

## CFE UPDATE

November-December 2004

### Chapter Board of Officers

President: Joseph R. Dervaes, CFE, CIA (360) 710-1545  
ACFE Fellow, 2003 Cressey Fraud Lifetime Achievement Award Winner, Member of ACFE Board of Directors, Regent Emeritus, and Distinguished Achievement Award Winner, Association of Certified Fraud Examiners; Audit Manager for Special Investigations, Washington State Auditor's Office; and, Founding President, Pacific Northwest Chapter/ACFE. [dervaesj@sao.wa.gov](mailto:dervaesj@sao.wa.gov), Port Orchard, Washington

Vice-President and Training Director: Norman J. Gierlasinski, PhD, CFE, CPA, CIA  
2003 ACFE Outstanding Achievement in Fraud Education Award Winner, and Distinguished Achievement Award Winner; Professor of Accounting, Central Washington University (SeaTac Center) (206) 439-3800, Extension 3825. [normang@cwu.edu](mailto:normang@cwu.edu), SeaTac, Washington

Secretary-Treasurer: Roger B. Gulliver, CFE, CPA, CISA, CBA  
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Director-At-Large: Bernadette McBride, CFE, CPA  
Senior Investigator/Financial Examiner, Washington State Department of Financial Institutions, Securities Division, (360) 902-8783; Distinguished Achievement Award Winner. [bmcbride@dfi.wa.gov](mailto:bmcbride@dfi.wa.gov), Olympia, Washington

Director-At-Large: Robert A. Goehring, CFE, CPA  
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[rgoehring@ci.kent.wa.us](mailto:rgoehring@ci.kent.wa.us), Kent, Washington

### Association and Chapter Fraud Training and Meeting Dates

Be sure to mark the following calendar year 2004 fraud training meetings on your personal schedule and plan to attend:

December 3, 2004 (Friday). Joint Chapter and WSCPA 8<sup>th</sup> Annual Fraud Conference; Marriott Hotel; 3201 South 176<sup>th</sup> Street, SeaTac (across the street and up the hill a short distance from SeaTac International Airport). The estimated early registration fee for members of the WSCPA and the Pacific Northwest Chapter is \$175 for this conference. There is also a \$6 daily parking fee if you drive your car and park in the hotel parking lot. Car pooling is recommended to reduce the nominal cost of parking. 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](http://www:wscpa.org). You must call the WSCPA to actually register for the conference. Ask for Lisa Chin Iwata in the Education Department.

The speakers and general topics they will present at the annual fraud conference are as follows:

(8-10:00 a.m.) Martha Norberg/Seabold Group. She will be speaking on the topic of Interviewing Techniques.

(10:00 a.m. – Noon) Martin Cordell and Becky Carnell/Washington State Department of Financial Investigations. They will be speaking on the topic of Follow the Money.

(1-3:00 p.m.) Ron Huntington/West Sound Investigations. He will be speaking on the topic of Employee Investigations and Video Surveillance.

(3-5:00 p.m.) Joseph R. Dervaes, Audit Manager for Special Investigations; Washington State Auditor's Office. He will be speaking on the topic of Stealing from the Court – A Case Study.

President Joe Dervaes and Vice-President Norm Gierlasinski will co-chair the 8<sup>th</sup> Annual Fraud Conference. The Chapter Board of Officers is working on the tentative list of speakers and topics for the annual fraud conference.

Be sure to mark the following calendar year 2005 fraud training meetings on your personal schedule and plan to attend:

February 23, 2005 (Wednesday). 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 seminar fee is \$20 for Chapter members and \$25 for non-members.

The speakers will be Suzanne Sarason and Leslie Pearson, Investigators/Financial Examiners from the Washington State Department of Financial Institutions. The topic will be: Ponzi Schemes. The presentation includes a discussion of a current case study about a recent Ponzi Scheme that was investigated in this state.

March 2005 (dates not yet confirmed). Joint Chapter and Association of CFE's Two-Day Fraud Training Class at the Doubletree Hotel, 18740 International Boulevard; SeaTac (across the street from SeaTac International Airport), (206) 246-8600.

The subject of the two-day class will be Professional Interviewing Skills. The estimated registration fee for this class is \$575 for ACFE Members and \$695 for Non-Members.

Note: The Association will provide breakfast and lunch for the first day of this training class, and breakfast only for the second day of this training class. Lunch on the second day will be on your own.

Special Note: The Chapter will provide lunch for the second day of this training class. See the Chapter Board of Officers on the day of the class for further details on this extra bonus for Chapter members. This is one way the Chapter can provide more benefits to members for attending these important training events.

