

CFE UPDATE
January-February 2008

Chapter Board of Officers

President: Joseph R. Dervaes, CFE, ACFE Fellow, 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, Chapter Distinguished Achievement Award Winner for 1995, and ACFE 2007 Award Winner for Achievement in Community Outreach and Service, Association of Certified Fraud Examiners. Founding and Current President, Newsletter Editor, Librarian, and WebMaster; 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. Vice President and Training Director; Pacific Northwest Chapter/ACFE. 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. The Chapter Distinguished Achievement Award Winner for 2000; Association of Certified Fraud Examiners. Secretary-Treasurer, Pacific Northwest Chapter/ACFE. President, Gulliver and Associates PS (253) 735-2392; rbg1@mindspring.com; Auburn, Washington.

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

Director-At-Large: Robert A. Goehring, CFE, CPA
The Chapter Distinguished Achievement Award Winner for 2005; Association of Certified Fraud Examiners. Director-At-Large; Pacific Northwest Chapter/ACFE. Audit Manager, City of Kent - Finance Department, (253) 856-5262;; rgoehring@ci.kent.wa.us, Kent, Washington.

The Pacific Northwest Chapter was the ACFE's CFE Chapter of the Year Award Winner for 2006. What a magnificent achievement! Congratulations and thanks go to all who have played a part in helping to develop the Chapter over the years. Great job!

Be sure to mark the following calendar year 2008 fraud training meetings on your personal schedule and plan to attend.

February 27, 2008 (Wednesday). Chapter Fraud Training Seminar; Downtown Seattle, 1000 Second Avenue. 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 for this fraud seminar is “Forensic Document Examination”, and the speaker will be Brett Bishop from the Questioned Documents Section of the Washington State Patrol Crime Laboratory in Seattle.

Special Notice for this meeting only. Our normal training room location is being used by our host on this date. Please visit the Washington State Housing Finance Commission’s main office on the 27th Floor of the building. Sign-in and tell them you’re attending the CFE Chapter fraud seminar meeting. The receptionist will give you a badge and direct you to our alternate training room for this date which is located on the 28th Floor. The conference room is called the Elliott Bay Room.

April 30, 2008 (Wednesday). Chapter Fraud Training Seminar; Downtown Seattle, 1000 Second Avenue. 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.

A representative from the Muckleshoot Casino in Auburn will make a presentation on *Fraud in the Gaming Industry*. The speaker for this fraud seminar have not yet been determined.

June 25, 2008 (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 topic and speaker for this fraud seminar have not yet been announced.

July 13-18, 2008 (Boston, MA). Association=s 19th 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 13, 2008, for the Pre-Conference; 8:30 a.m. B 12:30 p.m. on July 14, 2008, and from 8:30 a.m. B 4:30 p.m. on all other days during the Main-Conference and Post-Conference period (July 15-18, 2008). All of the following registration fees are estimates: 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.

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 27, 2008 (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 for this fraud seminar is *Mortgage Fraud*, and the speaker will be Associate Member Melissa A. Huelsman, from the Seattle Law Offices of Melissa A. Huelsman, P.S.

October 20-21 2008 (Monday-Tuesday). 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 Ashlee Beck, Event Coordinator (abeck@ACFE.com).

The ACFE has provided the following registration fees for this 2008 class. The early registration cut-off date is September 20, 2008. Early registration fees are \$500 for members and \$600 for non-members. Normal registration fees are \$595 for members and \$695 for non-members after the early registration date has passed.

The title of the class is *Money Laundering: Tracing Illicit Funds*. The speaker has not yet been determined or announced by the ACFE.

December 5, 2008 (Friday). Joint Chapter/WSCPA=s 12th 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 \$210 and \$285 for non-members (estimated) for this conference. There is also 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 conference begins at 8:00 a.m. and ends at 5:00 p.m., with 9 hours of Continuing Professional Education credits available for those who attend the entire Conference. Register directly with the WSCPA by calling 1-800-272-8273 (Bellevue, WA). 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 approximately two hours. Confirmed information is as follows:

Session #1 (8:00 – 10:00 a.m.). Chapter President Joe Dervaes, CFE, ACFE Fellow, CIA will speak on the topic of *Understanding Employee Embezzlement in the Workplace*. Joe retired on July 31, 2006, after completing 42.5 years of federal, state, and local government audit and fraud examination service. He worked for the Air Force Audit Agency for 20 years and retired as a Lieutenant Colonel. He then worked 22.5 years for the Washington State Auditor’s Office where he managed the agency’s statewide Fraud Program. During his 20-year tenure as Audit Manager for Special Investigations, he participated in over 730 fraud cases involving losses of over \$13 million and spoke on a wide variety of fraud topics on a weekly basis throughout North America. This much requested and very popular speaker will discuss highlights from his life experiences dealing with employee embezzlement fraud in the workplace. Joe was the 2003 winner of the ACFE’s coveted Donald R. Cressey Award for his lifetime achievements in fraud detection, deterrence, and education. He was the 2007 winner of the ACFE’s Outstanding Achievement in Community Service and Outreach. He is also the Vice-Chair of the ACFE Foundation’s Board of Directors, an ACFE Fellow, ACFE Life Member, and President of the Pacific Northwest Chapter/ACFE, continuously serving on its Board of Officers since organizing the Chapter in March 1993.

