

# Detection and Reporting of Elder Financial Abuse

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## Executive Summary

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On February 22, 2011, the Financial Crimes Enforcement Network (FinCEN) issued their “Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Elder Financial Exploitation”. This advisory provided guidance to banks on red flags for reporting elder financial abuse and the next steps to take when elder financial exploitation is discovered. The advisory also included the following statement: *“Financial institutions may wish to consider how their AML programs can complement their policies on reporting elder financial exploitation at the local and state level.”*<sup>i</sup>

In a statement before the National Community Reinvestment Coalition on March 27, 2015, the Comptroller of the Currency, Thomas J. Curry, said *“Banks must ensure their Bank Secrecy Act and Anti-Money Laundering compliance programs provide training to employees. To this end, banks may consider whether to include specific training modules regarding elder abuse for certain employees.”*<sup>ii</sup>

**The advisory from FinCEN in 2011, Comptroller Curry’s remarks in 2015 and an increasing number of examiner comments to financial institutions on elder financial abuse represents a growing trend that financial institutions without a process in place for monitoring and training on the detection of elder financial abuse, should begin to move in that direction.**

As compliance costs and demands continue to increase, the idea of additional requirements and activity monitoring is sometimes met with resistance from financial institutions. Monitoring for elder financial abuse is no exception. Many financial institution personnel are well aware of the heinous nature of financial crimes against the elderly and the reputational risks to their institutions. However, in order for bank executives at institutions to agree that they should take on more compliance responsibilities, they need to see how this type of monitoring can be implemented into their existing processes, and the advantages that such monitoring will provide the financial institution and their customer base as a whole.

The following provides information on elder financial abuse red flag detection, monitoring and reporting at the financial institution level. It contains red flags detected at the back office level and other areas of the financial institution, along with case studies and feedback from BSA professionals. It also reviews the importance of training and independent testing for processes around elder financial abuse detection and reporting.

It is important to note that prior to making changes to existing processes, financial institution personnel should have an understanding of the laws related to elder financial abuse within any jurisdiction that the financial institution operates. This knowledge will help shape necessary changes to policy and procedures related to elder abuse monitoring and will ensure that the bank adheres to laws responsibly, while protecting the bank from

undue liability.

## Background

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The United States Census Bureau reports that the amount of people in the US age 65 and older is on the rise. According to the report, there were 40.3 million elders in the US in 2010. These individuals comprised 13% of the total US population. Their projections indicate that by 2050 elders will make up over 20% of the population.<sup>iii</sup> Another report estimates that the increase to 20% will happen by 2030.<sup>iv</sup> At the same time, those 65 and older hold a large percentage of the country's overall wealth.<sup>v</sup>

**According to the MetLife Study of Elder Financial Abuse in June 2011, at least \$2.9 billion dollars will be lost annually to elder financial abuse.**<sup>vi</sup> However, a more recent study by data scientists at True Link Financial indicates that the number is much higher. They estimate that annual losses by seniors due to elder financial abuse is over 12 times that amount.<sup>vii</sup> **It is also estimated that over 36% of elders experience financial abuse within any given five year period.**<sup>viii</sup> Regardless of which numbers are used, the consensus is that elder financial abuse is costing elders significantly.

While the amount of money lost by our vulnerable, elderly citizens is certainly important, the loss of their dignity is equally significant. The loss of these funds can greatly impact the quality of life of an elderly person. The True Link report estimates that over 950,000 elders currently skip meals due to financial abuse.<sup>ix</sup> In some cases, financial abuse could cost a senior their life prematurely when expensive medicines and treatments are no longer available due to the loss of financial resources.

In many instances once the money is gone, it is extremely difficult to recover, even when the perpetrator is convicted of a crime. For this reason, identifying elder financial abuse at the outset is very important. **Financial institutions should welcome a role in the detection and reporting of elder financial abuse of their client base.**

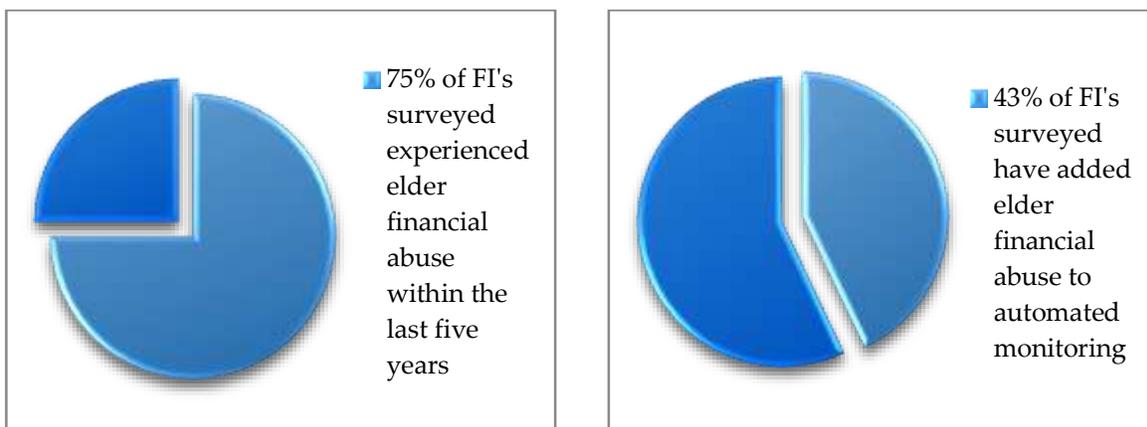
As the elder population continues to rise, the number of targets and incidences of elder financial abuse will continue to rise as well. Financial abuse of the elderly is here to stay. The question is, how best can financial institutions implement monitoring for the financial abuse of their elder customers within their current environment? More specifically, **how can BSA/AML groups move towards incorporating elder financial abuse into their monitoring and reporting of suspicious activity?**

