

CFE UPDATE
January-February 2003

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Association and Chapter Fraud Training and Meeting Dates

Be sure to mark the following calendar year 2003 fraud training meetings on your personal schedule and plan to attend:

February 26, 2003: Chapter Fraud Training Seminar; Downtown Seattle. Joseph R. Dervaes, CFE, CIA, Fellow and Chairman of the Board of Regents of the Association of CFE's, Founding President of the Pacific Northwest Chapter/ACFE, and Audit Manager for Special Investigations at the Washington State Auditor's Office will be our guest speaker for this meeting. He will present a fraud case study on the Washington State Liquor Control Board, the largest fraud case the State Auditor's Office has dealt with in modern times (\$839,707). Don't miss this one!

May 8-9, 2003: Joint Chapter and Association of CFE's Two-Day Fraud Training Class; Doubletree Inn; SeaTac. **Register directly with the Association of CFE's by calling 1-800-245-3321 (Austin, TX).** The conference includes 16 hours of continuing education credit. Ask for Diane Neill at conference registrations for all the details. Or, you may also register on-line at the Association's web site www.cfenet.com. The Association has not yet confirmed the speakers, topics, and dates for this event.

June 25, 2003: Annual Chapter Business Meeting and Fraud Training Seminar; Mayflower of China Restaurant; Tukwila (SouthCenter). The speaker and topic have not yet been determined.

August 3-8, 2003: Association of CFE's 14th Annual Fraud Conference; Chicago, Illinois. Register for this conference at www.cfenet.com. Joseph R. Dervaes, CFE, CIA, Fellow Regent Emeritus of the Association of CFE's, Founding President of the Pacific Northwest Chapter/ACFE, and Audit Manager for Special Investigations at the Washington State Auditor's Office will be one of the break-out session speakers at the conference.

August 27, 2003: Chapter Fraud Training Seminar; Downtown Seattle. The speaker and topic have not yet been determined.

October 29, 2003: Chapter Fraud Training Seminar; Downtown Seattle. The speaker and topic have not yet been determined.

December 5, 2003: Joint Chapter and WSCPA 7th Annual Fraud Conference; Marriott Hotel; SeaTac. **Register directly with the WSCPA by calling 1-800-272-8273 (Bellevue, WA).** The conference includes eight hours of continuing professional education credit. The course registration form can also be obtained from the WSCPA's web site at "www:wscpa.org". You must call the WSCPA to actually register for the conference. Ask for Lisa Chin-Iwata in the Education Department. The Chapter and WSCPA have not yet confirmed the four speakers, topics, and date for this event.

Important Chapter Fraud Training Meeting Information for Downtown Seattle Location

All fraud seminars conducted by the Chapter in downtown Seattle are held at this location.

We meet at 1000 Second Avenue in a 28th floor conference room of the Washington State Housing Finance Commission. This is the old Key Towers Bank Building; but, the building currently has no name on it. The building is located across the street and one block North of the Jackson Federal Building (corner of Second Avenue and Spring Street).

Please pay particular attention to the following rules for visiting our fraud seminar training location in downtown Seattle. Our host, the State of Washington Housing Finance Commission, controls the conference room where our meetings are held and has asked for our cooperation in implementing these security and access rules. The Chapter Board of Officers appreciates your cooperation with these requirements.

- First, building security. The staff has asked us to go to the Commission's main offices on the 27th Floor and sign-in with the receptionist before going to the 28th Floor conference room for the fraud seminar. A visitor's badge will be issued to you. Please turn-in this visitor's badge in the conference room before departing the building. The Chapter will turn-in all visitor badges at the end of the day.
- Second, the time of our fraud seminar. The staff has asked us to depart the facility promptly because their duty day ends at 5:00 p.m. Therefore, **we will begin all meetings promptly at 2:30 p.m.**, hold a 30 minute networking session at 3:30 p.m., and complete all fraud seminars at 4:45 p.m. sharp. Visitor badges will be collected at this time.

