

**CFE UPDATE**  
January-February 2005

*Chapter Board of Officers*

*President: Joseph R. Dervaes, CFE, CIA (360) 710-1545  
Member of ACFE Board of Directors, 2003 Cressey Fraud Lifetime Achievement Award Winner, ACFE Fellow, Regent Emeritus, and Distinguished Achievement Award Winner, Association of Certified Fraud Examiners; Audit Manager for Special Investigations, Washington State Auditor=s Office; and, Founding President, Pacific Northwest Chapter/ACFE.*

*[dervaesj@sao.wa.gov](mailto:dervaesj@sao.wa.gov), Port Orchard, Washington*

*Vice-President and Training Director: Norman J. Gierlasinski, PhD, CFE, CPA, CIA  
2002 ACFE Outstanding Achievement in Fraud Education Award Winner, and Distinguished Achievement Award Winner, Association of Certified Fraud Examiners; Professor of Accounting, Central Washington University (SeaTac Center) (206) 439-3800, Extension 3825. [normang@cwu.edu](mailto:normang@cwu.edu), SeaTac, Washington*

*Secretary-Treasurer: Roger B. Gulliver, CFE, CPA, CISA, CBA  
President, Gulliver and Associates PS (253) 735-2392; Distinguished Achievement Award Winner; [rbg1@mindspring.com](mailto:rbg1@mindspring.com), Auburn, Washington*

*Director-At-Large: Bernadette McBride, CFE, CPA  
Senior Investigator/Financial Examiner, Washington State Department of Financial Institutions, Securities Division, (360) 791-8824; Distinguished Achievement Award Winner.*

*[bmcbride@dfi.wa.gov](mailto:bmcbride@dfi.wa.gov), Olympia, Washington*

*Director-At-Large: Robert A. Goehring, CFE, CPA  
Audit Manager, City of Kent - Finance Department, (253) 856-5262; Distinguished Achievement Award Nominee for 2005; [rgoehring@ci.kent.wa.us](mailto:rgoehring@ci.kent.wa.us), Kent, Washington*

*Association and Chapter Fraud Training and Meeting Dates*

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

*February 23, 2005 (Wednesday). Chapter Fraud Training Seminar; Downtown Seattle, 1000 Second Avenue. 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.*

*Special note for this meeting only. Sign in at the receptionist=s desk in the Washington State Housing and Finance Commission on the 27<sup>th</sup> floor. Our meeting will be in the Olympic View Room. It=s located just behind the receptionist=s desk on the 28<sup>th</sup> floor. The reason for this change is that the 28<sup>th</sup> floor training room was booked at the time we tried to schedule it (December 8, 2004). Future meetings at this location throughout calendar year 2005 will be in the 28<sup>th</sup> floor training room as usual.*

*The speakers will be Martin Cordell and Becky Carnell, Investigators/Financial Examiners from the Securities Division, Washington State Department of Financial Institutions. The topic will be: Follow the Money. The presentation includes a discussion of a current case study about the Health Maintenance Centers/Znetix investigation that resulted in the conviction of 12 individuals this past year. Investors lost an estimated \$100 million in the state=s largest stock fraud. Investigators analyzed financial transactions from over 600 bank accounts in this case.*

*March 7-9, 2005. Joint Chapter and Association of CFEs Fraud Training Classes at the Doubletree Hotel, 18740 International Boulevard; SeaTac (across the street from SeaTac International Airport), (206) 246-8600.*

*The subject of a one-day class on March 7, 2005, will be Building Your Fraud Examination Practice. The registration fee for this class is \$249 for ACFE Members and \$299 for Non-Members.*

*The subject of the two-day class on March 8-9, 2005, will be Communicating the Results of Your Fraud Examination. The registration fee for this class is \$595 for ACFE Members and \$695 for Non-Members. There is also a \$95 savings for early registration.*

*Note: The Association will provide breakfast pastries, lunch, and mid-morning and mid-afternoon refreshments on each of these training days.*

*March 15, 2005. Joint Chapter and Seattle Chapter/WSCPA two-hour training meeting. The speaker will be Chapter Member Marty Biegelman, CFE, Director of the Financial Integrity Unit of Microsoft Corporation. Marty is a Member of the ACFE Board of Directors, ACFE Fellow, and Regent Emeritus, at the Association of CFEs. The topic is to be announced at a later date. The meeting is held at the Washington Athletic Club in downtown Seattle from 7:30-9:30 a.m. Additional information on registration procedures will be provided as the information becomes available. Some training information may be available at the WSCPA web-site or by contacting them directly by calling 1-800-272-8273 (Bellevue, WA).*

