

The Fraud Examiner



Pacific Northwest Chapter

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July/August 2015 Issue

Message from the President

Volunteer Opportunity - Pro Bono Chapter Consultant

The Board of Officers is looking for a Chapter member to serve as the pro bono Chapter Consultant. This individual would perform procedures as prescribed by the Board of Officers plus as otherwise deemed necessary by the consultant on a bi-annual fiscal year basis revolving around the financial operations of the Chapter. This is not an audit. The individual must be a CFE and CPA, be a supporter of the Chapter's fraud training mission by regularly attending our fraud training events, be an ACFE and Chapter Member in good standing, and be approved by the Chapter Board of Officers before assuming this important duty. Please contact me if you have any questions, or if you are interested in providing this valuable service to the membership.

Chapter Elections

The election for Chapter Board of Officers for the two-year term ending June 30, 2018, will held at our June 8, 2016, annual luncheon business meeting. At its February 10, 2016, meeting, the Board of Officers will select a slate of candidates for consideration by Membership. Candidates must be CFEs and must be active in the Chapter through regular attendance at Chapter Training events and other areas of service to Membership. There are many benefits to serving on the Board of Officers, the most important being service to the Chapter and the ACFE in our common fight against fraud. See also page 10 for educational and financial benefits.

Pacific Northwest Chapter/ACFE Annual Fraud Conference

Mark your calendars! I am pleased to announce that the Chapter will conduct its Annual Fraud Conference in Tacoma on May 2, 2016! There will be 8 hours of CPE, including 2 hours of ACFE Ethics training, available for all those that attend this event. Registration fees will be \$150 for registration and payment received on or before April 11, 2016, \$175 between April 12, 2016, and April 25, 2016, and \$200 after April 25, 2016. Chapter members will receive a \$50 discount from these rates. The Board of Officers will notify the Membership of more information including speakers, topics and registration procedures as it becomes available.

Robert A. Goehring/Chapter President/(253) 856-5262/President@fraud-examiners.org.

Chapter Members In The News

The following Chapter Members have been active in our community outreach programs as follows:

(1) Chapter Member Linda Larson, D.B.A, CFE, CPA, wrote an article entitled, "Condo Fraud

Revealed—Risks Lurk Behind 'Carefree' Condominium Living" which was published in the May/June 2015 issue of *Fraud Magazine*. According to a federal indictment, Leon Benzer, owner of the Silver Line Construction Company, and several cronies

allegedly fraudulently gained control of 11 HOAs in the Las Vegas area so that the HOA's would direct work to his business and a conspiring law firm.

(Continued on page 2)

Upcoming TrainingType:

Bi-Monthly Chapter
Fraud Seminar

Date:

August 12, 2015

Time:

2:30—4:30 p.m.

Topic:

What Is A Sociopath? A
Forensic Accountant's
Case Study of One

Speaker:

Linda Saunders, CFE,
CPA, CFF

Where:

Downtown Seattle at
1000 Second Avenue in
the Training Room on
the 28th Floor of the
Washington State
Housing Finance
Commission's offices.
The building is located
across the street and
one block north of the
Jackson Federal Building
(corner of Second
Avenue and Spring
Street).

Price:

The seminar fee is \$20
for Members and \$25 for
non-members. Student
Members may attend
this event at no cost.

Registration:

Register and pay the
Chapter at the door or
on-line at our web site.
Pre-registration is not
required for this event.

Chapter Members In The News—Continued

(Continued from page 1)

Other Chapter members are
encouraged to notify President

Robert Goehring (President@
fraud-examiners.org) about their
recent or future presentations
or publications so that these

events can be publicized in the
newsletter.

August 12, 2015, Chapter Fraud Seminar in Seattle—What Is A Sociopath? A Forensic Accountant's Case Study Of One

August 12, 2015, is the date of
our next Chapter fraud training
seminar at our downtown
Seattle training facility. There
are 2 hours of Continuing
Professional Education available
to all who attend this event.

The cost of this fraud seminar is
\$20 for Members and \$25 for
non-members. Student members
may attend this event at no cost.

Preregistration for this event is
not required. Attendees can
pre-register and pay at the
Chapter website (www.fraud-examiners.org/training.shtml) or
do so at the door.

The speaker will be Linda
Saunders, CFE, CPA, CFF of
Forensic Accounting Consulting
in Quilcene, WA, where she
specializes in providing her
forensic accounting expertise for
both civil and criminal litigation.
Linda is a member of the Pacific
Northwest Chapter/ACFE. In
addition, she participates in the
Northwest Fraud Investigators
Association, the Pacific
Northwest License Tax & Fraud
Association, the Washington
State Society of Certified Public
Accountants, the American
Society of Women Accountants,
and the American Institute of
CPAs. She is also an associate
member of the Washington

Association of Legal
Investigators. Linda frequently
speaks at gatherings of many of
these organizations on topics
such as fraud prevention and
investigation techniques.

This presentation will include a
case study that shows that the
perpetrator "just couldn't help
herself." The perpetrator had
already spent over four years
behind bars, and this non-profit
organization thought she was
"rehabilitated". She kited nearly
a million dollars in interest-free
"loans" because she had total
control of the finances.