Session #2 (10:00 a.m. – Noon). The topic and speaker for this session have not yet been announced.

Session #3 (1:00-3:00 p.m.) The topic and speaker for this session have not yet been announced.

Session #4 (3:00-5:00 p.m.). The topic and speaker for this session have not yet been announced.

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. Attendees should report directly to the training room on the 28th Floor of the building for these fraud seminars.

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 Commission's 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.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. In joining the RPGA Discount Program, our Chapter has agreed to announce Reid Seminar dates and locations to our members by e-mail, an announcement in our chapter newsletter, and/or a notice on our chapter web page. The 2008 Reid Seminar fees are indicated below. *The standard fee for the 2008 Reid 3-Day Seminar is \$595 per person and \$795 for the full 4-Day Program. As a participant in the Reid Preferred Group of Associations your chapter members can attend the 3-Day Seminar for the reduced fee of \$440 per person - a savings of \$155 per person, or \$570 for the full 4-Day Program – a savings of \$225.* To ensure our members receive the discount to which they are entitled, they must at the time of registration (or when purchasing Reid training products) provide the Chapter’s RPGA Association Code Number.

(3) Joint Chapter/WSCPA Annual Fraud Conference a Huge Success

The Chapter jointly sponsored our one-day Annual Fraud Conference with the Washington Society of Certified Public Accountants on December 3, 2007, at the Marriott Hotel in SeaTac. The event was a huge success for everyone concerned – the Chapter, the WSCPA, and the attendees. There were 9 hours of continuing professional education credit available for those who attended all four sessions at the Conference. The session titles and speakers were as follows: (a) a panel discussion by four representatives from the Washington Attorney General’s Office who presented civil law enforcement perspectives, experiences and efforts in education, litigation, and legislation combating spyware, and the agency’s media efforts and challenges to communicate to the public issues relating to its high-tech prosecution and education efforts. The speakers were Katherine Tassi, Shannon Smith, Rebecca Henderson, and Kristin Alexander. (b) Traveling in style on your company’s nickel by Guido Van Drunen, CA, CFE, CIA, CAMS, Director at KPMG; (c) The dental queen – a \$1.9 million employee embezzlement disbursement fraud case study by Ken Wilson, CFE, owner of Wilson Investigative Services; and, (d) How the health care revenue cycle keeps fraud alive, well, and financially sound by Gayle Seyl, CFE, AHFI, partner and senior health care advisor, Probitry Financial Services.

There were approximately 100 people who attended the Conference. The majority of the

attendees were CPAs in the state of Washington, as has been our prior experience with the Conference. But, there were also 23 CFE Chapter members and affiliates who also attended the Conference. They were: Conference Co-Chairs President Joe Dervaes and Vice-President Norm Gierlasinski; Speakers and Chapter Members Guido Van Drunen, Gayle Seyl, and Ken Wilson; and other Chapter Members, Associates, and Affiliates Sherrie Ard, Dale Bonn, Benita Cole, Jennifer Forsberg, Robert Goehring, Joyce Kirangi, Amy Kohler, Brenda Mason, Bernadette McBride, Rufino Moraleja, Gary Nystul, Curt Reed, Steven Roberts, Lavonne Skott, David Snyder, Terry Storms, Dawn Thompson, and Peter Tobin. Thanks to all for your support of the Chapter's fraud training mission. It is appreciated very much.

(4) Chapter Dues for Calendar Year 2008

The Chapter Board of Officers hopes that you and your family have had a wonderful holiday season. And, now that New Years is upon us once again, we're sure that you've made enough resolutions to get you started on a new course for 2008. We hope that one of those resolutions is to continue your membership and affiliation in the CFE Chapter this year, and appreciate your support of the Chapter's fraud training mission very much. Dues statements have already be sent to everyone by separate correspondence. But, as a reminder, the Chapter dues and fees for calendar year 2008 are as follows: CFE (\$24 dues); Associate (\$30 dues); Affiliate (\$36 fees); and student (no charge). Please send your membership dues and affiliation fees to our Chapter Treasurer, Roger Gulliver, at your earliest convenience. The address is: Pacific Northwest Chapter/ACFE; P. O. Box 215; Auburn, WA 98071-0215. The Board of Officers thanks you for your prompt attention to this most important matter.

(5) ACFE 2008 Call for Speakers and Proposals

In its continuing effort to provide the best training and events possible to the membership and event attendees, the ACFE invites experienced anti-fraud professionals to provide speaking proposals for future ACFE conferences.

In an effort to facilitate this process, the ACFE is soliciting proposals from its membership and fellow professionals through an online form. General information about this process is follows. Visit the ACFE website at www.ACFE.com to obtain the form. Please read it carefully as it contains all of the information you will need to make an informed decision as to whether you want to proceed and submit a topic for consideration. Note that for full consideration, submissions must also include your curriculum vitae (CV) and professional references combined into a single document for uploading.

