

CFE UPDATE
January-February 2001

Chapter Board of Officers

President: Norman J. Gierlasinski, PhD, CFE, CPA, CIA
Professor, Central Washington University (206) 439-3800, Extension 3825

Vice-President: Joseph R. Dervaes, CFE, CIA (360) 902-0368
Director of Special Investigations, Washington State Auditor's Office

Secretary-Treasurer: Rober B. Gulliver, CFE, CPA, CISA, CBA
Owner, Robert B. Gulliver, CPA (253) 735-2392

Director-At-Large: Robert L. Fuhriman, CFE, CPA
PriceWaterhouseCoopers (206) 398-3047

Director-At-Large: Gail G. Rogers, CFE, CIA
Owner, Rogers Business Examination Services (253) 952-6282

Chapter Fraud Seminar Training and Meeting Dates

Future fraud training events for calendar year 2001 are as follows:

February 28, 2001 - Chapter Fraud Seminar, Seattle.

April 25, 2001 - Chapter Fraud Seminar, Seattle.

June 27, 2001 - Chapter Fraud Seminar, Seattle.

August 29, 2001 - Chapter Fraud Seminar and Annual Business Meeting, Best Western Southcenter, Tukwila.

November 1-2, 2001 (dates not yet firm) - Joint Chapter and Association of CFE's Fraud Conference, Hilton Hotel, SeaTac.

December 11, 2001 (date not yet firm) – Joint Chapter and WSCPA Fraud Conference, Marriott Hotel, SeaTac.

Be sure to mark these important dates on your training schedule and plan to attend.

9th Annual Ritchie-Jennings Memorial Scholarship Program

For the 9th year, the Association of CFE's is pleased to award a number of scholarships through its Continuing Education Committee. Fifteen scholarships of \$1,500 each will be awarded through the Ritchie-Jennings Memorial Scholarship Program in honor of Tracy Ritchie, CFE, and Larry Jennings, CFE, who both died in a terrorist attack in Pakistan on November 12, 1997.

Through this scholarship program, the Association supports the education of college students who may become Certified Fraud Examiners in the future. The scholarships will be awarded to full-time undergraduate or graduate students majoring in accounting or criminal justice. Junior college, community college, and high school students, including graduating seniors, are not eligible.

Scholarships will be awarded on the basis of the following: (a) overall academic achievement demonstrated by notarized transcripts; (b) three letters of recommendation, including one from a Certified Fraud Examiner or a local Association Chapter, and the others from faculty members, academic advisers, or work supervisors; and, (c) an original essay of at least 250 words explaining why the applicant deserves the scholarship, and how fraud awareness will affect his or her professional career development.

Applications are now available. The postmark deadline for submitting application materials for one of the 2001-2002 scholarships is May 11, 2001. The awards will be announced by June 29, 2001 and awarded by August 10, 2001.

To request an application or additional scholarship information, contact:

Scholarship Program Coordinator

E-mail: Scholarships@cfenet.com

Phone: (800) 245-3321 or (512) 478-9070, extension 276

Or to download an application and read more about the program online, go to:

<http://www.cfenet.com/services/scholarships/index.shtml>

Applicants in the Pacific Northwest Chapter geographical area are also reminded that the Chapter also has a Scholarship Program. The Chapter awards one scholarship of \$500 each year. All Chapter members should provide the names of suitable candidates for these Scholarship Programs to any member of the Chapter Board of Directors. Chapter members should also encourage worthy candidates to apply for these scholarships.

Since all applications require a letter of recommendation from a CFE, we recommend all candidates submit their applications to the Pacific Northwest Chapter to obtain this letter and to enter the Chapters Scholarship Program. Please mail applications to Joseph R. Dervaes, P. O. Box 318, Vaughn, WA 98394.

The Chapter sponsors a Primary and Alternate candidate to the Association's Scholarship Program. If the Primary wins an Association scholarship, the Alternate automatically is

awarded the Chapter's scholarship. If the Primary does not win an Association scholarship, the Primary automatically is awarded the Chapter's scholarship.

Applicants in the Pacific Northwest Chapter geographical area may also obtain the same scholarship information as shown above for the Association of CFE's by contacting Vice-President Joe Dervaes at (360) 902-0368, or by e-mail at: Dervaesj@sao.wa.gov.

In order for scholarship applications to be considered by the Pacific Northwest Chapter, **the postmark deadline for submitting application materials to the Chapter is April 11, 2001.**

Association Board of Regents Meeting

Joe Dervaes, Chapter Vice-President and Chairman of the Board of Regents, will be attending the semi-annual Board of Regents meeting at Association Headquarters in Austin, Texas, during the period February 21-22, 2001. The Regents deal with such items as Association standards, policies and procedures, and protection of the Certified Fraud Examiner credential. Work in this latter category includes all aspects of the CFE Examination and Association disciplinary action taken against CFE's for violations of the Code of Conduct. Joe Wells, Chairman of the Association of CFE's, recently remarked that the current Board of Regents has been handling more work than any other prior Board that he can ever remember. Please join the Chapter in encouraging Joe in this most worthwhile endeavor as he dedicates his time and efforts to the membership of the Association!

