

CFE UPDATE
July-August 2003

Chapter Board of Officers

President: Joseph R. Dervaes, CFE, CIA (360) 710-1545
ACFE Fellow, Cressey Award Winner, Regent Emeritus, Member of Board of Review,
Association of Certified Fraud Examiners; Audit Manager for Special Investigations,
Washington State Auditor's Office; and Founding President, Pacific NW Chapter/ACFE.
dervaesj@sao.wa.gov, Port Orchard, Washington

Vice-President: Norman J. Gierlasinski, PhD, CFE, CPA, CIA
Professor, Central Washington University (SeaTac Center) (206) 439-3800, Extension 3825;
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normang@cwu.edu, SeaTac, Washington

Secretary-Treasurer: Roger B. Gulliver, CFE, CPA, CISA, CBA
Owner, Robert B. Gulliver, CPA (253) 735-2392
rbg1@mindspring.com, Auburn, Washington

Director-At-Large: Bernadette McBride, CFE, CPA
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Director-At-Large: Robert A. Goehring, CFE, CPA
Audit Manager, City of Kent, (253) 856-5262
rgoehring@ci.kent.wa.us, Kent, Washington

Association and Chapter Fraud Training and Meeting Dates

Be sure to mark the following calendar year 2003 fraud training meetings on your personal schedule and plan to attend:

August 3-8, 2003: Association of CFE's 14th Annual Fraud Conference; Chicago Hilton Hotel; Chicago, Illinois. Register for this conference at www.cfenet.com. The meeting times are from 1:00-5:00 p.m. on August 3, 2003, for the Pre-Conference; 8:30 a.m. – 12:30 p.m. on August 6, 2003, and from 8:30 a.m. – 4:30 p.m. on all other days during the Main-Conference and Post-Conference period.

President Joe Dervaes will be receiving the Association's Cressey Award for 2003 at the opening ceremonies of the Main-Conference on August 4, 2003, for his lifetime achievements in fraud deterrence, detection, and education. Congratulations Joe!

President Joe Dervaes, Life Member, ACFE Fellow, Regent Emeritus, and Member of the Board of Review for the Association of CFE's, Founding President of the Pacific Northwest Chapter/ACFE, and Audit Manager for Special Investigations at the Washington State Auditor's Office will be one of the break-out session speakers at the conference. He will present an embezzlement fraud case study on the Washington State Liquor Control Board fraud case that emphasizes important concepts about the subtle compromise of the organization's accounts payable system. Don't miss it.

President Joe Dervaes will be attending the initial portion of the Board of Regents meeting on August 3, 2003, when the Board of Review makes its annual report on its activities. There was only one major case investigated this year (see letter below regarding Chairman Joe Wells).

Vice-President Norm Gierlasinski, Accounting Professor at Central Washington University's SeaTac Center will be the Pacific Northwest Chapter's official representative at the Chapter Representatives Meeting on August 3, 2003, held in conjunction with the Annual Fraud Conference. He will provide a report to the Chapter on the events of this meeting.

The Association will present the following awards to the individuals and organizations listed below at the closing ceremonies of the Main-Conference on August 6, 2003:

CFE of the Year: Bob DiPasquale

Associate of the Year: Jon McDowall

International Member of the Year: Alfredo Ruben Popritkin

Chapter of the Year: Toronto Chapter

Chapter Newsletter of the Year: Vancouver BC Chapter

Outstanding Achievements in:

Government: John Fisher Weber

Law Enforcement: Tyler Smith

Anti-Fraud Education: Dr. Steve Albrecht

Outreach/Community Service: Bob McCloud

Commerce: Rich Lanza

Congratulations to all the winners for 2003!

August 27, 2003: Chapter Fraud Training Seminar; Downtown Seattle, at 1000 Second Avenue in a 28th floor conference room of the Washington State Housing Finance Commission. This is the old Key Towers Bank Building; but, the building currently has no name on it. The building is located across the street and one block North of the Jackson Federal Building (corner of Second Avenue and Spring Street). We begin all meetings promptly at 2:30 p.m., hold a 30 minute networking session at 3:30 p.m., and then complete the seminars at 4:45 p.m.

The speaker will be Melissa A. Huelsman, Associate Member, ACFE. She will be speaking on the topic: "Predatory Lending Practices".

October 29, 2003: Chapter Fraud Training Seminar; Downtown Seattle, at 1000 Second Avenue in a 28th floor conference room of the Washington State Housing Finance Commission.

