

CFE UPDATE
November-December 2006

Chapter Board of Officers

President: Joseph R. Dervaes, CFE, CIA (253) 884-9303.
Vice-Chair of ACFE Foundation Board of Directors, 2003 Cressey Fraud lifetime Achievement Award Winner, ACFE Fellow, Regent Emeritus, prior member of the Board of Review, and the Chapter Distinguished Achievement Award Winner for 1995, Association of Certified Fraud Examiners; Founding President, Pacific Northwest Chapter/ACFE. joeandpeggydervaes@centurytel.net. Vaughn, Washington, Retired.

Vice-President and Training Director: Norman J. Gierlasinski, PhD, CFE, CPA, CIA. 2002 ACFE Outstanding Achievement in Anti-Fraud Education Award Winner, and the Chapter Distinguished Achievement Award Winner for 1996, Association of Certified Fraud Examiners; Professor of Accounting, Central Washington University (Des Moines Center) (206) 439-3800, Extension 3825. normang@cwu.edu, Des Moines, Washington

Secretary-Treasurer: Roger B. Gulliver, CFE, CPA, CISA, CBA. President, Gulliver and Associates PS (253) 735-2392; the Chapter Distinguished Achievement Award Winner for 2000; rbg1@mindspring.com, Auburn, Washington

Director-At-Large: Bernadette McBride, CFE, CPA. Senior Investigator/Financial Examiner, Washington State Department of Financial Institutions, Securities Division, (360) 791-8824; the Chapter Distinguished Achievement Award Winner for 2004. bmcbride@dfi.wa.gov, Olympia, Washington

Director-At-Large: Robert A. Goehring, CFE, CPA. Port of Seattle – Accounting and Procurement Services – Port of Seattle – Internal Auditor, (206) 728-3844; the Chapter Distinguished Achievement Award Winner for 2005; goehring.r@portseattle.org; Seattle, Washington.

Association and Chapter Fraud Training and Meeting Dates

December 1, 2006 (Friday). Joint Chapter/WSCPA=s 10th Annual Fraud Conference at the SeaTac Marriott Hotel; 3201 South 176th Street, SeaTac (across the street and up the hill a short distance from SeaTac International Airport). The hotel telephone number is (206) 241-2000 or toll free at 1-800-228-9290. The registration fee for members of the WSCPA and the Pacific Northwest Chapter is \$195 (estimated) for this conference. There is also a \$10 (estimated) 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 7:30 a.m. The conference begins at 8:00 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 Rachel Ingalls, Conference Administrator.

Colin Parcher, CFE, Manager, Investigative Services, Financial Institutions Commission, Surrey, British Columbia, Canada. Colin is the President of the Vancouver B.C. Chapter/ACFE. His topic is: Linking Mortgage Fraud, Identity Theft, and Marijuana Grow Operations.

Brock Phillips, CFE, CPA, Senior Forensic Accounting, Financial Integrity Unit, Microsoft, Redmond, WA. Brock was a speaker on the topic of: The CFEs Job Security: Internal Controls and Employee Theft at the ACFE Annual Fraud Conference in Las Vegas, NV in July 2006. His topic at our Annual Fraud Conference will be: Internal Controls and Employee Theft.

Patrick De Langis, CPA, CFFA, Director of Litigation and Forensic Accounting Services, Berntson Porter and Company, PLLC, Bellevue, WA. His topic is: Small Business Fraud & Creating the Self-Reliant Client.

Erik Sulonen, Special Agent, U.S. Secret Service, and a representative from the Electronic Crimes Task Force. Their topic is: Counterfeit Currency (Know Your Money) and Electronic Crimes.

President Joe Dervaes and Vice-President Norm Gierlasinski will co-chair the 10th Annual Fraud Conference.

