

CFE UPDATE
July-August 2004

Chapter Board of Officers

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Association and Chapter Fraud Training and Meeting Dates

Be sure to mark the following calendar year 2004 fraud training meetings on your personal schedule and plan to attend:

August 25, 2004 (Wednesday). Chapter Fraud Training Seminar; Downtown Seattle, 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). We begin all meetings promptly at 2:30 p.m., hold a 30 minute networking session at 3:30 p.m., and then complete the seminars at 4:45 p.m. The seminar fee is \$20 for Chapter members and \$25 for non-members.

The speaker will be Aaron Sparks from KPMG,Forensic. Aaron is an Associate Member of the Association of CFEs and a Chapter member. The topic will be: "Data Forensics". The presentation will discuss how to use data analysis techniques to detect fraudulent transactions in large data bases. Case studies will also be presented.

October 13-15, 2004 (Wednesday-Friday). Joint Chapter and Association of CFE's Three-Day Fraud Training Class at the Doubletree Hotel, 18740 International Boulevard; SeaTac.

- October 13, 2004, will be a one-day class on "Fraud Prevention".
- October 14-15, 2004, will be a two-day class on "Contract and Procurement Fraud".

The Members have spoken! You asked the Chapter Board of Officers to work with the Association of CFE's to bring new topics and material to us for our training forums. Well, we have, and this is it. So, now is your chance to respond by attending something other than the "basic" fraud course. The "Contract and Procurement Fraud" class is definitely above this level. Chapter President Joe Dervaes has taught this class before and attests to this fact.

In addition, the Association will be offering "gift packages" to the Chapter that will be based upon the number of Chapter Members who attend these classes. The level of benefits in the "gift package" increased with an increase in the number of Chapter Members who attend. So, come out and support your Chapter to help us achieve the best possible results from this annual event!

There is a \$6 daily parking fee if you drive your car and park in the hotel parking lot. Car pooling is recommended to reduce the nominal cost of parking. The estimated early registration fee for Association members is \$535 for the two-day class. The estimated cost of the one-day class is about 50% of that fee. Registration is at 7:30 a.m. each day. The actual class begins at 8:00 a.m. and ends at 4:30 p.m. daily. **Register directly with the Association of CFE's by calling 1-800-245-3321 (Austin, TX).** The conference includes 24 hours of continuing education credit. Ask for conference registrations for all the details. Or, you may also register on-line at the Association's web site www.cfenet.com. Your Board of Officers has worked long and hard with the Association to bring you new fraud topics for this annual fraud training class. So, you'll enjoy this three-day event immensely. Don't miss it. Come network with your fellow professionals at this fraud training class. Members of the Chapter Board of Officers will perform registration duties for this fraud training class and will be on-hand to answer any questions participants might have about membership in and activities of the Chapter. Class speakers will be provided by the Association of CFE's.

December 3, 2004 (Friday). Joint Chapter and WSCPA 8th Annual Fraud Conference; Marriott Hotel; 3201 South 176th Street, SeaTac (across the street and up the hill a short distance from SeaTac International Airport). The estimated early registration fee for members of the WSCPA and the Pacific Northwest Chapter is \$175 for this conference. There is also a \$6 daily parking fee if you drive your car and park in the hotel parking lot. Car pooling is recommended to reduce the nominal cost of parking. Registration and continental breakfast is at 8:00 a.m. The conference begins at 8:30 a.m. and ends at 5:00 p.m. **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 speakers and general topics they will present at the annual fraud conference are as follows:

(8-10:00 a.m.) Martha Norberg/Seabold Group. She will be speaking on the topic of “Interviewing Techniques”.

(10:00 a.m. – Noon) Martin Cordell and Becky Carnell/Washington State Department of Financial Investigations. They will be speaking on the topic of “Follow the Money”.

(1-3:00 p.m.) Ron Huntington/West Sound Investigations. He will be speaking on the topic of “Employee Investigations and Video Surveillance”.

(3-5:00 p.m.) Kyle Bollmeier/CourtTrax. He will be speaking on the topic of “Public Records Research Techniques”.

President Joe Dervaes and Vice-President Norm Gierlasinski will co-chair the 8th Annual Fraud Conference. The Chapter Board of Officers is working on the tentative list of speakers and topics for the annual fraud conference.

Be sure to mark the following calendar year 2005 fraud training meetings on your personal schedule and plan to attend:

February 25, 2005 (Wednesday). Fraud seminar at our downtown Seattle training facility.

March 2005 (date and hotel not yet confirmed). Association’s two-day fraud class on “Professional Interviewing Skills”.

April 27, 2005 (Wednesday). Fraud seminar at our downtown Seattle training facility.

June 29, 2005 (Wednesday). Annual luncheon business meeting at the Mayflower of China Restaurant in Tukwila.

July 11-13, 2005 (Washington, D.C.). Association’s 16th Annual Fraud Conference. Register for this conference at www.cfenet.com. The meeting times are from 1:00-5:00 p.m. on July 10, 2005, for the Pre-Conference; 8:30 a.m. – 12:30 p.m. on July 13, 2005, and from 8:30 a.m. – 4:30 p.m. on all other days during the Main-Conference and Post-Conference period. The discounted registration fee for Association members is \$795 for the Main-Conference. The regular registration fee for non-members is \$895 for the Main-Conference.

Vice-President Norm Gierlasinski will be the Pacific Northwest Chapter’s official representative at the Chapter Representatives Meeting held in conjunction with the Annual Fraud Conference. He will provide a report to the Chapter on the events of this meeting.

President Joe Dervaes will be a break-out speaker at the Conference on an unannounced topic. He will also attend the Chapter Representatives Meeting.

October 26, 2005 (Wednesday). Fraud seminar at our downtown Seattle training facility.