The ACFE's online proposal submission form divides the process into several steps so you can enter information and confirm it is correct before moving to the next step.

There are three steps to submit a presentation: (1) Provide information about your proposal, including: title, abstract, and contact information. (2) Confirm that your

contact information is correct. Check the proposal for spelling and clarity. (3) Submit your information to ACFE for consideration.

Once all of the submissions have been received for an event, your proposal will be reviewed by the ACFE. The selection process follows a rigorous review and evaluation of every proposal submitted. Many more proposals are submitted than can be selected, and it is important that you include all required and relevant information to be properly and fairly considered. If selected, you will be contacted directly by the ACFE.

For additional information, including the selection criteria, visit the ACFE's website at www.ACFE.com.

(6) ACFE News – 2007 CPE Compliance Deadline This Month!

This is a reminder message to all members of the ACFE and the Pacific Northwest chapter/ACFE. January 2008 is the last month for CFEs to certify Continuing Professional Education compliance with the ACFE. After January 31st, the ACFE will begin suspending CFEs who have not complied. All CFEs must complete at least 20 CPE credits for 2007. At least 10 of these credits must be fraud-related training. Visit the ACFE web-site for more information.

(7) CFE Chapter 2008 Call for Speakers and Proposals

The Chapter Board of Officers needs your input on topics of interest and speakers for our continuing education program. If you have attended a fraud seminar or training class that you believe would be beneficial to other Members of our Chapter, please provide this information to President Joe Dervaes at: joeandpeggydervaes@centurytel.net (e-mail) or by telephone at (253) 884-9303. The Board is always looking for this type of information and would appreciate your help in achieving our Chapter's fraud training mission. Thanks in advance.

(8) ACFE and Chapter Student Scholarship Programs

It's time again to begin thinking about the ACFE and Chapter Student Scholarship Programs. Chapter Vice-President Norm Gierlasinski has sent an announcement to Colleges and Universities in our geographic area letting them know about the deadlines for student applications to be received by the Chapter and the ACFE. The 2007-2008 Ritchie-Jennings Memorial Scholarship Program is managed by the ACFE Foundation Board of Directors. This program awards 30 student scholarships each year for \$1,000 each, 15 to student in the United States, and 15 in all other countries of the world. The Chapter also awards two \$500 student scholarships each year. So, there are plenty of opportunities for well-deserving students majoring in accounting or criminal justice programs who are in their junior or senior years of study. Each application package must include a certified transcript, three letters of recommendation (including one from a CFE or a CFE Chapter, and a 250 to 500-word essay explaining why the student deserves the award and how fraud awareness will affect his/her professional development. The Chapter asks student applications to send their ACFE applications to us for processing.

This way, we give all interested students a letter of recommendation from a CFE. But, this also gives us the opportunity to advance a Chapter-sponsored student primary and alternate applicant. We have had exceptional success in prior year programs because our Chapter-sponsored students have regularly won ACFE scholarships.

The deadline for student scholarship applications at ACFE is April 18, 2008. The deadline for student scholarship applications at the Chapter is March 31, 2008. The ACFE staff initially scores all students and then sends this information to the Scholarship Committee. Chapter Vice-President Norm Gierlasinski is the Vice-Chair of this Committee. The members of this committee review all applications and send their recommendations to the ACFE Foundation Board of Directors for approval at their July 13, 2008, meeting held in conjunction with the ACFE's Annual Fraud Conference and Exhibition in Boston, Massachusetts. Chapter President Joe Dervaes is the Vice-Chair of this Board. The ACFE will announce scholarship winners on August 1, 2008. The Chapter will then announce its scholarship winners.

If you know of any well-deserving students who would qualify for these scholarship programs, please encourage them to apply as soon as possible. Application forms can be obtained from the ACFE's web-site and from the Chapter (joeandpeggydervaes@centurytel.net).

(9) ACFE Awards Program

Each year, the ACFE recognizes outstanding CFEs for their work during the prior calendar year. The award categories are as follows: CFE of the Year; Educator of the Year; chapter of the Year; Chapter Newsletter of the Year; and, Outstanding Achievement in Outreach/Community Service. The awards are presented at the ACFE's Annual Fraud Conference and Exhibition to be held in Boston, Massachusetts, during the main conference (July 14-16, 2008).

The nomination process has changed from prior years when it was a self-nomination event. Members will now nominate a member (or Chapter) by completing a short form on the ACFE web-site. The nominator will then be sent a link to a short survey to gather more information about the nominee. This replaces the standard form nominators have had to use since the award program's inception.

What is the key to a winning nomination? The nominee should be active, not only with the ACFE, but in the community. The more active and involved in the community the nominee is the better their odds of winning.

If you wish to nominate a member (or Chapter) for an award, please do so by visiting the ACFE's web-site to begin the process. The ACFE will be accepting nominations for the ACFE awards soon. This will take place with the launch of the new ACFE web-site which is scheduled to take place by the end of January 2008.