March 15, 2005. Joint Chapter and Seattle Chapter/WSCPA two-hour training meeting. The speaker will be Chapter Member Marty Biegelman, CFE, Director of the Financial Integrity Unit of Microsoft Corporation. Marty is a Member of the ACFE Board of Directors, ACFE Fellow, and Regent Emeritus, at the Association of CFEs. The topic is to be announced at a later date. The meeting is held at the Washington Athletic Club in downtown Seattle from 7:30-9:30 a.m. Additional information on registration procedures will be provided as the information becomes available. Some training information may be available at the WSCPA web-site or by contacting them directly by calling 1-800-272-8273 (Bellevue, WA).

June 29, 2005 (Wednesday). Annual Chapter Business Meeting and Fraud Training Seminar; (Restaurant name and address has not yet been determined); Bellevue, WA. Door prizes will be awarded; but, you must be present to win. The luncheon and continuing professional education for the fraud seminar is free to Chapter members and \$15 for non-members. The luncheon begins promptly at Noon, followed by a brief Chapter annual business meeting. The fraud training seminar begins at approximately 1:00 p.m. and lasts for one hour. Door prizes will be awarded.

The speaker for this meeting will be David Vicente, Anti-money Laundering Specialist from the Taxpayer Education and Communication Unit of the Small Business/Self-Employed Operating Division of the Internal Revenue Service, Oakland, California. The topic will be Anti-Money Laundering Outreach.

July 11-13, 2005 (Washington, D.C.). Association's 16<sup>th</sup> Annual Fraud Conference. Register for this conference at [www.cfenet.com](http://www.cfenet.com). The meeting times are from 1:00-5:00 p.m. on July 10, 2005, for the Pre-Conference; 8:30 a.m. – 12:30 p.m. on July 13, 2005, and from 8:30 a.m. – 4:30 p.m. on all other days during the Main-Conference and Post-Conference period. The estimated discounted registration fee for Association members is \$795 for the Main-Conference. The regular registration fee for non-members is \$895 for the Main-Conference.

Vice-President Norm Gierlasinski will be the Pacific Northwest Chapter's official representative at the Chapter Representatives Meeting held in conjunction with the Annual Fraud Conference. He will provide a report to the Chapter on the events of this meeting.

President Joe Dervaes will attend the ACFE private non-profit corporation's Board of Directors Meeting held in conjunction with the Conference. He will attend the Chapter Representatives Meeting, if possible.

August 31, 2005 (Wednesday). 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 seminar fee is \$20 for Chapter members and \$25 for non-members.

The speaker for this meeting will be: Frank Walker, CFE, PI, CEC, CBC, BSBE. Frank is a Chapter Member. The topic will be: Selling Fraud Prevention By Persuasion – What CFEs Can Do.

September 20, 2005. Joint Chapter and Seattle Chapter/WSCPA two-hour training meeting at a date to be announced later. The speaker will be Chapter President, Joseph R. Dervaes, CFE, CIA, Audit Manager for Special Investigations, Washington State Auditor's Office. Joe is the 2003 Cressey Fraud Lifetime Achievement Award Winner, a Member of the ACFE Board of Directors, ACFE Fellow, Regent Emeritus, and Distinguished Achievement Award Winner at the Association of CFEs. The topic will be Accounts Receivable Fraud using a handout from writings in his By-Line Column, Frauds Finer Points, published in *The Fraud Magazine*. The meeting is held at the Washington Athletic Club in downtown Seattle from 7:30-9:30 a.m. Additional information on registration procedures will be provided as the information becomes available. Some training information may be available at the WSCPA web-site or by contacting them directly by calling 1-800-272-8273 (Bellevue, WA).

October 26, 2005 (Wednesday). 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 seminar fee is \$20 for Chapter members and \$25 for non-members.

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

December 2, 2005 (Friday). Joint Chapter/WSCPA's 9<sup>th</sup> Annual Fraud Conference at the SeaTac Marriott Hotel; 3201 South 176<sup>th</sup> Street, SeaTac (across the street and up the hill a short distance from SeaTac International Airport). The estimated early registration fee for members of the WSCPA and the Pacific Northwest Chapter is \$175 for this conference. There is also a \$6 daily parking fee if you drive your car and park in the hotel parking lot. Car pooling is recommended to reduce the nominal cost of parking. 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](http://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 will co-chair the 9<sup>th</sup> Annual Fraud Conference. The Chapter Board of Officers is working on the tentative list of speakers and topics for the annual fraud conference (to be announced).

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 27<sup>th</sup> Floor and sign-in with the receptionist before going to the 28<sup>th</sup> 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 us 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.

If you're looking for parking, Special Events parking rates (\$5) apply for the parking garage at Benaroya Hall, just two blocks north of the training facility on Second Avenue.

#### (1) News About the ACFE Private Non-Profit Organization Board of Directors

On August 23, 2004, the Association announced the list of the ten final candidates for the ACFE's private non-profit Board of Directors. The Association sent out the same message in the September 2004 "Fraud News". The ten names were submitted to the Association's certified membership who then voted on-line to elect five representatives for this new Board during the period September 15 through October 15, 2004.

