

CFE UPDATE
March-April 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:

April 28, 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 Scott A. Peterson, Senior Deputy Prosecuting Attorney in the Fraud Division of the King County Prosecuting Attorney's Office. The topic is: "The Law About Theft, Forgery, and Securities Fraud". Case studies will also be presented.

June 30, 2004 (Wednesday). Annual Chapter Business Meeting and Fraud Training Seminar; Mayflower of China Restaurant; 17005 SouthCenter Parkway (near SouthCenter Mall); Tukwila, WA. Special door prizes will be awarded; but, you must be present to win. The luncheon and continuing professional education for the fraud seminar is “free” to Chapter members and \$15 for non-members. The luncheon begins promptly at Noon, followed by the Chapter’s annual business meeting. The fraud training seminar begins at approximately 1:00 p.m. and lasts for one hour. **Speaker and topic to be determined.**

July 11-16, 2004 (Sunday-Friday). Association of CFE’s 15th Annual Fraud Conference; MGM Grand Hotel; Las Vegas, Nevada. Register for this conference at www.cfenet.com. The meeting times are 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. Because of the location, there will probably be a record number of attendees at the conference this year. Don’t miss it! 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 on July 11, 2004, 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 the topic of “Stealing From the Court – A Case Study”. He will discuss the City of Poulsbo Municipal Court case involving an accounts receivable loss of \$290,237 over a 6.5-year period. He will also attend the Chapter Representatives Meeting on July 11, 2004.

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. **Speaker and topic to be determined.**

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 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. 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 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.

President Joe Dervaes and Vice-President Norm Gierlasinski and 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.

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 the Semi-Annual Board of Officers Meeting.

The Chapter Board of Officers met at the downtown Seattle training facility from 12:30-2:30 p.m. on Wednesday, February 25, 2004, prior to the Chapter's fraud training seminar. The following were present: President Joe Dervaes, Vice-President Norm Gierlasinski, Secretary/Treasurer Roger Gulliver, and Director-at-Large Robert Goehring. Director-at-Large Bernadette McBride was unable to attend the meeting and took an excused absence. The following topics were covered:

- (1) The Board unanimously approved the minutes of its semi-annual meeting on June 25, 2003.
- (2) The Board reviewed the Association's model revision to the Chapter By-Laws and the proposed revision for the Pacific Northwest Chapter.

The following changes have no effect on our current Chapter operations: (a) The Association deleted the category of "Affiliate" membership. The Chapters added the category of "Affiliates of the Chapter". These affiliates are not required to be a member of the Association (i.e.; CFE or Associate), and cannot call themselves members of the Chapter or members of the Association. They also have no Chapter voting rights and cannot hold office. (b) The Chapter Training Director must be a CFE and may also be a member of the Board of Officers (dual position). (c) The Chapter must coordinate all training with the Association to ensure that it does not compete

with Association training. (d) The Chapter fiscal year can be any time period. (e) The Chapter elected to combine the Secretary/Treasurer position which makes the Board of Officers a five member group (always an odd number). (f) The Board must meet at least twice a year. (g) Only the President must be a CFE. All other officers may be either a CFE or Associate. If the Vice-President is not a CFE, s/he may not assume the position of President if it becomes vacant during the term of the incumbent. Under these circumstances, the Board may either appoint a CFE to complete the unexpired term or hold a special election to elect a new President who is a CFE. And, (h) An election quorum of Chapter members constitutes 10 percent of the Chapter members eligible to vote.

The following changes do have an effect on our current Chapter operations: (a) The Board shall serve two-year terms and may be re-elected in either the same or a different office (we previously held annual elections with re-election possible only a different office). (b) The President appoints a three-member Nominations Committee (the Board previously acted as the Nominations Committee) and a three member Election Committee (the Vice-President previously appointed a two member Election Committee), and no member of the Board may serve on these two committees. (c) Associate Members may vote and hold office, except for the position of President (Associate Members could previously vote but not hold office).

The Board unanimously approved the proposed revision to the Chapter By-Laws. This matter will be brought before the membership for a final vote at our Annual Business Meeting on June 30, 2004, at the Mayflower of China Restaurant in Tukwila.

(3) The Board unanimously approved the Chapter's input for the Association's survey about proposed classes for the 2005 training schedule. We asked the Association to provide the following classes for our Chapter in the future, in the priority shown: (a) Investigating by Computer; (b) Professional Interviewing Skills; (c) Financial Statement Fraud; and, (d) How to Testify.

(4) President Joe Dervaes has custody of the Chapter Library materials and will act as the Librarian. The Board unanimously approved the revised library procedures which will be posted on our web-site for reference purposes.

(5) Vice-President Norm Gierlasinski made a report on results of jointly sponsored Chapter/WSCPA Annual Fraud Conference held in December 2003. The Chapter scheduled all of the speakers for the conference, and the WSCPA handled all of the logistics for the conference. We received credit for 12 percent of the attendees this year, and our share of the proceeds was \$433.88.

