

APPENDIX E
TASK FORCE ON PREVENTION OF FRAUD
FRAUD SURVEY

February 17, 1988

I. Introduction

The National Conference on Weights and Measures (NCWM) Task Force on Prevention of Fraud was established in the fall of 1986 by then Conference Chairman Frank Nagele. Chairman Nagele asked the Task Force to investigate the ways in which weighing and measuring devices are used to cheat the public, to assess the NCWM's role with regard to the prevention of fraud, and to make recommendations to the Conference as necessary to strengthen the states' effectiveness in preventing fraud.

At the Task Force's first meeting in December of 1986, Chairman Nagele briefed the members on instances of fraud involving retail motor fuel dispensers in Michigan. The Task Force, having learned a great deal from the Michigan experiences, decided that collecting similar information from all of the states would be the first step in accomplishing its mandate. Specifically, the Task Force members believed that a survey could help them identify the nature and scope of fraud related to weighing and measuring devices and the approaches taken by the various states to find and record instances of fraud.

In April 1987, the Survey on Fraud was sent to all state weights and measures directors. The survey was divided into two parts. The first part requested case histories of fraudulent activities involving weighing and measuring equipment that had occurred within the last 3 years. The second part contained questions about the jurisdiction's procedures and policies regarding the detection of fraudulent activities.

The Task Force received 34 responses to the survey from 22 states and the District of Columbia. A total of 29 completed survey forms were returned. The results of the survey are summarized in Section II of this report. The Task Force's findings and recommendations based on the survey are found in Section III.

II. Summary of Survey Results

Case Histories

A total of 24 case histories of fraudulent activities were received from 15 survey respondents representing 10 states and the District of Columbia. The number of cases reported is not large considering that it is allegedly the number of cases found in 22 states and the District of Columbia over a 3-year period. However, survey respondents cited several reasons why the information was incomplete:

1. Problems with terminology - One survey respondent said that his jurisdiction does not generally distinguish between fraudulent and nonfraudulent activities because of their understanding that fraud implies intent, and they are not required to prove knowledge or intent. The respondent stated, "It would be difficult for us to prove fraud (intent) in your example of the over-registering retail dispenser with the seal intact. Therefore, we would not call that fraudulent. We would, however, prosecute the owner/agent in this case for not maintaining his devices within tolerances, providing the results of our inspection exceeded our criteria for criminal action."
2. Insufficient data or insufficient resources to compile the data - Several jurisdictions admitted that they did not have the type of information requested; others said they did not have the information readily available and could not spare the staff time required to dig the information out of their files.
3. Similarities between cases - Some similarities between cases caused several states to describe general problems for a number of cases combined rather than citing each case separately.

Although the case studies are limited in number, they provide interesting data summarized below.

Survey respondents were asked to classify case studies by device category. Their responses indicate that over half of the cases involved retail motor-fuel dispensers:

<u>Type of Device</u>	<u>No. of Cases</u>
Retail Motor-Fuel Dispensers	13 (54%)
Scales	7 (29%)
Other*	4 (17%)

*Propane gas truck, aluminum recycling machine, liquid measuring devices in general, liquefied petroleum gas measuring devices.

These results are not surprising considering that more than two-thirds of the consumer complaints related to weighing and measuring devices that were reported by survey respondents involved retail motor-fuel dispensers (see "Consumer Complaints" section).

Respondents were also asked to classify the type of problem involved in the case according to one of the following:

- D - Device Design - The device was designed in such a way that it led to or facilitated fraudulent activity.
- M - Modification of Device - The device was modified in a way that was not recommended or approved by the manufacturer or the weights and measures jurisdiction.
- U - Use of the Device - The device was used or misused in a way that was never intended by the manufacturer or the user took improper advantage of the tolerances established for the device, the various special features of the device (such as adjustment mechanisms or cash/credit price switches), or the effects of electromagnetic interference on the device.

The results of this classification are as follows:

<u>Classification</u>	<u>No of Cases*</u>
Design	6 (25%)
Modification	5 (21%)
Use	15 (62%)

*These numbers do not add up to 24 because in one case, which was actually a summary of several cases, all of the categories were listed.

