

CFE UPDATE
May-June 2007

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
Audit Manager, City of Kent - Finance Department, (253) 856-5262; the Chapter Distinguished Achievement Award Winner for 2005; rgoehring@ci.kent.wa.us, Kent, Washington

Be sure to mark the following calendar year 2007 fraud training meetings on your personal schedule and plan to attend.

June 27, 2007 (Wednesday). Annual Chapter Business Meeting and Fraud Training Seminar; Bahama Breeze Restaurant; 15700 SouthCenter Parkway, Tukwila, WA 98188; (206) 241-4448. 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.

The speaker for this fraud seminar is Will Marik; Criminal Investigations Division; King County Sheriffs Office; Kent, WA. His topic is Current Fraud Trends in County Government and Identity Theft.

July 15-20, 2007 (Orlando, FL B Disney's Coronado Springs Resort; Lake Buena Vista, FL; ((407) 939-1020). Association=s 18th Annual Fraud Conference and Exhibition. Register for this conference at www.ACFE.com. The meeting times are from 1:00-5:00 p.m. on July 10, 2005, for the Pre-Conference; 8:30 a.m. B 12:30 p.m. on July 13, 2005, and from 8:30 a.m. B 4:30 p.m. on all other days during the Main-Conference and Post-Conference period. The 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. The discounted registration fee for Association Members is \$1,225 for the Full Conference. The regular registration fee for non-members is \$1,395 for the Full Conference (all fees are estimated).

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 Foundation=s Board of Directors Meeting held in conjunction with the Annual Fraud Conference.

August 29, 2007 (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 topic and speaker for this fraud seminar have not yet been announced. Preliminary planning is for the Washington State Department of Financial Institutions staff to make a presentation on the topic of *Securities Fraud*.

October 17-19, 2007 (Wednesday-Friday). Joint Chapter and Association of CFEs Fraud Training Classes at the Doubletree Hotel, 18740 International Boulevard; SeaTac (across the street from SeaTac International Airport), (206) 246-8600. There is an \$8 (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 class begins at 8:00 a.m. and ends at 4:25 p.m. each day. Register directly with the ACFE by calling 1-800-245-3321 (Austin, TX), or by accessing the Association's web-site at www.ACFE.com. The class includes 16 hours of continuing professional education credit. You must contact the ACFE to actually register for this class. Ask for Diane Lloyd, Events Registrar (dlloyd@ACFE.com).

October 17, 2007. The topic for this one-day fraud class is Investigating Conflicts of Interest. The speaker for this class has not yet been announced by ACFE. The registration fee for attending this training class is \$249 for ACFE members and \$299 for non-members (all fees are estimated).

Conflict of interest can present significant fraud allegations for corporations, government agencies, fiduciaries, customers and suppliers. It is also one of the most difficult areas of fraud to investigate and obtain adequate evidence. Improper investigations can create counterclaims and civil actions against organizations and fraud examiners. In this class, participants will gain an understanding of how and why conflicts arise and how to spot warning signs of conflicts of interest, plus leave with an understanding of issues specific to these types of engagements.

October 18-19, 2007. The topic for this two-day fraud class is Professional interviewing Skills. The speaker for this class has not yet been announced by ACFE. The registration fee for attending this training class is \$595 for ACFE members and \$695 for non-members (all fees are estimated).

What are people hiding from you? Criminals, clients, customers, and even colleagues may each be hiding something from you. This class will teach participants how to be more effective in asking questions and evaluating responses so that they can better detect lies and deception from everyone they interview. Even experienced professionals will improve their interviewing skills with this renowned course.

Note: The Association will provide breakfast pastries and mid-morning and mid-afternoon refreshments on all three days of these training classes. The Association will provide lunch only on the first day of the two-day training class. Attendees will be on their own for lunch for the one-day training class and for the second day of the two-day training class. For Members of the Pacific Northwest Chapter/ACFE, the Chapter will sponsor your lunch on the days when ACFE does not provide this service. The Chapter Board of Officers will assist with registration duties for this class.