While there are many different types of compliance structures within the financial services industry, at many institutions the BSA group offers a unique opportunity for improving early detection of elder financial abuse. Implementation into a bank's existing program should not be a tremendous undertaking if a financial institution's compliance program already has a solid foundation in place based on the four pillars of a BSA/AML

compliance program as described in the FFIEC BSA Exam Manual.<sup>x</sup>

As part of the research for this white paper 44 financial institution BSA professionals were surveyed on the state of elder financial abuse monitoring at their institutions.<sup>xi</sup> The institutions of the BSA professionals surveyed ranged in asset size from small community bank to over \$16 Billion. The survey responses are included throughout this white paper. The goal is to equip BSA professionals with information from their colleagues so that they may in turn, better address elder financial abuse at their own institutions.

In 2010, the state of Indiana experienced 110 bank robberies for a loss of less than \$1,000,000. **That same year, there were 1,277 instances of elder financial abuse for a loss of \$38,000,000 statewide.**<sup>xii</sup> While financial institutions are making strides, more can and should be done to protect our senior citizens from being victimized. 75% of the responders to the elder financial abuse survey indicated that they were aware of cases of elder financial abuse at their institutions within the last five years. However, only 43% of those institutions have implemented automated monitoring for elder financial abuse at this time.



This white paper will provide information on areas where BSA can help improve elder financial abuse monitoring, detection and reporting at a financial institution. As laws around the issue of elder financial abuse are very fluid, each financial institution has to determine their own steps for addressing elder financial abuse while considering the laws within their jurisdiction.

### Red Flags of Elder Financial Abuse<sup>xiii xiv</sup>

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The following includes red flags that may indicate that elder financial abuse is present. They have been separated into two different areas of detection: Back Office and Other Institution Personnel. Once identified, we will discuss the back office red flags in

terms of best practices for automated monitoring and detection. We will then identify red flags likely to be detected by front line staff or other areas within the bank and the role that the two areas play in the detection of elder financial abuse.

### **Red Flags of Elder Financial Abuse: Back Office**

Traditionally, one would likely have had to physically see suspicious activity occurring with a customer or conduct their transactions directly in order to suspect elder financial abuse. However, in recent years, many institutions have spent significant time and financial resources in order to implement monitoring systems to detect suspicious activity at their institution. As there are a number of different types of systems available for suspicious activity monitoring, we will address automation at a high level using general terms.

It is understood that not every institution has an automated system for suspicious activity monitoring. Even in the scenario where a bank does not have an automated monitoring system, knowing what red flags to look for when reviewing account activity is beneficial. It is important to note that detecting suspicious activity as quickly as possible in an elder's account may improve the time it would take authorities to determine if activity is actually elder financial abuse. In some instances, the initial abnormal transactions could be detected and reported, which could potentially save an elder from years of abuse.

**The following examples are red flags that could potentially be discovered through automation and back office activity monitoring.**

#### **Red Flags: Potential Automated Alerts in Monitoring System**

- Insufficient fund activity
- Unusual large withdrawals: This could include any type of large withdrawals where accounts had very little activity previously or a new account with a joint relationship.
- Instances where an authorized signer is added to an account and activity begins shortly thereafter.
- Increase in elder account activity takes place following an address change or issuance of a new ATM/debit card.
- Unusual ATM and debit card activity:
  - Sudden increase in ATM activity.
  - Frequent large daily maximum ATM withdrawals.
  - Same purchases or withdrawals over a short period of time.
  - Multiple small dollar debit card transactions sending funds to the same business or charity in the same month.
- The elder uncharacteristically attempts to conduct high dollar wire transactions. Some monitoring systems may be able to detect this after initiation and prior to the funds leaving the institution.

### Red Flags: Potential Automated Alerts in Monitoring System (Continued)

- Credit card transactions that are unusual for an account.
- Check numbers that are out of order.

Sources: BITS – Financial Services Roundtable, Nebraska Bankers Association

There are several things to consider when thinking of best practices for detecting the types of activity listed above. It is true that the activity described above would all generally be deemed suspicious, regardless of age. For this reason, there is a false assumption to think of elder financial abuse detection, from a back office perspective, as something that can only be found during the investigative phase after the suspicious activity has been detected and not as a factor in the initial detection.

For example, a bank may have a process in place that detects unusual large dollar withdrawals by a customer. Under the assumption mentioned above, the activity generates onto a list for further review by BSA or other back office personnel. At that time, they may search information on a client or account and determine that the activity is taking place in an elder's accounts. This may lead them to do further research for potential elder financial abuse.