Since the device owner/user is responsible for device modifications as well as improper use of a device, the total number of cases that can be attributed to improper actions by the user is 20, over 80 percent of the total. The small number of cases attributed to device design seems to indicate that the efforts of the NCWM to establish uniform specifications and requirements for weighing and measuring devices and a mechanism for reviewing new devices for compliance with these requirements (namely, the National Type Evaluation Program) have been effective in reducing design-related problems. However, more data are needed to substantiate this conclusion.

The types of fraudulent activities cited in the case studies range from modification of a propane gas delivery truck to allow metered product to be returned to the truck to use of a bathroom scale as a retail device. However, a clear pattern emerged from the analysis of the case studies. In 10 cases, nearly one-half the total, the problem cited involved the illegal adjustment of liquid-measuring devices (primarily retail motor-fuel dispensers), tampering with the security seals on these devices, or both. Complaints involving seals and meter adjustments included the following:

"Individual meters were adjusted to favor gasoline station owners. Security seals had been cut and refastened to each adjusting element to simulate a sealed meter."

"Received a 'Broken Seal Form' as per county policy from maintenance personnel stating that they had removed an official security seal from an adjusting mechanism. When inspection was made, the official security seal was still intact. The measuring chamber had been removed from the device and rebuilt without breaking the security seal."

"(Gas station) maintenance personnel made it their practice to calibrate newly installed pumps to within acceptance tolerance on the minus side. Resultant situation was, in some instances, stations with 20-odd pumps all slightly underpumping."

"The meters have been adjusted by the device owner or repair person, taking advantage of the tolerance limits. The meters may or may not be sealed upon inspection."

"The meter of the dispenser had been adjusted to favor the station owner. All of the pumps had been set at a minus adjustment, but within legal tolerance."

"In the past few years, we have suspected that our State security seals were being used to cover up short measure deliveries. How truck drivers or service technicians obtained our seals is unknown, but we suspect that they were stolen when the inspector's attention was directed."

"This company would break our seals and readjust them from 10-15 percent in their favor. When they knew we were coming, they would adjust them back."

The number of complaints in this area may indicate problems with the design or use of security seals or the design of provisions for sealing.

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Problems cited involving scales included the following:

- The zero adjustment of an electronic computing scale had been altered so that the operator could manipulate zero balance during a sale.
- A retail scale owner was cited for failing to display the customer side of the scale and for failing to take sufficient tare.
- A motor truck scale owner was cited for using an unsealed device and letting unlicensed persons issue certified weights.
- The manufacturers and dealers of a certain type of retail scale were selling their devices as commercial scales even though they knew the devices could not meet NBS Handbook 44 requirements.

In two cases, aluminum can recycling machines had been modified to cheat the public. In one case, a magnet was used to cause the machine's scale to indicate short weight. In the other case, a piece of metal was placed under the mechanism that deposits the quarters so as to prevent them from falling into the change retrieval pan.

The Task Force asked respondents for brief summaries of cases in order to get an overview of the nature and extent of the fraud problem without taking up a lot of the respondent's time. Naturally, a lot more could be learned by taking an in-depth look at each case and identifying problems found and lessons learned. The Task Force was fortunate to get a detailed briefing on what occurred before, during, and after Michigan's gasoline station fraud investigations. In that one case, there are a number of important findings and conclusions, summarized in Figure 1.

It would not be practical or, perhaps, possible now to get detailed information on past fraud cases. However, if more attention were paid to the documentation and dissemination of cases involving fraud in the future, the Task Force believes that much valuable information could be obtained.

In reviewing the case study data, one other point stands out: over half of the case studies (14) were submitted by local jurisdictions. This seems to indicate that the best information on fraudulent activities may be found at the local level. It is not clear from the survey whether the states are collecting or using this data to administer their enforcement programs.

Figure 1

Case Study - Gasoline Station Fraud in Michigan

Background: As a result of numerous consumer complaints and tips from the public, Michigan Weights and Measures became aware of a group of gas stations that were apparently playing "dirty tricks" on customers to increase their profits and steal from honest competitors. Regular inspections of the stations by weights and measures officials failed to reveal problems. Undercover purchases of gasoline by State police were made to determine which stations were actually cheating the public. Based on information gathered during the undercover investigations, Michigan planned a one-day raid on a group of stations. During the raid, a variety of methods and devices designed to cheat the public were found.