Free ACFE CPE with Corporate Alliance Webinars

For dues paying Corporate
Alliance ACFE members, the
ACFE offers free training.
The webinars are typically 60
to 100 minutes in length and
are equal to 1-2 credit hour

(s) of ACFE approved CPE
credits.

Archived webinars will be
available for 12 months from
the date of the live event.

More information can be
found by logging in to the
ACFE web site and searching
on "Corporate Alliance
Webinars".

"Experience is not what happens to a man, it is what a man does with what happens to him." - Aldous Huxley

Overview of the Joint Chapter/ACFE Fraud Class October 19-20, 2015—Hilton Seattle Airport-SeaTac, WA

October 19-20, 2015, are the dates of our joint Chapter and ACFE Annual Fraud Training. This event will be held at the Hilton Seattle Airport, 17620 International Blvd., SeaTac, WA. Registration begins at 7:30 a.m. each day.

The class is entitled, “Controlling the Risk of Asset Misappropriation”. The ACFE course leader has not yet been announced. There are 16 hours of Continuing Professional Education available to all who attend this class.

The class will explain how to:

- Identify common asset misappropriation schemes, including skimming, billing schemes, and information theft.
- Assess entity-wide fraud risks, including how your organizational culture affects the threat of asset misappropriation.
- Assess the process-level fraud risks in the cash receipts, cash disbursements, payroll and other functions.
- Establish effective internal controls to mitigate the risk of asset misappropriation schemes.
- Respond to an asset misappropriation scheme that has been identified.

Registration for this fraud class is directly with the ACFE. To register, contact the ACFE at (800) 245-3321, or at www.ACFE.com.

The cost of this class is \$695 for ACFE Members and \$845 for non-members. There is a \$95 discount for early registration (deadline—September 18, 2015).

Contact the ACFE for registration procedures. Pre-registration for this class is required.

New Chapter Members

Please welcome the new members who joined the Chapter during the period mid-April 2015 through mid-June 2015:

CFEs:

- Matt Babick
- Mark Baldwin
- David Feen
- Matthew Hendrickson
- Tony Hughes
- Theresa Jacobs
- Melissa Frick Minick
- Jeannette Sugai

Associate Members:
None

Student Members:
None

Additional Training Opportunities—John Reid & Associates

John E. Reid and Associates, Incorporated, Chicago, Illinois, announces the following training classes on “The Reid Technique of Interviewing and Interrogation” for the state of Washington in 2015:

- December 1 - 4, 2015, SeaTac, WA (Hilton Seattle Airport & Conference Center, 17620 International Blvd.)

The seminar fees are as follows:

- 1-Day Advanced (\$240)
- 3-Day Seminar (\$450)
- 4-Day Combined (\$580)

These are the RPGA Discount

Rates.

Prior to registering, be sure to contact Chapter President Robert Goehring to obtain the Chapter’s RPGA Discount Code. This discount is only available for Chapter members and may not be transferred to non-Chapter members.

Call 1-800-255-5747, Ext. 14 or 24 to register for any of these classes, or visit Reid’s website at www.reid.com.

Learn how to assess the credibility of statements; how to structure the flow of the interview to maximize the flow of information; how to use behavior provoking

questions in the interview process; how to persuade a suspect to tell the truth about their involvement in criminal activity; and, how to develop interrogation themes, handle denials, overcome objections, and use alternative questions.

In the Advanced Program, learn how to psychologically profile suspects for interrogation, develop specialized tactics for juvenile interrogations, and more.

The training manual includes specialized information on interview and interrogation techniques for domestic terrorist activities.

-Renew Membership and report CPE at the same time
-20 CPE required, 10 of which must be fraud related, and 2 of which must be ethics
-10 hours can be carried over every 12 months

“It’s discouraging to think about how many people are shocked by honesty and how few by deceit.” - Sir Noel Coward

Highlights of June 10, 2015, Chapter Annual Luncheon Business Meeting and Fraud Seminar in Tukwila

June 10, 2015, was the date of our Chapter Annual Business Luncheon Meeting and Fraud Seminar. This event was held at the Bahama Breeze Restaurant, 15700 Southcenter Parkway, Tukwila, WA.

There was 1 hour of Continuing Professional Education available to all who attended this event. There were 22 Chapter Members and 3 non-members that attended this event.

The cost of this fraud seminar was \$10 for Members and \$15 for non-members. Student members attended this event at no cost. The luncheon was free, and we had a wonderful meal prepared for the attendees.

Preregistration for this event was not required, but was available online (www.fraud-examiners.org). There were five door prizes, but you had to be present to win. The winners were: Kate Dixon, Sharon Hunter, Matthew Simpson, Peter Tobin, and Ken Wilson.

The speaker was James S. Peet, Ph.D., CFE. James is a geography instructor at Highline College and is also the Principal Manager of Peet & Associates, LLC, a professional Private Investigative Agency specializing in the prevention and investigation of fraud and white collar crimes in the transportation industry. James worked in law enforcement as a National Park Service Law Enforcement Ranger and as a police officer with the City of Alexandria, VA prior to attending graduate school. He has been a licensed PI since 2008 and earned his CFE in 2011. He has published two articles in *Fraud Magazine*, along with

several other fraud articles in *Pacific Maritime Magazine*. He also works with the University Outreach Committee to inform college and university students in the South Sound about the ACFE. He also serves as a Board Member-at-Large of the Pacific Northwest Chapter/ACFE.