*June 29, 2005 (Wednesday). Annual Chapter Business Meeting and Fraud Training Seminar; (Restaurant name and address has not yet been determined); Bellevue, WA. 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 a brief Chapter annual business meeting. The fraud training seminar*

*begins at approximately 1:00 p.m. and lasts for one hour. Door prizes will be awarded.*

*The speaker for this meeting will be David Vicente, Anti-money Laundering Specialist from the Taxpayer Education and Communication Unit of the Small Business/Self-Employed Operating Division of the Internal Revenue Service, Oakland, California. The topic will be Anti-Money Laundering Outreach.*

*July 11-13, 2005 (Washington, D.C.). Association=s 16<sup>th</sup> Annual Fraud Conference and Exhibition. Register for this conference at [www.cfenet.com](http://www.cfenet.com). The Conference is being held at the Hilton Washington, 1919 Connecticut Avenue, Washington, DC 20009. Hotel rates for the conference are \$179 single and \$199 double. The meeting times are from 1:00-5:00 p.m. on July 10, 2005, for the Pre-Conference; 8:30 a.m. B 12:30 p.m. on July 13, 2005, and from 8:30 a.m. B 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. The discounted registration fee for Association Members is \$1,225 for the Full Conference. The regular registration fee for non-members is \$1,395 for the Full 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 attend the ACFE private non-profit corporation=s Board of Directors Meeting held in conjunction with the Conference. He will attend the Chapter Representatives Meeting, if possible.*

*August 31, 2005 (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 for this meeting will be: Frank Walker, CFE, PI, CEC, CBC, BSBE. Frank is a Chapter Member. The topic will be: Selling Fraud Prevention By Persuasion B What CFEs Can Do.*

*September 20, 2005. Joint Chapter and Seattle Chapter/WSCPA two-hour training meeting at a date to be announced later. The speaker will be Chapter President, Joseph R. Dervaes, CFE, CIA, Audit Manager for Special Investigations, Washington State Auditor=s Office. Joe is the 2003 Cressey Fraud Lifetime Achievement Award Winner, a Member of the ACFE Board of Directors, ACFE Fellow, Regent Emeritus, and Distinguished Achievement Award Winner at the Association of CFEs. The topic*

*will be Accounts Receivable Fraud using a handout from writings in his By-Line Column, Frauds Finer Points, published in The Fraud Magazine.* The meeting is held at the Washington Athletic Club in downtown Seattle from 7:30-9:30 a.m. Additional information on registration procedures will be provided as the information becomes available. Some training information may be available at the WSCPA web-site or by contacting them directly by calling 1-800-272-8273 (Bellevue, WA).

October 26, 2005 (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 speakers will be Suzanne Sarason and Leslie Pearson, Investigators/Financial Examiners from the Washington State Department of Financial Institutions. The topic will be: Ponzi Schemes. The presentation includes a discussion of a current case study about a recent Ponzi Scheme that was investigated in this state.

December 2, 2005 (Friday). Joint Chapter/WSCPA=s 9<sup>th</sup> Annual Fraud Conference at the SeaTac Marriott Hotel; 3201 South 176<sup>th</sup> 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](http://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 9<sup>th</sup> Annual Fraud Conference. The Chapter Board of Officers is working on the tentative list of speakers and topics for the annual fraud conference (to be announced).

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 27<sup>th</sup> Floor and sign-in with the receptionist before going to the 28<sup>th</sup> 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.

#### (1) Successful Joint WSCPA/Chapter Annual Fraud Conference

The Chapter Board of Officers is pleased to report that our joint Washington Society of CPAs/Chapter Annual Fraud Conference on December 3, 2004, was well attended. As usual, the Conference was held at the Marriott Hotel in SeaTac across from the SeaTac International Airport. There were 95 individuals who attended the conference this year, including 21 individuals who have been associated with our Chapter. All Conference registration and administrative tasks were performed by the WSCPA. This was an excellent showing of support for our Chapter training calendar.