Report on 6th Annual Fraud Conference Sponsored Jointly by the WSCPA and Chapter

The 6th annual fraud conference the Chapter jointly sponsors with the Washington Society of CPA's was a great success again this past year. In fact, it was probably the best fraud conference ever! The evaluations were very favorable, as usual, with a rating of 4.22 on a 5.0 scale. There were over 70 people in attendance, and the CFE participation was about 24 % of that number. This is the best CFE participation for attendance at this conference! This is very encouraging.

Speakers included: Gene Robertson, Robertson Group, "Video Surveillance Equipment Use to Detect Fraudulent On-the-Job Injury Claims"; Jeff Slotnick, Setracon, "Balanced Security"; Martin Biegelman, Microsoft, "Identity Theft; and, Francis D'Addario, Starbucks, "Protecting the Starbuck's Experience by the Numbers".

Evaluation comments included the following positive notes: Interesting and relevant. Well done conference. Informative and current. Useful for work and home. Very interesting, informing and engaging. Speakers were superb. Very informative and speakers provided practical information.

If you missed this fraud conference, you missed a real winner! Come next year to see what you have been missing.

Norm Gierlasinski, Chapter Vice-President, and Joe Dervaes, Chapter Secretary-Treasurer were Co-Chairs for the Conference again this year. The Chapter Board of Officers was responsible for

planning the conference and providing the speakers. The WSCPA handled all of the advertising, registration, hotel arrangements, and all of the other administrative support for the conference. This is a great partnership.

10th Annual Ritchie-Jennings Memorial Scholarship Program

For the 10th year, the Association is pleased to award a number of scholarships through its Continuing Education Committee. Fifteen scholarships of \$1,000 each will be awarded through the Ritchie-Jennings Memorial Scholarship Program in honor of Tracy Ritchie, CFE, and Larry Jennings, CFE, who both died in a terrorist attack in Pakistan on November 12, 1997.

Through this scholarship program, the Association supports the education of college students who may become CFEs in the future. The scholarships will be awarded to full-time undergraduate or graduate students majoring in accounting or criminal justice. (Junior college, community college, and high school students, including graduating seniors, are not eligible.)

The postmark deadline for submitting application materials for one of the 2003-2004 scholarships is May 09, 2003. To request an application, contact: scholarships@cfenet.com, call the Scholarship Program Coordinator at (800)245-3321/(512)478-9070, ext. 131, or go to <http://www.cfenet.com/services/scholarships.asp>

Pacific Northwest Chapter Scholarship Program

Each year, the Chapter is pleased to award one \$500 scholarship to a deserving candidate in the Pacific Northwest. Each student who applies for an Association Scholarship needs a letter of reference from a CFE. We use this opportunity to ask all applicants to apply through our Chapter for this purpose. We use the applications we receive to select a Chapter-sponsored candidate for the Association's scholarship program. But, more importantly, we select the best candidates for the Chapter's scholarship program during this process.

If you are aware of a deserving student, encourage them to contact Chapter Secretary-Treasurer, Joe Dervaes at (360) 710-1545 or www.dervaesj@sao.wa.gov for further information on the Chapter's scholarship program.

The deadline for submitting Chapter scholarship applications is April 11, 2003. This gives the Chapter Board of Officers approximately one month to review the applications and make a selection. All applications are then forwarded to the Association in time to meet their deadline for consideration in this important program.

New CFE Chapter Forming

A new CFE Chapter is forming in the State of Montana. To the extent possible, The Pacific Northwest Chapter is assisting the focal point during the formation period. If you live in Montana and receive this newsletter, please contact Vicki Murphy at www.mtjeffco@msn.com

for further information, if you have not done so already. The Chapter Board of Officers looks forward to having another CFE Chapter form in the great Pacific Northwest. Best wishes for success!

