erroneous flyers, and the TSCL action (e.g., correspondence and meetings with government agencies, public information on TSCL's website) that was generated. TSCL's Executive Director and TSCL's consultants had initiated a number of steps to deal with various issues or problems created by the flyer, including, but not limited to, advising the appropriate agencies of what was happening, advising the public, advising the persons actually communicating with TSCL (including keeping the necessary records so that responses could be made), and these were matters within the day-to-day responsibilities of TSCL's officers and Executive Director. When the SSA IG finally began to investigate the matter of the flyers, TSCL cooperated with the investigation. As already indicated above, the Board members were advised by the Executive Director, during the timeframe set forth above, of many aspects related to the flyers, including the tremendous burdens that they were creating for TSCL and the efforts that TSCL was making to inform the public of the truth.

8. **Q.** You indicated that TSCL has not sent any additional solicitations to any of the 29,000 individuals who responded to the Slave Reparation and Notch Victim flyers other than the initial mailing in reply to the flyer response. Is this correct?

RESPONSE: First, I would like to say again that the initial mailing in reply to the flyer response was not a solicitation. It is my understanding that TSCL felt obliged, having received mailings from individuals who had been misinformed about TSCL (as well as government benefits), to alert those individuals about the misinformation; that TSCL alerted the general public about such misinformation (for example, through its website, newsletter articles, and the like); that TSCL ultimately arrived at a system to communicate with individuals who had written to TSCL based upon such misinformation, not only alerting them about the misinformation, but also clearly identifying their names and addresses on the TSCL's database (through unique identity codes) so that such individuals would not mistakenly become part of TSCL's contributor list or member list; that this system, as it now exists, came into place in October 2000, and a certain number would have been sent mailings before that time; and that since that time, no TSCL solicitation of any kind (unless you insist on considering the TSCL mailing to such individuals alerting them to the misinformation in the flyers to be a solicitation) would have been developed and sent to such individuals. Obviously, I have no personal knowledge of whether any such solicitation actually could have been sent (e.g., by mistake, by an individual changing a name or an address), but TSCL attempted to set up a system that would prevent any such solicitation from being sent. I might add that TSCL did all of this work on its own initiative, without any assistance from any government agency.

9. **Q.** How many of the 29,000 responses you received were not from individuals already in TSCL's database?

RESPONSE: According to the information furnished me by our database manager, approximately 28,634 persons sent TSCL information based upon the incorrect or hoax flyers, and of those persons, approximately 27,020 were not already in TSCL's database.

10. **Q.** Mr. Zabko was selected as the Executive Director of TSCL. Can you describe the process the Board used to select him as Executive Director? Does his selection have to be a unanimous decision by the Board? If not, how many votes were required? What review of the activities of the Executive Director is conducted by the TREA Board of Directors and/or the TSCL Board of Directors? Was this review completed with Mr. Zabko, with what result?

RESPONSE: (a)–(d) I am informed that Mr. Zabko was hired by TSCL's Board of Trustees (I believe he was the unanimous selection out of a list of applicants for the position, although only a majority vote would have been required) in 1994.

(e)–(f) The Retired Enlisted Association ("TREA") is related to TSCL, in the sense that TSCL's Board of Trustees is elected by the TREA Board of Directors. TSCL's Chairman is a non-voting member of TREA's Board of Directors, and reports to the Board on TSCL's activities at two meetings each year. TSCL's Executive Director did not report to TREA, but rather to the TSCL Chairman. I am not certain what your final question is asking. TSCL hired Mr. Zabko; he was not hired by TREA's Board of Directors. I am unaware of any particular review, as such, of the activities of the Executive Director.

11. **Q.** Why did Mr. Zabko leave TSCL? Did the TREA Board or TSCL Board or both vote to terminate him? If so, why? What was the vote, broken down by each Board Member (including whether the board member was a member of the TREA or TSCL Board)?

RESPONSE: As the testimony at the July 26 hearing made clear, Mr. Zabko's services were terminated by the TSCL Board of Trustees in early 2001, for reasons that were internal to TSCL and had nothing to do with any question or matter before your Subcommittee. I am informed that Mr. Zabko's services were not terminated for cause or for any matter in connection with TSCL's mailings to the public, and that TREA was not involved in the termination of Mr. Zabko's services. I believe that it was a decision having to do with the TSCL's Board's and Mr. Zabko's respective visions for the future of TSCL.

12. **Q.** Has TSCL ever used the services of Direct Mail Resources? If so, for what services? How much has Direct Mail Resources been paid over the years? Who approved the use of Direct Mail Resources?

RESPONSE: (a) No, to the best of my knowledge.

(b)–(d) Inapplicable.

13. **Q.** You stated that the TREA Memorial Foundation received a $70,000 grant from TSCL and that the Foundation provides benevolent assistance to your members, donated money to disaster relief, and provided scholarships to members and dependents of The Retired Enlisted Association. How much money has TSCL given to the TREA Memorial Foundation over the past 5 years? Do TSCL members know that their membership dollars fund these programs? If so, please provide detailed information, including copies of any correspondence or other information which informs them of this fact.

RESPONSE: TSCL supports many worthwhile and charitable causes, including gifts of money to the TREA Memorial Foundation and other organizations. During the past 5 years, according to the IRS Form 90s for 1996–2000 that you have asked for, TSCL's gifts to the Foundation, which were for scholarships and the benefit of disaster victims, have totaled $321,000. Members are informed in a variety of ways, including the organization's annual IRS Form 990, about TSCL's support of such causes. Attached hereto as Exhibit C, for example, is a copy of TSCL's standard brochure (already in the Subcommittee's possession), which expressly discusses TSCL's support of such causes.

14. **Q.** What finances (including amounts for the past 5 years) are exchanged between TREA and TSCL, and for what purposes? Has TSCL tried to sever its relationship with TREA in the past? If so, please explain, including a summary of the results of any such discussion. How does each organization benefit from the affiliation with each other?

RESPONSE: With respect to finances, to the best of my knowledge, any contributions from TSCL to TREA would be reflected on TSCL's annual IRS Form 990, which are being provided to the Subcommittee as requested. As to contributions from TREA to TSCL, I am not aware that there are or would be any once TSCL became established as a separate organization. These facts may also be subject to confirmation from a review of TREA's 990 returns, which I have asked TREA for and am providing with this Response at the Subcommittee's request. See Attachment G. As to other transactions, I am aware of a trademark agreement between TSCL and TREA, the payments on which are reflected on TSCL's annual IRS Form 90s, and at least for certain past years with respect to administrative services, payments on which I have not had an opportunity to gather, although such expenses would be included in various expenses reported in TSCL's annual IRS Form 90s. I am not aware of other regular financial transactions between TREA and TSCL, although there could be some of which I simply am not aware. As to TSCL trying

to sever its relationship with TREA, I am not certain what you are asking for. As to discussions, the question is simply too broad to even try to answer. There might have been many discussions of all kinds, at various points in time. It is my understanding, however, that TSCL would not have the legal power to remove from TREA any organizational power it has, including the power to elect TSCL's Board of Trustees, as set forth in TSCL's Articles of Incorporation, and I am not aware of any lawsuit or other proceeding to attempt to change that.

15. **Q.** In your testimony, you said that a person does not need to send a contribution to be placed on your supporter list. What is the current size of your supporter list? How has the size of that list changed over the past 5 years. What percentage of the supporter list for each of the past 5 years are non-contributors? You indicated that if a contributor is not satisfied with the services TSCL is providing, they can request that their contribution be returned. Please provide a copy of the information which informs contributors of this option.

RESPONSE: (a)–(c) I am informed that the current size of TSCL's supporter list has ranged between 1,307,000 and 1,470,000, and that this has remained fairly constant over the last 5 years. I am also informed that, for each of the years from 1997 to the present, the percentage of supporters who were non-contributors has been approximately 15, 24, 25, 22, and 23 percent, respectively.

(d) As I testified before you on July 26, TSCL notifies potential contributors that a full refund is available, and this is communicated in a variety of ways (e.g., on the organization's website, on solicitations). A copy of the language used on solicitations is attached as Attachment D hereto. In addition, the solicitations included in Attachment I contain such an option. TSCL's standard brochure (Attachment C) also contains such an option. In fact, the attachment to your letter to me dated August 24, 2001, contains this option.

16. **Q.** You stated that TSCL contacts Members of Congress in order to advocate the issues of your organization. Please provide a list of the Members of the House and Senate TSCL has contacted via personal visit in the past 3 years?

RESPONSE: Attachment E hereto lists Members of the House and Senate that I am informed TSCL has contacted via personal visit in the past 3 years. The list may not be complete (e.g., TSCL employees have changed, certain records may be incomplete, and so forth.), although reasonable efforts have been made to attempt to search records and compile a complete listing in the time that I had to respond. I am informed that Attachment E refers only to personal office visits. There may have been many other contacts with such Members, either by other forms of communication and/or by interaction with staff.

17. **Q.** You stated that TSCL relied on Congress for the data determining the years which constitute the notch years. Yet, the years you use are incorrect. How do you account for this?

RESPONSE: I would respectfully suggest that the premise of your question (i.e., that the years TSCL uses are incorrect) is itself incorrect. Your question makes an assumption without any explanation of its foundation. In fact, I believe that all six pieces of legislation currently proposed in the 107th Congress use the same notch years that you criticize TSCL for using. As to what constitutes the notch years, I am informed that TSCL uses the time period 1917–1926 for those affected by the 1977 legislation reforming Social Security that inadvertently created the Notch because that is the time period in Appendix 2 to the 1994 Commission on the Social Security "Notch" Issue. This Appendix was prepared by James W. Kelley, a former staff director for the House Ways and Means Subcommittee on Social Security, and Joseph R. Humphreys, a former professional staff member for the Senate Finance Committee. This document, which can be reached at the following link, "http://www.ssa.gov/history/notchbase.html";http://www.ssa.gov/history/notchbase.html, is a good summation of the legislative history of the 1972 and 1977 Social Security reforms that inadvertently created the Notch. It concludes that:

A disparity in Social Security payments definitely exists for those born after 1916 (those who began to be affected by the 1977 change in law), and that this disparity extends through 1926. . . . and. . . . part of this disparity was a result of unanticipated conditions of double digit inflation. The chart that is provided with the referenced document clearly shows that after the law change in 1977, the first group of retirees (born in 1917) had a 13% differential in benefits, by the fourth year, this differential had grown to 29% (with an average dollar amount difference of $227), and that the differential then remained in the range of 28–30 percent reaching a dollar differential in excess of $300 by the 10th year (1926). . . . It is certainly possible that differentials of this magnitude, had they been known in 1977, would have

raised questions about the appropriateness of making a sharp break between the old law rules for worker born before 1917, and the new law rules for workers born in and after 1917.

18. **Q.** Please explain the specific results supporters have received from TSCL's advocacy on legislative issues during the past 5 years.

RESPONSE: TSCL's principal mission is education, including advocacy in support of those public policy issues of concern to the organization and its supporters. Success on these subjects can be measured in different ways. TSCL believes that its efforts with respect to legislative issues have produced many positive results for supporters with respect to their own awareness and/or heightened awareness of important questions, as well as much information on such issues. In addition, TSCL believes that its education and lobbying efforts have helped to produce the following specific bills on issues of importance to TSCL supporters, as set forth below.

I am informed that every year since its beginnings in 1994–1995, the TREA Senior Citizens League has been successful in encouraging that Notch legislation be introduced in Congress, including that proposed by former Representative Mark Neumann (R–WI), Reps. Ralph Hall (D–TX), Robert Wexler (D–FL), Joanne Emerson (R–MO), and Senator Harry Reid (D–NV). Although Notch legislation has not yet been passed into law, we have been successful in ensuring Congress continues to focus on the Notch issue. I am informed that currently there are over 100 co-sponsors of Notch bills in the House and Senate.

TSCL has also worked with Rep. Bernard Sanders (I–VT) to introduce CPI–E legislation and obtain support for his bill. TSCL has also continued to support Rep. Bart Stupak's (D–MI) successful attempts to get an amendment added to the Agriculture Appropriations Act to increase funding for the "Meals on Wheels" program.

In 2001, TSCL has continued its legislative agenda to address Medicare reform, to include creation of a Medicare prescription drug benefit. As this Subcommittee well knows, implementation of a Medicare prescription benefit may be difficult this year due to the shrinking surplus. However, TSCL was one of the few seniors groups to speak out on the impact the Administration's tax cut would have on the surplus, and to urge Congressional members to withhold part of the surplus for Medicare and Social Security reform. TSCL has also been quite vocal on efforts by the President's Commission to Strengthen Social Security to recommend partial privatization of Social Security. As a seniors' organization representing Notch victims affected by the 1977 change in the Social Security benefit formula, we have urged caution in future attempts to reform this program. On August 15, 2001 we submitted testimony to this effect to the President's Commission.

One final note. TSCL is fully aware that the major legislative measures, such as Notch reform and a Medicare prescription drug benefit, it seeks for its members are high dollar items, and therefore may take years to enact. These are not legislative goals that can be achieved in 1 or 2 years. However, TSCL's major success is that we have not let Congress forget about these very important issues, and we especially have not let Congress forget about the 9 million Notch babies who are now in their late 80s. Our members depend on TSCL to continue to represent them in Congress and we do not intend to let them down, even if Notch reform is not considered by some to be a popular issue. It is our responsibility to continue to urge Congress to address this inequity no matter how long it takes.

Other organizations also lobby Congress on such issues, and, while TSCL believes that its efforts on various legislative matters described above have been successful, it is difficult to say which individuals or organizations have achieved the most success on such matters. Credit for legislative successes of course, undoubtedly goes to the legislators themselves.

My written testimony provided to the Subcommittee for inclusion in the record of the July 26 hearing contains, as an attachment, a copy of a report on the current legislative program of TSCL prepared by its Legislative Director.

19. **Q.** Please provide a copy of both the TREA and the TSCL 990 form filed for each of the past 5 years. Please also include a detailed summary of income received and expenses for both organizations for each of the last 5 years. Please also include how much money TSCL has had on hand at the end of each year, including balances from bank accounts, brokerage accounts, credit union accounts, and any other accounts.

RESPONSE: Attachment F hereto includes the IRS Form 90s filed by TSCL for each of the past 5 years, and those documents themselves contain the information requested in Question 19. At the Subcommittee's request for TREA's Form 90s, I requested and received copies of those documents, and provide those copies to the Subcommittee as Attachment G.

20. **Q.** Please provide a list of the mailings TSCL has produced over the past 5 years, including: subject of the mailing, how many individuals received each mailing, and income resulting from each mailing. Please also provide a copy of each mailing, including the envelope in which the mailing was inserted.

RESPONSE: Attachment H hereto is such a list. Attachment H does not include each issue of TSCL's regularly issued newsletter, or all routine mailings such as Thank-you's, and does include certain mailings more than once (e.g., essentially the same mailing sent to different persons on different dates). This information (Attachment H) is confidential, and TSCL respectfully requests that it not be published or disclosed, in the record of the hearing, or otherwise. Attachment I hereto is comprised of copies of certain actual mailings, including certain newsletters, for each of the past 5 years. Several samples are included with respect to each year. TSCL does not have all of the requested documents, some of which were already provided to the SSA IG's office within the past year. Furthermore, locating, reviewing, redacting recipients' names, and copying each mailing during this timeframe would have required a tremendous number of staff and professional hours, would have involved thousands of pages of documents, would have been extremely expensive, would have been unduly burdensome, and would have been merely cumulative.

21. **Q.** You indicated at the hearing that you are paid a per diem and expenses. How much of a per diem do you receive? When are you entitled to receive a per diem? What expenses are you reimbursed for? Could you provide a list, for example, when you come to Washington, do you stay in a hotel? Which hotel? Is there a dollar limit as to the amount of the expense you may be reimbursed, i.e., $200 per night for a hotel room? Do you rent a car when you travel? Is there a dollar limit as to the amount of the expense you may be reimbursed when you rent?

RESPONSE: As you know from my testimony before the Subcommittee on July 26, 2001, the members of the TSCL Board of Trustees, including myself, are volunteers. We serve without compensation. Of course, we are reimbursed for expenses incurred on behalf of the organization. The current per diem for me—or for any other member of the TSCL Board of Trustees traveling on official business for TSCL—is $50 per day for food. Aside from that, any trustee on official business would be reimbursed all reasonable transportation and lodging costs, as well as any necessary miscellaneous costs (e.g., telephone charges, postage) related to such official business. I usually stay at a Holiday Inn or a Sheraton while on trips to Washington, D.C. I rent a car when necessary.

22. **Q.** Did the members of the Board of Directors have individual responsibilities, i.e., were some assigned to review fundraising, plan meetings and conventions? If so, who was assigned responsibility for fundraising such as the notch letters?

RESPONSE: The TSCL Board of Trustees is, and has been in the past, the ultimate authority in TSCL and responsible for the organization's policies and directions. In the past, to the best of my knowledge, the Chairman would have been responsible for operational decisions, and would have been the person to whom the Executive Director would report. But I do not believe that there was any division of responsibility as such among Board members, although Board members could function in other capacities (e.g., as officers, with day-to-day responsibilities). Currently, I am chairman of the board of trustees and also function as the chief executive officer of TSCL, so most significant decisions, including those related to fundraising, would be made by me or my delegate.

23. **Q.** Which individual(s) were responsible for creating ideas for mailings? Who designed the mailings? Who within TSCL participated in designing the mailings? Who had authority to approve the mailings?

RESPONSE: To the best of my knowledge, the responsibility for creation of ideas for mailings at all times, and certainly at the present time, has rested with TSCL, which has been assisted by others, including its direct response counsel, Squire & Heartfield Direct, Inc. Within those organizations, a variety of persons has been the originator of ideas. For example, at this time I might originate an idea, or TSCL's legislative director might originate an idea, or others might do so. Sometimes ideas are the product of meetings discussing membership issues, the legislative agenda, or other topics. Currently, as TSCL's chief executive officer, I have the authority to approve TSCL mailings. In the past, TSCL's Executive Director also had such authority, and past Chairmen could have exercised (and may have exercised) this prerogative at any time.

24. **Q.** Attached is a copy of the mailing Mr. Kleczka attached to his statement. We have a few questions about this mailing. Who designed this mailings? Who with-

in TSCL participated in designing this mailing? Who authorized its use? Did a member of the Board of Directors review the mailing before it was sent? Did a member of the Board of Directors approve its use?

RESPONSE: (a)–(c) It appears that Mr. Kleczka's statement attached pieces of different mailings to his statement. I believe the procedure for all such mailings would have followed that outlined in my response to Question 23, above, and I have no knowledge or recollection of any specific design, review or approval procedures with respect to these particular mailings.

(d)–(e) The Board of Trustees would not have reviewed/approved any such mailing before it was sent, although it is always possible that a Board member saw a particular mailing before it was sent. As chief executive officer, I would have reviewed or approved any mailing designed and sent after February 2001.

25. **Q.** How often has TSCL solicited the individuals in its database for contributions in the past 5 years?

RESPONSE: Your question is too broad to be comprehensible and/or reasonable, for literally it would require an answer with respect to each individual in the database. I assume that you are asking for averages per year, since otherwise there would be a range of between 0 and many dozens over a 5-year span, depending on the individual in question. I also assume that your question pertains only to individuals who have been members/contributors at all times during the last 5 years, since, again, otherwise there would be a wide range of answers. Finally, I assume that your definition of "solicited" would include TSCL mailings containing educational materials and program-related materials such as action items (petitions to legislators, surveys, postcards, and other materials that a member/contributor would receive from TSCL and on which the member/contributor would have an opportunity to take action), as long as the mailing included a reply vehicle and reply envelope for requested contributions. I am informed that individuals supporting the Notch program might have received such mailings from 8–13 times per year during the last 5 years, while individuals supporting TSCL's Social Security and Medicare Programs might have received 3–13 mailings per year; and that supporters of both programs, and all supporters in certain years, might have received a combination of those mailing numbers.

26. **Q.** Does TSCL share its database with TREA? If so, under what circumstances does this occur? By share, we mean rent, sell, transfer, allow TREA to look at or use the information contained in the database. Does TREA share its database with TSCL? If so, under what circumstances does this occur?

RESPONSE: I am informed that TSCL and TREA do not share their respective databases, but that, under a broad reading of your question, there is a sharing of certain information that is also found in the database. Specifically, TSCL does not send its mailings to TREA members, and TREA therefore advises TSCL of its members so that TSCL will not send its mailing to those members. In addition, TSCL regularly advises TREA if it becomes aware of TSCL members or supporters who are retired enlisted. In such cases, TSCL would send TREA a listing of such persons and/or write to such persons advising them of TREA.

27. **Q.** Describe how the TSCL Board of Directors are selected. How many members are there on the TSCL Board of Directors? How many members does TREA select? How does TREA select the members? How are the remaining members of the Board selected? Who picks them?

RESPONSE: Currently TSCL's Board of Trustees is comprised of five members. Four members of the TSCL Board of Trustees are elected by the majority vote of TREA Board of Directors, the fifth member being TREA's treasurer.

28. **Q.** Does TREA review the activities of the TSCL Board of Directors? If so, what type of review is conducted? What is its frequency? Who conducts the review?

RESPONSE: TREA is not involved in the day-to-day activities of TSCL. TSCL's Chairman reports on TSCL's activities twice a year at TREA Board meetings, and a TREA representative may attend TSCL Board meetings. TSCL is free to conduct its own activities, of course, and I am unaware of any review procedure by TREA.

29. **Q.** We understand that, several months ago, the TREA Board of Directors fired the TSCL Board of Directors. On what basis did the TREA Board of Directors make this decision?

RESPONSE: I was not a member of either the TREA Board of Directors or the TSCL Board of Trustees at the time several months ago that TREA removed mem-

bers of the TSCL Board of Trustees, although I was one of the subsequent trustees appointed by the TREA Board. I believe TREA thought TSCL would benefit from new leadership. My understanding is that such action is within the authority of the TREA Board of Directors, even where such action is without cause.

30. **Q.** What are your current duties at TSCL?

RESPONSE: I am chairman of the Board of Trustees, and I am the chief executive officer for TSCL. In general, in the latter role, I am responsible for the significant day-to-day activities of TSCL as well as important decisions not requiring the approval of the Board of Trustees. Since I serve in a voluntary capacity from my home in Texas (unless circumstances require me to travel), I depend heavily on staff and agents. As chairman of the Board of Trustees, I am in charge of organizing and running the meetings of the Board. Otherwise, my duties are those of a member of the Board.

31. **Q.** Does TSCL only send its mailings to individuals in its database? If not, how does TSCL get names and addressees of individuals, other than those currently in its database? How does TSCL add names and addresses to its database?

RESPONSE: To the best of my knowledge, TSCL's practices in this regard would be similar to the practices of thousands of other nonprofit organizations depending upon public contributions. With respect to contributors, TSCL's "house" mailings would be limited to certain (not all) individuals in its database. Normally, TSCL would acquire additional names for prospecting purposes from lists provided (on rentals for a fee, or by virtue of list exchanges) by other organizations. If such individuals contributed or otherwise responded favorably, normally they would be added to TSCL's database.

32. **Q.** What reports or other documentation does TSCL have to provide to TREA? This could be annual reports as to activities, etc.

RESPONSE: To the best of my knowledge, none. I believe that, although TSCL may choose to provide any number of documents to TREA, it is not required to do so. Normally, TSCL would provide TREA with copies of its Annual Report, its IRS Form 990, and possibly other documents as well.

33. **Q.** At the hearing, it was confirmed that TSCL rents out its lists of contributors. Who has TSCL rented its lists to in the past 5 years? What individual information was shared? What was the income received for each of these list rentals? Do those individuals on these lists know their information is being shared? Do they provide their specific written consent? Please provide supporting documentation of how individuals are informed and how individuals are asked to provide their consent. Have you rented out information about any of the 29,000 individuals who responded to the Slave Reparation or Notch Victim flyers?