(1) Links to ACFE and Chapters

The Board of Officers has identified the following CFE Chapter web-sites that may be useful to our Members. Here they are:

Association of Certified Fraud Examiners @ www.ACFE.com

Pacific Northwest Chapter/ACFE @ www.fraud-examiners.org

Oregon Chapter/ACFE @ www.oregon-acfe.org

Spokane Chapter/ACFE @ www.spokanefraud.org

Vancouver, B.C., Canada Chapter/ACFE @ www.cfevancouver@yahoo.cca

(2) Additional Fraud Links

The Board of Officers provides the following additional links to its Chapter Members as a public service. Here are just a few of them:

Complaints about Internet Fraud may be filed with the Internet Fraud Complaint Center (www.ifccfbi.gov).

Complaints about e-mail and mail fraud may be filed with the U.S. Postal Inspection Service (www.usps.gov/postalinspectors). The primary use is for Nigerian (and other African countries) fraud e-mails or letters that are received. PS Form 8165 (Mail Fraud Report) lists many other uses as well. This form may be downloaded and then mailed to the U.S. Postal Inspection Service to file a complaint and submit the fraudulent document received. The mailing address is U.S. Postal Inspection Service, Inspection Service Support Group, 222 South Riverside Plaza, Suite 1250, Chicago, IL 60606-6100.

The U.S. Postal Inspection Service web-site lists additional links to the The Chamber of Commerce and the Better Business Bureau (www.bbb.org), county or state Office of Consumer Affairs. In this state, that=s the Washington Attorney General=s Consumer Protection Division at www.wa.gov/ago, or nationally at www.naag.org. The Federal Trade Commission can be reached at www.ftc.gov.

Identity Theft links are at the Identity Theft Unit sponsored by the Washington State Patrol and the Washington State Department of Licensing at www.dol.wa.gov; www.idtheftcenter.org; www.consumersunion.org; and www.consumer.gov/idtheft.

John E. Reid and Associates, Inc. (Fraud Interview Training), Chicago, IL, www.reid.com. The Reid Preferred Group of Associations (RPGA) number for the Pacific Northwest Chapter/ACFE is A20-049. The RPGA number must be shown on the registration form in order to receive a discount on seminar registrations or to purchase products.

(3) 2006-2007 Scholarship Award Winners

This year the Chapter received scholarship applications from six exceptional students for the ACFE Ritchie Jennings Memorial Scholarship Award Program and our Chapter=s Scholarship Award Program. Each application asked the Chapter to provide a CFE reference letter so that the application packages would be complete. We did that in mid-April 2006 and have been awaiting the results of the competition ever since. Three of the students were entered into the overseas category of applicants since they were not U.S. citizens. The remaining three students were entered into the U.S. category of applicants. The scholarship award results are now in, and we=re pleased to make the following outstanding report to the Members.

(a) ACFE Ritchie Jennings memorial Scholarship Award Program. Five of the six students received \$1,000 scholarships from the ACFE. All applications were reviewed by the ACFE Continuing Education Committee and approved by the ACFE Foundation Board of Directors at its meeting held on July 9, 2006, at the Annual Fraud Conference in Las Vegas, NV. The five student winners are as follows:

John M. McDonald, U. S. Category. John is a senior majoring in Accounting at Western Washington University and graduated in June 2006. He then will pursue a one-year MBA program designed for accounting majors who need a fifth year of school in order to sit for the CPA examination. He was performing at the cum Laude level and achieved a 3.60 cumulative grade point average. He has worked as a full-time intern at Weyerhaeuser where he receive experience in auditing. He has experience in auditing and internal controls in business, and has expressed an interest in fraud. But, he still finds time to participate in extra-curricular professional endeavors. Most noteworthy is his volunteer service in the Beta Alpha Psi Accounting Chapter at the University where he has served as a Chapter Officer. During his first two years of school, he played football. He also served as a volunteer Young Life leader for two years.

