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Mob Cramming Slammed Shut by Federal Authorities

(Sometimes, You Just Don’t Know Who You’re Dealing With....)

Randal J. Hayes
University of Northern Iowa
Chair, ACUTA Legislative and Regulatory Affairs Committee

The company name USP&C might be quite familiar to many ACUTA members, and I’m certain most of them cringe when they hear the name, because, in most cases, that familiarity indicates they were crammed. (Cramming is the act of placing charges for unauthorized products or services on telephone bills.) It’s almost a certainty that no members realized they were dealing with organized crime while combating unauthorized charges from USP&C, as was recently discovered through the investigations of the U.S. Department of Justice (DoJ) and other federal agencies!

According to a New York Times article as well as a press release from the DoJ, members of the Gambino crime family, a “Soldier” of the organization, and associates of the La Cosa Nostra were indicted and arrested on charges of racketeering, racketeering conspiracy, conspiracy to commit wire and mail fraud, wire fraud, and money laundering for their part in a telephone cramming scheme centered on USP&C.

While the DoJ acknowledges our legal system’s presumption of innocence unless and until proven guilty, it asserts that between 1997 and 2001, the individuals charged were responsible for cramming activities grossing approximately $200 million which resulted in about $100 million in profits! The profits were laundered through a series of shell companies to make sure not only those actually involved in the scam received their share but that the Gambino crime family leadership received their “take.”

As a result of the enormity of the alleged criminal activity, federal authorities are seeking the forfeiture of $430 million in proceeds from the activity, and have targeted the individuals’ homes, real estate, and other items of value in hopes of securing that amount. Interestingly, some indicted in this cramming scheme are also under a March 2003 indictment for a similar Internet-based cramming scheme involving online porn sites, which allegedly generated up to $230 million in ill-gotten revenues.

Specifically, Gambino crime family members and associates are allegedly responsible for creating the “billing aggregator” known as USP&C, incorporated in Delaware.

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ware but whose offices are in Overland Park, Kansas (a suburb of Kansas City). As do most billing aggregators, USP&C entered into billing & collection agreements with a number of local telephone companies. Those involved then apparently offered services such as voice mail and created shell corporations offering phone sex, psychic reading, horoscope lines, and telephone dating services. Much of the advertising offered “free sample” calls via toll-free numbers, which activated recurring monthly charges of up to $40/month without proper authorization from those taking advantage of the free sample offer.

The DoJ purports two sets of advertising and scripts for the services were produced; one set containing vague and misleading terms which covered up facts regarding the charges to be assessed; and a second set that was essentially "clean," to be provided to the local telephone companies and for response to any consumer or regulatory complaints concerning their activities. To further avoid detection, the assessment of recurring monthly charges, etc., was shifted to other shell companies if certain of the group’s companies got too "hot" legally or had to shut down due to the large number of complaints.

In addition to the alleged cramming, the scam also involved high-pressure call-center tactics in dealing with customer—i.e., victim—complaints. Not only were call-center staff instructed to adamantly proclaim victims had indeed ordered the service, they were instructed to offer only partial refunds, and utilize "clean" toll-free numbers and materials in attempts to further convince victims that they had actually ordered the service. The DoJ press release indicates that after Southwestern Bell1 (SWB) had terminated its billing & collection agreement with USP&C, the crammer began using direct billing, complete with SWB look-alike bills from a front company called "Southwest Region Bill."

If convicted on the numerous charges, those involved could face a total of 85 years in prison (much less, of course, if the sentences are served concurrently), as well as fines and forfeitures totaling the $430 million mentioned earlier. Obviously, it will be interesting to follow this case to see if the punishment will fit the enormity of the crime, presuming guilty verdicts will be obtained.

1Southwestern Bell is now SBC.

FCC Converts ITFS Licensing to the Universal Licensing System

ACUTA members who are responsible for administration of Multipoint Distribution Service (MDS), Multichannel Multipoint Distribution Service (MMDS), and Instructional Television Fixed Service (ITFS) licenses should be aware that the FCC transitioned these licenses from the Broadband Licensing System (BLS) to the Universal Licensing System (ULS) as of February 17. Most ITFS/MMDS/MDS licensing activities will be on the new system. The most notable exceptions are the Assignment of Authorization and Transfer of Control applications. This conversion will enable easier access to online services related to ITFS/MMDS/MDS licenses.

In 1999, ACUTA and MiCTA agreed upon a relationship that is designed to be mutually beneficial to members of both nonprofit associations. That relationship continues today, and with changes in personnel at member institutions, we thought it might be a good idea to review some of the highlights of our agreement.

ACUTA members may take advantage of the benefits of membership in MiCTA through a waiver of MiCTA membership dues.

Like ACUTA, MiCTA is a nonprofit association consisting of public and private nonprofit educational institutions, governmental and public sector organizations. MiCTA’s roots are in the higher education community of Michigan, but its activities and programs have expanded to encompass educational institutions throughout the U.S.