Fraudulent Practices Found:

1. Meters were set short during times when weights and measures officials did not normally test -- e.g., after 5 pm and on weekends.
2. A solenoid-valve-operated bypass was used to divert small amounts of metered product back to the storage tank.
3. The cash/credit price switch was used to cheat cash customers -- after they had paid but before they started pumping gas, the price was changed from cash to credit; therefore, they received less product for their money.
4. A gallon (1000 count per unit)/liter (250 count per unit) switch was manipulated to short customers.
5. Electrical wiring was rigged so that each time an intercom in the station was activated, the count on the gas pump increased by .001 to .080 gallon.
6. State seals were counterfeited or a means was found to change meter adjustment without breaking State seals.

Findings/Conclusions:

1. **Value of consumer complaints/tips** - There was a tendency to not take consumer complaints seriously because regular inspections of the stations cited failed to reveal any problems. When the surprise raid proved that many of the complaints were justified, officials gained a new respect for the value of consumer complaints.
2. **Need for undercover investigations/out-of-hours testing** - Michigan's investigations indicated that station owners took advantage of the fact that devices were only tested on weekdays during normal work hours.
3. **Value of expert witnesses from industry** - Industry representatives were able to help Michigan make a case against some owners by providing important technical data on device components.
4. **Need for thorough inspections -- not just testing** - Many of the problems found during the raid would not have been identified during a routine performance test, but might have been caught during a thorough inspection.

5. Need to look for patterns during investigations, e.g., family connections, unusual purchases - In one case, information from a pump parts store that had just received an order for 300 1/4-inch solenoids, which the store thought might be used in an unapproved way, led to the discovery of solenoid-valve-operated bypasses used to divert metered product back to the pump.
6. Value of cooperation among various government agencies, such as police, immigration - Police and immigration officials (some of the gasoline station owners being investigated were not U.S. citizens) gave valuable assistance to the Weights and Measures officials during the investigations and the raid.
7. Value of consumer education - Many of the dirty tricks found (for example, manipulation of the cash/credit and gallon/liter switches to give customers less product for their money) would not have been effective if the public had been aware of the need to check their purchases carefully. Michigan later prepared news releases to give the public some guidelines on how to make sure they are getting their money's worth when purchasing gasoline. (See Figure 2.)
8. Need for stiffer penalties - Because the owners of high-volume gas stations could make substantial amounts of money through fraudulent activities, the relatively small fines they had to pay when they were caught did not serve as a deterrent. To correct this, Michigan officials amended the state's Weights and Measures Act to provide stiffer penalties.
9. Need for procedures for inspectors who suspect fraud - In one case, a Michigan weights and measures official was doing an inspection at a gasoline station and found some suspicious wiring and switches inside the station. He did not know what action to take; however, because he thought something was wrong, he began taking pictures of the wiring. When investigators later visited the station, they found that the wires had been removed. The owner of the station had apparently been alerted that his scheme had been discovered as a result of the official taking pictures in the station. This situation pointed out a need for procedures for officials to follow when they discovered something that looked suspicious.
10. Need for caution when doing inspections at stations where fraud is suspected - One Michigan official was severely beaten when he attempted to conduct an investigation at a station that was suspected of cheating the public.
11. Need for adequate security seals and proper installation of those seals - Officials found gas pump meters that had been set in favor of the station owner but still had security seals intact.

Figure 2

NEWS

RECEIVED
 FOOD & DAIRY DIVISION
 1988 JAN 30 PM 3:41
 MICHIGAN DEPT. OF AGRICULTURE

from
 Michigan Department
 of Agriculture
 Contact: Margaret Osage
 (517) 373-1104
 January 30, 1986

FOR IMMEDIATE RELEASE.....

GASOLINE PURCHASERS OFFERED TIPS WHEN BUYING FUEL

In today's automotive society, the purchase of gasoline has almost become a habit in our daily routine. These transactions are so commonplace, we usually take the accuracy of the weights and measures recorded at the gasoline pump for granted. Yet, carelessness or improper care can occur which may cause inaccuracy in the pump measures. Consumers can protect themselves against inaccurate measures by taking some simple precautions, according to Frank Nagele, Michigan Department of Agriculture (MDA) weights and measures specialist.