(6) President Joe Dervaes recently submitted the nomination for the 2003 Chapter Distinguished Achievement Award for prior-President Linda Saunders. The nomination is based on her work in the Chapter, for the Association, and in the community as an educator and mentor for college and university students. She is extremely worthy of this award. The Board and Chapter unanimously approved this nomination at their June 25, 2003, annual business meeting. (Special Note: The Award has been received and will be presented at the Chapter's Annual Luncheon Business Meeting on June 30, 2004, at the Mayflower of China Restaurant in Tukwila.

(7) President Joe Dervaes made a report on the revised Chapter Job Referral List. The Board unanimously approved the document which will be posted on our web-site for reference purposes.

(8) President Joe Dervaes made a report on the Chapter's agreement with John E. Reid & Associates, Incorporated. In exchange for announcing their training seminars in our area, Members receive training discounts and the Chapter receives monthly "Interviewing Tips" which will be published in our bi-monthly Newsletter.

(9) The Board discussed the Chapter's 2004 training schedule. The Board unanimously approved the idea that the Chapter will give five \$25 gift certificates as "door prizes" at the Annual Luncheon Business Meeting on June 30, 2004. This was well received last year, and helps to improve attendance at the luncheon and business meeting.

(10) Vice-President Norm Gierlasinski gave a report on Association and Chapter Scholarship Programs for 2004. Scholarship information and forms have been distributed to colleges and universities in the Pacific Northwest (Washington, Alaska, Idaho, and Montana). The Chapter has already received inquiries from five students (Central Washington University, Washington State University, University of Alaska, Seattle University, and Lewis-Clark State College). The competition should be kept again this year.

(11) President Joe Dervaes recently submitted the nomination of Rex Staples, Washington State Department of Financial Institutions, for the Association's 2004 Cressey Award. Rex works on national stock broker cases and was a speaker at our December 2003 Chapter/WSCPA Annual Fraud Conference.

(12) President Joe Dervaes recently submitted the nomination of David Welch, Chief Financial Officer of the Bank of Floyd, Virginia for the Association's 2004 Sentinel Award. Mr. Welch was fired from his job because of his whistleblower activities. He is the first whistleblower granted protection under the Sarbanes-Oxley Act. A judge ordered him reinstated in a legal test of the federal act. His case was also highlighted in a recent Association InfoNewsletter.

(13) The Board spent the majority of its deliberations on potential speakers and topics for the 2004 Chapter training schedule. Members of the Board left the meeting with their assignments. This is the most important job the Board performs each year. The Board requests all Members to provide any suggestions they might have on potential topics and speakers.

(14) The Board unanimously approved the nomination of Bernadette McBride, Director-at-Large, for the 2004 Chapter Distinguished Achievement Award. The nomination is based on her participation as a Board Member and for her support of the Chapter and Association's training programs. This nomination will be presented to the Membership for a final vote at the June 30, 2004, Annual Luncheon Business Meeting.

(15) The Board unanimously approved the nomination of Dr. Robert Holtfretter, WSU Professor, Ellensburg Campus, for the Association's Outstanding Associate Member of the Year in 2004.

Dr. Holtfretter was a candidate for this award last year as well. The Board wishes him well in the competition. President Joe Dervaes will prepare and submit the nomination.

(16) The Board unanimously approved Vice-President Norm Gierlasinski as the Chapter Representative at the Association's Chapter Meeting to be held in conjunction with the 15th Annual Fraud Conference in Las Vegas, NV on Sunday, July 11, 2004. The Chapter will pay not more than \$500 for his travel expenses to the meeting. He will prepare a report on the meeting for our membership. President Joe Dervaes will be a break-out speaker on the topic of "Stealing from the Court – A Case Study". He will also attend the Chapter Representatives Meeting on July 11, 2004.

(17) President Joe Dervaes discussed the Board's interest in a Chapter Survey of Members in 2004. The Board unanimously approved the plan. The objective would be to find out what it would take for the members to become more involved in the Chapter's activities. The survey will be included in a future Chapter Newsletter, and Members can electronically submit their response to a designated focal point. The Board also unanimously approved the award of a gift to one Member submitting a response to the Chapter Survey as an incentive to obtain participation and input from the membership. The gift is a free registration fee for a future joint Chapter/Association Fraud Class or the joint Chapter/WSCPA Annual Fraud Conference, as determined by the Board. The winner will be selected by a drawing held at the Annual Luncheon Business Meeting on June 30, 2004. Anyone can submit a response to the questionnaire. But, the winner must be a Chapter Member. The winner does not need to be present to win.

(18) Vice-President Norm Gierlasinski suggested that the Board submit a nomination of the Pacific Northwest Chapter for the Association's Outstanding Chapter of the Year in 2004. We have been a very active Chapter and would be deserving of the award. The Board unanimously approved the nomination for this award. President Joe Dervaes will prepare and submit the nomination to the Association.

Library Procedures

The Chapter Board of Officers is proud to announce its revised library procedures. They are as follows:

To order fraud training materials from the CFE Chapter Library, **you must be a Chapter Member. Only one video may be "checked-out at a time."**

The Member must pay all shipping and handling fees (U.S. Postage) from the Chapter to the Member and return. The cost of mailing a video at "**book rate**" is **\$5.00**.