On October 28, 2004, the Association announced that the five candidates elected to the new ACFE Board of Directors are as follows: Marty Biegelman (Pacific Northwest Chapter Member), Nancy Bradford, Joe Dervaes (Pacific Northwest Chapter President), Dennis Dycus, and Marilyn Peterson (current Chairman of the ACFE Board of Regents). Four of the new Board Members are Fellows (all except Nancy Bradford), and two have previously held the position of Chairman of the Board of Regents (Joe Dervaes and Marilyn Peterson).

Editor's Note: Congratulations to the five newly elected members of the ACFE Board of Directors, but especially to Marty Biegelman and Joe Dervaes who have been representing the Pacific Northwest Chapter/ACFE so well over the years. Do us proud!

The new Board of Directors holds its initial meeting at ACFE World Headquarters in Austin, Texas, during the period December 15-16, 2004. A Chairman and Vice-Chairman will be selected, and terms of office will be decided. The primary item of interest at this initial meeting will be the approval of the by-laws, articles of incorporation, and other organizing documents for the new private non-profit corporation. The Association will use the names of the new Board Members to register the corporation with the State of Texas and to apply for tax-exempt status with the Internal Revenue Service under Section 501(c)(6) which is reserved for trade associations, business leagues, chambers of commerce, or any entity that promotes a business interest instead of a public purpose (charitable) interest. Once approved, this entity will be the ACFE's membership association, and the non-profit Board of Directors will control the activities of the ACFE. Each new Board Member has been provided a copy of the *Guidebook for Directors of Nonprofit Corporations*.

The ACFE expects that there will be at least three formal meetings per year of one to two days in length. Two of these meetings will be held at ACFE Headquarters in Austin, Texas. The third meeting will be held in conjunction with the Annual Fraud Conference. Monthly conference calls will also be held ranging from one to three hours in duration.

## (2) Successful Joint Association/Chapter Fraud Training Classes

The Chapter Board of Officers is pleased to report that our joint Association/Chapter fraud training classes in October 2004 were well attended. As usual, the classes were held at the DoubleTree Inn Hotel in SeaTac across from the SeaTac International Airport. Jim Baker was the instructor for the Fraud Prevention class on October 13, 2004. There were 75 individuals who attended this class. Mike Kramer was the instructor for the Contract and Procurement Fraud class on October 14-15, 2004. There were 65 individuals who attended this class. Attendees at these two classes came from Japan, Guam, Central America, Arkansas, and all over the Western United States. Members of the Board of Officers attended each class and assisted the ACFE representative with registration and logistical support during the three-day event. Excluding the Board of Officers, there were 10 Chapter Members who attended the first day of training and 8 Chapter Members who attended the second and third day of training. This was an excellent showing of support for our Chapter training calendar. Thanks to all who participated. We appreciate you very much. Our attendance was sufficient for the Chapter to receive an ACFE Gift Package for this training event. The Chapter Board of Officers is pleased to report that the ACFE Gift Package included 14 polo shirts (7 blue and 7 white), 3 computer mouse pads, 3 ACFE key chains, and 3 ACFE ball point pens. We will present some of these items to speakers at our Chapter fraud seminars next year and then give the remaining items to the membership at our Annual Business Meeting in Bellevue on June 29, 2005.

## (3) New CFE Chapter Forming in Eastern Washington (Spokane)

On October 5, 2004, the Chapter Board of Officers received a telephone call from a group of CFEs in Eastern Washington who are interested in forming a new CFE Chapter. The Chapter will most likely be organized in Spokane. The Board provided a wealth of information to assist this new group in making the new CFE Chapter a success. In addition, referrals were made to Dr. Robert Holtfreter at CWU (Ellensburg Campus) for the Ellensburg/Yakima region as well as to Jerry Vernon at the Internal Revenue Service in Coeur d'Alene. Both of these individuals

have previously tried to form a chapter in their respective areas. Hopefully, with the help of all combined in this one effort, this new group will achieve success. And, we wish them well. The contact point for the new chapter is Joe Nolan at: [Joe@grifco.com](mailto:Joe@grifco.com). Interested CFEs and Associates should contact Joe Nolan for additional information about the formation effort.

#### (4) The CFE Examination Coach Sponsored by the Association of CFEs

This new monthly e-newsletter is a useful tool for anyone preparing for the CFE Exam. Reach your professional goals and advance your career. Access the site by visiting the Association of CFEs web-site at: [www.cfenet.com](http://www.cfenet.com).

#### (5) The Fellow Program

The following information is reprinted from the October 2004 Regents Column by Marilyn Peterson, CFE, CCA, Chairman of the Board of Regents ([www.cfenet.com](http://www.cfenet.com)) - Won't You Be A Fellow Too?