Graduate Studies Course at the University of Texas

The Dean of the Business School at the University of Texas, Austin contacted the Association about sponsoring a graduate studies course during Summer 2001. The Association accepted this challenge. Chairman Joe Wells then sent out the call for the world's best volunteer instructors to teach the course using materials provided by the Association. There was a fantastic response from the membership to participate in this event. The title of the course will be "Occupational Fraud and Abuse", and Chairman Joe Wells' book by this title will be the text for the students. Chapter Vice-President Joe Dervaes, current Chairman of the Board of Regents, has been selected as one of nine instructors for the course. The prestigious list of instructors includes Association staff members, Association fraud instructors, and Association Board of Regent members, both current and prior. Joe Dervaes will represent the Washington State Auditor's Office, the Pacific Northwest Chapter, and the Association of CFE's in an outstanding manner. Please join the Chapter in congratulating Joe on this achievement and recognition of the talents he brings to the Association!

Fraud Tips

By: Joseph R. Dervaes, CFE, CIA
Director of Special Investigations
Washington State Auditor's Office

A representative of a local government recently asked me about what a supervisor should look for when trying to determine whether an employee could be taking money. The

individual asked me if I had a list of things that supervisors could watch out for. Things which immediately came to mind were:

An employee who comes to work early, leaves late, works nights and weekends, never takes leave or vacation and reports to the office during brief absences, asks others to hold their work without processing it until they return, and an employee who is the only one who can authorize certain types of transactions and no one can perform the task if they're gone.

Employees whose deferred compensation deductions are unreasonable given their living circumstances, and whose spouse or significant other has lost a job recently..

Employees living beyond their means and those with high debt, people with lots of new "toys" (i.e.; cars boats , travel trailers, motor homes, vacation property, home remodeling, etc.).

Employees who spend more money taking the staff to lunch than they make on the job, and who are being "dunned" by creditors while on the job.

Employees who brag about recent gambling gains or inheritances, who show a pattern of gambling and who are probably losing, and who frequently travel to gambling Meccas.

Cashiers who always balance and are never over or short, and who do not follow cash handling policies and procedures.

Employees who work in a "messy" area by design as a cover-up for other irregular or inappropriate activity, and who are secretive on the job and are unwilling to let others review their work.

Frequent customer feedback about errors and irregularities in the section.

After quickly compiling this short list, I also thought of the following information that applies to this inquiry. We should all pay attention to these danger signs of embezzlement.

Twenty Danger Signs of Embezzlement

1. Borrowing small amounts form fellow employees.
2. Placing personal checks in change funds (undated, postdated) or requesting others to "hold a check.
3. Personal checks cashed and returned for irregular reasons.
4. Collectors or creditors appearing at the place of business, and excessive use of telephone to "stall off" creditors.
5. Placing unauthorized IOU's in change funds, or prevailing on others in authority ot accept IOU's for small, short-term loans.
6. Inclination toward covering up inefficiencies or "plugging" figures.
7. Pronounced criticism of others, endeavoring to divert suspicion.
8. Replying to questions with unreasonable explanations.
9. Gambling in any form beyond ability to stand the loss.

10. Excessive drinking and night-clubbing, or associating with questionable characters.
11. Buying or otherwise acquiring through “business” channels expensive automobiles and extravagant household furnishings.

12. Explaining a higher standard of living as money left from an estate.
13. Getting annoyed at reasonable questioning.
14. Refusing to leave custody of records during the day or working overtime regularly.
15. Refusing to take vacations and shunning promotions for fear of detection.
16. Constant association with, and entertainment by, a member of a supplier's staff.
17. Carrying an unusually large bank balance, or heavy buying of securities.
18. Extended illness of self or family, usually without a plan of debt liquidation.
19. Bragging about exploits and/or carrying unusual amounts of money.
20. Rewriting records under the guise of neatness in presentation.

Here are the key elements or causes of fraud as I see them. The root cause of fraud outside the organization is an individual's need for money, either real or perceived (greed). I believe supervisors must have sufficient knowledge about their employees to know when these conditions occur. The need for money is just as great for those in positions of authority as it is for individuals at lower levels within the organization. I maintain that everyone can do something within the organization to create fraud, and that they simply do what they have access to and can control. The root cause of fraud inside the organization is an inadequate segregation of duties. This is why monitoring of employee actions is so critical to fraud detection and deterrence. I hope you find this information useful in your work as we all deal with the issue of fraud in the workplace.