Please include your check for this amount with your **written request** for any library materials. Make sure you **include your return mailing address** in the correspondence. Training materials will not be mailed without advance payment. This procedure eliminates all of the accounting procedures that would be needed to establish accounts receivables for this purpose.

Please mail your written request for library materials to the following address:

Joseph R. Dervaes, CFE, CIA
C/O Washington State Auditor's Office
600 Kitsap Street, Suite 201
Port Orchard, WA 98366
[www.dervaesj@sao.wa.gov](mailto:dervaesj@sao.wa.gov)
(360) 710-1545

All fraud training materials will be mailed to the Member as soon as practical after a written request has been received.

All library items must be **returned within 30 days of receipt** so that other Members may have ready access to these training materials.

Please return all items by U.S. mail "**book rate**" to the address shown above. The Member must pay for the return postage.

Thank you very much for your cooperation. The Chapter Librarian.

Call for Members Interested in Running for Chapter Office

The Chapter Board of Officers is seeking members to serve in Chapter elected positions of leadership. If you are a Chapter Member and are interested in participating in a leadership role in the Pacific Northwest Chapter/ACFE, now is the time to make your interest known to one of the Members of your Board. Don't delay. Now is the time to act. We appreciate your willingness to serve the Chapter in this important way. Contact President Joe Dervaes by telephone at (360) 710-1545 or by e-mail at dervaesj@sao.wa.gov.

Fraud Tips

Electronic Cash. Electronic cash may seem safer than credit cards, but you still need to protect yourself.

- Keep your balance low
- Get to know your customers and/or merchants
- Read the terms of service
- Appreciate the possibilities, and scrutinize them

HealthCare Fraud. An effective way for you to identify healthcare fraud is by taking the time to read the explanation of benefits after a claim is processed:

- Does your explanation of benefits form only show payment for services that were provided to you or your dependents?
- Do the date of service and the name of the facility or doctor that provided the service match

your records?

- Does the type of service provided on your explanation of benefits match exactly the service that was provided?

Prevent Fraud in Your Company.

- Institute a hotline
- Educate employees about fraud
- Establish fraud-detection procedures
- Have certified fraud examiners on staff
- Set an ethical tone from the top
- Take all tips seriously and investigate each of them

Source: Association of CFE's E-Newsletter

Fraud Tips

Identity Theft. The News Tribune (Tacoma, WA) published the following article on February 2, 2004. It is entitled "Older consumers specifically targeted for identity theft." The auditor is Jim Miller, The Savvy Senior, who can be reached by mail at P. O. Box 5443, Norman, OK 73070; or, by e-mail at www.savvysenior.org.

Dear Savvy Senior: Not long ago I received a call from a bank inquiring about late payments on "my" new Firebird.

I told them I didn't own such a car, and after grilling me for a few minutes with more questions, I think they realized before I did what was happening: Someone else, using my name and personal information, purchased this car.

After doing more checking, the bank told me I might be a victim of identity theft and told me what to do next. I was able to get the stain removed from my credit record with no real financial cost to me except the time I spent dealing with creditors and banks. I've since learned that identity theft is one of the most common crimes and seniors are particularly at risk.

Any advice on what I can do to protect myself in the future? – Firebird Free.

Dear Firebird: Welcome to the 21st century – a time when thieves don't have to break into your home or bank to steal your money. They only have to break into your identity by stealing your personal information, such as your Social Security number, credit card records, and bank account information. You're one of the lucky ones if this crime didn't cost you any money. Many people lose thousands and even tens of thousands of dollars to identity theft.

Identity Theft Facts

According to the Federal Trade Commission:

(1) 27 million people have experienced identity theft in the last five years. That's nearly one in 10 people in this country.

(2) 10 million people were victims of this crime last year.

(3) Those victims last year lost \$48 billion to the thieves.

Savvy Tips

If you think you're a victim of identity theft, call your financial institution immediately and close accounts that have been tampered with. Change all your personal I.D. numbers. Then call and report it to the Federal Trade Commission hotline at 877-IDTHEFT. Report it to the police.

Seniors Hit Hard

Seniors are especially vulnerable for a couple of reasons. Last year, an official with the Social Security Administration told the U.S. Senate's Special Committee on Aging that, "Senior Citizens are more likely than most to have significant assets – savings, investments, paid-up mortgages, and federal entitlement checks." What's more, Uncle Sam uses Social Security numbers on Medicare, Medicaid, and military identification cards, creating more exposure for seniors, should they lose those documents. Business Week Online recently called it "Uncle Sam's Security Breach."

What Can You Do?

Most identity theft starts with the theft of a wallet, purse, or even your mail, so try to keep the same kind of tight control on your personal and financial information that you keep on your actual money. In addition:

(1) Don't give your identifying numbers or financial information over the telephone or even in person unless you are sure of the other person.

(2) Tear up all mail solicitations, bank records and other discarded documents. Buy a check shredder or just rip them up yourself.

(3) Call the credit reporting industry at 888-567-8688 to opt out of future credit card solicitations.

(4) Make sure your Social Security number is not on any documents that don't require it, which means in some cases taking it off checks, driver's licenses, and similar documents. It is still required on Medicare cards.