Nagele recommends that consumers use the following guidelines when purchasing gasoline:

1. Compare the price on the pump with the advertised price - they should be the same.
2. Be sure the pump meter is clear and is at zero until you begin to pump.
3. Check the price before you begin, then again when the pump starts to run.
4. While pumping your own gas, stop at one gallon, then again at 10 gallons to insure the price is correct when compared to the number of gallons pumped.
5. When self-service islands are closed, prices at mini-service and full-service islands can cost up to 60 cents and more per gallon.
6. Check your auto's gas gauge before and after filling to make sure the new reading corresponds with the amount of gas you purchased. Caution - gasoline gauges and tank sizes are only approximate.
7. Finally, if the pump and the office console indication readings do not agree, the pump governs the correct amount of the sale.

-more-

Communications Division, P.O. Box 30017, Lansing, MI 48909



Practicing these preventive measure can help reduce discrepancies while assuring equity and fairness in the marketplace.

Protecting consumers by verifying and enforcing accurate weights and measures of gasoline station pumps is a responsibility of MDA's Food Division and helps assure the integrity of the state's weights and measures, labeling and advertising laws.

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Complaint Handling

Consumer complaints are an important source of information on businesses that may be engaged in fraudulent activities; consequently, the Fraud Survey included several questions aimed at determining the types and quantities of complaints received by weights and measures jurisdictions and the types of complaint-handling procedures followed.

According to the survey respondents, the largest number of weights and measures related complaints involved retail motor-fuel dispensers. A total of 6,492 complaints about these devices had been received by survey respondents over the past 3 years. This figure represents 72 percent of all device-related complaints received and 60 percent of the total number of complaints received.

The second highest number of complaints involved packages, both standard and random pack items. A total of 1,781 complaints of this type had been received by survey respondents over the last 3 years, representing 16 percent of all complaints received.

See Table 1 for a complete summary of the responses on numbers and types of complaints.

Table 1

<u>Type of Complaint</u>	<u>No. received in last 3 yrs.</u>	<u>% of Total</u>
Retail Motor-Fuel Dispensers	6,492	60
Packages (both standard and random pack)	1,781	16
Meters (other than motor- fuel dispensers)	865	8
Scales (All)	638	6
- Less than 100-lb capacity	(411)	(4)
- 100-lb capacity and more	(227)	(2)
All Other Devices	1,046	10
Total	10,822*	100

*This is not the total number of complaints received. One respondent reported that 584 total complaints on devices had been received; however, no breakdown by type of device was given. The 584 device complaints were, therefore, not included in this summary.

Of the 11,406 complaints received by survey respondents over a 3-year period, 2,340, or 21 percent, were found to be valid. A total of 825, or 7 percent, led to fraud investigations. Excluding Michigan, which reported that 700 cases led to investigations, and Los Angeles County, which had a large number of complaints but did not indicate that any of them led to a fraud investigation, only 125 cases, or about 3 percent of all cases, led to investigations. Although even the 3 percent figure represents a significant number of cases that led to fraud investigations, this figure is probably on the low side because some investigations conducted in connection with noncriminal proceedings may not have been counted in the totals (see the earlier discussion on problems with terminology).

Thirteen (42%) of the survey respondents said that they have a formal procedure for handling complaints; 18 respondents (58%) said they have no formal procedure. Ten respondents sent the Task Force copies of their complaint forms and/or procedures (see Appendix B). Most of the forms are

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very general in nature; they do not provide for a classification of the complaint according to type of device, although this information could probably be obtained from sections of the forms concerned with the nature of the complaint. An exception is the Kern County, California, form (see Figure 3), which provides a breakdown by type of complaint.

Undercover Purchases/Out-of-Hours Testing

The Michigan experience in exposing fraudulent activities involving retail motor-fuel dispensers revealed that some of the problems would never have been identified or confirmed through regular testing procedures. Only by making undercover purchases or testing outside of regular business hours (7 a.m. to 6 p.m. on weekdays) could Michigan officials catch some of the offenders. Consequently, the Task Force thought it would be useful to know how many of the states engage in these practices.

A total of 20 respondents said they make undercover purchases, and 11 respondents said they do not. With respect to after hours testing, 21 respondents said they do such testing; 10 do not. Most (17) of the respondents who indicated that they make undercover purchases also do after hours testing.