Emily Elizabeth Baird, U. S. Category. Emily is a junior majoring in Business Administration and Accounting at the Tacoma Campus of the University of Washington. She achieved a 3.57 grade point average in all classes after transferring from Centralia College, and plans to graduate in June 2007. Emily plans to pursue a career in forensic accounting. She has studied fraud cases and wrote a research paper of Joseph T. Wells book entitled Fraud Detection. She is active in her community, primarily through her involvement in Phi Theta Kappa, a college honor society, and was a Business Student Ambassador at the Milgard School of Business.

Kristina Jurgena, Overseas Category. Kristina immigrated to the U.S. from Latvia in 2002. She is a junior majoring in Accounting at the Main Campus of the University of Washington. After first mastering English, she achieved a 3.75 grade point average in all of her studies. She has been on the Dean=s list for all eight quarters of her studies in Seattle. Her primary interest is in becoming a CPA, but she has also expressed a strong desire to pursue fraud as well. Kristine works part-time at a Seattle firm to help meet her family=s financial obligations. She also performs volunteer community service through Beta Alpha Psi, a scholastic and professional accounting society.

Zhila M. Kazempour, Overseas Category. Zhila and her family fled Iran because of religious persecution, became refugees in Turkey, and then immigrated to the U.S. in 2002. In her country, no one in her family was able to be educated beyond high school. Her parents made a great sacrifice by immigrating to the U.S. so their children could achieve their educational goals and have the opportunity of a lifetime. Zhila is majoring in Accounting at the Main Campus of the University of Washington. After first mastering English at South Seattle Community College, she transferred to the University of Washington where she has achieved a 3.15 grade point average in her accounting-related studies. She cares for a family of five and is practically in charge of all her family=s affairs. Zhila=s father was in the construction business in Iran. She watched his trusting

attitude bring his company into bankruptcy. She will be pursuing work in the forensic accounting field ensure that others don't follow her father's example.

Esther Ho Ting Chan, Overseas Category. Esther immigrated to the U.S. from Australia. She is a senior majoring in Accounting and Psychology (double major) at the Main Campus of the University of Washington. She then plans to graduate with a masters Degree in Accounting in June 2007. She has achieved a 3.61 grade point average in all of her studies and has been on the Dean's list for seven of the 15 quarters she has attended the University. She is very interested in a career in forensic accounting. She recently organized the Forensics Accounting Challenge for the Beta Alpha Psi Regional Conference, a game where teams of student compete to identify the most red flags possible in a fictitious company.

(b) Michael Roggenkamp, U. S. Category. Michael is the winner of the Chapter's \$500 scholarship award. He is a senior majoring in Accounting at the Ellensburg Campus of Central Washington University and plans to graduate in Spring 2007. He achieved a 3.46 grade point average in all classes after transferring from the University of Oregon. In addition to other scholarships, he has worked part-time as an electrician, a landscaper, and in construction in order to pay for his education. During his high school years, he was active in wrestling and many other extra-curricular activities. He is very interested in a career in forensic accounting, and is going to work for a Texas company as an accounting intern after graduation. He then plans to study for the CFE Examination.

Please join the Chapter Board of Officers in congratulating these outstanding students for their fine accomplishments and for being recognized as either ACFE or Chapter scholarship award winners in 2006. Their applications stood head and shoulders above the rest. We trust that these scholarship funds will assist these fine students achieve their educational goals. Their selection also makes a fantastic statement about the quality of the students who attend our fine educational institutions in the Pacific Northwest. This group of students are the best representatives we have even seen in the ACFE and Chapter scholarship programs.

(4) Call for Member Recurring Personal Items of Interest to the Chapter Membership

If you are a Member of the Chapter, please notify Joe Dervaes, Editor of the Chapter Newsletter, about your activities and professional achievements so that we can announce them to the Membership in our bi-monthly Chapter Newsletter.

Please submit your information by e-mail to the following address:

joeandpeggydervaes@centurytel.net

(5) Call for Member Training Accomplishments for Annual ACFE Recertification Report

As of December 31, 2006, the Chapter must report its membership information and accomplishments to the ACFE in an Annual Recertification Report. President Joe Dervaes is currently drafting this report and has requested your input to make it as accurate and complete as possible.