(5) Periodically get a copy of your credit report and review it for errors. You can get a copy from each of the three major credit reporting agencies: Equifax 800-685-1111, Experian 888-397-3742, or Trans Union 800-916-8800.

Savvy Resources

Identity Theft Resource Center: A nationwide, non-profit organization that fights identity theft. Visit www.idtheftcenter.org.

Federal Trade Commission: Your national resource for identity theft prevention is: www.consumer.gov/idtheft.

101 Identity Theft: This Web-site contains lots of news and information on what to do if identity theft happens to you: www.101-identitytheft.com.

Fraud Tips

URL Spoofing and Phishing. The News Tribune (Tacoma, WA) published the following article on February 3, 2004. It is entitled "Microsoft offers patch to help stop fake sites." The auditor is Tiernan Ray, Bloomberg News.

Microsoft Corporation which is bracing for an attack today against its we-site by computers infected with the MyDoom virus, issued a patch for what it called a critical flaw in its web browser software.

Microsoft posted on its web site a fix for its Internet Explorer web browser that prevents malicious software coders from making any web site address look like that of another, a tactic scammers have used to trick individuals into disclosing personal banking information.

Microsoft said it was responding to increased demand from customers for a way to prevent faked web sites, known as "URL Spoofing". Software coders have in recent weeks sent out e-mail messages directing consumers to fake web sites whose addresses appear to be those of Citigroup Incorporated and other banks. The scam, known as "phishing", gulls users into entering their bank account data into a form, which the scammers then mine for information.

"They've been aware of some of these problems long before November and December 2003", said Russ Cooper, a security researcher at closely held TruSecure Corporation of Herndon, Virginia.

"At the time (Microsoft) spent the \$100 million to train their staff on security, people were already spoofing URL addresses" to steal credit card data, said Cooper. He was referring to Microsoft's project in February of 2002 to train its staff on how to write more secure computer code.

Editor's Note: This article is just one more example of scams that ask unsuspecting e-mail recipients to send their personal identification information (i.e.; bank account number, social security number, Mother's maiden name, pin number, credit card account number, etc.) to an unknown party, under the guise that this person is a reputable firm doing good works on their behalf. It's the same if you receive a telephone call or regular mail solicitation for the same

information. If you are the person initiating the information exchange, that's one thing. But, if you are simply asked to provide this information, beware. The best response is no response (i.e.; learn to regularly use your "delete" key).

Fraud Tips

Identity Theft. The News Tribune (Tacoma, WA) published the following article on February 9, 2004. It is entitled "How to avoid the identity theft trap." The auditor is Barbara Clements from The News Tribune.

Federal officials unveiled a new poster last month in Portland, Maine, as part of a nationwide push to raise awareness of identity theft. Identity theft costs consumers more than \$430 million last year alone. To minimize risk, consumers should shred all personal and financial records, and be careful about giving out personal data, federal officials say. This quote came from Pat Wellenback, The Associated Press, with a photo of the new poster that accompanied the article.

"On the rise: Consumers must be vigilant about personal data, experts say."

Consumers are either getting smarter – or getting hit more with consumer or identity theft, according to a report by the Federal Trade Commission.

Of the 516,000 complaints the FTC received nationally last year, 58 percent were fraud-related, according to Chuck Harwood, regional director of the FTC in Seattle. The rest were identity-theft complaints.

Of the fraud cases, more than half were connected to Internet-related complaints, compared with 45 percent in 2002, Harwood said. "That was one of the more significant changes we noticed," he said. Harwood wasn't sure whether the jump was due to more Internet use, more consumers being scammed, or simply more reporting complaints to the FTC.

In Washington state, complaints about Internet auctions and services topped the list of fraud complaints. Credit card and bank fraud topped the list in this state for identity-theft complaints. Harwood talked with the News Tribune about what consumers should do to protect themselves from fraud and identity theft.

Question: Were you surprised by the jump in Internet fraud numbers?

Answer: I guess we knew they were going up, but that was a significant jump. One reason they've gone up is because we've actually gotten better about collecting consumer complaints. And, I think the consumers have become more savvy on where to complain.

Question: How do the national numbers compare with the state and the South Sound?

Answer: The total number of identity-theft complaints for Washington state in 2003 was 4,741, while the total fraud complaints came to 7,335. That's about 12,000 complaints total. When looked at on a per capita basis, the ID theft total places this state at number 10 for the number of identity-theft victims. Arizona is first in this category. For fraud cases, the state ranks fourth overall on a per-capita basis, with Alaska being the first. In Tacoma, 278 fraud complaints were

lodged last year, and 253 identity-theft cases were filed. I think these numbers dramatically understate the total number of fraud and theft cases in Tacoma, by the way. Many don't contact the Federal Trade Commission or the Attorney General's Office or the police.

Question: What type of dollar losses do these cases represent?

Answer: The total dollar losses for fraud victims was \$437 million nationally, which translates into \$228 per person. For Washington state, just on the fraud side, the total comes to \$6.9 million, which results in a high average of \$1,260 per consumer. That amount was skewed last year by a \$1.1 million fraud scheme.