However, many suspicious activity monitoring systems that are already in place at financial institutions have the capability of removing the manual step of the investigative process mentioned above. **The key to removing that step is the ability to include a client's date of birth as part of the initial analysis.** For instance, in the example above, a bank may have the ability to add a filter to a list of customers with suspicious withdrawals that only looks at suspicious withdrawals in accounts associated with elder customers, as opposed to all customer accounts.

If a financial institution is able to apply that same logic to any of the red flags mentioned above, they should be able to produce results that only include elder clients with suspicious activity. Early detection is extremely crucial when it comes to addressing elder financial abuse. By applying elder logic to an existing analysis, it gives the bank and ultimately the authorities a leg up on detection.

Among the financial institution personnel that participated in the elder financial abuse survey, there is a split as to whether they have automated monitoring for elder financial abuse in their programs currently. While all of the respondents have monitoring systems capable of elder monitoring, only 43% have taken the step to include this into their overall monitoring model. While it is encouraging that some BSA professionals that participated in the survey have implemented this process, it is somewhat discouraging that over half have not. Many financial institutions that do use monitoring systems have an opportunity, with a few minor tweaks to their existing monitoring, to detect elder financial abuse early in the process.

One bank that has instituted monitoring for elder financial abuse into their existing program is Northeast Bank in Minneapolis, MN. Northeast Bank is a community bank with over \$375,000,000 in assets. In 2014, Northeast Bank made minor changes to their existing automated suspicious activity monitoring in order to review for elder financial abuse.

**Since that time Northeast Bank has found potential elder financial abuse activity that they deemed worthy of a Suspicious Activity Report on five occasions.** According to Sue Sjoselius, Director of Risk Management & Marketing at Northeast Bank, *“When it alerts us to this unusual activity we are able to ask more questions and monitor more closely. Not everything leads to a SAR, but it may lead to reporting to the county for a well-being check.”* Sue went on to say that the analysis that they implemented in 2014 has been one of the most helpful analyses that they use due to the bank’s aging population.

When you consider the instances reported at Northeast Bank since 2014, you have to also consider what would have happened in these instances had the new elder monitoring not been in place. In the case of Northeast Bank, multiple cases of likely abuse could have gone unreported. When you think about the number of banks worldwide where instances like these could be caught with just a few tweaks to existing monitoring systems, it seems hard to justify not attempting to make these changes. In many cases, once the changes are implemented, the alerts generated would only take a small amount of additional time to review. When you consider the epidemic that is elder financial abuse, it certainly seems that this would be time well spent.

#### **Note: Peer Analysis vs Profile Analysis for Elder Monitoring**

It is very common for suspicious activity monitoring systems to have both a peer (client vs similar clients) and profile (client vs themselves) element to suspicious activity monitoring. While peer analysis certainly has a place in suspicious activity monitoring, profile analysis is typically more effective for detecting suspicious activity in terms of elder financial abuse. As you review the back office red flags above, you notice that many of them involve activity that is unusual for a particular account or client in question. For this reason, profile analysis is typically the analysis of choice when it comes to elder financial abuse monitoring. Having said that, peer analysis does have its place in monitoring for elder financial abuse and would be most effective in situations where large amounts of money have been leaving an elder’s accounts over an extended period of time. The comparison to other elders within the bank may trigger an alert that could be reviewed for potential elder financial abuse.

### **Red Flags: Discoverable Via Secondary Back Office Review After Initial Red Flag**

- Forged signatures discovered on elder's checks or titles.
- Elder is uncharacteristically not paying for services that they typically pay on a regular basis.
- Withdrawals that don't fit a client's lifestyle. An example would be odd times or situations where an elder is confined to their home.
- A caregiver or other service provider is paid more often than expected or an amount that would be considered abnormal given the situation.
- Multiple small dollar check transactions sending funds to the same business or charity in the same month.

Sources: BITS – Financial Services Roundtable, Nebraska Bankers Association

Red flags that are discoverable via a secondary review are typically discovered as part of the review process after suspicious activity has already been detected. These are generally discovered through the generation of an automated alert or through a tip from another area within the financial institution. It is important for both back office and front office bank personnel to have knowledge of these red flags when they see them so that they can be reported.

### **Red Flags of Elder Financial Abuse: Front Line and Other Institution Personnel**

The following red flags are likely to be detected by front line bank staff such as customer service representatives and tellers or other bank staff in areas such as operations or lending.

#### **Red Flags: Front Line Staff**

- Elder is unfamiliar with the activity/balance in their account or does not want to discuss their activity. Sometimes in these instances, the elder may answer only with a yes or no when asked questions by financial institution personnel.
- Uncharacteristic changes or withdrawals are made in an elder's account when an elder is escorted by another party that is controlling the changes being made.
- Instances where an elder appears to fear the person conducting activity for them, or expresses a fear of consequences if their "associate" is not given their way.
- Changes or new relationships added to an elder's signature card.
- An ATM, debit or credit card has been issued and the elder is unaware.
- Elder is unfamiliar or does not understand changes to financial documentation.
- Individual other than elder appears at the financial institution claiming rights and ownership over an elder's interests and belongings.
- The elder customer's physical or mental demeanor seems to have changed.
- Elder expresses excitement about recently winning a contest such as a lottery or sweepstakes.
- The elder or a relative of the elder reports unusual bank account activity or physical/mental abuse.
- The elder states that they provided their personal or bank account information to an unknown individual.