RESPONSE: (a)–(f) Like most nonprofit organizations depending on the public for contributions, TSCL rents or exchanges its donor lists to or with other organizations. Attachment J hereto, which contains confidential information, lists the names of organizations with whom TSCL has rented or exchanged lists during the past 5 years, together with rental data and other relevant information. I am informed that detailed information on income was not available, that in general, TSCL's rentals and exchanges would have been at market rates, and that the income figures are set forth on the IRS Form 990's that are attached hereto. Normally, names, addresses, and giving ranges are the only information shared. The individuals themselves may or may not know such information is being shared, but they are advised in TSCL's mailings that certain information is shared, and they are alerted that they can stop their names and addresses from being included. They can also request that they not receive unwanted mail. To the best of my knowledge, any such request received by TSCL on either point would be followed. Attachment B is a sample of a notice to recipients of TSCL mailings. To the best of my knowledge, the net income received by TSCL from list rentals is reported on TSCL's annual IRS Form 990, copies of which have been furnished to the Subcommittee with this response. Attachment J confirms testimony at the hearing of July 26 that the American Association of Retired Persons is among the organizations renting lists from TSCL. Otherwise, the information on Attachment J is considered confidential, proprietary, and is not to be published or disclosed.

(g) With respect to individuals who wrote to TSCL because of the erroneous information contained in the so-called "hoax" flyers, their names and addresses were inputted into TSCL's database, and legally, I believe, could be used for any lawful purpose, including contribution solicitation or list rental. As you will recall, after it became aware of the scope of the hoax flier problem, TSCL resolved to try to correct

the misinformation in the hoax flyers by writing to the individuals, and it decided to use such data thereafter only for purposes of writing to the individuals in question to alert them that the information they had concerning TSCL and the supposed benefits mentioned in the flyers was erroneous, and to preserve the evidence for use in investigating the flyer mystery. As an added precaution, TSCL (through its agent) devised a method to prevent any future mailings to such individuals by ordering the records of such persons to be assigned specific codes, and ordering that such codes be suppressed in future mailings, as well as with respect to list rentals. In actual fact, TSCL has just discovered that, although the suppression order has been carried out with respect to mailings and initially with respect to list rental/exchange orders, TSCL's database manager, Public Interest Data, Inc., through an internal clerical production error, failed to observe the suspension order with respect to list rental data (although the list rental suppression order was reimposed in early September, 2001, as soon as the error was discovered). It is possible, therefore, that a relatively few of the names in question were included in list rental fulfillment orders, although we have as yet received no such information that in fact happened.

On this point in particular, I would like to add a few words for the Subcommittee's consideration. The whole issue of TSCL being involved in a devious scheme to develop a list of possible contributors—which seems to be behind this questioning—is so ridiculous that it is absurd. I say this with respect, but I want to emphasize my words here. Anyone who thinks that such an accusation or insinuation is within the realm of reason has no concept of the realities of nonprofit fundraising, and certainly no true idea about the character and practices of TSCL.

To the extent that TSCL may have received subsequent communications (including contributions) from persons to whom it had sent its alert that the flyers were erroneous, this was coincidental and unintentional, as well as being very minor in degree or quantity. First, it would not even have made any sense for TSCL to try to make a "prospect list" out of such records. Furthermore, any funds received by TSCL in response to the TSCL follow-up mailing (approximately $1,000, at most) paled in comparison with what TSCL spent in trying to bring the truth to light. Indeed, TSCL spent many thousands of dollars dealing with the problems created by the flyers, and, despite attempting to cooperate fully with the investigating agencies, it got attacked brutally by the SSA Inspector General's Office as well as by certain members of the Subcommittee. Unless someone intentionally set up TSCL for ridicule and trouble, the entire"hoax flyer" episode seems inexplicable, except perhaps as an aberrant attempt by misguided persons to over-encourage seniors.

You or members of your Subcommittee may disagree with our position on certain legislative issues, and you may believe that certain language in some of our mailings to the public are not appropriate or desirable, but we would respectfully disagree with you on both counts. TSCL does good work for the public, and particularly for its members and supporters. We are honorable, with good intent, and we try every day to work to accomplish the ends for which TSCL was established. We believe that we have a good record of worthwhile achievement, and we hope at some point that the recent blot—that the SSA and/or the SSA IG, with help from your Subcommittee seems intent on imprinting on TSCL—can be eradicated, and attention given to the relevant facts.

Sincerely yours,

GEORGE A. SMITH
Chairman

GAS:mm

[The attachments are being retained in the Committee files.]

Public Interest Data, Incorporated
Alexandria, Virginia 22314
September 5, 2001

Mr. E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, DC 20515

Dear Mr. Shaw,

This is my response to your letter dated August 24, 2001.

As you will recall from my testimony before the Subcommittee on July 26, 2001, my employer, Public Interest Data, Incorporated ("PIDI"), is responsible for electronically storing and maintaining our clients' databases and for producing output from these masterfiles (e.g. statistical reports; name/address records for mailings) in accordance with the client's instructions. The data belong to the client and the client makes the decisions about what data are entered and how the database is used. The client is responsible for data that are entered onto its masterfile—either by performing this function itself or contracting with a separate data entry vendor which enters the data online to PIDI.

With respect to the specific questions in your letter dated August 24, 2001, my response is as follows:

(1) PIDI maintains one database for TREA Senior Citizens League ("TSCL"), and all TSCL data that it maintains are stored in the database. It is standard practice in the database management industry to maintain a single database containing all records, including records to be omitted from mailings, with appropriate coding. TSCL's consultant, Squire & Heartfield Direct, Inc., created unique codes to separately identify the names of persons who wrote to TSCL about the inaccurate or so-called "hoax" flyers, and instructed TSCL's data entry vendor to assign these codes to such persons and enter the information onto TSCL's database.

To the best of my knowledge, since October 2000, upon receipt of instructions from Squire & Heartfield Direct: (a) all requests for data output from the TSCL database for mailings, except as indicated below, have required suppression of records with these unique codes; this system has operated to prevent any mailings to such persons—aside from the basic mailing from TSCL to such persons explaining that the flyers were incorrect; and (b) in addition, this system has operated to prevent the records of such persons from being included in the fulfillment of list rental requests.

(2) PIDI maintains a single database for TSCL, and was not requested to set up any additional database. Assuming receipt of any further responses from persons who had received TSCL's mailing explaining that the flyers were incorrect, any additional pertinent information would have been entered into the database by TSCL's data entry vendor. No additional mailings to such persons would have been generated, however, because of coding and suppressing the records per the above instructions from Squire & Heartfield Direct.

(3) No. I believe it would be unusual and contrary to general industry practice to create a new and separate database, and creation of an additional database would be unnecessary. In fact, maintaining a single database may not only be more efficient, but also more reliable than a multiplicity of databases. As explained above, the TSCL database was coded and instructions were given to make sure the individuals who responded to the erroneous flyers and received TSCL's letter of explanation did not receive any further TSCL mailings.

I hope this information is of assistance to the Subcommittee in understanding these matters.

Sincerely,

CHRISTY TURNER
Account Executive

Public Interest Data Incorporated
Alexandria, Virginia 22314
September 12, 2001

Mr. E. Clay Shaw, Jr., Chairman
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The purpose of this letter is to update and correct one particular statement contained in my September 5, 2001 response to your letter dated August 24, 2001.

As I stated in my letter, the TREA Senior Citizens League ("TSCL") is a client of my employer, Public Interest Data, Inc. ("PIDI"). Last year, in determining how

to handle the influx of records related to persons responding to the so-called "hoax" flyers, TSCL's consultant, Squire & Heartfield Direct, Inc., created unique codes to identify the names of persons who wrote to TSCL about those inaccurate flyers, and instructed TSCL's data entry vendor to assign these codes to such persons and enter the information onto TSCL's database maintained by PIDI.

As I also stated, since October 2000, upon receipt of instructions from Squire & Heartfield, all requests for data output from the TSCL database for mailings have required suppression of records with these unique codes, resulting in the omission of records for mailings to such persons (except as otherwise indicated in my letter).

Although I stated in my September 5 letter that this also prevented the records of such persons from being included in the fulfillment of list rental orders, I discovered recently, since I made my response, that this is not fully accurate. Although the instructions from Squire & Heartfield were indeed given, and were followed initially, a subsequent internal production programming error at PIDI some time later resulted in the records of such persons being not automatically omitted from the list order fulfillment process. At this time I do not know whether any such records were actually selected for any list rentals, but we wanted you to know about this development immediately.

I want to emphasize that the programming error was solely a mistake made in-house by PIDI programming staff, was unknown by TSCL or Squire & Heartfield, and in fact was unknown to PIDI until we discovered it recently. The list rental fulfillment programming mistake was corrected immediately after my discovery and steps have been taken internally here at PIDI to make sure that this does not happen again. The suppression order with respect to all of TSCL's own mailings remained intact during the entire period, so all TSCL mailings were suppressed in accordance with the instructions from Squire and Heartfield.

Please accept my apologies. I hope this information is of assistance to the Subcommittee in understanding this matter.

Sincerely yours,

CHRISTY TURNER
Account Executive

American Red Cross
La Plata, Maryland 20646
September 19, 2001

Hon. E. Clay Shaw, Jr., Chairman
House Committee on Ways and Means
Subcommittee on Social Security

Dear Mr. Chairman:

In response to your request of August 24th, 2001, please find the answers to your supplemental questions. To the best of my knowledge all or nearly all of the questions raised in your August 24th letter were asked and answered during the hearing held July 26, 2001. As much as possible, I have referred to the transcript of my testimony. All answers are based on my current recollection and subject to verification by reference to documents not necessarily within my possession.

1. To raise money, you sent out solicitations to senior citizens, describing what you do and requesting a donation to assist you in your efforts, is this a correct statement? Who determined the form and content of the solicitations?

TSCL sends out a variety of informational mailings. Each mailing contains information about TSCL, including an address to which donations can be sent, as well as an address, phone number and website address from which more information can be obtained. The Board of trustees has final authority on all actions of TSCL.

2. What issues were the focus of your lobbying efforts?

Please refer to the legislative agenda that was put into the record at the July hearing.

3. Please describe what percentage of TSCL's fundraising focused on issues relating to Social Security? Specifically, what percentage of your fundraising related to the issue of Notch Reform? Approximately what percentage of TSCL's Membership list was generated as a result of Notch Reform solicitations? How long has TSCL been on raising the issue of Notch Reform? How many individuals receive each mailing? What income was

raised from each of these mailings and how many individual individuals have the money?

Please refer to TSCL for this information.

4. Given the number of supporters and the number of years that TSCL has been fundraising on the notch issue, have you ever been involved in a hoax that you believe was propagated by a well-intentioned supporter?

I have never been involved in any hoax. In my experience, TSCL has had many calls from Members, private citizens, even Members of Congress and their staff, confused about Social Security benefits and Social Security Administration policies. To the best of my knowledge, TSCL has always worked to provide accurate information and to correct misconceptions on the part of the public.

5. When did you first become aware of the hoax Slavery Reparation and Notch Reform flyers? When did you alert the TSCL Board of Trustees and/or the TREA Board of Directors? What steps you pay to find that it was responsible for the hoax flyers? What investigation did you authorize both within TSCL and outside TSCL? Who was interviewed? What was the outcome? What was the result of these efforts?

In my testimony at lines 1645–1689, I recite all the relevant information regarding this question. Please refer to that portion of my testimony.

6. Why did you decide to direct your data processing contractor to create a database containing personal information submitted by victims of the whole flyers?

In my testimony at lines 1690–1696, I recite all the relevant information regarding this question. Please refer to that portion of my testimony.

7. What specific steps did TSCL else take to combat Slave Reparations and Notch Victim flyers?

In my testimony at lines 1645–1689, I recite all the relevant information regarding this question. Please refer to that portion of my testimony.

8. You indicated in your statement that the makers of the flyers used a variation on the TSCL name and directed responses to TSCL's post office box, presumably to give their flyer credibility. Can you theorize who else stood to gain from receiving this information? It was sent only to TSCL's post office box. Is there anyone else who has access to the post office box? If not, do you believe this was a smear campaign to try to harm TSCL? If so, who you think maybe responsible?

Your question assumes that someone stood to gain from this flyer. I have no knowledge to support that supposition. The most likely explanation, in my opinion, is that the entire episode was the result of one or more people creating what was, in effect, a nuisance chain letter.

9. Why did you provide an incomplete database to the Social Security Administrations Office of the Inspector General (OIG) in response to the subpoena?

To the best of my knowledge, the proffered data was complete. To the best of my recollection, the only information that was left off was the date received or the date keyed, which I am not aware of as having been requested.

10. Why did you refuse to comply with the OIG's request to discontinue the creation of the database containing information submitted by recipients of the Flyers?

To the best of my knowledge, the premise of this question is not accurate. To the best of my recollection, TSCL never received any request to stop. To the best of my knowledge and recollection, TSCL complied with every request of the OIG.

11. Were you aware that your attorney instructed Associated Growth Enterprises, your former marketing firm, not to comply with the OIG subpoena without first consulting with TSCL?

I am constrained by TSCL's privilege to maintain the confidentiality of its communications with its attorney. Please consult TSCL regarding this privilege. If the privilege is waived, I will be happy to respond to this question, to the extent that I recall any relevant information.

12. According to the OIG, the TSCL withheld certain information from the OIG relating to follow-up correspondence sent by TSCL with persons

who responded typical flyers, specifically the amount and date of the contribution received from the follow-up mailing. Is this true? If so, why did you feel it necessary to withhold information?

To the best of my knowledge and recollection, this is not true. To the best of my knowledge, TSCL never received any money from the follow-up correspondence during my tenure. I was relieved of duty at the beginning of February, 2001. I don't know what happened after that.13. Did you direct any of the entities subpoenaed by the OIG not to cooperate or not to turn over any documents? Why?

13. Did you direct any of the entities subpoenaed by the OIG not to cooperate or not to turn over any documents? Why?

No, I did not direct any of the entities not to cooperate. Upon advice of TSCL's counsel, I did communicate with certain of our vendors to inform them that TSCL felt that the information in the vendors possession was TSCL's to control, and that TSCL was negotiating with OIG over the scope of the subpoena. On those bases, and upon advice of TSCL's counsel, I communicated TSCL's request that the vendors not disclose any TSCL information until the negotiations and conversations between OIG and TSCL's counsel had been completed.

14. Has the idea of a mailing, including a survey, involving Slave Reparations ever been discussed? If so, who discuss the issue? What was decided?

To the best of my knowledge, the only discussion of Slave Reparations at TSCL during my tenure came up as a result of the flyers in question, and the only focus of the conversations was how to put an end to the confusion.

15. You indicated that TSCL has not solicited any of the 29,000 individuals who responded to the Slave Reparations and Notch Victim flyers other than sending a brochure, is that correct? How many of the 29,000 responses you received were not from individuals already in TSCL's database?

During my tenure as Executive Director, TSCL established a policy to flag those names so they were segregated on TSCL's data base, and thereafter to avoid any solicitation of those individuals, unless they were already TSCL members at the time of their initial response. I have no recollection of the number of responses that were from individuals not already in the database.

16. You mentioned during your testimony that you left TSCL in February 2001. Did your leaving have anything you do with any mailings, including the flyers that were the subject of the recent hearings? If yes, please elaborate. If no, please explain the circumstances.

The Board of trustees made a determination to alter the leadership of the organization. My services were terminated solely for that reason. The termination of my services was unrelated to the issue of the flyers.

17. While you were employed by TSCL, did TSCL ever pay for services provided by Direct Mail Resources? If so, what work? For what amount of payment? Who approved the use of Direct Mail Resources? Was the TSCL Board of Trustees informed about, consulted with, or asked to provide their approval of the use of Direct Mail Resources? What services did Direct Mail Resources provide? Who is there Executive Director? Does Direct Mail Resources to sell, rent, or otherwise compile information received from TSCL?

To the best of my knowledge, TSCL did not pay Direct Mail Resources for any services.

18. What were your duties and responsibilities as Executive Director of TSCL? Who have authority to approve the design and sending fundraising mailings?

As Executive Director, I was responsible for the day to day operations of the organization, subject to the authority of the Board of Trustees. The ultimate authority for all TSCL actions was with the Board of Trustees, which consulted with staff and outside consultants.

19. Attached is a copy of the mailing Mr. Kleczska attached a statement. We have a few questions about this mailing. Who designed this mailings? Who within TSCL participated in designing this mailing? Who authorized its use? Did a Member the Board of trustees review the mailing before it was sent? Did a Member of the Board of trustees approve its use?

The referenced mailing was created after the end of my tenure with TSCL.

20. While you were serving as Executive Director, how often did TSCL solicit the individuals in its database for contributions?

Please refer to TSCL for actual information.

21. Does TSCL share its database with TREA? If so, under what circumstances does this occur? By share, we mean rent, sell, transfer, allow TREA to look at or use information contained in the database. Does TREA share its database with TSCL? If so, under what circumstances does this occur?

During my tenure as Executive Director, TSCL did not share with TREA, other than individuals identified as retired enlisted. Those names were referred to and invited to join TREA.

22. While you were Executive Director, did TSCL rent lists of members from other organizations? If so, from whom?

Commercial list providers.

23. Did TSCL only send mailings to individuals in this database? If not, how did TSCL get additional names and addresses of individuals, other than those already in this database?

To the extent that I understand the question, TSCL sought to expand its Membership through informational mailings, referrals, and other similar means.

24. Does TSCL have to provide reports or other documentation to TREA? This could be annual reports as to activities, and so forth. If yes, please describe.

TSCL provides an Annual Report, which may be reviewed by TREA members. TREA representatives may attend TSCL Board meetings. In the past, TSCLs Chairman provided a monthly report to TREAs Chairman.

Respectfully Submitted,

MICHAEL J. ZABKO

Chairman SHAW. And I have to apologize to the final panel, in that this room is booked for a markup beginning at 2 o'clock, which has passed, so I would ask that the panel come forward, sit at the witness table.

I will also ask all of the members that any questions that you might have be submitted in writing, in order to expedite the clearing of this hall for the bill markup that is now scheduled.

We have here Ms. Lorna Daniels, from Arlington, Virginia, who I understand has been a victim of some type of scheme; Ms. Betty J. Severyn, who is a member of the board of directors of AARP; Darrin Williams, chief of staff, the Office of the Arkansas Attorney General, Little Rock, Arkansas.

Ms. Daniels, if you would please proceed as you see fit. And your full testimony has been made a part of the record, as each of the witness' has.

STATEMENT OF LORNA DANIELS, ARLINGTON, VIRGINIA

Ms. DANIELS. Good morning, Mr. Chairman, Mr. Matsui, and members of the Subcommittee.

My name is Lorna Daniels. I am here today to talk about a flyer that I received from a friend that involved a $5,000 payment to notch victims. I believe this flyer was misleading and that seniors should be warned about it and other misleading mailings or flyers that they might receive.

In my case, in early 2000, I received a phone call from a friend in Hawaii, asking if I knew anything about the pending notch victims legislation. I responded, "No." She then mailed me the article and form on notch victims. Initially, after receiving these in the mail, I set them aside.

In the summer of 2000, after re-reading the information, I felt that my husband and I would be entitled to each receive the $5,000 lump sum payment, but only if we filled out the form and had our names placed on the national victim register.

Several items in the flyer led me to the decision to complete the prepared form. My decision to complete the form was primarily based on the statement in the article that says, "The plan has already won overwhelming support among notch victims and many of their supporters in Congress have endorsed it."

The other items on the preprinted form that further influenced my decision was that the form itself was self-addressed to the "National Victim Register—TREA Senior Citizens League," and contained the statement that read, "I am requesting in writing that I be registered in order to receive this benefit."

What concerns my husband and me, and probably other notch victims, is that we furnished all of the information requested in the form: our full names and other names used, as they appear on our Social Security cards; our birth dates; places of birth; and our coveted Social Security numbers.

All this information is personal and private, and we are always cautioned to protect them. These belong to the individual only and no one else.

However, if it would assist us in recovering moneys we were told were due us, we naturally furnished the information.

Again, may I reiterate, we believed that the only way we would recover our money was to be placed on the register and conform to their requirements.

We sent no money. The completed forms were mailed to the post office box given on the form, and we waited for an acknowledgement.

Believing the legitimacy of this, I waited for confirmation of our registration, which was indicated.

Subsequently, I received a mailing from TREA Senior Citizens League, which I thought was the response. However, that was a letter disclaiming any involvement with the previous flyer, rather than a confirmation of our registration.

This letter from the Senior Citizens League included some informational material about themselves and a solicitation for a nontax deductible charitable contribution, making a check payable to TSCL.

Question: How could they deny any relationship with the original flyer when they had the information to send me this public relations material and ask for money?

Again, I am deeply concerned as to what happened to all the personal information they extracted from us and other unsuspecting senior citizens who responded to the flyers.

In conclusion, I strongly urge that steps be taken to prevent misleading flyers and mailings, especially those directed to senior citi-

zens who are on fixed incomes, especially in light of the rising costs of living.

I appreciate the opportunity to express my concerns and wish to thank the Subcommittee for investigating this matter and other areas that threaten the welfare of senior citizens. Thank you for your attention, and I will be happy to answer any questions.

[The prepared statement of Ms. Daniels follows:]

Statement of Lorna Daniels, Arlington, Virginia

Good morning Mr. Chairman, Mr. Matsui and members of the Subcommittee. My name is Lorna Daniels and I am here today to talk about a flyer that I received from a friend that involved a $5,000 payment to "Notch Victims." I believe this flyer was misleading and that seniors should be warned about it and other misleading mailings or flyers they might receive.

In my case, in early 2000, I received a phone call from a friend in Hawaii asking if I knew anything about pending "Notch Victims" legislation. I responded "No." My friend then mailed me the accompanying article and form on "Notch Victims." Initially, after receiving these in the mail, I set them aside.

In the summer of 2000, after re-reading the information, I felt that my husband and I would be entitled to each receive the $5,000 lump sum payment, but only if we filled out the form and had our names placed on the National Victim Register. Several items in the flyer led me to the decision to complete the prepared form. My decision to complete the form was primarily based on the statement in the article that says, "the plan has already won overwhelming support among Notch Victims and many of their supporters in Congress have endorsed it. " The other items on the form that influenced my decision was that the form itself was self—addressed to the National Victim Register—TREA Senior Citizens League, and the statement that read "I am requesting in writing that I be registered in order to receive this benefit."

What concerns my husband and me, and probably other Notch Victims, is that we furnished all of the information requested in the form: our full names and other names used, as they appear on our social security cards; our birth dates; places of birth and our coveted social security numbers. All this information is personal and private, and we are always cautioned to protect them. They belong to the individual only and no one else. However, if it would assist us in recovering monies we were told were due us, we, naturally furnished the information. Again, may I reiterate—we believed that the only way we would recover our money was to be placed on the Register and conform to their requirements. We sent no money. The completed forms were mailed to the post office box given on the form.

Believing the legitimacy of this, I waited for confirmation of our registration, which was indicated. Subsequently, I received a mailing from TREA Senior Citizens League, which I thought was the response. However, that was a letter disavowing any involvement with the previous flyer, rather than a confirmation of our registration. This letter included some informational material about themselves and a solicitation for a non-tax deductible charitable contribution. Question—how could they disavow any relationship with the original flyer when they had the information to send me this public relations material and ask for money? Again, I am deeply concerned as to what happened to all the personal information they extracted from us and other unsuspecting senior citizens who responded to the flyers.

In conclusion, I strongly urge that steps be taken to prevent misleading flyers and mailings, especially those directed to senior citizens who are on fixed incomes especially in light of the rising cost of living. I appreciate the opportunity to express my concerns and thank the Subcommittee for investigating this matter and other areas that threaten the welfare of senior citizens. Thank you for your attention and I will be happy to answer any questions.

[An additional attachment is being retained in the Committee files.]

Mailed:

To:
National Victim Register—TREA Senior Citizens League
P.O. Box 96472
Washington, D.C. 20090–6472

I understand that I may be entitled to receive $5,000 due to inequities in my Social Security payments since I am considered a "notch baby", meaning that I was born in the U.S. between 1917 and 1926.

Therefore, by this letter, I am requesting in writing that I be registered in order to receive this benefit should this bill/measure be passed/approved.

I understand that the following information is required in order for you to register me:

Name:
(First) (Middle) (Last)
(Full Name as shown re: Social Security Card)

Name:
(First) (Middle) (Last)
(Other Name(s) used.)

Address:
Telephone No.:
Social Security No.:

To further assist you, I give you the following additional information:

Date of Birth
Place of Birth

I would appreciate receiving a confirmation of my registration and update(s) as to the status of the passage of this bill/measure. I can be contacted at the above telephone number or you may write to me at my current home address listed above.

Thank you for your assistance and anticipated cooperation.