December 3, 2007 (Monday). Joint Chapter/WSCPA's 11th 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 registration fee for members

of the WSCPA and the Pacific Northwest Chapter is \$195 (estimated) for this conference. There is also a \$8 (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. You must call the WSCPA to actually register for the conference. Ask for Rachel Ingalls, Conference Administrator.

There will be four sessions at the annual fraud conference, each lasting two hours. Confirmed information is as follows:

Session #1 (8:00 – 10:00 a.m.). The *Washington State Attorney General's Office, Consumer Protection Division*, will provide a panel discussion with four speakers and topics. They are: (a) Shannon Smith – issues of privacy and data security; (b) Rebecca Henderson – computer forensic investigations and technology trends and changes; (c) Becky Sears – computer fraud and identity theft education and outreach, general trends and statistics related to these issues; and, (d) Katherine Tassi – the Attorney General's Office litigation and enforcement efforts with respect to Internet fraud and spyware, as well as some enforcement actions throughout the United States.

Session #2 (10:00 a.m. – Noon). Chapter Member Guido Van Drunen will speak on the topic of *Traveling in Style on Your Company's Nickle*. He will also be presenting this seminar at the ACFE Annual Fraud Conference and Exhibition in Orlando, FL in July 2007. Travel fraud is always an interesting topic and has broad application to attendees who perform accounting services for others because this type of fraud occurs in all industries and organizations.

Session #3 (1:00-3:00 p.m.) Chapter Member Ken Wilson will speak on the topic of The Dental Queen. He will focus on the reasons why the group of dentists in an Olympia Dental Clinic could have detected this \$1.9 million fraud over a 6.5 year period of time, but didn't. The bookkeeper (10 years) and her husband (17 months) will be sentenced in May 2007 under a preliminary plea bargaining agreement with the Thurston County prosecuting Attorney's Office. Ken Wilson performed the investigation for this disbursement fraud for the prosecutor. The bookkeeper spent \$200,000 on clothes, \$100,000 at restaurants, \$185,000 on hotels, \$74,000 on airline tickets, and \$32,000 at Starbucks. She forged company checks to pay off credit cards for herself and her husband and laundered some of the money through her husband's business. The couple also owned a boat, personal watercraft, expensive jewelry, and a BMW with a vanity license plate that read "Envy Us". This case will be included in a new ACFE book to be published in early July 2007 by John Wiley and Sons, Inc. The book will include fraud case studies from 62 authors who are members of the ACFE, and is entitled *Fraud Casebook: Lessons from the Bad Side of Business*.

Session #4 (3:00-5:00 p.m.). Chapter Member Gayle Seyl will speak on the topic of *Why Healthcare Fraud is So Rewarding*. She will focus on the perceived benefits to the provider, patient, and payer, as well as the economic costs of healthcare fraud to society. Actual fraud case studies will illustrate the key learning objectives for this session. This seminar topic will have board application to attendees who specialize in performing accounting services for all types of health care providers. Gail Seyl is also our Chapter's Distinguished Achievement Award winner for 2007. Congratulations Gail.

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

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).

Our host, the State of Washington Housing Finance Commission, controls the conference room where our meetings are held. In February 2005, the Commission revised its security for access to its training room. We are NO LONGER required to sign-in with the receptionist on the 27th Floor to obtain a visitor=s badge. Please report directly to the training room on the 28th Floor of the building.

We meet at the training room promptly at 2:30 p.m., hold a 30 minute networking session at 3:30 p.m. in the middle of the class, and then complete all fraud seminars at 4:45 p.m. sharp. The Commission has asked us to depart the training room promptly because their duty day ends at 5:00 p.m. We appreciate using this fine training facility for our fraud seminars, and respectfully request everyone abide by the Commissions rules.