This is the old Key Towers Bank Building; but, the building currently has no name on it. The building is located across the street and one block North of the Jackson Federal Building (corner of Second Avenue and Spring Street). We begin all meetings promptly at 2:30 p.m., hold a 30 minute networking session at 3:30 p.m., and then complete the seminars at 4:45 p.m.

The speaker will be Thomas Southern, CFE, Senior Risk Management Specialist, CUNA Mutual Group. He will be speaking on the topic of “Electronic fraud controls for credit and debit cards.

December 5, 2003: Joint Chapter and WSCPA 7th Annual Fraud Conference; Marriott Hotel; 3201 South 176th Street, SeaTac (across the street and up the hill a short distance from SeaTac International Airport). Registration and continental breakfast is at 8:00 a.m. The conference begins at 8:30 a.m. and ends at 5:00 p.m. **Register directly with the WSCPA by calling 1-800-272-8273 (Bellevue, WA).** The conference includes eight hours of continuing professional education credit. The course registration form can also be obtained from the WSCPA’s web site at “www:wscpa.org”. You must call the WSCPA to actually register for the conference. Ask for Lisa Chin-Iwata in the Education Department.

President Joe Dervaes and Vice-President Norm Gierlasinski and will co-chair the 7th Annual Fraud Conference. The Chapter Board of Officers is working on the following tentative list of speakers and topics for the annual fraud conference this year:

Rex Staples – Securities fraud.

Gordon Mitchell – Fraud case studies, forensic work, and trial activities.

Jean Seidler and Jim Shaker – How to not make mistakes about fraud from an employer’s perspective.

Ann Rueter - Internal Revenue Service, Criminal Investigations Division.

Important Chapter Fraud Training Meeting Information for Downtown Seattle Location

All fraud seminars conducted by the Chapter in downtown Seattle are held at this location.

We meet at 1000 Second Avenue in a 28th floor conference room of the Washington State Housing Finance Commission. This is the old Key Towers Bank Building; but, the building currently has no name on it. The building is located across the street and one block North of the Jackson Federal Building (corner of Second Avenue and Spring Street).

Please pay particular attention to the following rules for visiting our fraud seminar training location in downtown Seattle. Our host, the State of Washington Housing Finance Commission, controls the conference room where our meetings are held and has asked for our cooperation in implementing these security and access rules. The Chapter Board of Officers appreciates your cooperation with these requirements.

- First, building security. The staff has asked us to go to the Commission’s main offices on the 27th Floor and sign-in with the receptionist before going to the 28th Floor conference room for the fraud seminar. A visitor’s badge will be issued to you. Please turn-in this

visitor's badge in the conference room before departing the building. The Chapter will turn-in all visitor badges at the end of the day.

- Second, the time of our fraud seminar. The staff has asked up to depart the facility promptly because their duty day ends at 5:00 p.m. Therefore, **we will begin all meetings promptly at 2:30 p.m.**, hold a 30 minute networking session at 3:30 p.m., and complete all fraud seminars at 4:45 p.m. sharp. Visitor badges will be collected at this time.

Board of Regents Letter to Chapter Presidents

The following is a July 3, 2003, letter from Karen Tierney, CFE, CPA, CVA, CIA, Chairman of the Board of Regents, to all Association Chapter Presidents:

"As you were made aware in an e-mail from Jim Ratley dated June 13, 2003, Joseph T. Wells pled "No Contest" to a Class "C" misdemeanor relating to the possession of a small quantity of marijuana.

Your elected Board of Regents has now fully considered this matter, including comments received from members. In our 15-year history, the ACFE has not disciplined any member for a misdemeanor offense unless it related to conduct involving moral turpitude. Because Mr. Wells is a licensed CPA in the State of Texas and a member of The Institute of Internal Auditors, we investigated their policies with respect to such offenses.

The Texas State Board of Public Accountancy, whose rules are set forth in paragraph 501.90 of the Texas Statutory Administrative Code, does not consider a minor misdemeanor offense to be a "discreditable act" unless the conduct involves fraud or dishonesty. The Institute of Internal Auditors' has a similar policy.

The Board of Regents has decided that because of Mr. Wells' position, he should be held to a higher standard. Accordingly, the Board has concluded our action of this case by voting unanimously to issue him a private reprimand."

