

The Fraud Examiner



Pacific Northwest Chapter

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November/December 2015 Issue

Message from the President

Pacific Northwest Chapter/ACFE Annual Fraud Conference

Mark your calendars! I'm 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. See also page 9 for more information.

Call for Speakers

One of the Chapter's most important missions is providing training for Chapter Members and other interested parties. The Board of Officers is currently seeking speakers for all of the Chapter's 2016 training events as follows:

- February 10, 2016 (Fraud Seminar - Seattle [two hours])
- May 2, 2016 (Fraud Conference - Tacoma [three remaining speaker slots - 2 hours each])
- June 8, 2016 (Fraud Seminar - Tukwila [one hour])
- August 10, 2016 (Fraud Seminar - Seattle [two hours])
- December 7, 2016 (Fraud Seminar - Seattle [two hours])

In terms of topics, anything related to fraud prevention, detection, investigation and prosecution is great. Please contact me for more information. Thank you in advance for your support of the Chapter's fraud training mission. See also page 4.

Chapter Elections

The election for Chapter Board of Officers for the two-year term ending June 30, 2018, will be 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 the 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 the 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 11 for educational and financial benefits.

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

Start Planning for the ACFE 27th Annual Global Fraud Conference and Exhibition—June 12-17, 2016—Las Vegas, NV

Join nearly 3,000 anti-fraud professionals at the 27th Annual Fraud Conference in Las Vegas, NV June 12-17, 2016.

Location:

ARIA Resort & Casino
3730 Las Vegas Blvd
Las Vegas, NV 89158

(702) 590-7757
(866) 359-7757

(Continued on page 9)

Chapter Members In The News

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

(1) Chapter Member Dr. Robert Holtfreter, CFE, CPA, Professor of Accounting and Research at Central Washington University (Ellensburg, WA Campus), received the Lybrand Certificate of Merit, a national research award from the Institute of Management Accountants (IMA) for an outstanding contribution to accounting literature. His article entitled, "Will Hackers Win the Battle?" was published in the January 2014 issue of *Strategic Finance*, and was co-authored by Adrian Harrington, a former student in Dr. Holtfreter's Fraud Examination course. In June 2015 Dr.

Holtfreter was honored at the IMA's 95th Annual Conference in Minneapolis, Minnesota.

(2) In August 2015 Board Member-At-Large Pete Miller, CFE, CPA, Shareholder, Audit & Assurance, Clark Nuber, PS, participated in a networking event hosted by Clark Nuber for the accounting faculty from Gonzaga University. Among those in attendance was Sara Kern who was one of the co-founders of the Justice for Fraud Victims Program. Gonzaga University started this program, which has subsequently spread to a number of other universities, including the University of Washington (see pages 12-13).

3) Board Member-At-Large Pete Miller, CFE, CPA, hosts a blog, *Focus on Fraud*,

on the Clark Nuber, PS website (<http://clarknuber.com/category/focus-on-fraud/>). His approach on writing this blog is to find an article, a report, or some point of interest and then provide his perspective as a CFE on the facts and risks. His comments focus on risks and good fraud prevention techniques, but he also wraps that all up in the context of a real world case or article in the news.

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.

2016 Annual Chapter Dues

Annual Chapter dues and fees are due beginning in January 2016. The dues/fees structure has not changed from prior years and is as follows: \$24 for CFE Members; \$30 for Associate Members; \$36 for Affiliates of the Chapter (non-members); and \$-0- for Retired Members and Student Members.

For those of you who are not required to make annual dues payments (i.e., retired members and student members), please complete and send in your membership renewal form anyway so we can verify that all of your

identification information is accurately recorded in our current Chapter Membership Directory.

Our Federal Tax Identification Number is: 91-1592735. If your organization requires an IRS Form W-9 Request for Taxpayer Identification Number and Certification, please contact Chapter President Robert Goehring.

All of the necessary forms are available on the Chapter website (www.fraud-examiners.org/membership.shtml). On-line payments are now available through PayPal.