December 2, 2005 (Friday). Joint Chapter/WSCPA's 9th Annual Fraud Conference at the SeaTac Marriott Hotel; 3201 South 176th Street, SeaTac (across the street and up the hill a short distance from SeaTac International Airport). The estimated early registration fee for members of the WSCPA and the Pacific Northwest Chapter is \$175 for this conference. There is also a \$6 daily parking fee if you drive your car and park in the hotel parking lot. Car pooling is recommended to reduce the nominal cost of parking. Registration and continental breakfast is at 8:00 a.m. The conference begins at 8:30 a.m. and ends at 5:00 p.m. **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.

President Joe Dervaes and Vice-President Norm Gierlasinski will co-chair the 9th Annual Fraud Conference. The Chapter Board of Officers is working on the tentative list of speakers and topics for the annual fraud conference.

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.

If you're looking for parking, Special Events parking rates (\$5) apply for the parking garage at Benaroya Hall, just two blocks north of the training facility on Second Avenue.

Minutes of Semi-Annual Board of Officer's Meeting

The Chapter Board of Officers met at the McDonalds Restaurant in Tukwila from 10:00 a.m. – Noon on Wednesday, June 30, 2004, prior to the Chapter's Annual Business Meeting and Fraud Seminar. The following were present: President Joe Dervaes, Vice-President Norm Gierlasinski, Secretary/Treasurer Roger Gulliver, and Director-At-Large Bernadette McBride. Director-At-Large Robert Goehring was unable to attend the meeting because of a family emergency and took an excused absence. The following topics were covered:

(1) The Board unanimously approved the minutes of its semi-annual meeting on February 25, 2004.

(2) The Board reviewed the proposed changes to the revised Chapter By-Laws. Approval will be obtained from the membership for this new document at our Chapter business meeting. The Secretary/Treasurer will sign the document after approval. The President will then submit the document to the State of Washington Secretary of States Office as required by law, and to the Association of CFEs as required by Association policy and rule. The Board authorized the Secretary Treasurer to disburse \$20 for this purpose.

(3) The President completed all action items from the February 25, 2004, semi-annual Board of Officers meeting. This lengthy list is not further presented here. It's been a very busy time in 2004. Major items requiring further action are highlighted below.

- The Board previously approved the Chapter Primary and Alternate Scholarship Representatives. The President will announce the names of these students, Tanya Bogush and Aaron Ashcraft, respectively, at the Chapter's annual business meeting today.
- The Board previously approved Bernadette McBride as the winner of the 2004 Distinguished Achievement Award. President Joe Dervaes will prepare the nomination package. The President will obtain approval for this award from the membership at the Chapter's annual business meeting today.
- The Board previously approved the award of a free fraud seminar to one Chapter member who participated in the recent Chapter Survey. The winner will be decided based upon a drawing during the Chapter's annual business meeting today.

(4) Vice-President Gierlasinski made a presentation to the Board about the Northwest Accounting Research Group Conference that will be held at the Enzian Motor Inn in Leavenworth, WA in Fall 2004. Central Washington University will be the sponsor of this conference and is gathering financial donations to pay for some of the conference expenses from a variety of professional associations. The Board agreed to make a one-time donation of \$250 to this most worthwhile cause and authorized the Secretary/Treasurer to disburse the funds.

(5) The Board approved making two \$500 Chapter student scholarships each year beginning in 2005. There are sufficient funds in our treasury for this most worthwhile purpose.

(6) The majority of the time spent in this meeting dealt with a discussion of the prospects for future speakers at our Chapter fraud seminars and the Annual Fraud Conference. Board members will pursue designated speaker candidates to complete the assigned task.

(7) The meeting adjourned to the Mayflower of China Restaurant for the annual business meeting and fraud seminar.

Minutes of Annual Chapter Business Meeting

The Annual Business Meeting was held at the Mayflower of China Restaurant in Tukwila during the luncheon from Noon -1:00 p.m. on Wednesday, June 30, 2004. There were 22 members present which represented a quorum for all voting activity within the meeting. There were two speakers and one guest also in attendance at the meeting. The following topics were covered:

(1) The President submitted the revised Chapter By-Laws to the Members who unanimously approved them as written. The Members authorized Secretary/Treasurer to sign the document. The Members also authorized the President to file the revised document with the Washington State Secretary of States Office, Corporations Division.

(2) The President presented the Distinguished Achievement Award for 2003 to Linda Saunders, Past President, for her outstanding service to the Association, the Chapter, and the community.

(3) The President informed the membership that the Board had approved the recommendation of Bernadette McBride, Board of Officers Director-At-Large, to receive the Distinguished Achievement Award (2004) for her outstanding service to the Association, the Chapter, and the community.

(4) The President presented the slate of officers proposed by the three-member Nominations Committee (Jake Jacobson, Cliff Whipple, and Kent Hansen). Prior to the meeting, the President appointed a three-member Election Committee (Linda Saunders, Gayle Seyl, and Carol Bonham). Confirming that there were no names to be placed in nomination from the floor for any Chapter Board of Officers position, the President announced the results of elections for a two-year term of office during the period July 1, 2004, through June 30 2006 as follows: (Joe Dervaes-President; Norm Gierlasinski-Vice-President; Roger Gulliver-Secretary/Treasurer; Bernadette McBride-Director-At-Large; and Robert Goehring-Director-At-Large). The Chapter thanks these members for their leadership and service on the Board of Officers.

