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Bibliographic Cover Sheet

Title	**Toll Fraud: Beating the Rip-Off Set**
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Abstract	Overview of phone phreaking. Acknowledges that toll fraud is now socially, economically and geographically diverse. Describes blue box users as "intelligent and often creative." Mentions Toll Fraud Control Program taskforce.
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Toll Fraud: Beating the Rip-Off Set

The problems are fraudulent credit card and third number billing, plus electronic toll fraud (like the little "blue box"). The solutions are being vigorously applied.

During a three-day period last September, the 11th to the 13th, Federal authorities, acting on information supplied to them by local Bell telephone companies, arrested 14 persons for illegal use of the nationwide telephone network. The arrests were made not in one city, but rather in places as diverse as Chicago, Houston, Memphis, Minneapolis, Cleveland and Detroit.
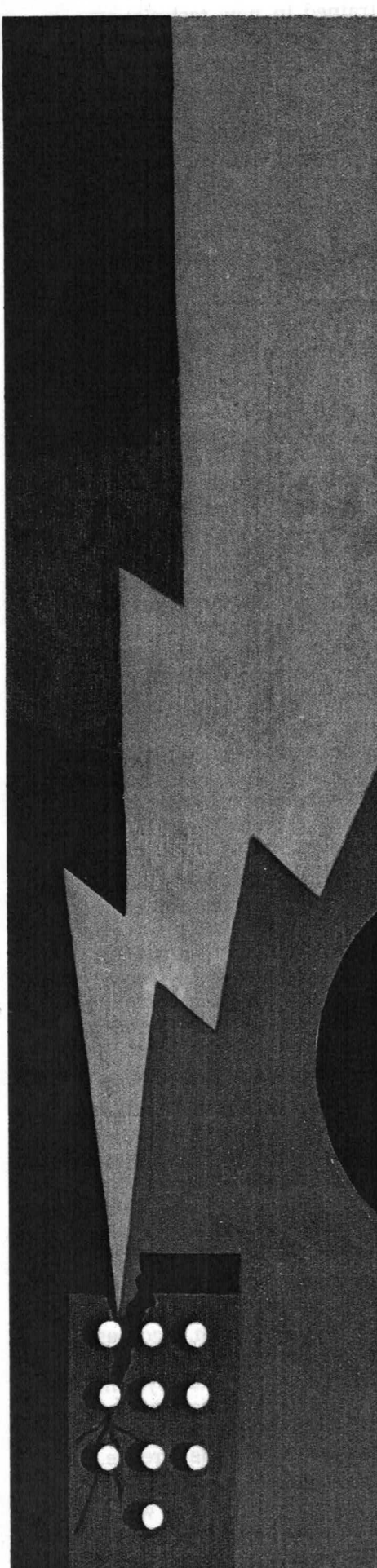
Nor were the persons arrested the well known anti-establishment members of the New Left or the publicity-happy, self-styled "phone phreaks." Rather they were average, middle to upper-middle class American businessmen. Confiscated during the arrests were 16 operating and 6 partially completed "blue boxes," electronic devices designed to defraud the telephone company.

The arrests highlight two points. First, that toll fraud, electronic or otherwise, is socially and economically, as well as geographically, widespread. Second, that the Bell System is taking strong measures to prevent and eliminate the problem.

To be sure, the phone phreak now gets the lion's share of the publicity. The media, print and video, are naturally attracted to so vociferous, outspoken and, often, radical a member of our society. He uses a small electronic signalling device to tie up telephone circuits, avoids paying the toll charges and, in effect, beats the system. Seemingly lost in the glamour of publicity is the fact that no matter how you cut it, the phone phreak is a thief and subject to investigation and prosecution as a lawbreaker.

Title 18 of the United States Code (1958 Edition), Statute 1343, deals with "Fraud by Wire, Radio, or Television" and is quite specific. "Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or

property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined not more than $1,000 or imprisoned not more than five years, or both."

Looking at the problem from the Bell System point of view, toll fraud can be divided into three separate categories: 1) fraudulent use of electronic devices to illegally enter the telephone network, 2) fraudulent use of telephone credit cards, 3) fraudulent use of third-number billing.

Bell System losses from credit card and third number cheats amounted to $22.5 million in 1971 while losses incurred from electronic fraud are almost impossible to estimate with any degree of accuracy. A closer look at each type of toll fraud may show that each must be dealt with as a separate problem with different solutions.

The ubiquitous blue box

As stated before, electronic toll fraud in the shape of the ubiquitous little blue box, is the most widely known. Called the blue box simply because the first one ever confiscated was blue, the device enables its user to become, in effect, a long distance operator. By pressing certain buttons on the box, the user (known in the press as a phone phreak), can send tones over the telephone line, triggering responsive network activity and enabling the "capture" of a long distance circuit. This alone, according to some more outspoken phreaks, is a part of the thrill of "phreaking."

Phreaking can include "fun" such as using a telephone in the left hand to call another telephone in the right hand by way of, say, London. Or it can be a matter of making a conference call to as many as 10 or 12 other phreaks spread around the country. Or perhaps the phreak simply likes to hear sounds, the echoed pings, beeps, buzzes and clacks as his call wends its way through the worldwide network so he can hear the weather forecast in Moscow.

Contrary to popular opinion which places responsibility for its growth on everything from the radical left to the explosion in miniaturized electronics, to better scientific training in the nation's elementary and high schools, the blue box has been around for at least 10 years. It has, in that time, varied in color, size and degree of sophistication but has been invariably homemade. Another popular misconception is that *anyone* can make a blue box. This is true only if that *anyone* has a keen knowledge of electronics and the telephone system and possesses a high degree of mechanical skill. Most of those who deal in electronic toll fraud, therefore, are intelligent and, often, creative people.