(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 B www.ACFE.com

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

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

Spokane Chapter/ACFE B www.spokanefraud.org

Vancouver, B.C., Canada Chapter/ACFE B 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.ifcfbi.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) Correspondence with the Washington State Attorney General's Office

The Attorney General's Office recently gave us a copy of a video for our Chapter Library entitled: Protecting Seniors Financial Assets: How to Recognize Scams and Assist Seniors.

On March 12, 2007, the Chapter Board of Officers sent a thank-you letter to the AGO thanking the office for sending us a copy of this video for our library of professional training materials. The letter also thanked the Consumer Protection Division for its contributions to the success of our fraud training mission, including providing speakers at our June 2006 annual business luncheon meeting and at our upcoming December 2007 annual fraud conference.

The Chapter is always seeking partners in promoting our common interest of fraud prevention and detection to fraud professionals and citizens. This video will serve as a

valuable training tool in the future. It is truly a sad commentary on life when senior citizens are victimized by those who would abuse their trust.

On March 15, 2007, the Honorable Rob McKenna, Attorney General replied to the above letter. The letter states that it was kind of the Chapter to take the time to express our appreciation for the assistance of Assistant Attorney General Katherine Tassi from his Consumer Protection Division.

Attorney General McKenna then stated that he is pleased that his office is partnering with the ACFE to combat fraud perpetrated against the elderly, one of our most vulnerable populations.

The above referenced video is available for check-out by Members of the Chapter. Please contact President Joe Dervaes to make arrangements to view the video.

(4) Chapter Members in the News

(a) Chapter Associate Member Dr. Bob Holtfreter, Professor of Accounting at Central Washington University, was the keynote speaker at a March 2007 fraud conference sponsored by the Olympia Chapter of the Institute of Internal Auditors. Dr. Holtfreter spoke on the topic of Identity Theft and Credit Card Fraud, a topic he is very familiar with because of the prior articles that were published in *Fraud Magazine*.

(b) Chapter President Joe Dervaes and Member Ken Wilson are authors of two fraud case studies that will be included in an Association of Certified Fraud Examiners book to be published in early July 2007 by John Wiley and Sons, Inc. The book will include fraud case studies from 62 authors who are members of the ACFE, and is entitled *Fraud Casebook: Lessons from the Bad Side of Business*. Authors were initially screened by the ACFE and publisher before writing assignments began. Each case study is approximately 5,000 words in length. The draft manuscripts were reviewed by three individuals at the ACFE (Joe Wells, John Gill, and Kassi Underwood) and by two individuals at the publisher (a senior editor and a copy editor). The project took almost a year to complete, and the book will be launched at the 18th Annual Fraud Conference and Exhibition in Orlando, Florida (July 16-18, 2007). Author Joe Dervaes will be on-hand at the Conference for the festivities.

Everyone at the ACFE is very proud of the book. And, every author should likewise be very proud of their individual contributions toward making it a true success. The editors at John Wiley and Sons, Inc. told the ACFE that they really enjoyed reading all of the stories. They concluded their comments by stating that it has been one of the best projects they have ever worked on. That is a fine testimony to the quality of the fraud case studies that are featured in the book. This book is truly unique and will most certainly be a must read addition to any CFE's personal library of fraud literature. A copy of the book will also be included in our Chapter library and available to members upon request.

