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Title **Phone company solves blue box fraud cases**

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Abstract Overview of blue box fraud with quotes from a phone company security manager. It mentions that eight people were charged in court the week before, for fraud by blue box. The security manager, James M. Vaughan, Jr., says that the first blue boxes were recovered in gambling raids in the east.

Keywords James M. Vaughn, Jr. (Security Manager, Dallas, SBTCO); blue box; Southwestern Bell Telephone (SBTCO); Dallas; Federal Bureau of Investigation (FBI); credit card fraud

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Phone company solves blue box fraud cases

By RUTH EYRE
Staff Writer

James M. Vaughan Jr. has become very familiar with "blue boxes"—and they are not to his liking.

The former FBI agent who is security manager for Southwestern Bell Telephone in Dallas must contend with the "blue boxes" designed to bypass long distance billings.

"Blue boxes," Vaughan said, "were primarily used by bookies at first. They were first discovered when quite a few were recovered in gambling raids in the East."

The multi-frequency electronic devices were named "blue boxes" because the first one discovered was in a blue box, according to Vaughan. And their use has grown in areas where there is a high concentration of electronic knowledge.

Today they come in various colored boxes and in various sizes and degrees of sophistication.

Vaughan demonstrated one which he said contained only \$65 worth of equipment but sold for \$3,000.

He said, "The user first gains access to a toll free network. Then he uses the blue box to disconnect the number he used to gain access to the network. He is then free to dial the number he wants."

But, according to Vaughan, the telephone company is installing safeguards against blue boxes as new equipment is being installed. The new equipment will detect blue boxes.

Plus the company already can locate blue boxes through several different computer checks which are constantly being run to determine the quality of service.

"While the computer checks do not tell us definitely that a blue box is

being used," he said, "it indicates there may be a blue box being used and we can then check it out."

Last week eight persons were charged in Dallas federal court with fraud for using the blue boxes.

Vaughan said his security officers had been working on the case since last December.

"We received information about several of the blue boxes from an FBI informer," he added, "but we had already located several of the blue boxes."

Besides the multimillion-dollar blue box fraud, the telephone company estimates it loses another \$34 million in other kinds of fraud.

Vaughan has to deal with all kinds of fraud against the phone company.

"The largest type of fraud is credit card fraud," he said.

He also has to contend with pranksters and vandals at pay phones. "Pay phones," he said, "would be a goldmine if it weren't for vandalism."

At the end of last month Vaughan said his staff had 361 active investigations under way.

So far this year there have been 500 arrests and 100 convictions for various types of telephone fraud, a Bell telephone spokesman said.

This compares to only 330 arrests and 255 convictions for all of 1971.



—Staff Photo

Telephone security officer, James Vaughan, demonstrates a "blue box" designed to bypass telephone company billing equipment.