(10) Recognition of Chapter Members for ACFE Professional Achievements in 2007

(a) Authors:

President Joe Dervaes for authoring six by-line columns on Cash Larceny and Internal Controls in Small Organizations for Frauds Finer Points in *Fraud Magazine*, for contributing a fraud case study for ACFE's 2007 book entitled *Fraud Casebook: Lessons from the Bad Side of Business*, and for having two fraud articles published in the Government Finance Officer's Association October 5, 2007, issue of the GFOA Treasury Management Newsletter on the topics of: *Preventing Fraud in the Treasury Function; and Red Flags that Identity Employees at Risk for Fraud*. The newsletter also referenced some useful resources on internal controls and fraud prevention, including *Stop That Fraud Handbook*, a fraud manual President Joe Dervaes authored for the Association of Public Treasurers. Joe's contributions to this APT project were recognized by the APT and the Washington Municipal Treasurer's Association in Summer 2007 when APT Executive Director Stacey Crane presented him with a special award. This fraud training manual and fraud class are designed to assist Public Treasurers throughout North America deal with the fraud menace and have been very successful.

Chapter Associate Member Dr. Robert Holtfreter, Professor of Accounting at Central Washington University, has jointly authored an article on "Correlation of Complex Evidence in Forensic Accounting Using Data Mining". His co-authors are Boris Kovalerchuk, Computer Scientist at CWU; and, Evgenni Vityaev, Institute of Mathematics, Russian Academy of Science. The article was published in the *Journal of Forensic Accounting*, a top academic fraud journal.

(b) Committee Members. Kent Hansen – Commerce Committee; Jim Cronin – Insurance Fraud Committee (Chair); Grant Santee – International Fraud Committee; Dr. Robert Holtfreter – Research Committee and Higher Education Committee; and, Vice President/Dr. Norm Gierlasinski – Scholarship Committee (Vice-Chair).

(c) Key Leadership Positions: President Joe Dervaes (Vice-Chair) and Marty Biegelman – ACFE Foundation Board of Directors; President Joe Dervaes and Marty Biegelman – ACFE Fellows; and Dr. Robert Holtfreter, Editorial Board, *Fraud Magazine* and *Journal of Forensic Accounting*.

(d) ACFE Award. Chapter President Joe Dervaes received the ACFE's 2007 Award for Achievement in Outreach and Community Service at the 18th Annual Fraud Conference and Exhibition at Walt Disney World in Orlando, Florida, on July 17, 2007.

(e) Speakers. The following Chapter members were speakers on a wide variety of topics in fraud seminars and training classes in a wide variety of forums: President Joe Dervaes; Director-At-Large Bernadette McBride; Gayle Seyl; Guido Van Drunen; Ken Wilson; Linda Saunders; Sharon Sandler; John Tollefsen; Dr. Robert Holtfreter; and, John Steinhoff.

(f) Conferences. President Joe Dervaes and Vice-President/Dr. Norman Gierlasinski – Co-Chairs, WSCPA/CFE Chapter’s Annual Fraud Conference.

(g) Educators. Vice-President/Dr. Norman Gierlasinski, Central Washington University Des Moines Campus; and, Dr. Robert Holtfretter, Central Washington University (Ellensburg Main Campus), both teach Fraud Examination courses to undergraduate students.

(h) Scholarship Award Winners:

ACFE. One \$1,000 scholarship was awarded to: Briana Herrington, Central Washington University (Ellensburg Main Campus), majoring in Accounting. Briana was sponsored as our Chapter’s primary representative in ACFE’s student scholarship program.

Chapter. Two \$500 scholarships were awarded to: Matthew Overfield, Saint Martins College, Accounting; and, Emily Beschen, Lewis and Clark Law School, majoring in Law. Emily was a prior winner of an ACFE \$1,000 scholarship in 2007. She attended Western Washington University, majored in Accounting, and graduated in Summer 2007.

The Chapter Board of Officers congratulates these members and students for representing the ACFE and our Chapter so well. We know there are other Chapter members who perform public speaking engagements too, but have not yet notified President/Newsletter Editor Joe Dervaes of these accomplishments. Please send this information to him continuously throughout the year at joeandpeggydervaes@centurytel.net so that we can capture this important information.

(11) Additional Training Opportunities

(a) ACFE. Professional Interviewing Skills; Building Your Fraud Examination Practice; February 6, 2008; and E-Fraud: Preventing and Detecting Technology Based Crimes; February 7-8, 2008; Los Angeles, CA. Contact the ACFE at www.ACFE.com for registration details.

(b) John Reid and Associates. The Reid Technique of Interviewing and interrogation. The 3-Day Interview and Interrogation Seminar will be followed by a 1-Day Advanced Course. This course will be held at the Lynnwood Convention Center, 3711 196th Street SW, Lynnwood, Washington, during the period February 12-15, 2008. See disclosure about fees (\$595 less discount) and CFE Chapter discounts available under paragraph (1) above in this issue of the Newsletter. The Reid Preferred Group of Associations (RPGA) number for the Pacific Northwest Chapter/ACFE is A20-049. Register for this class at www.reid.com or call them at 1-800-255-5747, extension 24, and give them the RPGA number in order to receive the discount.