(c) Chapter Associate Member Melissa Huelsman represented a Bellevue, WA citizen in a home bailout scam that was reported in the Tacoma News Tribune on April 2, 2007. Quoting the newspaper article: 'As home foreclosures increase across the country, scam artists promise struggling homeowners a quick bailout; but they end up stripping the properties of their value or owning the homes outright. So-called 'foreclosure rescue' and equity skimming scams have been around for years, but they've proliferated over the last five years as the U.S. housing boom took off, experts said. Now, as the market cools, tens of thousands of homeowners with shaky credit are reeling after interest on their sub-prime adjustable-rate mortgages increased, requiring higher payments. Many are turning to foreclosures, giving con artists an even larger audience. State officials urge cash-strapped property owners – particularly the elderly, immigrants, minorities, and low-income – to be wary of mailings, phone calls and visitors offering to help 'save your home' and 'avoid foreclosure'. The Washington State Attorney General's Office recently settled a suit against three businesses that claimed to save the homes of people who were facing foreclosure for unpaid property taxes. The companies...allegedly broke promises to pay the back taxes and instead tried to sell the houses at auction and keep the owners' rightful proceeds, according to the complaint...Company officials admitted no wrongdoing, but agreed to pay a total of \$190,000 in restitution to possibly more than 100 homeowners, state officials said.'

In the Bellevue case, the homeowner went through a divorce, lost her job due to frequent absences to care for a sick child, and fell behind on her mortgage. She ultimately signed documents that transferred title of her property while allowing her to remain in the home and pay rent for several years. After two years, the contract allowed her to buy the property. But, the rent almost equaled her monthly income. The whole scenario was set-up to fail because the company knew she couldn't pay the monthly fee. The company waited to evict her, and did.

The newspaper stated: 'At trial last year, the company was found to have committed fraud and violated the state consumer-protection act by engaging in unfair or deceptive business practices. They were ordered to transfer title of the home back to the citizen, reimburse her for the estimated \$35,000 she paid in rent, and pay her the rent that other tenants had paid on the property since she'd been evicted. The case is under appeal.'

(d) Chapter Member Ken Wilson, Wilson Investigative Services, participated in the investigation of a bookkeeper who embezzled \$1.9 million from her employer, a dental clinic in Olympia. This case was described in a series of prior newspaper articles in The Olympian, including the most recent one on April 5, 2007. Quoting the newspaper article: 'Prosecutors and their defense lawyers will recommend a judge sentence the 38 year-old bookkeeper to a 10-year prison sentence and her husband to 17 months under a plea agreement...It ended one of the largest embezzlement cases ever prosecuted in Thurston County...The partners (of the dental clinic) were able to right the ship after the embezzlements...but ...the \$1.9 million in losses set their retirement plans back 10 years. The losses weren't insured....(The bookkeeper) forged company checks to pay off credit cards that the couple used to support a lavish lifestyle. They laundered some of the money through her husband's business....Prosecutors hired a forensics examiner, Ken

Wilson, to track the stolen money by reviewing hundreds of financial records. According to his report, the (couple) between December 1998 and Summer 2005 spent \$200,000 on clothes, \$100,000 on dining out, \$185,000 on hotels, \$74,000 on airline tickets, and \$32,000 at (a coffee shop). The (couple) also made large donations to area sports teams and (a school district). Before (the bookkeeper) was arrested July 18, 2005, the couple owned a boat, personal watercraft, expensive jewelry, and a 7-Series BMW with a license plate that read: 'Envy Us'....The dental practice has recovered about \$80,000. The (couple) will be required to pay restitution after they get out of prison, but it's doubtful (the clinic) will recover a substantial sum.'

(e) Prior Chapter President Linda Saunders, Forensic Accounting Consulting, was the speaker at three recent seminars and conferences in March and April 2007. She spoke on the topic of Medical Embezzlements: Insurance Claims Provide the Perfect Storm at the following events: American Society of Women Accountants, Seattle Chapter meeting (March 28, 2007); ACFE Insurance Fraud Conference, New Orleans (April 2-3, 2007); and, Pacific Northwest Chapter/ACFE fraud seminar, Seattle (April 25, 2007).

The Board of Officers congratulates Associate Member Dr. Bob Holtfreter, President Joe Dervaes, Member Ken Wilson, and Past President Linda Saunders for their continuing efforts to make significant contributions to the *Fraud Common Body of Knowledge* and to expand our Chapter's community outreach program.