### Red Flags: Front Line Staff (continued)

- Funds or possessions belonging to the elder disappear and are unexplainable by the elder.
- The elder closes accounts with a disregard of any fees that may be charged.
- The financial institution is unable to get in touch with the elder after multiple attempts to do so.
- There is a shift to a new individual controlling an elder's affairs without sufficient documentation.
- Elder is confused by the consequences of executing a power of attorney.
- The elder mentions not being able to afford common items such as power bill or rent when they have the money to cover the item.

Sources: BITS – Financial Services Roundtable, Nebraska Bankers Association

### Red Flags: Other Financial Institution Staff

- Statements are mailed to an address other than the elder's.
- Refinance of an elder's property, especially where significant funds are withdrawn.
- Assets, such as real property, are suddenly transferred to another.

Sources: BITS – Financial Services Roundtable, Nebraska Bankers Association

As mentioned previously, *75% of the survey responders stated that their financial institutions have dealt with cases of elder financial abuse within the previous five years.* Some of the financial institutions questioned were willing to share the specifics of the elder financial abuse detected at their institutions. As a benefit to other financial institutions, a sample of those responses is included in the following section.

### Elder Financial Abuse Examples

- Multiple banks reported instances of an elderly bank customer being abused by a family member writing checks from an elder's account to themselves for large amounts.
- A bank indicated that the typical elder financial abuse they see is an elder being manipulated into wiring funds, paying out sums in cash or acquiring credit and disbursing proceeds to the perpetrator.
- Several banks stated they had seen financial exploitation of elder customers by family members and caregivers.
- One bank shared that two neighbors of an elderly woman talked her into withdrawing most of her money from the bank and giving it to them so they could take care of her needs. Department of Family Services was contacted by the bank and they stepped in and recovered the money.
- Multiple banks said they had seen issues with dishonest family members or caregivers gaining power of attorney and signing authority on an elder's accounts for their own use. In some instances, they used fear over the elder.

### Elder Financial Abuse Examples (Continued)

- A bank had a case where multiple caregivers took advantage of one of their elderly clients by writing checks out to themselves and having the client sign them. The bank identified the activity and contacted the client. Police reports were filed.
- Multiple banks stated that they have had elderly customers abused through the lottery/sweepstakes scam, grandparent scam and sweetheart scam.
- A bank's frontline staff noticed elderly people withdrawing more cash than what seemed normal or frequently writing checks to 1 or 2 individuals who always cash the checks at the bank.
- One bank stated that they have picked up on elder financial abuse by noticing transactions not aligning with their customer's profile.
- A bank indicated that they picked up on financial abuse when they had an elderly customer coming in and withdrawing large amounts of cash multiple times a day.
- Another bank discovered financial abuse when an elder came in their bank to withdraw money with someone that their tellers had never seen before.
- A bank had a situation where an authorized signer was added to an account and withdrawals outside of their customer's normal activity range followed.
- A bank stated they have had victims falling for phone/internet scams and wiring funds out. In some cases, they withdraw money to take to another institution to transfer out.
- A bank had an elderly customer that was always accompanied by a younger person that was controlling the situation. Sometimes bank employees observed the elderly person hand over cash to the younger person immediately following the transaction.
- One elderly bank customer showed confusion about account balances and made random statements about what the withdrawals were being used for.

Source: Author's survey. (2016). Elder Financial Abuse Bank Survey. <http://kwiksurveys.com/s/DVdU8FTC>

Joe Roubicek is a Detective at the Office of the State Attorney, 17<sup>th</sup> Judicial Circuit, in Broward County, Florida. Detective Roubicek has investigated numerous elder financial abuse cases in the past 25 years and has documented a number of his cases in his book "Financial Abuse of the Elderly: A Detective's Case Files of Exploitation Crimes." Detective Roubicek was asked by the writer for his feedback on what, in his experience, was the most important red flag for detecting elder financial abuse at a financial institution. He indicated that there were two that stood out in his mind. *The first that he mentioned were instances where the account holder is unable to answer most questions with more than a yes or no. The other red flag he pointed out were situations where the account holder is accompanied by someone who does all of the talking.*

Understanding red flags that are discoverable by front line staff and other areas with customer contact are just as crucial as those detected through automated monitoring. It is very important for institution employees that might pick up on the red flags mentioned

above, to have a very good understanding of what to look for when determining if possible elder financial abuse is taking place. This is best accomplished through employee training which is discussed in further detail later in this white paper.