Job Opportunities

The Chapter received the following job opportunity announcement on June 3, 2003:

The Department of Licensing is recruiting for a Regional Audit Manager located in Seattle, WA. The Northwest Region Audit Manager manages the Prorate & Fuel Tax Audit Section, Northwest Region, within the Vehicle Services Division. This position directs the program that contributes to the revenue collections of the statewide audit section, which assesses \$2 million in taxes, fees and interest per year. The recruitment is open through June 16, 2003 and the salary for this position is \$52,000 - \$60,000 depending on qualifications. Please click on the link for position information and application requirements for this position.

<http://hr.dop.wa.gov/statejobs/bulletins/CURRENT/Mgmtcurrent/030527dol.htm>

DIRECTOR-INVESTIGATIONS

Office of the University Auditor

Oversee a comprehensive program for the conduct of fraud investigations on a systemwide basis. Assist in implementing Whistleblower Policies and development of training programs, program tools and a reporting/monitoring system. Lead investigator on major investigations at the Office of the President and as liaison to campuses/labs for major investigations throughout the system. Manage the database of open investigations systemwide and monitor their status. Maintain highly developed technical skills in area of fraud awareness and prevention/detection techniques, and disseminate these skills to other auditors throughout the system. Primary liaison with UC Police and outside investigators including State Auditor's Office and other regulatory agencies, with goal of instilling confidence in the University's investigation program.

REQUIREMENTS: Leadership and consensus-building skills to oversee a systemwide program and sell various approaches. Highly developed technical skills in the conduct of complex and sensitive fraud investigations. Exceptional analytical skills. Knowledge of the law enforcement community with demonstrated ability to establish contacts with the police, FBI, district attorney's office and other regulatory agencies. Forensic accounting and auditing skills, including data searches and retrieval of information from computers and communications. Extraordinary tact, diplomacy, discretion, professionalism, and judgement in the exercise of decision making and higher level communications. Ability to be an effective trainer in both a classroom setting and on the job. Excellent written and oral communication skills including making presentations to the President, The Regents, and potentially the media. Ability to serve as a witness for the University in the prosecution of wrongdoing. Ability to develop a strong working relationship with the General Counsel's Office, including knowledge of the rules of evidence, fraud statutes, employee privacy rights and the like. Specialized interviewing skills with ability to draw out information, interpret responses, and ferret out the truth. CPA preferred. Knowledge of University policies, CFE, legal background, criminal investigation skills, Private Investigation license and Psychology and Sociology background desired. Background check required. Ability to obtain a DOE Q Level clearance required.

SALARY RANGE: MSP VI (\$87,400-157,400) commensurate with qualifications and experience.

APPLICATIONS: Contact Jim Wray jimrecruit@aol.com 909-461-9750

The Chapter received the following job opportunity announcement on June 4, 2003:

Donna Larsen owns Skyline Search, Incorporated, an executive recruiting firm. She specializes in recruiting for the internal audit and accounting professions and always has a long list of positions that need to be filled at locations all over the United States. The firm can be reached by e-mail at skylinesearch@yahoo.com. Details of the particular jobs that are open at this time are not listed due to the length of the listing. If you are interested in this web-site, please contact them directly for additional information.

The Chapter received the following job opportunity announcement on June 20, 2003:

The Department of Information Services (DIS) is recruiting for an Information Technology System Specialist 5. This is a full-time, temporary position with the Department of Information Services, Management and Oversight of Strategic Technologies Division, Small Agency Client Services. This position is scheduled to last nine months.

However, this temporary opportunity may be extended to 18 months. Interested candidates should submit a completed Washington State Application to Rich Woodard via e-mail at RichardW@dis.wa.gov or DIS Human Resources Office, Post Office Box 42445, Olympia, Washington 98504-2445. Applications must be received by 5:00 p.m. July 3, 2003. Questions may be directed to RichardW@dis.wa.gov or (360) 902-3540.

Speaking Opportunities for Information Security Officials

The Chapter received the following speaker opportunity information on June 4, 2003:

CyberCrime 2004 (www.cybercrime2004.com), one of the fastest-growing conferences in the information security industry, is accepting applications for speaking spots at the annual summit (February 8-10, 2004). Now in its fourth year, CyberCrime is noted for featuring educational sessions from the top experts in the growing high-tech security industry. CyberCrime 2004 will attract over 1,000 decision makers who are CEOs, CTOs, CIOs, CFOs, IT Security Specialists, Network Security Specialists, and Government Officials. Due to popular, the conference offers six classroom tracks and three hands-on lab tracks. The deadline for applications is June 30, 2003. To apply for a speaking spot, contact: <http://www.cybercrime2004.com>. Internet Crimes, Inc. hosts this conference. You may also contact them at 1-800-213-4326.