Sincerely,

SOCIAL SECURITY RECIPIENT AND
U.S. SENIOR CITIZEN AND TAXPAYER

Chairman SHAW. Thank you, Ms. Daniels. Ms. Severyn.

STATEMENT OF BETTY SEVERYN, MEMBER, BOARD OF DIRECTORS, AARP

Ms. SEVERYN. Thank you, Mr. Chairman. I am Betty Severyn, a member of the AARP board of directors.

AARP appreciates this opportunity to present its views regarding misleading mailings targeted at seniors. We have had a longstanding interest in the issue from both the legislative and consumer perspectives.

We remain deeply concerned that misleading mailings are often targeted at older persons, many of whom have modest incomes. These mailings exploit the sensitivities and vulnerabilities of older Americans, their faith in their government, and their concern about finances.

AARP believes that all citizens should be educated about and protected from fraudulent and misleading mail.

The work of this Committee and others in Congress led to legislation restricting certain mailings, particularly those that used words and symbols associated with the Social Security Administration and the Health Care Financing Administration, now called the Centers for Medicare and Medicaid Services.

My oral testimony will highlight three of the five categories of solicitation to seniors that we describe in our written statement, which you have.

Thanks to the penalties and restrictions imposed by legislation, older recipients now receive fewer mailings from groups that use official-looking material to confuse them about Social Security and Medicare.

Some groups that market questionable products, such as a gold-embossed Social Security card, were shut down by the Federal and/or State governments. Yet many others remain in business.

For example, one group markets a guide to retirement that contains the same information Social Security provides free of charge.

These organizations operate within the law, and it is up to consumers to avoid suspicious groups and their activities.

AARP is particularly disturbed by the proliferation of cold lead mailers and look-alike groups that prey upon unknowing older Americans.

Representatives from companies use the completed information card to coerce older Americans to buy certain products, such as living trusts and long-term care insurance.

One company consistently used AARP's name in materials designed to market living trusts. We filed a successful lawsuit with the Florida Attorney General's Office against this Texas company, but many other companies continue to mislead seniors.

Fraudulent mailings can be stopped, but we understand that misleading ones are difficult to correct.

As you know, for about 20 years, groups have sent misleading mailings about the so-called Social Security notch, and you have heard a lot about that today.

[Laughter.]

Lately we have begun receiving more inquires regarding contributions for notch legislation or a notch victim registry. So we have been getting mailings from our members.

I won't go any further into the notch, since you have had quite a bit of that today.

The association has taken extraordinary steps to educate its members and the public at large about differentiating between legitimate offers and misleading or fraudulent ones. We do try to educate our members.

Our goal is to reduce fraud and deception in mail solicitations. Through our publications and printed materials, we have alerted people to specific mailings and the need to scrutinize the solicitations they receive.

In the past 5 years, we have launched campaigns against telemarketing and charity fraud based on research examining older victims' behavior and perceptions. We have partnered with law enforcement and consumer protection agencies and warned consumers through public services announcements, educational workshops, and other program activities.

You members of the Committee and we all know that some groups are willing to make money at the expense of the vulnerable and uninformed. AARP believes that today's hearing can help educate everyone regarding some of the misleading mailings they receive.

Those who solicit funds from older Americans in a misleading way need to be stopped. We stand ready to work with interested Members of Congress, in a bipartisan manner, to enact such changes. We also encourage the Social Security Administration's Inspector General to continue it's vigorous investigation of these groups.

We are extremely concerned and would appreciate and welcome anything that you all could do. And we are willing to work with you to obtain some activity that would help stop these misleading mailings.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Severyn follows:]

Statement of Betty Severyn, Member, Board of Directors, AARP

AARP appreciates this opportunity to present its views regarding misleading mailings targeted at seniors. The Association has had a longstanding interest in the issue from both the legislative and consumer perspectives. We remain deeply concerned that some deceptive and misleading mailings are targeted towards older persons, many of whom have modest incomes and cannot afford to waste their limited resources. Many of these mailings exploit the sensitivities and vulnerabilities of older Americans, their faith in the government, and their concern about finances.

AARP believes that all citizens should be educated about and receive adequate protection from fraudulent, deceptive and misleading mail. We commend the subcommittee for revisiting the issue. The work of this committee and others in Congress led to legislation restricting certain mailings, particularly those that used words and symbols associated with the Social Security Administration (SSA) and the Health Care Financing Administration (now called the Centers for Medicare and Medicaid Services).

Deceptive Mailings

Since legitimate businesses and organizations use mass mailings, it is essential to strike a reasonable balance between controlling fraudulent mailings and limiting the right of these organizations to conduct business. Based on our members' letters and phone calls as well as information we have received from others, we have categorized the deceptive mailings older Americans receive as follows:

- Mailings using look-alike envelopes that can mislead people into believing the sender is a government agency. They also contain documents bearing official looking symbols or words;
- Letters soliciting a fee for services that the government may provide for free or a reduced charge;
- "Cold lead mailers" which offer seniors information about subjects, such as health or life insurance, if the individual provides personal information. The personal information is then forwarded to a marketing organization that rents the list of respondents to salespeople or agents trying to sell items;
- Solicitations that imply an affiliation with an existing organization or ones that mislead the recipient by using a name similar to another organization; and
- Misleading mailings on legislative issues, such as those promising financial settlements or action on legislation that is not receiving much congressional attention.

Mailings from groups trying to confuse elderly recipients about their Social Security and Medicare benefits by using official looking material have been reduced by the penalties and other restrictions imposed through legislation passed in 1990 and 1995. Some groups marketing questionable products, such as a gold embossed Social Security card, have been shut down by the federal and/or state governments. Yet many other companies remain in business. For example, one group promises a guide to retirement that contains the same information SSA provides free of charge. Others charge to obtain a Social Security number for a newborn although SSA provides the service free. These groups operate within the law; it is up to consumers to find out about a suspicious organization and its activities.

Cold Lead Mailers and Those with Misleading Affiliations

AARP is disturbed by the proliferation of cold lead cards and look-alike groups that prey upon unknowing older Americans. Over the years, we have learned about representatives from companies trying to coerce older Americans to buy certain products, such as living-trusts and long-term care insurance. One company consistently used AARP's name in materials designed to market living trusts. We explained to those who contacted us that living trusts are part of the complex process of estate planning and they should be alert to misrepresentations of our or any organization's name. We advised them to contact their local consumer protection agency

if they were suspicious of any solicitation. Ultimately, we filed a lawsuit with the Florida Attorney General's Office against this company's misuse of our name in selling living trusts.

Other companies continue to wreak economic havoc in seniors' lives. We recently heard about an agent who claimed to be affiliated with AARP and persuaded one of our members to liquidate some holdings to buy an annuity they were promoting. She sold some mutual funds, had $55,000 in capital gains, and received a large bill from the Internal Revenue Service. The company and the agent were one of several who take advantage of the limited financial knowledge that some older people have.

We also received a copy of the attached solicitation from the National Association of Retired Persons encouraging people to pursue "their legal right as a U.S. citizen to receive all the information available" to them. However, they had to complete "this request form within 5 days." After mailing in the form the respondent would receive a call from someone selling burial insurance. We have attached a sample of some of these solicitations.

Notch Mailings

For around 20 years, groups have sent misleading mailings about the so-called Social Security "notch." Some organizations went out of business, others found alternative fundraising issues, but some persist in perpetuating misinformation for financial gain. AARP has begun receiving more inquiries regarding mailings soliciting funds for notch legislation or for a notch victim registry. Yet, those born from 1917–21 (or 1926) are receiving the proper benefit amount. They are misled to think they get less than they deserve because their dollar benefit amount is compared to those born from 1912–16. The 1912–16 group received a windfall because of an error made in 1972. If the mistake had not been corrected in 1977, the Social Security trust funds would have faced greatly increased financial difficulty.

Numerous inquiries come from our members, or in some cases their children, in regard to these notch solicitations. For example, one member asks, "whether the Senior Citizens League is registered with the Better Business Bureau? They're asking for money—I figured the government wouldn't ask for money." Another wrote: "My wife (born in 1925) has received at least a dozen of these during the past year. Can you enlighten us? Is it a scam? They always ask for money." Unfortunately, while these letters are misleading, they are not illegal.

We respond by correcting the misinformation on the notch and encouraging them to be as informed as possible when deciding to contribute to any organization. We suggest that they request a copy of the group's financial statement before contributing. We hope that this advice will be helpful for all the mail they receive, not just solicitations targeted at older people.

AARP Educates Its Members

The Association has taken extraordinary steps to educate its members and the public at large about differentiating between legitimate offers and misleading, deceptive or fraudulent ones. Our goal is to reduce fraud and deception in mailed solicitations. Through our publications and printed materials we have alerted people to specific mailings and the need to scrutinize the solicitations they receive. In the past five years, we have launched campaigns against charity and telemarketing fraud based on research examining older victims' behavior and perceptions. We have partnered with enforcement and consumer protection agencies and warned consumers through public service announcements, educational workshops and other program activities.

We have taken a proactive stance where appropriate. In tandem with the Attorney General's office in numerous states, we gathered information and warned consumers about potential fraud. We successfully brought suit against the previously mentioned organization that attempted to confuse people by selecting a name close to ours. We have also participated in Operation Mailbox, a coordinated effort undertaken with the Federal Trade Commission (FTC) and federal and state law enforcement agencies to identify fraudulent mail. (The Operation Mailbox campaign is described in the appendix).

Conclusion

Unfortunately, some groups are willing to make money at the expense of the vulnerable and uninformed. AARP believes that today's hearing can help educate everyone regarding some of the misleading and deceptive mailings they receive. We urge Congress to determine whether additional restrictions can be placed on those who solicit funds from older Americans in a misleading or deceptive way, as well as those who try to sell them products that they do not need or want. We also urge the Social Security Administration's Inspector General to continue vigorous investigation of these groups. Of course, AARP will continue to keep our members in-

formed, partner (where appropriate) with those who seek to expose these organizations, and educate the public about the attributes of a knowledgeable consumer.

Appendix: Flooding Older Americans Homes and Operation Mailbox

In December 1997, as part of AARP's Anti-Telemarketing Fraud campaign, we placed an article in our monthly publication, The Bulletin, that asked members to check their own mail for cards and letters that looked suspicious or that carried claims that the recipient was a "guaranteed contest winner." We also requested that readers watch for mail that offered "no risk" investments, get-rich-quick schemes, or solicitations for dubious charities, as well as mail that encouraged the recipient to immediately call a 1–800 or 1–900 number. We asked readers to submit mailings to the Association so law enforcement experts could review them for possible legal actions.

Throughout the following six months, AARP members submitted over 10,000 pieces of mail. Dozens of members sent envelopes and boxes stuffed with solicitations. Over and over our members asked the same questions: "Is this a legitimate solicitation?" and "Can you help me get the money I've won or help me get my money back?"

AARP volunteers and staff spent three months opening, reading and sorting the mail sent in by our members. In cooperation with the FTC and federal and state agencies that formed the Operation Mailbox task force, AARP identified more than 5,000 pieces of mail that might require legal action. An outside firm was hired to code the pieces under the system used in the Consumer Sentinel database. Consumer Sentinel data is used by subscribing law enforcement agencies to identify and investigate suspected fraudulent businesses or individuals.

Based in part on the 5,000 pieces of mail that AARP contributed to Operation Mailbox, and at no cost to law enforcement, the FTC/Operation Mailbox strike force announced over 150 federal and state enforcement actions against the sponsors of these mailings.

[The attachments are being retained in the Committee files.]

Mr. JOHNSON. [Presiding.] Thank you. We appreciate your testimony. Mr. Williams?

STATEMENT OF DARRIN L. WILLIAMS, CHIEF OF STAFF AND COUNSEL, ARKANSAS OFFICE OF THE ATTORNEY GENERAL, LITTLE ROCK, ARKANSAS

Mr. WILLIAMS. Thank you, Mr. Chairman, Mr. Matsui, members of the Subcommittee.

My name is Darrin Williams. I am the chief of staff to Arkansas's Attorney General Mark Pryor.

The attorneys general across the country and General Pryor would like to commend you and thank you for hold hearings on this timely issue.

As all of you know, attorneys general across the country are on the forefront of consumer protection. Unfortunately, consumer fraud geared directly at seniors is a very big, growing industry in America. It has been estimated that nearly $40 billion are bilked from seniors each year.

In Arkansas last summer, the slave reparations scam was implemented. Through the investigative efforts of the Postal Inspection Service, the Social Security Administration, and our office, we determined that nearly 20,000 people signed up. Over 500 of those lived in Arkansas.

After people learned of this bogus flyer, consumer complaints flooded General Pryor's office.

One letter from an unsuspecting senior read: I answered every question asked to the best of my ability.

Another said: I have been deceived. The attached flyer led me to believe that I was due $5,000.

Yet another adult child of a senior who responded to this flyer wrote: My mother was born in 1918. Her hand shakes so that she has to rely on me to do her correspondence. She has received at least four of these flyers that I know of.

Although the Senior Citizens League disavows any knowledge of these flyers, whomever is responsible for this sophisticated scam has the knowledge to skirt mail fraud laws. They have the knowledge and the ability to enact a grassroots program that distributes these flyers nationwide.

We believe the Senior Citizens League did benefit from this hoax flyer.

One responding senior to the slave reparations flyer said she received four solicitations from them after she responded. Some also contributed.

Moreover, TREA has a huge asset by the list that built from this misleading flyer. We believe that is a benefit.

Fortunately, we do not have any report of identify theft as a direct result of this flyer. However, once personal information is supplied, the con artist can act at his leisure. There is no timeframe on that.

Unfortunately, our Social Security numbers now have become the cornerstone of identify theft. Scams such as the slave reparations act and the notch baby scam have targeted seniors, and this is extremely disturbing to attorneys general.

These types of fraud prey upon our most vulnerable segments of society. Many seniors need every penny to live and to pay for expensive medications. These seniors are our parents and our grandparents. They deserve our protection.

As America ages, the potential for these types of scams grow. In Arkansas, over a half million people are 60 years old and older. That represents 19 percent of our population. We have the sixth highest percentage of seniors in the country.

Attorneys general know that the best protection against this type of fraud is education. An informed consumer is much less likely to be a victim of fraud.

Attorneys general will continue to fight and continue to educate consumers as well as seniors. But realistically, while these precautions are good and will reduce the risk of identify theft and other frauds via misleading mailings, there is very little that seniors can do to stop this.

The key to stopping or at least greatly reducing misleading mailings and identify theft lies in a combined strategy from the business community, credit reporting agencies, credit issuers, and Federal and State government.

While Congress plays a major role in protecting seniors from consumer scams, one of the most important things that the Federal Government can do and be cognizant of is not to preempt State laws that attorneys general use to protect seniors.

State AGs sometimes are able to move more quickly and have greater flexibility than Congress. They often are able to respond to rapidly changing scams in a very efficient and fast manner.

When acting in concert, like we did against Publishers Clearinghouse and others, the State AGs are a powerful and swift force.

Unfortunately, the schemes and scams are as endless as the con artist's imagination. Our seniors, our greatest generation, need and deserve our protection.

Through the combined efforts of local, State, and Federal officials, and with the help and support of businesses, civic organizations, and consumer groups, all of us together can combat misleading mailings, and we can combat the con artists that prey on our parents and our grandparents.

Thank you very much.

[The prepared statement of Mr. Williams follows:]

Statement of Darrin L. Williams, Chief of Staff and Counsel, Arkansas Office of the Attorney General, Little Rock, Arkansas

Mr. Chairman, Mr. Matsui, Members of the Subcommittee, my name is Darrin Williams. I am the Chief of Staff and Counsel to Arkansas Attorney General Mark Pryor. On behalf of General Pryor and attorneys general all across this country, I would like to thank and commend you for holding hearings on such a timely issue as misleading mailings targeted to seniors.

As you all know, attorneys general are on the front lines battling all types of consumer fraud. Unfortunately, fraud committed against overly trusting seniors is one of the biggest growth industries in America. It has been estimated that seniors are bilked out of nearly $40 billion per year. A significant portion of this amount is the result of deceptive mailings aimed specifically toward seniors. Whether it is a sweepstakes promotion that leads consumers to believe they have won some sort of prize, usually monetary, or a solicitation arriving in a familiar, government-styled envelope with an official-looking seal, seniors are being inundated with confusing and often illegal solicitations.

In Arkansas, last summer, senior African Americans throughout our state were targeted with a flyer purporting that the government was refunding money from the Slave Reparations Act to any living person of "Black ethnic race" born prior to 1928. This flyer was distributed in Black churches, senior communities, nursing homes, and, in some cases, delivered in the mail. It promised senior recipients $5,000 if they supplied their name, address, phone number, Social Security number, and date of birth to the National Victim's Registrar, T.R.E.A. Senior Systems League, P.O. Box 96472, Washington, DC 20090–6472. The flyer stated that the $5,000 in reparations might be attached to the recipient's Social Security benefit check or issued in one lump sum.

After repeated inquiries about the legitimacy of this flyer, Attorney General Pryor opened an investigation. We quickly realized that this scam was being implemented throughout the country, particularly in southern states. Through the combined investigative efforts of the Postal Inspection Service, the Social Security Administration, and our office, we determined that over 20,000 people responded to this misleading flyer soliciting personal identifying information. We discovered that nearly 500 respondents resided in Arkansas. The confusion caused by the flyer hoax was immediately apparent. Many recipients sent photocopies of personal identifying documents, including Social Security cards, driver's licenses, school records, military papers, and birth certificates. Believing the flyer to be a legitimate notice of a government benefit, one person actually sent his original birth certificate, along with a completed flyer.

After people learned that this flyer was a fraud, formal complaints began to pour in to General Pryor. One letter from an unsuspecting victim read, "I answered every question asked to the best of my ability." Another said, "I have been deceived, the attached flyer mislead (sic) me to believe I could have actuality (sic) been due $5,000, if for no other reason than being born before 1927." An adult child of a recipient of this unscrupulous flyer wrote, "My mother was born in 1918 and her hands shake so much she relies on me to handle her correspondence. She has at least four of these things that I know of."

Our investigation led us to TREA Senior Citizens League because it was to their post office box that respondents were asked to send their personal identifying information. The League is a non-profit organization in Alexandria, Virginia, and is an independent subsidiary of the Retired Enlisted Association. They denied having anything to do with the flyers, and thus far, our investigation supports their claims.

However, they did take this information and built a database of thousands of seniors' personal identifying data, which they had acquired through the response to these flyers. Moreover, this information was used by the League to produce mailers to each individual responder providing additional information about the League, along with a solicitation for a contribution.

Fortunately, we do not yet have any reports of identity theft or other scams occurring as a direct result of this bogus flyer; however, once this type of information is provided, a con artist can act at leisure. This is why it is so important to educate everyone about the dangers of giving out personal identifying information, particularly one's Social Security number.

Almost 70 years ago, Social Security numbers were established to maintain an accurate record of the earnings of working people. Now, the use of our Social Security numbers has become so pervasive that they are used not only to identify us to our employers, but also to our physicians, our schools, for our bank accounts, and credit card numbers. Your nine digits have become your *de facto* identifier. Anytime we are required to specifically identify ourselves, those nine digits are demanded.

The Social Security number is the cornerstone of identity theft. In our computerized, information-driven world, the theft of one piece of personal information, such as a Social Security number or driver's license, can lead to out-of-pocket liability, plus hours of frustrating attempts to clean up credit reports, cancel accounts, and to endless explanations to prospective creditors. There are now more than 700,000 reported cases of identity theft every year in the United States, twenty-eight times as many as were reported approximately 10 years ago.

Often con artists use bits and pieces of legitimate information to lure their victims. This was true of the Slave Reparations Act scam. In the post-Civil War period, Congress did vote to provide former slaves with "forty acres and a mule" as a form of redress for their years in slavery. However, President Andrew Johnson vetoed the bill. Also contributing to the success of the Slave Reparations scam were news reports that many Black leaders and organizations had either called for, or introduced, legislation to open discussions about reparations. To entice their victims, the perpetrators of the Slave Reparations Act scam used an iota of factual information, coupled with the strong desire among many in the African-American community to at least discuss the effects and possible compensation for the enslavement of their ancestors.

Scams such as this Slave Reparations Act, the "Notch Baby" scam, and others that target our seniors are extremely disturbing. These types of fraud prey upon one of the most vulnerable segments of our society. Many seniors need every penny to pay for essentials and for medications. These seniors are our parents and grandparents. We owe them the protection they deserve.

As America ages, the potential targets of senior scams grow. In Arkansas, almost a half million people are sixty years old or older. This represents nineteen percent of our population, giving us the sixth-highest percentage of seniors in the country. Sadly, nearly one-third of Arkansas seniors live below the poverty level or are classified as "near poor." The Arkansas Delta region has had high, even extreme, rates of poverty for decades. It is a generally more rural area with a higher proportion of African-American residents than the state as a whole. Given our demographics of large populations of poor and senior communities, Arkansas is even more susceptible to misleading solicitations targeted toward seniors. This is one reason Arkansas was one of the first states to adopt enhanced-penalty statutes for consumer fraud targeted toward older consumers.

At the beginning of the 20th century, there were only three million older Americans. Today, at the dawn of a new century, there are 34.5 million citizens in our nation over the age of 65. This is about one of every eight Americans. And nationally, the older population will continue to grow in the future and will inflate significantly as the "baby boom" generation reaches 65. By 2030, there will be about 70 million older persons living in the United States, more than twice as many as today. They will make up 20 percent of our population.

Through the tough times and the times of prosperity in the last century, it was our seniors who raised families, strengthened our economy, defended our nation, and reaffirmed our deepest values. They are truly the "Greatest Generation." To honor the immeasurable contributions of older Arkansans, and to help them lead independent, active, and fulfilling lives, Attorney General Pryor remains committed to using the programs and services of his office to enhance their quality of life and to protect them from schemes and scams that target this population.

Attorneys General know that the best protection is education. An informed consumer is much less likely to be a victim of fraud. Realizing this and realizing that our seniors are being preyed upon, General Pryor has instituted a "Senior Tour" program. He has taken his office on the road all over the state of Arkansas to speak

at senior centers, retirement communities, churches, and civic groups with large senior memberships. This tour is aimed at educating our seniors to prevent them from becoming victims of consumer fraud. General Pryor has also produced a consumer publication geared toward seniors, *Consumer Issues: A Guide for Senior Citizens in Arkansas.* At every stop on the tour, there are seniors who have been victimized. Second only to telemarketing fraud, deceptive and misleading solicitations, such as the Slave Reparations Act scam, dominate much of the conversation.

When the Slave Reparations Act scam hit Arkansas, General Pryor launched a massive education and information effort, aimed at preventing seniors from being victimized. We produced consumer alerts (attached, Exhibit C) warning people of the scam and directing them not to participate in the hoax. We joined forces with the regional Social Security Administration, state NAACP, African-American legislators, ministers, and media outlets to help get the message out that the Slave Reparations Act flyer was a cruel scam. Additionally, we sent a letter to each of the 463 people who had responded to the flyer (attached, Exhibit D), informing them that it was a hoax and encouraging them to protect their personal information.

Attorneys General across America distribute similar warnings as we do. Although there's no law against private use of a Social Security number, we encourage consumers to take steps to protect their personal information and to know what actions to take if their identity is stolen. Some precautions include the following:

- Limit the amount of information you carry with you in your wallet or purse.
- Guard your Social Security number. You have to provide your Social Security number for employment and tax purposes, but for most other situations, ask to use another number instead.
- Watch your passwords and PINs. Never use your Social Security number, birth date, or other obvious numbers.
- Check your credit report. The sooner you notice irregular transactions, the sooner you can clear up the problem.
- Alert the credit bureaus first if you find that you've been scammed. Then contact the police, banks, and credit card companies.
- If your wallet has been stolen, get new checking and savings accounts. Have new credit cards issued and old accounts noted as "closed at customer's request." Obtain a new ATM card with a new PIN and account numbers.
- To reduce the number of unsolicited credit offers you receive, contact the three credit reporting bureaus and tell them you do not wish to receive pre-approved credit offers. You can do this with a single call to 1–888–5OPT–OUT. If you continue to receive offers, be sure to shred them.
- Get off junk-mail and phone-solicitation lists by signing up for the Direct Marketing Association's Mail Preference and Telephone Preference Services. In those states that have a Do Not Call list (like Arkansas), sign up for these services to prevent telemarketing fraud and to protect your privacy.

