

CFE UPDATE
March - April 1999

New Chapter Meeting Dates

If you've been wondering about whether you failed to receive a Chapter Newsletter, the answer is **NO**. There was simply a delay of one month in sending this current mailing to you. Now you probably want to know why. So, read on for the rest of the story.

The Chapter has changed its bimonthly meeting dates from the odd months to the even months of the year. The reason for this change was to realign our meeting schedule so that there would be no conflicts with activities of the Association. However, there is no change in our meeting location or time. So, we'll still be meeting at the usual place in downtown Seattle (28th Floor conference room of the old Key Towers Building) on the last Wednesday of the appropriate month for two hours of Continuing Professional Education from 3:00-5:00 p.m.

Our training schedule for the remainder of 1999 is as follows:

April 28 - Chapter Fraud Seminar, Insurance Fraud, Seattle

June 30 - Chapter Fraud Seminar, (Untitled), Seattle

July 25-30 - Association's Tenth Annual Fraud Conference, Caesar's Palace, Las Vegas, NV

August 25 - Chapter Annual Business Meeting, Best Western Hotel Southcenter, Tukwila

October 26-27 - Joint Association and Chapter 2-Day Fraud Conference, Hilton Hotel, SeaTac

December 6 - Joint Chapter and WSCPA Fraud Conference, Marriott Hotel, SeaTac

Be sure to mark these important dates on your training schedule and plan to attend. You'll be glad you did.

Board of Regents Election

The Chapter is proud to announce that Vice-President Joe Dervaes has been elected to a three-year term on the Association's Board of Regents (1999-2002). As a Regent, Joe will be responsible for all policy matters affecting the CFE professional certification. He took office on March 4, 1999, during the Board of Regents semi-annual meeting at Association headquarters in Austin, TX.

Chairman and founder of the Association, Joseph T. Wells, CFE, CPA said: "As we continue to make strides in improving the detection and prevention of white-collar crime, Joseph Dervaes' leadership and expertise will greatly benefit Association members."

Joe is a fraud specialist for the Washington State Auditor's Office where he specializes in employee embezzlement fraud within state agencies and municipal governments. He is a published author and frequently presents fraud seminars to governments and professional associations.

State Auditor Brian Sonntag, CGFM said: "The Board of Regents election reflects Dervaes' stature among his peers in the area of fraud. Joe is a nationally recognized expert in fraud. Our office is fortunate to have someone of his skill in conducting fraud investigations and training government managers to prevent and detect fraud. His election is richly deserved."

Joe said: "Election to the Board of Regents is the greatest honor of my 35-year audit career in federal and state government. I'm excited about serving in this prestigious position and dealing with the challenges we'll face in the future."

Congratulations Joe!

Distinguished Achievement Award

The Association approved our Distinguished Achievement Award for 1998. Dannie A. Hutcherson, CFE will receive the award in a brief ceremony at the April 28, 1999, Chapter Fraud Seminar. Board of Regents member Joe Dervaes will make the presentation on behalf of the Association and the Chapter. Attend the seminar and show your support.

Dan is being recognized for his fraud awareness training and education contributions. He is a prior member of the Chapter Board of Officers and has been a speaker at two Chapter Fraud Seminars. Dan is the Chief Investigator, Consumer Protection Division, Washington State Attorney General's Office, where he is primarily responsible for conducting investigations of violations of state statutes relating to unfair and deceptive business practices.

Congratulations Dan!

New Chapter Banner

The Chapter is proud to announce that it finally has a Banner. It will be displayed at Chapter Fraud Seminars and Annual Fraud Conferences we jointly sponsor with other professional organizations.

The Greater Kansas City Area Chapter assisted us with the purchase of the Chapter Banner. It looks great! Thanks to Vice-President Joe Dervaes for making all the arrangements to obtain the Banner.

Chapter and Association Scholarship Programs

Nominations for the Chapter Scholarship Program were due not later than March 31, 1999. So, by the time you receive this newsletter, the Chapter Board of Officers will be reviewing the applications. They will select a primary and alternate representative and forward appropriate letters of recommendation to the Association in time for the national competition. Preliminary inquiries lead us to believe that we'll have some strong candidates in the Scholarship Program this year. There will be one \$500 scholarship awarded by the Chapter.

The Association's 1999-2000 Richie-Jennings Memorial Scholarship Program has been expanded. There will be ten \$1,000 scholarships awarded this year. Scholarships are awarded based upon academic achievement, letters of recommendation, and an original essay. Applicants must be full-time undergraduate or graduate students with a major in either accounting or criminal justice.