(c) ACFE. How To Testify; Las Vegas, NV; February 21-22, 2008. Contact the ACFE at www.ACFE.com for registration details.

(d) Pacific Northwest License, Tax, and Fraud Association, Winter Training Seminar, March 5, 2008, Tukwila Community Center, Tukwila, WA. Contact www.pnlfta.com for registration details.

(e) Southern Oregon Financial Fraud and Security Team, spring 2008 Conference, April 9-11, 2008, Seven Feathers Casino Resort, Canyonville, OR. Contact www.soffast.org for registration details.

(f) Northwest Fraud investigator's Association. Spring 2008 Conference – Bridging the Gap; Lincoln City, OR; May 10-12, 2008. Contact www.nwfia.org for registration details.

(g) ACFE. Professional Interviewing Skills; Doubletree Lloyd Center; Portland, OR; August 11-12, 2008. Contact either the ACFE at www.ACFE.com or the Oregon Chapter/ACFE at www.oregon-acfe-org for registration details.

(h) WSCPA/CFMA. 2008 Joint Pacific Northwest Construction Industry Conference. Thursday, September 25, 2008, at the Bell Harbor International Conference Center in Seattle. Contact the WSCPA at www.wscpa.org for additional registration details.

(12) Employment Opportunity

Science Applications International Corporation (SAIC – www.saic.com) is looking for a few highly knowledgeable individuals who have experience at in Medicare/Medicaid fraud detection/prevention. They are considering a number of options including full- or part-time employment, contracting or retainer arrangements for the right people. The ideal person could be someone who has retired and has perhaps realized that they're not quite ready to really quit working and is interested in a second career. Of course, these opportunities are not limited to retirees. There are significant possibilities for employment, consulting, retainer arrangements, etc. for interested individuals who have the right background and qualifications in healthcare fraud. This company's headquarters is located in San Diego with 150 offices worldwide.

The current project is in advance of an RFP that Medicare will be releasing in the next few months for program integrity - fraud/waste/abuse detection and prevention. Medicare has divided the US into regions for this work and competition is conducted separately in each region.

SAIC is headquartered in San Diego with 150 offices worldwide. For additional information, interested parties should contact: Nichol Case; Senior Capture Manager SAIC Health Solutions; 402-706-2253; e-mail NICHOL.M.CASE@saic.com. For a copy of the e-mail message announcing this employment opportunity, interested parties can also contact Chapter President Joe Dervaes at joeandpeggydervaes@centurytel.net.

**PACIFIC NORTHWEST CHAPTER
ASSOCIATION OF CERTIFIED FRAUD EXAMINERS
(February 27, 2008)**

SPEAKER: Brett Bishop

Brett Bishop has been a forensic scientist assigned to the questioned document section since joining the Washington State Patrol in August of 2005. Brett is a member of the American Society of Questioned Document Examiners and Southwestern Association of Forensic Document Examiners. He has a Bachelor of Science degree in Chemistry from Eastern Washington University.

SEMINAR DESCRIPTION: Forensic Document Examination

The speaker's presentation will include the following topics: the background of Forensic Document Examination and training; what forensic document examiners do; the types of cases handled; how a Forensic Document Examiner can be beneficial to fraud examiners; tips on things to look for and why; and, how to submit a case to a document examiner.

DATE: February 27, 2008 **TIME:** 2:30 B 4:45 p.m. **CPE:** Two Hours CPE Credit

Location of Training Facility and Parking: 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). If you're looking for parking, Special Events parking rates (\$6) apply for the parking garage at Benaroya Hall, just two blocks north of the training facility on Second Avenue.

Important Fraud Training Meeting Information for the Downtown Seattle Location is Included in the Bi-Monthly Chapter Newsletter. **Special Notice for this meeting only. Our normal training room location is being used by our host on this date. Please visit the Washington State Housing Finance Commission's main office on the 27th Floor of the building. Sign-in and tell them you're attending the CFE Chapter fraud seminar meeting. The receptionist will give you a badge and direct you to our alternate training room for this date which is located on the 28th Floor. The conference room is called the Elliott Bay Room.**

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

SEMINAR REGISTRATION FORM (February 27, 2008 B 2:30-4:45 p.m.)

NAME: _____

TITLE: _____

PHONE: _____ FAX: _____

EMPLOYER: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

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

SPEAKER: Brett Bishop

Brett Bishop has been a forensic scientist assigned to the questioned document section since joining the Washington State Patrol in August of 2005. Brett is a member of the American Society of Questioned Document Examiners and Southwestern Association of Forensic Document Examiners. He has a Bachelor of Science degree in Chemistry from Eastern Washington University.

SEMINAR DESCRIPTION: Forensic Document Examination

The speaker's presentation will include the following topics: the background of Forensic Document Examination and training; what forensic document examiners do; the types of cases handled; how a Forensic Document Examiner can be beneficial to fraud examiners; tips on things to look for and why; and, how to submit a case to a document examiner.