Attorneys General will continue to fight for consumers, particularly seniors. They will continue to try to educate consumers. But realistically, while the precautions above are good and will reduce the risk of becoming a victim of identity theft, consumers do not have "real" power to stop it. The key to stopping, or at least to greatly reducing identity theft, lies in a number of combined strategies that must be implemented not only by consumers, but also by businesses, credit reporting agencies, credit issuers, and government agencies.

These strategies include:

Businesses

- Limit data disclosure. For example, a person's Social Security number does not necessarily have to be printed on staff badges, time sheets, paychecks, invoices, etc.
- Adhere to responsible information-handling practices, including proper document disposal (shredding).
- Train staff properly about how to handle sensitive information, and spot check to ensure compliance.
- Include responsible information-handling practices in business-school courses, even in schools when children are learning computer basics.

Credit Reporting Agencies

- Provide consumers with a free credit report annually upon request in all states.
- Provide the ability for consumers to "freeze" credit files, or as in Vermont, at least require affirmative consent of subjects before any credit reports are issued to customers of reporting agencies.
- Always give the consumer a copy when a customer obtains credit information about him or her.
- Conduct profiling and provide notice to a subject when unusual action is discovered.
- Demand that reporting agencies must be user-friendlier when victims call. A victim should be able to speak with a "live" person. Also, victims need one-stop shopping so they do not have to repeat attempts to clean up their credit history for each agency.

Credit Issuers

- Require credit issuers to be more diligent in reviewing credit applications. This includes conducting better identity verification, particularly when the address is reported as changed.
- Improve identity-checking procedures for "instant" credit, an option that is favored by identity thieves.
- Put photographs on credit cards.
- Reduce the number of pre-approved offers of credit mailed to consumers, and print the opt-out phone number prominently on all such offers.

Government

- Congress should strengthen the powers of the Social Security Administration giving them more teeth to deal with misuse of Social Security numbers.
- Congress can also strengthen enforcement of the Fair Credit Reporting Act.
- A clearinghouse should be maintained in each state for lost and stolen driver's licenses.
- Social Security numbers and other sensitive information from public records should be redacted, especially those available on the World Wide Web.

The success of the Slave Reparations flyer to attract many seniors to give out personal information simply highlights how vulnerable seniors are to exploitation by those utilizing deceptive, misleading, and false information. Unfortunately, the schemes and scams are as endless as a con artist's imagination. In fact, while I was preparing for my testimony before you today, several cities in Arkansas were being targeted by a Black Heritage Tax scam.

This scam is just the latest version of the Slave Reparations Act scam. In this version, descendants of slaves are led to believe that they are entitled to more than $40,000. They are asked to pay a fee to have an Internal Revenue Tax form filled out by an "expert," but the truth is that there are no provisions in the tax laws regarding such claims and any fee paid is simply money wasted. It's despicable that some con artists are stealing from innocent people by charging fees to prepare what they know to be baseless claims. Unfortunately, this is a reality today.

Our seniors, our greatest generation, need and deserve our protection. Through the combined efforts of local, state, and federal officials, and with the help and support of businesses, civic organizations, and consumer groups, all of us together can combat the misleading mailings and the con artists who prey upon our parents and grandparents.

Exhibit A

August 2000

ATTENTION

SENIOR CITIZENS

If you are a "NOTCH–B-AB—Y", meaning you were born in the U.S. between 1911 and 1926, this news is for you. You may be entitled to receive $5,000.00 due

to inequities in your social security payments. There is a measure attempting to be passed, but you must be registered in order to receive it. See the following article:

Some 11 million americans born from 1917 to 1926 will receive their Social Security benefits under a bill proposed in the Senate. The bill would give "Notch Babies" the option of receiving higher monthly payments for 5 years or a $5,000.00 settlement spread over 4 years. These Americans have been receiving a lower social security amount than others.

Social Security will contact "Notch Babies", so they should write to:

National Victims Register
TREA Senior Citizens League
P.O. Box 96472
Washington, D.C. 20090–6472

TREA is a senior citizen's organization. You will need to provide the following in order to register.

Name:
Address:
Phone:
SS:

Exhibit B

August 10, 2000

Any black person who is age 73 and older. Anyone born 1927 or earlier is entitled to a $5,000.00 payment from the Government.

These persons need to send their:

Name
Address
Phone
S.S.
Date of Birth

To:
Nation Victims
TREA Seniors System League
P.O. Box 96472
Washington, D.C. 20090–6472

You will not get it unless you apply for it.

Exhibit C

From the Office of Arkansas
Attorney General Mark Pryor

Consumer Alert

Beware of any request for your name, address, Social Security number, and date of birth.

The Arkansas Attorney General's Office has received information about a scam **promising $5,000 to persons of African-American descent** who were born before 1928. The money is said to be a result of the **"Slave Reparation Act"**. In order to receive the promised money, an individual is asked to submit personal information, including date of birth and Social Security number. Attorney General Mark Pryor says this is **not a legitimate offer and is advising Arkansans not to respond.** Report consumer fraud to your local law-enforcement agency and to the Consumer Protection Division of the Attorney General's Office.

Giving your Social Security number or date of birth to unreliable sources may cause you to become a victim of consumer fraud.

Office of the Attorney General
Consumer Protection Division
323 Center Street, Suite 200
Little Rock, AR 72201
(501) 682-2341 or (800) 482-8982
www.ag.state.ar.us

Exhibit D

February 8, 2001

NAME
ADDRESS
CITY,
STATE ZIP

Dear:

Based on a recent investigation which originated in my office, your name was provided as a possible victim of consumer fraud as it relates to a bogus flyer that was circulating about a possible monetary settlement in connection with the "The Slave Reparation Act".

The investigation results, thus far, are as follows:

- The identified organization was erroneously collecting information in a well thought out membership effort to defraud African Americans by thinking they would receive a $5,000 check by simply returning a completed flyer; which included the name, address, city, state, zip, home phone number, social security number, and date of birth.

- I am sad to report that this is simply not true. Our investigation is still ongoing, so there is little more I can share at this time, other to let you know that over 20,000 citizens of the United States have responded to his scam.

As your Attorney General, I wanted to contact you to let you know that protecting your social security number, your date of birth, and all of your home contact information should remain at the highest of confidentiality and should never be shared unless it is unavoidable and only to companies or businesses you are familiar with.

I have enclosed a copy of the Consumer Alert issued by my office as well as a tip sheet as it relates to protecting your social security number. I hope that you will find this information helpful.

Should you have additional questions, please do not hesitate to contact me at the toll free number listed below. Also, please share this information with your friends and family in order to get the word out.

Sincerely,

MARK PRYOR
Arkansas Attorney General

Enclosure:

Chairman SHAW. [Presiding.] Thank you, sir.

We appreciate the testimony of all three of you. And I know that each and every one of us would like to question you. However, we have run out of time in this room.

So we will allow the members 10 days to provide questions to the staff, which will be forwarded to you. And hopefully, you all can give us some of your answers.

We appreciate your testimony and your individual concern. And thank you very much for being here.

This Committee stands adjourned.

[Questions submitted from Chairman Shaw to Ms. Severyn, and her responses follow:]

AARP
Washington, DC 20049
September 12, 2001

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
House Committee on Ways and Means
2408 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

I am writing in response to your August 30 letter to AARP's witness, Mrs. Betty Severyn. Your letter seeks answers to questions raised by the testimony of AARP and others at the July 26 hearing before your subcommittee on misleading mailings. You have raised some excellent points in your inquiries to which AARP is pleased to respond.

Question 1. **When questioned during the hearing as to what groups rented or purchased their mailing lists, Mr. Zabko mentioned that AARP had rented TSCL's mailing list. Is this an accurate statement? Would you elaborate?** In order to invite potential members to join the Association, AARP acquires names for mailings from various sources, including public records and large compiled lists of people believed to be at least 50 years old. These mailing lists may generally be used for only one mailing, and then must be returned to their owners. AARP does not maintain or add the names on these rented lists to AARP's own member list.

AARP has maintained records of the entities from which it has rented mailing lists since 1989. These files do not contain records of any rentals from The Retired Enlisted Association (TREA) or The Senior Citizens League (TSCL). However, if TREA/TSCL mailing lists were marketed under different names, or were included in other compiled lists, it is possible that AARP may have unknowingly rented the TREA/TSCL lists.

Question 2. **In your testimony, you listed categories of misleading mailings such as mailings that look as though they are sent by the government, cold lead mailers, and mailings on legislative issues, etc. Of the misleading mailings you mentioned, would you tell me which ones appear to be the most egregious? Why? Do you have any sense of the volume of these mailings, how many seniors received misleading mailings each year on average, by category?** Based on the letters and phone calls we receive, cold lead mailers and letters that appear to be sent by a government agency are the categories of misleading mailings that are most egregious. Many older Americans do not realize that providing personal details on a card in order to receive information, particularly when the card is included in a mailing, can generate sales calls and visits. Look-alike letters make money for the mailer by capitalizing on the faith that older people place in their government. Frequently, the service or information described in the mailing requires a fee to be paid to the mailer, although similar information can be obtained from the government without a fee. We are unable to provide data regarding the relative frequency with which older Americans receive these types of mailings.

Question 3. **You talk about the fact that notch mailings have been around for about 20 years. These mailings misinform seniors about the issue. Can you tell us how these organizations get the names and addresses of individuals that fit into the so-called notch category?** We have not done extensive research on how "notch" mailers get the names and addresses of individuals who some characterize as affected by the "notch". Many states sell drivers' license information and many organizations sell their mailing lists to other groups.

Question 4. **You stated that you have informed individuals who contact your office regarding the notch issue to request that group's financial statement before contributing. Are your members doing this? What has been the result?** We do not have statistics regarding the extent to which our members are requesting financial statements from groups sending out "notch" letters. We know that many callers are dissuaded from sending money when we inform them about the "notch", the limited lobbying that these organizations do, and indicate that "notch" legislation is not likely to pass.

Question 5. **You stated that AARP filed a lawsuit with the Federal Attorney General's Office against a company that misused AARP's name in selling living trusts. Has AARP filed any other lawsuits against companies that are misleading seniors with their mailings? If so, please provide the names of those companies and the results of any court action.** Although AARP has not filed any other such lawsuits, attorneys with its affiliate, the AARP Foundation, are co-counsel in a lawsuit, *Navarro, et al.* v. *Special Data Processing, d/b/a, National Magazine Exchange,* No. 01–20655 PVT (N.D. Cal.), involving misleading mailings to older consumers. This case involves allegations that National Magazine Exchange sends mailings to consumers with a toll free number to inquire about the status of their sweepstakes entry. Many of the recipients of these mailings did not

enter any sweepstakes. When a consumer calls the toll free number, he or she is pressured to purchase magazines. National Magazine Exchange is based in Clearwater, Florida. The parties are engaged in discovery. The case was originally filed in state court in Santa Clara County, California, and then removed to the Federal district court for Northern California. Plaintiffs are attempting to have the case transferred back to state court.

Question 6. **You stated that AARP tries to educate their members about misleading mailings by launching education campaigns? Please provide further details as to what type of educational workshops and program activities you conduct?** Beginning in 1996 AARP launched a nationwide campaign to counter fraudulent telemarketers. Using the slogan "Don't fall for a telephone line," AARP engaged in a drive to educate consumers regarding ways to avoid falling prey to fraudulent telemarketers. The campaign also alerted consumers to the fact that fraudulent telemarketers were criminals and were not just playing pranks. These slogans came into being after AARP qualitative research revealed that although older consumers knew telemarketing fraud was wrong, they found it hard to believe that it was a crime. Our research suggested that older consumers must be convinced that fraudulent telemarketers are criminals before they will exercise greater caution.

In addition to distributing a variety of brochures, flyers, magnets and the like, AARP produced Public Service Announcements and video news releases on the subject that were disseminated to media outlets around the country. While some of the printed material was mailed to consumers, the majority was distributed face-to-face through a series of educational workshops. These workshops, some held in conjunction with local law enforcement, were a means to "deputize" consumers as "fraud fighters." At the end of the 2 day or full-day session, those in attendance were asked to inform others in their community about how to prevent telemarketing fraud. Also, we recently produced and aired a video news release on deceptive mailings that builds upon this hearing. To date, the news release has been broadcasted on over 100 television stations.

Question 7. **In your testimony, you stated that AARP cooperated with the FTC and Federal and state agencies to form the Operation Mailbox task force. As a result, AARP identified more than 5,000 pieces of mail that might require legal action. Did AARP identify the prevalence of certain types of misleading mailings? What did you find? You stated that the FTC/Operation Mailbox strike force announced over 150 federal and state enforcement actions against the sponsors of the mailings. What actions were taken?** AARP has taken extraordinary steps to educate our members and the public at large as to how to differentiate between legitimate offers and misleading, deceptive or fraudulent ones. Our goal is to reduce fraud and deception in telemarketing and mailed solicitations. As part of this mission, AARP has worked in tandem with the state Attorneys General, to gather information and warn consumers about potential fraud.

Additionally, we were active participants in Operation Mailbox. Operation Mailbox was a coordinated effort undertaken with the Federal Trade Commission (FTC) and federal and state law enforcement agencies to identify fraudulent mail.

In December 1997 as a function of the AARP Anti-Telemarketing Fraud campaign, we placed an article in our monthly publication, The Bulletin. The article asked members to check their own mail for cards and letters that looked suspicious or that carried claims that the recipient was a "guaranteed contest winner." We also requested that they watch for mail that offered "no risk" investments, get-rich-quick schemes, or solicitations for dubious charities as well as mail that told the recipient to immediately call a 1–800 or 1–900 number. We asked that such mailings be forwarded to the Association. We told our members that law enforcement experts would be reviewing the mail for possible legal actions.

Throughout the next 6 months, AARP members submitted over 10,000 pieces of mail. Dozens of members sent envelopes and boxes stuffed with solicitations. Over and over our members asked the same questions; "Is this a legitimate solicitation?" and "Can you help me get the money I've won or help me get my money back?"

Subsequently, for more than 3 months AARP volunteers and staff opened, read and sorted the mail sent in by members. In cooperation with the FTC and federal and state agencies, which formed the Operation Mailbox task force, AARP identified more than 5,000 pieces of mail that might require legal action. An outside firm was hired to code the pieces under the system used in the Consumer Sentinel database. Consumer Sentinel data is used by subscribing law enforcement agencies to identify and investigate suspected fraudulent businesses or individuals. While the pieces of

mail covered a wide variety of schemes, sweepstakes-type solicitations were identified as a prime area of concern.

Based in part on AARP's contribution of over 5,000 complaints, at no cost to law enforcement, the FTC/Operation Mailbox strike force announced over 150 Federal and state enforcement actions against the sponsors of these mailings in 1998. Penalties in these cases ranged from fines, to forfeiture, to imprisonment.

Question 8. **The Associated Press reported that based on a review of tax records, six senior groups, including AARP, collected at least $18.8 million last year by renting out their mailing list. Of that, the lion's share, $16 million, went to a for-profit subsidiary of AARP, which charges to share the names of its more than 34 million members with mutual fund, credit card, and insurance companies. Is the information in this press account true? Is your membership aware that this information sharing occurs? Do members provide their expressed written consent to allow this to happen? What specific individual information is shared? How does AARP protect the privacy of their membership information? Would you explain which membership protected in any way, or can the company receiving the information use it and share it with others?** The AP story correctly states that, last year, AARP's wholly owned subsidiary (AARP Services, Inc., or "ASI") received access fees from providers of AARP member benefits and services for the use of AARP's membership list (although these fees totaled approximately $14.4 million, rather than $16 million). However, the story unfortunately provides an otherwise misleading and incomplete impression of AARP's practices with respect to the use of the member list and the recruitment of new members.

Use and Protection of Member Information. AARP has always been committed to protecting the privacy of its members. AARP restricts the use of its membership list to a limited number of companies that we have selected to provide AARP member benefits and services using the AARP name and logo. These AARP providers include, for example, United HealthCare, which offers Medicare supplement policies under the AARP Health Care Options program, and Hartford Insurance Company, which offers insurance coverage under the AARP Auto/Homeowners Insurance Program. We select AARP providers based on their ability to offer services that are of unique value to members and that are consistent with AARP's mission to benefit Americans age 50 and older.

Our contracts with these AARP providers require them to keep the member list strictly confidential, and allow them to use the list only to offer the AARP endorsed member services or benefits. For example, United HealthCare is prohibited from using our membership list to offer its HMO plans, and is prohibited from renting, selling, or disclosing the list to third parties for any marketing purposes. All of United HealthCare's member mailings must relate only to the AARP Health Care Options program, and must be reviewed and approved by us in advance. AARP Services, Inc. is responsible for monitoring the providers' compliance with these contractual requirements.[1] Unlike some other organizations, AARP does not make its membership list available for rental in the general marketplace. AARP does not, for example, rent its membership list to mailing list brokers, telemarketers, or any other third parties that are not offering AARP endorsed services or benefits.

As is typical under affinity programs offered through associations, alumni groups, and membership organizations, the providers that we select to offer AARP services and benefits pay AARP a royalty for the use of AARP's name and intellectual property. The royalty payments are generally based upon a percentage of program revenues or upon the number of program participants. Prior to the formation of ASI, pursuant to the terms of a 1999 Private Letter Ruling from the Internal Revenue Service, there were no separate payments for the providers' use of the AARP membership list. AARP would make the membership list available to the providers in order to inform members of the AARP member benefits and services, but AARP

[1] In 2001, the membership list was made available to the following eleven AARP providers: United HealthCare (AARP Health Care Options), MetLife (AARP Health Care Options), Retired Persons Services, Inc. (AARP Pharmacy Services), Cole Vision (AARP Vision Source), Hartford (AARP Auto & Homeowners Insurance), General Electric Financial Assistance (AARP Motoring Plan), New York Life (AARP Life Insurance), Foremost (AARP Mobile Home Insurance), First USA (AARP Credit Card Services), Scudder (AARP Investment Program), Royal Insurance Company of Puerto Rico (AARP Auto & Homeowners Insurance Program), and America Online (AARP Privileges). In 2001, the following providers of AARP member benefits may also be permitted to send more limited mailings about specific AARP offerings (e.g., three mailings to no more than 500,000 members), subject to the same contractual restrictions described above: US Airways, Gateway Computers, I Explore, American Online, and Kiplinger Washington Editors.

would only receive royalty payments based upon member enrollment in the AARP provider programs.

In calendar year 2000, the total payments to ASI for access to the member list were approximately $14.4 million, and the total royalty payments to AARP were approximately $180 million.

Information in the membership List. In addition to collecting basic information in member applications (e.g., name, address, date of birth, employment status, and, in online applications, e-mail address), AARP also keeps track of members' participation in AARP activities, programs, and service offerings. Our files identify, for example, if a member is enrolled under AARP Health Care Options, has called with questions about an AARP service, or has attended an AARP volunteer event. AARP supplements member files with demographic information obtained from other sources (e.g., aggregate information about the average age, education, and racial composition of "census blocks," and household-specific information about car ownership and estimated income). All of this information helps us to understand our members' characteristics and needs better, and determine ways to improve our programs and services.

Providers of AARP member benefits and services use this information to determine the AARP members to whom they will send mail. As noted above, ASI reviews the content and volume of all AARP provider mailings in order to ensure that they are appropriate. This process reduces mailing costs and minimizes the promotional mail that our members receive.

The membership list does not include any information about our members' health insurance claims, health status, credit card numbers or balances, or other financial account information under AARP provider programs. If members call with questions or complaints about their AARP providers, the members or providers may sometimes provide ASI with account or claims information so that ASI can follow up on the members' behalf with the AARP providers. In these cases, ASI uses the information solely for the purpose of fulfilling the members' requests.

Member Notice and Choice. AARP sends a Member Handbook to all new and renewing members. The Handbook explains that AARP shares member information with providers of AARP member benefits and services so that the providers can inform members of those benefits and services. The Handbook also explains that members can call AARP's toll-free number if they do not want to receive these promotional mailings and do not want AARP to share their member information with AARP providers. AARP does not, however, obtain the written consent of members before sharing their membership information with AARP providers. AARP recently expanded the privacy statement in the Handbook in order to ensure that members fully understand our privacy practices and their choices with respect to the use of membership information. A copy of the privacy statement is attached to this letter.

Member Solicitations. Contrary to the suggestions in the AP story, AARP does not solicit contributions from seniors with letters warning that their government benefits may be in jeopardy. As you know, AARP testified against deceptive mailing practices before your Subcommittee. AARP has had a longstanding interest and deep concern about mailings that exploit the sensitivities and vulnerabilities of older Americans many of whom have modest incomes and cannot afford to waste their limited resources.

AARP mailings simply invite potential members to join the Association for Membership dues of $10 per year. In exchange for this dues payment, AARP provides information and resources; advocates on legislative, consumer, and legal issues; assists members to serve their communities; and offers a wide range of unique benefits, special products, and services for our members. These benefits include *AARP Webplace* at www.aarp.org, *Modern Maturity* and *My Generation* magazines, and the monthly AARP Bulletin.

AARP Services, Inc ("ASI"). As noted above, ASI is responsible for managing our relationships with providers of AARP member benefits and services. AARP formed ASI several years ago for business and tax reasons. As the sole shareholder, AARP appoints all of the members of ASI's Board of Directors. AARP is also responsible for ensuring that ASI's activities are consistent with AARP's non-profit mission. To the extent that ASI earns a profit, ASI pays taxes on these amounts. Any ASI dividends paid to AARP as the sole shareholder would be used to support AARP's programs and non-profit mission.

Chairman Shaw, AARP thanks you once again for inviting us to testify on this very important issue. We appreciate the opportunity to respond to the above questions and we commend you on your efforts to inform members and educate the public about misleading mailings targeted at older Americans.

If you have any further questions or concerns, please do not hesitate to call me or ask your staff to call Evelyn Morton of our Federal Affairs staff at 202–434–3760.

Sincerely,

MARTIN A. CORRY
Director
Federal Affairs

ATTACHMENT

AARP Member Handbook Statement on Privacy

AARP understands how important privacy is to our members. We are committed to protecting your privacy and want to make sure that you understand how your membership information is used. We also want you to be aware that you have choices about how we use this information.

What We Collect. When you apply for membership, we ask for basic information such as your name, contact information, and date of birth. We keep track of your participation in AARP activities and member services so we can understand our members' interests and evaluate the effectiveness of our offerings. We also collect demographic information from other sources to help us learn more about member characteristics and needs. All of this information helps us better serve our members and improve our programs.

Information Sharing. We share your personal information only with companies we have selected to provide official AARP member services or support AARP operations. Some of the providers of AARP member services, including many of those listed in this handbook, pay a fee for access to our Membership list. Our contracts with these companies require them to keep the member information strictly confidential, and allow them to use the information only to offer the contracted services to AARP and AARP members. We oversee the companies' compliance through our wholly owned subsidiary, AARP Services, Inc. Other AARP affiliates, such as the AARP Foundation and the AARP Andrus Foundation, may also have access to member information. Finally, we may release personal member information on the rare occasions when we are required to do so by law, or when necessary or appropriate to comply with legal process or protect or defend AARP and its members.

Your Choices. We respect your choices. If you do not want us to share your information with providers of AARP member services, you can contact us as specified below. You should then stop receiving AARP service provider mailings in about six to 8 weeks. (Note: If you request services or information from an AARP service provider directly, we may still need to confirm to the provider that you are an eligible AARP member). You may also elect not to receive information about AARP activities, such as legislative events and educational programs, or about the activities of other AARP affiliates like the AARP Foundation.

Contact Us. For more detailed information about our privacy practices, please visit our Web site privacy policy at http://www.aarp.org/privacy.html, or contact us to request a copy. To exercise your choices, or ask questions about your membership information, please contact us at:

Appendix A

The staff met, at 10:07 a.m., in room B–318 Rayburn House Office Building, on August 29, 2001. In attendance was Kim Hildred, Staff Director, Subcommittee on Social Security; Richard J. Ruddy, Jr., Ruddy Law Firm, Fairfax, Virginia; and Maurice K. (Chip) Heartfield, III, Squire & Heartfield Direct, Inc., Oakton, Virginia.

Mr. HEARTFIELD. I brought you guys a resume so you know who I am a little bit.

Ms. HILDRED. Very good. As you're aware, we went back and forth with Mr. Ruddy before our hearing relative to issues regard-

ing the subpoena and the hearing and then Members of Congress decided that they wanted to have the opportunity for their representatives, Andrea and myself, to ask you some questions face to face, which we'll be doing today.