On-Line Fraud Resources

The following on-line fraud resources are provided as a courtesy from the Association of CFE's periodic electronic member newsletter.

US Federal Trade Commission

www.ftc.gov

National Fraud Information Center

www.fraud.org

The Fraud Advisory Panel (UK)

www.fraudadvisorypanel.org

FBI Internet Fraud Complaint Center

www.ifccfbi.gov

Coalition Against Insurance Fraud

www.insurancefraud.org

Computer Security Institute

www.gocsi.com

EthicsLine

www.ethicsline.com

Call for Action

www.callforaction.org

Association's 14th Annual Fraud Conference

The Association of CFE's will host it's 14th Annual Fraud Conference and Exhibition in Chicago, Illinois, from August 3-8, 2003. Put this premier fraud training forum on your training calendar now. Highlights include:

- Building your own curriculum! Choose sessions from a large selection of up-to-date and informative topics
- Networking with fraud examiners, accountants/auditors, law enforcement, security personnel, corporate management, private investigators, attorneys, and educators who represent virtually every industry
- Discovering the latest industry products, services, and technologies in our exhibit hall.

Call the ACFE or visit the Association's 14th Annual web site for details:

<http://www.fraudconference.com/>

Interested in exhibiting?

With over 2,000 attendees expected, the 14th Annual Fraud Conference & Exhibition is your #1 selling opportunity of the year. Promote your products and services through the premier fraud prevention gathering that attracts a wide range of professionals who are responsible for the purchase of products and services like yours. The Exhibition gives you an unmatched opportunity to help them find the solutions.

For more information about exhibit and/or sponsorship opportunities at the 14th Annual Fraud Conference & Exhibition, contact Leslie Simpson at (800) 245-3321/+1(512) 478-9070 or by e-mail at lsimpson@cfenet.com.

Minutes from Semi-Annual Chapter Board of Officers Meeting

The Chapter Board of Officers held its semi-annual meeting in a restaurant near the Mayflower of China Restaurant where the Annual Luncheon Business Meeting was to be held from 10:00 – 11:30 a.m. on June 25, 2003. Members present were Norm Gierlasinski, Roger Gulliver, Bernadette McBride, and Joe Dervaes. Member absent was Linda Saunders. The meeting was called to order by the Vice-President at 10:00 a.m. The following items were discussed:

(1) The Board approved the minutes from the February 26, 2003 meeting.

(2) This meeting confirms that the President appointed the Nominating Committee consisting of Chapter Vice-President Norm Gierlasinski and two members of his choosing. Members Morgan Jacobson, and Kent Hansen were subsequently selected to serve on this committee. According to our Chapter By-Laws, an officer serves in the position for one year, and then may run for election again in the same position during the following year. In order to continue serving in a leadership capacity after that, each person must run for election to a different position. There was one vacant position on the Chapter Board of Officers, and two Chapter Members agreed to submit their name for possible election to this position. Accordingly, the Board of Officers announced the following ballot of candidates to the membership for the elections to be held at the annual business meeting later in the day on June 25, 2003:

President: Joseph R. Dervaes, CFE, CIA. Joe is the founding President of the Chapter. He is a Life Member, Fellow of the Association of CFE's, faculty member, Regent Emeritus and Member of the Board of Review. He is the Audit Manager for Special Investigations for the Washington State Auditor's Office in Port Orchard.

Vice-President: Dr. Norman J. Gierlasinski, PhD, CFE, CPA, CIA. Norm is a faculty member of Central Washington University-SeaTac Center in Tukwila, and owns and operates a private consulting firm, Gierlasinski and Associates.

Secretary-Treasurer: Roger B. Gulliver, CFE, CPA, CISA, CBA. Roger owns and operates a private firm, Roger B. Gulliver & Associates, PS, in Auburn.

Director-At-Large: Bernadette McBride, CFE, CPA. Bernadette is a Senior Investigator/Financial Examiner in the Securities Division of the Washington State Department of Financial Institutions in Olympia.