Thanks to all who participated. We appreciate you very much. Chapter President Joe Dervaes and Chapter Vice-President Norm Gierlasinski served as the Co-Chairmen of the Conference. In addition, Chapter President Joe Dervaes also served as a speaker at the Conference from the Washington State Auditor's Office on the topic of Stealing from the Court B A Fraud Case Study. The other speakers and topics were: (a) Martha Norberg, SeaBold Group B Interviewing Techniques; (b) Martin Cordell and Becky Carnell, Washington State Department of Financial Institutions; and (c) Ron Huntington, West Sound Investigations B Employee Investigations and Video Surveillance. All speakers were well received by the attendees and the presentations were outstanding. The Conference counts as six hours of Continuing Professional Education (CPE) in the area of accounting and auditing training, and two hours of CPE in the area of technical training. All training records are maintained by the WSCPA.

#### (2) ACFE Board of Directors Meeting

Chapter President Joe Dervaes attended the first Board of Directors meeting for the newly formed ACFE private non-profit corporation at the Association's World Headquarters in Austin, Texas, during the period December 15-16, 2004. The membership elected five prior Regents to represent them on this important Board, including two from our Chapter. They are: Marty Biegelman and Joe Dervaes (Pacific Northwest Chapter members), Dennis Dycus (Tennessee), Nancy Bradford (Florida), and Marilyn Peterson (New Jersey).

The new Board of Directors was not formally constituted at this historic first meeting. However, the Directors did consider the primary business dealing with the organizing documents for the new corporation (i.e.; Articles of Incorporation and Bylaws). The Association hired one of the best lawyers on private non-profit corporation formations in the State of Texas. The Board of Directors was significantly impressed by his skills and knowledge about the required organizational documents as well as the filing process. These organizational documents must be submitted to the State of Texas Secretary of States Office. Once approved, the new Board of Directors will formally constitute. The organization's Articles of Incorporation and Bylaws will then be submitted to the Internal Revenue Service. Two new private non-profit corporations are being formed. One will be formed as an IRS Section 501(c) (6) trade association. The other will be formed as an IRS Section 501(c) (3) tax exempt corporation. The Board of Directors will serve as both the Directors and Officers of both corporations until after conversion from the for-profit corporation to the private non-profit corporation is complete. It will take from 6-9 months for the IRS to approve the new corporations.

Once constituted, the Board will elect officers and establish term limits (most likely three-year staggered terms in office). The initial Board will probably serve longer terms than normal since this group will have a lot of work to do to make the transition from the ACFE for-profit corporation to the new ACFE non-profit corporation. The Board will also authorize the submission of the organizational documents to the Internal Revenue Service.

In the interim, the Board will have to hire a CPA to perform an agreed-upon procedures audit in preparation for the conversion from the for-profit corporation to the private non-profit corporations. It will also have to hire an attorney to provide advice and guidance during negotiations for the transfer of assets from the for-profit corporation to the private non-profit corporation as a result of the appraisal. It will also have to hire an appraisal company to review the evaluation model for adequacy and reasonableness and make recommendations for action. Finally, it will have to obtain its own insurance policy for Director's Errors and Omissions coverage. Since the existing organization has no funds, it will have to obtain them from the ACFE for-profit corporation either as a loan or as a grant.

While awaiting approval by the Internal Revenue Service during the remainder of 2005, the Board of Directors will be reviewing existing ACFE policies and procedures and establishing new ones for the private non-profit corporations. The Board of Directors anticipates that full oversight duties for the ACFE will begin by at least January 1, 2006.

Let's give these ACFE leaders our complete support as they face many complex and demanding challenges in the years to come. And, a special note of congratulations goes to Marty Biegelman and Joe Dervaes for representing the Pacific Northwest Chapter and the ACFE membership so well. Keep up the great work. Congratulations!

### (3) Annual Ritchie-Jennings Memorial Scholarships Program

The Association of CFEs annually awards 30 scholarships of \$1,000 each through its Continuing Education Committee in the Ritchie-Jennings Memorial Scholarship Program. The scholarship program is in honor of Tracy Ritchie, CFE, and Larry Jennings, CFE, who both died in a terrorist attack in Pakistan on November 12, 1997. The scholarships are awarded to full-time undergraduate or graduate students majoring in accounting or criminal justice. (Junior college, community college, and high school students, including graduating seniors, are not eligible.)

The Pacific Northwest Chapter annually awards 2 scholarships of \$500 each. Since every Association scholarship application requires a letter of recommendation from a CFE, the Chapter asks each student to submit their application for review in the Chapter Scholarship Program. The Chapter selects a Primary and Alternate Candidate for Chapter sponsorship of their applications. All other applicants receive a letter of recommendation from a CFE. The Chapter then submits all scholarship application packages to the Association of CFEs by the due date.