And obviously you'll be asked questions. Our stenographer is also a notary who's going to administer an oath and we have a stenographer present and the results of this interview will be made part of our hearing record.

Mr. RUDDY. Will you provide a copy of that?

Ms. HILDRED. Sure, we will. Yes, indeed.

Mr. HEARTFIELD. Thank you for your understanding of my issues.

Ms. HILDRED. OK.

The REPORTER. Mr. Heartfield, in the testimony you're about to give do you swear or affirm to tell the truth, the whole truth and nothing but the truth?

Mr. HEARTFIELD. I do.

Ms. HILDRED. How about if I just start and Andrea, please jump in whenever you'd like.

Mr. Heartfield, can you tell me your position at Squire and Heartfield Direct?

Mr. HEARTFIELD. I'm vice president. I'm one of the owners.

Ms. HILDRED. And what are your duties?

Mr. HEARTFIELD. My primary duties are the administrative and management aspects of the company. We have I guess about nine or ten employees. I also participate in the creative side to a certain extent. Client services, not necessarily program development or the lobbying side of it, making sure that everything's running smoothly, that type of thing.

Ms. HILDRED. Does your position involve direct client contact?

Mr. HEARTFIELD. Yes.

Ms. HILDRED. And how long have you been in the direct marketing business?

Mr. HEARTFIELD. Twenty-three years. I had a history degree and I was going to go to law school. I was going to teach. I was going to go into the Foreign Service. I didn't know what I was going to do.

My cousin, who was working for an environmental fundraising group, said, "Well, while you're figuring that out, we need help." So my first job was sorting petitions for a Save the Whale group and processing checks, basically caging direct mail returns and handling comment mail, which is when people write notes on the sides of the things or actually send letters in that need responses. The next thing I knew it was my career and I've been doing it ever since.

Ms. HILDRED. And how much of your marketing business is aimed at seniors?

Mr. HEARTFIELD. Well, almost all lists that fundraisers use, whether it's for an environmental group, a congressional campaign, a seniors organization, all of the lists consist primarily of seniors. They're the ones with the disposable income. They're the ones that have a track record of responding through the mail. Not everybody responds through the mail. If you're not a direct mail responsive person, you're a terrible prospect for anything.

So in terms of what lists are mailed, almost all lists that everybody mails are largely senior citizens. We have probably 75 percent or better of the work that we put out for clients involves legislation which directly affects seniors.

Ms. HILDRED. When marketing for a client, such as TSCL, what are your primary objectives?

Mr. HEARTFIELD. Well, the client—TSCL would have a legislative agenda. Our job is to take the legislative agenda and translate it into materials that are suitable for the grassroots market, which is the direct mail market. We also do some draft work for them on press releases and things. We do a lot of the draft work for their newsletter where we take draft stuff that they've done and add our 2 cents worth.

Then when it comes time to put it out, once they've signed off on something, whether it's a press release or a newsletter or a mailing piece with a petition in it, we then coordinate with—we competitive bid the stuff to a number of different printers. Or if it's a press release there's obviously a variety of services that you can use for that type of thing. Almost all the time they're also distributed to every Hill office so we actually have a broadcast fax system set up which has a bunch of senior publications and I think all but about eight congressional offices that don't give out their fax numbers and so we mail to them.

It's taking their legislative agenda and converting it to something which is hopefully understandable and compelling to a grassroots market. They have people that come down to the Hill and go to fundraisers and visit offices and do that, so we're not involved in any of that kind of stuff. We don't have lunches with anybody or anything. I mean I get dragged to fund raisers every once in a while because they have another ticket but it's not part of what we do.

In terms of actually preparing materials, again if they support a particular bill number and want to do a mailing on that bill, we would sit down, research the issue or take draft language from them. Sometimes it can be testimony that they've submitted, which gives you—you know, you're writing a letter for somebody else, like a speechwriter. So it's not how I want to say it; it's how they say it.

On the other hand, we may come up with a way of saying something which the client then says I like the way you've put that, so it's a back and forth collaborative process.

We'll then develop copy from their draft or from their agenda only or some talking points. If there are any factual statements made, whether by them or by us, we will get the document that it came from and that's included when the mailings go back over to them for final approval. All approvals are in writing.

So a package will go back over with footnotes so if there's a statement made that prescription drug prices went up 18 percent in 1999, there would be a footnote referencing a Washington Post article or even a congressional hearing, a statement by somebody at a congressional hearing or a press release from a Member of Congress who's put out a bill to do something about prescription drug prices. And if the press release—especially if the package is in support of that bill, if the congressman's press release or speech

on the floor says prices went up 18 percent last year, sometimes it's quoted, sometimes it's just used, but it would be footnoted as coming from there.

The client approves it and, as I said earlier, we then coordinate. We don't own printing presses or computers or any of those things. We're a coordinator of the production services. They use a bunch of different printers and a bunch of different mail shops. We're required to get multiple bids to end up with the best price. That's not always the lowest price but the best price is a combination of price and delivery in order to meet a mail date. The mail dates are scheduled to avoid holidays or to coincide with Congress coming back into session or a bill that a Committee may be getting ready to vote on, so it's driven by what's going on. And it's driven by what the client is saying to us in terms of when they want a certain thing out.

Ms. HILDRED. So if I'm hearing you correctly, the objectives are primarily laid out in this particular case, for example, by TSCL and then you kind of put the meat on those objectives and respond to the objectives that TSCL is looking to?

Mr. HEARTFIELD. Well, they have an actual legislative agenda, which is bills that—you know, in the beginning of the new Congress it would reference the bill numbers from the previous Congress, from the 106th Congress, and hope that, for example, if Congressman Sanders is going to reintroduce his Consumer Price Index for Elderly People (CPIE), they would call his office and say, "Do you expect that to happen?" and it may be that yes, it's going to happen in the next month or two or it's going to be a few months.

So you would, if you were mailing a mailing or doing a press release on the need for the CPIE for seniors you would say like Congressman Sanders' bill in the 106th Congress. When he then reintroduces it, as he has now in the 107th, then you obviously switch and use the current bill number and start talking about this many cosponsors and we hope to help get 15 more in the next three months or whatever the goal is.

If you just sort of write a letter to people and say, "Send money now," it doesn't work. They want to see what's going on. They're getting mail from lots of other groups at the same time, not just on seniors issues but I mean they may be animal lovers or whatever other interests they have—you know, Save the Children, that type of thing.

Ms. HILDRED. How do you measure your success in achieving the objectives?

Mr. HEARTFIELD. Well, we do three things for our clients. We're not a fundraising agency. We are a grassroots communication business. So one objective obviously is fundraising because it's a nonprofit group. They don't accept any government money. It's all small donations coming in.

The second thing that we are trying to do is give them grassroots lobbying support for what they're doing, which is getting people to sign petitions and then they typically take—you know, every once in a while a group will show up with a truckful of petitions or a hand truckful of petitions and they'll have a picture with the congressman who may be sponsoring the bill they're supporting or

whatever. Everybody does that type of thing. But simply shipping the petitions down every time doesn't really accomplish much because an office gets a box of petitions and they say, "What am I supposed to do with this?"

So typically the lobbyist would take a print-out of the people in a member's district and maybe a cover copy of the petition or the language of the petition typed up and visit members who are thinking about supporting the legislation or are on the fence or whoever they want to go see with these petitions or these names and addresses saying, "Here's 2,400 people in your district who signed this petition supporting this piece of legislation."

Then the third thing, and people sometimes will send postcards directly in or place calls directly to their congressman's office. Or sometimes during a district work session like this some groups might do a mailing saying call the congressman's office at home because he's home now; he's in your district, so call the office nearest you. And there are companies you can purchase the information from, you know, where the offices are, in computer form, where the offices are and phone numbers and addresses and that sort of thing.

So just on the grassroots lobbying part it really depends on what they want to accomplish and how they want to accomplish it. Sometimes you actually send them actual letters that have their name and address laser-printed at the top and they can sign the letter and mail it themselves or they're encouraged to write it in their own words kind of thing.

We also do surveys a lot of times in the packages. You know, some of the survey questions are intended to sort of help—I mean you're going to get 90 percent of the people who are going to say yes, I want this or that. You know, other questions are aimed at finding out exactly how many people know there's a bill out there that will do something. So, for example, on a CPIE again, were you aware that there is a bill before Congress now to use the CPIE rather than the other formula that's being used for seniors and it measures their market basket instead, that type of thing.

And typically what happens in situations like that is you're going to get 50 percent of the people are going to say no, I didn't know about that bill or 70 percent or whatever the number may be. That gives the client and us some idea of what else is needed.

For example, if half the people don't know—you know, this is not a scientific sampling. It's based on mailings and we don't say this is a scientific survey. It's just your opinion, your input. That would indicate a need to do more public education, more press releases, more getting the word out about the bill because if you—generally speaking, in fundraising world if you are mailing to an audience that is not somewhat presold on the idea or the issue, it's not going to do well. And again that applies across the board.

So if you're an environmental group, if people don't know that baby seals are being clubbed in Canada and you say, "You've got to help with the seals," they're going to say, "Well, what about the seals?" Sometimes it's as easy as putting a picture in of guys clubbing seals but the issue has to already be on their minds or already be of concern to them for it to be effective. So when you get survey answers like that, it means more public education stuff is needed.

And a lot of people, if they're not aware of it they'll sign the petition if they like what it says but they don't send money and that's fine, too, and contributions are voluntary. Nondonors, favorable nondonors, meaning people that sign the petition or answer a survey or whatever it might be, are kept on the list and they receive materials, as well, for a period of time.

And again the organization's goal, if they are a grassroots organization, is to build as broad a base as possible, so it's not limited to people that can afford some certain dollar amount. I mean some groups operate that way. Some groups, you have to be a member. You have to pay at least $15 a year or you get nothing.

And there are a lot of environmental groups, for example, where you get a lot of benefits, so you can spend 15 bucks and get this four-color magazine four times a year. That's a membership, benefits-driven organization, AARP, of course, being the king of benefits-driven organizations. A lot of (c)(4), Sierra Club and Nature Conservancy and groups like that, you get a lot for one contribution a year. Other groups focus on grassroots legislative impact, so they would not necessarily configure exclusively as a membership group and they would welcome people that sign petitions, even if they don't send money.

Ms. HILDRED. Is data kept regarding responses relative to kind of meeting those objectives that you were talking about? In other words, does TSCL collect data on response rates, contributions, the measuring of education through the surveys?

Mr. HEARTFIELD. Well, all of the direct response information is kept. The names and addresses are key-punched, the dollar amount, the mail code, the date. If it's a nondonor, all the same information except that in the dollar box it says zero.

The surveys are typically sampled so you'll pull 10 percent of all the surveys that come in and you'll do a sampling of those, the idea being just to see if there's a trend. Again some questions are intended to help make your case so 90 percent or 80 percent of the people are going to say, "That's right." Other questions in there are intended to see if people are actually willing to pay a few extra dollars for a prescription drug premium, so you might say, "Are you interested in a prescription drug premium? Would you be willing to get a card and pay more? How much more; $2, $4, $6, $8? Other?"—that sort of thing.

So those surveys are sampled and those results are published periodically and distributed in our office and with the client and sometimes they use those when they send out press releases or they put it in their newsletters. The petition-signers, that's obviously kept track of and then depending on the bill and how they're working the bill, they would go to offices with petitions or a list of names and say, you know, "Here's a bunch of people in your district" and it would typically be Mr. Chip Heartfield, Bethesda, Maryland, not a full address just from a security standpoint.

Some groups, if congressmen ask, will share the full name and address because the congressman wants to write back. Other groups don't. It's an interesting issue. Some groups—TSCL will, if congressmen express greater interest, say, "Would you like to write a column in our newsletter, which goes out 10 times a year, about

this issue?" So typically they have a Member of Congress writing a guest column and a lot of groups do that in their newsletters.

So all of that information is used to help them accomplish their legislative agenda. They have a database where they store the name and address information. The new term over the last couple of years if you were to read any of the direct marketing publications is database marketing but that just means you're capturing that information and you're using it to try to make intelligent decisions about how you communicate with these people and how you move forward.

Ms. HILDRED. Does TSCL instruct you in terms of their objectives, priorities of those objectives; for example, the education piece over fundraising? You talked about a series of objectives that mailings are designed to achieve. In the creative process or in the design processes, does TSCL decide or give you any indication that one of those objectives may be more important than the other so that you can ensure that the piece that you develop meets that priority?

Mr. HEARTFIELD. Sure. The newsletter, for example, some groups send out newsletters with fundraising pitches in them, actual letters asking for money and a little petition or something to send back because they want their newsletter program to pay for itself or to actually make a little money. Or, in a very simple sense, they just put the little coupon into the newsletter, although that's passive and doesn't usually do anything. Some groups will put an envelope—like Nature Conservancy binds an envelope into the middle of all of their nice magazines that they send out. I have no idea how much money comes back in from that but every penny helps if you're a nonprofit group.

TSCL does not ask for money. Their newsletter, it's an eight-page newsletter that goes out 10 times a year. It has no requests for money. I don't even think they, as a rule, put in even a little box where you can contribute. I'm sure there may have been a few in the past. That's a case where they're fulfilling an obligation to people that have sent money and here's our newsletter.

Other mailings don't ask for money at all. It might be a mailing that you send to just the people in a particular congressional district and they want them to call their congressman and say, "Could you please support this bill?" That's usually like a telegram-style mailing and it doesn't ask for money. It's just an action thing.

When the Notch Commission met a few years back, TSCL sent postcards to supporters in the two cities where they had the public hearings to say there's this thing. The press releases and that sort of thing—sometimes they'll ask for a dollar in return for a white paper and postage and that sort of thing but they don't insist on it.

The regular direct mail, different people have different formulas or techniques or styles that they think are going to produce the best results. Sometimes they'll say, "Do we have to ask for money so many times in the package?" Or "Can't you say it this way?" or "I want to make sure it says 'If you can afford it' right in the letter." TSCL, all their reply forms, for example, say "Contributions are voluntary." I think on the back it says, you know, "Don't send

it if you can't afford it." They have a money back guarantee. They send refunds all the time if somebody gets upset with them.

So yeah, it just varies depending on what's going on. Our job is to raise money for them and to help them achieve grassroots action and education but it's their budget so if they want to spend money, not make money on something, that's their call. If they want to do something which they think will make a lot of money, that helps support the things that don't make money—the lobbyist that goes down to—Virginia Torsch's salary gets paid from that and they're able to say this person went down and met with so-and-so or that type of thing. So it just varies.

Ms. HILDRED. How long has TSCL been your client?

Mr. HEARTFIELD. Either late 1992 or early 1993, somewhere in there.

Ms. HILDRED. Are they currently your client?

Mr. HEARTFIELD. Yes.

Ms. HILDRED. Could you give me an estimate of how much of your total business this client takes up?

Mr. HEARTFIELD. Right now they're probably about 60 percent. It could even be 65 percent. They're our biggest client right now.

Ms. HILDRED. Have you been personally involved with the services provided to TSCL?

Mr. HEARTFIELD. Sure.

Ms. HILDRED. How so?

Mr. HEARTFIELD. Well, again in terms of managing our operation, all those people that work for us work for me and for my partner. I typically see—I don't do a whole lot of writing myself but I typically see copy at some stage in the process and look through it. One of the things that I'm supposed to do is make sure we have all the state disclaimers that we're supposed to have on the back of the form and that type of thing. So I look at the artwork and stuff more for that because I'm not—in the past I've been an account rep and as the account rep, you need to know your client's legislation, you need to be basically their marketing person and be on top of all of those things down to the nitty-gritty. Personally, that's not where I am right now, although I have to have a working knowledge of these things.

And just make sure the footnotes are there. If somebody says there's 82 cosponsors I want a reference for that. If somebody says it's bill number S. 123, are you sure about that? That type of thing.

Ms. HILDRED. Has TSCL used other direct mail marketers?

Mr. HEARTFIELD. Yeah, a couple of times they have. They used a company that—you know, a lot of charities use these name and address label mailings. They send you the little packet of name and address labels and hope that you'll send some money back and that's something that we don't really think is a good technique. But they wanted to do it so they tried somebody else for that. They did some calendars, I think, 1 year, which again is another fundraising technique and a bonding technique because obviously if you have—I just got a calendar yesterday from Nature Conservancy already for 2002. Obviously if we hang that up and we're looking at their name all the time, we're more likely to send them money.

We'll send out refrigerator magnets sometimes for our clients and it'll have their phone number and it might have the Capitol switch-

board number on it or whatever. We did some pro bono stuff for the Virginia Native Plant Society for about 3 years and they have a plant of the year every year so we did a magnet each year with a picture of the plant and the name of the organization on it. It was very important to them to know that all their members have these magnets on their refrigerator and that they were being reminded of this.

But we don't generally use premiums or items in our mailings, so they've used other people on a few occasions when they wanted to try that type of thing.

Ms. HILDRED. And annually about how much money does TSCL pay you for your services?

Mr. HEARTFIELD. Last year I think it was about $1.5 million total for direct mail and press releases and the newsletters and all the different things we do for them.

Ms. HILDRED. Would you say that those three—direct mail, press releases, the newsletters—are the majority of what the work pays for or are there other——

Mr. HEARTFIELD. Yeah. Yeah, basically. We don't charge a retainer type of thing so any back-and-forth or advice is sort of built in. We also monitor the whole back-end process as part of the fee. So we're responsible for making sure that the cage, the mail processing facility, is processing the mail in a timely fashion and we're responsible for making sure that the stuff is keypunched correctly and that we don't have a lot of duplicates on the file and if somebody calls in or writes in and says, "Take me off the mailing list," that it happens. All those details of doing that stuff right are all built into the fee structure.

Ms. HILDRED. Have you ever referenced TSCL's association with The Retired Enlisted Association in your marketing?

Mr. HEARTFIELD. Well, typically at the bottom of page 1 of their direct mail pieces it'll say an affiliate of The Retired Enlisted Association because a lot of people—I mean TREA Senior Citizens League, people say, "What's a TREA?" So from our standpoint, from a pure marketing standpoint, you would prefer that they have a name that is easier to grasp but that is their name and so we spell out The Retired Enlisted Association at the bottom. You still get a lot of people that say "What's a TREA?" And sometimes they refer to themselves as the League in sort of shorthand.

I think that's the only place because it is a separate entity. It's just an informational reference. And, of course, if it was on there too much you might have some confusion with the post office with the nonprofit permit, saying "Whose mailing is this?" So I believe it's only there. I don't think it's generally referenced in the newsletter or the press releases for any reason, unless there was a piece of legislation that both groups were interested in and for whatever reason they were doing some sort of joint campaign; there might be a reference, one direction or the other. But other than that, it's a separate but affiliated entity.

Ms. HILDRED. Have you made reference to TREA's congressional charter in any of the mailings that you can recall?

Mr. HEARTFIELD. I think for the past several years, several being three or four, it typically says something like affiliated with The Retired Enlisted Association, established 1963. TSCL started out,

as I assume you know, as a project of TREA. It was inside TREA. So, of course, back then the mail referenced TREA and some of the mail may have said congressionally chartered. It would have depended on whether TREA—if TREA said it that way then they probably would have asked us to say it the same way and it would just be "The Senior Citizens League is a project of The Retired Enlisted Association," however they state things in their materials. I don't know, but not now, not since they've been an independent group.

Ms. HILDRED. Have you ever advised——

Mr. HEARTFIELD. I can't say it's never been said but it's not a standard part of it because again it's not a TREA mailing; it's a TSCL mailing.

Ms. HILDRED. Have you ever advised TSCL to promote their affiliation with TREA?

Mr. HEARTFIELD. Not particularly. I mean we don't do work for TREA. They've asked us to. We've said it would be a little difficult if you have the executive director of TSCL and the president of TREA on two phone lines. You know, which call do you answer? It's just a lot simpler if we just stick to TSCL. Occasionally we'll do a pro bono mailing for the memorial foundation, TREA Memorial Foundation, which is a separate 501(c)(3). And TSCL a couple of times a year will do, if they have people on their lists they'll periodically ask people if they're eligible, if they want to become members of TREA, but it's a very minor aspect of it.

Other than that, TREA's TREA and TSCL's TSCL from our standpoint.

Ms. HILDRED. You've spoken kind of generally to this question but just because I'm not as familiar with how things work in the direct marketing world, walk me through how a mailer is developed.

Mr. HEARTFIELD. There are issues that the client is interested in and especially if there's legislation to achieve that, their goal, they would ask to have a package or packages developed to try to support that goal. And again either they would have talking points or testimony or a column that they had written about this already and we would take our cues out of that or we would simply take our own shot at a draft, trying to say it in the way that we know that client speaks.

Some of these—well, people have certain ways that they like to say things and they think that's the best way of saying it, so if we send copy over that says it in a different way they feel like we must not like how they say it. So you try to pay attention to those kinds of cues and you try to develop a mailing, again based on whatever they've given you to start with. The copy will go back and forth several times and sometimes they'll make a lot of changes, sometimes they won't. If it's an issue where they've been working on it for a period of time, a lot of the basic questions or issues have been ironed out, so if we're doing our job we're sending something back over that takes into account comments they've made in the past or changes they've made in the past.

It'll go back and forth a couple of times and it'll go over there as flat copy, draft copy, come back with some changes. Eventually it'll be turned into artwork. They review the artwork. There's a

cover sheet that they need to sign off on. TSCL has multiple people that review and sign off on their copy.

And the copy, there are sheets which talk about how many names are projected to be mailed or the proposed number of names to be mailed and the list names if it's a prospecting thing.

And that stuff is approved and then it comes back over and then we issue purchase orders in their name, bid the stuff out and then manage that whole process to make sure that it gets into the mail when it is supposed to.

And then, as I said earlier, make sure that when the mail comes back in it's caged properly and in a timely fashion and keypunched properly and all that kind of stuff. That's basically the process.

Ms. HILDRED. And who from TSCL signs off?

Mr. HEARTFIELD. Well, the signer, which is currently George Smith. At present they have Virginia Torsch look at all of it. That's not uncommon to have the legislative person, because it's about legislation, be one of the people that reviews and signs off on copy. I'm not sure. There are two or three other people over there whose initials are typically on it or at least who review it internally for them and provide feedback.

Sometimes copy will come back over and there will be a question posed and then there will be another comment from somebody and you're not sure. Either tell us what you want or—so you'll have to call back over there and say, "Is this where we are?"—type of thing. So a number of different people are looking at the mailings.

We also have the stuff reviewed by the woman who is the editor of their newsletter, who's somewhat of a number-crunching, statistics-oriented kind of person. And facts—she's a newsletter-oriented person, so she will often review the stuff in case there's some breaking development that she's aware of from her sources.

And then it's reviewed typically by two or three people in our office. The footnotes are checked. And as far as proofreading, at least two people have to look at everything from a proofing standpoint, as well, for everything from facts to just misspelling the chairman's name on a mailing, to make sure that doesn't happen.

The envelopes—the artwork for the envelopes is shown to the postal classification person at the mailshop or at the receiving post office before it's printed up, just to make sure they don't say, "Hey, there's a problem with this envelope" because different post offices have different—you can have something that the Merrifield post office sends out all the time and then you go to Brentwood and they say, "No, that can't go because of this or that." So those are reviewed by them.

Sometimes the clients have their lawyers look at the stuff. There's a registration attorney that handles all their state registration stuff and sometimes she's asked to look through it.

Ms. HILDRED. Is that the practice at TSCL? Does their attorney——

Mr. HEARTFIELD. Well, their regular attorney, yeah. At present that's how they're doing it. I'm not really sure how they did—you know, different people were running the show in the past and they have different styles. For a while every member of the board had to look at it and sign off on it and different groups do it different ways. Our goal is to just make sure that what's presented has all

the facts straight and no typos and the postal person doesn't object to the envelope and then get the client's written approval, then turn around and do all the bidding and stuff for them.

Ms. HILDRED. Is TSCL board involved in any of the sign-offs currently?

Mr. HEARTFIELD. I don't know exactly how. George Smith obviously is, as chairman, but I don't know what his current circulation system is over there. Virginia could, I'm sure, answer that question for you.

Ms. HILDRED. And under Mr. Zabko when he was the executive director, I assume that he would sign off on the mailings?