Sterner measures needed

Detecting blue boxes on the network has become somewhat simpler since the first one was discovered about 10 years ago. At that time, the device was considered nothing more than an annoyance and was treated as such. Prosecution for the offender was either slow or dropped when he agreed to pay a bill. But as the use of blue boxes increased, it became apparent that sterner measures were needed.

Today there are several ways to detect blue box usage, running from the time-consuming check of accounting office AMA tapes to much faster ways such as network scanning devices. Two such prototypes are now in use in two toll offices in widely separated parts of the country. Security and AT&T Engineering are constantly working with Bell Telephone Laboratories for faster and more economical ways to detect and prevent blue box calls.

The second and third types of toll fraud are usually lumped together—fraudulent credit card and third number billing. On these two categories of toll fraud, loss figures are available. In 1968 the Bell System lost $3.5 million; in 1969, $6.9 million; in 1970, $28.3 million; and in 1971, $22.2 million. The rather dramatic rise in credit card and third number fraud from 1969 to 1970 has been attributed to many things, from the much publicized Hollywood star hoax in 1969 to the ever-

growing number of underground papers advising readers how to make up phony credit card numbers.

The Hollywood star hoax was just that—a hoax. A big-name actor was reported to have been disenchanted with his personal WATS service and was said to have taken out a nationwide ad inviting anyone to call long distance using his credit card. Of those apprehended for using the credit card number, none admitted that he or she actually saw the ad, and, in point of fact, the movie star himself denied ever having had it printed. The rumor spread by word of mouth. Even so, such a hoax could not account for such a sharp rise in toll fraud. Rather, it served to bring the subject of credit card fraud into the press, which in turn blew it all out of proportion.

Bell System security people say that the young (students, hippies, military personnel) and members of all ages of the radical underground movement account for the major share of these calls. But there also have been offenders among such diverse groups as businessmen, lawyers, housewives, even the clergy. Yet the persistent question is: why do they do it?

First a lamb, now a lion

People who wouldn't think of stealing something from a store seem to readily commit theft by wire. It would appear on the surface that theft by wire is not equated by these people with theft of an object. The radicals call their fraudulent efforts "people's justice." They evidently feel that stealing from the telephone company (representing the establishment) is a good means of protest. But they are really stealing from the public by illegally using services whose costs are ultimately borne by the public.

Somewhere between the radical and the establishment-type is the student. Most students apprehended for toll fraud say that they used fake credit cards as a temporary expedient when they had little money.

A "reformed" credit card thief quoted in a trade magazine a few years ago explained the "logic" behind fraudulent calls: 1) persons who have telephone credit cards are usually wealthy enough to afford a

single extra toll call if the random selection of numbers used by the toll cheat happens to hit them; 2) if the credit card holder notices an extra call, he or she can complain to the telephone company and get a corrected bill; 3) the phone company can afford such minor losses because it's a huge corporation.

Indeed for many years Bell System companies were quite lenient with persons who committed toll fraud. Whenever possible, the company would first attempt to stop the calls, collect on them and stay out of court. But that was long before more than $20 million a year was being lost to toll cheats. Almost overnight, it would seem, the lamb has turned into a lion. The Bell System now enjoys the reputation of being a ready—and very successful —prosecutor.

A task force is formed

Consider the following statistics. In 1970 there were 215 arrests for toll fraud and 207 convictions (most arrests and convictions coming toward the end of the year). In 1971, when the "get tough" policy got into full swing, there were 330 arrests and 255 convictions.

Perhaps the single most important reason for the crackdown on toll cheats was the formation at AT&T of the Toll Fraud Control Program Task Force in April of 1970 led by Security. The task force was formed to review current company practices and procedures for handling credit card and third number fraud with an objective of providing interdepartmental recommendations and departmental guidelines to control the growing problem. The task force was made up of a representative from Traffic, Comptrollers, Commercial and Security.

There were obvious weaknesses in the company's practices which the new control program sought to remedy. The recommendations made after a six-month study have been adopted by all associated companies and the $6 million drop in toll fraud from 1970 to 1971 speaks for the program's effectiveness.

Among the recommendations were these: that the "first line of defense" against credit card and third number frauds—the operators

—be trained in new techniques on how to identify the customer who wants more than his dime's worth; the Responsible Company Toll Investigation Plan, whereby the originating (as opposed to billing) office became responsible for investigation of unbillable or unidentifiable credit card and third number calls which led to early detection and correction, plus aggressive prosecution; a change in toll office computer programming; more precise traffic pattern analysis; and the forming of centralized ticket investigating groups in each revenue accounting office.

The task force also recommended that all company interdepartmental toll fraud committees should concern themselves with the prevention and reduction of all types of toll fraud including the varieties of electronic toll fraud. This interdepartmental effort both at AT&T and the companies is providing a more concerted and aggressive effort to protect the System's revenues.

Security people at AT&T believe that the control program proved itself during 1971 and, when figures become available for 1972, a more marked decline in toll fraud losses will be evident.

Problems like toll fraud will probably exist as long as there is a telephone system. There will always be the temptation to "beat the system" either as a form of protest or for personal gain. Also, it is virtually impossible to design and engineer a system for mass use that can't be thwarted by human ingenuity.

Yet preventive measures such as those outlined above offer part of the solution to toll fraud. Perhaps the other part is a program of education about the costs of this crime —both to the public and to the perpetrator, when he or she is caught.

Because almost all fraudulent toll calls cross state lines and are thus under Federal jurisdiction, vigorous governmental investigation and prosecution, with the Bell System acting as witnesses for the prosecution, is a third effective method of prevention, albeit one of deterrence.

Yet, under such a three-pointed attack, it would appear that widespread toll fraud hopefully will be a thing of the past. □ 27