

CFE UPDATE
July/August 2000

Chapter Fraud Seminar Training and Meeting Dates

Future fraud training events for the remainder of the year 2000 are as follows:

August 30 - Chapter Fraud Seminar, Key Towers Building 28th Floor Conference Room, Seattle.

November 2-3 - Joint Association of CFE's and Chapter 2-Day Fraud Conference, Hilton Hotel, SeaTac.

December 12 - Joint Chapter and WSCPA Fraud Conference, Marriott Hotel, SeaTac.

Be sure to mark these important dates on your training schedule and plan to attend.

Chapter and Association Scholarship Programs

There is no change in status to report. The Association of CFE's 2000-2001 Ritchie-Jennings Memorial Scholarship Program winners will be awarded by August 11, 2000. There are 15 Association scholarships worth \$1,000 each, and one Chapter scholarship worth \$500. The Chapter sponsored one applicant, Nikki L. Cantrell, for the national scholarship program. She is a Junior at Seattle University. The Chapter wishes Nikki great success in the tough competition for a national scholarship. However, if not selected for an Association scholarship, Nikki will automatically receive the Chapter's scholarship. Thanks to President Norm Gierlasinski, Chairman of the Scholarship Committee, for his hard work in making the Chapter Scholarship Program a huge success.

Eleventh Annual Association Fraud Conference

By the time you receive this newsletter, this conference will have made its way into the history books. Approximately 2,000 participants will attend the conference. The Chapter has some exciting news to share with you. However, since these events will unfold at the conference, we don't want to get the jump on the Association and steal their thunder. So, you'll just have to wait in suspense until our Chapter representatives return to tell us the good news. Chapter Vice-President Joe Dervaes will bring us news of the events that occurred at Board of Regents meeting held in conjunction with the conference. He will also be making a brief speech at the welcoming ceremonies to kick-off the conference, giving the membership a few words about money laundering within the organization and his unique view of the future for CFE's. Chapter Member Linda Saunders will bring us news of the events that occurred at the Chapter Representatives meeting also held in conjunction with the conference. These are both important meetings in the life and times of the Association, and the Chapter is pleased to have these members represent us. Look for their reports in the next Chapter newsletter!

Chapter Board of Officers Meeting

The Board of Officers held its semi-annual meeting at 10:00 a.m. on June 28, 2000, just prior to the annual business meeting at the Best Western Southcenter Hotel. The following items were discussed:

- (1) Organizational Structure. At last years annual business meeting, we agreed to change our Chapter 501(c)(3) non-profit organization to a 501(c)(6) trade organization. This action was not completed at either the Secretary of States Office or the Internal Revenue Service. To do what we proposed, we would have to dissolve the 501(c)(3) organization, give all our funds away to a similar organization, and then reapply as a 501(c)(6) organization. Therefore, the Internal Revenue Service advised, and the Board of Officers decided, that we should form two organizations instead. The existing 501(c)(3) organization will retain all existing funds and disburse future scholarship payments. The new 501(c)(6) organization would carry out all other Chapter operations. Our Chapter By-Laws and Trademark License Agreement with the Association are not affected by the above actions.

The Board of Officers makes the following recommendations to the Chapter Membership for approval at the annual business meeting:

- (a) Invalidate two of the organizational actions we took last year. This includes the change to our Chapter Articles of Incorporation with the State of Washington, and the change of our organizational type with the Internal Revenue Service.

- (b) Authorize the Board of Officers to retain and modify the use of the existing 501(c)(3) non-profit organization. Effective July 1, 2000, the purpose of the organization will be revised to include only activities associated with the Chapter's Scholarship Program for college students. In the future, all disbursements from the bank account of this organization will be for scholarship purposes only.

- (c) Authorize the Board of Officers to form a new 501(c)(6) trade organization, including authorizing Vice-President Joe Dervaes to sign and file all necessary forms with the State of Washington and the Federal government, and authorizing Secretary/Treasurer Roger Gulliver to revise the bank accounts as necessary. The purpose of this new organization will be exactly the same as our existing 501(c)(3) organization, which is to carry out the fraud training and education programs of the Chapter. We need to file new Articles of Incorporation with the Secretary of States Office, new organizational documents with the Internal Revenue Service, and revise our Chapter bank accounts. Effective July 1, 2000, all Chapter revenue and disbursements for other than the Scholarship Program will be managed through this organization. In the future, funds may be transferred from the trade organization to the non-profit organization to continue Scholarship Program activities, as authorized by the Chapter Board of Officers.

(2) Chapter Web Page. We need to establish a Chapter Web Page in conjunction with the Association of CFE's. Future Chapter Newsletters will be published through this medium. Mailing costs for the newsletter in hard-copy format are expensive and will be significantly reduced next year.