Mr. HEARTFIELD. Yeah, and for a period there it was he, the legislative person, and then the chairman of the board. And then for a period it was all members of the board and Mike Zabko and the legislative person. I mean it went through various stages. Before Mike Zabko there was another executive director back in the beginning when it was TREA. He would sign off on it because he was their Washington rep and then it would go out to Colorado and be signed off on by the person out in Colorado, as well. So it varies.

Our goal is to make sure that somebody that's capable of reviewing and signing off on the copy is doing it and sometimes you say OK, we don't need 28 people from the stand point of meeting deadlines, which is part of our job, but it's up to them.

Ms. HILDRED. And who is responsible for accuracy of the mailing?

Mr. HEARTFIELD. Ultimately the client but again we don't send anything over that doesn't have a footnoted source. Even if it's a number that came from them or a statement that came from them, we would either ask them for the documentation to be attached or we'll go research it independently and then footnote it ourselves before it goes back over. And ultimately the cover sheet says you're responsible for the accuracy and all that kind of stuff.

And again there's a legislative person who you would assume is on top of the legislative part of it. You're always going to be changing the number of cosponsors as it hopefully goes up, things like that.

Ms. HILDRED. So you will footnote a source but you may or may not verify the accuracy of what the source has said?

Mr. HEARTFIELD. You mean if we cite a Washington Post article do we go further than that?

Ms. HILDRED. Yes.

Mr. HEARTFIELD. Sometimes if it's a tricky one or if you've—you know, you can read the Washington Times and the Washington Post on anything and get two different versions of something so at that point you just have to say you guys need to decide whose facts you're going to stick with. You can have a Member of Congress say 42 percent and this member says that's baloney; it's 10 percent. Well, if you're supporting this guy's bill, you're going to use his number and that's the source if they choose to do it that way.

So we try to do the best job we can and if there's any confusion or if we're not sure, we just try to make that clear to them that you need to deal with this number issue, or whatever.

Ms. HILDRED. It's their responsibility.

Mr. HEARTFIELD. Right.

Ms. HILDRED. You mentioned the clients—there's a sign-off process obviously in terms of proofing the materials. If so, when your client requests changes do you keep copies of the feedback regarding those changes?

Mr. HEARTFIELD. Yeah, for a period of time. Then once the mailing is complete and there's a final sign-off, that's just extra paper so it's not kept.

Ms. HILDRED. Generally the period of time would be months?

Mr. HEARTFIELD. Yeah, a couple of months. By then if there's an issue that would have come up—sometimes the printer strips something in wrong and there's a typo and then you could be able to track back through, but once you're beyond that point, what matters is the final signed-off approval form and artwork.

Ms. HILDRED. Who is it determines who will receive the mailings?

Mr. HEARTFIELD. Well, direct response lists, if you're talking about prospects, are what work. Telephone books don't work. Compiled databases don't work. Drivers license lists don't work. This would apply to any fundraising that I've ever been involved in for any type of organization.

From a house file standpoint it's donors and nondonors in a certain period, depending on what they're trying to accomplish. If they're trying to accomplish raising money out of a particular mailing it might be a tighter select. If they're trying to accomplish maximum grassroots distribution of postcards or petitions or something then it would be a wider group of people.

Ms. HILDRED. Do you rent or buy any mailing lists?

Mr. HEARTFIELD. Well, I don't know anybody that buys mailing lists in the fundraising business. You see that in the newspapers all the time. I tried to explain this to the Social Security people and they got it but I see the word "buy" in their report so it's kind of frustrating.

There are people out there that buy and sell mailing lists. In the fundraising world you either rent your list to somebody else to make some money to help pay for your program or, because you have to turn around and rent other lists yourself, or you exchange names, which is simply a transaction where you're swapping an equal number of names with a group.

So for TSCL they might swap names with the Veterans of Foreign Wars because the lists work for each other so that's the arrangement that's done by the list company. But there's no buying and there's no selling of names.

Ms. HILDRED. So you, as their marketer, do not participate in the renting of lists? That would be a decision that TSCL would make?

Mr. HEARTFIELD. No, we make recommendations because we're expected to have the knowledge of lists that would be effective versus what wouldn't be effective. Again they have no way of—that's not what their business is. So we're typically making the recommendations as to what lists we think they ought to test. You typically test the list and if it works you can go back and mail more of that list but it depends on how much it costs and what kind of list it is to rent and that sort of thing.

So it's just an ongoing process. And there's a list company that we use that provides recommendations to us.

Ms. HILDRED. I'm not familiar with that term, list company. Explain it to me.

Mr. HEARTFIELD. A list company is typically the company that if you need names for a mailing you're doing for your client, they're the ones that contact all the other list companies that manage all the lists and arrange for the tapes to be shipped and that sort of thing.

The other side of usually that same company is responsible for promoting your client's list to folks who you might want to either exchange with or who you don't want to use their list because it wouldn't work but maybe they want to rent your list if it's a non-competitive offer.

I mean competitive offer—political mailers aren't typically allowed to rent TSCL list, although the Democratic and Republican Committees are. AARP rents the list, a couple of other groups where they're single issue groups that are so far removed from what TSCL does, the list doesn't work, there's no point in doing an exchange but they're willing to rent the list, and that generates revenue which can be used to defray the cost of renting over on TSCL side of the thing.

Ms. HILDRED. Is it the list company that makes the decision about who to rent to or who not to? And I may be totally messing this up but, for example, if TSCL is going to use the list company, is their list made available to the list company and that list company makes the decisions about where it gets rented?

Mr. HEARTFIELD. No. Typically the decision is made either by the agency on behalf of the client with guidelines or some organizations have somebody in-house; they want to do it themselves. I mean some groups have feuds with other groups so they don't want their list being rented to that group and that sort of thing. Others view it as something that they should leave to people who are professionally capable of making those sorts of decisions.

So we generally handle that for TSCL. That's one of the functions that we manage. And, as I said, there's a set of guidelines. You can't just rent it to a competitive offer. We still use protected mail dates so if TSCL has a mailing going out, other people aren't allowed to mail to the list on top of that same mail date. A lot of list companies have abandoned that concept but it's a policy that we have and that they're happy with.

Ms. HILDRED. So TSCL has provided you with guidelines?

Mr. HEARTFIELD. Yeah. We recommended guidelines to them initially. They've modified those over the years. For example, we don't want to do business with this particular group or we're willing to rent to that group even though they fit under the competitive offer guideline. For example, the political parties, the RNC (Republican National Committee), the NRCC (National Republican Congressional Committee), any of the political parties, the decision was made that provided they were simply doing general purpose membership or party-building mailings, as opposed to targeted senior mailings, it was OK to rent to them. Those lists didn't work for TSCL but there's a source of revenue. So they modified the policy to allow that, for example, and a couple of others, like AARP, because it was determined that AARP is not really a competitor so much as—I mean, AARP is AARP. AARP's going to get those

names, anyway, because they're mailing so much more than anybody else is.

Ms. HILDRED. So say in the last 2 years, who has TSCL made their list available to?

Mr. HEARTFIELD. Well, I think that's one of the questions on the letter that you all just sent to TSCL and I know that information's being pulled together. It's not something I would have in my head. I believe that information was also given to the Social Security people, the actual print-out of who the names go to. TSCL gets a print-out every month of who's using the list and that sort of thing.

Most groups or even for-profit companies that have lists that they market have what they call list cards and you can get those through your list company. They just print them out and fax them to you and it describes the list and that sort of thing. So those can be provided if there's a question about what is this list exactly or who is it, that type of thing; that's the information you would get on that list. But I think the print-outs, I think there's a print-out being done, a variety of different organizations.

Ms. HILDRED. Their membership, whether they just responded or have made a contribution, do individuals in the database know that their names are being shared?

Mr. HEARTFIELD. Well, TSCL adopted at our recommendation a couple of years ago the DMA privacy policy, which is a four-part policy. We're members of the Direct Marketing Association. You have to notify people that you occasionally make the list available, is how the wording usually goes, to other groups and if they don't want that to be done, they can request that the name be taken off. Anybody that asks to have their name just taken off the list, you take it off the list.

I don't remember the other two, the specific wording of them.

We've always done that for TSCL and we go one step further for them. We build a suppression—if you write in to a group that sent you a mailing and say, "Stop sending me mail," they may have actually gotten your name from a prospect list, so they don't have you in their computer so they can't take you off their list. Other groups just do a terrible job of taking you off their list. They just don't care; they throw it away or whatever.

But what we've done pretty much since the beginning really is we create what's called a suppression file. So if somebody says, "Take me off your mailing list," whether they actually are on the list or not, if they're on the list, they're flagged to be not mailed. They're also put on the suppression file and that suppression file is bounced against all subsequent mailings, house or prospect, in case you catch that name on another prospect list of something they may have subscribed to or somebody they contributed to.

So if it's TSCL we can truly take somebody off the mailing list permanently, again provided the name and address match up. You have people that come in as Mrs. Chip Heartfield or Linda Heartfield. You can pick that up sometimes by doing what's called householding, which is you match as best you can for actual dupes and then you take it down and say forget the first name as a match criteria; how about last name and street address?

Catalogues will—most catalogues don't household. Their attitude is OK, maybe both people like to buy from our catalogue. So I get

catalogues at home and my wife gets the same one and it drives me crazy. Smart people, in my opinion, household because most of the time you don't want two of the same thing in the house. Especially for nonprofits, it makes the group look—you know, why should I give to a group that's wasting money sending me multiple mailings? So we try to do as much of that as we can.

You can have a tight match calculation or a loose match calculation, tight meaning literally it has to be character for character through all three lines of an address before the computer will say it's a dupe. A loose one, it'll take last name, street name, city name. That's about as loose as you can get. Sometimes you live at 6502 and it got keypunched as 6501. It'll recognize that as a dupe, anyway.

And TSCL has a system where if people call in, they can just take them off right over the phone and that's what they do.

Ms. HILDRED. With respect to the privacy policies, does an individual—so an individual has to personally check a box saying I don't—you mentioned they can call in but other wise they would check a box saying don't share my information?

Mr. HEARTFIELD. Yeah, or they can write a note. They can—however they want to do it. In the industry people are all over the place on that issue.

Again catalogues, usually now they check—they give you a box that you can actually check. Yet, on the other hand, they don't household so they're doing one thing very well; they're doing one thing not at all well.

In the fundraising business I don't know how many nonprofit groups currently have adopted the DMA privacy policy.

I know another one of the things is that you have to give people money back if they ask for it. Well, TSCL's had that guarantee since day one.

So it just varies how they can do it. More and more people, I think, are getting savvy to the idea that if you send a contribution in, you can say, "Please don't give my name out" and it should be flagged that way when it comes in the door that way. Or they may write in later. They may call and say, "I'm getting all this mail; put me on your do-not-rent list" and that's done.

Ms. HILDRED. Are the options in terms of their sharing that information, is that included in every mailing?

Mr. HEARTFIELD. I don't think it's spelled out in every mailing. It's periodically put in the newsletter as a little item in a box that you can do and it's periodically put in the mailings but I don't think it's in every mailing. They do say that they subscribe to the DMA privacy policy in every mailing but I don't believe they spell it out in every mailing, largely because most of the back of the form is taken up with the required language from gosh, probably 20 states now that has to be put on the forms.

Some people try to put that on the back of the return envelope and some states so no, it needs to be on the piece that stays with the person and there's just lots of little rules there that you have to deal with. So I don't think it's on each and every mailing.

Ms. HILDRED. What happens when you determine a client wants to use false information in a solicitation?

Mr. HEARTFIELD. I don't think I've ever had that experience. There was a mistake made once in a TSCL mailing where the information turned out to be inaccurate. It was three-quarters of a percent versus like slightly less than three-quarters or something. They corrected it and moved on. I don't think we've ever been given or been asked to put knowingly false information—again, as I said, we footnote all these things ourselves so if we can't find it somewhere then we'd go back and say, "What's the source for this?"

I mean we've had instances—well, like I said, you may have two Members of Congress or two op-ed pieces that cite entirely different statistics and you kind of say well, whose do I use? But in a case like that we'd typically defer to the client and say, "Look, how do you want us to phrase this? Do you want to say it the way this guy's saying it or do you want to say it your own way? How do you want to do that?" But not knowingly false.

Ms. HILDRED. The term "notch victim registry" has been used in a number of TSCL mailings. Is that concept of a victim registry, was that something designed by your company or recommended by TSCL, do you recall?

Mr. HEARTFIELD. No, probably that term would have originally come from us as a proposed way of saying it.

Ms. HILDRED. And what would be the value of that, using those words or that concept in a mailing?

Mr. HEARTFIELD. Well, most fundraising mailings you want people to belong to a project. I mean they're not giving to the group.

Sometimes they're giving to an individual—Ralph Nader. If he signs a letter, people will give to that name, almost regardless of what the letter is. At any given time he's involved with four or five different groups.

Generally speaking, though, you would want to have some sort of easy way for people to recognize the project that the group is working on, so it might be the Wetlands Project of the Nature Conservancy or the Notch Victim Register of TREA Senior Citizens League and we're just collecting names of notch victims and that sort of thing.

Ms. HILDRED. So individuals who feel that they're becoming a part of something are more likely to respond, more likely to give money in your experience?

Mr. HEARTFIELD. Yeah, it's a bonding thing with an identifiable project that they're interested in. It's giving money. It's also signing the petitions.

Ms. HILDRED. And why assign the so-called victims numbers?

Mr. HEARTFIELD. Well, it's a membership ID number, like all nonprofit groups use. That's all.

Ms. HILDRED. It just affiliates them with this group?

Mr. HEARTFIELD. Well, all groups that use databases, you assign an ID number to track that record. Sometimes it's just a sequential numerical number. Sometimes it is what's called a key line, which is built from—you know, yours would be HLDR, the first four consonants and then maybe the last three digits of your street address and then your zip code or some—you know, magazines will typically do it that way and you'll see it on the things.

It also saves any group that does direct mail, whether it's a nonprofit or a commercial entity or a magazine, it saves a ton of money

and improves accuracy greatly in the keypunching in the back end because if you have a number that you can key or scan for somebody instead of rekeying their full name and address, you're charged less and obviously it matches to that number that's already in the database, so you won't have typos.

So that's a cost savings thing that everybody uses. I think any mailing that you get at home, if it's a group you belong to there's probably going to have that number somewhere. Some people bury it. Some people use a bar code instead of actually putting the number. Some people put the number on there in a big box.

Ms. HILDRED. How about the value of a membership card to the individual?

Mr. HEARTFIELD. Well, a lot of people like membership cards and a lot of people don't like membership cards. Sometimes people put stuff on the—sometimes people put calendars on the back of the card. I read an article the other day about groups that were putting tip tables on the back of their membership cards. It was a senior citizen trade association actually, and they found that these people—they were all writing in saying, "Can I get another card for my wife? I love this." My father's like that at the restaurant. He pulls the card out.

So it's something that some people want to have. Some people will call up and say, "Where's my membership card?" Some people will say, "I only want to get the membership mailing" and then you flag them on the file so they only receive that once a year and they don't receive other mailings, other solicitation mailings.

It just varies. Some people use paper cards. Some people use thick plastic cards. The high-dollar programs for some of the bigger groups and the political parties, they're embossed, thick plastic cards because some people want that card and they stick it in their wallet. United Airlines, if you're a frequent flyer, they send you a plaque. You'd walk into a businessman's office and he has his United frequent flyer plaque on the wall. It's something that helps people—it keeps them bonded to the group. But it's not—it's important but it's like—like I said, some people it matters to, some people it doesn't.

Ms. HILDRED. Because obviously the Social Security Administration knows who these individuals are if legislation were to be passed affecting notch legislation, so the concept is more to keep a relationship with that individual with the organization who's approaching them?

Mr. HEARTFIELD. Yeah. People that give to other TSCL projects also get membership cards. It's not just notch people. TSCL simply says if the legislation's passed, we will contact you. They pointed out, I think, for probably a few months after the first bill was introduced it was pointed out to them that there was no obligation on the part of the Social Security Administration to notify people within the bill and that was said in the mailings for two or 3 months. Then I believe they got a letter from a Member of Congress saying, "I don't think you should say that because it implies that the Social Security Administration wouldn't tell people if this legislation were passed," which isn't what it was implying. It was simply stating that was a fact. But they took it out. They wrote back to the congressman and said "Fair enough" and they took it out, so they don't

say that. That was probably 5 years ago when the first lump sum bill was introduced, give or take 5 years ago.

Ms. HILDRED. So to the best of your knowledge for the last 5 years they haven't been making a reference to the Social Security Administration notifying them?

Mr. HEARTFIELD. I mean I'd have to go look through a bunch of the mailings. I can't just say no, they don't say that at all, but I don't believe any of the mailings do.

Ms. HILDRED. Earlier you mentioned the idea of postcards to the Members of Congress and that some of the mailings might include a postcard for the individual to send to the Congress.

Is it TSCL who makes the decision as to whether those postcards have the individual's name and address printed on them or not?

Mr. HEARTFIELD. Yes. I mean again that's just one of those things. Some groups want their name, the organization's name on the postcard, as well as the person's name and address. Other groups want their name and they'll say to just put three lines where the return address typically goes and if people want to just sign the card and send it, they can. If they want to actually write in or put one of their address stickers on, that's up to them.

I don't know that there's a—I've never seen any information as to whether somebody's actually tested that to see. Some people don't want to send the name and full address to Washington, DC so if you give them a postcard that has it preprinted on it, they're going to throw the postcard away. On the other hand it's probably a more compelling postcard to the Member of Congress if it's got that name and full address on it and some members will write back to those people based on just getting a postcard, whether it has the name preprinted or they put it on, but I don't think there's a—there's no standard procedure for TSCL. And again I don't know that there's a better or a worse way, from the standpoint of achieving maximum use of the postcards.

If somebody wants to voluntarily send a postcard with their name and address on it, that's fine. If you give them a postcard with their name and address on it, you're not giving them the choice.

Ms. HILDRED. Generally what percentage of seniors respond to the mailings where there is a reference to sending in money? What percentage of seniors respond by sending in money?

Mr. RUDDY. Do you want to define what prospect mailing means?

Mr. HEARTFIELD. Prospect meaning to new lists, not people who have previously given. It's probably 3 percent send money. Three percent don't send money but send the petitions, sign petitions, and they're keypunched, as well.

Ms. HILDRED. And what's the ongoing return for mailings to individuals who are already in the database?

Mr. HEARTFIELD. Probably closer to 10 percent.

Ms. HILDRED. Whether they've contributed in the past or not?

Mr. HEARTFIELD. Yeah. I mean across the board it's 10 percent. Some nondonors will convert to being a donor the second time or they get a newsletter in the meantime and they say hey, this group's for real. They may not send a contribution the first time because they don't really know who the group is and they don't have access to the website and that sort of thing. But then they

get a newsletter and then they might get a subsequent mailing that asks for money and action and they will send money. Some nondonors are just nondonors all the time. They'll sign petitions but they don't have the money or they don't want to send the money.

Ms. HILDRED. And when you're doing a prospect mailing, for example, what's the average number of seniors who the mailing goes out to?

Mr. HEARTFIELD. There's no average number.

Ms. HILDRED. How about a range?

Mr. HEARTFIELD. It can be 50,000; it can be a million. It just depends on——

Mr. RUDDY. Test mailing versus——

Mr. HEARTFIELD. It could be a test. It could be an issue that a smaller group of people are interested in. It just varies.

Ms. HILDRED. And same thing with mailings to those who are in the database? Those vary, as well?

Mr. HEARTFIELD. [Nods.]

Ms. HILDRED. So how big is the database?

Mr. HEARTFIELD. I don't have the database so I can't give you—I mean it's at the service bureau but I guess the active is give or take a million names. Again I think that's one of the questions on the list that there's going to be a specific number response to but it's right around a million, I guess.

Ms. HILDRED. How did you become aware of the hoax flyers involving slave reparations and notch babies?

Mr. HEARTFIELD. The client faxed over one of these flyers one day early in 2000, I guess it was, that he had gotten from the Social Security office in Baltimore. Somebody over there had faxed it over and said, "Do you know what the deal is with this?" So he faxed it over to us and said, "Check this out."

It wasn't anything that we had put out. It wasn't anything that they had put out as far as we knew. It certainly didn't look like—it was not a professional attempt. It didn't ask for money. And the thing that upset all of us was—again when I worked in the cage for Save the Whales we would get homemade petition forms all the time and half of them would get the wording right, that Norway and Iceland and Japan are the countries that still whale and other ones would come in and it would say Norway, Sweden and Chile and you just—you know, you just have to take a lot of that with a grain of salt. And, of course, that was before faxes. Well, that was when there were 6-minute faxes and there was no Internet and that sort of thing.

I mean this group gets and most groups get homemade petitions that come in all the time from people saying, "I saw your thing and so I made up my own and I got everybody to sign it and here it is and please put us on the mailing list," and so on and so forth.

So this was viewed as basically just another one of those except here's this thing asking for the Social Security number, which is a complete no-no in our business. It's a sure route to this and censure in the industry if you don't have a reason to ask for their Social Security number. I mean people just don't do it in our business.

So our response to him was no, we've never seen one of these before. Typically the cage, if they get something weird they'll send it to us or to the client or a copy of it saying, "What do we do with this?" and we hadn't seen any of those, so our recommendation to the client was you should write the guy and say this isn't ours and this is a problem because it's asking for Social Security numbers. Thank God it doesn't ask for money, too, but it's asking for Social Security numbers, so basically I think the letter said could you investigate this and let us know what you find out because if it's a misguided supporter, which usually that's who it is that's sending in petitions, we need to get to them and say, "Don't ask people for Social Security numbers" and the petition is not exactly correct as written.

So that was the first exposure, as far as I know, that either of us had.

Mr. RUDDY. You said they sent a letter back. Who did you send the letter back to?

Mr. HEARTFIELD. Well, there was a letter to Tim Kelly. This was in January of 2000. He sent a fax to Mike Zabko at TSCL so Mike Zabko wrote a letter back to Tim Kelly saying it's not ours. I'm paraphrasing but it's not ours; we've not seen one of these before. If you're looking into it, please keep us posted or maybe we can sort of help pinpoint where it's coming from. If they're all coming out of San Jose, California area, we could possibly mail all our supporters in San Jose and say if you know of anybody that's circulating these things asking for Social Security numbers, stop.

So he never got a letter back from Mr. Kelly and that was the last we heard of it until I guess in June they got a fax from Congresswoman Bono's office. Somebody had sent them a similar but I think it might have been a slight variation on the other flyer. These are all—you've seen them. They're crooked and some of them had misspellings in them and that sort of thing.

So he wrote back to them that it's not theirs and probably again an overzealous supporter had unfortunately added this line to it.

I mean it was a trickle of those coming in at first and then there was the visit by Mr. Stubbs from Social Security who came, I guess, in July, and knew nothing about the previous communication with Mr. Kelly. I guess he and Mike Zabko didn't necessarily have a cordial conversation.

That's how we became aware of the first trickle of the flyers but they were coming from different places so there was no real way to—there wasn't anything that could be done about it.

Ms. HILDRED. What advice did you give to TSCL once you were made aware of these flyers in terms of what they should do?

Mr. HEARTFIELD. Well, with the early trickle these appear to be people that are signing up to support notch reform legislation but you should probably send them a letter and say "Don't give out your—we don't want your Social Security number and don't give it out and if you're circulating these to any of your friends, take that off of there," was the basic advice.

Ms. HILDRED. So you didn't recommend that they stop soliciting support for notch victims, just when they use these flyers or people who are going to develop the flyers, just not to include Social Security numbers?

Mr. HEARTFIELD. Well, if there was a person out there who said I'm helping you by making up my own petitions and I'm going around and getting my friends who are in the same age group to sign them, any organization would say that's great. The more the merrier because that's part of what we do on the grassroots side. But it needs to be accurate and it needs to, in this case, not ask for Social Security numbers. So that was the recommendation in the same way that when people send these petitions in saying stop Chile from whaling, we'd have to send a letter back saying here are the three countries that whale so could you please modify your petition, and thank you for what you're doing.

So it was that same kind of response. It needs to be fixed. Again in the beginning it was just a few of them. The scary thing was it had the Social Security number on it, so we have to get them to stop that because that's not a good thing.

Ms. HILDRED. Had you seen other homemade flyers previous to this?

Mr. HEARTFIELD. Oh, sure, none with that request on it but sure, they get them. Sometimes they come in in batches. There's a local notch association in Nevada. It's a pretty big club that meets and they have a convention and all that kind of stuff and they'll send in batches of petitions and then just different people at different times send them in.