Comparing those jurisdictions that make undercover purchases with those that do not, the Task Force found the following:

Group A (Make undercover purchases):

<u>Total Complaints</u>	<u>Total Valid</u>	<u>% Valid</u>	<u>Total Complaints that Led to Fraud Investigations</u>
9,814	2,203	22	801

Group B (Do not make undercover purchases):

<u>Total Complaints</u>	<u>Total Valid</u>	<u>% Valid</u>	<u>Total Complaints that Led to Fraud Investigations</u>
1,359	137	10	24

Excluding figures for Michigan (which had a much higher number of valid complaints and complaints that led to fraud investigations than any other respondent), the results are as follows:

<u>Total Complaints</u>	<u>Total Valid</u>	<u>% Valid</u>	<u>Total Complaints that Led to Fraud Investigations</u>
Group A - 8,209	1,431	17	101
Group B - 1,359	137	10	24

Figure 3

KERN COUNTY
DEPARTMENT OF WEIGHTS AND MEASURES
1116 East California Avenue
Bakersfield, California 93307
(805) 861-2418

COMPLAINT REPORT

Priority _____

No. _____

PROGRAM

- Weighing/Measuring Devices
- Quantity Control
- Weighmaster
- Petroleum

DATE REPORTED: _____ TIME REPORTED: _____ DATE OF OCCURANCE: _____ TIME OF OCCURANCE: _____

VICTIM'S NAME: _____ COMPLAINT AGAINST: _____
 ADDRESS: _____ ADDRESS: _____
 CITY: _____ CITY: _____
 PHONE: _____ PHONE: _____

RECEIVED BY: _____ ASSIGNED TO: _____ REVIEWED BY: _____

REFERRED TO: _____
(Department, Agency, Bureau)

SCALES
 Type of scale _____ Scale # _____

METERS
 Type of meter _____ Meter # _____
 Fuel grade _____ Price/gallon _____

VAPOR RECOVERY NOZZLE
 Pump # _____
 leaking spillage spitback other

WEIGHMASTER
 Incomplete certificate
 Incorrect certificate
 Two draft weighing
 Other: _____

PETROLEUM
 Contamination: Water Alcohol Sediment
 Pump # _____ Grade _____

ADVERTISING/LABELING
 Sign location _____ Pump # _____
 Details _____

REMARKS:

QUANTITY CONTROL
 Commodity Purchased _____

Advertised Price _____ Price Charged _____
 Weighed at time of sale Prepackaged
 Commodity in your possession yes no
 Advertised in newspaper yes no
 Other: _____

SCANNER
 Commodity _____ Advertised Scanned
 \$ _____ \$ _____

FIREWOOD
 Price per cord _____ Amount Ordered _____

Receipt issued yes no
 Stacked by dealer yes no
 Did you measure delivery yes no
 Ad in newspaper yes no
 Paid by check cash
 Other: _____

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The survey figures indicate that jurisdictions that make undercover purchases have a higher percentage of complaints that are found to be valid and a higher number of complaints that lead to fraud investigations than those that do not. Such practices appear, therefore, to be helpful in confirming suspicions about particular businesses.

Types of Fraudulent Activities

According to survey respondents, the type of fraudulent activity found most often was operator deceit or carelessness. A total of 14 respondents cited operators as a source of fraudulent activity in an average of 38 percent of the instances of fraud found. Seven respondents said that modified equipment calibration was found in an average of 30 percent of the cases of fraud, and nine respondents said that improper equipment was a factor in an average of 27 percent of the cases. Modified equipment was cited by eight respondents as a problem in an average of 23 percent of the cases of fraudulent activity found, and other types of fraudulent activity were mentioned by six respondents as the problem in an average of 8 percent of the cases.

Means of Identifying Fraudulent Activities

Asked to identify the means by which they uncovered fraudulent activities, respondents provided the following information:

<u>Means of Identification</u>	<u>No. of Cases</u>
Consumer Complaints	587 - 54% (97 - 27%)*
Undercover Work	479 - 44% (269 - 73%)
Other	20 - 2%

*The numbers in parentheses are the totals excluding data from Michigan, which had much higher figures than other jurisdictions.

Both consumer complaints and undercover operations were important sources of information on fraudulent activities. A much smaller number of cases were uncovered as a result of other means, including regular device inspections.

Investigation Procedures

Only seven of the 31 jurisdictions responding said they have formal procedures for conducting fraud investigations. Three of the seven respondents were California counties.

The procedures submitted to the Task Force (see Appendix B) primarily deal with complaint investigations rather than investigations in general.

Economic Loss

The estimates of economic loss due to fraudulent activities in the last 3 years ranged from \$500 to \$7 million. Most jurisdictions said the amount of loss was unknown. Not enough data were provided to permit any sort of conclusion to be drawn.