Both Chapter and Association scholarship awards will be announced by June 30, 1999, and awarded by August 13, 1999. Best wishes for success to all applicants, especially those representing the Pacific Northwest.

Thanks to President Norm Gierlasinski, Chairman of the Scholarship Committee, for his hard work in making the Chapter Scholarship Program a huge success.

Fraud Article

NOTE: Malcolm Mills, CFE from the Association of CFE's provided the following fraud article to the Chapter. We decided to distribute this timely information to the membership as an advisory notice and hope this information will be helpful to you.

There is a new telephone scam making the rounds these days. It works like this:

Someone will call your business and identify themselves as an AT&T service repair technician who is conducting a test of the telephone lines. The individual then requests your help by asking you to dial the number 9, the number 0, and the pound sign (i.e.; 9, 0, #) and then hang up. That's it.

If you do this, you've made a terrible mistake. All telephone companies contacted (AT&T, UCB telecomm, Pacific Bell, MCI, Bell Atlantic, GET, and NYNEX) have confirmed that by dialing "90#", you give the requesting individual full access to your telephone line. This then allows them to make any calls they wish, long-distance or otherwise, at your expense. However, this is only true if your company utilizes Private Branch Exchange (PBX) telephone equipment. This does not work on normal residential customer telephone lines.

This telephone scam has apparently originated from various prison sites, and quite possibly from a number of drug operations. Therefore, beware. Do not dial "90#" for anyone! A word to the wise should be sufficient.

The telephone companies listed above also advise you to share this information with everyone you know. That's good advice. So, do it!

Fraud Article

NOTE: The following fraud article was published in the January/February 1999 Oregon Chapter Newsletter. The Chapter decided to distribute this timely information to the membership. We hope this information will be helpful to you. Thanks to the Oregon Chapter for this information.

Title: Magic Words and Successful Interrogations

The source for this article is two FBI Law Enforcement Bulletins: *Magic Words to Obtain Confessions*, by Michael R. Napier and Susan H. Adams, MA; and, *Conducting Successful Interrogations*, by David Vessel, JD.

What's the difference between an interrogation and an interview? An **interview** is non-threatening, intended to gather information about the subject (his or her concerns, attitudes, needs), to build rapport with the subject, to obtain additional case facts, and to determine if an interrogation is even needed. An **interrogation** requires different skills, as the subject is confronted with statements rather than asked for information. As cited in *Conducting Successful Interrogations* article: "In interrogations, investigators lead and subjects follow."

While most of us may not be involved in interrogating suspects, valuable interview techniques lie in the methods used for interrogations. Here are a few of the suggestions from the two cited articles:

Preparation. Preparing for the interrogation is the most important factor in being successful. Preparation includes considering the appropriate setting and environment for the meeting, knowing the case facts, being familiar with the subjects' backgrounds, and having a method to document the confession.

1. The interrogation setting should be free of diversions such as pagers, telephones, windows, and clocks. There is usually only one opportunity for a successful interrogation so the investigator should be in control of the environment or schedule the interrogation as another time and place.
2. Familiarity with the case facts can be an effective persuasion tool during the interrogation. However, to maintain credibility, the investigator should be careful that the presented facts are accurate.
3. Knowing the subject's background, such as his or her needs and conflicts, allows the investigator to use the information to persuade the subject to confess the truth.

4. The details of how the confession will be documented must be resolved prior to the interrogation. Changing audio or videotapes, searching for forms, or discussing formats will distract the subject and make him or her feel less important than the process. As a result, the person may become less willing to talk. A written record is highly recommended as a backup method, even if confessions are audio or videotaped.

Developing Persuasive themes and Arguments. The major reason why interrogations can fail is the lack of themes and arguments to persuade the subject to tell the truth. Three solutions to avoid this problem:

1. Experience in conducting interrogations.
2. Knowing certain universal themes, such as minimizing the crime, blaming the victim, decreasing the shamefulness of the act, increasing guilt feelings, and appealing to the subject's hope for a better outcome.
3. Conducting good interviews with the subject prior to interrogation to gain an understanding of how the subject responds.

Relating the themes and arguments to facts of the case will increase the likelihood of success. If the investigator presents all the prepared themes and arguments, he or she can go through them over and over again during the interrogation.

Establishing a Plan. The *Conducting a Successful Interrogation* article presents a four-step plan:

1. Confront the subject with the facts and issues of the case.
2. Cut-off the subject's denials to frustrate their avoidance of the truth.
3. Present the persuasive themes and arguments to convince the subject to tell the truth.
4. Present alternative or closing questions. Alternative questions present alternatives, such as asking the subject if he or she planned the crime or committed it on impulse. Any positive response to these alternatives helps move toward an admission.