Scholarships are awarded on the basis of:

Overall academic achievement demonstrated by official transcripts;

Three letters of recommendation, including one from a Certified Fraud Examiner or a local Association Chapter, and the others from faculty members, academic advisors, or work supervisors; and,

An original essay between 250-500 words explaining why the applicant deserves the scholarship, and how fraud awareness will affect his or her professional career development.

Through these scholarship programs, the Association of CFE and the Pacific Northwest Chapter support the education of college students who may become CFEs in the future.

The deadline for submission of applications is April 13, 2005, for the Pacific Northwest Chapter scholarship program and May 13, 2005 for the Association of CFEs scholarship program.

Each year, the Chapter sends a notice to Colleges and Universities in our geographic area of responsibility announcing these scholarship programs. We have had great success in the past, and look forward to reviewing another batch of fine records in the program again this year.

If you know of any student would be interested in these scholarship programs, please have them contact either President Joe Dervaes or Vice-President Norm Gierlasinski

for details and application forms. Application forms are also available on the Association of CFEs web-site at [www.CFEnet.com](http://www.CFEnet.com).

(4) Association Annual Awards Program

The Chapter Board of Directors submitted two application packages for the Association's annual awards program in January 2005. They were:

(a) Chapter of the Year Award B Pacific Northwest Chapter.

(b) Associate of the Year Award B Dr. Robert E. Holtfreter, Distinguished Professor of Accounting and Research, Central Washington University, Ellensburg, WA.

The competition for these awards is quite keen each year. The Association's Awards Committee will review all award application packages and make their selection of the winners prior to the Annual Fraud Conference. Winners will be notified prior to the conference and will receive the actual awards in Washington, D.C. during the luncheon meetings at the Association's Main Conference (July 11-13, 2005).

The Chapter Board of Officers wishes the Chapter and Dr. Holtfreter great success in the coming competition! Plan to be there to share in the festivities if you are able.

(5) New CFE Chapter Formed in Spokane

It's official! Chapter #119 of the ACFE has formed in Spokane. For those of you in Eastern Washington who would be interested in aligning with this new CFE Chapter, please contact Tom Griffiths at (509) 326-4054 by telephone or [Tom@grifco.com](mailto:Tom@grifco.com) by e-mail. You can also find out more information about this new Chapter by visiting the ACFE web-site at [www.cfenet.com](http://www.cfenet.com) and clicking on the icon for Local Chapters. Congratulations to the organizers of this new CFE Chapter. The Pacific Northwest Chapter/ACFE certainly wishes you great success. Who knows, perhaps we may even conduct joint activities at some time in the future.

(6) Increase in Association Membership Dues for CFEs in the United States Only

On January 7, 2005, Toby Bishop, President and Chief Executive Officer of the Association of CFE wrote a letter to all CFE Chapter leaders. The content of the letter follows:

ΔThe ACFE strives to maximize the value of membership for all of those involved with the Association.

We have now determined that the ACFE requires additional resources to support important investments in new technology, programs to aid in serving our members, chapters and our profession and to strengthen our financial position for the long-term. These are essential for the ACFE to continue to be a world-class professional association long into the future.

With new technology we will deliver more informational tools and content online.



The new compensation guide for anti-fraud professionals will be repeated annually.

The Report to the Nation is more useful to members if updated frequently. Our research team will be expanded to provide more anti-fraud knowledge. We will add new communication programs to raise awareness of the CFE credential among 2,000 key influencers in the U.S., a wise investment in the future of our association and profession.

In the last 16 years, membership fees have been increased only once. Membership dues for Certified Fraud Examiners (in the United States) will increase (from \$120) to \$150/year for (membership) expirations on March 31, 2005, and later. The current membership dues for Associate Members of \$95/year will remain unchanged. This will more fairly reflect the significantly higher value of CFE status compared to Associate membership. (Membership fees outside the U.S. will not increase with this announcement.)

The recently published Compensation Guide for Anti-fraud Professionals demonstrates very clearly the high value of the CFE credential in the United States, where its recognition is most advanced. The thousands of dollars of salary premium that CFEs, on average, earn compared to non-CFEs make the annual membership fee a very worthwhile investment for our members. We are continuing to work to increase the value even more and anticipate announcing several breakthrough agreements in 2005.