If you are paying by check, please mail your Chapter membership renewal form and dues/fees (if applicable) to the Chapter Treasurer at:

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

The Chapter Board of Officers thanks you for your prompt attention to this matter, and appreciates your support of our Chapter fraud training mission.

Overview of the Chapter Fraud Seminar in Seattle— February 10, 2016

This Chapter Fraud Seminar will be held on February 10, 2016, at our downtown Seattle training facility. There are 2 hours of Continuing Professional Education available to all who attend this event.

The speaker and topic for this event have not yet been determined.

This information will be published in the Chapter's January-February Bi-Monthly

Newsletter (issued mid-January 2016), as well as the Chapter website (www.fraud-examiners.org).

Upcoming Training

Type:
Bi-Monthly Chapter
Fraud Seminar

Date:
December 2, 2015

Time:
2:30—4:30 p.m.

Topic:
Annual Review of Accountants Putting the Love of Money Ahead of Ethics: Detailed Review of Local and National CPA Fraud Cases

Speaker:
John J. Tollefsen, J.D.,
LLM, CFE, CCS

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 the Chapter
website. Pre-registration
is not required for this
event.

December 2, 2015—Chapter Fraud Seminar in Seattle—ACFE Ethics Training

December 2, 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 topic of this fraud seminar is: "Annual Review of Accountants Putting the Love of Money Ahead of Ethics: Detailed Review of Local and National CPA Fraud Cases."

The speaker will be John J. Tollefsen, J.D., LLM, Founder of

Tollefsen Law, PLLC, an attorney, Certified Fraud Examiner, and Certified Controls Specialist. He is an International business finance lawyer and litigator with multiple post graduate degrees from both U.S. and European schools. Over the years he has developed a passion for helping victims of financial fraud through the civil law. Dr. Tollefsen serves as the Training Director for the Chapter, and is a regular contributor to the Chapter Bi-Monthly Newsletter "Fraud Law" articles.

This session will examine selective recent CPA discipline cases from the SEC and other regulatory agency files with an emphasis on ethics. The speaker will present two King County criminal cases, as well as cases from the Washington Department of Financial Institutions (DFI) and the SEC.

This training meets the ACFE Annual Ethics CPE requirement for CFEs.

May 2, 2016—Pacific Northwest Chapter Annual Fraud Conference—Tacoma, WA

Monday, May 2, 2016, is the date of our Chapter's 2nd Annual Fraud Conference. Registration begins at 7:30 a.m. and a continental breakfast will be provided. The conference begins at 7:30 a.m. and ends at 4:20 p.m. Lunch will be provided from noon to 12:30 p.m.

The conference will again be held at the La Quinta Inn & Suites (1425 East 27th Street), Tacoma, WA. There is no charge for parking at the hotel.

There are 8 hours of Continuing Professional Education available to all who attend this event. **This will include training that meets the ACFE annual 2-hour Ethics training requirement for Certified Fraud Examiners.**

The Conference Coordinator is Chapter Board Member-at-Large Pete Miller, CFE, CPA. Pete Miller and Chapter President Robert Goehring, CFE, CPA will serve as Conference Co-Chairs.

Participants can register online through the Chapter website (www.fraud-examiners.org) effective December 1, 2015.

The cost of this event is \$150 for participants that register and pay 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. Chapter members must be current on their 2016 Chapter dues to be eligible for this discount.

Pre-registration for this fraud conference is required. However, a limited number of same day registrations will be available.

Participants that cancel in writing on or after April 11, 2016, will be given the option of transferring their registration to another person, or applying their registration fee to the 2017 Annual Fraud Conference. No refunds or credit will be given for "no shows".

The speakers and topics for this conference will be announced on the Chapter website and through the Chapter newsletter as this information become available.

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

October 19-20, 2015, were the dates of our joint Chapter and ACFE Annual Fraud Training Class. This event was held at the Hilton Seattle Airport, 17620 International Blvd., SeaTac, WA.

Registration began at 7:30 a.m. each day.