The most elite suffix in the ACFE family is that of 'Fellow of the Association' but it is now a little easier for you to achieve this recognition. Since the idea was conceived five years ago, fewer than ten CFEs have become Fellows: Joseph Dervaes, Martin Biegelman, Dennis Dycus, Joseph Koletar, Robert DiPasquale, Karen Tierney, Gerard Zack, and Marilyn Peterson (the author). That may be about to change.

Over the past year, the current Fellows and Board of Regents discussed how Fellowship might be made available to more members. When Joseph Koletar, CFE invented the concept of ACFEFellows, a limit of one half of one percent (.005 or about 70 people) of the certified membership was placed on the participants of the Program to prohibit it from becoming too open. History has demonstrated that large numbers of applicants and Fellows did not arise.

As a result, the Board of Regents approved new requirements for ACFE Fellowship at its July meeting. Some of the changes include:

- authors may now submit multiple pieces to equal the 15,000 word requirement rather than one large piece,
- only one submission of credentials and materials is required; Fellow status is permanent rather than for a four-year term, and
- fellows receive free ACFE membership.

The Regents also established a Fellows Board to be comprised of three Fellows who will mentor potential applicants, review applications and make recommendations to the Board of Regents regarding their approval. The Board of Regents appoints the members of the Fellows Board to three-year terms; those appointments are expected to occur soon.

The Board also added a step to the application process: applicant's names will now appear on the ACFE web site and members will have the opportunity to comment on the applicant's qualifications to be a Fellow. Qualification requirements continue to include being a CFE in good standing for at least five years with ten years of experience in the field of fraud

examination. Applicants must submit letters from five other CFEs attesting to their character and suitability for the Fellow program.

Fellows are also required to continue contributing to the field throughout their careers and Fellowship may be removed for cause.

For information on how to apply, visit the [www.CFEnet.com](http://www.CFEnet.com) website, call Jeanette LeVie at ACFE headquarters, or contact me at [marilynbp@comcast.net](mailto:marilynbp@comcast.net) Regents can approve up to five Fellows applications per meeting; submit your application now to be considered at the spring 2005 meeting!

Editors Note: There are currently 8 Fellows, 2 of whom are members of the Pacific Northwest Chapter/ACFE and members of the new Board of Directors of the ACFE private non-profit corporation. They are President Joe Dervaes, Audit Manager for Special Investigations, Washington State Auditor's Office; and, Member Marty Biegelman, Director of the Financial Integrity Unit, Microsoft Corporation. The other 6 Fellows are: Robert Di)asquale; Dennis Dycus, Joe Koletar, Marilyn Peterson (current Chairman of the ACFE Board of Regents), Karen Tierney, and Gerard Zack.. You are encouraged to join this elite group of CFEs. If you have any questions about the Fellow Program, contact President Joe Dervaes by telephone at (360) 710-1545 or by e-mail at [www.dervaesj@sao.wa.gov](mailto:www.dervaesj@sao.wa.gov). Each Fellow has made a contribution and personal commitment to expand the ACFE Fraud Common Body of Knowledge. Free ACFE membership is a nice incentive for interested parties to submit their application to become an ACFE Fellow. Do it today.

#### (6) New Book by Chairman Joseph T. Wells – Principles of Fraud Examination

Joseph T. Wells, CFE, CPA, Chairman of the Association of CFEs has just released a new book entitled "Principles of Fraud Examination". The book has a foreword from Dr. W. Steve Albrecht, CFE, CPA, Accounting Professor at Brigham Young University and past president of the ACFE.

The preface of the book mentions credits to a number of academics who helped prepare the text, including Dr. Robert E. Holtfreter, CPA and Associate Member of the ACFE, Distinguished Professor of Accounting and Research, Central Washington University and his daughter, Dr. Kristy Holtfreter. Dr. Holtfreter is a member of the Pacific Northwest Chapter/ACFE, and volunteers his time to serve on the Association's Research Committee, and Higher Education Committee. He is also a member of the Editorial Review Board for the Association's bi-monthly newsletter, "The Fraud Magazine". Dr. Holtfreter also teaches the Association's "Fraud Examination" course at CWU, the first such course in the state of Washington. Chapter President Joe Dervaes was a guest lecturer at the last class and plans to be a guest lecturer at the newest class being presented in Winter 2004.

Dr. Robert Holtfreter and his daughter wrote all of the end-of-the chapter questions for four of the chapters in this new book. This project was a lot of work, but they thoroughly enjoyed helping produce the book.

Kristy received her Ph.d in criminology last June from Michigan State University and took a position in the College of Criminology at Florida State University this fall. In criminology Florida State ranks in the top three in the world. She used the data from two of the ACFE's Fraud



Reports to the Nation for her dissertation, which is titled " Responses to Occupational Fraud: A Study in the Behavior of Law".