I am seeking your assistance in supporting this decision and in communicating the increase to your chapters in an effective manner. Please feel free to contact me or Jeff Kubiszyn with any questions or concerns.

We look forward to continuing to support you in the fight against fraud. @

#### (7) Annual Chapter Elections

There will be no Chapter elections this year. Elections last year were for two-year terms for the Board of Officers (July 1, 2004, through June 30, 2006).

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

**SEMINAR TOPIC B FOLLOW THE MONEY (February 23, 2005)**

Martin Cordell and Becky Carnell will speak on the topic of Follow the Money. They will present the Health Maintenance Centers/Znetix investigation which has resulted in the pleas and convictions of 12 individuals in 2004. Investors lost in this, the state's largest stock fraud, an estimated \$100 million. This session will illustrate how to follow the money trail, starting with the role of the Washington State Securities Division and its conduct of fraud investigations, and ending with a look at the Health Maintenance Centers/Znetix investigation. Attend this session to learn more about this important subject from an expert in the field.

**SPEAKER B MARTIN CORDELL**

Martin Cordell is the Chief of Enforcement for the Securities Division of the Washington State Department of Financial Institutions. He manages the Division's Enforcement Section that investigates consumer complaints regarding investments involving securities, commodities, franchises, and business opportunities. As a Securities Division enforcement attorney, he has participated in numerous securities and financial fraud investigations that have resulted in administrative or criminal proceedings. He is a member of the Washington State Bar. He received his J.D. and bachelor's degree in English from the University of Washington.

**SPEAKER B BECKY CARNELL, CFE**

Becky Carnell, CFE, is a financial examiner with the State of Washington, Department of Financial Institutions, Securities Divisions (DFI) in Olympia. She is currently involved in numerous complex financial investigations, which include administrative, civil, and criminal matters. She was a key witness in the state's largest securities fraud prosecution (Health Maintenance Centers/Znetix). Prior to her employment with DFI, she was employed in the banking industry, where she was involved in all aspects of daily operations of retail banking. She holds a bachelor's degree from The Evergreen State College.

**DATE:** February 23, 2005      **TIME:** 2:30 B 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 (February 23, 2005 B 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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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](http://www.fraud-examiners.org).**

John E. Reid and Associates, Inc.  
250 South Wacker Drive, Suite 1200  
Chicago, Illinois 60606-5826  
www.reid.com

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312-876-1600  
800-255-5747  
Fax 312-876-1743

**December, 2004 [www.reid.com](http://www.reid.com) Monthly Web Tip**  
**The Importance of Accurate Corroboration within a Confession**

Of all possible evidence presented against a defendant at trial, a confession is afforded the most weight. Because of this, we have maintained that a confession must satisfy two requirements. A confession is a statement that (1) accepts personal responsibility for committing a crime along with (2) the circumstances and details of the crime. There are two types of details of the crime that serve to corroborate the confession. Dependent corroboration is information about the crime that is purposefully withheld from the suspect and the media. Independent corroboration describes information volunteered by the suspect about the crime that was not known by the investigator and is independently verified after the confession is obtained. If a suspect makes a statement that accepts responsibility for committing a crime but refuses to offer details or offers inaccurate details about the crime, this statement, regardless of its spontaneity or detail, fails to satisfy the definition of a confession.

A recent Massachusetts Supreme court decision brings to light the issue of what should legally constitute a confession. In this case the court overturned an arson conviction in which the defendant's confession, admitted as evidence during the initial trial, contained substantial faulty corroboration (Commonwealth v. DiGiambattista, 2004.) Not only did the Supreme Court rule that the confession should have been suppressed, but also that in future criminal trials if an interrogation and confession is not electronically recorded the judge must instruct the jury to view the confession with great caution. This ruling has tremendous potential implications for all investigators.

The case facts relating to the confession for the DiGiambattista case are as follows: forensic evidence from the crime scene provided a number of facts about the fire that could be used as dependent corroboration. This included that the fire was started with gasoline and that the primary source of ignition was a closet on the first floor of the building. In addition, it was also established that a small paper fire was started in the kitchen sink.