This session covered two separate topics: "A Legislative Update On An Exemption For CPAs To Washington State's Private Investigator Law", and "Maintaining the Chain of Custody".

Currently, CPAs engaged in conducting financial investigations are not exempt from meeting the requirements of Washington's PI licensing law. Several Chapter Members have been working on getting this exemption for the past several years. The update explained the history behind the exemption, what the exemption is, and how it applies to CFEs operating in Washington State.

The Chain of Custody segment focused on how CFEs operating in the private sector, and as possible agents of the state, should properly maintain the chain of custody to ensure that any evidence submitted to the courts is not tainted.

There were two presentations of letters of appreciation for service to the Chapter:

- University of Washington Fraud Victims Pilot Project. Joseph (Joe) Dervaes, CFE, ACFE Fellow, CIA, Elizabeth (Liz) Larson, CFE, and Dr. John J. Tollefsen, CFE, CCS, JD. These Chapter members

served as Instructors and as CFE Mentors for the 14 students that attended the inaugural Forensic Accounting Class (Winter 2014). See also page 6 for a picture of this presentation and pages 11-12 for information about this volunteer opportunity.

- Chapter Pro-Bono Auditor (now Pro-Bono Consultant). Richard (Rick) Osborn served as the Pro-Bono Auditor of the Chapter's financial operations since 1994. He also served the Chapter in many other ways, including regular attendance at Chapter fraud training events. He completed a long and distinguished career as an auditor, financial officer, and internal auditor in the Washington State Auditor's Office, Highline Water District, and Sound Transit. He recently retired and moved out of the area. Rick was unable to attend this event, so President Robert Goehring made this announcement during the Chapter meeting. The letter of appreciation and an engraved pen were mailed to his new residence. See also Message from the President for information concerning this volunteer opportunity.

President Robert Goehring also introduced Michael Jr. Obilikwu as the recipient of the Chapter's 2015/2016 Student Scholarship Award. See also page 7 for a picture of this presentation and information about this program.

2015 Chapter Incentive Award Program

Each calendar year the Board of Officers recognizes one Associate Member who becomes a Certified Fraud Examiner during that year and meets other requirements, by granting him/her an award of \$500 to help defray

the costs of obtaining the CFE professional credential.

See the Chapter website (http://www.fraud-examiners.org/PNW_Chapter_Incentive_Award.shtml) for

specific information concerning eligibility and the selection process.

Key items (Not All-Inclusive):

(Continued on page 12)

26th Annual Global Fraud Conference and Exhibition – June 14-19, 2015 – Baltimore, MD —Chapter Representative Meeting

Nearly 3,000 anti-fraud professionals representing more than 60 countries attended this conference. There were six members of the Pacific Northwest Chapter/ACFE that attended this conference as part of the ACFE Team Registration process and received at least a \$100 registration discount (Julie Armbrust, Elaine Gregory, Nancy Lalic, Peter Tobin, John Tollefsen, and David Wilkinson). Vice President Julie Armbrust and Training Director John Tollefsen joined other Chapter representatives in a Chapter Representative Meeting held on **Sunday, June 14, 2015.**

Vice-President Julie Armbrust and Training Director John Tollefsen completed the Chapter Representative Meeting Survey based on our Chapter's operating procedures. This information is valuable insight for all Chapter members about the many and varied benefits of Chapter Membership. This information is incorporated into the Chapter Leaders Resource Guide and is

available on the Chapter's website (www.fraud-examiners.org).

Approximately 100 individuals attended the 2015 meeting, **the most people who have ever attended** this annual gathering. The meeting centered on the various methods chapters use to communicate with their members. The topic of web sites and online technologies were presented by Ryan C. Hubbs, CFE, CIA, CCEP, PHR, CCSA, President of the Houston, TX chapter. His presentation is available at http://www.acfe.com/uploadedFiles/Shared_Content/Newsletters/Chapter/Hubbs-Websites-Technologies-2015-Chapter-Leaders-Meeting.pdf. The topic of hosting successful training events was presented by Carmen Wiechers, CPE and President of the Vancouver, BC Canada chapter. Her presentation is available at http://www.acfe.com/uploadedFiles/Shared_Content/Newsletters/Chapter/Wiechers-Essentials-to-Hosting-a-Successful-Event-2015-Chapter-Leaders

-Meeting.pdf. The presentations are too detailed for any further comment in this newsletter at this time.

Members interested in learning how chapters operate in general should refer to the complete document which has been posted to our website under Chapter Development or at http://www.acfe.com/uploadedFiles/ACFE_Website/Content/documents/2014-ACFE-Chapter-Leaders-Resource-Guide.pdf. This article represents the "annual report" that Julie Armbrust and John Tollefsen made after attending this important meeting. Thanks to them for representing us so well at the meeting, and for obtaining this information for prospective future leaders. Well done! Finally, the 27th ACFE Annual Global **Fraud Conference and Exhibition will be held at the ARIA in Las Vegas, NV from June 12-17, 2016. Reserve these dates on your training calendar** and plan to attend.