Director-At-Large: (Two Candidates)

Robert A. Goehring, CFE, CPA. Robert is the Audit Manager at the City of Kent.

Patrick T. Gillespie, CFE. Patrick is a Senior Auditor in the Standards and Procedures Unit at the Washington State Department of Revenue.

(3) The Chapter President will appoint two Chapter members to serve as the Elections Committee during the Annual Luncheon Business Meeting. They will count the votes and give a report at the business meeting later in the day on June 25, 2003. Members Cliff Whipple and DeWayne Pitts were subsequently selected to serve on this committee.

(4) The Chapter President will announce the selection recommendation for the Distinguished Achievement Award for 2003 at the annual business meeting to be held later in the day. The Chapter Board's nominee to receive this award is outgoing President Linda Saunders. Linda is being recognized for her work as President of the Chapter for two years, her continuing support of the Chapter's training mission, and for her activities in support of the Association of CFEs. Joe Dervaes volunteered to prepare the nomination package.

(5) One of the primary functions of the Chapter Board of Officers is to find suitable fraud speakers for our bi-monthly fraud training seminars and our annual fraud conference jointly sponsored by the WSCPA. Future potential speakers were discussed at length. Each Member of the Board of Officers accepted the challenge of finding future speakers for Chapter training events. We already have a fine start on completing the task of assigning prospective speakers to the time slots available for the remainder of this year.

(6) In order to recognize and pay tribute to those members who have displayed exceptional effort in their pursuits of detecting, preventing, and investigating fraud while adhering to a strict code of professional conduct and ethics, the Board of Regents of the Association of CFE's has approved and endorsed the bestowing of several new Outstanding Achievement Awards. This is the second year of this program. As of the date of this meeting, the Association of CFE's had not yet announced the winners in these programs; but, the results are as announced above in this Chapter newsletter.

- Norm Gierlasinski prepared the nomination package for Joe Dervaes for the Certified Fraud Examiner of the Year Award. This award is presented to a Certified Fraud Examiner who has demonstrated during the year outstanding achievement in the field of fraud examination. Subsequent to this action, the Association of CFEs selected Joe Dervaes as the winner for the 2003 Cressey Award, a lifetime achievement in fraud detection, deterrence, and education. Congratulations Joe!
- Joe Dervaes prepared the nomination package for Dr. Robert Holtfretter for the Outstanding Associate Member of the Year Award. This award is presented to an Associate Member who has demonstrated outstanding proficiency in the prevention, detection, or deterrence of fraud in the public or private sector and made a noteworthy contribution to the discipline of fraud. The first year this award was presented, the Board of Regents also waived the CFE Examination Preparatory Course cost for the winner in this category. We hope they will do the same again this year. As indicated in the results of the awards program announced above in this Chapter newsletter, Dr. Holtfretter was not selected to receive this award this year. We will re-submit his nomination again next year.

These members of the Chapter Board of Officers represent Certified Fraud Examiners well in all they do, and they are outstanding candidates for these awards.

(7) Chapter Vice-President Norm Gierlasinski was selected to represent the Chapter at the Association's Chapter Representative Meeting held on August 3, 2003, just prior to the Annual

Fraud Conference in Chicago, Illinois. The Chapter Board of Officers agreed to pay up to \$500 toward his expenses to attend this important meeting. This amount will basically represent the balance of his expenses that are not covered by his employer. Chapter President Joe Dervaes is a speaker at the conference. As a Member of the Board of Review, he will also attend a portion of the Board of Regents Meeting. His travel expenses will be paid by the Association. The Chapter Board of Officers also agreed to pay for Dr. Holtfretter's travel expenses to Chicago if he is selected for the Associate Member of the Year Award; but, as indicated above, this opportunity did not materialize.

(8) Kent Hansen reported to the Board that we are again experiencing trouble with our Internet host for the Chapter's web-site. Kent estimates that we will need to spend up to \$30 per month for the service under another provider. The Board authorized Kent to make all the arrangements to change the Internet host as needed, as well as any associated cost for this action. The cost is minimal considering the fact that annual mailing costs for our Chapter newsletter were approximately \$2,000 per year in the past when the U.S. Postal Service was used for distribution of this material. In addition, it took a significant amount of time to print, assemble, and mail the newsletter by our volunteer staff. We will still be achieving a significant cost savings by using a more expensive Internet host for the Chapter's web-site.