Ms. HILDRED. And you or TSCL, to the best of your knowledge, didn't have any objections to those flyers having TSCL return address?

Mr. HEARTFIELD. Well, there was nothing—I mean you can't do anything about that. They support the various notch bills that are before the Congress and they put out a lot of mail supporting those bills, so if somebody wants to help support those and send in more signatures on petitions and things, that's great. Most groups encourage that; they have that as one of the grassroots activities you can do—get more people's names on petitions, that type of thing.

But when these flyers started coming in with the Social Security number, it was how do we turn this off?

Ms. HILDRED. So you had advised TSCL to consider sending a follow-up letter to those who had responded?

Mr. RUDDY. Did they respond?

Mr. HEARTFIELD. You mean to the ones who sent in the flyer?

Ms. HILDRED. Yes.

Mr. HEARTFIELD. The discussion was we probably should—we being TSCL should probably send something to these people saying don't give out your Social Security numbers, yeah. But again it was a trickle in the beginning so it was a much different situation than later in the summer when all of a sudden they got bombed with a lot of notch ones and then the slave reparation ones started showing up. Then all of a sudden it's thousands of these things and on an issue that they've never uttered a word on.

Ms. HILDRED. And who specifically came up with the idea to send a pamphlet with the mailing?

Mr. HEARTFIELD. Well, there was back-and-forth discussion between us and Mike Zabko. He decided he wanted to send a letter to these people, especially the slave reparation people, because those flyers essentially said you're entitled to this money and

there's not even legislation before Congress for that. So there you have a case of people who literally think they're entitled to this money.

So his feeling was we have to send a letter to these people and say this is a hoax, there is not this legislation, there is no money due to you, you shouldn't give out your Social Security number, I'm terribly sorry. And then the question was, you know, for them and the notch people, the issue was do you just do that and that's it? Because then you have all these people who their only exposure to this organization is that they sent them a letter back saying this flyer you signed is a hoax. So is there a way to also put in front of them information about the organization just to counterbalance the bad feelings?

Then the question was what do they have at hand that they can use? Well, they have a standard brochure. Like I would say more than half the organizations that have a brochure, nonprofit organizations, it has a panel for making a contribution. That's a standard in brochures. It's not all of them but it's, I would say, more than half the organizations out there that have brochures, that's one of the panels. Sometimes it even has a business reply envelope and it's a self-mailer type of thing. But it's their information brochure. They send it out when people write in or call and say, "Can you send me some information about TSCL?" They don't necessarily send them the big expensive annual report and there's no way we could send that—it would have cost a fortune to send this big four-color annual report.

So OK, we can send them the brochure because it says here's who TSCL is, here's some of the issues that they work on, period. There was no—you're not going to ask the slave reparation people for contributions under any circumstances because it's not an issue they work on. The notch people, you're basically saying you responded to a hoax and you sent your Social Security number and you shouldn't have and it's not an appropriate place to ask for a contribution. The brochure was put in there because it was the piece that was insertable in a normal envelope that was available in quantity that provided the most information about TSCL and it's what they normally send out.

We suggested that they add the "70 Ways to Save Money" book because they had enough of those in inventory and we thought, you know, that's a nice touch when you're writing back to somebody and basically saying, "I don't know who told you you were entitled to $5,000 but I'm here to dash your hopes of that. You're not getting $5,000. Is there something more we can do?"

And we said, you know, you can send them the "70 Ways for Seniors to Save Money" book and it's a nice little gesture. Again it doesn't ask for money and it's not a fundraising vehicle.

The brochure has never been used in a fundraising mailing and I don't know any group that uses their brochure as part of their fundraising program, other than if you send it out to somebody that wants information.

And I explained all this to the Social Security people and it was very disappointing to keep seeing this reference to their standard fundraising brochure. It has never been a fundraising brochure. Fundraising, you ask for money in the letter. You give them an in-

volvement device or a technique. You give them a return envelope. You make it easy for them to send you money if that's what you're trying to do and this was the farthest thing from that.

So that was what was decided after everybody going back and forth and trying to be highly sensitive to the situation because of the Social Security numbers and because the slave rep ones, of course, were out of left field and not an issue that the client was involved in. So that's what was come up with. That was the mailing package that was shown to the Social Security guy, the postal inspector. The Arkansas lady happened to be in the same meeting 3 days before the first mailing went out and Mike Zabko called us up after the meeting and said, "I showed them the mailing and all the pieces. The Social Security guy objected to some of the wording in the letter as it related to whether or not government agencies were actively investigating this so I told him I would make the change," so he sent over a change.

The change was made. The mailing started going out. Nobody said a word about it and four mailings went out that way over a period of a few months. Then, all of a sudden, six, 8 months later or whenever it was, you're sending out this solicitation letter and this fundraising brochure.

So I don't mean to get worked up about this but it's so far from even a bad attempt at raising money that it just boggles my mind and you all can ask your bosses' fundraising consultants, you can ask anybody at the respective parties, you can call anybody in town that does fundraising and nobody's going to say, "Gee, what a great technique, what a great concept."

Ms. HILDRED. But the pamphlet did include information for how an individual could join?

Mr. HEARTFIELD. There's one panel. Yes, it has one panel out of eight or however many panels there are that says you can do that, yes. So if somebody had said, if the Social Security guy had said, "You're asking them for money," I imagine the consensus would have been, "Whoa, let's just pull that thing out or let's go print a special version of the brochure without that panel in it because everybody is way overboard on this whole thing in terms of assuming that TSCL is doing this on purpose." But there was no objection raised.

You know, in hindsight, I wish that it had not been done that way because people seem to be keying in on that but all I can say is that's not a fundraising brochure and that's not its intent, never was, and I don't know of anybody who would look at that mailing and say the purpose of this mailing is to get money.

Ms. HILDRED. Would you refer to the notch baby flyer as a hoax?

Mr. HEARTFIELD. Well, it's a hoax in that it was not authorized by TSCL, it asked for Social Security numbers and some of the versions had some wording in them which wasn't really true as to the status of the legislation. So we referred to all of those flyers as hoax. It was unfortunate.

Ms. HILDRED. OK, which of your employees dealt with TSCL regarding their response to the hoax flyer?

Mr. HEARTFIELD. Emily Matusek, who was the person who came with me when we did our meeting with the Social Security people, was primarily the one that coordinated the production, getting the

printing done and all of the response out to the hoax letters and that sort of thing.

Ms. HILDRED. What discussions did you have with Mike Zabko regarding his cooperation with the Federal investigation into the hoax flyers?

Mr. HEARTFIELD. I mean, you know, from his perspective he kept trying to get somebody to investigate and felt frustrated that if there was any investigating going on, nobody was keeping him in the loop or even saying that they were and in other cases just not getting any response. I mean he wrote letters to Social Security. He wrote letters to the chief postal inspector. He contacted the Better Business Bureau, the Veterans Affairs Office, the NAACP, a black ministers group, Secret Service, or responded if he got calls. He got Congressman Moran to write a letter to the Social Security asking what the status of the investigation was.

So he hired his own investigator, who was a former FBI agent, to see if there was anything that could be done with the information that TSCL had to try to figure out where they were coming from or turn them off.

In the end it went down to a trickle, I think largely because of just the overwhelming number of things that they sent out—press releases, notices, letters to—again there were a lot of these being passed out, the slave rep ones, in black churches in the South, so they tried to put a damper on it, as well as asking multiple Federal agencies to investigate and see if they could help them find the source.

Ms. HILDRED. And how about discussions with Mr. Zabko relative to the subpoenaed information that the Office of Inspector General had requested?

Mr. HEARTFIELD. From them? From TSCL?

Ms. HILDRED. [Nods.]

Mr. HEARTFIELD. You know, they sent over a copy of the subpoena and basically said some of the stuff, you're going to have to help us collect, just from a sheer time standpoint. They made their own call as to how they were going to respond, between them and their lawyer, to the subpoena. It was he and the board and their attorney.

Ms. HILDRED. Was your firm subpoenaed by the inspector general?

Mr. HEARTFIELD. Yeah, the Monday before Christmas and they asked for everything we had about the hoax, which we had sitting in a pile of this size because we expected sooner or later somebody would ask for it or at least ask us to have a meeting. And they asked for every other document we had pertaining to TSCL for the previous 3 years, all due the Friday after Christmas, just out of the blue. Never called and asked for a meeting. That was the first contact.

Ms. HILDRED. And did you comply with that subpoena?

Mr. RUDDY. I can answer that. We spoke to I believe it was Amy Thompson of the Social Security Administration within a day or so of when we got the subpoena, explained to her that Squire and Heartfield was closed the last week of Christmas and that we were unable to even talk to anybody to figure out what we're going to do about it.

Within—I have in my files—sometime in the early part of January we sent them, SSA, copies of what we currently had by way of slave reparations and the hoax stuff. The rest of the material they wanted was way beyond, in our opinion, the scope to which they were entitled and with counsel, with DC counsel, we advised them that they needed to help us understand, (1) why we were required to produce tens of thousands of documents and (2) where did they have the authority to get that. And there was statute and case law and so on that was communicated, so there was various discussion that occurred.

Eventually they agreed, by virtue of court orders that were entered, that we'd give them, in effect, what we gave them.

Ms. HILDRED. Do you know the results of—you mentioned that Mr. Zabko had hired a private investigator to investigate the issue. Do you know what the results of that investigation might have been?

Mr. HEARTFIELD. Not that I remember. I saw a report that he had submitted to Mike somewhere along the line. It said he had called some of the people that had gotten the flyers and basically—you know, all over the country, and there was consistent feedback that their cousin sent it to them or somebody gave it to them in a parking lot, you know, outside church or even the minister was passing them out in one case, that none of these people had been asked to give any money to the person that gave them the flyer. There was a report from Detroit that somebody was selling these flyers so he tried to chase that down and talked to a reporter, I think, and it turned out that wasn't true.

At the same time this was happening, there was a story out of Florida about somebody that was charging people to fill out a 1040X IRS form, which was for you to get $40,000 back for slave reparations and there had been other—a Washington Post article in the middle of all this about a guy that goes around to churches and just collects money and says I'm going to get slave reparations for all of us and he's never been to Washington but people take up collections for him.

So the concern was is there a money thing going on here, in addition to that, or can this guy help us figure out a source? Is there any sort of pattern? And my recollection from that one report is there was no pattern, it was exactly as it had seemed to be, based on people that Mike Zabko or the people in his office had talked to when they called in about these flyers, which was my cousin faxed it to me, so-and-so emailed it to me, so-and-so handed it out in a parking lot. No rhyme or reason. They were coming in from all over the country. So that was that. I don't know if he got any other reports from this guy about it.

Ms. HILDRED. Did you talk to any of your employees to see if they had any knowledge of the flyers?

Mr. HEARTFIELD. I didn't go around and interview each employee and say, "Do you have any knowledge of the flyers?" but we're in a small office and everybody knows what's going on and everybody was aware of these flyers and aware of all of the frenzied phone calls and the stuff happening over at TSCL and the fact that the Social Security numbers and Emily was pulling her hair out and

I was pulling my hair out and that sort of thing. So everybody was aware of the flyers.

Again I've been doing this for 23 years and I'd be hard-pressed to figure out a way to initiate the distribution of those flyers on purpose in some fashion that it would then go like it went. And it would never occur to me to ask. You know, we don't benefit from something like that and people in our office know that and they don't benefit. Even if you could make a case that as an owner I would somehow benefit, employees wouldn't benefit.

But there is no benefit. There was only a cost. There was a significant financial cost, as well as this nightmare for all this time. And it's something you're kind of powerless to turn off.

But no, I didn't go around and interview each person.

Ms. HILDRED. And Mr. Zabko didn't ask you to interview each person?

Mr. HEARTFIELD. No.

Ms. HILDRED. Did you question any of the print shops that you work with about the flyer?

Mr. HEARTFIELD. No. Again simply because there's no benefit to anybody to do it, so it never occurred to me to ask them, and they're all people that I've known or we've known, somebody's known for a lot of years, for the most part.

Ms. HILDRED. Are you familiar with the company Direct Mail Resources?

Mr. HEARTFIELD. It's a company—I don't know what form of company but it's something that Mike Zabko's wife started up. I don't know when she started it or when she stopped it if she even stopped it.

Ms. HILDRED. Has your company used this company?

Mr. HEARTFIELD. What Charlene, his wife, told me was that she was going to start a company that would do small fulfillment mailings and back-end projects, which is an area in our industry that there's a chronic shortage of people.

All the mail shops want big giant jobs that are all uniform, the same pieces going into the same envelope thousands of times. When you have these little jobs, some groups do them in-house or you try to go out and find a small fulfillment business to handle them for you and it's tough to find; it's always been tough to find.

When I was at Save the Whales we used to get kids in there after school. We had an arrangement with the local school and they would come in and help us if we were trying to stuff envelopes, and do things in-house.

So I said, "Great, you know, our world needs more of those things and I'm happy to share that information. If you have any brochures or anything, I'll pass it around to my friends," because people call me sometimes because I was on the board of the Direct Marketing Association in Washington and I'm kind of involved in the community, so people call me. So I said, you know, "I'd be happy to pass your name along."

We had another client that had a small fulfillment job coming up and it was being handled by one of our principal printing brokers, and that's people that go out and bid the stuff for you. I asked them to bid that little piece of the job, to add Direct Mail Resources to the list of the people they were bidding it to, see how they were.

They came back and said they had the best price and I said, "All right, it's a little dinky job, it's a good way to try them, let's try them."

They did it. They did an OK job. It wasn't anything spectacular. There was a subsequent mailing of that same—subsequent need to do a fulfillment on that same project for that same client. The printing broker ended up using somebody different that time. I didn't ask them to go back and—I didn't ask them to use DMR in the first place. I simply said to put them on the bid list, which we do all the time. When vendors call us we say the brokers handle a lot of that stuff for us, so we might meet with you and hear your presentation. All we can do is give their name over to the printing broker and they'll bid and if it's a good price and you check out, good, you can be on the list in the future.

In this particular case they didn't use them again and that was it. That was the only time we had any experience with them.

Ms. HILDRED. Was that client TSCL?

Mr. HEARTFIELD. No.

Ms. HILDRED. Do you ever print materials in-house?

Mr. HEARTFIELD. No. We don't have—we have little desktop printers and things, so we might print—if you had an emergency where you had to print 500 copies of something, sometimes it's literally saying go set it up and print it ourselves. No; we have no printing equipment, no mail-shop equipment, no affiliation with any of those businesses because we're the in-between person and our responsibility is to make sure that stuff gets done properly.

Ms. HILDRED. How do you account for the similarities between the solicitations that TSCL has used and the similar look, although not exact, in terms of the hoax flyers?

Mr. HEARTFIELD. Well, it's pretty normal for grassroots petitions or sometimes it's an open letter to Congress, whatever it's called, if they get one of yours they try to make it look the same.

Now in our particular case we often use borders around the petitions that are color and about all you can do with that, unless you happen to be a graphic artist, is you can try and Xerox that but to me, these things come in and they're crooked and obviously they've been reproduced a million times because they have little dots on them from dirty Xerox machines and things like that. So we just looked at it and said that's just more grassroots stuff coming in.

Sometimes you get exact reproductions, because you have somebody that's very good with a computer and they'll scan it in and reproduce it, only they'll add space for 20 people to sign instead of one person and they'll go out and get people to sign it. So sometimes it can look exactly the same. They'll even use color. We can still tell because typically the petition form doesn't have a code on it but it looks a certain way. And if you get one that comes in with 20 signatures, that's not something we put out; it's something that somebody took the top part of ours and then dropped the bottom down far enough that they could add a bunch of signature lines.

So that was the basis for the original assumption that this is a supporter that's done this and that's great but you can't do Social Security numbers; it's just not a good thing to do.

Ms. HILDRED. I know you've referred to the cage process. Where are solicitation responses returned?

Mr. HEARTFIELD. There's a P.O. Box. In this case it's in DC. That's used so that the mail processing facility can go and pick the mail up in one location. They take it back to their secure facility, in this case in Hagerstown, and they process it all there.

Ms. HILDRED. And is it that group who enters the data that's received?

Mr. HEARTFIELD. They enter it into computers there and it goes into the database, which is at PIDI in Alexandria.

Ms. HILDRED. And what is your relationship to the Public Interest Data, Inc.?

Mr. HEARTFIELD. PIDI?

Ms. HILDRED. [Nods.]

Mr. HEARTFIELD. They are the service bureau that TSCL has their file at and so when we're doing mailings, that's the vendor that we send purchase orders to, you know, doing selects for names and that sort of thing. We had not used them prior to TSCL selecting them. There was a request for proposals process that was done and there were 10 service bureaus and five or six mail facilities. We went through a whole process with tours and pricing and all that kind of stuff and they were chosen as the service bureau.

Ms. HILDRED. And did you have any conversations with them regarding the hoax flyers after you were subpoenaed by the OIG?

Mr. HEARTFIELD. Well, other than to say, "Oh, we got a subpoena and I believe they said, "Oh, we got a subpoena, too," because I think they got one at about the same time that we did. Their subpoena was asking for this; ours was asking for other things. Anything you have on the hoax and then other things beyond that, but what they were being asked for was list-related. What we were being asked for was document-related. I don't know whether—no, there weren't any conversations.

Ms. HILDRED. Did TSCL advise you how to act with regard to your subpoena from the OIG?

Mr. HEARTFIELD. No. I mean it was our subpoena at that point and we had no problem with turning over all the hoax stuff that we had. We expected that it would be asked for at some point in this whole process. But because of all the other things that were asked for that didn't have anything to do with the hoax and the volume of it for a little company like ours, it went to Richard Ruddy, our attorney, at that point.

So no, they didn't call up and say we want you to do it this way or that way or anything like that. It was a little awkward because we had our own subpoena at that point.

Ms. HILDRED. And Mr. Ruddy, you had indicated that ultimately there was an agreement that you had complied with the subpoena.

Mr. RUDDY. There was some discussion with Social Security and with their counsel, Mr. Sklaar, and with our DC counsel, who was very familiar with the inspector general statute and eventually Social Security agreed that all Squire & Heartfield needed to provide is what they had provided, which they provided again, which was copies of stuff which related to the specific issue that was relevant to what they were looking into and Squire & Heartfield was happy to do that.

Ms. HILDRED. Have you or anyone employed by Squire and Heartfield Direct ever discussed the idea of slave reparations as a fundraising issue?

Mr. HEARTFIELD. About 4 or 5 years ago we got a call from a company which had as a client the National Council of Negro Women, which is Dorothy Height, who's pushing 90, I think, now. This company, somebody we had—people we'd known for a long time and done business with on and off—even in past companies where I worked I knew of them—they said that the Council had a new membership chair and she'd called them up and said, you know, "We want to get out there and do some prospecting and get some new members." And this company does mostly sort of benefits management and association management and renewal mailings for members; they're not really big on prospecting. And did we want to participate in this with them? Did we want to write copy for them?

This was a company that had helped us out in the past with some contacts with people. They got us in the door at Purple Heart, for example, so we could make a proposal to Purple Heart and we could try to get them as a client.

So I got the call from the guy and I'm thinking to myself, I don't know what we could do in that area and you're not in a position to manage any more programs right now. So I did say to him, "We can't help you with production or being involved but let me talk to Jeremy and see if he wants to write you a package and if they take it we'll charge you 1,500 bucks and that's it" kind of thing.

So I called my partner Jeremy Squire up and I just said, "John called and they're looking for something for this group and it's a big fat pain and I don't really want to do it and I know you don't want to do it but he's done things for us, so think about it."

So Jeremy called back a few days later and said that he'd rooted around on the Internet and given it some thought and what about this whole idea of slave reparations as a provocative issue that the National Council could use, a survey on slave reparations? How do you feel about this issue because that was again five years ago. It was just starting to kind of hit the mainstream at that point.

I didn't know anything about the issue. I said I don't know. So we called this other company back and said, "The only idea Jeremy came up with is this; I don't even know if they have a position on it or if they want to do anything like that." And he said, "Well, I have a meeting with this lady next week. Why don't you go ahead and write something on it for me?" Which is not the answer we were hoping to get but I called Jeremy and said, "He wants you to write something."

So Jeremy wrote a prospecting package for people to join the National Council for Negro Women based on a survey on the issue of slave reparations and other issues for blacks, not knowing if they had a position on the issue. We gave the package to this guy. We didn't hear back from him for several weeks. I called him up and said, "John, what's going on?" and he said, "Well, she postponed the meeting and now she's saying maybe they don't want to have a new prospecting program so I'm going to send her over the copy and I'll get back to you." And that's the last I've heard of it for all

those years. I mean we didn't charge them for it or anything like that. So that was that.

Ms. HILDRED. Was that flyer, when it was devised, was that printed in-house?

Mr. HEARTFIELD. Flyer?

Ms. HILDRED. The draft survey.

Mr. HEARTFIELD. Well, it's just a Microsoft Word document that's printed out and sent off. Social Security people have a copy of it.

Ms. HILDRED. I believe this is the document.

Mr. HEARTFIELD. Yeah.

Mr. RUDDY. Have you ever seen this before?

Mr. HEARTFIELD. Yeah, this is that mailing piece.

Mr. RUDDY. Squire & Heartfield didn't have a copy.

Mr. HEARTFIELD. Yeah, that is all there is. There's not even a file to go with that and there was no discussion. I called this guy. That was the call several weeks later—"What's the deal?" He said, "They postponed the meeting; I'll get back to you on that" and that's the last I heard of it.

Ms. HILDRED. Just a question. The copyright reference at the bottom; explain that to me.

Mr. HEARTFIELD. Well, we were advised when we started the business, by the attorney that helped set it up, we said, "What about copy? When we're sending copy out to clients or potential clients, could they just go off and use it and they don't pay us kind of a thing?" And the suggestion was in a lot of ways there's not a whole lot you can do about that but, at the least if you want, when you write copy, just put "copyright" and your name at the bottom. So it might give you some leg to stand on.

So it's just a canned part of—all our packages, we try to put this thing at the bottom. If it's an actual mailing it would have a job number, which is a control number that we use, and a date and that sort of thing. I don't even know if it has any enforceable value.

Ms. HILDRED. After receiving your congressional subpoena and before the misleading mailings hearings that we had on July 26, did you speak to Michael Zabko?

Mr. HEARTFIELD. After we got our subpoena to testify?

Mr. RUDDY. That's the subpoena for you to appear, not for the documents.

Mr. HEARTFIELD. Right.

Mr. RUDDY. That was sometime in July that came out, wasn't it?

Ms. HILDRED. Yes, just a few weeks before the hearing.

Mr. HEARTFIELD. I talked to him at some point in the summer. He was working at the Charles County Red Cross and I got a message that he had called and I called him back and we played phone tag for a while and it had to do with he was trying to remember the names of a couple of printers in Waldorf that we had used because he wanted to see if they would do some printwork, in one case do some printwork for the American Red Cross chapter down there. In another case he wanted to see if they would sponsor his golf tournament that he was putting on for the American Red Cross.

I don't know if that conversation—I mean it was sometime in the summer. The golf tournament was in August so it's before August, but I really don't remember when, and it was about that.

Ms. HILDRED. How about did you speak to George Smith?

Mr. RUDDY. After the subpoena?

Ms. HILDRED. Yes.

Mr. HEARTFIELD. I don't know if I talked to George Smith other than if there was some kind of a conference call. My partner Jeremy does most of the communicating with George. I'm sure I was involved in a conference call or two about pulling together information and that sort of thing.

Ms. HILDRED. What is your understanding of why Michael Zabko was asked to relinquish his position as executive director of TSCL?

Mr. HEARTFIELD. I don't actually have a good understanding of why. I'd like to go to lunch with him and say, "What's the deal with you leaving?" I don't know. I just really don't have an understanding of it.

Ms. HILDRED. And what changes have you seen in your working relationship with TSCL since Mr. Zabko has left?

Mr. HEARTFIELD. Well, on a practical level, without an executive director we've had some administrative difficulties in just the paper circulation, things like that, if you pull a central player out.

In terms of dealing with copy issues and things like that, there haven't been any problems associated with it. It's just simply different people that we're talking to about it. And again some organizations, you never even meet the board; you're always dealing with the president or the executive director. Some organizations you're dealing with their marketing—your counterpart and you barely get to meet the president. Some groups, everybody's dealing with everybody.

So there's been no real change other than the fact that George and Virginia, because she's new, also, want to get up to speed so they're asking all the questions you'd expect of a new person in any situation.