Pacific Northwest Chapter/ACFE—Call for Speakers

One of the Chapter's most important missions is providing training for its members. The Board of Officers is always looking for speakers for these events.

Our 2-hour Fraud Seminars are held at our downtown Seattle Training Facility (28th Floor of the Old Key Towers Bldg. —1000 2nd Avenue), and a 1-hour Fraud Seminar is held in conjunction with the Annual Business Luncheon Meeting in Tukwila. The Seattle Fraud Seminars are held the 2nd Wednesday in February and

August, and the 1st Wednesday in December. The Annual Business Luncheon Meeting is held on the 2nd Wednesday in June. The Chapter's Annual Fraud Conference is held in May.

In terms of topics, anything related to fraud prevention, detection, investigation, and prosecution is great and, in particular, cases literally "ripped from the headlines". Some of the best training comes from the speaker's own work experience.

If you are interested in being a speaker, know someone who would benefit from this experience, or have heard a great speaker recently at some other training, please contact President Robert Goehring (President@fraud-examiners.org) for more information.

On behalf of the Board of Officers and Chapter Membership, thank you for your support of the Chapter's fraud training mission!

"Men occasionally stumble over the truth, but most of them pick themselves up and hurry off as if nothing happened." - Sir Winston Churchill

Special Recognitions for Service — University of Washington Fraud Victims Pilot Project and Chapter Pro-Bono Auditor



UW Fraud Victims Pilot Project. See also page 6. Pictured above from left to right is Joseph (Joe) Dervaes, CFE, ACFE Fellow, CIA, Elizabeth (Liz) Larson, CFE, and Dr. John J. Tollefsen,

CFE, CCS, JD. These Chapter members served as Instructors and as CFE Mentors for the 14 students that attended the inaugural Forensic Accounting Class (Winter 2014). See

also pages 11-12 for more information about this volunteer opportunity.

Pro-Bono Chapter Auditor. Richard (Rick) Osborn served as the Pro-Bono Auditor of the Chapter's financial operations since 1994. Rick recently retired and moved out of the area, and

was not able to attend the Annual Membership Meeting. Chapter Present Robert Goehring mailed him a letter of appreciation and an engraved pen. See also Message from the President for

more information about this volunteer opportunity.

Recipient of Chapter 2015-2016 Student Scholarship Award— Michael Jr. Obilikwu



Pictured left to right is Michael Jr. Obilikwu and President Robert Goehring.

Michael just finished his sophomore year at Northwest University (Kirkland, WA) and is majoring in International Business Administration. He has a cumulative GPA of 3.815 and volunteers at the Seattle Union Gospel Mission. He served at the U.S. Embassy in Abuja, Nigeria. In January 2015 he joined the Pacific Northwest Chapter/ACFE as a Student Member, and has been very active in Chapter Events. On behalf of the Board of Officers and Membership, congratulations Michael! See page 7 for more information about this program.

2016-2017 Chapter Student Scholarship Program Award

There are two annual scholarship programs available to full-time university students seeking a major or minor in accounting, business administration, finance, or criminal justice programs in the Pacific Northwest. They are the ACFE Foundation's Ritchie-Jennings Memorial Scholarship Program, and the Pacific Northwest Chapter/ACFE Student Scholarship Program.

The Chapter scholarship program is a \$1,000 award to eligible students attending a qualifying college or university in the state of Washington. Winners of an ACFE Foundation scholarship are not eligible to receive a Chapter award for the same academic year.

Students interested in applying for the 2016-2017 Scholarship programs are encouraged to visit the Chapter website

(www.fraud-examiners.org) or contact any Chapter Board Officer to learn more about these programs. The application deadline will be early February 2016.

Michael Jr. Obilikwu was the recipient of the 2015-2016 Award .

The Tidbit: Scam Alerts— (1) By Design—Spotting The Telltale Signs Of Shady Deals, Scams, and Fraudulent Investment Offers; and, (2) Twelve Ways To Protect You And Your Device

Scam No. 1. This information was paraphrased from the Spring 2014 issue of USAA Magazine, by Mitch Lipka.

By Design—Spotting The Telltale Signs Of Shady Deals, Scams, and Fraudulent Investment Offers.

Seductive offers such as an investment with the promise of doubling your money in one year lure in the unsuspecting person. After all, what's not to love about making a lot of money quickly, and supposedly with no risk? Variations of this pitch promising high returns are dangled at investors all the time in e-mails, by skilled con artists in person, and at free lunch seminars. Each year some 30 million Americans are defrauded of more than \$50 billion according to a 2011 report by the Financial Fraud Research Center, a joint project of the Stanford Center on Longevity and the FINRA Investor Education Foundation. In a subsequent report, FINRA indicated that many Americans have unrealistic expectations of market returns. There is also a startling lack of fraud awareness, meaning that many American's can't identify the classic red flags of fraud. This places a large number of Americans at risk of losing money to scams.

About 40 percent of those surveyed missed what should have been obvious warning signs. But, if you don't understand how investments

are supposed to work, the warning signs are not that obvious. The people soliciting your money understand these vulnerabilities and take advantage of both the lack of knowledge by investors and their desire to make money fast. Understanding investments and how you're supposed to go about making them is a key step in avoiding being victimized. The majority of Americans are in the dark and do not have the right expectations for rates of return and investing in general. Investors must make sure they don't get their emotions involved with investing.