Question: What are the most common cases?

Answer: The most common complaint we see with identity theft is misuse of personal identity to get a credit card. After that, nationally, we see the misuse of personal identity for services such as a cellular phone. The third form of identity theft is the misuse of identity to get access to a bank account. In Washington state, we see a lot of complaints about online fraud. That may reflect the growth of the shop-at-home trend. Usually, the complaints are about goods or services received that are not what they ordered, or they didn't receive anything at all.

Question: What advice do you give to consumers to avoid becoming a victim of fraud or identity theft?

Answer: As to fraud, the old advice is still good: **If it sounds too good to be true, it probably is.** You should review the statements on your monthly (bills) and be cautious about buying stuff over the phone. As for ID theft, prevention is the best thing you can do here. **You should shred all personal information, such as bank account statements and insurance account documents – anything with personal information on it.** At times, you have to give out personal information. The trick is understanding why you need to give it to them. If you're at a doctor's office and they need your insurance number, that's one thing. But, if it's some business, then you need to be clear why they need it.

Question: What about the Internet fraud concerns?

Answer: The problems with online purchases and security issues relate not to the information being transferred over the Internet, but what happens once it gets there and what efforts the company takes to protect the information once they have it.

Question: Any other suggestions?

Answer: I would pull up a copy of your credit report regularly. Currently it takes about \$9 to get a credit report, but thanks to new laws, it will soon be available for free. These credit reports can be easily obtained online from the major credit reporting companies such as TransUnion, Experian, and Equifax.

Question: What should you do if you are a victim of identity theft?

Answer: First, contact the police and file a police report. Then, with a copy of that report in front of you, contact the company of the account that has been compromised and cancel it or have them put a hold on that account. Then call the credit reporting agencies and then you're a victim of ID theft. You only need to call one of them since they share the information.

Where to get help

If you are a victim of identity theft, call the Federal Trade Commission at 1-877-438-4338.

To file a general complaint with the FTC, go to: www.ftc.gov or 1-877-FTC-HELP.

Major credit reporting agencies can be reached at:

Equifax: 1-800-525-6285, or go to: www.equifax.com.

TransUnion: 1-800-916-8800, or go to: www.tuc.com

Experian: 1-888-397-3742, or go to: www.experian.com

Fraud Tips

Debit Card Pros and Cons. The News Tribune (Tacoma, WA) published the following article on February 15, 2004. It is an excerpt from “Motley Fool” by Tom and David Gardner.

Not all cards that say Visa and Mastercard are “credit” cards. Debit cards, for example, work differently. Here’s a look at debit cards.

Debuted: 1989.

How they work: When you use it, you withdraw money directly from your checking account, like a check. You’re essentially paying with cash.

Advantage: Keeps you from spending beyond your means, provided you don’t accidentally spend your rent on dog toys and frothy beverages.

Disadvantages: There is no grace period from the time you buy something with a debit card to the time you actually pay for it. Some banks even charge you each time you use your debit card.

Limits: Many debit cards limit the amount you may purchase on the card to \$1,000 per day. And if you don’t have sufficient funds to cover what you buy, you’ll be liable for the transaction and be slapped with some pretty vicious overdraft fees.

Rights: Debit cards might not offer the same rights consumers have with credit cards regarding purchase problems. Say the Chia Pet menagerie you buy during a late-night TV shopping spree turns out to be a single Chia guinea pig with seeds that never bloom. If you paid for it with a debit card, you might have no way to stop payment to Chias “R” Us.

Liability: A lost debit card is like cash to a thief. Your fraud liability is \$50 for credit cards but up to \$500 for debit cards. Read the fine print to see what protections your lender is offering you.

Learn More: Try these Web-sites:

- www.fool.com/ccc
- www.ftc.gov/ftc/consumer/htm
- www.cardweb.com

Job Opportunities

The Chapter receives periodic notices about opportunities for jobs in the accounting, auditing, and investigative career fields. As a service to our members, we include this information in our Chapter newsletter.

- (1) Skyline Search Inc. is an executive recruiting firm specializing in recruiting for the accounting and finance professions with an emphasis on positions in internal audit and information technology audit. They are currently trying to fill over 30 positions in various parts of the country, including staff candidates as well as senior and manager level candidates. Visit their website at www.skylinerecruiting.com to learn more about these job opportunities.
- (2) The Washington State Department of Transportation has two positions open in Olympia in its internal and external branches, as well as one anticipated vacancy in its Seattle office for the following: Audit Specialist 3, Transportation, Recruitment #LL-03-0006. These positions are open until further notice. Visit the WSDOT web-site for further details at: www.wsdot.wa.gov.

Open Letter to All Members of the Pacific Northwest Chapter/ACFE – March 31, 2004

The Chapter has established its annual fraud seminar and conference schedule meeting days, times, frequencies, and locations based upon Member responses to a previous questionnaire that sought your input on this important part of the life and times of the Chapter. Reference our annual training calendar at the beginning of the Newsletter for additional information.