Special Equipment Used in Fraud Investigations

Only six jurisdictions reported having any special equipment that was used in fraud investigations. The main piece of special equipment mentioned was a vehicle with a concealed gasoline tank. See Figure 4 for a complete list of the items cited.

III. Findings and Recommendations

Finding 1 - Information on fraudulent activities involving weighing and measuring devices is:

- Incomplete
- Not collected in a uniform manner
- Not centrally collected or analyzed for trends

Recommendation: It is recommended that the NCWM Committee on Education, Administration, and Consumer Affairs:

- Develop a uniform definition of fraudulent activities
- Develop a uniform method of classifying types of fraudulent activities that could serve as the basis of state information systems on fraud.
- Establish a mechanism by which information on fraudulent activities could be collected and made available at the national level.

Finding 2 - The case studies reported to the Task Force indicate that there may be problems with the provisions for or methods of sealing retail motor-fuel dispensers.

Recommendation: It is recommended that the NCWM Committee on Specifications and Tolerances make a study of the current methods of sealing devices to determine if changes are required to NBS Handbook 44 or if guidance needs to be provided to the states concerning the best procedures for sealing specific types of devices. The Task Force believes the study should encompass the sealing of all types of devices, not just motor-fuel dispensers.

Finding 3 - The survey indicates that fraudulent activities were identified by undercover operations and consumer complaints and are primarily associated with the improper use or modification of devices by the operator/owner. Because Handbook 44 now includes a number of requirements aimed at preventing the improper use of devices (see Figure 5 for some examples), the approach to take to reduce fraudulent activities is to focus on the strict enforcement of existing requirements.

Recommendation: There is no need for additional general requirements aimed at preventing fraud to be added to Handbook 44 at this time. Each jurisdiction should intensify its efforts in evaluating how a device is used and should develop formal procedures for that purpose.

Finding 4 - Consumer complaints are an important source of information on fraudulent activities; however, many jurisdictions do not have formal procedures for investigating or resolving complaints or using complaint data to improve their enforcement programs.

Recommendation: Each jurisdiction should adopt formal procedures for responding to complaints and should collect and analyze complaint data to identify potential fraud situations.

Finding 5 - It would have been very difficult, if not impossible, to have confirmed some of the fraudulent practices of device users during routine inspections. This indicates that routine testing of devices is not in itself sufficient to identify fraudulent practices. As noted earlier, the majority of the cases of fraudulent activity reported to the Task Force were identified as a result of consumer complaints or undercover investigations.

Recommendation: In addition to having an adequate mechanism for addressing and analyzing consumer complaints as recommended above, jurisdictions should also make use of undercover investigations to follow up on complaints or to check the system periodically to be sure that it is operating properly.

Figure 4

Special Equipment Used In Fraud Investigations

<u>Jurisdiction</u>	<u>Equipment</u>
California, State	Specially equipped passenger vehicles that have traps installed to catch motor oils and gasoline prior to entering the crankcase or fuel tank and unmarked trucks for use in verifying weighmaster transactions, primarily in the area of scrap metal and salvaging.
California, Stanislaus Co.	Undercover car with trap gasoline tank. Camera.
Wisconsin	Ultraviolet lights and marking pens.
Michigan	Vehicles with concealed gasoline tank in the trunk.
New Jersey	Unmarked undercover test car with trap tank. Unmarked undercover quantity control van.
California, Kern County	Portable computing scales with power packs. Percent of alcohol in motor fuel test kits. Undercover vehicle with cold plates.

Figure 5

Examples of NBS Handbook 44 Requirements
Dealing with Fraud Prevention

<u>Areas Where Fraud May Occur</u>	<u>Examples of Applicable H-44 Requirements</u>
Device Manufacture	G-S.2. Facilitation of Fraud
Device Modification	G-S.8. Provision for Sealing Electronic Adjustable Components G-UR.2.1. Installation G-UR.4.3. Use of Adjustments
Device Use/Abuse	G-UR.1.1. Suitability of Equipment G-UR.1.2. Environment G-UR.3.1. Method of Operation G-UR.3.2. Associated and Nonassociated Equip. G-UR.3.3. Position of Equipment G-UR.4.1. Maintenance of Equipment G-UR.4.5. Security Seal

Finding 6 - Very few of the jurisdictions responding to the survey said that they have formal procedures for conducting an investigation of fraudulent activity. This is surprising since the process of conducting an investigation that could very possibly lead to a legal proceeding is a delicate one that requires great care.