Con artists not only know how to prey on your lack of knowledge, but also know how to use relationships to manipulate potential victims. After one victim is taken in, the scammers then use the trust built up with that person to get him or her to convince their friends and family that the investment opportunity is real. This is called the "halo effect". The scammers are very likeable, but victims really don't know them. Fraudsters get their foot in the door by being part of a larger community, where they start with common ground, such as a fellow retired service member or members of the same church. Additional victims buy-in to the scam because they trust some one else just like them. Having someone you know vouch for an investment does not replace doing your own research.

Red flags abound. Beware

when people describe investments with phrases like "incredible gains", "break-out prices", and "huge upside and no downside". These are hallmarks of extreme risk and classic red flags. Potential investors should pause when an investment is pitched as something you have to do immediately or risk losing this great opportunity. Or, that you should invest now because others are doing it too. These are pressure tactics intended to get you to drop your guard.

Investors should be mindful that markets fluctuate. Sometimes you win and sometimes you don't. In one survey, 80 percent said they had been asked to participate in something they considered fraudulent, including: a face-to-face con job by a phony broker, an e-mail touting an investment opportunity in a little-known stock, an invitation to an "educational" luncheon on some type of investment, or even the claim that they had won some foreign lottery. And, seniors are more likely to be targeted and 34 percent more likely to lose money than those in their 40's.

A good con artist will be able to make claims that sound believable. But, if you understand the basics of investing, such claims won't be a lure. There is risk associated with any investment. A proper, licensed investment advisor will walk you through that risk question.

Scam Alert

Summaries:

- (1) "Each year some 30 million Americans are defrauded of more than \$50 billion."**
- (2) "One in three robberies in major cities in the U.S. now nets a mobile telephone."**

(Continued on page 9)

The Tidbit—Continued

(Continued from page 8)

If approached about an investment, first check out the person selling it. The investment industry is heavily regulated and enables investors to see whether sales representatives are properly licensed. Ask the person if they're registered. FINRA offers BrokerCheck, a tool that allows anyone to research a broker or brokerage firm. You can also call 800-289-9999 to talk to a representative who can check on the individual using the Securities and Exchange Commission's EDGAR data base.

Finally, don't forget to apply common sense. If something seems too good to be true, it probably is just that. Vigilance should be your first line of defense against fraud. Here are six consumer no-no's (Buyer Beware!):

- Don't send money to people you don't know. If you're buying on-line, consider a payment option that offers protection like a credit card.
- Don't agree to deposit a check and wire money back. Wiring money is just like sending cash.
- Don't reply to messages asking for personal or financial information.
- Don't play a foreign lottery. And, if you have to send money to collect a prize, it's a scam. You haven't won anything.
- Don't donate money to pop-up charities in the aftermath of a disaster. Many of these organizations are collecting money for fraudulent purposes.
- Don't buy health products or treatments without first consulting your doctor. Products from unlicensed pharmacies may be fake, expired, or mislabeled.

- **Bonus Tip.** There's no sure thing in investing. Report fraud at www.ftc.gov.

Scam No. 2. This information was paraphrased from the May 2014 issue of AARP Bulletin/Real Possibilities by Sid Kirchheimer.

Twelve Ways To Protect You And Your Device.

Cyberproof Your Phone. One in three robberies in major cities in the U.S. now nets a mobile telephone. Thousands are taken every day in what's called "Apple picking" because of the popularity of iPhones (although street thugs eagerly steal other brands as well). However, you must also be aware that there's a huge harvest by stealth cybercrooks who increasingly target smartphones remotely to collect their users' stored data for ID theft.

Smartphones not only access the Internet, but their text messages are also sent without encryption. Users must know that their equipment and messaging apps typically have no security protections. In addition, cell phone users generally haven't been educated to the smartphone threat and are more likely than computer users to respond to spam. Software firm Juniper Networks reports a six-fold increase in malware threats to mobile devices in 2013, and predicts that 2014 will be yet another record-breaker for these attacks. Smartphones and Androids in particular lead the list. Here are some tips about how to stay safe:

- If your phone offers encryption, enable it. You can find out how to do this at: help.unc.edu/help/encrypting-cell-phones. Afterwards, most encryption software automatically updates as needed.
- Use security software recommended by your carrier or telephone manufacturer, or obtain free products by companies such as AVG, Avast, and Lookout Mobile Security.

- When using your smartphone to shop, use retailers' dedicated apps rather than your telephone's browser.

- Before installing apps, read their reviews. Stick with trusted vendors such as Google or Apple. Always read the "permissions" before down-loading apps, avoiding those wanting your approval to reveal your ID and location.

- Think twice about public Wi-Fi networks. You're more secure using the provider's network. And, don't leave Bluetooth connections open.

- Don't auto-save your user name and passwords on apps when using your smartphone, especially when making financial transactions.

- Regularly clear the browser history to prevent smartphone thieves from retracing your steps to hijack your account information.

- Obtain an app that will track and report the location of your telephone if you misplace it. iPhones have a built-in app. Where's My Droid works on Android models. The app may also help police recover your telephone if it's stolen.