(5) The President announced the Chapter Primary and Alternate Scholarship candidates in the Association's Scholarship Program for 2004. The Primary Candidate is Tanya Bogush. She is a senior at WSU (Vancouver Campus) majoring in accounting and finance. She has a 3.61 cumulative grade point average, and plans to pursue a masters degree upon graduation. The Alternate Candidate is Aaron Ashcraft. He is a junior at WSU (Pullman Campus) majoring in accounting. He has a 3.96 cumulative grade point average, and plans to pursue a masters degree upon graduation. If our Primary Candidate receives an Association scholarship, our Alternate Candidate will receive the Chapter Scholarship. If our Primary Candidate does not receive an Association scholarship, that individual will receive the Chapter Scholarship. The results of the Association's Scholarship Program winners will be announced on August 2, 2004 (15 scholarships of \$1,000 each). The Chapter's Scholarship Program winner will be announced as soon as the Association's announcement is made (1 \$500 scholarship). The President announced

that the Board of Officers had approved the award of two annual scholarships for \$500 each beginning in 2005. This action was well received by the membership.

(6) The President announced that the Chapter submitted applications for two Association awards (2004) as follows: (a) Pacific Northwest Chapter/ACFE for the Outstanding Chapter of the Year Award; and (b) Dr. Robert Holtfreter, CWU, for the Outstanding Association of the Year Award. The winners of these Association awards will be announced at the Annual Fraud Conference (July 12-14, 2004). We did not win either of these awards. We will submit applications again next year as appropriate.

(7) The President announced that Norm Gierlasinski and Joe Dervaes will be the Chapter Representatives for the annual meeting held in conjunction with the Annual Fraud Conference in Las Vegas, Nevada during July 2004. Vice-President Gierlasinski will make a report of the meeting that will be published in a future Chapter newsletter.

(8) The President announced that Joe Dervaes has posted two fraud manuals on the Chapter web-site as follows: (a) January 2004 version of the Fraud Detection and Development training manual (his fellow thesis document and also posted on the Association's web-site for members only); and (b) January 2004 new document entitled "The Public Treasurer's Guide to Understanding Employee Embezzlement in the Government Workplace" which will be published by the Association of Public Treasurer's (United States and Canada) later this year. Kent Hansen, webmaster, will load these documents on the web-site soon.

(9) The President held a drawing for door prizes for attending the annual business meeting (5 gift certificates for \$25 each to Borders Books). The winners were: Morgan Jacobson, Dewayne Pitts, Margie Biliske, Kent Hansen, and Rufino Moraleja.

(10) The President held a drawing for the winner of the Chapter Survey contest, a free fraud seminar as determined by the Board of Officers. The winner was John Loscheider.

(11) The Annual Business Meeting was then adjourned by the President. Vice-President Gierlasinski then introduced the two speakers for the fraud seminar presentation following the luncheon.

Association of CFE's Annual Fraud Conference

The Association of CFE's 15th Annual Fraud Conference was held at the MGM Grand Hotel (the largest hotel in the world) in Las Vegas, Nevada, during the period July 11-16, 2004. The meeting times were from 1:00-5:00 p.m. on July 11, 2004, for the Pre-Conference; 8:30 a.m. – 12:30 p.m. on July 14, 2004, and from 8:30 a.m. – 4:30 p.m. on all other days during the Main-Conference and Post-Conference period. A record number of anti-fraud professionals attended the conference this year because of the location. But, it was hot – 105 degrees daily. WOW!!

Almost 1,600 anti-fraud professionals gathered in Las Vegas for the Annual Fraud Conference, making this the largest ACFE event ever to date. Keynote speakers include: **David Walker**, US Comptroller General; **Douglas Carmichael**, CFE, Chief Auditor of the PCAOB; **Cynthia Cooper**, CFE, who discovered the WorldCom fraud. The previous high attendance was almost

1,500 at the 1999 Annual Fraud Conference, also held in Las Vegas, but at the Caesars Palace Hotel.

Vice-President Norm Gierlasinski was our official representative at the Chapter Representatives Meeting on July 11, 2004. He will provide a report to the Chapter on the events of this meeting.

President Joe Dervaes was a break-out speaker at the Conference on the topic of "Stealing From the Court – A Case Study". He discussed the City of Poulsbo Municipal Court case involving an accounts receivable loss of \$290,237 over a 6.5-year period. He also attended the Chapter Representatives Meeting on July 11, 2004.

Member Marty Biegelman was a break-out speaker at the Conference on the topic of "Conducting International Investigations – Issues and Solutions".

There were 30 attendees from the State of Washington at the 15th Annual Fraud Conference, including 7 Chapter Members (* below). This is the greatest support ever at any of the Association's annual training programs. The 2004 attendees included:

Jim D. Bauer, Bechtel Hanford, Inc.

Karen L. Beller, Washington State Department of Financial Institutions

*Martin T. Biegelman, CFE, Microsoft Corporation

Melinda K. Burks, CPA, Environmental Protection Agency-OIG

David A. Buschbach, Bechtel National, Inc.

Devon R. Campbell, Clark Nuber, P.S.

*Joseph R. Dervaes, CFE, CIA, Washington State Auditor's Office

Donald A. Ellis, Northshore Utility District

*Norman J. Gierlasinski, CFE, CPA, CIA, Central Washington University

*Kent Hansen, CFE, CPA, CMA, Quackenbush & Hansen, P.S.

Larry Hart, Boeing

Tamara K. Johnson, CFE, Microsoft Corporation

Dana M. McInturff, CFE, CPA, Washington State Board of Accountancy

Michael K. Ridle, 3 Tier Investigative Services

Wendy M. Sancewich, CFE, CPA, McGladrey & Pullen, L.L.P.

Denise Scarboro, U.S. Army Criminal Investigations Division

Edward Schatz, CPA, Colville Tribal Casinos

Charles J. Sells, CFE, The Sells Group, P.S.

*Ronald R. Sells, CFE, CPA, The Sells Group, P.S.

Cheryl M. Sexton, CFE, Washington State Board of Accountancy

James L. Smiskin, Yakima Nation Gaming Commission

*Aaron J. Sparks, Associate Member, KPMG, Forensic

John H. Steinhoff, Clark Nuber, P.S.