## Red Flag Case Studies

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### Case Study: Shostocka Ward<sup>xv xvi xvii</sup>

In 2010, Shostocka Ward began work as an employee at a senior living center in Alabama. In 2011, Ward met a 75-year-old resident of the center with no immediate family or visitors. Ward assisted her victim with transportation, bill payments and other items. Beginning the same year that they met, Ward began defrauding the victim. This went on for several years. Ward's financial abuses included the following:

- Using victim's checks without her knowledge or permission
- Forging the victim's signature
- Obtaining an ATM card from the victim's financial institution
- Using the victim's credit cards to make large purchases
- Using money from the victim's account to pay the bills

While the victim did have someone serving as her power of attorney, they lived out of town and were not involved in her day to day care or finances.

### Where did the money go?

The following details where Ward used the funds:

- Used the checks and ATM card to obtain more than \$120,000.
- Used the victim's credit card to:
  - Finance her wedding
  - Send funds to a prisoner
  - Car payments
  - School tuition payments
  - Trips to Chicago, Las Vegas, Tunica, and Gatlinburg
- In all, Ward took over \$300,000 from the victim.

### What could the financial institution have seen if they had been looking?

From a front line perspective, the biggest misstep appears to have been issuing Ward an ATM card. They could also have recognized that Ward was an unknown prior to her involvement with the victim. From a back office monitoring perspective, this activity would have likely been detected by BSA monitoring had an analysis existed where significant changes in activity such as ATM, checks and ACH were monitored, particularly after the issuance of a new ATM card. The activity would have been especially noticeable as

potential elder abuse had the analysis used age as a factor. The forged signatures may have been discovered during a secondary review once suspicious activity was detected.

### **Case Study: Julie Lagos** <sup>xviii</sup>

Julie Lagos first met her victim while she worked for her through a home care provider. When the provider that employed her went out of business, Lagos convinced her victim's power of attorney to keep her on as an employee. Under the agreement, Lagos would be paid \$200 for three visits each week for assistance with groceries, house work, errands and personal care.

Around a year later, in June 2010, the victim opened a new credit card account with Bank of America. Two months later, Lagos was added as a signer. Lagos ran up a \$19,175.20 balance on the new card. The activity triggered a back office alert at Bank of America. This led an analyst to question the activity and ultimately file a report with Adult Protective Services. The APS representative got in touch with the victim's power of attorney and had her look into the victim's finances. At that time, the power of attorney stated that the victim had minimal balances on two credit cards and had no knowledge of a card with Bank of America.

Once the power of attorney looked deeper into the victim's finances she uncovered the following:

- The victim's Discover card was maxed out with a balance of \$13,366.98.
- The victim's Chase card had a balance of \$19,782.18.
- In less than two years, the victim's savings account balance had gone from \$79,671.68 to \$35.46.
- Victim's checking account showed a number of checks written to Lagos. The victim had given Lagos blank checks to pay for bills and other purchases, to which Lagos had written to herself.
- Two \$10,000 CDs had been cashed.

### **Where did the money go?**

The following are a few of the places where Lagos used the money she obtained from the victim:

- Tattoos and body piercings for herself
- A 60-inch television
- Furniture rentals
- A racing vehicle for her boyfriend
- The filing fee for her divorce

### **What could the financial institution have seen if they had been looking?**

Thankfully, this crime was eventually detected by an analyst at Bank of America. Had the analyst not reported Lagos to APS, this crime would likely still be ongoing. Unfortunately, other banks had not picked up on similar credit card activity at their institutions that took place prior to the B of A transactions.

Also, with Lagos writing many blank checks out to herself, it is not unreasonable to think that this would have shown up on a back office report at some point as well. Had the victim's bank had automated monitoring of cash out for elders, the CD's might have triggered an alert, particularly with all of the other account activity taking place.

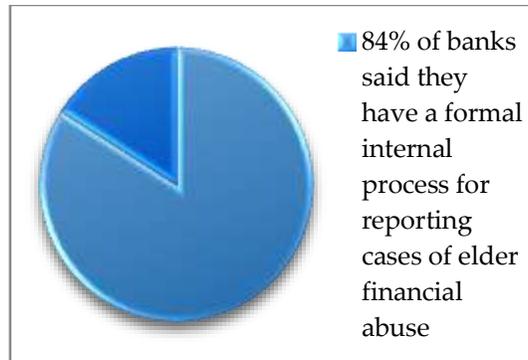
### Reporting of Elder Financial Abuse

In the preceding case study, an automated alert and report by a financial institution to Adult Protective Services is what led to an investigation and arrest of Julie Lagos. Picking up on red flags, whether by front line or back office bank staff, is only effective in addressing elder financial abuse if proper reporting is done.

Many times in the past, when an elder financial abuse investigation reached the bank level, the bank employee could remember very specific things about the abuse situation that did not seem right to them. However, they would fail to file a report due to lack of knowledge of laws or reluctance to get involved.<sup>xix</sup> It is important to note that in the True Link report only 29% of elder financial abuse victims that they reviewed had reported the abuse to a bank or authorities.<sup>xx</sup> This indicates that in most cases, unless the abuse is suspected and reported by an outside party, such as a bank, the abuse will go unreported. As more efforts are made in training employees on their rights and empowering employees in regards to reporting elder financial abuse, more instances will be reported. Progress has certainly been made<sup>xx</sup>, but more can be done.