- Ask your wireless carrier how to remotely erase stored data if your telephone is lost or stolen. Back-up that data on a cloud account.

- Don't click on links in text messages or on smartphone e-mails from strangers (or even friends if the content doesn't appear to be their usual fare).

- Consider carrying a low-cost "dumb" telephone to use when talking in public places. Thieves won't be interested.

- Do what most people don't do but should (i.e.; lock your telephone with a PIN.

Fraud Law—July 2015—By Dr. John J. Tollefsen, CFE, JD, CCS

Overview of Whistleblower Protection under Dodd-Frank and SOX SEC Bounty Program (continued)

(Continued from May/June 2015 Newsletter)

How to File an SEC Bounty Claim

The SEC accepts submissions online through the Commission's tip or Referral Portal or submission of Form TCR by fax or mail. Anonymous filings are allowed if an attorney for the filer is identified on the form.

Amount Awarded to

Whistleblower

Dodd-Frank required the SEC to award a minimum of 10% to a maximum of 30% of resulting sanctions over \$1 million to the whistleblower or whistleblowers. If there is more than one person submitting the information to the SEC, the award is shared. Rule 21F-6 provides the factors considered by the SEC when deciding what the award percentage will be. The factors used to increase the award are:

1. The significance of the information you provided us to the success of any proceeding brought against wrongdoers.
2. The extent of the assistance you provide us in our investigation and any successful proceeding.

3. Our law enforcement interest in deterring violations of the securities laws by making awards to whistleblowers who provide information that leads to the successful enforcement of these laws.

4. Whether, and the extent to which, you participated in your company's internal compliance systems, such as, for example, reporting the possible securities violations through internal whistleblower, legal or compliance procedures before, or at the same time, you reported them to us" (from the FAQ page on the SEC website).

The SEC received a number of comments when the bounty rule was proposed indicating the bounty program would reduce the effectiveness of internal controls and encourage whistleblowers to ignore internal reporting procedures. The need for external reporting occurs primarily in companies that are hostile to COSO and have the wrong "tone at the top". In these companies, internal auditors are not given their independence and internal reporting only leads to harassment and termination. The SEC's rule attempts to reach that issue by giving credit for assistance (factor 2 above) if the whistleblower suffers "unique hardships" as a result of reporting the fraud.

The SEC may reduce the award after considering the following factors:

"1. If you were a participant in, or culpable for the securities law violation (s) you reported.

2. If you unreasonably delayed reporting the violation(s) to us.

3. If you interfered with your company's internal compliance and reporting systems, such as, for example, making false statements to your compliance department that hindered its efforts to investigate possible wrongdoing" (from the FAQ page on the SEC website).

Continued Next Issue

John J. Tollefsen, J.D., LL.M., is the founder of Tollefsen Law PLLC, an attorney, Certified Fraud Examiner, and Certified Controls Specialist. John@TollefsenLaw.com. See TollefsenLaw.com for more information regarding fraud law. A footnoted version of this article is posted at <https://tollefsenlaw.com/whistleblower-protection-under-dodd-frank/>

John Tollefsen is also the Chapter Training Director, member of the Chapter's Website and Newsletter Committee and the contributor for all of the information presented in this column.

Benefits of Chapter Membership and Serving on the Board of Officers

The Board recognizes that the Chapter membership is fully aware of the non-financial benefits of being a Chapter Member and serving the Chapter in various capacities including serving on the Board of Officers, serving on the various Chapter committees and speaking at Chapter training events and other venues. However, did you know that there are very real financial benefits?

Membership:

- \$5 discount on Chapter Fraud Seminars
- \$50 discount on Chapter Annual Fraud Conference
- Free lunch at the June Chapter Training/Business Luncheon Meeting
- Free lunch (1 day only) at ACFE October training
- As an Associate Member, the opportunity to apply for the Chapter CFE Incentive Program Award (up to \$500)

Board of Officers:

- Free registration for 3 Board Members for the Joint Chapter/ACFE October training class (\$695/each)
- Up to \$500 for one member for attendance at ACFE Annual Conference as the Chapter Representative
- Free registration for all Board Members at the Chapter's Annual Fraud Conference

Volunteer Opportunity — UW Fraud Victims Pilot Project - Fraud Class— UW (Bothell Campus)

A Report to the Pacific Northwest Chapter/ACFE on the University of Washington (UW) Fraud Victims Pilot Project — By: Joseph R. Dervaes, CFE, ACFE Fellow, CIA, Chapter President Emeritus.

The University of Washington (UW) Fraud Victims Pilot Project is comprised of the King County Prosecuting Attorney's Office (Economic Crimes Unit), several law enforcement agencies in King County, WA (i.e.; the Kent Police Department in this case), a Forensic Accounting Class instructor from the University of Washington (Bothell Campus) Accounting Department, and one or more Certified Fraud Examiners (CFEs) from the Pacific Northwest Chapter of the Association of Certified Fraud Examiners. The project provides an opportunity for students attending a UW (Bothell Campus) Forensic Accounting Class to use their skills to help fraud victims obtain some measure of justice. The fraud victims in this project must be either private citizens or small businesses in King County who are unable to pay for a fraud examination to deal with an individual or individuals who reportedly caused them significant financial harm. The objective of the project is for the UW students and one or more CFEs to conduct a pro-bono fraud examination and issue a fraud examination report that would lead to the potential prosecution of the wrong-doer(s) in the case.