(9) Joe Dervaes indicated that he will be sending out a survey to all those on the Association's mailing list for the Pacific Northwest. By making contact with everyone, the Chapter hopes to gain greater participation in our training activities and to reach more CFE's than ever before.

(10) The Chapter Board of Officers recently responded to the Association's request for our thoughts on the benefits of chapter membership. Hopefully our input will be useful for this project. The results of this inquiry will be published in a future issue of "The White Paper".

(11) An announcement about the Association's scholarship winners will not be made until after the Board of Regents approves them at the Annual Fraud Conference on August 3, 2003. Once this decision is made, the Chapter will award its scholarship as well.

(12) The Association has not yet made its announcement on the winners of the various awards for 2003. We expect to receive this information as soon as the Board of Regents approves the winners at their August 3, 2003, annual meeting held in Chicago, Illinois, in conjunction with the 14th Annual Fraud Conference. These results are reported above in this Chapter newsletter.

(13) The Chapter Board of Officers will contact the Vancouver, B.C., Canada Chapter. Earlier this year, they wanted to hold a joint meeting with our Chapter. Based on our training schedule, this did not appear to be possible. We will contact them to see if it would be possible for our Chapter representative(s) to attend one of their meetings.

(14) The Chapter Board of Officers unanimously approved granting five \$25 gift certificates to a local book store to the winners of the door prizes at the annual luncheon business meeting to be held shortly after this meeting. Those present at the meeting will receive "tickets" to participate in this event celebrating our 10th Anniversary as a Chapter. Our anniversary date was March 31, 2003.

The meeting adjourned at 11:00 a.m., with the annual luncheon business meeting following at Noon.

Minutes of Annual Luncheon Chapter Business Meeting

The meeting began with a luncheon at Noon on June 25, 2003, in Tukwila. The schedule of the meeting was altered because the speaker had to depart the meeting early for another business appointment. Chapter Secretary-Treasurer Joe Dervaes introduced the speaker, Rob Floberg from the Pierce County Sheriff's Department and his assistant, Jack Anderson. Detective Floberg spoke on the topic of Nigerian Fraud Schemes from 12:30-1:30 p.m., giving members one hour of free Continuing Professional Education.

Chapter President Linda Saunders also had to depart the meeting early for another appointment. Secretary-Treasurer Joe Dervaes called the annual luncheon business meeting to order at 1:30 p.m. The following is a summary of these events.

(1) Joe Dervaes presented Outgoing President Linda Saunders with a plaque recognizing her two years of service on the Chapter Board of Officers.

(2) Linda Saunders presented Incoming President Joe Dervaes with the gavel to conduct the remainder of the meeting.

(3) Joe Dervaes conducted the drawing for the door prizes in honor of the Chapter's 10th Anniversary (March 31, 1993 – March 30, 2003). The date came and went very quietly; but, we celebrated it at the annual business luncheon meeting with five \$25 gift certificates being presented to the Members present. Volunteers from the Chapter selected the winning tickets for each door prize. Based on a drawing of tickets, the following individuals received the gift certificates: Bob Fuhrman, Linda Saunders, Peter Tobin, Pam Privette, and Sharon Sandler.

(4) Joe Dervaes announced all items listed above in the Chapter Semi-annual business meeting to the members present at the meeting. The details of these items have not been repeated here.

(5) By unanimous vote, the Chapter approved the Board's nomination of Linda Saunders to receive the Distinguished Achievement Award for 2003 for her contributions to the Chapter and the Association.

(6) At the beginning of the annual luncheon business meeting, President Linda Saunders previously appointed the two Chapter members to the Elections Committee to count the ballots. They were: Cliff Whipple and DeWayne Pitts. The Elections Committee made their report that the following Chapter Members were elected to the positions shown. The Board is as follows: Joe Dervaes, President; Norm Gierlasinski, Vice-President; Roger Gulliver, Secretary-Treasurer; Bernadette McBride, Director-At-Large; and Robert Goehring, Director-At Large. The term of office for all new members of the Chapter Board of Officers is from July 1, 2003, through June 30, 2004. For the one Director-At-Large position where two Chapter members were running for election, the vote was as follows: Robert Goehring received 14 votes and Patrick Gillespie

received 2 votes, for a total of 16 votes cast by Chapter members. Thanks to both Chapter members for showing your interest in this important position on our Chapter Board of Officers. The vote for all other positions was unanimous.