She received one of the \$1,000 Ritchie-Jennings Memorial Scholarships from the ACFE and is an associate member of the Tallahassee, Florida CFE Chapter. She is also a member of the Research Committee and the Higher Education Committee for the ACFE.

Kristy also serves as the Research Director in the Center for Consumer Fraud at the university. The center is the only one in the U.S. and was just established this summer by a federal judge as part of a settlement of a fraud lawsuit involving Sprint Corp. She will work directly with the attorney general in the state of Florida and has been asked to speak at the quarterly meetings of the U.S. attorney generals.

The Pacific Northwest Chapter/ACFE is proud to have members and their relatives who took on such a prominent role in making Chairman Joe Wells' new book a reality. Congratulations to Dr. Robert Holtfreter and Dr. Kristy Holtfreter for their fine contributions to this most worthwhile endeavor.

#### (7) Article in The Seattle Times

On Sunday, October 3, 2004, The Seattle Times published an article authored by Alwyn Scott, business reporter, entitled "Sniffing out fraud is growth industry in post-Enron era". Prominently quoted throughout the article was Chapter Vice-President, Norm Gierlasinski.

Norm said: "I like to say it's a growth business," said Norman Gierlasinski, vice president of the Pacific Northwest chapter of the Association of Certified Fraud Examiners and an accounting professor at a Central Washington University branch in SeaTac. "There's only more and more of it." "The businesses that get it the worst are the not-for-profits and small businesses, because they put total trust in their employees."

The article includes many quotes about statistics in the Association's 2004 Report to the Nation. It also highlights the Sarbanes-Oxley Act of 2002 and the impact it has had on whistle-blowing. After all, many frauds are detected based upon tips from company employees and others. It also quotes David Childers, chief executive of EthicsPoint, a Portland startup that provides a service that receives whistle-blower reports through custom Web sites and toll-free phone lines.

The article was also circulated around the globe via the October 2004 issue of "The Fraud Examiner", an electronic newsletter published by the Association of CFEs.

While not mentioned in the article, EthicsLine does exactly the same thing. And, it's the only hotline endorsed by the Association of CFEs. For more information, call 1-888-782-4769 or contact the organization at: [www.ethicsline.com](http://www.ethicsline.com).

Congratulations Norm for representing the Association and Chapter, as well as Central Washington University, so well! The Board of Officers appreciates your contributions to fighting fraud, not only in the great Pacific Northwest, but globally as well.

## (8) Minutes of the Chapter Board of Officers Semi-Annual Business Meeting

The Chapter Board of Officers held its semi-annual business meeting at The Claim Jumper Restaurant in Tukwila on the evening of October 13, 2004, after the joint Association/Chapter fraud training class on Fraud Prevention.

(a) We discussed the work being accomplished in order to issue a new CFE Chapter Membership Directory. There are approximately 100 names of those who are CFE Members, Associate Members, and Affiliates of the Chapter. We expect everyone to validate their member information and issued the document before December 31, 2004. We will then use the e-mail addresses to electronically bill members for annual Chapter membership dues for Calendar Year 2005. The document will be used to verify membership status at our bi-monthly fraud seminars and Annual Fraud Conference, as well as at the joint Association/Chapter fraud training classes. We also plan to use the document to report our membership to the ACFE in our the annual certification process. The document will also be used to send special one-time messages to Chapter members as needed. In fact, this will be a fantastic management tool that will help us manage Chapter affairs more efficiently and effectively. President Joe Dervaes is updating the document and the Board of Officers thanks him for his dedication and hard work in developing the new CFE Chapter Membership Directory.

(b) The major item of business was to approve a new Chapter membership dues structure beginning in Calendar Year 2005. After discussing many variables and rates, the Board of Officers approved the following annual dues rate structure effective January 1, 2005 – CFE Members (\$24); Associate Members (\$30); and Affiliates of the Chapter (\$36). Students membership fees are waived (\$-0-) for a period of two years, and these individuals may attend our Chapter-sponsored fraud seminars and annual business meeting at no cost (\$-0-). The fee structure for all retired members will be the same as for actively employed members, and depends upon the individual's membership category upon retirement. In the past, membership dues of all types were pro-rated on a monthly basis. This causes our Treasurer a lot of extra work. Accordingly, the Board of Officers determined that annual dues will no longer be pro-rated. The membership fee is established as an annual calendar year fee, regardless of when an individual joins the Chapter during the year.