As mentioned previously, FinCEN released an advisory specific to filing SARs in cases of elder financial abuse. It states, *"SARs continue to be a valuable avenue for financial institutions to report elder financial exploitation. Consistent with the standard for reporting suspicious activity as provided for in 31 CFR Part 103 (future 31 CFR Chapter X), if a financial institution knows, suspects, or has reason to suspect that a transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction, the financial institution should then file a Suspicious Activity Report."*<sup>xxi</sup>

On the survey question **"Does your institution have a formal internal process in place for reporting cases of elder financial abuse?"** 84% of responders said yes.



In most of those cases, the banks indicated that BSA determines whether an internal report deems worthy of SAR or local agency reporting. For the benefit of banks that do not have a process, or that seek to improve their process, I have summarized a portion of the descriptions provided by the survey responders below.

### Elder Financial Abuse Reporting Examples

- Several institutions followed a general approach of reporting up through the BSA Officer, where the BSA Officer would decide if a SAR and/or agency report was completed.
- A bank has an automated ticket system in place for their front line bankers to communicate with BSA. BSA then works with the bankers to determine if any reports should be filed.
- One bank stated that they provide multiple methods of reporting in order to make it as easy as possible for their employees. At that institution, a form can be completed, a loss prevention specialist can be notified directly or an employee can leave a message stating the details of the elder financial abuse.
- At one bank, the BSA Officer collects the information and reports elder financial abuse cases after presenting to a SAR committee and determining if a SAR is necessary.
- At another bank, a form is sent to the Chief Operations Officer who then forwards the form to law enforcement or the Department of Family Services, if necessary.
- One bank indicated that associates that are not in a supervisory position are to discuss the situation with their supervisor. The associate or supervisor will then alert Fraud/BSA and are advised at that time to contact the Elder Abuse Hotline. If criteria is met a SAR is filed.

Source: Author's survey. (2016). Elder Financial Abuse Bank Survey. <http://kwiksurveys.com/s/DVdU8FTC>

One bank that indicated they do not have a formal process in place for reporting elder financial abuse explained their situation. *“Even though I answered no, it is critical that an explanation be provided. In our state of operation, the (state) Protective Services provides extremely limited assistance. Assistance in cases of elder financial abuse is ONLY provided when a client has federal payments (SSA) AND the care taker is the one suspected of the foul play. This is so limited that many of our elder victims do not get the assistance they so desperately need.”* This underscores the challenges that some institutions face when it comes to reporting elder financial abuse.

Some of the reluctance to file reports by financial institutions comes from confusion over whether they might be in violation of the Gramm-Leach-Bliley-Act. There has been

Interagency guidance released on this in recent years to alleviate this concern. *It states, "This guidance clarifies that reporting suspected financial abuse of older adults to appropriate local, state, or federal agencies does not, in general, violate privacy provisions of the GLBA or its implementing regulations."*<sup>xxii</sup>

The Nebraska Bankers Association developed their own voluntary reporting protocols. Their recommended procedures are summarized below:<sup>xxi</sup>

- *An internal report is created by an employee and sent to a senior officer. The employee does not yet contact the authorities.*
- *The senior officer reviews the report and determines whether there is reasonable cause to believe elder financial abuse is occurring. The officer may complete an internal report for the bank's records. They may also consider notifying Adult Protective Services or law enforcement if the customer is in immediate danger.*
- *The senior officer contacts law enforcement or adult protective services and makes an oral report of the abuse.*
- *Once the oral report has been given, the senior officer may fill out a written report to Adult Protective Services or law enforcement, and also may file a Suspicious Activity Report at that time.*

Many of the survey respondents follow a protocol very similar to the one above, with the BSA Officer being the senior officer responsible for reporting the alleged abuse to Adult Protective Services, law enforcement and the SAR filing.

Also of note, banks were given the following question on the survey, *"The 2011 FinCEN advisory stated the following: "Financial institutions may wish to consider how their AML programs can complement their policies on reporting elder financial exploitation at the local and state level." Is this something that has been reviewed or implemented at your institution since the advisory?"* 77% of responders answered "Yes".

### **The Importance of Communication Across Business Units**

Anytime there are multiple business units involved in reporting suspicious activity, there is a concern that the units operate as silos without proper communication with each other. On the question **"Do you believe that your institution has a good system in place for communicating across business units when instances of elder financial abuse are detected?" 85% of responders said yes.** It is certainly not a coincidence that these are almost the same statistics for banks that have a formal process in place for reporting elder financial abuse. While many of the detailed responses to this question were very similar to the question on reporting, there are a few that are worth sharing for the benefit of other

institutions. Those instances are included below:

### Elder Financial Abuse Internal Communication Examples

- At one institution, whenever there is an instance of elder abuse there is email communication to all branches describing what happened and ways to prevent it.
- Multiple banks indicated that a centralized tracking system of elder financial abuse enables them to ensure that all parties that need to know about a situation are kept informed and up to date.
- One bank communicates through a system of email alerts and core system alerts.
- Another bank that responded indicated that personal and electronic communication is a major part of their communication process
- One survey responder uses system alerts to put all associates on notice that there are issues with a client and/or account(s).
- One bank e-mails all branches to tell about the abuse that has been perpetrated and scans copies of items that have been received so that staff members can be aware of them.
- One responder stated, *"We have training, referral forms and a review process set in place. We have a good monitoring system as well that we review. Our frontline staff and lenders at all divisions are also trained and get to know the customers so we can detect unusual behavior."*

