

CFE UPDATE
July - August 1999

New Chapter Mailing Address

Please make a special note of the new mailing address for the Chapter. The Chapter Board of Officers apologizes to any Members who were inconvenienced by our recent change in post office boxes. Our old post office box in Seattle lapsed. In their haste to close the box, the Postmaster returned a lot of mail to the Members and others rather than hold the mail and forward it to our new box. To say the least, we were disappointed with this action. Bummer! To make matters even worse, this event occurred just prior to our June 1999 fraud seminar. As a result, a lot of registration forms and correspondence on the update of the Chapter Membership Directory were returned to senders. If you were among that unhappy throng and are wondering what to do with the returned mail, please send it back to us at our new address:

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

Many Members have already taken the time to forward this returned mail to one of the Chapter Board Members. For this action, we thank you. We also want to thank you very much, in advance, for your understanding and patience in this most difficult matter.

Association And Chapter Scholarship Programs

The Really Good News. The Association will soon announce the award of \$1,000 scholarships to 10 undergraduate and graduate students in accounting and criminal justice programs. The 1999-2000 Richie-Jennings Memorial Scholarship Program applicants were the strongest candidates ever seen by the Continuing Education Committee. News of these scholarships is apparently spreading to more colleges and universities and to more genuinely interested and highly qualified candidates. This is fantastic news!

At its July 1999 meeting, the Board of Regents approved an increase in the number of scholarships to 15 for the coming year. However, the amount of each scholarship will remain at \$1,000. The career fields eligible for these scholarships will also be increased next year to include computer sciences and other related areas. The list of eligible career fields will be formalized by the Board of Regents prior to the announcement of the 2000-2001 scholarship year. There are regular contributors to the scholarship fund each year, and the amount of the funds in reserve for this program has been increasing. The goal of the Board of Regents is to increase the reserve fund to an amount which will be able to pay for all annual scholarships from the interest earned each year. The reserve fund is healthy now, and will steadily rise to achieve this admirable goal.

The Other Good News.

There were three strong candidates for the Chapter's annual scholarship program. The Board of Officers selected a primary and an alternate candidate for the award. Even though our primary nominee was a strong candidate, she did not win a national scholarship. But, there is a silver lining in this announcement because she now automatically receives the \$500 Chapter scholarship. The Chapter scholarship award winner for 1999 is Megan M. Boardway. Congratulations!

Megan is a junior at the University of Washington, Tacoma Campus, and has a 3.81 cumulative grade point average. She is majoring in business administration and accounting and graduates in June 2000. Megan works as a college intern with the Washington State Auditor's Office in Port Orchard. She participates in a wide range of extracurricular professional and athletic endeavors.

Megan will be our guest at the August 18, 1999, annual Chapter business meeting at the Best Western Southcenter Hotel in Tukwila. The Board will make the \$500 Chapter scholarship presentation to her at this meeting. This will be your opportunity to meet Megan personally and to congratulate her on the award. Come wish her success in her senior year.

Tenth Annual Association Fraud Conference

The Association's annual fraud conference is now history. There were 1,800 professionals in attendance. It was the largest conference ever, and the largest fraud meeting ever held in the world. It was held at the Caesar's Palace Hotel in Las Vegas, Nevada, from July 25-30, 1999. The hotel reminds you of everything you ever learned about the Roman Empire -- Big and Spacious. Our next Chapter newsletter will include a more detailed report on the conference.

The Eleventh Annual Fraud Conference will be held at the New York City Marriott Marquis Hotel from July 30 - August 4, 1999. Put this important event on your training calendar now.

Semi-Annual Chapter Board of Officers Meeting

Your Chapter Board of Officers held its semi-annual meeting on Saturday, June 19, 1999, at the Central Washington University SeaTac Center. Norm Gierlasinski, Joe Dervaes, Gail Rogers, and Roger Gulliver attended the meeting. Bob Fuhriman was unable to attend, but has received all appropriate information being considered by the Board. The minutes of the prior semi-annual meeting were approved as published in the Chapter Newsletter.