Association Publication -- What is a Certified Fraud Examiner?

The Association of Certified Fraud Examiners publishes information on the CFE credential. The information has been modified by the Pacific Northwest Chapter/ACFE for use in presentations to student accounting clubs and fraternities at colleges and universities throughout the Pacific Northwest. Joe Dervaes, Chapter Secretary-Treasurer, is the primary presenter at these evening meetings. The information is presented below for your information and use.

THE CERTIFIED FRAUD EXAMINER

Mission Statement:

The Association of Certified Fraud Examiners is the professional organization for fraud examiners. The mission of the Association is to reduce the incidence of fraud and white-collar crime, and to assist the membership in its detection and deterrence. To accomplish its mission, the Association:

- (1) Provides bona fide qualifications for Certified Fraud Examiners (CFE's) through administration of the Uniform CFE Examination.
- (2) Sets high standards for admission, including demonstrated competence through mandatory continuing professional education.
- (3) Requires Certified Fraud Examiners to adhere to a strict code of professional conduct and ethics, and monitors adherence by members.
- (4) Serves as the representative for Certified Fraud Examiners to business and government.
- (5) Provides leadership to inspire public confidence in the integrity, objectivity, and professionalism of Certified Fraud Examiners.

What Is A Certified Fraud Examiner?

A Certified Fraud Examiner (CFE) is a specialist in the detection and/or deterrence of a wide variety of fraudulent conduct -- from discovering employees or executives who misappropriate company assets to assisting investors who are defrauded in the course of commercial transactions.

All Certified Fraud Examiners must meet the rigorous criteria for admission to the Association of Certified Fraud Examiners. Thereafter, they must exemplify the highest

moral and ethical standards, and must agree to abide by the by-laws of the Association and the Certified Fraud Examiner Code of Professional Ethics.

What Are The Qualifications For A Certified Fraud Examiner?

Certified Fraud Examiners must demonstrate professional skills in the areas of fraud detection or deterrence.

Generally, a Certified Fraud Examiner must have a minimum of: (1) a baccalaureate degree from a recognized institution of higher learning; (2) two or more years of professional experience in a related field; and, (3) successful completion of the Uniform CFE Examination.

The rigorous Uniform CFE Examination assesses the candidate's expert knowledge in four areas: (1) financial transactions; (2) investigation of fraud; (3) criminology and ethics; and (4) the legal elements of fraud.

All Certified Fraud Examiners must exemplify the highest moral and ethical standards, and must agree to adhere to the Certified Fraud examiner Code of Professional Ethics. Certified Fraud Examiners are also required to acquire at least 20 credit hours of continuing professional education per calendar year, including at least 10 credit hours in fraud related subjects.

Who Utilizes Certified Fraud Examiners?

Certified Fraud examiners are employed by most major corporations and governmental agencies both in the United States and throughout the world.

Certified Fraud Examiners are charged with investigating a wide variety of allegations of fraud, primarily within their own organizations. Certified Fraud Examiners also are utilized in the private sector, where they provide investigative and consulting services to law firms, business enterprises, and others in the areas of litigation support, fraud investigation, and fraud prevention.

What Does A Certified Fraud Examiner Do?

A Certified Fraud Examiner is responsible for resolving allegations of fraud, obtaining evidence, taking statements and writing reports, testifying to findings, and assisting in the prevention and detection of fraud. Following are a few examples of some typical CFE functions.

- A Certified Fraud Examiner in private practice was retained to examine evidence of fraud, and to testify in a \$350 million securities fraud case. His testimony helped recover \$70 million.

- A Certified Fraud Examiner employed in the internal audit department of a bank headed the investigation of a \$125,000 embezzlement case. She ultimately assisted the authorities in the criminal prosecution of an officer.
- A Certified Fraud Examiner in private practice provided litigation support to an attorney involved in the trial of a civil fraud case. The CFE's expertise helped the attorney win the case.
- A Certified Fraud Examiner employed by the U.S. Government advised a federal agency on ways to improve its ability to detect fraud in contracts, which resulted in potential savings of millions of dollars.

