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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY Mr. Pastor Herrera, Jr.
Director, Department of Consumer Affairs**

Topic: Services of the Department of Consumer Affairs and Current Consumer Scams

June 6, 2002

Chairman Philibosian welcomed Mr. Herrera noting that he had worked on behalf of consumer protection for many years, with the last eleven years serving as the Director for the Department of Consumer Affairs (DCA). Mr. Herrera thanked the Commission for the opportunity to speak.

Mr. Herrera stated that Los Angeles County is one of two independent consumer protection agencies in the country, with the other agency serving the City of New York. His department was formed approximately twenty-six years ago to assist consumers with their problems. He noted that the Los Angeles County Department of Consumer Affairs had been selected as the agency of the year by the National Association of Consumer Agency Administrators.

The DCA, with a staff of 48, comes in contact with over 700,000 consumers a year. The full time staff is enhanced by 60-70 volunteers. The volunteers are challenged in their work by handling consumer calls among other things, rather than being limited to office work. This challenging environment has kept the volunteers interested, with an average volunteer tenure of approximately five years. Their experience benefits the consumers in Los Angeles County on a daily basis and allows the department to extend it's services to the public without incurring additional cost.

The Department's main office is in the Kenneth Hahn Hall of Administration with part-time offices located throughout the County. The Department has also extended it's service to the community by setting up an 800 number. This 800 number ties in with the existing telephone system that offers recorded information to the consumer on different subjects. This system has expanded service from four to five thousand callers a month to approximately twelve thousand callers a month. Common issues reviewed in the recordings include landlord/tenant agreements and credit/payment issues.

The Department also utilizes the Internet to enable consumers to access information on current issues and to contact the Department. Occasionally comments are received from people outside the country that have had a problem with a business in Los Angeles County. The Department attempts to resolve these problems.

Funding for the Department is approximately \$3.9 million, \$1.3 million from the general fund with the balance generated by the Department. The Small Claims Court Advisor Program receives approximately

140,000 calls and 6000 walk-ins per year and provides information on the small claims court process. The Real Estate Fraud and Information Program is another major program of the Department. This program evolved from an investigation in the early 90's from a scam to sell land in the Antelope Valley that had been improperly sub-divided. Since these properties did not have water, among other things, owners were not able to build on the land they had purchased. The DCA has one of the few programs in the country targeting Real Estate Fraud and Information. Mr. Herrera noted that because of this program, a task force was formed, headed by the District Attorney, with members from the DCA, prosecutory agencies, city and law enforcement representatives and other real estate fraud organizations. This task force meets monthly to address any real estate fraud issues.

Another program of the Department is the Dispute Settlement Service which is a mediation service. This program is contracted through the Department of Community and Senior Services. Mediation services are provided for things like neighbor to neighbor issues and barking dogs. They also try to work with small businesses who often do not have the resources, time or knowledge to resolve an issue they may have with another business or service provider. Mediation is used to try to resolve these issues, but both parties have to agree to the mediation. The budget for this program is approximately \$200,000 and is one of twelve programs under contract with the Department of Community and Senior Services.

About seven years ago the DCA was given the responsibility for regulating cable television in the unincorporated areas of Los Angeles County. Currently, thirty-seven franchise agreements are monitored with different cable providers. Consumer complaints are also addressed. This is the only program of the Department that focuses on the unincorporated areas the County, all the other services are provided to the County as a whole.

Mr. Herrera noted that because his department was relatively small, they try to form partnerships whenever possible. For example, the DCA partnered with a group of students at UCLA who were looking for a project as part of their web development courses. As a result, the DCA had one of the first departmental web sites in the County without incurring a large expense to create it. The Department has also worked closely with the State Department of Consumer Affairs to provide services like a series of privacy workshops recently held throughout Los Angeles County. The department has also worked with the Department of Community and Senior Services to develop a special program within adult protective services that targets seniors who may have been victims of fiduciary fraud. Other programs include the Senior Fraud Forums which are held monthly throughout the County. These forums provide information in a two hour session on real estate and telemarketing fraud and elder abuse. Representatives from the Public Guardian, Sheriff's Department and County Bar, Department of Community and Senior Services and the California Department of Insurance are presenters at these senior forums.

The DCA also conducts community outreach with the media and provides information on current consumer issues. One issue currently targeting seniors is the sale of magnetic mattress pads that will, in theory, heal all ailments or conditions. The selling point for many is that they can try it for ninety days and return it if they are not satisfied. The seniors are actually taking a great risk because, first, federal protection laws only give sixty days to dispute a charge and second many of these companies are bankrupt before the ninety-day period is over.

Two years ago, the Board of Supervisors provided funding to implement a self-help legal access center in partnership with the Legal Services of Los Angeles County and administered by the DCA. Residents can go to the center at the Van Nuys Court House where they can receive assistance in filing pro per forms and assistance in family law issues. The Board of Supervisors would like to expand this successful pilot program but with the current budgetary constraints it may not be possible.

A partnership was formed with the Agricultural Commission regarding the price scanners used in retail establishments. Under a motion passed by the Board, establishments that have scanners, will pay a fee to fund inspectors to ensure that the price marked on the aisle is the price charged at the register. The Department of Consumer Affairs is involved in this program through the development of a tip sheet to make consumers more aware of the issues and, hence, less likely to be charged incorrectly.