The class was entitled, “Controlling the Risk of Asset Misappropriation”. The ACFE course leader was Allen F. Brown, CFE, CPA, Former Assistant Legislative Auditor (retired), Louisiana Legislative Auditor’s Office.

There were 16 hours of Continuing Professional Education available to all who attended this class.

Asset misappropriations pose a risk to all organizations. According to the ACFE’s 2014 Report to the Nations, these schemes are by far the most common form of occupational fraud, occurring in 85% of cases reported and resulting in a median loss of \$130,000. By identifying areas of vulnerability and implementing targeted preventive and detective measures, anti-fraud professionals can reduce the potential impact of these threats on their organizations.

This training course helped those that

attended assess an organization’s risk of asset misappropriation and provided best practices for deterring and identifying the costly theft or misuse of company resources.

Attendees learned 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 was directly with the ACFE at (800) 245-3321, or at www.ACFE.com.

The cost of this class was \$695 for ACFE Members and \$845 for non-members.

There was a \$95 discount for early registration (deadline—September 18, 2015). Pre-registration for this class was required.

Parking was available at the hotel at a discounted rate (\$10).

There were 47 people that attended this class, including nine members of the Pacific Northwest Chapter/ACFE. Attendees were from all over the United States, as well as from Canada.

Allen Brown did an outstanding job of presenting the material. His passion and expertise was on full display as he taught from actual cases and included videos of a number of “testimonials” from various fraudsters. He artfully explained that there is a big difference between “looking” and “examining” documents and emphasized the importance addressing the “does this make sense?” question. He did a great job of interacting with the audience and soliciting information from attendees’ own experience. Four of the most creative attendee interactions were rewarded by ACFE gifts.

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 early May each year.

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 the Chapter Membership, thank you for your support of the Chapter’s fraud training mission!

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.

New Chapter Members

Please welcome the new members who joined the Chapter during the period mid-September 2015 through October 2015:

CFEs:

- Brandi Breaux

Associate Members:
None

Student Members:
None

2016-2017 Chapter Student Scholarship Program

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 (discussed above), and the Pacific Northwest Chapter/ACFE Student Scholarship Program.

The Chapter scholarship program is a \$1,000 award to an

eligible student 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 Member to learn more about these programs. The application deadline is **February 5, 2016**.

Applicants must first apply directly for the Ritchie-Jennings Memorial Scholarship Program then provide the ACFE Foundation complete application package and a resume to Chapter President Robert Goehring via e-mail at President@fraud-examiners.org or by USPS to P.O. Box 215, Auburn, WA 98071-0215.

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

“In the last few years, the very idea of telling the truth, the whole truth and nothing but the truth is dredged up only as a final resort when the alternative options of deception, threat and bribery have all been exhausted.” - Michael Musto

***-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***

The Tidbit: Scam Alerts— (1) By Design. Spotting the Telltale Signs of Shady Deals, Scams, and Fraudulent Investment Offers; and, (2) Why Older Adults Are Scam Targets. Behind the ID Theft Epidemic.

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 Americans 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 someone 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 40s.

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) "The Department of Justice reports that 16.6 million adults were victimized by ID theft in 2012."**

(Continued on page 7)

The Tidbit—Continued

(Continued from page 6)

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 online, 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 an article by Sarah Barchus in the October-November 2014 Issue of The AARP Magazine.

Why Older Adults Are Scam Targets. Behind the ID Theft Epidemic.

Before you become a victim, learn how to defend yourself.

AARP Research asked 2,250 Americans about their experiences with identity theft. Over 12 percent said they had unauthorized purchases made in their names in the past year. The Department of Justice reports that 16.6 million adults were victimized by ID theft in 2012. But that figure doesn't include any unreported incidents. Getting a police report can be difficult. Police are held accountable for their statistics, and taking reports on crime they know they're not going to be able to solve can make them look ineffective.

Why are so few perpetrators caught? Investigative agencies just don't have the resources. Sometimes they only catch the "dumb" ones. Therefore, it's incumbent upon the consumer to protect themselves. And, if you become a future victim of ID theft, insist on filing a police report. Most consumer protection laws require it.