How Can I Retain The Services Of A Certified Fraud Examiner?

To secure the services of a Certified Fraud Examiner, contact the Association's headquarters at the address and phone numbers listed below. Complete information regarding Certified Fraud Examiners in your area will be provided free of charge. The Association's web site is: www.cfenet.com.

Association of Certified Fraud Examiners
The Gregor Building
716 West Avenue
Austin, Texas 78701

Telephone: (800) 245-3321
Fax: (512) 478-9297

The Pacific Northwest Chapter of Certified Fraud Examiners also maintains a job referral service for Certified Fraud Examiners in this area. Complete information regarding participants in this program is available upon request. The Chapter's web site is: www.fraud-examiners.org.

Pacific Northwest Chapter/ACFE
P. O. Box 215
Auburn, WA 98071-0215

Contact: Joe Dervaes
Telephone: (360) 710-1545
E-Mail: dervaesj@sao.wa.gov

What Is The Association Of Certified Fraud Examiners?

The Association of Certified Fraud Examiners is the 25,000 member professional accrediting organization responsible for administering the Certified Fraud examiner program in the United States and in 14 foreign countries throughout the world. Its membership breakdown is approximately 65 percent in accounting and 35 percent in investigations. There are also 96 active Chapters of Certified Fraud Examiners worldwide.

Originally founded in 1988 as the National Association of Certified Fraud Examiners, the Association is a private corporation whose standards for admission are established by the Board of Regents, an independent body. The Association provides a wide range of services to the public as well as to Certified Fraud Examiners, including fraud training, research, and referrals. Board of Regents Members for 2002-2003 are as follows:

Appointed Members:

Joseph T. Wells, CFE, CPA
W. Michael Kramer, CFE, J.D.

Toby J. F. Bishop, CFE, FCA, CPA

Elected Members:

Joseph R. Dervaes, CFE, CIA (Chairman) Ralph Q. Summerford, CFE, CPA, CVA
Pedro A. Fabiano, CFE, CPA Karen J. Tierney, CFE, CPA, CVA, CIA
J. Scott Newton, CFE, J.D.

Association of CFE's Code Of Professional Ethics

- I. A CFE shall, at all times, demonstrate a commitment to professionalism and diligence in the performance of his or her duties.
- II. A CFE shall not engage in any illegal or unethical conduct, or any activity which would constitute a conflict of interest.
- III. A CFE shall, at all times, exhibit the highest level of integrity in the performance of all professional assignments, and will accept only assignments for which there is reasonable expectation that the assignment will be completed with professional competence.
- IV. A CFE will comply with lawful orders of the courts, and will testify to matters truthfully and without bias or prejudice.
- V. A CFE, in conducting examinations, will obtain evidence or other documentation to establish a reasonable basis for any opinion rendered. No opinion shall be expressed regarding the guilt or innocence of any person or party.
- VI. A CFE shall not reveal any confidential information obtained during a professional engagement without proper authorization.
- VII. A CFE will reveal all material matters discovered during the course of an examination, which, if omitted, could cause a distortion of the facts.
- VIII. A CFE shall continually strive to increase the competence and effectiveness of professional services performed under his or her direction.

**PACIFIC NORTHWEST CHAPTER
ASSOCIATION OF CERTIFIED FRAUD EXAMINERS**

SEMINAR TOPIC

Liquor Control Board – A Fraud Case Study (Freight Deliveries Gone Wild!). In August 2002, the Washington State Auditor's Office issued a fraud report on this case to disclose a loss of \$839,707. It is the largest fraud case the State Auditor's Office has dealt with in modern times (\$839,707). This case demonstrates the subtle compromise of the accounts payable system. Don't miss it!