(c) The ACFE has recently made a data base available to the Chapters. It identifies all individuals who have joined the Association from 1988 to present. The Chapters have sought to obtain this information in a usable form for many years. Coordination with the Association has finally made this a reality. The Chapter will begin a major project to identify CFE and Associate Members in our area who have not yet joined our Chapter. We will begin to contact these individuals by e-mail and by letter to encourage them to participate in Chapter training activities in the future. The Board of Directors hopes and expects Chapter membership to expand in the near future as we begin to contact these individuals. Chapter President and Chapter Associate Member Richard Bologna will lead the research effort to complete this major project. The Board of Officers thanks them for their dedication and hard work in completing this task in the coming year.

(d) President Joe Dervaes reports that only two Associate Members have expressed interest in getting together with others preparing to take the CFE Examination. Thus, it does not appear that a formal class will be established at this time. This was only an informational item.

(e) There is a new CFE Chapter forming in Spokane. Additional details about this will be reported in the next bi-monthly Chapter newsletter. This was only an informational item.

(f) The Chapter Webmaster has been experiencing problems with our current web-site host provider. Kent Hansen will be working to relocate our web-site to an improved host provider in the near future. If members have been experiencing problems accessing our web-site at [www.fraud-examiners.org](http://www.fraud-examiners.org), please bear with us during this transition time. This was only an informational item.

(g) President Joe Dervaes reports that the Distinguished Achievement Award (2004) for Director-At-Large Bernadette McBride has been written and is ready for submission to the ACFE for approval. This award was previously approved by the membership at our June 2004 Annual Business Meeting. This was only an informational item.

(h) President Joe Dervaes reports that the Chapter Annual Certification to the ACFE for 2004 has been written and is ready for submission to the ACFE after year-end. The project to update the CFE Chapter Membership Directory will make this report complete for the first time pursuant to Association guidelines. This was only an informational item.

#### (9) Other Training Opportunities

(a) The ACFE announces that it will present the “Advanced Computer-Aided Fraud Prevention and Detection training class in Las Vegas, NV on December 6-7, 2004. This 2-day instructor-led course will explore computer-aided search strategies that are effective when trying to prevent and detect fraud. You will learn how to test allegations and support ongoing cases, expand a fraud examination and conduct “proactive” fraud tests. The course will also teach you about fraud detection Computer Crime Specialist Supervisor. Interested individuals should register for this class directly at the ACFE by contacting them by e-mail at [www.cfenet.com](http://www.cfenet.com) or by telephone at 1-800-245-3321.

(b) The Association of Government Accountants – Olympia Chapter announced that it will present a class on Identity Theft on December 14, 2004. The class will offer 2 hours of CFE and will be held at the Tyee Center, 5757 Littlerock Road. S.W., Tumwater, WA. The cost for AGA or IIA members is \$12, and the cost for non-members is \$15. The speaker will be Kim Triplett from the Washington State Patrol. The meeting starts at 11:30 a.m. with a buffet lunch and concludes at 1:30 p.m.

#### (10) Job Opportunities

(a) On October 25, 2004, the NW3C (National White Collar Crime Center), a non-profit

corporation dedicated to supporting law enforcement agencies nationwide, seeks a Supervisor for its Computer Crime Specialists in Fairmont, West Virginia. This position is responsible for the direct supervision of the employees in the Computer Crime Section and also creates, implements, and oversees NW3C's computer crime training courses and initiatives. Interested applicants must submit a letter of interest, resume, and the NW3C application to: CCS Supervisor Search NW3C, Suite 300, 7401 Beaufont Springs Drive Richmond, VA 23225. Materials must be postmarked by December 1, 2004. For more information or an application, visit their web-site at [www.nw3c.org](http://www.nw3c.org) , or call them at 1-800-221- 4424. The contact point is Bill Crane, Manager for Computer Crimes, at 877-628-7674, extension 204.

(b) On November 5, 2004, the Chapter received an e-mail message from Collette Chatterton, an executive recruiter, indicating that she is doing some networking for a California client who is looking for a Credit Fraud Investigator. A full relocation package is available. The position requires a BS/BA degree in business with emphasis in accounting or finance, or equivalent experience. The job requires 20% travel has had a compensation rate in the range of \$60-70,000 depending upon experience of the applicant. Interested parties may contact the executive recruiter at [cchatterton@j2t-recruiting.com](mailto:cchatterton@j2t-recruiting.com) for addition information about this job opportunity.

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## **October, 2004 [www.reid.com](http://www.reid.com) Monthly Web Tip Testifying on a Suspect's Behavior Symptoms**

Recently, the Washington Supreme Court reversed a rape conviction partially because the trial court admitted an investigator's testimony that the defendant's verbal and nonverbal behavior symptoms were indicative of guilt. While there were other grounds for overturning the lower court's conviction, relevant to this article is the finding that the investigator's testimony constituted a manifest constitutional error that was not harmless.<sup>1</sup> Even though the police witness did attend a training seminar offered by John E. Reid and Associates, the prosecution did not lay any foundation to establish the scientific validity of behavior symptom analysis nor was there a judicial ruling that the investigator should be considered an expert witness in the detection of deception.

