



DEPARTMENT OF JUSTICE
Civil Enforcement Division

TESTIMONY FOR INFORMATIONAL MEETING
ROLE OF DEPARTMENT OF JUSTICE

For the House Consumer Protection and Government Efficiency Committee

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Presented by:

Fred Boss
Chief Counsel
Civil Enforcement Division
Department of Justice

This will provide an overview of the Department of Justice Consumer Protection efforts.

I. Consumer Outreach

The Department emphasizes education and outreach as the best method of prevention. We have found that it is more cost-effective than litigation. The Department's Consumer Outreach Coordinator, Ellen Klem, travels the state providing valuable information to various groups. The Department has also launched a searchable online consumer complaint database ... "Be InFORmed". In the year 2012, there were over 41,000 searches on the Be InFORmed complaint database.

II. Enforcement Trends

The Department uses enforcement when education fails. The purpose of the Department's enforcement is to stop, deter and punish unlawful conduct and whenever possible, to seek to shift the cost of enforcement to violators and recover restitution for consumers.

In the year 2000, Oregon, like much of the nation, was consumed by the mortgage foreclosure crisis. The Oregon Department of Justice was a leader in the national multi-state mortgage servicer settlement. That settlement brought over \$300 million in relief to Oregon homeowners, in addition to millions to state government for foreclosure relief efforts. One of the efforts financed by the multi-state settlement was the Foreclosure Avoidance Mediation Program. The Department of Justice, together with Oregon Housing and Community Services developed a program to bring mortgage servicers and homeowners together in order to avoid costly litigation.

A. 2012 Trends

- 12,823 written complaints, up approximately 10%.
- The telephone hotline volunteers fielded over 40,000 calls, an increase of 15% over 2011
- There were over 41,000 searches on our Be InfORmed complaint database.
- Top 5 consumer complaint categories in 2012 were:
 1. Telemarketing Calls
 2. Collection Agencies
 3. Home Ownership
 4. Telecommunication
 5. Motor Vehicle Sales

III. Pharmaceutical Efforts

Oregon remains a national leader in actions against the pharmaceutical industry. In November, 2012, Oregon settled with pharmaceutical giant GlaxoSmithKline for \$90 million to Oregon and 37 other states to settle claims that it unlawfully promoted its diabetic drug Avandia.

IV. Focus

The Attorney General will be focusing the Department's efforts on three areas:

1. Seniors
2. Vulnerable Diverse Communities
3. Young People

The Department feels it is important to protect these vulnerable populations from economic scams.

When possible, the Department will engage with other states to address the problems faced by these communities.

V. Charitable Regulation

In Oregon, the Attorney General regulates charitable organizations and charitable fundraising activities.

The Charitable Activities Section is charged with the responsibility of protecting charitable assets, protecting the improper diversion of assets to private individuals and preventing misleading solicitations that take advantage of the generosity of Oregonians.

- In 2012 the Section and other parties reached a global settlement in the *Sikh Dharma* case which resulted in the CAS recovery of donated business interests worth over \$100 million that were alleged to have been transferred to insiders for less than fair value.
- This Section also obtained a recent settlement to prevent founders of a shelter for homeless veterans from improperly profiting from the organization's work -- Lacey's House.
- The Section takes action against telemarketers and door-to-door salespersons who make deceptive claims that purchases will benefit a charity. In many instances, the Section works cooperatively with charities to help resolve or avoid compliance issues, for example, by providing education about the importance of internal financial controls to prevent embezzlement.

The charitable sector continues to increase in size and complexity, which means increased work for the Charitable Activities Section.

- In 2003 there were approximately 12,000 organizations registered with DOJ.
- In 2013 that number has grown by 50% to 18,000.

VI. Medicaid Fraud Control Unit

The Department also works to protect consumers against fraud in the Medicaid program. The Medicaid Fraud Control Unit works to criminally and civilly prosecute fraudulent billing by Medicaid-funded providers. In addition, it prosecutes those who are responsible for physical or financial abuse of the elderly or disabled in any long-term care facility.

In 2011, the Unit recovered \$10.7 million for the State and obtained 40 criminal or civil judgments against offenders.

One key example of the Unit's work is the Bimla Boyd case. Bimla Boyd gained national notoriety when NBC's Dateline aired a show entitled, "Murder Mountain" about the five mysterious deaths that occurred on her property located near Salem. Boyd was convicted of shooting and killing a man who lived on the property, and served seven years in prison. Promptly upon her release in 2009, Boyd fraudulently applied for Medicaid funded services, claiming to be profoundly disabled and requiring the services of a caregiver. Boyd's two co-defendants were indicted and convicted for their respective roles, and on December 4, 2012 Boyd was convicted of two counts of Criminal Mistreatment in the First Degree, Identity Theft, numerous Theft in the First Degree charges, Making a False Claim for Health Care Payment, Unlawfully Obtaining Public Assistance and Unlawfully Obtaining a Food Stamp Benefit. As

part of her sentence, Boyd was ordered to pay full restitution to the state and her elderly victim. Boyd's 84 year-old victim watched from the courtroom gallery as she signed the title of his house and car back over to him. Boyd is currently serving a 56 month prison sentence based on these convictions.

VII. Securities Litigation

The Attorney General, together with the Treasurer, works to protect the marketplace and promote competition. One way that they have worked toward this effort is to civilly prosecute securities fraud. The Oregon Public Employees Retirement System is a pension fund with over \$40 billion in assets. From time to time, the System is a victim of securities fraud. The Attorney General and the Treasurer have taken the opportunity to become lead plaintiff in three matters, in order to make corporate governance changes in corporations.