In addition to its overall efforts to benefit members, MiCTA’s primary mission is to develop sources of high quality communications technology services to members at reduced costs. The organization accomplishes this through a comprehensive RFP process, through which it seeks favorable pricing on a broad range of telecommunications and information technology products and services. This process has satisfied state government and state agency bid requirements. For more information on the RFP process and programs, contact MiCTA’s administrative service, MiCTA Service Corporation at 888/870-8677.

MiCTA and ACUTA often participate in each other’s educational programs and publications by providing speakers and contributing articles. Our missions are complementary, and we hope to maintain the relationship for the mutual benefit of our members.

If you are not familiar with MiCTA’s programs, we encourage you to check their website at http://www.micta.org. In order to take advantage of a free membership in MiCTA and access their services, you may call the MiCTA offices at 888/870-8677, and identify yourself as an ACUTA member.

Board Report
February

The ACUTA Board of Directors met via conference call on February 4, 2004.

The Board determined that ACUTA dues should be restructured in order to better align ACUTA’s dues and non-dues revenue. The Board’s intention was to reduce the association’s reliance on revenue from seminars and conferences, which can fluctuate when institutional travel budgets are restricted. To help accomplish this goal, the Board established a new “tier 5” for schools with more than 20,000 full-time students. Dues for schools in tiers 1 through 4 were also increased moderately. The new dues structure will also differentiate between types of institutions, establishing categories for two-year, comprehensive/liberal arts, and doctoral/research institutions. The changes would be phased in over a two-year period beginning in May, 2005. The restructuring also called for a 3% increase in dues per year instead of a 5% increase every other year.

Approval of Computer Privacy and Security Statement and Terms of Use: A new statement was adopted for users of ACUTA’s Web resources.

The Board approved a proposal to offer the annual conference keynote and general sessions as sponsorships. The sponsoring vendor would introduce the speaker and be allowed to distribute promotional literature to attendees.

NACUBO has issued an invitation for CHEMA associations to present an “entrepreneurial effort” by a member institution at the NACUBO annual conference. ACUTA would be given a booth with a table at the event to display the effort. The Board was in favor of participation, and an ad hoc committee is being formed to select the institution to make the presentation.

Respectfully submitted,

Carmine Piscopo, RCDD, Providence College
ACUTA Secretary/Treasurer
Back in my days with a major fiber-optic networking company, my boss used to refer derisively to the mesh networking model as "mess networking." He would sneer as he said the words.

But at least in the wireless world, the times they are a-changin', as Bob Dylan told us way back in the '60s.

What exactly is a mesh network, you may ask? Well, it is an architecture where every device is connected to every other device. In other words, each person's wireless computer or other device is directly linked, rather than switched through some central point. The traditional architecture for wired and wireless networks involves one or a series of switching points. My phone call to my neighbor, for instance, goes through the phone company's central office, and my call to the ACUTA office goes through several switching points.

Obviously, in the wired world, it would take unbelievable quantities of cable to connect every one of us to each other. From space, the Earth would look like a gigantic ball of cable. Wireless, on the other hand, is a prime candidate for mesh networking, to make communication more efficient.

The customary centralized architecture of fixed wireless LANs does create the potential for bottlenecks and the risk of a single point of failure. Mesh networks are catching on because they allow devices or access points to communicate without a central switching point.

The intelligence in a mesh wireless network is moved out to the access points, rather than being maintained in a central location. In this architecture, each node uses self-discovery to determine if it will serve as an access point, as a backbone, or a combination. Then it locates its fellow network nodes to establish the parameters of the network and the optimal network paths.

All the nodes' awareness of themselves and their surroundings is ongoing and dynamic. If one node leaves the network, its neighboring nodes adjust by rearranging the communication paths. It is this feature of mesh networks that makes them self-healing; the failure or absence of any one device can't block the others from communicating.

As far as management goes, each node is self-managed, but the network itself can be centrally managed as one unit. Growing the network into the hundreds and thousands of nodes becomes almost a plug-and-play process, and weak signals or dead zones can be fixed simply by moving a node or putting another one into place.

The downside of this architecture, when it links to a wired network, is that each additional "hop" that a data packet must make between the client device and the wired network adds a slight delay. Security is, of course, always a concern, but that is the case with any wireless network.

Several companies offer mesh networking products, and the move is away from proprietary approaches toward standardized methods based on current 802.11 wireless technologies. Yes, it's one messy situation we're getting ourselves into.