If you are a Member of the Chapter, please notify President Joe Dervaes about your training accomplishments during Calendar Year 2006. If you provided professional fraud training to any group, please include the basic information about the event, such as your name, the date of the presentation, group name/chapter identification, location of the training, the presentation title, number of hours of CPE, etc. This information is very important and will be used to update our Chapter's record of training accomplishments for the year.

(6) Job Opportunity

Ajilon Finance (www.ajilonfinance.com), a recruiting firm, is currently seeking a Certified Fraud Examiner for a position as a senior manager in a national forensic accounting firm. The position will be the successor to partnership in the Seattle Office. The firm focuses on both litigation support as well as insurance claims. Joint certifications in fraud examination and law are a bonus.

If you are interested in this position, please contact Virginia Kirn, CPA, Executive Recruiter, Ajilon Finance, directly at: virginia.kirn@ajilonfinance.com, telephone (206) 467-0700, fax (206) 467-9986, Two Union Square, 601 Union Street, Suite 2434, Seattle, WA 98101

(7) Other Training Opportunities

Richard Hagar SRA announces three classes on the topic of "Identify and Prevent Real Estate Fraud", each with 6 hours of CLE credits (attorneys). The classes are on November 17, 2006, at One Union Square, 600 University Street, Suite 2820, Union Square Boardroom, Seattle, WA 98101; November 30, 2006, at Community Center at Mercer View, 8236 S.E. 24th Street, Mercer Island, WA 98040; and, December 7, 2006, at The Tacoma Club, Wells Fargo Plaza, 1201 Pacific Avenue, 16th Floor, Tacoma, WA 98402.

If you are interested in attending these classes, please contact Rachel Reed, Education Coordinator, Kinja, LLC, 7433 S.E. 27th Street, Mercer Island, WA 98040, directly at (206) 236-0787 or education@kinjamedia.com or www.kinjamedia.com.

John E. Reid & Associates, Inc. (www.reid.com)
209 West Jackson Boulevard, Suite 400, Chicago, IL 60606
800-255-5747 ! 312-583-0700 ! fax 312-583-0701
September-October 2006 Investigator Web Tip

Quoting Statements in an Open Account: Truthful or Deceptive?

During most interviews the investigator should develop an open, or narrative account from the subject. It is called an open account because the investigator=s question encourages the subject to relate everything relative to the area of inquiry and once the subject starts talking, the investigator does not interrupt the account. Examples of questions that elicit an open account include, AMary tell me exactly what happened to cause the cut on your hand.@ or, AGeorge, tell me everything you did last Friday from the time you got home from work until the time you went to bed.@"

There are many aspects of an open account that can be analyzed to assess the credibility of the person making it: Does the account contain an introduction, main event and an epilogue or does it focus entirely on the main event? Is the account detailed or is it vague? Are the person=s recollections reasonable or selective? Does the logic of the account follow normal human behavior or does it describe behaviors that do not make sense? However, there is one aspect of an open account that has not been specifically researched and yet is very objective in its identification. This behavior is the inclusion of a quoted statement.

During our training seminars we present the case of a young women who claims to have been abducted at knife point from a parking lot. The following is a transcript of portions of her open account:

AHe ended up on the right side of me and he said, *>You=re taking me where I want to go=* and I said, *>No I=m not=* and he said *>Yes you are=* and he got in the car. (Later in the account) And then he said, *>You=re not driving fast enough=* and he said, *>pull over, I want to drive.=* When he got out of the car I was able to drive away.@"

The italicized statements are each quotes of statements the victim decided to include in her open account. She certainly could have relayed what happened without including the quoted statements. Therefore, the inclusion of the quotes was purposeful on her part. For this reason the inclusion of quoted statements represents a potential behavior symptom to help detect truth or deception.

In this particular case the abduction account turned out to be fabricated to gain the attention of the woman=s boyfriend. However, a review of other video-taped open accounts reveals instances where verified truthful subjects have also included quoted statements within their narrative account. Consequently, we cannot offer a dogmatic guideline that the inclusion of quotes within a narrative account is indicative of deception. But we can develop a theoretical set of rules to evaluate this potentially valuable behavior symptom.