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

Important Fraud Training Meeting Information for the Downtown Seattle Location is Included in the Bi-Monthly Chapter Newsletter. **Special Notice for this meeting only. Our normal training room location is being used by our host on this date. Please visit the Washington State Housing Finance Commission's main office on the 27th Floor of the building. Sign-in and tell them you're attending the CFE Chapter fraud seminar meeting. The receptionist will give you a badge and direct you to our alternate training room for this date which is located on the 28th Floor. The conference room is called the Elliott Bay Room.**

Check out our Chapter web-site at: www.fraud-examiners.org (currently undergoing reconstruction).

JOHN E. REID AND ASSOCIATES, INC.
209 WEST JACKSON BOULEVARD, SUITE 400 CHICAGO ILLINOIS 60606

Investigator Web Tip - November / December 2007

INTERROGATION PROCEDURES: PROMISES OF LENIENCY

For a confession to be admissible as evidence it must not only be trustworthy, but also voluntary. The test of voluntariness answers the question, "was a statement made of the suspect's free will?" The concept of "free will" has a somewhat different meaning in law than it does in psychology. A psychologist would argue that if a person is able to make any behavioral choice he is operating from his own free will. Legally, however, the concept of free will relates to whether a statement was made in the absence of threats or other inducements. These "other inducements" generally refer to promises of leniency.

Promises of leniency occur on a continuum ranging from statements that clearly offer a lesser sentence, "If you confess, I will make sure you don't do hard time," to statements that merely imply leniency in exchange for a confession, e.g., "I want to help you out on this thing." The Canadian Supreme Court has established a quid pro quo guideline in evaluating promises of leniency. In other words, only statements that clearly offer the suspect leniency in exchange for a confession are prohibited.[i] The U.S. Supreme Court will consider even implied promises of leniency as part of the totality of circumstances in determining a confession's admissibility.

The courts' concern over promises of leniency is that an innocent suspect who is caught in a web of circumstantial evidence may decide to falsely confess to avoid a more significant punishment. There is no doubt that decreasing consequences is a tremendously powerful inducement to confess. An example of this occurs on rare occasions when we are permitted to interrogate suspects on behalf of a defense attorney. Because we are operating under privileged communication, anything the suspect tells us cannot be used against him in a court of law. Once we mention this during the interrogation, almost all of these suspects confess within a short period of time.

What is not established is that promises of leniency cause false confessions. An attempt has been made to address this question through laboratory studies, [ii] but there is no empirical or statistical data that supports the premise that in real life interrogations promises of leniency increase the prevalence of false confessions. Our belief is that a promise of leniency, in and of itself, would not be likely to cause an innocent person to confess. On the other hand, when a promise of leniency is coupled with a threat of more significant consequences, we believe there may be a significant risk of a false confession.

Even the courts seem to acknowledge that a promise of leniency, if made under proper circumstances, is permissible. For example, it is a common practice for a prosecutor to offer a plea bargain to a defendant. Under this arrangement, the defendant agrees to plead guilty in exchange for leniency. The leniency may involve reducing the number of criminal charges against the defendant, decreasing the charge e.g., rape to battery, or a lesser sentence, e.g., life in prison vs. execution. To guard against innocent suspects entering into this agreement, courts generally require that the defendant confess details of his crime during the hearing.

Seeing the ease at which prosecutors obtain confessions by offering defendants plea bargains has caused some investigators to try the same tactic during an interrogation, e.g., “Joe, you can avoid a first degree murder charge if you tell me that you didn’t plan this out.”^[iii] The investigator is then bewildered when the court suppresses the defendant’s confession. The rule of law is very simple: An investigator cannot offer the suspect a promise he cannot keep. Our criminal justice system affords prosecutors and investigators different powers in the effort to obtain evidence against a defendant. Prosecutors alone have the authority to make charging decisions and sentencing recommendations. Even if the investigator is best friends with the prosecutor and is almost certain that the prosecutor will go along with the suggested leniency, the promise is still impermissible because the investigator does not have the legal authority to offer it.

In an attempt to get around this legal technicality, investigators have made statements designed to allow the suspect to perceive possible leniency in exchange for a confession. Especially when an interrogator repeatedly mentions implied leniency, a court may suppress the confession.^[iv] Examples of statements that courts have ruled communicate an implied promise of leniency include:

“The best thing you can do is to confess.”
“It would be far better for you if you tell the truth.”
“I want to help you out on this thing.”
“I want to be an advocate for you on this matter.”
“It will go worse for you if you don’t confess.”

On the other hand, courts have not objected to interrogation techniques designed to reduce the perceived moral seriousness of a crime. Some of these permissible techniques include expressing understanding toward the suspect’s decision to commit the crime, e.g., “Joe I can understand why this thing happened”; referring to the crime with soft language, e.g., causing the death vs. murder; avoiding any mention of possible consequences the suspect faces if he confesses. Similarly, courts have not objected to the phrase, “I want to get something working on your side” or, “I want to work with you to get this matter straightened out.”