The inaugural Forensic Accounting Class (Winter 2014) at the UW (Bothell Campus) has now been completed, and everyone is justly proud of this achievement. There were 14 students who attended class each Saturday for 3.5 hours during the period January 10, 2015, through March 14, 2015. There were three CFEs who were Co-Instructors in the class and who also served as CFE Mentors for the students. The CFEs brought approximately 100 years of combined life experience to the classroom. It's also noteworthy to highlight that the CFEs helped to formulate the instructional material for this class, which was quite an

achievement. This graduate studies class was taught by Dr. Rajib Doogar at the UW Bothell Eastside Leadership Center in Bellevue, Washington.

There was no formal textbook for this class. Rather, the primary source of student learning came from their experience working on two actual fraud cases provided for their review by the King County Prosecuting Attorney's Office. They completed an employee embezzlement fraud case during the class and issued a fraud examination report and an internal control report to the King County Prosecuting Attorneys Office and the organization where the loss occurred at the completion of the class. However, there was an insufficient amount of time available for the students to similarly complete an elder abuse fraud case that was also provided to them for review. Instead, the students used their limited time to gain some insight into the case by reviewing the documents provided by the prosecutor. However, no formal conclusions were reached in the matter.

Other student learning sources included the following:

Dr. Doogar researched the Internet and provided selected Fraud Articles for the students to review and comment upon during the class. These articles included the following:

- "So What is Forensic Accounting", the ABO Reporter, D. Larry Crumbley, Fall 2009.
- "Detecting the Dubious Digits: Benford's Law in Forensic Accounting", Kuldeep Kumar, and Sukanto Bhattacharya, Significance, June 2007.
- CAP Forum on Forensic Accounting in the Post-Enron World: "Introduction and Commentary", Wally Smieliauskas, University of Toronto, Canada; and, "Forensic Accounting: Where and When Headed?"; and, "Accounting and Auditing Education Reform"; L. S. Rosen, Professor Emeritus, York University.

- Additional writings by Gray, Massoulli, Hickman, and Rice.

Joe Dervaes made presentations to the class on: "The Essence of a Fraud Examination – How it's Different from a Regular Audit"; and, "Secrets to Success While Performing Employee Embezzlement Fraud Examinations – Concepts to Remember". He also handled many of the fraud engagement administrative tasks to help ensure that the class and the students were successful.

John Tollefsen made a presentation on: "The Differences Between Criminal and Civil Law". He also developed a student exercise based on the employee embezzlement fraud case to give the students experience preparing for future civil depositions. During this exercise the students performed the duties of prosecuting attorney, defense attorney, and expert witness.

Liz Larson made a presentation on: "Elder Abuse Fraud", including an elder abuse fraud case study for review by the students.

Finally, the instructor and all CFEs made brief presentations on their biography and the types of fraud cases from their background in the career field.

The three CFEs attended all scheduled classes, with the exception of one CFE who had emergency surgery and missed one class (excused absence). We learned from this inaugural Forensic Accounting class that it was extremely important for the CFEs to be present in the classroom all of the time so that they could respond to student questions and formally mentor the students. Their participation and interaction with the students throughout the class was invaluable. So, Congratulations! to all for a job well done.

The three CFEs who participated in this class were as follows:

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Volunteer Opportunity — Continued

(Continued from page 11)

- Joseph R. Dervaes, CFE, ACFE Fellow, CIA, Retired, President Emeritus, Pacific Northwest Chapter/ACFE;

- Dr. John J. Tollefsen, CFE, CCS, JD, Tollefsen Law, Chapter Training Director;

- Elizabeth Larson, CFE, Capital One, Chapter Member; and,

- Dr. Sridhar Ramamoorti, ACA, CPA/CITP/CFF/CGMA, CIA, CFE, MAFF, CFSA, CGAP, CGFM, CRMA, Associate Professor of Accounting, and Director - Corporate Governance Center, Kennesaw State University, Guest Lecturer on the book he co-authored with three other professionals on the topic of: "The ABCs of Behavioral Forensics – Applying Psychology to Financial Fraud Prevention and Detection", Wiley (2003).

At the conclusion of the class, the students prepared and delivered an outstanding briefing on the employee embezzlement fraud case to the King County Prosecuting Attorney's Office, UW Bothell executives and dean, a guest lecturer, and the CFE Mentors. During this presentation, the students demonstrated their understanding of the fraud case they reviewed and showed the depth of knowledge they had gained during the class about this type of fraud. At the conclusion of the presentation, everyone was convinced that this inaugural forensic accounting class at UW Bothell was a great success. It was a wonderful experience for the CFE Mentors to watch the students develop

their expertise during this pilot project. They began the class as novices, and wound up being quite competent in the subject matter when their work was done. Everyone had a learning experience that they will remember throughout their lives. Fantastic!

The Chapter wishes to express its gratitude to our three CFE Mentors (Joe Dervaes, John Tollefsen, and Liz Larson) for their willingness to devote their time and efforts to participate in this pilot project. Their performance during this pilot project was exceptional and brought great credit upon themselves, the Pacific Northwest Chapter/ACFE, and the Association of Certified Fraud Examiners. Well done!