The Board of Officers makes the following recommendation to the Chapter Membership for approval at the annual business meeting:

(a) Authorize the Board of Officers to establish a Chapter Web Page and to contract with an appropriate Internet service provider for this service.

(3) Chapter Distinguished Achievement Award. The Board of Officers nominated Secretary/Treasurer Roger Gulliver as the Chapter representative for this award for 2000 for his years of dedication to the Chapter members and service on the Board of Officers since 1993. Vice-President Joe Dervaes volunteered to write the nomination and forward it to the Association for approval and issuance.

The Board of Officers makes the following recommendation to the Chapter Membership for approval at the annual business meeting:

(a) Authorize the Board of Officers to nominate Secretary/Treasurer Roger Gulliver to the Association of CFE's as the Chapter representative for the Distinguished Achievement Award for 2000.

(4) Elections. The Board of Officers, based on input from the Nominating Committee consisting of Member Morgan Jacobson and Member Cliff Whipple, recommended the following slate of current officers to the membership for re-election to the same offices currently held:

Norm Gierlasinski, President
Joe Dervaes, Vice-President
Roger Gulliver, Secretary/Treasurer
Gail Rogers, Director-At-Large
Bob Fuhriman, Director-At-Large

The Board of Officers makes the following recommendation to the Chapter Membership for approval at the annual business meeting:

(a) Elect the slate of officers as recommended by the Nominating Committee.

(5) Annual Audit. The Board of Officers authorized Rick Osborn to perform the annual audit of the Chapter's accounting records. He volunteered to perform this service. This will be for the special accounting period of January 1, 1999, through July 31, 2000 (18 months). The Board thanks Rick Osborn for his dedication to the Chapter in performing this valuable service.

(6) Schedule of Fraud Meetings and Conferences. The Board of Officers discussed the training calendar for remainder of 2000. Member Linda Saunders will be the speaker for the August fraud training seminar. The Association of CFE's provides the instructor for the joint Chapter and Association annual fraud conference in November. President Norm Gierlasinski, Vice-President Joe Dervaes, and Member Linda Saunders will be working on the agenda and speakers for the annual fraud conference held jointly between the Chapter and the Washington Society of CPA's in December. There is still much work to do to prepare for this important fraud forum.

(7) Annual Reports to the Association of CFE's. The Chapter must send the following reports to the Association at year-end (July 31, 2000):

(a) Annual financial statements (period January 1, 1999, through July 31, 2000). Secretary/Treasurer Roger Gulliver will perform this task.

(b) List of Chapter member names and addresses, by category of membership. Director-At-Large Gail Rogers will perform this task.

(8) Chapter Directory. Secretary/Treasurer Roger Gulliver and Director-At-Large Gail Rogers are completing the final records update and preparing to issue to new Chapter Directory. Members should be receiving this document soon.

(9) Directors and Officers Insurance Policy. The Board of Officers is now covered by the Association of CFE's insurance policy. The Chapter has paid all insurance premiums for the policy.

(10) Chapter Handbook and Appendix. Vice-President Joe Dervaes will obtain a copy of these two documents from the Association of CFE's for Chapter reference purposes.

(11) Association and Chapter Scholarship Program. Association scholarship winners will be awarded on August 11, 2000. We will award the Chapter scholarship as soon as this announcement is made. Our decision has been made, and the results will be handled by electronic-mail without a formal Board meeting.

(12) Fraud Conference Representatives. The Board of Officers agreed to pay the specified fees for Chapter members attending the following fraud conferences in 2000:

(a) Association Annual Fraud Conference. Vice-President Joe Dervaes attends the conference and Board of Regents meeting at the expense of the Association of CFE's. Linda Saunders will attend the conference and the Chapter Representatives Meeting. The Board approved Linda as our Chapter representative at the conference and agreed to pay \$500 towards her expenses for attending the conference.

(b) Joint Association/Chapter 2-Day Fraud Conference. Vice-President Joe Dervaes attends this conference at the expense of the Association of CFE's.

There are two free Chapter attendees in exchange for performing registration duties and one complimentary attendee. Three members of the Board of Officers will use these free conference registrations. The Chapter will also pay for the conference registration fee for the one remaining Board Member if all Board Members decide to attend this training. The Chapter will also pay for the luncheon expense for both days for any Member who attends this conference. There is no cost for hotel parking for conference attendees since the hotel provides a complimentary validation for all parking tickets.

(c) Joint WSCPA/Chapter Fraud Conference. Vice-President Joe Dervaes and President Norm Gierlasinski will be the Co-Chairpersons for this conference and will attend at no cost. No other provisions regarding attendance fees for Chapter Members were made.

Annual Chapter Business Meeting

Items (1) through (4) from the Board of Officers semi-annual meeting were presented to the membership. These included: changing our organizational structure, establishing a Chapter web page, approving the Distinguished Achievement Award, and electing the slate of officers. All items were approved by unanimous vote.