Tanya Taylor, Yakima Nation Gaming Commission

James, A. Tomlinson, Jr., CFE, Stewart Title Guaranty Company

Frank N. Walker, CFE, New Horizons Group, Inc.

*Caroline A. Walker, CFE, CPA, Seattle City Light

John R. Weber, CFE, Washington Trust Bank

Bob Wickstrom, Boeing
John F. Willets, Boeing

The Chapter looks forward to seeing these folks attend some of our future Chapter fraud training programs as well. If you know them, please extend an invitation to them. Our Chapter representative will also be contacting them as well.

The Chapter Survey Questionnaire Results Are In

The Members have spoken. The vast majority of Chapter Members like our fraud training seminar schedule in its current form. But, there is a contingent of Members from Bellevue that have a strong voice as well. Based on the attendance at our annual business luncheon meeting, we're growing too fast to continue meeting at the Mayflower of China Restaurant in Tukwila. There just isn't enough room for us in the area reserved for our meetings. So, we're going to have to move somewhere in the years to come. Your Board of Officers has decided to move the annual business luncheon meeting to Bellevue, at least for 2005. We'll be contacting our Bellevue Members for assistance in finding us a restaurant that provides a free meeting room when professional groups schedule luncheons at their facilities. Any volunteers? Please contact Joe Dervaes at (360) 710-1545 or dervaesj@sao.wa.gov.

For those who may not know, the Chapter also has a vested interest in remaining at the downtown Seattle facility. We have a working agreement with the Washington State Housing Finance Commission. They let us use their training room and store our audio-visual equipment during the year, all at no cost to us. In return, we let them use our audio-visual equipment for in-house training needs for their staff. This has been a great benefit to the Chapter. If we had to move our audio-visual equipment from place to place for training meetings, this factor alone would make operations practically impossible. The logistics effort is too great for anyone to experience, much less think about the wear and tear on the equipment.

There were 28 Chapter Members who responded to the 2004 survey. And, that was encouraging news. Here are the summarized responses to our recent Survey Questionnaire:

1. Chapter meeting day of the week preference: No Preference __9__

Mon ____ Tue __1__ Wed __16__ Thurs __3__ Fri __1__ Sat ____ Sun ____

Not Friday/Saturday/Sunday __2__

2. Chapter meeting week of the month preference: No Preference __13__

First __2__ Second __1__ Third __6__ Fourth __6__

3. Chapter meeting time of day preference: No Preference __1__

Breakfast Meeting __4__ Morning Seminar __3__ Lunch Meeting __12__

Afternoon Seminar 15 Dinner Meeting 1 Evening Seminar 1

4. Length of chapter meeting:

One Hour 1 1-1.5 Hours 1 1.5 Hours 1 1-2 Hours 1 2 Hours 14

2.5 Hours 2 2-3 Hours 1 3 Hours 1 4 Hours 1

Time: No Preference 1 7:00 a.m. 1 7-9:00 a.m. 1 7:30-10:00 a.m. 1

8:00 a.m. 1 11:30 a.m. 2 Noon 2 12:30 a.m. 2 1:00 p.m. 2

2-2:30 p.m. 1 2:30 p.m. 2 2-4:30 p.m. 1 3-5:00 p.m. 1

Mid-Late Afternoon 1 End of Day 1

5. Chapter meeting frequency:

No Preference 0 Monthly 5 Bi-Monthly 20 Quarterly (Minimum) 5

6. Chapter meeting city preference: No Preference 2

Seattle (Downtown) 16 Bellevue (East Side) 9

Other City (Specify): Not Seattle.

City Rotation (Describe How)

Alternate meetings between Seattle and Bellevue 2.

SouthCenter/SeaTac, Bellevue, and Seattle 1.

For smaller groups (15 or so), I have a conference room at my office in Bellevue that can be used for free (Kent Hansen). The regional library has some nice meeting rooms that I believe non-profits can use for little or no cost. I can assist in scouting other locations if there is an interest in an Eastside location.

If quarterly, one downtown, one Eastside, one near airport, one North.

If bi-monthly, alternate every other meeting between two locations.

Seattle and Bellevue, rotate starting in the Fall.

North, South, East, and West.

7. Suggested Meeting Location (Where)

Unspecified Restaurant.
Free Municipal Building.
WSCPAs office in Bellevue.
Different restaurants, business locations, or public meeting rooms of libraries.

8. For the annual chapter business meeting, would you prefer:

Luncheon Meeting: (a) 22 With A Speaker (b) 3 Without A Speaker

Afternoon Meeting: (a) 6 With A Speaker (b) 2 Without A Speaker

Dinner Meeting: (a) 3 With A Speaker (b) 0 Without A Speaker

No Preference: 1

9. Narrative for Other Information:

In this section, please tell us exactly what we can do to make it easier for you to increase your personal attendance at our fraud training events. In addition, please provide us with any input or suggestions you might have for us to improve our Chapter activities. Your input is considered to be very valuable for us in determining the future direction of the Chapter.

I attend when in town. Conflicts are unavoidable.

I am a new member. Greatly enjoy interesting speakers.

The current meeting time and location is fine for me. I just need to put it on my calendar early and leave the office in plenty of time.

I like the meeting schedule and location.

Convenient location and time, not downtown Seattle, and morning preferably.

Nothing more to add.

Continued support from State Auditor's Office any my audit manager.

For many of the Members that are involved in year-end closing, audits, and taxes, the months of January-April are very busy. I automatically say no to just about everything during this time period. Maybe the training could be concentrated in other months.

I think at least some of the training should be on the Eastside. There are a lot of people on the Eastside that are not able to spend the half-day that a meeting downtown takes. Has anyone done any kind of analysis on where the members live and work?

I am already attending Chapter fraud training events on a regular basis. Suggest no changes.

I like the idea of rotating the cities; however, this may be problematic

Big place for annual meeting while still controlling costs.