Two other Chapter CFEs also volunteered to serve as CFE Mentors during this pilot project for the Fall 2014 Forensic Accounting class. They were: Rick Osborn, CFE, CPA, Retired; and, Mike Nurse, CFE, CPA, Clark Nuber. However, this class was cancelled because a sufficient number of students did not register for it. Additional advertising led to the inaugural Forensic Accounting class in Winter 2014. So, the Chapter also wants to recognize these two individuals for their willingness to devote their time and efforts to participate in this pilot project.

Now for the future of this program. The UW Bothell plans to hold its next Forensic Accounting class in Fall 2015. So, now is the time to begin thinking about whether you would also be willing to participate in future classes of this pilot project. We trust that the excitement

generated by the results of this inaugural class from this article as well as encouragement from all who have participated in it will result in additional Chapter CFEs who would be willing to "throw their hat into the ring" for future classes.

How about you? If you are interested in becoming a CFE Mentor in the future, please contact any of the following for additional information about the program: Joe Dervaes, John Tollefsen, Liz Larson, Rick Osborn, Mike Nurse, or Robert Goehring. This is an extraordinary opportunity for Chapter Members who are currently retired and might be better able to volunteer their time than those who are currently working. But, the opportunity is available to all, as can be attested to by John Tollefsen and Liz Larson. They're currently working, yet still found time to work on this pilot project. So, this is an equal opportunity sport for both retired and active CFEs to pursue. Thank you in advance for considering this opportunity to improve your personal growth in the fraud examination career field.

Update on Status of Case:

In May 2015 the former Kent Little League treasurer pleaded guilty to six counts of first-degree theft (value of more than \$5,000), two counts of second-degree theft, and stealing more than \$200,000 from the organization. On June 26, 2015, he was sentenced by the King County District Court to 22 months in state prison, and was ordered to pay restitution of \$208,743.

2015 Chapter Incentive Award Program—Continued

(Continued from page 4)

- Deadline for fulfilling all of the requirements—Dec 31, 2015
- Applicant must be an Associate Member of the Chapter and provide written notice of intent to the Board to apply for this award

- Applicant must pass the CFE Examination and obtain the CFE Credential in 2015
- Applicant must attend at least two of the Chapter's Fraud Training events
- Applicant must incur eligible expenses that are not reimbursed by

his/her employer or other party

The winner will be determined through a drawing, if more than one person meets the eligibility requirements. The winner will be announced at the February 2016 Chapter Fraud Seminar.

Links to

ACFE Chapters

Pacific NW Chapter
www.fraud-examiners.org

Oregon Chapter
www.oacfe.org

Spokane Chapter
www.spokanefraud.org

Boise Chapter
www.boiseacfe.org

Big Sky Chapter (Montana)
kathy.arata-ward@josepheve.com

Vancouver, B.C.
www.cfevancouver.com

Edmonton Chapter
www.acfe-edmonton.com

Calgary Chapter
www.acfe-calgary.com

International ACFE Headquarters

www.ACFE.com

*Do you have ideas for our
next newsletter?*

*Want to write the review for
the last fraud training you
attended?*

*We would love your
feedback!*

Contact Robert Goehring at
President@fraud-examiners.org

Other ACFE Fraud Training Opportunities

- Uncovering Fraud with Financial and Ratio Analysis, San Francisco, CA, 7/23/15 - 7/24/15
- Legal Elements of Fraud Examination, Philadelphia, PA, 7/29/15
- Financial Institution Fraud, Philadelphia, PA, 7/30/15 - 7/31/15
- Effective Report Writing for Fraud Examiners, New York, NY, 8/3/15
- Bribery and Corruption, New York, NY, 8/4/15 - 8/5/15
- CFE Exam Review Course, Kuala Lumpur, Malaysia, 8/3/15 - 8/6/15
- Using Data Analytics to Detect Fraud, Hong Kong, 8/6/15 - 8/7/15
- Conducting Internal Investigations, Cleveland, OH, 8/10/15 - 8/11/15
- CFE Exam Review Course, Lagos, Nigeria, 8/11/15 - 8/14/15
- CFE Exam Review Course, Chicago, IL, 8/17/15 - 8/20/15
- Professional Interviewing Skills, Las Vegas, NV, 8/24/15 - 8/25/15
- Investigating on the Internet Las Vegas, NV 8/26/2015 - 8/27/2015
- CFE Exam Review Course Mexico City, Mexico 8/25/2015 - 8/28/2015
- 2015 Canadian Fraud Conference Ottawa, ON 8/30/2015 - 9/2/2015

The ACFE contact point for all course offerings is Caitlin Perdue, Event Marketing Specialist, by phone at 1-800-245-3321, or at the web-site www.ACFE.com. Contact her for more information and actual registration procedures.

Other ACFE Chapter Annual Fraud Conferences

- Annual Fraud Conference, Pacific Northwest Chapter (May 2, 2016—Tacoma, WA)
- Annual Fraud Conference, Spokane, WA Chapter (November 19-20, 2015)
- Annual Training Conference, Portland, OR Chapter (to be announced)
- Anti-Fraud Training, Vancouver Chapter/Justice Institute of BC (to be announced)

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