President Norm Gierlasinski appointed Member Rick Osborn and Member Kent Hansen to act as the Elections Committee. They counted the ballots during the meeting and made a brief report to the membership before the actual elections were held.

Internet Abuse

The following information is reprinted from the March/April 1999 newsletter of the Oregon Chapter of CFE's by permission. The source of the information was quoted as the September 21, 1998, Oregonian. The article follows:

Businesses are starting to be concerned about the loss of computer resources and productivity. Two-thirds of U.S. companies engage in some form of electronic monitoring and surveillance to protect against theft or sabotage, according to a recent American Management Association survey. One in five companies has disciplined employees for improper Internet use, according to a PC World magazine survey. It is faster and easier for employees to misuse e-mail, and the Internet provided offenders with an immediate audience. Some employees are using the Internet and their work PC's to run a second business. Even if employees think their personal detours on the Net during the workday are harmless, the traffic adds up.

Some industry analysts estimate the market for corporate Internet filtering software, a category that barely existed a few years ago, could exceed a billion dollars within a decade. Gresham based New Technologies Inc., which specializes in computer forensics and security, last year began offering to businesses a program it developed for police departments. Surfwatch Software, a California unit of Spyglass Inc. launched a business

version of its Internet watchdog in May 1998. Other existing companies include NetPartners Internet Solutions Inc., Content Technologies Inc. and SRA International that for several years have catered to corporate clientele. Demand for these programs is increasing as a flood of small and medium sized companies hook into the Net and are employees with e-mail. When SurfWatch recently evaluated Internet traffic on behalf of its customers, it found that as much as 24 percent of employee activity on line is not work-related. SurfWatch estimates that about 10,000 new Web pages come on line every day, about 2 percent of which are inappropriate content for corporate settings. About 100 million Web pages are available on line everyday according to SurfWatch. Ten thousand are considered to be in categories that corporate clients may want to block. Stoel Rives estimates that if the company wasn't using a filtering program, it would need several more telecommunications pipelines to the Internet.

One way to filter Internet content is to review sites and categorize them by topic. A second way is to use artificial intelligence to sort through Internet content as it is being accessed. If it finds evidence that the site should be off limits, access is aborted. Anderson of New Technologies explains that corporate America is waking up to the fact that "most of the threats come from inside the company."

Commentary by Joe Dervaes, Chapter Vice President: One of the two programs I manage as the Director of Special Investigations for the Washington State Auditor's Office is the State Employee Whistleblower Program. A significant number of the whistleblower cases we handle today involve employees who inappropriately use state resources for personal benefit, an ethics law violation. While telephone abuse previously led the way for this type of employee abuse, the improper use of state-owned computers for personal purposes, including the use of the Internet, has increased drastically this past year. Organizations should monitor the use of computers by employees, as well as proactively advise all employees about improper uses. For example, our organization notifies all employees of these prohibitions on a "warning" page that automatically appears each time the computer is turned-on. The employee must acknowledge receipt of this warning by "clicking" a box at the bottom of the page. This allows the computer start-up process to then continue. This is a nice touch, something each organization should think about implementing. And remember, the cost associated with these improper activities is not only the value of the computer time, but also the value of the employee's time to participate in these activities.

Seminar Description

A Career in Forensic Accounting: Experiential Knowledge Creates the “Expert”

“Just exactly what is a Forensic Accountant?” you ask. Forensic accounting, also called litigation services, is investigative accounting for matters that may lead to legal confrontations. *The Random House College Dictionary* defines *forensic* as “pertaining to, connected with, or used in courts of law or public discussion and debate.”

Many of you are forensic accountants who just don’t carry that specific title. Your experience is a key factor being a good forensic accountant when it comes, first to the analysis, and then the trial. This session lays out attributes of a forensic accountant, skill sets necessary for you to be effective in the field, and examples of forensic accounting cases.

Biography

Linda Saunders, CFE, CPA, CGFM, is the owner of Forensic Accounting Consulting, and is a member of the Pacific Northwest Chapter of the Association of Certified Fraud Examiners.

Ever worry that an employee or partner might be cooking the books? What about the divorce where one spouse can’t find the assets that are being hidden for the next sweetheart on the horizon? And what about grandma who has been befriended by a neighbor who’s getting a little too close to her financial affairs? As a Forensic Accountant, those are cases that Linda Saunders investigates. As the owner of *Forensic Accounting Consulting* on Bainbridge Island since 1994, Linda follows the money trails for both civil and criminal litigation.

Linda Saunders is a Certified Public Accountant, a Certified Fraud Examiner, and a Certified Government Financial Manager. Linda received her Associate of Science degree from Olympic College in 1978, her BA in accounting from the University of Puget Sound in 1981, and a Master of Public Administration from the University of Oklahoma in 1993. She has taught accounting and finance for City University and Olympic College.