I am too new to comment.

Although I have no major problem with the downtown meeting locations, I prefer Bellevue since it's closer to the Eastside. This latter site could also minimize the time needed to park. You might want to experiment with alternating the meetings between Seattle and Bellvue to see if it has any effect on attendance.

Time is valuable, and doing meetings every few months where there is a speaker, and the time frame is kept to a minimum, and the quality is provided, and also not a lot of expensive parking or hard access to get to either is important. Personally, I'm doing more on-line training which is on my time when I have the time. Unfortunately, employers right now are too keen on a lot of time out of the office with additional expenses incurred.

I would like to see more quality training than I can actually use, and not speakers who talk in general terms and do not provide quality information or tools and information, but also need to share in reference to current trends happening in the fraud world, such as current fraudsters operating. We need to work together.

10. Training Input:

In this section, please give us your input on suggested fraud training topics you would like us to present in the future. And, if possible, provide a suggested contact point for an individual who would be able to make such a presentation. Perhaps that's you. So, don't hesitate to volunteer your services. Your Board of Officers believes every CFE has something to share with the membership about their life experiences in the wonderful world of fraud.

Investigation Techniques.

I would recommend Mr. Steve Roberts, CFE, CPA to speak on Insurance Fraud Issues.

If you want Health Care Fraud Investigation, Medicare especially, I'm available (Gayle Seyl).

I would like to hear and learn more about forensic accounting.

This is my first time attending a Chapter meeting. I'm just taking notes and gaining an understanding of the group.

Anything on computer forensics would be great.

I like the idea that encourages Members to share their own life experiences (professional and perhaps even personal) in the fraud area. I think this could be used as a resource for fraud training as well as simply sharing ideas.

Using ACL to help detect fraud.

Construction fraud.

Public real estate acquisition and relocation fraud.

I may be able to do something in the future on Internet Fraud if I get time to prepare a power point presentation (Bob Holtfreter).

I believe that more detailed hands-on training is needed.

I would like to volunteer some time to assist with administration, etc. for the Chapter (Richard Bologna).

11. Other:

Would it make sense to have Members present some of their experiences with various fraud cases? You might want to get two members to volunteer for each two-hour meeting.

Thanks to all the Chapter Officers for all of their valuable time and efforts in the continuation of the Pacific Northwest Chapter.

Note to the Reader: Don't try to total all of the responses for each survey item. Some respondents answered several responses for the same question (all responses were listed). Other respondents did not answer all questions.

Fraud Tips

VISA and Mastercard Telephone Credit Card Scam. This information is worth reading. By understanding how the VISA & Mastercard Telephone Credit Card Scam works, you'll be better prepared to protect yourself.

My husband was called on Wednesday from "VISA", and I was called on Thursday from "MasterCard." The scam works like this: Person calling says, "this is <name>, and I'm calling from the Security and Fraud Department at VISA. My Badge number is 12460. Your card has been flagged for an unusual purchase pattern, and I'm calling to verify. This would be on your VISA card which was issued by <name> bank. Did you purchase an Anti-Telemarketing Device for \$497.99 from a marketing company based in Arizona?" When you say "No", the caller continues with, "Then we will be issuing a credit to your account. This is a company we have been watching and the charges range from \$297 to \$497, just under the \$500 purchase pattern that flags most cards. Before your next statement, the credit will be sent to gives you your address), is that correct?" You say "yes". The caller continues... "I will be starting a Fraud investigation. If you have any questions, you should call the 1-800 number listed on the back of your card (1-800-VISA) and ask for Security. You will need to refer to this Control #" The caller then gives you a 6 digit number. "Do you need me to read it again?" Here's the IMPORTANT part on how the scam works. The caller then says, "he needs to verify you are in possession of your card". He'll ask you to "turn your card over and look for some numbers. There are 7 numbers; the first 4 are your card number, the next 3 are the 'Security Numbers' that verify you are in possession of the card. These are the numbers you use to make Internet purchases to prove you have the card. Read me the 3 numbers". After you tell the caller the 3 numbers, he'll say, "That is correct. I just needed to verify that the card has not been lost or stolen, and that you still have your card. Do you have any other questions?" After you say No, the caller then Thanks you and states, "Don't hesitate to call back if you do", and hangs up. You actually say very little, and they never ask for or tell you the card number. But after we were called on Wednesday, we called back within 20 minutes to ask a question. Are we glad we did! The REAL VISA Security Department told us it was a scam and in the last 15 minutes a new purchase of \$497.99 was charged on your card. Long story made short, we made a real fraud report and closed the VISA card, and they are reissuing us a new number. What the scammers wants is the 3-digit PIN number on the back of the card. Don't give it to them. Instead, tell them you'll call VISA or Master card direct. The real VISA told us that they will never ask for anything on the card as they already know the information since they issued the card! If you give the scammers your 3 Digit PIN Number, you think you're receiving a credit. However, by the time you get your statement, you'll see charges for purchases you didn't make, and by then it's almost to late and/or harder to actually file a fraud report. What makes this more remarkable is that on Thursday, I got a call from a "Jason Richardson of MasterCard" with a word-for-word repeat of the VISA scam. This time I didn't let him finish. I hung up! We filed a police report, as instructed by VISA. The police said they are taking several of these reports daily! They also urged us to tell everybody we know that this scam is happening.

Training Opportunities

(1) On June 16, 2004, John E. Reid and Associates, Inc., and The Reid Institute announced that they are proud to present the Fifth Annual Reid Conference for Investigative Training. The conference features a variety of topics that will add to the investigative skills of all participants. The featured speakers are recognized experts in their respective fields of training. Participants who are members of the Reid Preferred Group of Associations receive a discounted tuition rate of \$275. (Non RPGA members and non institute members cost is \$375.)