Here are 10 ways to keep your accounts safe.

- Obtain a locking mailbox or use a post office box. Almost 60 percent of Americans do not lock their mailbox.
- Limit personal information that comes through the mail by getting on-line accounts for all bank and credit cards. About 19 percent of Americans over 50 have not set up on-line access to their financial accounts.
- Don't leave personal information in your car. About 19 percent of

Americans age 19 to 49 admitted they have left their wallet or purse in their locked car over a recent week in time. But, only 8 percent of those over age 50 did this.

- Shred any documents that contain personal information, such as bank and credit card statements, tax forms, and medical bills. About 41 percent of those surveyed age 50 or older shred documents once a week or more.
- Lock devices such as smart phones, laptops, and tablets with pass codes to prevent unauthorized use in case they are lost or stolen. About 44 percent of those over 50 years old have not set up a pass code on their smart phones.
- Close out any old credit card accounts you're not using. Inactive credit accounts can make tempting targets for those perpetrating ID theft.
- Don't carry your Social Security card with you. Even exposing the last four digits of your Social Security number can put you at risk for financial fraud.
- Check your bank accounts and credit card statements on-line regularly. Three out of four Americans who bank on-line say they check their accounts at least weekly.
- Establish on-line accounts with the three credit reporting agencies (i.e.; Equifax, Experian, and TransUnion). Forty percent of all Americans have not registered for on-line access to their accounts with these three credit reporting agencies.
- Put fraud alerts on your accounts with the three credit reporting agencies and consider establishing a credit freeze. Only 16 percent of those surveyed who had received breach notifications had actually put fraud alerts on their credit files. Less than six percent opted for credit freezes.

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

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

(Continued from July/August 2015 Newsletter)

Appealability

The amount of award is not appealable so long as the SEC follows the provisions of Dodd-Frank and awards at least 10% of the sanction amount over \$1 million. Denial of any award is appealed to the United States Court of Appeals within 30 days of the Commission's decision.

Confidentiality Agreements that Stifle Whistleblowers

SEC rule § 240.21F-17 "Staff communications with individuals reporting possible securities law violations" provides:

(a) No person may take any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including enforcing, or threatening to enforce, a confidentiality agreement (other than agreements dealing with information covered by §240.21F-4(b)(4)(i) and §240.21F-4(b)(4)(ii) of this chapter related to the legal representation of a client) (*generally*

attorney client privileged information that is not permitted to be disclosed by any rule) with respect to such communications.

(b) If you are a director, officer, member, agent, or employee of an entity that has counsel, and you have initiated communications with the Commission related to a possible securities law violation, the staff is authorized to communicate directly with you regarding the possible securities law violation without seeking the consent of the entity's counsel.

On April 1, 2015, the Securities and Exchange Commission brought its first enforcement action against a company for using improperly restrictive language in confidentiality agreements with the potential to stifle the whistleblowing process. The SEC charged Houston-based global technology and engineering firm KBR Inc. with violating whistleblower protection Rule 21F-17 enacted under the Dodd-Frank Act. KBR required witnesses in certain internal investigation interviews to sign confidentiality statements with language warning that they could face discipline and even be fired if they discussed the matters with outside parties without the prior approval of KBR's legal department. Since these investigations included allegations of possible

securities law violations, the SEC found that these terms violated Rule 21F-17, which prohibits companies from taking any action to impede whistleblowers from reporting possible securities violations to the SEC.

KBR agreed to pay a \$130,000 penalty to settle the SEC's charges and the company voluntarily amended its confidentiality statement by adding language making clear that employees are free to report possible violations to the SEC and other federal agencies without KBR approval or fear of retaliation.

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.

Free ACFE Webinars by Logging on to Your ACFE Membership Account

For dues paying members of the Global ACFE organization, the ACFE offers free training. The webinars are typically 60 minutes in length and are equal to 1 credit hour of ACFE approved CPE credits.