As always, if there are specific topics you would like to see covered in this space, please let me know via e-mail at kevin@duxpr.com.
USTA-Equipment Maker Dinner

In the January ACUTA eNews we mentioned a dinner hosted by the Bell companies in October for representatives of companies that manufacture equipment used by the Bells. *Telecommunications Reports* (TR) reported this event in the November 15 issue. December 1, TR reported that the Department of Justice (DoJ) might be asked to investigate the dinner. Although each issue since then has mentioned this dinner, I have not seen anything to verify that the DoJ did or is doing an investigation. It would be interesting to know what investigations have taken place, or are in process, and what has been found out that may have an impact on the telecom industry.

Driving While Using a Handheld Phone

The State of New Jersey has joined New York passing a law forbidding using a handheld mobile phone while driving. The Governor signed it into law on January 20, saying, "Requiring drivers to keep both hands on the wheel will save lives." Drivers will still be allowed to use the mobile phone only to report accidents, fires, serious road hazards, or if the driver is in some kind of danger. Drivers can only be cited for violating this law if they are detained for another violation. "Drivers caught talking on handheld phones under these circumstances can be fined between $100 and $250." (TR 2/1/04)

No Cancer/Cell-Phone Link

A recent study carried out under the direction of the Swedish Radiation Protection Authority has indicated that there isn’t conclusive evidence that the use of mobile phones is linked to cancer or other illnesses. The group analyzed epidemiological research on the link between cancer and exposure from radio frequency (RF) radiation from wireless phones and transmitters. They focused on experimental cancer research, the effect on the blood-brain barrier, and heat shock proteins.

The article reporting on this study (TR 2/1/04) also noted that a month ago a panel of United Kingdom experts said a review of research on the health effects of RF emissions from mobile phones didn’t indicate a link between the use of mobile phones and cancer or other illnesses.

Courts and the Do-not-call Registry

In mid-February a Federal District judge in Denver ruled that the do-not-call list violated the right to free speech. Following that ruling, the case went to a panel of the U. S. Court of Appeals for the 10th Circuit in Denver. This panel ruled that "a do-not-call registry created by the federal government last fall helped to combat abusive telemarketing and prevents the invasion of consumer privacy." The panel also concluded that businesses still have the ability to contact consumers by other means such as direct mail and advertising.

The telemarketing industry spokesman indicated that they may carry this case further up the line of courts—even to the Supreme Court.

The Direct Marketing Association represents almost 5,000 telemarketing companies in the U. S. and other countries. They indicated to the panel that if the do-not-call list continues, about a third of the 6.5 million workers in the telemarketing industry will be out of a job.

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DC Update...

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Consumer Union Survey
Consumers Union (CU) does a lot of research that attempts to determine the best products for customers to buy and use. They also publish the monthly magazine Consumer Reports and do surveys within their membership. The February issue of Consumer Reports had good information about the results of a recent survey relating to Mobile Phone Service. CU has launched an initiative to press the FCC and wireless carriers to improve wireless service quality in the wake of a survey that shows the industry has made no overall improvements in the past year.

A CU representative indicated that local number portability within wireless service "broke down a giant barrier to greater competition and better service." He also said the FCC could play a significant role in addressing some of the consumer concerns, should do more to ensure Phase II E911 services were deployed rapidly, should update its emergency-calling rules so they "jibe with reality," and suggested that they audit public safety answering points to ensure that funds allocated for their use weren't being diverted for other purposes. (TR 1/15/04)

Wireless Local Number Portability
The FCC had 4,734 complaints filed by wireless customers about problems porting numbers during the first two months of the service. These relate to the following carriers: AT&T (2,297); Sprint PCS (1,119); Verizon Wireless (739); Cingular Wireless (699); T-Mobile (625); Nextel (332); Qwest (195); and AllTel (119). [The Telecom Manager's Voice Report (VR) 2/9/04]

It is interesting that these total 6,125, which is a lot more than the total reported by the FCC. This must be due to the fact that complaints were often against both companies involved in the porting.

Legislation Update May Be Coming
Speaking at the USTA's Leadership Conference in Washington, Senator Stevens from Alaska said that as much as the telecom industry had changed since he joined the Senate 35 years ago, "It has changed a lot more since we passed the 1996 act." He also indicated that he hoped to have something out the door in 2005 that would eliminate some of the problems and litigation of the past and put Congress in the position where it didn't have to interfere with the FCC rulings. The Senator pointed out that there were only two wireless carriers in the country when the act was passed in 1996, and now there are about six that cover the entire nation plus 10 more that compete in smaller areas.

FCC Chairman Powell made some similar comments at a meeting in September of the moderate Republican Main Street Partnership where he said the FCC needed more flexibility to address the problems of the evolving industry and that changes to the 1996 act might be necessary. (TR 2/1/04)

Nominate for 2004-05 Board of Directors

Don't forget we need nominations for the 2004-05 Board of Directors. President-Elect and two Directors-at-Large will be elected.