The Board of Officers wants to make sure that our training calendar meets the current needs of the membership. At our February 25, 2004, semi-annual Board of Officers meeting, we decided to send out another questionnaire for this purpose. The objective of the survey is to find out what it would take for the Members to become more involved in the Chapter's activities. We continually work hard to deliver important training topics to the Members, and your input would be invaluable to the Board of Officers during these deliberations.

Members should download this survey and submit their electronic response to Chapter President, Joe Dervaes at www.dervaesj@sao.wa.gov. The survey response may be submitted at any time after receipt of the Newsletter. **But, in order to qualify for the gift described below, your response must be received before June 30, 2004.**

The Board approved the award of a gift to one Member submitting a response to the Chapter Survey as an incentive to obtain participation and input from the membership. The gift is **a free registration fee** for a future joint Chapter/Association Fraud Class or the joint Chapter/WSCPA Annual Fraud Conference, as determined by the Board. The winner will be selected by a drawing held at the Annual Luncheon Business Meeting on June 30, 2004.

Anyone can submit a response to the questionnaire. But, the winner must be a Chapter Member. Therefore, you must include your name on the survey response in order for the Board of Officers to determine eligibility for the gift. The winner does not need to be present to win.

Sincerely, Your Board of Officers

Attachment
Survey Questionnaire

PACIFIC NORTHWEST CHAPTER/ACFE
SURVEY QUESTIONNAIRE

1. Name: _____

2. Chapter meeting day of the week preference: No Preference ____

Mon ____ Tue ____ Wed ____ Thurs ____ Fri ____ Sat ____ Sun ____

3. Chapter meeting week of the month preference: No Preference ____

First ____ Second ____ Third ____ Fourth ____

4. Chapter meeting time of day preference: No Preference ____

Breakfast Meeting ____ Morning Seminar ____ Lunch Meeting ____

Afternoon Seminar ____ Dinner Meeting ____ Evening Seminar ____

5. Length of chapter meeting: ____ Hours and Time: _____

6. Chapter meeting frequency: No Preference ____

Monthly ____ Bi-Monthly ____ Quarterly (Minimum) ____

7. Chapter meeting city preference: No Preference ____

Seattle (Downtown) ____ Bellevue (East Side) ____

Other City (Specify) _____

City Rotation (Describe How) _____

8. Suggested Meeting Location (Where) _____

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

Luncheon Meeting: (a) ___ With A Speaker (b) ___ Without A Speaker

Afternoon Meeting: (a) ___ With A Speaker (b) ___ Without A Speaker

Dinner Meeting: (a) ___ With A Speaker (b) ___ Without A Speaker

10. 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.

11. 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.

12. Other:

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

SEMINAR TOPIC – THE LAW ABOUT THEFT, FORGERY, AND SECURITIES FRAUD

This presentation will discuss the law about theft, forgery, and securities fraud from the perspectives of both an auditor/investigator and a prosecuting attorney. In addition to bringing a wealth of personal history about major fraud cases in King County with him to the seminar, the speaker will also discuss how to build a solid fraud case. Planning for success and learning how to prepare a “gift wrapped” package for the prosecutor are important aspects of the job for auditors, investigators, and fraud examiners. Actual case studies will be presented to illustrate these learning objectives. 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 prepare fraud cases for trial.

SPEAKER – SCOTT A. PETERSON

Scott A. Peterson has successfully prosecuted major criminal and fraud cases in the King County Prosecuting Attorney’s Office since 1987. He first worked in the Criminal Division for 4 years, and then transferred to the Fraud Division where he has worked for the past 13 years.

Scott is a 1980 graduate of Washington State University with a Bachelors of Arts Degree in Business Administration. He began his work career in the Audit Department of Touche, Ross and Company from 1980-1984. But, he subsequently returned to the University of Washington’s Law School where he graduated in 1987. He immediately went to work at the King County Prosecuting Attorney’s Office. He is the Senior Deputy Prosecuting Attorney in the Fraud Division.

The speaker brings a unique blend of accounting and law to the subject matter for this presentation. He’s seen both sides of the fence and knows how best to conduct business in the wonderful world of fraud.

DATE: April 28, 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 (\$5) 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 (April 28, 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.

SEMINAR TOPIC – THE LAW ABOUT THEFT, FORGERY, AND SECURITIES FRAUD

This presentation will discuss the law about theft, forgery, and securities fraud from the perspectives of both an auditor/investigator and a prosecuting attorney. In addition to bringing a wealth of personal history about major fraud cases in King County with him to the seminar, the speaker will also discuss how to build a solid fraud case. Planning for success and learning how to prepare a “gift wrapped” package for the prosecutor are important aspects of the job for auditors, investigators, and fraud examiners. Actual case studies will be presented to illustrate these learning objectives. 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 prepare fraud cases for trial.

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The speaker brings a unique blend of accounting and law to the subject matter for this presentation. He’s seen both sides of the fence and knows how best to conduct business in the wonderful world of fraud.