Sources: Author's survey. (2016). Elder Financial Abuse Bank Survey. <http://kwiksurveys.com/s/DVdU8FTC>

In answering this question, several banks made comments about some of the challenges that they are currently experiencing with communication across their business units. Those comments are listed below:

- *"While staff should complete an Unusual Activity Form, I worry that our lending department may hear information and only consider it pertinent to a loan."*
- *"Employees are supposed to report, but many employees don't complete the form. They keep their suspicions to themselves because they don't want to get anyone in trouble."*
- *"We currently report up to our COO but plan to implement a task force that will meet periodically to receive enhanced training as well as be involved with all reports to enhance communication across business units."*
- *"Recently our bank has undergone extreme growth that has brought on new areas of sub-divisions and departments that were not under our former structure. We are in the process of opening BSA communication lines with these areas."*

### **Elder Financial Abuse Committee**

**In banks with a substantial amount of client/account risk for elder financial abuse, they may consider establishing an elder financial abuse committee.** This committee would consist of representatives from the business units most likely to detect or be impacted by elder financial abuse. This would allow for high level information sharing, which could then be carried back and reported to the individual business units. This is an approach that has already been taken by some financial institutions and helps promote

communication across the bank.

Establishing elder financial abuse within existing internal controls at a financial institution is necessary for proper detection and reporting. With that said, in order for any controls to work as intended, proper training across the financial institution is imperative. This is true for BSA in general and certainly true for improving recognition of elder financial abuse across an institution. We will take a closer look at elder financial abuse from a training perspective.

## The Role of Training

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***“Banks must ensure their Bank Secrecy Act and Anti-Money Laundering compliance programs provide training to employees. To this end, banks may consider whether to include specific training modules regarding elder abuse for certain employees.”***

***– Comptroller of the Currency, Thomas J. Curry***

As important as knowing the red flags of elder financial abuse, is being able to communicate that knowledge to all employees of a financial institution. Many banks have implemented outstanding bank wide training programs through their BSA groups. As indicated by the quote above, the conversation is now turning to how banks can use these established programs to train their employees on the detection of elder financial abuse.

As part of the survey, banks were provided Comptroller Curry’s quote and asked **“Does your institution currently include elder financial abuse training within your BSA training solution(s)?” 84% of banks responded “Yes”**. These results are encouraging and indicate that a number of financial institutions are taking that next step. Unfortunately, it also tells us that some have not. While the following is not an exhaustive look at BSA training at an institution, the hope is that it will give banks some ideas for including elder financial abuse into their training programs.

## Training from Local Agencies

One option for financial institution staff training is having the agencies where elder abuse will be reported come into the bank to provide training to bank staff. While this is not something that would be available to banks in all areas, it would certainly be beneficial. This type of training fosters relationships between the bank and the local agencies where the bank will be reporting. During training, they can provide information on trends of elder financial abuse within the area. This knowledge can then be used by the bank employees to help detect elder financial abuse red flags within the institution in the future.

## Internal Training

It would be expected for anyone working back office reports that monitor elder financial abuse to understand what generates the alerts that they are reviewing and the red flags of elder financial abuse. Along those same lines, front line employees should be trained on recognizing red flags of elder financial abuse and understanding how to approach a potential elder financial abuse situation. BSA training could be customized to meet both of these requirements. In addition to red flags, the training could also clearly communicate the banks internal reporting for suspicious activity, including the reporting of instances of elder financial abuse.

Presenting the training material to employees is important, but there should also be a test and grading component to the training. This helps management know if the training that is being provided is working as intended or if there are some aspects of the training that are not coming across clearly. Many banks have implemented automated training systems that are customizable and easily adjusted.

## Customer Training

Elder financial abuse is a unique problem that requires unique solutions. An IRS investigator that the writer spoke with pointed out that in some cases once a customer is in the bank to make a transaction, the initial battle is lost. His point was that it can be difficult in many cases to stop an elder from going through with a transaction once they get to that point, even when a CSR or teller has been properly trained to question the customer about a transaction. The question is, how can banks help educate their customers so that they can avoid being taken advantage of?

Some banks have taken a more proactive approach for training their clients. Some of the outreach that banks have done include website postings, statement mailers, flyers at branches and other educational items. Unfortunately, items such as website postings and paper documents, while meeting certain requirements, are easy to ignore in many instances.

**An approach that has also been used, and that should be pursued more often, is for banks to work with local adult services or other vested groups to sponsor training within their communities.** In speaking with a state Nursing Home Association representative, he indicated that this would be a great approach for outreach. He mentioned that in his state alone there are over 400 senior centers that would welcome this type of education. *The opportunity to sponsor education to a community of customers and potential customers might also encourage buy in from executive management at the institution.* As with any items related to elder financial abuse, laws will need to be considered when determining what type of client training is appropriate.