Nominations must be received by 5:00 p.m., EDT, March 29, 2004. Send all nominations to Jeanne Jansenius, Director of Telecommunications, University of the South, 735 University Ave., Sewanee, TN 37383, or e-mail jjanseni@sewanee.edu. Phone nominations will not be accepted.
Security was a hot topic at ComNet in Washington, D.C., in February.

"We take an enterprise-wide view of IT," said David Swartz, CIO-Information Systems and services at George Washington University. His position was that enterprise-wide solutions will provide more benefits and be easier to manage than having everyone do their own thing. Still, he agreed that the local departments—whether instruction, research, or administration—need some local control.

"The amount of money we have to spend has leveled out, but demand has doubled or tripled every year," Swartz told his audience. "This forces us to look at ROI, re-examine projects, justify every expenditure."

Swartz said he can get funding for important projects. "But you have to see a business return."

Part of the problem is outside pressures on serviceable systems. "Systems that have been robust enough to handle peak traffic fail when there are worms invading them," he said, pointing to several recent worm and virus attacks.

Swartz said he has a lack of any centralized control. His solution is to provide a model with protection if not control. He quarantines any computer on the network if it does not have the latest virus patches.

How to solve the problem? Swartz said awareness and education are key. "They are basic, but they are the keys," he maintained. In addition, he looks for ways to automatically isolate problems, quarantine infected machines, and fix problems.

Swartz is considering an even more dramatic solution. "We are looking at removing Microsoft from the data center and going to Linux," he said. "Dealing with patches is an issue for us." He conceded Linux might become a target, too, but does not see that happening for some time.

Swartz shared the panel with Robert Galey, CIO of Amtrak. "As soon as we opened our networks to the Internet, we lost control," said Galey. He spends more than $1 million a year to protect the railroad's network from invaders. Yet he doesn't particularly like vendor virus protection.

"I don't want to get protection from vendors," Galey said. "The network infrastructure is where it should be." He maintained that it is both cheaper for businesses and more effective for the Internet as a whole to have protection built into the basic infrastructure of the Internet. "You don't wait for the war to come to your door."

According to Galey, Amtrak starts their security at the server level. "You can't log on without security." IT assures all servers are up-to-date.
Welcome New Members

Corporate Affiliate Members

Copper Members

connectME Technologies, Inc., Richardson, TX
http://www.connectme.tv

John J. McDonald, Jr., CEO, 972/725-0317

ConnectME provides next-generation integrated communications technology. Using a server-based software infrastructure over commercial broadband, connectME delivers a secure suite of video and audio services including video mail, video postcard, video call, voice call and voice over IP.

L. Robert Kimball & Associates, State College, PA
http://www.lrkimball.com

Chris Peabody, Dir., Enterprise Network Comm. Systems, 301/296-4550

L. Robert Kimball and Associates has provided engineering and architecture solutions for customers for 50+ years. Their telecommunications and technology division provides engineering and consulting services for enterprise network technologies, with a sub-specialization in public safety, PSAP, and E911 technology.

Lyrix, Inc., Tewksbury, MA
http://www.lyrix.com

Miriam Lazarto, Marketing Specialist, 978/851-5300

Lyrix, Inc., is a leading provider of unified communications software and services for large organizations. Lyrix unified communications solutions include PeopleFind® ASR Attendant, Portal Services, and Voice Messaging.

http://www.jimrigsbyassoc.com

Jim Rigsby, President, 330/492-1535

Experienced in voice (TDM and VoIP) and data with 25 years in telecommunications consulting. I worked for more than 20 colleges/universities, 600 hospitals and 100+ for-profits, bringing expertise and knowledge to the client.

Janet L. F. Smith & Associates, LLC, Chapel Hill, NC
http://www.jlfsmithassoc.com

Janet Smith, Principal, Janet L. F. Smith & Associates provides strategic telecommunications planning and consulting services for higher education and healthcare. Helping clients convert their communications investments into strategic assets through a holistic approach to planning and 25 years of industry experience.

Statscout, New York, NY
http://www.statscout.com

Raymond C. Marra, Americas Distributor, 203/222-9238

Statscout provides Blanket Network Monitoring by collecting SNMP statistics from every port/interface on every network device on the entire network every 60 seconds. Its network-performance-monitoring and LAN-analyzer software produces real-time and historical reports on bandwidth utilization, response-time congestion, and error conditions.

Register for Regional Workshops

Topic: The Challenges of VoIP

Presenter: Gary Audin, Delphi, Inc.

In addition to Audin’s presentation, a panel of local members will discuss VoIP on their campuses. Vendors are invited to participate in the exhibit hall as well.

Mid-Atlantic Region

Date: Wednesday, March 10
Location: Hilton Pikesville
Baltimore, MD

New York State

Date: Thursday, June 17
Location: Hudson Valley Resort & Spa
Kerhonkson, NY

For more information about the agenda or to register for these events, visit the ACUTA website at http://www.acuta.org.