- (1) On March 29, 1999, Vice-President Joe Dervaes wrote to the Internal Revenue Service to notify them of our intention to change our tax exempt status from a

Section 501(c)(3) organization to a Section 501(c)(6) organization. He also asked the IRS for additional information about the support test required for our initial five-year advance ruling period. As of the date of this newsletter, we have not yet received a response to this correspondence.

- (2) To comply with the requirements of the new Chapter Handbook, our Chapter needs to revise our Chapter By-Laws to adopt new uniform provisions established by the Association, to amend our Articles of Incorporation to become a Section 501(c)(6) tax exempt organization, and to enter into a Trademark License Agreement with the Association. Vice-President Joe Dervaes prepared the new documents for review by the Board. All documents were approved for presentation to the membership at the August 1999 annual business meeting. They will be available for inspection and reading at that time. The Members will be asked to vote on the approval of these critical documents at the annual business meeting on Wednesday, August 18, 1999.
- (3) Vice-President Joe Dervaes presented the Board with the new Chapter Banner. It will be on display at all future Chapter fraud seminars and conferences.
- (4) President Norm Gierlasinski and Vice-President Joe Dervaes will attend the Association's Tenth Annual Fraud Conference in Las Vegas, Nevada. Norm will attend the Chapter meeting and Joe will attend the Board of Regents meeting. Both Board members will make a report to the membership in a Chapter newsletter following the conference. Joe's expenses are paid by the Association, and Norm's expenses are paid by CWU. Norm will also attend the Association's Chapter Training Director Program Class in Austin, Texas, during the period December 13-17, 1999. Tuition for the class is paid by the Association. The Board agreed to pay all of Norm's remaining travel expenses to attend this class. The Chapter will benefit from this training in the coming years.
- (5) Vice-President Joe Dervaes, Secretary Gail Rogers, and Treasurer Roger Gulliver are putting the finishing touches on the new Chapter Membership Directory. It will be completed soon and published for the Members as soon as practical.
- (6) Vice-President Joe Dervaes reviewed the new Chapter Handbook and provided input to the Association for revisions. He made a presentation to the Board.
- (7) President Norm Gierlasinski and Vice-President Joe Dervaes reported that there were three applicants for the Chapter and Association Scholarship Program. The Board confirmed the selection of Megan Boardway as our primary candidate and Steven McDaniel as our alternate candidate. The Board wished them success in the competition.
- (8) The Chapter training schedule and proposed speakers for the remainder of 1999 and the new training format for 2000 were discussed. The Board thanked President Norm Gierlasinski for his work in securing fraud seminar speakers this year. President Norm Gierlasinski will bring the Board a report after attending the Association's

Chapter Training Director Program Class. At that time, we will make a decision about the training format for our 2000 fraud seminars. We may change the fraud seminar format from designated speakers to topical training subjects from the Association's video library and *Fraud Examiners Manual*. Fraud training seminars will be held on January 26, March 29, and May 31, 2000. We plan to conduct the January 2000 meeting jointly with the Institute of Internal Auditors. Our annual business meeting will be held on July 19, 2000. We will conduct a two-day fraud class jointly with the Association at an undetermined date in October 2000, and a one-day fraud conference jointly with the Washington Society of CPA's at an undetermined date in December 2000. The Membership should place these dates on their training calendar now.