Ms. HILDRED. And in terms of perhaps—initially you referred to TSCL providing you with a legislative agenda, has there been changes since the change in administration regarding their focus, their legislative——

Mr. HEARTFIELD. Oh, yeah, their position on some things.

Ms. HILDRED. Can you give some examples?

Mr. HEARTFIELD. For example, the President's Commission wasn't around when Mike Zabko was there. They have a position on that now which is not particularly favorable to the Commission and the idea of private retirement accounts and that sort of thing. I would say Virginia has put her stamp on the other issues but, for example, they got a call from Congressman Stupak about a Meals on Wheels program that he was pushing—I don't know if it was an amendment or what—asking if they could put out some—put out the word to some of their supporters, put out press releases, do whatever to help support that legislation and they jumped right on doing that and that sort of thing.

I think that some of the core issues—CPIE and that sort of thing—they've supported that before. It's not really a partisan issue.

Nothing dramatic, I guess, but definitely there's a new legislative person over there and that person is working the legislative agenda and they updated the agenda and gave us the new one and the new

one was put into the annual report that was issued and all that kind of stuff.

Ms. HILDRED. We also understand that TREA board dismissed TSCL board and do you have any understanding as to why that might have occurred?

Mr. HEARTFIELD. No; we try to not—again, TSCL's our client. We just try not to get in the middle of situations like that, regardless of who the group is. So we were told that George Smith was the new chairman and there was a new board and everything was fraternal and no expectation of making dramatic changes and could we please help them get up to speed on things that we were involved in?

And then subsequent to that they hired Virginia and we went over there and did what we call a Direct Mail 101. We do a little presentation, walking people who are new to a board or new like Virginia, you know, here's how a mailing works and here's what we do and here's what you do and that sort of thing. But we just didn't want to—it didn't have anything to do with us.

Ms. HILDRED. Have you seen any changes relative to the different boards in terms of how you work with them? Anything significant?

Mr. RUDDY. You only work with TSCL board, right?

Mr. HEARTFIELD. Yeah, but you're talking about the new TSCL board?

Ms. HILDRED. TSCL board.

Mr. HEARTFIELD. Well, several of the people on the new TSCL board we have gotten to know over the years, either because they were previously involved with TSCL or because they were on TREA board and we just had met them socially kind of a thing.

No, they asked a lot of questions to get up to speed. Beyond that, I haven't really seen any dramatic changes in the way they're doing things. As it relates to us, George has a slightly different style as far as how he wants to say things and you have to get used to that kind of thing in the copy, and Virginia wants to word it slightly differently, based on her interpretation of that legislation versus the previous guy's interpretation. So we adjust to those sorts of things but that's standard any time you get a new executive director or new significant person.

Ms. HILDRED. In your opinion is it feasible to get 29,000 responses from across the nation to a flyer without some kind of organizational effort being involved?

Mr. HEARTFIELD. Well, I think yes and the reason I think yes is because that, as far as I'm concerned, that is exactly what happened. I mean we watched these things come pouring in and the cage watched them come pouring in and they would send samples down and they were coming from everywhere and they were all different variations and different spelling errors. Not a single one of them had any markings or trappings of being coordinated in any way.

I mean if I'd seen like a little code on the bottom of one of them I would have said somebody's involved in this and for whatever reason they've put a little code on this. Or if they'd all been the same or if they'd been more professionally reproduced before they

were distributed, I'd say somebody's trying to—you know, the sloppier something looks, the less seriously some people would take it.

So we never felt like it was anything other than just a pure grassroots thing. And especially the slave reparations thing because it says you're entitled to $5,000. It's not hard to generate signatures in a situation like that. And again there were these telephone calls coming into TSCL from ministers and from other people reporting that literally people were walking into church with 100 of these things, passing them out and street corners in little towns. I mean we were shocked by the number but it was not unbelievable to see that many of those come in.

I would say the notch ones that came in, I don't even know if the number of notch ones that came in—there's no way to know and I don't remember off the top of my head how many of each there were but it wouldn't be surprising for them to receive several thousand homemade notch petitions a year. That wouldn't be surprising at all. But you add those and these particular ones, because of the Social Security number, then add these slave reparation ones, you know, it's 29,000 of them.

Ms. HILDRED. And you used a company to store the personal information that was received from the hoax flyers?

Mr. HEARTFIELD. TSCL—well, the flyers were isolated. Once they started coming in volume, notch flyers first with Social Security numbers, the cage was instructed—you know, we had a conference, a phone call with Mike Zabko: "What do you want to do about these things?" It's starting to be a significant number and there were already starting to be some press reports and things like that. And, of course, he had the visits from—inquiry from Social Security and then the follow-up from Stubbs, from Agent Stubbs. I guess there were subsequent conversations and then somewhere in there there was the subpoena but what we said to him was you need to isolate these names. These source documents, don't mix them in the boxes that are going in the back. In fact, we asked the cage to put them in the secure room where they lock up the checks and cash overnight.

Don't mix them in at all. Keypunch them with the special code NTD, which means non-TSCL document so that they can always be kept track of separately. Absolutely don't key the Social Security number. There is no place to key a Social Security number in that database but it was stated just to make absolutely clear that they didn't do that. So that's what was supposed to—that's what was happening with these documents. They were isolated once there was any sort of volume.

Ms. HILDRED. To your knowledge, has the list of names obtained in response to the hoax mailers or the hoax flyers been sold?

Mr. HEARTFIELD. No, hasn't been sold. A few of the names probably got through on some rentals early on because again it was a trickle of what looked like run-of-the-mill petitions except they had the Social Security number, so there was no reason to think they weren't—still no reason to think that the notch ones weren't legitimate attempts by people to help push the legislation.

When the slave rep ones hit and it became this big number and a serious problem, PIDI was instructed to suppress all those names with those codes from TSCL mailings and do not rent or exchange

them, either. So they effectively have been off the market, including there were a couple of thousand people that sent notch flyers who were actually prior contributors or at least supporters of TSCL. They, as well, were put on the do not mail, do not rent list. So TSCL actually took names that they had acquired through their regular program and just stopped mailing to these people because they had also responded to—I'm assuming at least 99 percent of them—to the notch flyer, not the slave rep flyer.

So the list, to my knowledge, was never sold. The list was not rented in any totality, a few of them in the beginning rented or exchanged, and it's been in that status ever since. The reason to keypunch the names, and that was stated in some of these early documents, was TSCL felt that they were going to have to respond to these people and say, "Don't give out your Social Security number." And then it became "Don't give out your Social Security number" and, for the slave rep people, "This is not real. There is no legislation like this. There is no money for you. And if you know anybody, please try to turn it off."

So they were keyed for that reason but with the special codes and the actual source documents were always kept separately, specifically because it was—I guess Mike offered or it was assumed that the postal inspector or the Social Security people would—I guess they'd talked about, you know, we want the documents at some point, so they were handled that way.

Ms. HILDRED. So the database still exists and is still in whose possession?

Mr. HEARTFIELD. It's still at PIDI and I don't—TSCL, I guess, has offered to destroy the database at whatever point they and Social Security kind of reach an understanding. I mean they don't want it. It's no good. I mean if they gave me that list I couldn't make a dime out of that list. It is not direct response people. It is, by and large, poor, elderly black people in the rural South. Those aren't lists that anybody wants to rent to sell anything to. It's not a list that most or any nonprofits that I can think of would want, but for the most part because it's not a direct response list. It's just these flyers that came in the door.

So the list has no value to them or really to anyone. And again I think the list company would—if I went to the list company and said, "Hey, here's this list; can we market this?" they'd say no.

So it's frustrating to hear that, that's maybe one of the reasons this was done.

Ms. HILDRED. Do you know of any money that actually came in with the flyer responses?

Mr. HEARTFIELD. You mean with the flyers?

Ms. HILDRED. Yes.

Mr. HEARTFIELD. Not the responses to the hoax mailing?

Ms. HILDRED. Yes; the hoax flyer.

Mr. HEARTFIELD. No; I know people sent in documents in some cases, copies of their Social Security card or even their cards or birth certificates or things like that. We were dreading the day that a version of this thing appeared which had the dollar box added to it by somebody who said, "The way you're supposed to do this is you ask for money so I'll add that to the bottom. I'll make my own version." That never happened, thank God.

In fact, I would say it was surprising. I can't say nobody ever sent a dollar in with theirs but we had routine conversations with the cage about these flyers. "How many did you get today? Any money?" And I don't recall ever hearing anybody say, "Yeah, we got some in today with a dollar here or a dollar there."

The standing order was anything that comes in with them, whether it's money or documents or even copies of documents goes to TSCL so they can be sent back to these people. So if a dollar came in it was sent back.

Ms. HILDRED. So your understanding was that anything that they received they did send back?

Mr. HEARTFIELD. Yes, that TSCL sent back. The cage was under instructions just to forward all that stuff to TSCL so that they could return those things.

Ms. HILDRED. And in terms of the follow-up mailing that went out to those who had responded to the flyers, do you know what money might have come in as a result of that?

Mr. HEARTFIELD. I don't know what the number is. There were apparently a few that came in because I know there are some that they picked up with a Membership Brochure Application code, which is the code that's in the membership brochure. I think again that's one of the questions that's on the list and PIDI has to run that to see how many it was. I do know that it was a tiny number relative to the 29,000 but I don't know what the exact number was.

Ms. HILDRED. So you have had conversations with either TSCL or PIDI in regards to their questions for the record that they have to answer to us? You've referenced that.

Mr. HEARTFIELD. Well, no. What we did, TSCL sent us a copy of Congressman Shaw's letter and said, "Please help us with the questions that are obviously in your area." And the only other person that was listed on it that they sent it to was their attorney.

So we wrote them back a letter and said, "We can help you with this and this and this, the list stuff, like who rented the list or exchanged the list and that sort of thing. You need to send this, if you haven't already, to PIDI and get them started on the questions pertaining to how many people gave here or gave there and gave it as a result of this because we can't—we don't have those answers. We don't have the database."

So that's—it wasn't a conversation. It was just a letter or memo that we sent back over to TSCL the day before yesterday, I guess, saying PIDI has to get that for you.

Ms. HILDRED. Have you ever prepared any flyer for TSCL?

Mr. RUDDY. On a particular topic?

Mr. HEARTFIELD. What do you mean by flyer?

Ms. HILDRED. Anything that TSCL might use to hand out to people, versus a formal mailing.

Mr. HEARTFIELD. No. Sometimes in mailings you use something that's usually called a pub note in the magazine trade, a publisher's note, which is one of those little forms and it says if you're still not convinced you should subscribe, please read this. And you open it up and it's a little note from somebody. And that little technique is used in fundraising and typically the content—it might be a letter like that or it might be you open it up and it's got newspaper articles mentioning the group or mentioning the need for this

bill or quotes about it. So it's almost like a flyer in that sense but those go in mailings. And we don't use them very often because it doesn't really work as well in fundraising.

But we've never prepared a flyer that I can remember that they would have handed out as such. They have materials they handout—the brochure, the "70 Ways" book. They've published a couple of monographs on senior citizens survival guide and how to communicate effectively with Congress, you know, and an annual report. We help them sometimes with those. Sometimes they do them themselves but nothing that's an actual flyer.

Ms. HILDRED. Have you had any involvement or knowledge whatsoever in the original distribution, printing, manufacture or have you been connected in any other way with these hoax flyers?

Mr. HEARTFIELD. No. Well, any other way other than doing the follow-up mailing but absolutely not.

Ms. HILDRED. And do you have any idea, considering the large-scale distribution and the considerable response, do you have any hypotheses as to how this might have occurred?

Mr. HEARTFIELD. What I said earlier. And I consider my opinion to be a legitimate and valid professional opinion, having literally started out in a caging operation and experienced things like that coming in without being requested.

I think it was just grassroots response to an issue. Again, especially on the slave reparations, all of the feedback was that this literally was a spontaneous grassroots thing.

Ms. PALM. Why do you think somebody would associate slave reparations with TSCL, with them never having worked on the issue? I mean why would a supporter generate a new issue for TSCL?

Mr. HEARTFIELD. I have no idea. I really don't. We just assume that there was some poor person that got terribly confused. All groups receive mail intended for other groups. People send their electric bill in the envelope to TSCL. I mean they get confused about things. Sometimes you have people that are confused and they give 10 contributions in 10 months and their son or daughter writes in and says, "My mother's not competent to do this" and they get a refund.

Again, once we saw these things coming in, now somebody has taken this concept of notch, lump sum payment, and they've mixed it up with this idea that there should be a payment for slave reparations, which on its own has been around as an issue for a number of years but somehow they've taken this thing and they've made this leap over here to this one and they're using TREA. Some of them even say TREA Senior Systems League, which is not their name. And those started pouring in.

But I truly think it was a very confused person who transformed it. They may have gotten a notch one. Well, they must have gotten one of the notch ones and somehow or another it became slave—oh, I just heard about this on the radio; let's change this because they won't understand this notch word. I don't know.

Ms. HILDRED. Anything else?

Ms. PALM. Just sort of an overarching question. Nonprofits do direct mail all the time. Do you have any sort of—does this tell you anything about TSCL? Do you have any hindsight concerns about

why in all the world of direct mail TSCL seems to have had this happen to them, resulting in investigations and other issues when other nonprofits legitimately use direct mail to do fundraising and advance their cause? Do you worry ethically about the issues that they represent, the wording? Do you think that it's misleading? Do you think that there are——

Mr. HEARTFIELD. Well, the hoax came out of nowhere, these flyers, and it asked for the Social Security number and it would be suicidal for anyone that knew what they were doing to ask for the Social Security number, in our profession or even at a nonprofit group. They should know that, as well.

TSCL has over the years criticized the Social Security Administration for having a position on notch, for not notifying recipients when there was an improvement made in the CPI formula that whacked three-quarters of a point out of their calculation and for other reasons they criticize Social Security Administration.

The Social Security Administration, to my knowledge, has written to them once and said, "We think you're wrong about something you're saying," and TSCL said "OK" and corrected it and moved on.

I mentioned the letter from the congressman earlier about the other issue. They took that out of the mailing and moved on.

So no, I don't. I mean I see stuff that's awful that groups put out on all sides of a lot of issues, that's just flat wrong or flat misrepresents positions or it doesn't have the disclaimers it's supposed to have, whether state or federal. There's a lot of that going on and TSCL doesn't do that. It's an issue which some people think is a horrible injustice and other people think is made up, and that's true on the Hill, as well as anywhere else, as it relates to the notch.

As it relates to the other issues that TSCL works on, they're all mainstream issues that have a lot of support from members up here. I mean they're a regular old group as it relates to that, so I don't know.

Like I said, in the very beginning I would see petitions misstating the countries that were still killing whales and that was a problem. I don't know of any other groups that have had—I mean there are other groups that have gotten raked over the coals when they shouldn't have in the past but not necessarily in a situation exactly like this. I've never seen anything like this, no.

Ms. PALM. Does TSCL ask your advice when they're developing their legislative priorities? Is there consideration given to what legislative issues have brought them the most money in developing their priorities?

Mr. HEARTFIELD. No, they have a legislative agenda and one of our jobs is to identify bills which are worth generating grassroots support for because without it being an inordinate expense—for example, several years ago they supported—I guess it was the mobile home industry safety standards, construction standards, which there was legislation to improve the standards, which a lot of seniors live in mobile homes and trailers so it was something that TSCL supported. Mike Zabko was down on the Hill talking to people a couple of times. They put it in the newsletter. It was on their legislative agenda, but that's not something you can mail on in a

big grassroots way because it only affects those people that live in that.

Earnings limit was something that they supported repeal of the earnings limit. That applies to a narrow age range and only the people in that age range that are working and that sort of thing. So those are issues that they had on their legislative agenda but which weren't feasible in the mail, other than to be mentioned or reported on in the newsletter, press releases, that sort of thing, but it's not something that you would—you might try to test it but if it didn't work you wouldn't do it, because our job is not to—you know, our job is to achieve the balance they want between raising money and raising awareness and generating grassroots activity, so it depends.

And I would say that's true of most groups. They might have 10 things on their list and maybe three or four of them resonate with a typical direct mail donors in their world and that's what they focus on in their grassroots mailing programs.

Ms. HILDRED. OK, thank you very much.

Mr. HEARTFIELD. Again thank you for letting me deal with it this way. I apologize for any inconvenience to anybody.

Mr. RUDDY. And thank Congressman Shaw, too.

Ms. HILDRED. We will.

We may have some further follow-up questions for the record just in the sense of as the members' offices take a look at this transcript, if they have any other further follow-up questions we may submit those to you in writing. I don't know if that will happen or not.

Mr. RUDDY. As far as the transcript, frequently with a transcript in a normal court proceeding you have a chance to review it if you made some mistakes or you misstated something or it got garbled in the process. Will we have that opportunity?

Ms. HILDRED. The same procedures will apply. We'll send it out to you for your review.

Mr. RUDDY. You'll give us an errata sheet of some kind?

Ms. HILDRED. Yes.

Mr. RUDDY. Great. We would really like to read it.

[Whereupon, at 2:34 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of Vincent B. Niski, National President, The Retired Enlisted Association, Aurora, Colorado

As the National President of The Retired Enlisted Association (TREA), affiliated with the TREA Senior Citizens League (TSCL), I am providing this statement for the printed record of the Congressional Subcommittee on Social Security hearing of Thursday, July 26, 2001.

TREA is the ninth largest Veterans' Service Organization Chartered by Congress and is exempt from Federal income tax under section 501(c)(19). There are 33 veterans' organizations that have been chartered by Congress. The members who are elected and serve on the Board of Directors (BOD) of TREA are all volunteers without compensation. The TREA BOD elects members to the TSCL BOT. Under the laws of the State of Colorado, TREA can have an affiliate organization operated separately.

TREA was granted a federal charter based on the fact the largest majority of it's members served 20 or more years of faithful and dedicated military service to our country. TREA is extremely proud of the fact that we are chartered and are the ninth largest Veterans' Service Organization that not only assists our members, but also any and all veterans that utilize themselves of our services. TREA presently has over 75 active chapters throughout the country, including Puerto Rico and Ha-

waii. These chapters are deeply involved in the activities and programs within their communities. Some of chapter community involvement includes: aiding and assisting the elderly by transporting meals on wheels to those that are home bound, conducting "Christmas in July" parties at The Red Cross shelters providing not only food for the homeless occupants but also gifts of items that improve their quality of life, transport veterans to veteran hospitals for treatment, some hospitals 60 plus miles from the veterans residence. Some chapters have taken it upon themselves to maintain the graves of Medal of Honor recipients in the cemeteries within driving distance. Chapters provide scholarships for students, not only those related to TREA members but also to the students at large within the community. At the National Level, TREA provides 40 $1,000 scholarships and several at $1,500 annually to students throughout the country. And this is not all. TREA has a Memorial Foundation that has three programs to assist our members and the general population of the country. It is the Foundation that provides the scholarships mentioned earlier. The second is a benevolent program that not only assists members in distress, but also others in society that justifies a need. Third is a disaster relief program. Several examples are: $50,000 to Oklahoma City when the bombing of the federal building occurred; $40,000 to the members in Puerto Rico when a hurricane devastated the area; and then again $50,000 to Puerto Rico when another hurricane devastated the area shortly after the first occurrence. Instructions were provided to the chapter to assist their members and utilize remaining funds to assist the elderly at large that required emergency assistance.

TREA has a Legislative Affairs Office located in Alexandria, VA, with a staff of five paid professional employees. We pride ourselves in the fact that we work within the legislative system to effect change to; (1) protect military retiree and veterans earned benefits, (2) restore several that have been discontinued, and (3) ensure that all veterans are provided the health care they deserve for serving their country. The vast majority of beneficiaries of our legislative efforts are not members of TREA. A good example is the fact there are 1.4 million retirees on Medicare part B who are eligible for TRICARE for Life to begin October 1, 2001. TREA has slightly less than 100,000 members and one can readily see that the vast majority of TRICARE for Life beneficiaries are not members of our association. When dealing with Congress, TREA will not be confrontational, or argumentative, and are willing to compromise, provided, compromise is the best solution to a veterans or military retiree problem at the time even if it is to be a temporary fix.

I would be remiss if I did not mention the fact TREA is extremely proud that part of our overall operation includes an Auxiliary operated by a separate national Board of Directors. Spouses of TREA members belong to the Auxiliary. Many chapters throughout the country also have an Auxiliary. The auxiliaries assist the chapters with their community involvement. Many chapter auxiliaries also award scholarships to the local youth of the area. Emergency assistance is provided to those in dire need of life's necessities within the community. All of the auxiliary officers, just like those serving TREA, both at the National level and chapter level are also volunteers without compensation.

TREA publishes a monthly magazine; "VOICE" This publication has been for many years and presently is being provided to all congressional offices, both in the House and the Senate. We feel that by providing this publication to the congressional offices, who we are and what we are about is readily available to each Congressperson and Senator.

TREA prides itself in being a nationally recognized veterans' organization that represents the interest of not only military enlisted retirees but also those on active duty, guard, reserve and all veterans. We are legislatively involved to ensure the government keeps promises to those who serve our country in the military. TREA is known to work with Congress and other veteran service organizations. In the 106th Congress, TREA was a leading organization in lobbying for legislation for those enlisted military retirees on Medicare. Due to our efforts, Congress included TRICARE for Life and a Prescription Drug benefit for Medicare eligible military retirees and/or survivors in the Department of Defense Authorization Act. TREA is a member of The Military Coalition (TMC), a coalition of military and veterans' organizations. TREA currently serves as Co-Chair of Retirement and Veterans Affairs Committees of TMC. Further, TREA is a member of the National Military Veterans Alliance (NMVA), another coalition of military and veterans' organizations. TREA currently serves as Co-Director of NMVA.

The Mission Statement of TREA is provided for the record: **"The mission of The Retired Enlisted Association is to enhance the quality of life for uniformed services enlistee personnel, their families and survivors—including active components, reserve components, and all retirees; to stop the erosion of earned benefits through our legislative efforts; to maintain our esprit de**

corps, dedication and patriotism; and to continue our devotion and allegiance to God and Country".

I appreciate the opportunity to provide TREA's input to the written record of the hearing.

Gloucester, Massachusetts 01930
August 1, 2001

Allison Giles, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

RE: Hearing Date: July 26, 2001 Subject: Misleading Mailings Targeted to Seniors

For the written record of the hearing held by the Subcommittee on Social Security, I wish to call the National Committee to Preserve Social Security and Medicare (NCPSSM) to the attention of the Subcommittee.

Recently the Attorneys General of a number of States entered into a settlement agreement with the Publishers Clearing House Corp. to regulate and restrict the use of misleading solicitations which prey upon confused and frail elders who believe that by purchasing products from Publishers Clearing House they increase their chances of winning a sweepstakes prize. What Publishers Clearing House has done to appeal to greed and the gaming instinct NCPSSM has done in the same manner in their appeals to fear that frail elders have of losing Social Security benefits.

I "joined" NCPSSM several years ago to see what kind of mailings I would receive. The low "membership" fee of $10 encourages people to sign up. Soon afterward, although I never made another contribution to NCPSSM, I began to receive a barrage of mailings with dire warnings from former SSA Commissioner Martha McSteen, spokesperson for Max Richtman, the real head of NCPSSM, implying that without financial support to lobby Congress, continued SSA benefit payments were in doubt. More and more impressive envelopes continued to arrive at my home, each one containing cleverly contrived "personalized" mass mailings strongly urging extra contributions to assist in preserving elders' SSA and Medicare benefits.

I am sure that, had I ever actually sent in an extra contribution, the sophisticated mass marketing apparatus of NCPSSM, so like that of Publishers Clearing House, would have stepped up their appeals even more, to include phone calls appealing for funds.

Some years ago a good friend of my parents passed away at the age of 97. Only after his death was it discovered that he had given away over $50,000 to Lyndon LaRouche, another scam artist who preyed on the elderly with mass mailings which then zeroed in on the few who responded with contributions. Max Richtman belongs in the same category with these types. NCPSSM is a money-making outfit masquerading as a non-profit advocacy organization. His operation should be exposed and his company shunned by members of Congress.

I urge the Subcommittee to investigate this organization's marketing practices and their questionable and misleading financial statements. A close look at NCPSSM's operation will reveal their fundamentally abusive motives, which appeal to confused, fearful and frail elders for financial gain

Sincerely,

WILLIAM H. THOMS JR.

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