The defendant's confession indicated that on the night of the fire he had entered the building through the front door using his key, and poured gasoline throughout the building which he lit with both matches and a lighter. While the defendant volunteered the fact that he started the fire with gasoline (possible dependent corroboration), he indicated four definite locations where he had started fires on both floors of the building. None of these locations corresponded with the first floor closet. The investigator had DiGiambattista draw sketches of the crime scene and asked that the sketch include the location of the kitchen sink. This effort to stimulate the suspect's memory of starting the fire in the sink appears to have been insufficient, since the defendant's confession never mentions starting a fire in the kitchen sink, or anywhere else inside the kitchen.

The defendant's confession provided abundant information that could serve as independent corroboration. His confession indicated that he had brought gasoline to the crime scene in a 2 2 gallon container purchased at a particular hardware store. He further identified the gasoline station where he bought \$1.00 worth of gasoline. The defendant offered a number of different explanations about where he disposed of the gasoline can, ultimately stating that he threw it away at a nearby picnic area.

Subsequent investigation demonstrated that the defendant could not have bought the gas container at the hardware store he indicated. Eventually, the gas can was found. However, it was a six-gallon container and it was found in a back room of the building that was burned. Furthermore, the station where he claimed to have purchased the gasoline had no record of selling \$1.00 worth of gas the night of the fire.

In its appeal, the prosecutor argued that the defendant's confession should be admitted because it contained four pieces of evidence that supported the defendant's guilt. Specifically, it was argued that the defendant had a motive to commit the crime (anger toward the landlord), there was an eye witness (a person described a man resembling the defendant outside the building near the time the fire was

set), access (the defendant was one of three people with a key to the front door) and propensity (the defendant lied about having a key to the building and leaving his home the night of the fire).

The evidence presented by the prosecutor in no way reflects on the trustworthiness of the confession itself. A number of people associated with the landlord may have had a motive to start the fire; the suspect's body type probably resembles thousands of others; two other people had keys to the building (or the arsonist picked the lock or entered the building via another opening). Finally, even though the defendant was caught lying about possessing a key to the building, there are a number of reasons suspects lie to police during an investigation, not all of which are motivated to cover involvement in the offense.

A valid confession should contain information about the crime that could only be known by the guilty person and can also be verified as true. It is not sufficient that a suspect's statement contains spontaneous detail, represents an admission against self-interest or provides logical answers to questions posed by the investigator. Because of the evidential weight placed on a confession, it must meet a higher level of proof.

We are aware of numerous cases where legitimate true confessions have been found to contain minor factual inconsistencies & a perfect fit should not be required by the court. However, when the confession misses the mark in that essentially every detail is inconsistent with the facts, it should be viewed with extreme caution. From our assessment of available information, we believe there are four ways this suspect could be so far off base in his corroborative statements:

The suspect is guilty of the arson but clever enough to offer inaccurate corroboration, hoping that this may cause his confession to be suppressed.

The suspect participated in the commission of the arson with a second individual whom he is now covering for and is simply guessing at some of the actions of his accomplice.

The suspect does not know if he is guilty of starting the fire because of an underlying psychiatric or medical condition that affects his memory or perception of reality. In an effort to please the investigators, receive punishment he believes he deserves, or for other unknown reasons, the suspect offered details about the crime based on common sense, intuition or some other source in no way derived from his own recollections.

The suspect is innocent of the arson but was coerced into confessing. Under this circumstance certainly an innocent suspect may accept responsibility for starting the fire and then, during the oral phase of the confession, offer his best estimate as to what the actual arsonist did.

A judge or jury should not be faced with having to select the most probable cause for faulty corroboration within a confession. The initial responsibility rests on the investigator who obtained the confession to make certain that the details contained within the confession can be verified as accurate. If the details of a confession cannot be essentially verified, the suspect's unsupported statement "I committed this crime" should not be offered as evidence of his guilt.

From the information available to us, it is not known at what point the factual inconsistencies in DiGiambattista's confession became known and it may never be established whether or not this confession was true or false. Even if there was substantial evidence indicating that the defendant did start the fire, his statement to the police accepting personal responsibility for starting the fire should not be admissible as evidence of a full confession unless the statement is coupled with details of the crime that are verified as substantially accurate.

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**January, 2005 [www.reid.com](http://www.reid.com) Monthly Web Tip  
Consideration For an Investigator's Attire**

The very first impression a subject forms of an investigator will be based on physical observations -- not only gender, race and body type, but also attire. The desired perception a subject should have is that the investigator is professional, intelligent, non-judgmental and trustworthy. Anyone who has found themselves in a social situation of being either under or over-dressed can appreciate the psychological

impact attire choices have on social interaction. The other fascinating aspect of attire is that it affects a person's self-image which, in turn, can affect confidence and performance levels. For example, if a person knows that there is a coffee stain on their shirt they are unlikely to draw attention to themselves by being assertive or vocal during a conversation.