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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800-255-5747
Fax 312-876-1743

Willingness to Repay Stolen Funds Not Always An Indication of Guilt

During our basic interviewing and interrogation course, the point is made that during an interrogation a suspect's willingness to reimburse a victim for stolen money or property is often tantamount to a confession. Under this circumstance, the suspect's agreement to make restitution means two things. The first is that it represents a strong indication that the suspect is guilty of the theft and, second, that the suspect is close to making the first admission of guilt. This procedure is illustrated during an interrogation shown at the course. The essence of this portion of the interrogation is presented below:

I: "Kristi, I would like to believe that this is not something you planned this out long in advance, where you got this job knowing that you would have access to money everyday and could take money whenever you wanted it. What I would like to believe is that something important came up in your life and you found yourself short and gave into temptation and took this \$1000. Here's what this is boiling down to. Either you needed that money for something important or you just blew it, maybe on drugs or something. I don't think that's the case. I don't think you are a drug addict. You needed it for something important, didn't you?"

S: "I'm not saying I took it."

I: "Look Kristi, it boils down to this. Either you care about this thing or you don't. Now I think you care about it."

S: "Obviously I care what's happening."

I: "Tell me this. At least would you be willing to pay the money back? Let's face it, if you care about this at least you should be willing to pay the money back. Would you at least be willing to do that?"

S: "Of course."

I: "Okay, good. That tells me that you want to get this straightened out. Now, what did you need the money for? Did you need it for drugs?"

S: "No. It was for bills."

I: "What kind of bills?"

S: "Medical bills." (At this point the suspect offers a fully corroborated confession)

As this interrogation illustrates, the investigator's suggestion that the suspect make restitution is merely a technique to allow the suspect to start accepting responsibility for her crime; it is a stepping stone that may lead to the first admission of guilt and should not be considered proof of the suspect's guilt. Common sense tells us that an innocent person would not be willing to accept responsibility for a theft he or she did not commit. However, there is a notable exception to this axiom.

Recently, two participants at different training seminars reported incidents where confirmed innocent employees agreed to repay funds that were apparently stolen by another person. Follow-up inquiries revealed an important distinction between those cases and the previously mentioned interrogation. Specifically, the innocent employees' agreement to make restitution was the result of being asked a question to that effect during an interview. Furthermore, the question was phrased in such a way as to imply that the investigation would stop if the employee reimbursed the funds, e.g., "To resolve this internally, and not turn it over to the police, would you be willing to pay the amount that is missing?" In essence these innocent employees believed that forfeiting the money was more desirable than having to deal with the police. This situation is very similar to the innocent defendant who agrees to plead guilty and receive probation in order to avoid the gamble of a trial which could result in a jail sentence.

The experience of these investigators serves as an important reminder of the distinction between an admission and a confession. An admission is a statement or action that tends toward proving guilt whereas a confession is a voluntary statement that accepts responsibility for the crime, coupled with details of the crime only the guilty person would know. When an employee is discharged or a criminal complaint is filed based on a mere admission of guilt there is clearly an increased risk of a miscarriage of justice and subsequent civil liability. A competent investigator needs to recognize whether or not a suspect's statement or action supports probable guilt or, conversely, has no particular value in assessing involvement in a crime. The following guidelines are offered with respect to evaluating the probable guilt or innocence of a suspect who agrees to make restitution in a theft:

1. If the offer is made spontaneously, without prompting by the investigator, it is more typical of the guilty. A common example of this is the shoplifter who, upon being stopped outside the store, immediately offers to pay for the concealed merchandise.
2. If the offer is made during an interrogation and is not connected with an implied promise of leniency, it is more typical of the guilty. In the earlier mentioned interrogation notice that the investigator did not imply any possible leniency or lesser consequence if the suspect agreed to pay the money back — he merely asked if she would be willing to repay it.
3. A suspect who agrees to make restitution when asked an interview question such as, "Would you be willing to reimburse the (\$500) that is missing?" is probably more likely guilty.
4. A suspect who agrees to make restitution for missing funds in exchange for leniency or to resolve the investigation should not be considered as guilty based on that willingness. Consider the honest tax-payer who is audited by the IRS. The audit incorrectly reports that taxes need to be paid on past unearned income. The taxpayer is offered a choice between paying \$800 in back

taxes or to contest the assessment in court. Certainly some tax-payers would pay the \$800 rather than go through the inconvenience of contesting the assessment.

Note: 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".

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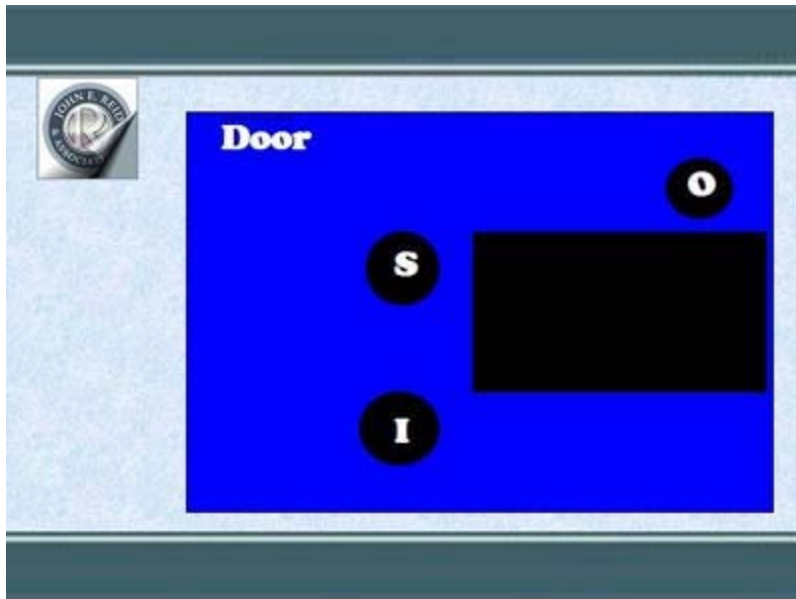
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March, 2004 www.reid.com Monthly Web Tip
The Presence of a Third Person in the Interview Room