Furthermore, there are unique circumstances where investigators can legally make a promise to a suspect because the investigator has the authority to keep the promise. For example, in a correctional setting, an inmate may be promised certain privileges in exchange for truthful information. A corporate investigator may be able to promise an employee that he will not be prosecuted. Under this principle a police officer could make the following statement:

“Joe, I’m not going to arrest you tonight. You can go home and put your personal affairs in order and you can tell your wife whatever you want. Tomorrow morning I will stop by your house and I’ll take you into custody at that time.”

This exception, of course, is only true if the investigator keeps his promise, e.g., provides the inmate with privileges; does not prosecute the employee; allows the suspect to leave following the interrogation.

Applying the same principle, we believe the following statements are each permissible during an interrogation because the investigator is able to keep the promise:

“I’m not going to call up your wife and tell her that you are some sort of monster.”
“I’m not going to announce this to your co-workers or post it on the bulletin board.”
“I will include in my report that you were cooperative and that this is the first time you’ve done something like this.”

Promises of leniency are often introduced during an interrogation when the suspect asks the investigator, “What would happen to me if I told you I did this?” The following response in no way implies leniency and satisfies most suspects:

“Jim, I don’t have the authority to tell you and I’m not going to lie to you and say that I do. My job is to collect and analyze evidence. After that I just turn in my report and let other people act on my findings. I would like to be able to include your explanation in my report, which is why I am talking to you now.”

If the investigator slips up and finds himself making a statement that may be perceived as an implied promise of leniency, often the damage can be repaired by making a prophylactic statement, essentially setting the suspect straight by telling the suspect that the investigator does not have control over the consequences the suspect may face.

In conclusion, especially with the increased practice of electronically recording interrogations, investigators need to be very cautious not to make statements that may be construed as direct or implied promises of leniency. It is our general recommendation not to bring up the criminal justice system at all during an interrogation. An investigator can conduct a very effective interrogation without mentioning possible criminal charges, how the prosecutor, judge or jury may perceive the suspect’s crime or possible consequences for the suspect’s actions such as substance abuse treatment, probation, counseling, community service, etc. Courts will be favorably impressed to hear the investigator tell a suspect, “I cannot offer any promises about what will happen to you if you tell me the truth.”

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^[i]R. V. Oikle, 2000 SCC, 38.

^[ii]Kassin, S. & McNall, K., “Police Interrogation and Confessions: Communicating Promises and Threats by Pragmatic Implication,” *Law and Human Behavior* 15, 3 (1991) 233-254

^[iii]. People v. Cahill (1994) 22 Cal. App 4th 296, 312 The defendant’s confession was held inadmissible because it was given in response to representations that the defendant could avoid a charge of first degree murder. Com. v. DiGiambattista 813 N.E. 2d 516 (2004) Suggesting that if defendant confessed he would get counseling instead of jail constituted a promise of leniency.

^[iv]People v. Fuentes (2006) B184728 Court of Appeals, 2nd Dist, CA During this

video-taped interrogation the investigator repeatedly told the suspect that it would go far better for him if he confessed and that if he continued to deny his involvement that it would go much worse for him in court. The court ruled the defendant's confession involuntary.

(This article was prepared by John E. Reid and Associates, Inc. as their Investigator Web Tip. For additional 'tips', go to www.reid.com and select 'Educational Information' and 'Investigator Tip'. To request a copy of a specific 'tip', contact Janet Finnerty 1-800-255-5747 ext. 18 or johnreid@htc.net. For more information regarding Reid seminars and training products, contact John E. Reid and Associates, Inc. at 1-800-255-5747.)

JOHN E. REID AND ASSOCIATES, INC.

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Investigator Web Tip – January/February 2008

CONDUCTING A CUSTODIAL BEHAVIOR ANALYSIS INTERVIEW

Investigators who attend our training seminars learn the value of conducting a Behavior Analysis Interview (BAI) as a reliable means of eliminating innocent suspects and identifying the guilty suspect during the course of an investigation. During this structured, 30-40 minute non-accusatory interview, the suspect is asked both investigative questions and specialized behavior-provoking questions. The latter questions are designed to be answered differently by suspects who are innocent of the issue under investigation as opposed to those who are guilty. The suspect's responses to the behavior provoking questions serve as the primary basis for rendering opinions of guilt or innocence.

However, once an investigator has probable cause to take a suspect into custody, is there any benefit to conducting a BAI? Experience indicates that there is. First, probable cause does not mean guilt beyond a reasonable doubt. In other words, occasionally suspects are arrested for crimes they did not commit and the BAI can be used to identify innocent suspects. Furthermore, if the suspect displays deceptive responses during the BAI the investigator will have greater confidence in the suspect's guilt when going into the interrogation. In addition, consider the following benefits of conducting a non-accusatory interview prior to any accusatory interrogation:

1. The investigator can establish a rapport and trust with the suspect which is often necessary to persuade the suspect to tell the truth during an interrogation.
2. Suspects are less guarded when engaged in a non-accusatory conversation and are more likely to reveal opportunity, access or a motive to commit the crime.
3. The investigator can gain insight into the suspect's possible motive to commit the crime which will help to formulate an interrogation strategy.
4. The investigator can ask questions to which the suspect may lie, e.g., that the suspect knew the victim, paid back rent with cash, was at the crime scene. These documented false statements can then be used to great advantage later during the interrogation.