Archived webinars are available for a limited time and new content is periodically uploaded. More information can be found by logging in to the ACFE web site as a member,

clicking on "My Account" in the upper right corner, and then clicking on the link in the paragraph in the right column which says "Earn free ACFE CPE credit with webinars from industry-leading companies. Access archived webinars.

Currently available free webinars include:

- Fraud Analytics in the Cloud
- Data Analytics Strategies to Uncover Fraud

- Procurement Fraud: Improve Fiscal Responsibilities with Procurement Fraud Detection
- Finding Emerging Fraud Patterns Through High Performance Analytics and Visualization
- How to Catch a Tax Cheat - Using Advanced Analytics to Detect and Pursue Tax Evasion

Ritchie-Jennings Memorial Student Scholarship Program (2016-2017)

Are you mentoring a college student? Do you have friends or professional associates with children in college? Could they use some additional financing to pay for tuition? Are they interested in Fraud Prevention, Detection or Investigation?

The ACFE Foundation supports the education of students worldwide enrolled in accounting, business, finance, and criminal justice who wish to pursue a career in fraud examination or similar anti-fraud professions.

Four different scholarship amounts are awarded: one \$10,000 scholarship, two \$5,000 scholarships, four \$2,500 scholarships and twenty-three \$1,000 scholarships. The Ritchie-Jennings Memorial scholarships are awarded in U.S. dollars and include a one-year ACFE Student Associate membership. Scholarships will be paid directly to the student's university.

To be eligible to apply, the applicant must currently be enrolled full-time and

similarly enrolled during the 2015-2016 academic year with a declared major or minor in accounting, business administration, finance, or criminal justice at an accredited, four-year college or university.

Undergraduates must be enrolled 9 semester hours (or equivalent) per term and graduates must be enrolled 6 semester hours (or equivalent) per term. To be considered, applicants must complete the Ritchie-Jennings Memorial Scholarship application with the following:

- Official transcript(s) showing all completed college or university courses
- Three letters of recommendation

Letters of recommendation should be obtained from an individual who may have worked with you in a professional or educational capacity such as an instructor or employer. At least one letter is preferred to be from a Certified Fraud

Examiner (CFE). Students are encouraged to meet with a local ACFE chapter to become acquainted with a CFE.

2016-2017 Scholarship Schedule:

- Application Deadline – completed online by **February 5, 2016**
- Scholarship Award Recipients Announced – April 17, 2016
- Scholarship Awards Distributed – April 30, 2016

The Pacific Northwest Chapter/ACFE also offers one \$1,000 annual scholarship (see below for more information)

See www.acfe.com/scholarship.aspx (ACFE Foundation) and www.fraud-examiners.org/scholarship_intro.shtml (Pacific Northwest Chapter/ACFE) for more information.

Help the next generation of fraud professionals meet their career goals by spreading the word about these scholarship opportunities!

Start Planning for the ACFE 27th Annual Global Fraud Conference and Exhibition—June 12-17, 2016—Las Vegas, NV

(Continued from page 1)

Individual Registration:
Register online or contact the ACFE at (800) 245-3321.

Group/Team Registration:
Contact the ACFE at (512) 478-9000 or e-mail groupregistration@acfe.com for registration information, including group pricing that is available for teams of 3 or more from the same organization.

The Pacific Northwest Chapter/ACFE will again participate in team registrations.

There were six members of the Pacific Northwest Chapter/ACFE that attended the June 2015 event as part of the ACFE Team Registration process and received at least a \$100 registration

discount.

Members must register through the Chapter in order to participate in the Chapter Team Registration Process.

Expected Team Registration Process:

- I. Complete the ACFE Supplemental Attendee Form (http://www.fraudconference.com/uploadedFiles/Fraud_Conference/25th/content/registration/25th-annual-reg-form-groups-supplemental.pdf) and send it via e-mail to President@fraud-examiners.org. Do not send payment at this time! You will be billed by the ACFE. Clearly indicate whether you will be attending the Full Conference or

- the Main Conference.
2. Chapter President Robert Goehring will complete the ACFE Group Registration Form and will provide to the ACFE with the related individual Supplemental Attendee Forms in late March/early April 2016.
3. After registration, each member will be responsible for making their own hotel reservations and signing up for their break-out sections at the Conference.
4. Chapter President Robert Goehring will notify all participating members via e-mail regarding the final count and pricing.