Ideally, an interview of a suspect, victim or witness should be conducted in a private setting. The most important element of privacy is communicating one on one with the person being interviewed. Common sense and experience clearly indicate that the presence of a third party during an interview or interrogation inhibits the truth-telling process, i.e., it is easier to relate sensitive information to one person than two people.

However, out of necessity or sometimes practicality, a third person may be present during the interview or interrogation. In some instances, the third person may be a fellow investigator who wants to be present during an interview or interrogation. When interviewing a minor, the third person may be a parent or juvenile advocate. In some situations, to guard against unwarranted claims of sexual misconduct, it may be advisable to have a female witness present when a male interviews a female suspect. In private industry cases an employee may request that a union representative or another employee be present during an interview. For the sake of simplicity, this third person will be referred to as an "observer."

Whoever the observer may be, the investigator needs to minimize the loss of privacy created by having a third person in the room. The first consideration in accomplishing this goal is to have the observer sit out of the subject's sight. The furniture within the interview room should, therefore, be arranged in such a way that the observer's chair is preferably behind, and to the side of, the subject's chair. If it is not possible to position the observer behind the subject, at the very least the observer's chair should be positioned off to the side of the subject's chair.



In addition to placing the observer out of the subject's sight, it is imperative that the observer be instructed to remain silent. In other words, the flow of communication should only be between the investigator and the subject. When the observer is a parent or union representative it is often beneficial for the investigator to sit down with the observer and carefully define what that person's role will be during the interview. A discussion similar to the following may be appropriate:

"I have no problems with you being present during my interview of (subject). However, I am going to ask that you sit in the chair on the other side of the desk. In addition, I must insist that you remain silent throughout my interview. For me to do my job I need to be able to speak with (subject) without any interruptions from you. If you have any problems with the questions I ask (subject) you are free to express your objections following the interview. However, if you do interrupt the interview by asking questions or making statements I may have to terminate the entire process and indicate in my report that I was unable to complete the interview because of your interruptions. Will you agree to allow me to do my job by withholding comment during my conversation with (subject)?"

In actuality, the investigator has no legal authority to require that a third party remain silent during the course of an interview or interrogation. However, it is clearly to the investigator's advantage to spend some time with the observer in an effort to persuade that person not to interfere with the interview or interrogation process.

If the observer is another investigator a decision should be made as to who will conduct the interview or interrogation. A situation that should be avoided is one in which two or more investigators are simultaneously questioning the subject. Under this circumstance the subject is likely to feel overwhelmed and threatened. A natural response to those feelings is for the suspect

to become guarded and offer little information or perhaps totally retreat by either terminating the interview.

One possible advantage of having a second investigator in the room during an interview or interrogation is that the observer may be more attentive to observe behavior symptoms from the subject. These observations may suggest additional questions to ask during an interview or alternative tactics to use during an interrogation. The key is to maintain the principle that one person communicate with the subject at a time. Therefore, a procedure needs to be developed where a smooth transition can be made that allows the two investigators to switch roles.

During an interview, when the initial investigator asks his last question it would be appropriate to ask the observer (the other investigator) whether or not he or she has any questions to ask the suspect. If the observer responds affirmatively, the two investigators should then switch places within the room. That is, the initial investigator should now sit in the observer's chair and the initial observer sit in the investigator's chair. Once the new seating arrangement has been established, the second investigator is in a proper psychological position to develop further information from the subject. On the other hand, it would be inappropriate for the observer to ask questions from behind a desk or table.

The same principle applies during an interrogation; however the transition between the observer and initial interrogator may not be so obvious. When the observer recognizes that the initial investigator is not making progress during the interrogation it would be appropriate for the observer to get out of his seat and make a statement such as the following: "Jim, I've been sitting back here and listening to what you're saying. Something you've got to understand is that we would not be talking to you this way unless we knew, without a doubt, that you did this." This statement is a signal to the original investigator to get out of his chair and allow the other investigator to take over the interrogation.

The importance of privacy during an interview or interrogation in eliciting the truth has long been recognized. However, there are circumstances where privacy within the interview room must be compromised. When a third person is present during an interview or interrogation the investigator should attempt to minimize the psychological impact of that third person by positioning the third person out of the subject's sight and also instructing the third person to remain silent. When the observer is a second investigator, it is important that only one investigator at a time communicate with the suspect.

(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".)