Mr. Herrera talked briefly about his Department's response to trends seen in consumer services. Once a pattern of complaints against the same vendor has been established by the Department, it will review those complaints with the Attorney General's Office, Los Angeles County District Attorney's Office, and the City Attorney's Office for possible civil or criminal action.

Mr. Herrera also commented that professionals with good incomes and credit were prime targets for identity theft and should be particularly careful. One of the most common ways to steal someone's identity is through the use of pre-approved credit card applications. The discarded applications are completed by the fraudulent party and sent to a different address via an address change on the original application. His advice was to make sure those offers were shredded or destroyed in some way prior to disposal. Many companies do not have rules that prevent the issuance of a card to an address other than that which was originally on the credit offer. In general, if the consumer feels that someone is asking for questionable information or doesn't understand the need for the information, they should ask why that information is required or do not provide it.

Other areas of consumer fraud under review in the County right now are

- Immigration Consultants who have defrauded individuals by charging for services to help someone immigrate to this country.
- Talent agencies have also been investigated recently in conjunction with the Los Angeles City Attorney's Office. Consumers are convinced that there is an opportunity for their children to be in movies or advertising. In reality, the agency takes a series of pictures, charging from \$2500 to \$5000 and makes promises it can't fulfill. Recently cases were brought against two talent agencies who operated in this matter, FlashCast and Malibu Talent.
- Carpet cleaners with their postcards advising \$7.95 for a room and then charging \$300 for the cleaning are currently being investigated. Seniors have been hit particularly hard with this scam.
- Telemarketers and door to door sales are infamous, covering everything from long distance phone service to water filters to vacuums.
- Vocational schools offering to teach English for large sums of money are also on the rise. These groups target immigrants who want to learn English quickly.
- Youthful peddlers, who go door to door or sell at market parking lots have been taken advantage of by the promoters. The big problem is that the promoters who set them up disappear quickly.
- Scholarship scams are becoming more common. Sales people claiming to represent a local public school, try to sell parents a computer system and software that is supposed to boost the grades of the children by one to two grades. Parents eager to help their children have often fallen victim to these scams.

Mr. Herrera opened the floor to questions from the Commission.

Commissioner Simmons commented that he had seen an increase in the calls and solicitations he received at home since he had turned 65. He had a problem recently with curb signs being painted without permission and then the painters tried to charge for it. He has not paid anything since he did not ask them paint his curb sign, but others in his community have either asked him about it or have paid. One of the biggest problems he noticed, is that the billing form they use contain the logo of the city on both the letter and envelope. Mr. Herrera responded that using official logos that way was quite common in curb sign offers, and that many people would assume that it was an official billing because of the way it was designed and addressed. Some businesses have gone so far as to use the County seal on their office windows, on the grounds that it is a public symbol. He continued saying that the only real way to defeat this kind of activity was through public education.

Commissioner Thompson stated that of his four to five visits to Target, the last three visits have resulted in identifying one price on the floor and another in the scanner. He did not feel it was a coincidence since when he asked about the discrepancy, he was told the item being purchased was located in two different places with two different prices. Mr. Herrera responded that Commissioner Thompson should contact Weights and Measures, who was running the scanner program, since that was exactly the type of situation they were

addressing. He continued, noting that Supervisor Molina had similar issues with K-Mart in the past.

Commissioner Padilla commented that Albertson's Market had signs in the store saying that if there was a problem with the scanned price vs. the shelf price to contact them. He asked Mr. Herrera to clarify the DCA's abilities in an investigation. Mr. Herrera responded that the DCA was an agency that mediates and investigates consumer complaints. The Department is not able to impose fines or closure on a business because they are not regulatory in nature, with the exception of the cable companies within the unincorporated areas they manage. Instead the Department works with investigatory agencies when deceptive practices or misrepresentations are identified. Despite the lack of regulatory authority, the Department is able to resolve many problems quickly, in part because the perception by the public is influenced by the DCA's use of the County Seal and having an office within the Hall of Administration. When the DCA contacts a business about a problem, 70% of the cases are resolved. Mr. Herrera then confirmed Commissioner Padilla's comment that if a problem is not resolved, the DCA would consider taking the next step with an investigative agency. He noted that legitimate businesses were happy to see actions taken against deceptive businesses in their field to improve the reputation of the industry. Commissioner Padilla finished by saying that he had used the services of the DCA in the past and the issue was resolved with a single letter from the Department.

Commissioner Petak asked if the Department of Consumer Affairs would recommend calling the Better Business Bureau and under what circumstances they would make that recommendation. Mr. Herrera replied that the DCA works with the Better Business Bureau. If anyone had questions about a company then they should contact the DCA along with the Better Business Bureau to see if there are any complaints. He continued noting that whenever the DCA started an investigation, the Better Business Bureau is contacted to see if they have received any complaints.

Commissioner Barcelona asked if Mr. Herrera's department had their materials in Spanish and if they did their presentations in Spanish. Mr. Herrera responded that they were in the process of translating their web site into Spanish and perhaps other languages. However they were currently waiting until all of their consumer information was rewritten using a plain language format to avoid having to retranslate their current documents. As for the presentations, those are provided in Spanish and are made in the community on a regular basis.

Chairman Philibosian thanked Mr. Herrera for his valuable and informative presentation, noting that he should contact the Commission if any assistance can be provided in the future. Mr. Herrera also thanked for the Commission for allowing him to speak.

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