(7) Joe Dervaes briefly explained the current situation involving Chairman Joe Wells. The Board of Regents will make a final determination on any disciplinary action to be taken in the case based upon the investigation conducted by the Board of Review. The results of this action are as reported above in this Chapter newsletter.

The meeting was adjourned at 2:00 p.m. There were 19 people in attendance at the meeting. The Chapter plans to continue using the Mayflower of China Restaurant for the Annual Luncheon Business Meeting location in future years. We have achieved significant savings in the cost of our annual business luncheon meetings by using this facility. If our attendance figures increase over time, we may then want to consider moving the location to a larger facility. But for now, this restaurant and location is just fine.

Association's CFE Examination Preparatory Course – Attention Associate Members!!!

An Associate Member of the Association and our Chapter recently inquired about the average amount of time that should be spent reviewing the study material and taking the CFE Examination. The Association provided the following response: “It should take about 50 hours of study time to prepare for the CFE Examination. And, it takes approximately two months to complete the task.”

For those of you who are preparing to take the CFE Examination, this should be useful information. In addition, it is one of the most frequently asked questions about this program.

Association statistics show that approximately 75% of all Associates who take the CFE Examination pass the test on their first attempt. Of those that pass the test, approximately 97% had previously taken the CFE Examination Preparatory Course. These statistics speak volumes about the quality of the CFE Examination Preparatory Course and the results that can be achieved by taking it. Therefore, a word to the wise should be sufficient. If you plan to take the CFE Examination, the Chapter advises you also take the CFE Examination Preparatory Course. It's definitely worth the time, effort, and money.

Chapter E-Mail to Outgoing President Linda Saunders

Incoming Chapter President Joe Dervaes sent the following e-mail message to Outgoing Chapter President Linda Saunders on June 26, 2003:

“Thanks for your service to the Pacific Northwest Chapter/ACFE as President for the past two years. We thank you for your leadership and willingness to serve in this important position. You may hang your President's Plaque on your office wall proudly. It was my pleasure to present it to you at yesterday's meeting. They're nice!

The Chapter voted to award you the Distinguished Achievement Award for 2003 at our annual luncheon business meeting on June 25, 2003. So, congratulations! I will be preparing the nomination package later on this year. You could help me do that by providing me with the details of your contributions to the Association of CFE's and the Pacific Northwest Chapter when it's convenient for you to do so. You know best what you've been doing. This will help me make an accurate presentation to the Association for their action. Thanks.

We're looking forward to your continued support of our Chapter mission. Best professional regards."

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

SEMINAR TOPIC – PREDATORY LENDING PRACTICES

Predatory lending is a term used to describe a variety of practices designed to gouge customers with exorbitant fees and interest rates on home mortgages, and to strip the equity from their homes. The largest number of victims of these practices are the elderly of all ethnic backgrounds, followed by African-Americans and Hispanics.

Predatory lending includes:

- Kickbacks to mortgage brokers (Yield Spread Premiums, where a broker can get a loan at a lower interest rate, but tells the borrowers only about the higher rate loan so that the broker will receive a kickback from the lender);
- Payments the borrower cannot afford;
- Falsifying loan applications (i.e., income);
- Adding insincere co-signers;
- Making loans to mentally incapacitated homeowners;
- Forging signatures;
- Paying off lower income or interest mortgages;
- Loans in excess of 100% LTV;
- Changing loan terms at closing;
- High annual interest rates;
- High points or padded closing costs;
- High loan origination fees;
- Balloon payments;
- Negative amortization;
- Inflated appraisal costs;
- Padded recording fees;
- Bogus broker fees;
- Itemizing duplicate services and charging separately for them;
- Required credit insurance and/or inflated price, single premium insurance;
- Mandatory arbitration clauses;
- Falsely identifying loans as lines of credit or open ended mortgages;
- Forced placed homeowners insurance;
- Repeated refinancing (flipping);
- Daily interest when payments are late;
- Excessive prepayment penalties;
- Foreclosure abuses; and
- Home improvement scams.