The conference will be held November 2 – 4, 2004 in Chicago Illinois and pre-registration is required to ensure space availability. To register, feel free to print out and mail in the attached (word document) Conference Flyer/Registration form – or - if you prefer, you can register on line at www.reid.com. (*To ensure your RPGA member discount be certain to include your RPGA member association code number. In the blank asking for Reid Membership Number simply write RPGA and then your code number.*) Participants will receive a confirmation letter upon receipt of registration. All participants will also receive a handbook of the speaker's talks and a Certificate for attending the Conference.

This year's topics include Understanding Employee Theft; Preventing False Confessions; The Art of Verbal Judo; Work Place Violence – Assessing Threatening Communications; and The Profiling Process – The Myths, Realities and Potentialities. For more detailed information regarding topics, tuition, conference site and hotel accommodations please refer to the attached flyer.

If you have any questions or if we can assist you in any way, please call us at 800-255-5747. We look forward to offering you the finest training available in the industry.

(2) On June 29, 2004, Reid and Associates made the following e-mail announcement. Reid is making available to RPGA members at a discounted price The Law Enforcement Training Package. A must for any law enforcement academy, agency or department - this “5 Pack” includes over 7 hours of training and over 300 pages of text material on the five programs listed below.

The training package (a \$250 value) is available to RPGA members at the discounted price of \$175. Each program comes with its own individual study guide that expands on and reinforces the material. The five programs are:

- Employee Theft Investigations Audio CD
- Sexual Assault Interrogations Audio CD
- Child Sexual Abuse Investigations Audio CD
- Interview & Interrogation CD-ROM
- Hiring the Best: Interviewing for Integrity

If you register for this training program, please contact President Joe Dervaes to obtain the RPGA Association Code Number that will guarantee you the discounted price. For additional information, contact Reid and Associates at 800-255-5747.

(3) On July 21, 2004, the Puget Sound Special Investigators announced a new training opportunity. Attend the 11th Annual Puget Sound Special Investigators' conference on **Insurance Fraud – Target Washington**; Date: October 7, 2004; Time: 8:00 a.m. – 4:30 p.m. (registration begins at 7:30 a.m.); Place: Knutzen Family Theater, 3200 SW Dash Point Road, Federal Way, WA; Cost: \$25 for state employees. Register at: <http://waiasiu.com/conference.htm>.

(4) On July 26, 2004, the Puget Sound Chapter of The Institute of Internal Auditors announced its September 10, 2004 luncheon meeting (11:30 a.m. – 1:30 p.m.). The speaker will be WorldCom Auditor, Gene Morse, part of the former WorldCom Internal Audit Team whose work led to the discovery of the \$11 billion WorldCom accounting scandal. Come hear Mr. Morse's story. From the initial discovery of \$500 million in unsupported computer expenses, Mr. Morse will tell the story of how three auditors, working secretly, unearthed \$3.8 billion in misallocated expenses and phony accounting entries.

Want to know more about Gene Morse? Visit the link below for a Pulitzer Prize winning Wall Street Journal article titled "Uncooking the Books – How Three Unlikely Sleuths Discovered Fraud at WorldCom". http://www.dowjones.com/Pulitzer/pulitzer_2003/scandal/scandal7.html

Are others in your organization interested in hearing Mr. Morse's story? If yes, please extend this invitation to them. The Puget Sound Chapter of IIA will extend their member price to your guests. Jefferson Wells International has sponsored Gene Morse's presentation to the IIA

MEETING LOCATION: The meeting will be at The Washington Athletic Club (The WAC), which is located in downtown Seattle at 1325 Sixth Avenue. Driving directions are on the web at: http://www.wac.net/tour/tour_frameset.html

FEES / CPE: Luncheon Presentation is \$25 for members of The IIA, \$30 for non-members. 1 CPE awarded for the Luncheon Presentation.

LUNCHEON MENU: Choose from Chicken Arugula, Vegetarian, or Vegan. Sorry, due to the high volume of attendees we can no longer provide substitutions or special meal requests.

REGISTRATION: Please contact Philip Liaw to register by Tuesday, the 7th of September. Phil can be reached at 206-340-2353 or PhilipL@fhlbsea.com. Please communicate any cancellations to Phil Liaw by no later than 5 PM on Tuesday, the 7th.

Job Opportunities

(1) On June 30, 2004, The Washington State Parks and Recreation Commission announced it is recruiting to fill a Senior Cost Accountant position. It is a WMS Band 2 (Up to \$60,180, depending on qualifications) position located in Tumwater, WA. This is a new position assigned to the Business Development Service Center reporting to the Administrator of Financial

Services. Contact Christy Sterling, Human Resource Operations Manager, Washington State Parks, at (360) 902-8566 for additional application information.

(2) On June 30, 2004, the Department of Information Services announced it is recruiting to fill an Information Technology Applications Specialist position (Req #969). This is a full-time position within the Interactive Technology Division, Business Technology Solutions. Interested candidates must submit an online application through the Washington State Department of Personnel and take a written examination and apply for the Information Technology Applications Specialist 5, Application Development & Software Management, Bulletin # 1-2-072-OC. Contact Richard Woodard, Human Resource Consultant, at (360) 902-3540 or via e-mail at RichardW@dis.wa.gov <<mailto:RichardW@dis.wa.gov>>.

(3) On July 2, 2004, the Department of Labor and Industries announced it is recruiting to fill a vacant position as a Field Audit Program Manager. It is a WMS, Band 2 (\$4,771-\$5,813 monthly, depending on qualifications) position located in Tumwater, WA. Applicants must submit a completed Washington State Job Application to be mailed to the Department of Labor and Industries, Office of Human Resources, P.O. Box 44821, Olympia, WA 98504-4821, attention: Debbie Yantis, e-mail: yant235@lni.wa.gov. For additional information, visit the agency's web-site at: www.lni.wa.gov.