Building a Good Relationship. Ensuring the subject remains the focus during the interrogation is critical to success. Subjects often confess for no other reason than respect for and trust in the investigator. During the interrogation, the investigator should consider the personal elements, empathizing rather than sympathizing with the subject's viewpoints and attitudes. Besides the usual perspectives of subjects and investigators are opposite, realizing and understanding the subject's point of view can make the interrogation more personal and, therefore, effective. This can include differences in sex, culture, values, economic circumstances, and personal needs and goals.

Allowing Time and Adequate Training. Successful interrogations require time to develop and complete. Generally, the chances of obtaining a confession increase by 25 percent for every hour (up to 4 hours) of interrogation. The first hour is spent learning more about the subject, observing verbal and nonverbal cues, and discussing the crime. Stopping after 30 minutes to an hour dooms 75 percent of interrogations. Besides on-the-job training and experience, the *Conducting Successful Interrogations* article recommended several reading references:

1. Theme Development: *The Confession - Interrogation and Criminal Profiles for Police Officers*, by John MacDonald, MD, and Lt. David Michaud.
2. The Plan: *Criminal Interrogations and Confessions*, by F.E. Inbau, J. E. Reid, and J. P. Buckley.
3. Antisocial Personalities: *Inside the Criminal Mind*, by Stanton E. Samenow.
4. Interpersonal Communication: *That's Not What I Meant!*, by Deborah Tannen, PhD.
5. Intercultural Communications: *Beyond Culture*, by Edward T. Hall.

Magic Words. Magic words come from three commonly used defense mechanisms -- rationalization, projection, and minimization (RPM). The *Magic Words to Conduct Interrogations* article used an example case to demonstrate how these RPM defenses can be used to persuade a subject to tell the truth. Four techniques for using RPM's to develop a confession include:

1. Rationalize the suspect's action. Offering plausible explanations conveys empathy. When delivered in a sincere manner, this empathetic approach can persuade the subject to tell the truth (i.e.; "I can understand how you might...").
2. Project the blame onto others. Projecting the blame onto the victim or others involved in the case allows the subject to tell about his or her own participation.
3. Minimize the crime. Helping the subject reduce the seriousness of the crime creates the incentive for the subject to confess (i.e.; "This was probably an accident. Accidents like this happen.").
4. Provide reasons to confess (i.e.; "This is your chance to tell your side of the story. If you wait, it'll be on the news and it won't be your side they'll tell.").

Effective delivery makes the difference in successful use of RPM's. A sledgehammer approach isn't likely to get a confession (i.e.; "You have lied to me from the beginning. You're not fooling me with that story."). However, the feather approach will carry the game in your direction (i.e.; "I have some problems understanding your story. Let's keep this simple and honest."). The genuine feel and sound of sincerity are the most important aspects of persuasion.

While intent is often the most difficult element of a crime to establish, effective interview and interrogation techniques are some of the best tools available.

INSURANCE FRAUD

Insurance fraud affects everyone who has ever purchased an insurance policy. The ultimate result of fraudulent claims is higher customer premiums. Do you know why your insurance premiums are so high? Attend this fraud seminar to learn more about fraud schemes impacting the insurance industry and your personal bank account.

The speaker will present an overview of the types of insurance fraud cases investigated by SAFECO in the recent past. His presentation will be enhanced by the use of pertinent video taped information from the insurance industry.

This will prove to be an enlightening presentation. Don't miss it.

BIOGRAPHY

RICHARD (RICK) WORTHINGTON

Rick Worthington has been the Assistant Director of Special Investigations for SAFECO Property and Casualty Insurance Companies in Seattle, Washington, since October 1996.

He received a B.S. degree from Western Oregon University in 1976, and an MPA degree from Troy State University in 1984. He is also a graduate of many U.S. Air Force schools, including Squadron Officer School, Air Command and Staff College, and Air War College.

Rick began his career with the U.S. Air Force in 1974 and spent 15 years as a Special Agent for the Air Force Office of Special Investigations. He commanded units responsible for the conduct of investigations of Counterintelligence and Counterespionage, fraud, and other criminal activity. He is a retired Lieutenant Colonel.

Prior to assuming his present position with SAFECO, Rick served as a Special Agent for the National Insurance Crime Bureau.

He is a member of the International Association of Special Investigations Units.