Participants must be current on their 2016 Chapter dues in order to participate in this program.

Chapter Registers as Supporter of the ACFE's International Fraud Awareness

The Pacific Northwest Chapter/ACFE has again registered as a supporter of the ACFE's International Fraud Awareness Week activities during the period November 15-21, 2015.

Organizations around the world lose an estimated five percent of their annual revenues to fraud annually, according to the ACFE 2014 *Report to the Nations on Occupational Fraud And Abuse*. If applied to the 2013 estimated Gross World Product, this translates to a potential projected global fraud loss of nearly

\$3.7 trillion,

This program will help to cast a spotlight on this urgent problem. This week-long campaign encourages business leaders and employees to proactively take steps to minimize the impact of fraud by promoting anti-fraud awareness and education activities.

Individuals and organizations may join the discussion through the ACFE Insights blog. Contact the ACFE's media relations specialist for additional

information.

Our Chapter has been speaking to university students in our geographic area about being trained in the detection and prevention of fraud, as well as ACFE and Chapter scholarship opportunities.

The Chapter Board of Officers hopes there will be additional future activities as well.

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 (\$100 each)

Final Reminder Regarding the 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):

- 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.

Kathryn Dixon, CFE, was the recipient of the 2014 Award.

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:

(Continued on page 12)

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 Winter 2015 (beginning in January 2016).** 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, 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 the Fraud Case:

In May 2015, the former Kent Little League treasurer pleaded guilty to six counts of first-degree theft, 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.

Additional Training Opportunities-NCFPS Virtual Currency Seminars, LLC

NCFPS Virtual Currency Seminars, LLC, announces the following classes on "Virtual Currency Money Laundering And Fraud Schemes: Investigation, Detection and Deterrence" in 2016:

- February 4 - 5, 2016, San Diego, CA
- July 6 - 7, 2016, Chicago, IL
- October 27 - 28, 2016, Boston, MA

The registration fees are as follows:

- General (\$845)

- CFEs (\$695)
- CPAs (\$695)

There are various discounts available from these rates.

Call 1-510-759-8381 to register, or visit <http://norcalfps.com/ncfps-virtual-currency-seminars-llc/>.

This seminar is a two-day course designed

to prepare attendees to become proficient in the basics of how to conduct a money laundering and/or fraud investigation involving virtual currencies or mobile payment products and services. Learning will be facilitated through the use and discussion of a real-world practical problem that will reflect themes raised by the course materials. This will assist attendees in the immediate application of their learning to real-world issues.

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

- CFE Exam Review Course, Doha, Qatar 11/29/15 - 12/3/15
- CPA Exam Review Course, Part 2, Abidjan, Cote d'Ivoire 11/30/15 - 12/4/15
- Detecting Fraud Through Vendor Audits, Las Vegas, NV 12/7/15
- Tracing and Recovering Fraud Losses, Las Vegas, NV 12/8/15 - 12/9/15
- CFE Exam Review Course, London, England 12/8/15 - 12/11/15
- Uncovering Fraud with Financial and Ratio Analysis, Tampa, FL 12/10/15 - 12/11/15
- CFE Exam Review Course, Calabar, Nigeria 12/10/15 - 12/13/15
- Principles of Fraud Examination, Austin, TX 12/14/15 - 12/17/15
- Presentation Skills for Fraud Examiners, New Orleans, LA 1/13/16
- Professional Interviewing Skills, New Orleans, LA 1/14/16 - 1/15/16
- CFE Exam Review Course, Part 2, Dakar, Senegal 1/18/16 - 1/22/16
- Financial Statement Fraud, Vancouver, BC 1/25/16 - 1/26/16
- Detecting Fraud Through Vendor Audits, Atlanta, GA 2/1/16
- Investigating on the Internet, Atlanta, GA 2/2/16 - 2/3/16

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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