## The Role of Independent Testing<sup>xxii</sup>

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Independent testing plays a major role in the overall health of a BSA program. Any independent testing of a BSA program will be expected to evaluate the overall adequacy and effectiveness of the program, including policies, procedures and processes. When considering adding to or improving a BSA program by adding controls around elder financial abuse, there are certain scenarios unique to elder financial abuse monitoring that might be considered from an independent testing perspective.

### Elder Financial Abuse Automation Testing

Whether banks use automation or manual processes for suspicious activity monitoring for elder financial abuse, these programs should be validated in order to verify that they are producing the desired results and are commensurate with a bank's overall risk profile.

From an automation perspective, *if a bank is going to implement monitoring specific to elders, it is very important that a birth date exist for every individual customer within their monitoring system.* Sometimes, particularly in financial institutions where there have been a number of mergers and acquisitions, fields such as a client's date of birth can be inconsistent, empty or contain "dummy" data. From an independent testing perspective, having an accurate birth date in the proper format is crucial in detecting elder financial abuse as discussed within the white paper.

### Testing the Reporting of Elder Financial Abuse

As stated in the FFIEC manual, independent testing should include an *"assessment of the process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the bank's policy."*<sup>xxiii</sup> As elder financial abuse is considered "suspicious activity", it should be included in this assessment.

This review may include a review of instances where elder abuse was suspected at the front line to determine if it was dealt with and reported in a timely manner. Whatever internal reporting procedures exist across business units for suspicious activity, whether automated or manual, could be reviewed as part of this process as well. There would also be an expectation that activity detected through back office monitoring would be reported in a timely manner and consistent with the institution's policy.

Beyond reporting elder abuse activity in a timely manner, it should be reported in a manner that is consistent with existing guidance. For elder financial abuse, that means according to FinCEN that *"financial institutions select the appropriate characterization of suspicious activity in the Suspicious Activity Information section of the SAR form and include the term 'elder financial exploitation' in the narrative portion of all relevant SARs filed. The*

*narrative should also include an explanation of why the institution knows, suspects, or has reason to suspect that the activity is suspicious.”* The guidance goes on to say that the victim should not be reported as the suspect of the SAR.<sup>xxiv</sup>

### Testing of Training for Elder Financial Abuse Detection

If institutions choose to move towards adding elder financial abuse into their overall training for BSA, it would be expected that this new element of training would be tested to meet *“adequacy, accuracy, and completeness.”*<sup>xxv</sup> The expectation here could be that for bank staff, their training focuses on red flags that they might encounter in cases of elder financial abuse. The independent testing may also want to ensure that the training takes into account an acceptable number of red flags such as the lists provided in this white paper or, at a minimum, those recognized by FinCEN.

Beyond the information made available to bank staff in training, independent testing could review the tests given to bank staff. This review could validate that the tests are adequate, test scoring is maintained, and passing grades are required.

### Conclusion

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In 2010 in the state of Indiana, elders lost over 38 times more money to elder financial abuse than financial institutions lost to bank robberies.<sup>xxvi</sup> While the dollar amounts on these terrible crimes continue to rise, so do the number of people that are losing their dignity each day as a result of being taken advantage of due to their age and loss of cognitive function.

The push for BSA groups to be involved in elder financial abuse monitoring can seem daunting at face value when you consider the amount of requirements that already exist for these groups. **However, by making small changes and additions to the current processes already in place, financial institutions have the unique opportunity to protect the financial stability of some of their most valuable customers, while improving the lives of elders and the generations that follow.**

Many people that are able to live a long life will experience cognitive issues related to old age. For many, these issues may cause them to make decisions that are not based on sound logic, and that they would not have made if presented with the same circumstances at a younger age. Because elder financial abuse is so intertwined with banking activity, we should be willing to do what we can to help protect these customers and fellow citizens. The problem of elder financial abuse is not going away. However, early detection may save an elder from losing their assets and experiencing years of hardship due to being victimized.

Over a period of several years, Janet Bauml financially abused an 86 year old with dementia for over \$217,000.<sup>xxvii</sup> At Bauml’s sentencing, the victim’s granddaughter made a

statement that captures the essence of elder financial abuse. She said, *“Janet Bauml stole my Grandma’s financial security for her remaining years of her life, but she stole much more than simply money. She stole part of my Grandma’s person: the part that was trusting, confident, healthy, independent and proud of herself. My Grandma is 86 years old and the number of years that (lie) in front of her are limited. Janet has spent all of the money she stole. My Grandmother will never be repaid; she will never again be financially secure. My Grandmother will spend the rest of her years afraid that she will not be able to support herself.”*<sup>xxviii</sup>

As has been stated, there is an increasing expectation that BSA have a role in a bank’s overall program for elder financial abuse. While this alone is reason enough to fine tune what we are doing at the bank level, vulnerable clients deserve any sort of protection banks can reasonably provide. While banks may not be the end all for addressing elder financial abuse, they are certainly a big part of the equation, particularly as it relates to monitoring, early detection and proper reporting. **The rising problem of elder financial abuse is simply too important to not use every weapon at a financial institution’s disposal for its detection and reporting.**

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