Before offering these guidelines, it is important that the investigator differentiates between quotes and summaries within an account. The statement, AHe pulled my hair and called me a bitch@" is not a quote. Rather, this subject is merely offering a summary of a conversation. On the other hand, the statement, AHe pulled my hair and said, *>You are a bitch and I=m going to kill you=@* is a quote. The following guidelines only refer to true quotes that are included within a narrative account.

1. The inclusion of quoted statements in a narrative account should cause the investigator to be suspicious of the account. There is a strong tendency of truthful suspects to restrict their accounts to only information they know, for certain, is truthful. Even when recalling an incident that occurred six or twelve hours ago, most people would not accurately recall, word for word, exact statements made during the incident. When thinking back over the event, particular words or phrases may be accurately recalled but it would be unusual to recall an entire sentence. Applying this logic, the narrative statement, "He pointed a knife at me and said that he would kill me if I called the police" is more credible than the following statement: "He pointed a knife at me and I said, 'What are you going to do?' He then said, 'I will kill you if you call the police.'" (Notice that the first statement does not contain an actual quotation but rather summarizes the contents of a conversation.)

2. The inclusion of quoted dialogues is more typical of a fabricated account. A subject who is generating a fabricated account must create a credible story line to convince the listener that the event really happened. As the subject constructs the fictitious account the behavioral aspects of the story start to evolve -- What was done, when it was done, where it was done and what statements were made during the incident. Because the account is being spontaneously generated, the statements surface as an imagined dialogue. During our review of video-taped narrative statements, there was no instance of a verified truthful account that contained a quoted dialogue, e.g., "He said (quote) and then I said (quote)"

3. A quote that contains unique or emotional language is more likely truthful. A legitimate rape victim's open account concluded with the following statement: "I was sitting on the ground and looked up at him. He pointed the gun at my head and said, 'prepare to meet your maker.' I just put my head down and cried." It is reasonable that the victim would remember, word for word, this very emotional statement and, therefore, have the confidence to include it within her account as an exact quote. Similarly, if the quoted phrase represents an unusual or unique phrase, it is more likely that the person would accurately remember it and be comfortable including it within their response, e.g., "The guy rolled down his window and yelled, 'You flat-landers don't know how to drive.'"

This circumstance is quite different from quotes that are included in an open account simply to increase the credibility of the account. The following is an example of gratuitous quotes that are included in an account simply to help sell the subject's version of events: "I told him, 'If you don't leave right now I'm calling the police,' but he continued to walk toward me and I knew what was going to happen. I then said, 'Please don't hurt me.'"

4. Qualified quotes should not be interpreted as either truthful or deceptive. The following is an example of a qualified quote: "The man walked right up to me and said something like, 'give me your money', or, 'I want your money'." The qualifying phrase "something like" may indicate that this is a truthful subject who is trying hard to be accurate in his account.

Conversely, a subject who is generating a fictitious account may experience anxiety after including a fabricated quote within the account and, in an effort to reduce this anxiety, qualify the quotation after making it. The following is an example of a deceptive suspect who felt the need to qualify a fabricated quote: "He asked me for the money and I told him that I could get it by Saturday. He got angry and said, 'I want that money now', or, 'I need that money now.' I can't remember exactly what he said but that's when I knew I had to get money somehow." Under this circumstance, the qualified phrase, "I can't remember what he said" almost serves as a retraction that the words were ever said at all.

In summary, the inclusion of a quoted statement within an open account may be a valuable behavior symptom that will either support or refute the truthfulness of the account. The guidelines offered in this web tip are based on a general review of open accounts which have been verified as either truthful or deceptive. They are not the result of a controlled study. Investigators are welcome to contact me (BJayne@Reid.com) to relay their own observations or experiences with interpreting quotations contained within an open account

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