The Board of Officers also congratulates Associate Member Melissa Huelsman for her dedication to help right wrongs in the housing foreclosure business, and Member Ken Wilson for the important part his investigation played in the criminal case involving the Olympia dental clinic bookkeeper. Keep up the fine work!

(5) ACFE's 18th Annual Fraud Conference and Exhibition

The Association's Annual Fraud Conference will be held during the period July 15-20, 2007, at Disney World's Coronado Springs Resort in Lake Buena Vista (Orlando), FL. Hotel reservations can be made at (407) 939-1020). If you intend to go to the conference this year, you must register at www.ACFE.com. The meeting times are from 1:00-5:00 p.m. on July 10, 2007, for the Pre-Conference; 8:30 a.m. to 12:30 p.m. on July 13, 2007, and from 8:30 a.m. to 4:30 p.m. on all other days during the Main-Conference and Post-Conference period. The discounted registration fee for Association members is \$795 for the Main-Conference and \$895 for non-members. The discounted registration fee for Association Members is \$1,225 for the Full Conference and 1,395 for non-members (all fees are estimated and depend upon the time of your registration. Deadlines are as follows: early registration by April 18, 2007; advanced registration by May 23, 2007, and standard registration after May 23, 2007. If you have not already done so, make your plans to attend now to take advantage of these discount opportunities.

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 Foundation's Board of Directors Meeting held in conjunction with the Annual Fraud Conference.

We look forward to seeing you at the Conference again this year. Have fun, enjoy this premiere fraud training event, and network with your fellow professionals.

(6) Additional Fraud Training Opportunity

The Spokane Chapter/ACFE announces the speakers and topics for its two-day Annual Fraud Conference (October 18-19, 2007) to be held at the Mukogawa Fort Wright Institute which is near the Spokane Airport. Details follow:

Sam E. Antar, former CPA and former Chief Financial Officer of Crazy Eddie, Incorporated. During the 1980's, Sam and his cousin Eddie Antar and uncle Sam M. Antar (co-founders of the company) helped mastermind one of the largest securities frauds of its time.

Eugene F. Ferraro, CFE, PCI, CPP, President and CEO of Business Controls, Incorporated in Littleton, CO. He will speak on the topic of *How to Conduct proper and Ethical Investigations*. Mr. Ferraro is a published author and speaks frequently on the topics of workplace investigations and crime in the workplace.

Brock Phillips, CFE, CPA, Senior Forensic Accountant in the Financial Integrity Unit of Microsoft Corporation, Redmond, WA. His unit is housed within the Internal Audit Department, and is comprised of a team of investigators responsible for the prevention, detection, and investigation of both internal and external fraud. He will speak on the subjects of internal controls and employee theft.

Additional details about the Spokane Chapter's Annual Fraud Conference can be obtained from its web-site at www.spokane-fraud.org. Or, contact Marie Rice, CFE, CICA, Griffiths, Dreher, & Evans, PS directly at (509) 326-4054, marie@grifco.com.

(7) Chapter Member Seeking Employment

Chapter Member David A. Hughes, CFE, is seeking employment. David has a B.A. Degree from Chaminade University of Honolulu, Hawaii, and passed the CFE Examination in 2006. He retired from the U.S. Customs Service and Department of Homeland Security in 2006 with approximately 29 years of service as a federal law enforcement officer/investigator, including the past 24 years as an investigator. In this capacity, he has both conducted investigations and supervised a staff responsible for conducting a wide variety of criminal and internal criminal/administrative investigations. These include internal affairs investigations, money laundering, currency smuggling, narcotics trafficking, immigration violations, and fraud. He has also prepared threat

assessments and crisis management plans. David is well versed in all aspects of investigations, including court testimony. He has extensive training in the field, including attending the John Reid & Associates Basic and advanced Interviewing and Interrogation classes.

If you, or someone you know, are aware of any job openings in your organization or elsewhere that require David's extensive investigative experience, please contact him directly at dasutyni@comcast.net. He currently lives in Lynnwood. Thanks.