(4) On July 2, 2004, the Washington State Department of Transportation announced it is recruiting to fill several Audit Specialist 3 positions. The salary is \$3,215 -\$4,115 per month. There are two current vacancies in Olympia within the Internal Branch and one in the External Branch field office in Seattle. To view the job bulletin in its entirety click on this link. http://www.wsdot.wa.gov/employment/job_openings/LL_03_0006.htm. Contact Jeri Sivertson at (360) 705-7058 or Cindy Hadfield, PHR Recruitment Specialist, at (360) 705-7047 for more details.

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

SEMINAR TOPIC – DATA FORENSICS

Aaron J. Sparks will speak on the topic of Data Forensics. He will provide the participants with information on how to use data analysis techniques to identify anomalous or fraudulent transactions. The presentation will include two case studies: procurement and journal entries. The case studies will include techniques that are easy to implement and can be used in almost any type of organization. These types of procedures are becoming increasingly important to organizations in their efforts to implement "anti-fraud programs and tools" for Sarbanes Oxley.

Attend this session to learn more about this important subject from an expert in the field. The objective of the presentation is to provide attendees with a better understanding of how to use data analysis techniques.

SPEAKER – AARON J. SPARKS

Aaron J. Sparks is a manager with KPMG's Forensic practice in Seattle, and leads KPMG's forensic auditing and investigations team in the Pacific Northwest. He has over seven years of experience in data forensics, database design, SAP R/3 security and controls testing, and IT controls assessments. Aaron has been an invited speaker at the Institute of Internal Audit, SAP's National User's Conference (ASUG), Seattle Pacific University, and others. In the spring of 2005, Aaron will teach a course on data analysis and IT controls with Seattle University's Masters of Accountancy program. Aaron is an Associate Member of the Association of CFEs and a member of the Pacific Northwest Chapter/ACFE.

Some of Aaron's recent work includes forensic investigations on embezzlement, kickback, and earnings management cases. He has also developed unique data analysis tools to detect anomalous transactions in procurement, payroll, and journal entry data.

DATE: August 25, 2004 **TIME:** 2:30 – 4:45 p.m. **CPE:** Two Hours CPE Credit

Location of Training Facility and Parking: 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). If you're looking for parking, Special Events parking rates (\$6) apply for the parking garage at Benaroya Hall, just two blocks north of the training facility on Second Avenue.

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

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

SEMINAR REGISTRATION FORM (August 25, 2004 – 2:30-4:45 p.m.)

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. Or, bring your registration form and payment to the Seminar for processing.

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Attend this session to learn more about this important subject from an expert in the field. The objective of the presentation is to provide attendees with a better understanding of how to use data analysis techniques in their work.

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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. Check out our web-site at: www.fraud-examiners.org.

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Interviewing Elderly Subjects

Interviewing techniques presented in textbooks or during seminars generally assume that the person being interviewed is an emotionally healthy and mature individual with a normal IQ. Twenty-five years ago, when the epidemic of unreported child sexual abuse attracted national attention, specific interviewing techniques were developed to address the special circumstances of eliciting information from a child. Contemporary investigators are now dealing with a new special interest group. As our population ages, investigators are faced with the task of frequently interviewing elderly witnesses, victims and suspects.

Unlike children, who reach psychological and physiological benchmarks within a year or two of established norms, the deteriorating effects of aging have a wide range. There are 80-year-old subjects with remarkable cognitive and physical abilities and, conversely, 65-year-old subjects with noticeably impaired memory and affected physiological functions. Consequently, the first goal when interviewing an elderly subject is to make an initial assessment of the person's age-related functions. In particular, the investigator needs to assess the subject's senses and memory function.

Evaluating the subject's senses

Assessing a subject's eyesight and hearing is obviously important with respect to credibility if that individual claims to be a witness or victim of a crime. Furthermore, failure to recognize vision or hearing problems within a subject may cause misleading behavior symptoms during an interview.

An investigator should not approach an elderly subject with any expectation of physical or mental impairment. In other words, it would be improper for the investigator to initially talk loudly, to use simple words, or to over-explain the situation. Rather, when interviewing an elderly subject the investigator should have a heightened awareness of the individual's possible sensory limitations and be prepared to adjust interviewing techniques accordingly.

Simple observation may reveal that a subject wears strong eyeglasses or hearing aids. Observing the subject during conversation may indicate a tendency for the subject to turn a "good ear" toward the investigator when a question is asked or to offer an inappropriate response to a question that was asked when the subject was not facing the investigator. When sight or hearing is important to the subject's testimony, it is important to establish whether or not the subject was wearing glasses or hearing aids at the time an event occurred.

As one ages, often more light is required for the eyes to focus and discern particular features. When an elderly subject is offering eye witness evidence, the investigator should carefully document the amount of light present at the time of the initial event. For the same reason, if an elderly subject is asked to identify a photograph or the signature on a canceled check, for example, the document or object should be well lighted.

When interviewing an elderly person with affected hearing there is a tendency to make two errors. The first is for the investigator to significantly increase his volume when asking a question, and second, to treat the subject as if a hearing impairment also decreases the subject's IQ. If a subject has impaired hearing, the investigator should maintain a normal volume when asking questions but slow down the rate of speaking words -- under this circumstance carefully enunciating each word is often sufficient to allow the subject to understand the investigator. It is also important for the investigator to maintain direct eye contact when asking questions as many hearing impaired individuals will rely on visual cues to interpret verbal communication. Finally, the investigator's vocabulary or sentence structure should not be affected merely because a subject has impaired hearing.

While sight and hearing may be diminished with an elderly subject, the person's olfactory senses may be heightened. In this regard, it is especially important for the investigator to make certain that his or her breath is fresh and also be aware of possibly offensive odors on clothing such as tobacco or strong cooking odors. Finally, an investigator should not be shy in asking an elderly subject about failing sight, hearing or other relevant medical issues. It is not at all unprofessional or insulting for an investigator to sincerely ask an elderly subject, "Andy are you able to understand me all right?" or, "Julie is there enough light for you to see these pictures?"