5. The investigator can ask a bait question to test possible evidence to later be used as a bluff during the interrogation.

In fact, the only circumstance we can think of which warrants the investigator skipping the interview and directly engaging in an accusatory interrogation of a suspect is when the evidence of the suspect's guilt is so overwhelming that it would be irrational to ask the question, "Did you commit this crime?"

Once a suspect is taken into custody the investigator faces some unique issues relating to the interview. The first is that a custodial suspect must be advised of his Miranda rights, and give a knowing and voluntary waiver of those rights prior to any questioning. Second, because the suspect is in custody, there is an underlying implication that he is guilty of the crime. This, of course, can make it difficult to conduct a non-accusatory interview.

With respect to advising a custodial suspect of his Miranda rights, we offer the following recommendations:

1. The officer who takes the suspect into custody should not give the Miranda advisements and, therefore, should not ask the suspect any questions about the crime. The reason for this is at the time a suspect is taken into custody he is often defensive and guarded. If he is advised of his constitutional rights in that frame of mind, he is more likely to invoke his rights. Of course, any statement the suspect volunteers in the absence of questioning is admissible as evidence.

2. The investigator conducting the interview/interrogation should be the person to give the advisement. This arrangement not only means that only one person is completely responsible for Miranda advisements but also only one person has to testify concerning the Miranda waiver and the defendant's confession.

3. Introduce Miranda casually. It is not required that the Miranda warnings be given in a threatening or intimidating manner. It is often beneficial to ease into the warnings in a conversation similar to the following:

"Joe, I've been assigned this case and I would like to hear your side of things but before I can ask you any questions about (the cars missing from the dealership), I need to remind you of your rights which you probably already know. You've got the right to remain silent; anything you say can be used against you; you have the right to a lawyer; and if you can not afford a lawyer one will be provided free." After an appropriate pause to permit the suspect to respond, he should be told: "I would like for you to talk to me about this matter [specifying the issue under investigation]. Okay?"

If the suspect agrees to talk to the investigator, the formal Miranda warnings would then be given. This is typically a standard form in which the four warnings are read out loud to the suspect who initials each warning. The suspect then signs the bottom of the form indicating his knowing and voluntary waiver of rights.

If the suspect waives his Miranda rights, the investigator then faces the second hurdle which is to approach the suspect in a non-accusatory manner. As the following guidelines illustrate, the key is for the investigator to not initially bring up any evidence

against the suspect. If the suspect asks about evidence or possible charges the investigator should offer an evasive response, e.g., "I'm still waiting for some of the evidence to be evaluated"; "I don't have the authority to make charging decisions."

1. Start off by identifying the issue under investigation and then ask a series of non-threatening background questions.

- "Joe, before we talk about those missing cars, let me just get some background information.
- Could you spell your last name for me?
- What is your first name?
- What do most people call you?
- What is your current address?
- How long have you lived there?
- Are you presently employed? Etc."

2. Ask the Reason for the Interview question in the following manner: "Joe, tell me everything you know about those cars that are missing from the dealership."

3. Ask the History/You question: "Joe, at this stage of the investigation I can't share all of the evidence with you and I am still waiting for some of the evidence to be analyzed. One thing I can tell you is that I will be completely truthful with you and I'm going to ask that you be completely truthful with me as well. So before we go any further, let me ask did you steal any of those cars?"

4. From here the investigator can conduct a standard BAI, e.g., ask the Knowledge, Suspicion, Vouch, Credibility, Attitude, etc. questions.

5. If the suspect is aware of the evidence against him, e.g., one of the stolen cars was found in his garage, later during the interview the investigator should ask the suspect questions about that evidence. For example, "Joe, how is it that one of those stolen cars ended up in your garage?"

6. If the investigator has incriminating evidence that is unknown to the suspect, e.g., a neighbor witnessed the suspect drive down the street in the stolen Honda Civic, this evidence should not be revealed during the interview. Rather, the investigator should ask questions designed to document the suspect's denials, e.g. "Have you driven a 2007 Honda Civic on your street?"; "Have you been inside a 2007 Honda Civic on your street?"

7. Incorporate questions designed to profile the suspect for the interrogation, e.g., "Under what circumstances would you steal a car from the dealership?"; If you were the investigator on this case and I stole those cars, what could I say to you for you to understand why I did this?"

In conclusion, the relatively short period of time required to conduct a Behavior Analysis Interview is well spent even when the investigator is quite certain of the suspect's guilt such as when a suspect is taken into custody. By conducting the BAI not only will the investigator increase the likelihood of obtaining a confession from the guilty suspect but

it may also allow the investigator to identify an innocent suspect who may be caught in a web of circumstantial evidence or who lied to protect a loved one, or to conceal some unrelated act of wrong-doing. Prior to a custodial BAI, the suspect must waive his Miranda rights and, for the suspect's behavior to be validly interpreted, the investigator must conduct the interview in a non-custodial manner. This can be accomplished by simply not bringing up the evidence against the suspect or, if the suspect is already aware of the evidence, to ask for his explanation for the evidence.

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