ANNUAL CHAPTER LUNCHEON AND BUSINESS MEETING

Wednesday, June 27, 2007 -- Noon - 2:00 p.m.

The annual Chapter luncheon business meeting will be held at the Bahama Breeze Restaurant, 15700 SouthCenter Parkway, Tukwila, WA. For reference purposes, the restaurant is located on the Northwest corner of SouthCenter Mall nearest to the intersections of I-5 and I-405. Directions to the restaurant follow. When driving North on I-5, take exit number 153 indicating the SouthCenter Mall and SouthCenter Parkway and just before reaching the I-405 interchange. Take an immediate right at the traffic light on SouthCenter Parkway. Then, take an immediate left at the traffic light and proceed to an entrance to SouthCenter Mall (on your left). Drive through the Mall parking lot until you reach the restaurant location. There is plenty of parking at the restaurant.

Members will be able to order from a variety of menu selections offered by the Bahama Breeze Restaurant especially for our meeting. There is no cost for the meal or fraud training for Chapter Members, Associates, or Affiliates of the Chapter. The cost of the meal and fraud training is \$15.00 for non-members.

Even though the cost of the meal is free for Chapter Members, Associate Members, and Affiliates of the Chapter, we still need your registration forms so that we can get an accurate head count on all attendees. Thanks for your assistance in this important matter.

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

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

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

Speaker: Will Marik

Will Marik represents the Criminal Investigations Division of the King County Sheriff's Office in Kent, WA. He has an extensive background in law enforcement over the past 20 years. However, for the past decade, he has specialized in financial investigations.

Seminar Description: Current Fraud Trends in County Government and Identity Theft

Will Marik will make a presentation on Current Fraud Trends in County Government and Identity Theft. He draws on his personal, professional life experiences from fraud investigations to bring us the latest information about fraud in King County, Washington.

SEMINAR REGISTRATION FORM

Wednesday, June 27, 2007 -- Noon - 2:00 p.m.

NAME:

TITLE: _____ PHONE _____

EMPLOYER:___ FAX:_____

ADDRESS:_____

CITY:_____ STATE: _____ ZIP:_____

Speaker: Will Marik

Will Marik represents the Criminal Investigations Division of the King County Sheriffs Office in Kent, WA. He has an extensive background in law enforcement over the past 20 years. However, for the past decade, he has specialized in financial investigations.

Seminar Description: Current Fraud Trends in County Government and Identity Theft

Will Marik will make a presentation on Current Fraud Trends in County Government and Identity Theft. He draws on his personal, professional life experiences from fraud investigations to bring us the latest information about fraud in King County, Washington.

Notes:

Please mail this registration form to: Pacific Northwest Chapter/ACFE; P. O. Box 215; Auburn, WA 98071-0215. Or, bring your registration form to the Seminar for processing.

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**.

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

JOHN E. REID AND ASSOCIATES, INC.

209 WEST JACKSON BOULEVARD, SUITE 400 CHICAGO ILLINOIS 60606

Investigator Web Tip-May / June 2007-800-255-5747•312-583-0700•fax 312-583-0701

CATCHING A SUSPECT IN A LIE: NOT ALWAYS A SYMPTOM OF GUILT

A skilled investigator learns to withhold certain inside information from a suspect during an interview in the hope that he can catch the suspect in a lie. For example, the suspect may lie about knowing the victim, being in the vicinity of the crime or having a prior conviction. This documented lie can later be used to good advantage during an interrogation where the investigator states that just as he knows the suspect lied about (knowing the victim) the investigator also knows that the suspect committed the crime. Furthermore, the documented lie can be used to impeach the suspect's credibility and character, e.g., "If you don't get this straightened out today no one is ever going to believe anything you have to say in the future. People are going to say, 'We know Fred lied about knowing her, Fred is probably also lying when he says that he is sorry he did this.'"