- (9) The Board approved a change in our annual audit schedule to agree with the Association's new fiscal year reporting requirements. Rather than having a 12-month audit ending December 31, 1998, and another 6-month audit ending July 31, 1999, we will have a one-time fiscal year of 18 months for the period ending July 31, 1999. Audits will be annually thereafter.
- (10) The 1999 Distinguished Achievement Award was discussed. Vice-President Joe Dervaes will prepare a nomination package for Secretary Gail Rogers to recognize her six years of dedication to the Membership and her exemplary service in various positions on the Chapter Board of Officers since the Chapter was organized in 1993.
- (11) The 1999 joint Chapter and Washington Society of CPA's annual fraud conference was discussed. The WSCPA Committee has not yet taken any action as of the date of the meeting. President Norm Gierlasinski will discuss the conference with the society and the committee. He and Vice-President Joe Dervaes offered to be the Chairman and Vice-Chairman, respectively, again this year, and will approach at least four speakers asking them to make two-hour presentations at the conference.
- (12) President Norm Gierlasinski made a presentation to the Board seeking support for the production of a future fraud training video. The Chapter, in conjunction with the Association, would produce a two-hour video on fraud awareness for use by business and accounting students in colleges and universities. There would be at least 8 instructors developing and taping 15 minute segments for the video. The video would be well structured and scripted in advance. The Board will ask Joe Wells, Chairman of the Association of CFE's, to make the introduction. While all of the details haven't yet been worked out, this is a fantastic idea which has been already been favorably considered by the Association. Our Chapter will be able to make a valuable contribution to fraud training in the academic environment with the production of this video. The Board approved moving ahead on this project.
- (13) President Norm Gierlasinski made a presentation to the Board seeking support for nominal gifts for speakers at Chapter fraud seminars. The Board approved making nominal gifts to speakers. Items such as CFE caps, pins, and mugs were selected as

the original line of gifts to be used in the future. These items will be ordered from the Association catalog.

ANNUAL CHAPTER LUNCHEON AND BUSINESS MEETING

Wednesday, August 18, 1999 -- Noon - 2:00 p.m.

The annual Chapter luncheon business meeting will be held at the Best Western Southcenter, 15901 West Valley Road, Tukwila, WA. Directions to the hotel follow. The hotel is on the East side of Southcenter Shopping Center. West Valley Road is the first exit on I-405 East of I-5 at the Southcenter Interchange. The hotel is one block South of I-405 on the right-hand side of the road. There is plenty of parking at the hotel.

The meal will be a Deli Buffet with the following: Mixed greens with assorted dressings, potato salad, pasta salad, sliced fresh fruit, sliced deli meats and cheeses, condiments, relishes, chef's dessert table, coffee, tea, and decaffeinated coffee. The cost of the meal is \$10.00 for Chapter members and associates, and \$15.00 for non-members. The cost of the meal has been subsidized for Chapter members by eliminating the meeting room fee from the cost of the meal at the luncheon.

Last minute registration will be held just prior to the buffet luncheon which starts at Noon. A brief Chapter business meeting follows. Our fraud seminar will then begin at 1:00 p.m. Networking with Chapter members follows the seminar.

Thanks for your early registration to attend this meeting. Make your checks payable to the Chapter, and mail this registration form to the following new address:

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

SEMINAR REGISTRATION FORM

NAME: _____

TITLE: _____ PHONE: _____

EMPLOYER: _____
FAX: _____

ADDRESS: _____

CITY: _____ STATE:
_____ ZIP: _____

HOW YOUR INVESTIGATION CAN HELP (OR HURT) CRIMINAL PROSECUTION

The speaker is a seasoned prosecutor of criminal acts in King County, Washington. She will present some lessons learned from a recently completed four-week trial where the jury convicted Ted Grimes (Pacific Coast Escrow) of 8 counts of theft. Auditors and investigators must work closely with prosecutors for the successful outcome of any fraud case. Participants will learn how to improve their work to assist the prosecutor in any potential court action. Participants will also learn how to prevent mistakes which could prove to be damaging to the case.

BIOGRAPHY

Lynn S. Prunhuber is a Senior Deputy Prosecuting Attorney in the Fraud Division of the King County Prosecutor's Office. She has been prosecuting fraud cases for 14 years, and likes it. Lynn believes that the prosecution of fraud cases brings some much needed equal justice to the criminal justice system, and protects society's most vulnerable victims.

Ms. Prunhuber has prosecuted some celebrated cases, and some not so celebrated but equally worthy cases. Her favorites include *State v. Charles and Dolores Saas* (securities fraud, elderly victim); *State v. Brian Hodgson* (The "clam scam" profiteering case); *State v. Shirley Miller* (elderly fraud); *State v. John Tortorelli* (theft of natural resources); and, *State v. Holofa Crowder* (elderly fraud). Lynn is proud of the Fraud Division's collective progress over the last ten years in successfully prosecuting more difficult elderly fraud cases.