Before a witness can offer opinion testimony based on scientific evidence, the court must first acknowledge that the proffered evidence is generally accepted by the scientific community. Second, the witness must demonstrate, through education, published research or experience, that he or she is an expert in the particular field.

The staff interviewers who work for John E. Reid and Associates have completed 882 hours of post-graduate classroom and internship instruction in the detection of deception. They are licensed detection of deception examiners and most have published and participated in scientific studies relating to the detection of deception. Many of the staff hold a Masters of Science degree in the detection of deception. Even with this background, only on rare occasions has a court permitted our staff to offer opinion testimony based on behavior symptom analysis. While there is no question that our seminars greatly improve an investigator's ability to detect deception, the training received during the seminar is insufficient, by itself, to establish an investigator as an expert witness in the detection of deception.

Without expert witness status, the testimony of an investigator is generally restricted to reporting factual occurrences, e.g., what was seen, heard, smelled or felt. With respect to a suspect's behavior during an interview, the investigator should always testify about lies the defendant told during the course of the investigation. Consider that a defendant in a homicide case initially told the police that he did not see the victim on the day of her death but later, when presented with contradictory eye-witness evidence, admitted visiting the victim the day that she was killed. In this case a jury may give marginal weight to the fact that the defendant saw the victim on the day of her death. However, the fact that the defendant initially lied about being with the victim takes on huge significance.

Similarly, because behavior symptoms represent objective observations, an investigator may be able to offer this testimony during direct examination. However, it is important that the witness restrict his or her testimony to observations, and not draw an opinion or conclusion as to the defendant's guilt or innocence. As an example, the prosecutor could initially ask the witness to

describe the defendant's demeanor or behavior during questioning. Depending on the actual behavior observed, the investigator's testimony could be as follows:

"The defendant evaded answers to specifically worded questions."

"The defendant appeared unconcerned during the interview and laughed about the allegations."

"The defendant exhibited little eye contact when questioned about (issue), yet displayed normal eye contact when answering background questions."

"The defendant was very guarded and volunteered little information."

"The defendant turned the lower part of his body away from me and crossed his arms and legs when we discussed (issue)."

Once the defendant's behavior symptoms have been entered into the court record, the prosecutor could rely on the jury's common sense to interpret the meaning of those behavior symptoms. On the other hand, the prosecutor may consider further developing the behavior symptom testimony. In doing so, the prosecutor and investigator must walk a fine line between the witness offering an opinion of the defendant's guilt or innocence (which is generally impermissible) and the witness relating prior experiences, which are generally admissible. A theoretical dialogue could be as follows:

Attorney: "Mr. Jayne, as an investigator have you encountered other subjects who displayed similar behavior to the defendant's when you questioned them about a crime?"

Witness: "Yes I have."

Attorney: "In those situations, after evaluating all of the evidence and the final court decision, has the person who displayed those behaviors turned out to be more likely telling the truth or lying?"

Witness: "More likely lying."

By approaching the interpretation of the defendant's behavior symptoms from a perspective of the investigator's past experiences, the jury is able to place their own weight on the defendant's behavior or demeanor during questioning.

The previously mentioned court ruling, in no way, alters our recommendation that an investigator should actively document, in writing, important behavior symptoms exhibited by a suspect during a formal interview. If the defense attorney chooses to "open the door" during cross examination by asking questions about the documented behavior symptoms, the witness can explain to the court that making behavioral observations is considered a standard and acceptable interviewing practice and that the information is beneficial in assessing a person's credibility. However, the investigator's field notes should not reflect a specific opinion relating to the suspect's guilt or innocence based on behavior symptoms. Similarly, a written report

should not offer a conclusion that the investigator formed an opinion of the subject's guilt based on behavior symptom analysis. It is often preferable to indicate that based on all available evidence, a particular individual could not be eliminated as a suspect.

Courts require that scientific evidence must reach a standard of general acceptance before it is admitted in a criminal trial. Detecting deception through behavior symptom analysis has not achieved that level of general acceptance. However, an investigator can testify as to factual observations that occurred during an interview. This would not only include the defendant's admissions to such things as having opportunity or motive to commit the crime, but also the fact that the defendant initially made false statements to the police. Furthermore, investigators may be able to testify with respect to a defendant's behavior symptoms during questioning if the testimony is limited to factual observations. It is important that testimony regarding a defendant's behavior be presented in such a way so as not to unduly influence a jury's ability to make their own determination of the defendant's guilt or innocence.