SPEAKER

The speaker is Joseph R. Dervaes, CFE, CIA. He is the Audit Manager for Special Investigations at the Washington State Auditor's Office where he is responsible for managing the agency's Fraud Program. He specializes in employee embezzlement fraud within all state agencies (170) and local governments (2400) in the state of Washington. He monitors all fraud audits throughout the state and has participated in the investigation of approximately 450 cases involving losses of almost \$10 million in the past 19 years. Joe is the fraud audit training instructor for the Washington State Auditor's Office, and the author of the agency's fraud training materials. He received his Bachelor of Science Degree from the University of Tampa (Florida) in 1963 with majors in both accounting and business administration. His audit experience includes 20 years with the Air Force Audit Agency and 19 years with the Washington State Auditor's Office.

Joe is very active in the Association of Certified Fraud Examiners (CFE). He is a Life Member, Fellow, Chairman of the Board of Regents, and an adjunct faculty member. He is also the author of the Association's "Cash Receipts and Disbursements" fraud training course, and a contributing author of the Second Edition of the "Fraud Examiners Manual". He received the Association's "Distinguished Achievement Award" in 1995. As a nationally recognized author, Joe's profile and articles on "Big Switch: The Check-for-Cash Substitution Scheme", "Cash Disbursement Frauds -- Treasury Funds Are The Target", "All Wired Up -- Electronic Funds Transfers are Prime Fraud Targets", and a regular "By-Line Column on Fraud's Finer Points" have been published in the "The White Paper", the Association's international magazine. He is also the founding President of the Pacific Northwest Chapter of the Association and a frequent speaker at chapter fraud seminars and conferences. He presents fraud awareness seminars to both auditors and management officials of governmental entities and professional associations throughout North America.

DATE: February 26, 2002 **TIME:** 2:30 – 5:00 p.m. **CPE:** Two Hours CPE Credit

Location of Training Facility: We meet at 1000 Second Avenue in a 28th floor conference room of the Washington State Housing Finance Commission. This is the old Key Towers Bank Building; but, the building currently has no name on it. The building is located across the street and one block North of the Jackson Federal Building (corner of Second Avenue and Spring Street). See additional instructions in the Chapter newsletter for information about access to the training facility.

Note: We have entered into an agreement with the Washington State Board of Accountancy to meet its continuing professional education requirements.

SEMINAR REGISTRATION FORM

NAME: _____

TITLE: _____

PHONE: _____ FAX: _____

EMPLOYER: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

Please mail registration form with \$20 check for members or \$25 for non-members to: Pacific Northwest Chapter/ACFE; P. O. Box 215; Auburn, WA 98071-0215.

SEMINAR DESCRIPTION

Liquor Control Board – A Fraud Case Study (Freight Deliveries Gone Wild!). This case demonstrates the subtle compromise of the accounts payable system.

BIOGRAPHY

The speaker is Joseph R. Dervaes, CFE, CIA. He is the Audit Manager for Special Investigations at the Washington State Auditor's Office where he is responsible for managing the agency's Fraud Program. He is the fraud audit training instructor for the Washington State Auditor's Office, and the author of the agency's fraud training materials. His audit experience includes 20 years with the Air Force Audit Agency and 19 years with the Washington State Auditor's Office.

Joe is very active in the Association of Certified Fraud Examiners (CFE). He is a Life Member, Fellow, Chairman of the Board of Regents, an adjunct faculty member, and author of many fraud articles in the Association's international newsletter, "The White Paper". He is also the Founding President of the Pacific Northwest Chapter/ACFE. He presents fraud awareness seminars to both auditors and management officials of governmental entities and professional associations throughout North America.

Many organizations require the **Federal Tax Identification Number** of the Pacific Northwest Chapter/ACFE in order to pay for their employees to attend our fraud training events. The number is: **91-1592735**.

Important Fraud Training Meeting Information for the Downtown Seattle Location is Included in the Bi-Monthly Chapter Newsletter.