Recommendation: It is recommended that the NCWM Committee on Education, Administration, and Consumer Affairs conduct a study to determine what information (courses, textbooks, articles) exists on the legal aspects of enforcement, such as conducting an investigation, collecting evidence, preparing for a trial, and testifying during a trial. The results of this study should be published and disseminated. The Committee should also consider sponsoring a seminar on the legal aspects of enforcement at an annual meeting of the NCWM, developing a training module on the subject, or including specific information on potentially fraudulent use or modification in each device module.

The Task Force also recommends that the NCWM Committee on Liaison establish a contact with a national district attorneys' organization to initiate an exchange of information and ideas that will facilitate the enforcement of weights and measures regulations.

Finding 7 - The Michigan gasoline station fraud case study suggests that inadequate penalties for weights and measures violations fail to discourage individuals from indulging in fraudulent activities because the potential gains can far exceed potential losses. The Task Force did not address the question of penalties in its survey; however, it feels that a study of this area could be enlightening.

Recommendation: It is recommended that the NCWM Committee on Laws and Regulations conduct a study of current penalties for violations of weights and measures laws and regulations to determine the extent of uniformity among jurisdictions and the opinions of the jurisdictions with regard to the adequacy of these penalties.

Finding 8 - The process of preventing weights and measures fraud is a complex one, the solution to which requires a multifaceted approach. Drawing upon information obtained from the survey on fraud and the Task Force's own discussions, the comprehensive approach to the prevention of fraud shown in Figure 6 was developed.

Recommendation: Jurisdictions should take a multifaceted approach to preventing weights and measures fraud. The comprehensive approach outlined in Figure 6 is recommended.

Finding 9 - The NCWM, as presently structured, is in a position to carry out the recommendations of this Task Force requiring a centralized effort and to deal with any future national problems involving weights and measures fraud.

Recommendation: It is recommended that the NCWM Task Force on Fraud be disbanded and that the work begun by this group be continued by the various NCWM standing committees.

Respectfully submitted,

Steven A. Malone, NE, Chairman
Ross J. Andersen, NY
Peter R. Perino, Transducers, Inc.
Kathleen A. Thuner, San Diego Co., CA
Richard Tucker, Tokheim Corp.
Richard L. Whipple, Gilbarco, Inc.

Joan A. Koenig, NBS, Technical Advisor

TASK FORCE ON FRAUD

Figure 6

A Comprehensive Approach to the Prevention of Fraud
for Weights and Measures Jurisdictions

- I. Adopt Uniform Laws and Regulations Developed by the NCWM
 - A. Be an active participant in the National Conference on Weights and Measures.
 - B. Recommend changes in the uniform laws and regulations when problems are identified.
- II. Adopt the National Type Evaluation Program (NTEP)
 - A. Require Certificates of Conformance for new equipment
 - B. Keep abreast of the latest technology
- III. Train Staff in Accordance with NCWM Training Modules (which are compatible with NBS Handbook 44) and State Laws and Regulations
- IV. Conduct Regular Examinations of Weighing and Measuring Devices in Accordance with NCWM Training Modules
 - A. Require that devices be inspected to determine their compliance with all applicable requirements in H-44 -- not just tested for accuracy
 - B. Do not rely on NTEP approval alone. Remember that only a model of a particular device is tested -- not each device sold
- V. Conduct Special Out-Of-Hours Inspections and Undercover Buying to Test the System
- VI. Maintain a Consumer Complaint Program and Respond Appropriately to Each Complaint
- VII. Educate Consumers on How to Detect Fraud and How to Report Fraudulent Practices
- VIII. Publicize the Activities of the Weights and Measures Office to Put Would-Be Perpetrators of Fraud on Notice and Inform the Public
- IX. Establish Administrative Policies and Procedures for Dealing with Fraudulent Practices and Make Staff Aware of these Procedures
- X. Establish and Maintain a Cooperative Relationship with Local Authorities that Could Be Helpful in Combating Fraud (for example, police, immigration authorities, District Attorney's Office)
- XI. Establish and Maintain a Cooperative Relationship with Industry Groups (device manufacturers, device users, wholesalers, retailers)
- XII. Establish and Maintain Cooperative Relationships with Other Weights and Measures Officials (especially those in neighboring jurisdictions)