Investigators who wear uniforms do not have a choice of attire. The authority associated with a uniform is beneficial during an interview. That is, a guilty suspect will experience greater fear and anxiety when lying and exhibit more behavior symptoms of deception. However, this effect is undesirable during an interrogation. During an interrogation the investigator's uniform, gun and badge all serve as reminders of the punishment the suspect faces if he tells the truth. It is, therefore, our recommendation that if an investigator must wear a uniform when conducting an interrogation that a comment be made to the suspect to negate the consequences associated with the uniform, e.g., "You know Mike, at 5:00 I take this uniform off and put on jeans and a sweatshirt just like you're wearing. In many respects, you and I are quite similar..."

Many investigators work in plain clothes and have a choice of what to wear each day. Consider a person who is dressed in a \$700 suit, with a silk tie, starched and pressed white shirt and highly polished black wingtip shoes. In a board room this wardrobe may portray success and knowledge with an expectation of respect. However, when inside an interview room with a robbery suspect, this attire takes on a completely different meaning. The suspect is likely to resent an investigator dressed in this manner for being able to afford such expensive clothing. Also, the suspect may not trust the investigator, perhaps believing that the investigator's fancy clothes are an effort to somehow put the suspect "in his place," or are the product of accepting bribes or kickbacks (picture well-dressed drug dealers). Both of these perceptions, obviously, are undesirable.

The underlying psychological principle regulating investigator attire is this: there is a natural tendency to respect and trust people who share similar behavioral choices, including choice of clothing. A person who primarily investigates white collar criminals and deals with professionals on a regular basis should, therefore, dress at the subject's level. This probably will mean a suit or sports jacket and tie for men and business dress or suit for a woman. This "business attire" affords some flexibility where a suit coat can be removed or a tie loosened. Very clearly, it is undesirable to have a situation where the suspect is dressed significantly better than the investigator.

Many law enforcement investigators routinely deal with street criminals and gang members. When these suspects are picked up for questioning they may be wearing tennis shoes, jeans and a T-shirt. Does this mean that the investigator should dress down to the suspect's level? We do not think so. To maintain a perception of authority and competency, the investigator will want to at least dress in casual business attire. Examples of casual business attire include a dress shirt or short-sleeve knit shirt and khaki pants for men and a blouse and pants for women.

The previous comments have all related to subject perceptions during an interview or interrogation. There are additional attire considerations when it comes to testifying in court where the visual appearance of a witness is sometimes more important than what the witness says. If a uniform is worn to court the investigator should make certain that it is clean and pressed and that shoes are polished. If the investigator is working undercover and therefore is unshaven and wearing his hair in a pony tail, he should still dress in a professional manner and make certain that the prosecutor asks questions to allow him to explain his physical appearance.

Investigators who testify in plain clothes should obviously dress professionally. A suit and tie is appropriate for male investigators and a business dress or blouse and pants for female investigators. The female's blouse or top should have a conservative cut. There are also subtle color considerations to keep in mind. The colors blue and brown are associated with authority and control (think of colors for military or police uniforms). Grey, tan or green are social colors that invite interaction and acceptance, e.g., the psychologist's or professor's wool tweed jacket. The guideline I follow is that when testifying for the defense I wear authoritative colors. Conversely, when I am called by the prosecution I want to avoid an authoritative image and will wear social colors.

Many years ago a popular book titled "Dress for Success" stressed the importance of how one's attire can significantly influence the perceptions of other people. One underlying premise was that if the reader wanted to obtain a position that paid \$200,000 a year, he or she first had to dress in a manner consistent with someone in that salary bracket. I'm not certain about that theory but we have anecdotal accounts where an investigator's attire appeared to contribute to the success or failure of an interrogation. On the one hand are the over-dressed investigators who are perceived by the

suspect as condescending, arrogant and clearly an adversary. On the other end of the continuum are the unkempt, disheveled investigators who come across as uncaring, sloppy and incompetent. As previously stated, the proper attire for the investigator will depend on the suspect. Before entering your next interview look in the mirror and ask yourself, "How will this particular suspect perceive me?"  
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