The attack on the suspect's character does not end during the interrogation. At trial the prosecutor may call the investigator to the stand to testify that during the investigation the defendant lied about knowing the victim. The jury, of course, is led to believe that if the defendant lied to the police about knowing the victim that the only possible logical conclusion is that he is also lying when he denies killing the victim. One need not possess a degree in philosophy to recognize the fallacy of this argument – If Johnny comes home from school and lies about the grade he received on a recent algebra test that lie does not increase the probability that Johnny is also the student who pulled the fire alarm at school last week.

Nonetheless, it is true that guilty suspects do lie during the course of an investigation and there are many documented cases where the person guilty of a crime was identified primarily because he was caught telling a minor lie. Offsetting these cases, of course, are those where innocent suspects have also lied to the investigator. This web tip will offer guidelines to help the investigator determine how much weight to place on the fact that a suspect has been caught in a lie.

Evaluate The Suspect's Level Of Motivation To Tell The Truth

Consider two suspects, Tom and Jerry, who are both on probation for selling narcotics. A liquor store is robbed and Tom is seen standing in an alley two blocks from the store. The investigator asks him general questions about who he is, what he is doing in the ally and where he was ten minutes ago. The investigator then asks Tom, "Are you currently on probation?" Tom lies and says he is not.

Jerry was also picked up for the same robbery about two blocks from the liquor store but he was taken to the police station for a formal interview. The investigator has identified

that the purpose for the interview is to determine whether Jerry was the person who robbed the liquor store. The interview questions all specifically relate to the liquor store robbery. The investigator then asks, "Are you currently on probation?" and Jerry says he is not.

Both of these suspects have lied about exactly the same thing. However, based strictly on that lie, factual analysis would predict that Jerry is much more likely guilty of the robbery than Tom. The reason for this is that Tom was operating from a much lower level of motivation when he lied about being on probation. His interview was informal and no clear purpose was stated for the interview; the questions were all general in nature. Tom had very little motivation to tell the truth about being on probation. In his mind he may well have figured that the questioning was routine and that his life would certainly not be negatively affected by the lie.

On the other hand, Jerry's interview was directed specifically toward the robbery and was conducted in a controlled environment. An innocent suspect operating from a high level of motivation approaches the interview with an expectation to tell the truth – not only about the issue under investigation but about peripheral issues as well. This is so even when the truth may reveal possible motives, access or opportunity. With the heightened level of motivation associated with Jerry's interview, he almost certainly would have told the truth about being on probation if he was innocent of the robbery. The fact that he chose to lie about his prior conviction becomes a strong factor pointing to his probable involvement in the robbery.

Evaluate The Significance Of The Lie Relative To The Issue Under Investigation

A woman was raped and murdered in her apartment between 8:00 PM and 10:00 PM. One of the tenants within the apartment told the investigator that the night of the murder he was inside his apartment from 7:30 PM until the next morning. However, a neighbor saw the tenant leave his apartment at 9:00 PM and not return until after 10:00 PM. A second tenant told the investigator that he was working late and did not arrive at his apartment until after 10:00. In addition, he denied ever talking to the victim or knowing who she was. A friend of the victim, however, reported that the second tenant had asked the victim out for a date on a couple of occasions and she turned him down both times.

Both suspects have lied during their interviews. Based strictly on the nature of their lies, factual analysis would predict that the second suspect is more likely guilty of the murder. While lying about an alibi can be significant, innocent suspects may lie about an alibi to prevent the investigator from learning about other illegal or embarrassing activity (selling drugs in the park across the street, having an affair with a co-worker.)

Considering that this homicide was sexually motivated, lying about a prior relationship with the victim is a much more significant lie. If the second suspect was innocent, why not reveal to the investigator the fact that he knew the victim and asked her out for a date? Applying this principle, the following examples contrast two possible lies a suspect

could tell during an interview. The second listed lie is closer to the issue under investigation and, therefore, a better indicator of the suspect's guilt.