SPEAKER – MELISSA A. HUELSMAN, ASSOCIATE MEMBER, ACFE

Melissa A. Huelsman is an attorney practicing in Seattle and with an office in Bellevue. Her practice is focused on predatory lending and fraud litigation, and bankruptcy. Ms. Huelsman

received her Bachelor of Arts degree in English from California State University, Fullerton and her Juris Doctorate from Southwestern University School of Law, Los Angeles, California. She is admitted to practice before the State Bars of California and Washington, the United States District Court for the Central District of California and the United States District Court for the Western District of Washington. She is a volunteer attorney with Volunteer Legal Services and the Debt Clinic through the King County Bar Association, a writer and member of the Board of the King County Bar Bulletin, and Chairperson of the Remedies Committee and the P.L.A.C.E. subcommittee of the Seattle-King County Coalition for Responsible Lending. Ms. Huelsman is also an associate member of the Association of Certified Fraud Examiners and the National Association of Consumer Advocates.

DATE: August 27, 2003 **TIME:** 2:30 – 5:00 p.m. **CPE:** Two Hours CPE Credit

Location of Training Facility: We meet at 1000 Second Avenue in a 28th floor conference room of the Washington State Housing Finance Commission. This is the old Key Towers Bank Building; but, the building currently has no name on it. The building is located across the street and one block North of the Jackson Federal Building (corner of Second Avenue and Spring Street).

Important Fraud Training Meeting Information for the Downtown Seattle Location is Included in the Bi-Monthly Chapter Newsletter.

Note: We have entered into an agreement with the Washington State Board of Accountancy to meet its continuing professional education requirements.

SEMINAR REGISTRATION FORM (August 27, 2003 – 2:30-4:45 p.m.)

NAME: _____

TITLE: _____

PHONE: _____ FAX: _____

EMPLOYER: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

Please mail registration form with \$20 check for members or \$25 for non-members to: Pacific Northwest Chapter/ACFE; P. O. Box 215; Auburn, WA 98071-0215.

SEMINAR DESCRIPTION – PREDATORY LENDING PRACTICES

APredatory lending[≅] is a term used to describe a variety of practices designed to gouge customers with exorbitant fees and interest rates on home mortgages, and to strip the equity from their homes. The largest number of victims of these practices are the elderly of all ethnic backgrounds, followed by African-Americans and Hispanics.

Predatory lending includes:

- Kickbacks to mortgage brokers (Yield Spread Premiums, where a broker can get a loan at a lower interest rate, but tells the borrowers only about the higher rate loan so that the broker will receive a kickback from the lender);
- Payments the borrower cannot afford;
- Falsifying loan applications (i.e., income);
- Adding insincere co-signers;
- Making loans to mentally incapacitated homeowners;
- Forging signatures;
- Paying off lower income or interest mortgages;
- Loans in excess of 100% LTV;
- Changing loan terms at closing;
- High annual interest rates;
- High points or padded closing costs;
- High loan origination fees;
- Balloon payments;
- Negative amortization;
- Inflated appraisal costs;
- Padded recording fees;
- Bogus broker fees;
- Itemizing duplicate services and charging separately for them;

- Required credit insurance and/or inflated price, single premium insurance;
- Mandatory arbitration clauses;
- Falsely identifying loans as lines of credit or open ended mortgages;
- Forced placed homeowners insurance;
- Repeated refinancing (flipping);
- Daily interest when payments are late;
- Excessive prepayment penalties;
- Foreclosure abuses; and
- Home improvement scams.

BIOGRAPHY – MELISSA A. HUELSMAN, ASSOCIATE MEMBER, ACFE

Melissa A. Huelsman is an attorney practicing in Seattle and with an office in Bellevue. Her practice is focused on predatory lending and fraud litigation, and bankruptcy. Ms. Huelsman received her Bachelor of Arts degree in English from California State University, Fullerton and her Juris Doctorate from Southwestern University School of Law, Los Angeles, California. She is admitted to practice before the State Bars of California and Washington, the United States District Court for the Central District of California and the United States District Court for the Western District of Washington. She is a volunteer attorney with Volunteer Legal Services and the Debt Clinic through the King County Bar Association, a writer and member of the Board of the King County Bar Bulletin, and Chairperson of the Remedies Committee and the P.L.A.C.E. subcommittee of the Seattle-King County Coalition for Responsible Lending. Ms. Huelsman is also an associate member of the Association of Certified Fraud Examiners and the National Association of Consumer Advocates.

Many organizations require the **Federal Tax Identification Number** of the Pacific Northwest Chapter/ACFE in order to pay for their employees to attend our fraud training events. The number is: **91-1592735**.

Important Fraud Training Meeting Information for the Downtown Seattle Location is Included in the Bi-Monthly Chapter Newsletter.