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### **November, 2004 [www.reid.com](http://www.reid.com) Monthly Web Tip Issues to Consider Regarding Possible Suicidal Suspects**

*It was about 4:00 in the afternoon when one of our regular clients called and requested an "emergency" polygraph examination for a 19-year-old female employee they suspected was stealing jewelry from a kiosk in their store. In pursuing the urgent nature for the polygraph examination, it was learned that the suspected employee had been unsuccessfully "mildly" interrogated over the last two hours and was now threatening to resign. I had prior dealings with this particular investigator and knew that a "mild" interrogation only meant that the employee was not bleeding. The client was politely reminded of our long-standing practice of not administering a polygraph examination immediately following an interrogation and the employee was scheduled for an appointment the next morning. The young woman was never given a polygraph examination because that night she committed suicide.*

Psychologists talk about the multiple victims of suicide. Any investigator who has had the unfortunate experience of having a suspect commit suicide during the course of an investigation understands the impact of this statement. When a suspect commits suicide it is natural for the investigator to harbor some feelings of responsibility for that death. In some cases the overwhelming guilt has led investigators and psychologists to resign their position following a suicide that occurred under their watch. Family members of the deceased will also experience guilt and shame over their loved one's loss and look for accountability and relief. When suicide occurs during the course of an investigation, often this relief will be in the form of a law suit. As can be seen, on many levels, it is in the investigator's best interest to assess a suspect's risk for suicide and take preventative measures when the risk presents itself.

As a behavioral choice, suicide represents a total withdrawal from the person's environment. Most people develop a series of coping mechanisms to deal with stress. These may range from the use of defense mechanisms, where reality is altered by distorting thoughts, to behavioral

changes including alcohol and drug abuse. Suicide is the most extreme behavior on that list. But this does not mean that all victims of suicide will have a psychological history of progressively more aggressive efforts of withdrawal. In fact, there are individuals who appear to have a predisposition to move directly to the end of the coping mechanism menu. In other words, some suicides appear to be relatively unpredictable -- not all victims exhibit a series of red flag behaviors before deciding to take their life.

With that said, however, I am not aware of a single instance where a happy, successful, well-adjusted person committed suicide. The individual who commits suicide has a psychological propensity for choosing death over more conventional forms of stress release. Second, in most suicides, there is a precipitator or motivating event that leads to the decision to take one's life. A lawsuit that is filed as a result of a suspect who committed suicide during an investigation generally cites the stress of the interrogation as at least one of the precipitators for the death. This article offers some suggestions to minimize a company or department's exposure to civil liability associated with a suspect who commits suicide.

Recognize the high risk suspect. The profile of a suspect who may commit suicide during a criminal investigation includes (but is not limited to) a suspect who:

Has a high level of social responsibility (successful in business, school or other endeavor, is emotionally close to friends and family members and is concerned about their reputation and image);

Is facing significant personal consequences such as disappointing family members or experiencing embarrassment;

Has committed crimes of embezzlement, fraud, sexual misconduct or hit and run;

Has previously attempted suicide; and,

Exhibits present symptoms of, or past treatment for depression.

As this list illustrates, some of these assessments can only be made by asking the suspect specific questions. In our office we have each suspect complete a "Subject Data Sheet" that includes a question about present psychiatric treatment and one about prior suicide attempts.

Eliminate the suspect's opportunity to commit suicide. If a suspect is determined to be at risk for possible suicide, a protocol should be followed to reduce this risk. Example procedures include:

Remove possible suicide implements (belt, shoelaces, razors, medications, sheets)

Maintain a suicide watch over the suspect where the suspect is monitored either in person or electronically until such time that a mental health professional can evaluate the suspect and offer a professional recommendation for future monitoring.

Following the confession of a suspect who has been determined to be at risk for suicide, the investigator might consider openly addressing emotional issues in an effort to reduce the



likelihood that the suspect may later decide to commit suicide. The following are some suggested statements to make:

Let the suspect know that he is not the only person ever to have committed this crime, and that what he did is not that uncommon, even with people who have a similar background or social status.

Tell the suspect that right now he is probably judging himself more harshly than anyone else - his friends, co-workers or family members.

Express the importance of talking openly to loved ones about the suspect's feelings and emphasize that it is human nature to forgive if a person first acknowledges a problem and then promises to change.

The very nature of an investigator's job involves engaging in behaviors that can cause people stress, and sometimes end up depriving a person of their livelihood, freedom or reputation. The vast majority of individuals are able to cope with this adversity at some level without resorting to taking their own life. A small percent of suspects, however, will attempt or succeed at committing suicide during the course of an investigation. While there are general factors that increase the risk for suicide, even trained mental health professionals cannot accurately identify whether or not a particular patient will commit suicide. Nonetheless, when a suspect commits suicide often the investigator will experience feelings of guilt and responsibility and the company or agency may be named in a lawsuit. This article offers some common sense suggestions to keep an investigator or his employer from becoming an additional victim of a suspect's suicide.

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