Affected Memory

All memories eventually decay to the point of being irretrievable, or perhaps, even erased. A person at age ten who is asked to recall memories of their first day of kindergarten will be able to provide many more specific recollections than when given the same task at age 30. This gradual inability to recall long-term events occurs, more or less, on an even continuum throughout our lives, provided the individual is not suffering from a disease that abnormally impairs memory, e.g., Alzheimer's disease. Similarly, as a person ages short-term memory also decreases. Since most daily tasks require short-term memory ("Where did I park the car?" "Did I buy milk yesterday?"), this type of memory loss is most apparent and bothersome. Because distortions or omissions in long-term memory are typically unverifiable and have no immediate consequence, the perception is that long-term memory remains intact in the elderly, when in fact, it may also be affected. (1)

During an interview, both a subject's long and short-term memory can significantly affect the quantity and accuracy of information learned. The accuracy of long-term memory would certainly be important for an investigator who is working a "cold case" and wants to interview a 70-year-old man who witnessed a bank robbery 25 years ago. With respect to short-term memory, consider a 70-year-old woman who was the victim of a strong armed robbery that occurred 30 minutes ago. In both scenarios the subject's age will almost certainly affect the person's memory, at least to some extent. To address affected memories, there are two procedures an investigator should use when interviewing an elderly subject. The first is to gauge

the subject's accuracy for long-term recall and second is to use techniques to enhance the subject's memory.

When an interview involves long-term memory, the investigator should ask corroborative questions to help assess the trustworthiness of the subject's memory. Corroborative questions request information that can be independently verified. For example, when discussing a robbery that occurred 25 years ago, the subject may be asked what his home address was, who his immediate supervisor was or what the weather conditions were on the day of the robbery. It is not significant if the subject is unable to recall these details. However, if the subject claims to recall this type of information and subsequent checking indicates that their recall was faulty, this finding suggests possible other errors in the subject's recollections. Including corroborative questions during an interview of an elderly subject may also be beneficial during court testimony in that the investigator will be able to describe to the court why he found the subject's memory trustworthy.

In addition to aging neuro-pathways and diminished blood supply to parts of the brain, other factors contribute to an elderly person's inability to immediately recall information. Some of these include intense emotional states such as anxiety, distrust or fear. Environmental distractions (sounds, movement) can also inhibit the ability to recall information. While some memory loss is unavoidable, an investigator can increase the amount of information recalled by an elderly subject during an interview by following these guidelines:

1. Most people can relate to the high school experience of sitting down for a final examination and initially being unable to recall anything that was studied. Anxiety, apprehension and fear all greatly reduce a person's ability to recall information. Thus, at the outset of the interview the investigator should take time to establish rapport. Especially with an elderly subject it is important to establish a level of trust and emotional comfort before discussing the issue under investigation. To do this the investigator could exhibit a sincere interest in some aspect of the subject's life. The conversation may center around the subject's career, family, neighborhood, house or yard.
2. Diminish outside distractions. Any subject's cognitive functioning will be higher in an environment that is quiet and free from visual stimulation such as moving people or multiple investigators asking questions. This guideline operates ten-fold for the elderly.
3. Just as it takes elderly subjects longer to move from one place to another or to finish a meal, it also takes them longer to retrieve memories. Investigators must literally allow elderly subjects more time to recall information asked during an interview. If an investigator asks questions rapidly or exhibits nonverbal symptoms of being impatient, this will enhance the subject's level of anxiety, and consequently, decrease his or her ability to recall information. A slow, methodical questioning technique is much more appropriate for an elderly subject.
4. Do not suggest possible answers. A cooperative subject often wants to please the investigator by providing requested information. However, if the subject cannot recall the requested information, he or she may be very willing to agree with an answer suggested by the investigator. When a cooperative subject states that he or she cannot recall specific information, consider these options:

- a. Skip over the incident and return to it later. The topic may be too sensitive for the subject to discuss at the present time or simply be too trivial for the subject to recall. Frequently, by returning to the topic later during the interview, the subject will provide the requested information.
- b. If appropriate, explore prior memory connections to stimulate recall. Examples of this would be: "Did the person remind you of anyone you know?" "Did the person talk like anyone you know?" "Were you aware of any familiar smells that reminded you of someone or somewhere else?" If the subject answers "yes" to this type of question, obviously the investigator would first pursue the prior memory and then tie it in to the current event, e.g., "Why did this man remind you of your nephew in California?"
- c. At the conclusion of the interview ask the subject to think about the requested information and to call the investigator if anything else comes to mind. This procedure is also beneficial when the subject is reluctant to reveal information in front of another person present during the interview, e.g., a spouse or relative.

In summary, there are unique issues relating to the interview of elderly subjects investigators need to be aware of and, if possible, compensate for. When showing an elderly person a photograph or other document, make certain there is sufficient light in the room. When speaking to a subject with impaired hearing, the investigator should slow down the rate of speaking and maintain eye contact. The investigator should not talk to the subject as though the person is mentally deficient.

Diminished memory function is a natural part of the aging process. The investigator should test the elderly subject's memory by asking corroborative questions during an interview. In addition, certain interview procedures should be followed to increase the subject's ability to recall information. In this regard, the investigator should make an effort to reduce anxiety by establishing a rapport with the subject, allow sufficient time for the subject to remember and not force or suggest answers when the subject initially claims not to be able to remember something.

(This article was prepared by John E. Reid and Associates, Inc. as their Monthly Web Tip and was reprinted on our web site with their permission. For additional Monthly Web Tips, go to www.reid.com and click on "Helpful Info".)