1. Lying about owning a handgun vs. lying about firing a handgun the night of the murder
2. Lying about having an argument with the victim vs. lying about how the suspect injured his hand
3. Lying about having financial difficulties vs. lying about where suspect got the money to pay back rent

Evaluate The Reason For The Lie

Bob and Jeff are both interviewed as suspects in an investigation involving damage to a company van. Surveillance video shows both of them driving the van on the day it was damaged. During their interviews they both deny driving the vehicle on the day the damage occurred. When confronted with his lie, Bob explains that he lied because he used the company van to move some furniture to a new apartment. However, when Jeff is confronted with the surveillance video he does not give a tangible reason for lying other than to say that he simply forgot driving the van that day. Based only on this information, the probability is that Jeff is more likely than Bob to have caused the damage to the van.

When an innocent suspect is asked a question that would almost certainly lead to adverse consequences he may choose to lie to the question especially if the consequences to the secondary issue (unauthorized use of a company vehicle) are of similar or equal seriousness to the issue under investigation. When the reason for telling a lie involves significant consequences such as revealing illegal immigration status, having an outstanding warrant, exposing infidelity or a falsified resume this may simply be the innocent suspect avoiding consequences unrelated to the issue under investigation.

Jeff could make up a story in an attempt to explain away the surveillance evidence but that would involve telling another lie and further risking the investigator learning the truth. When confronted with this situation, guilty suspects often blame poor memory bolstered by excuses such as being overworked, busy with something else or distracted by outside concerns.

Lies Of Commission Vs. Lies Of Omission

A fire is started in a business and the nature of the fire suggests anger or revenge. The same week the fire was started Bill and Ted were both terminated from the business for violating company policy. The two employees are brought in for a formal interview concerning the arson. The investigation indicates that Ted is disgruntled because he was denied a promotion. A criminal record check reveals that Bill has a prior conviction for battery.

During a formal interview Bill and Ted both deny starting the fire or knowing anything about the fire. When asked about his feelings toward the company, Bill never volunteered

any information about being disgruntled or being turned down for a promotion. Consequently, Bill has “lied” through omission. On the other hand, Ted is specifically asked whether or not he has appeared in court on any matter. Ted lies through commission and says he has not. Based only on these two lies, Ted is more likely guilty of starting the fire than Bill.

It requires much more confidence for a person to not only tell the truth but, further, to volunteer the truth when doing so places the suspect in a negative light. Lies of omission are commonplace in social situations and should not be considered strong evidence of guilt when interviewing a criminal suspect. It is precisely because of this that when a suspect volunteers incriminating information concerning motive, opportunity or access that the behavior is considered more typical of a truthful person.

In conclusion, it is an effective strategy to invite suspects to lie to the investigator during an interview. For example, if the investigator knows that the suspect was given the alarm code to the security system he should not ask, “I understand that you have the alarm code. When is the last time you used it?” Rather, he should invite the suspect to lie by asking, “Have you ever been given the alarm code?” Innocent suspects usually volunteer the truth, even if the truth reveals possible motives, access or propensity. Conversely, guilty suspects may lie to these types of questions. That is the general rule but, as this web tip points out, there are certainly occasions where innocent suspects will lie to the investigator.

When the investigator catches a suspect in a lie, the following rules are suggested for interpreting the lie with respect to the suspect’s probable involvement in the issue under investigation:

1. Lies told in an informal, low motivational setting are not as significant as lies told during a formal interview where the suspect is operating from a high level of motivation.
2. The more related the lie is to the commission of the crime, the more likely the suspect is guilty. e.g., Lying about firing a weapon on the night of the shooting vs. lying about possessing a weapon of the same caliber used in the shooting.
3. When confronted with the lie an innocent suspect usually has a reasonable explanation for lying, the guilty suspect may not.
4. Lies of commission are more significant than lies of omission.

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