

# The Fraud Examiner



ACFE<sup>SM</sup>

Association of Certified Fraud Examiners

## Inside this issue:

PNW Chapter  
Training 2

Study on  
Occupational  
Fraud 3

Chapter Members  
in the News 3

ACFE  
Announcements 4

Electronic  
Discovery  
Certificate  
Program 4

Continuing  
Professional  
Education Credits 4

The Tidbit 5

Other Training 6

Chapter Board of  
Officers 6

## July / August 2009 Issue

### Message from the President

The ACFE's 20th Annual Fraud Conference and Exhibition, held at the Bellagio Hotel in Las Vegas, NV from July 12-17, 2009, has now officially come and gone. And, what a great time of fun, education, and professional networking was had by the over 2,040 participants who attended this world premier fraud training event. This was the largest turnout ever for the annual Conference and quite an achievement in these tough economic times around the world. All Conference attendees received a special "Challenge Coin" to represent the commitment and sacrifice of fraud examiners worldwide who are dedicated to the fight against fraud. The coin is to be produced by the bearer to prove his/her affiliation with the ACFE upon request. But be careful, those not producing the coin in this challenge might just have to buy a round of drinks. Ask the individuals who attended the Conference this year to see if they have the coin in their possession. They include: Norm Gierlasinski, Bob Holtfreter, Julie Bollerud, John Tollefsen, Peter Tobin, Elaine Gregory, Marty Biegelman, and myself.

During the opening Conference ceremonies, Chairman Joe Wells presented Superior Service Award plaques to the four individuals who had attended all 20 Annual Fraud Conferences. They were: Nancy Bradford, Chief Schwyzer, Jim Ratley, and myself. In addition, everyone at the Conference who had been an ACFE member between 19 and 20 years were the recipients of a special toast by President Jim Ratley at the Welcoming Reception the evening before the Conference began. Each of these individuals also received a special "20 Year CFE" pin. Ask Norm Gierlasinski and myself to show it to you at our next fraud seminar meeting.

The Newsletter of the Year Award went to the Vancouver, B. C. Canada Chapter, and the Outstanding Achievement for Community Service and Outreach Award went to a member of the Spokane Chapter.

Thirty students also received \$1,000 scholarships from the ACFE Foundation, including four outstanding students from colleges and universities in the great Pacific Northwest. I'll introduce these students to you in our next newsletter after the ACFE Foundation formally announces their names in early August 2009.

Joe Dervaes  
President

### Upcoming Training

**Type:**  
Bi-Monthly Fraud Seminar.

**Date:**  
August 26, 2009  
(Wednesday).

**Time:**  
2:30 p.m. with a 30 minute networking session at 3:30 p.m., and then complete the event at 4:45 p.m.

**Topic:**  
Fraud Risks in Real Property Transactions.

**Speakers:**  
Jim Sugarman and Jake Bernstein, Assistant Attorney Generals in the Consumer Protection Division of the Washington State Attorney General's Office.

**Where:**  
Downtown Seattle, at 1000 Second Avenue in the Board Room on the 28th floor 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).

**Price:**  
The seminar fee is \$20 for Chapter members and \$25 for non-members.

## Bi-Monthly Fraud Seminar—August 26, 2009

August 26, 2009 (Wednesday) is our next bi-monthly fraud seminar at our downtown Seattle training location.

The speakers will be Jim Sugarman and Jake Bernstein, Assistant Attorney Generals in the Consumer Protection Division of the Washington State Attorney General's Office in Seattle, WA.

The seminar will deal with fraud risks in real property transactions. The speakers will cover subjects such as foreclosure rescue scams, leasebacks, loan workout/or forbearance scams, predatory lending, and estate planning issues. These topics will definitely be of great interest to everyone.

Attend this session to find out more about the latest developments related to these topics and find out how they will invariably affect us all in our daily lives and/or in our anti-fraud practices. Here's another great training opportunity. Don't miss it!

## Highlights of June 2009 Fraud Seminar at Annual Business Meeting

June 24, 2009 (Wednesday) was our Annual Business Luncheon Meeting and Fraud Seminar at SouthCenter in Tukwila. The minutes of the annual business meeting are posted on our web-site ([www.fraud-examiners.org](http://www.fraud-examiners.org)).

The speaker was Chapter Member Dr. Robert (Bob) E. Holtfreter, Distinguished Professor of Accounting and Research at Central Washington University (Ellensburg Main Campus), winner of CWU's 2009 Distinguished professor

of the University—Service.

Dr. Holtfreter currently writes a by-line column in *Fraud Magazine* on Identity Theft entitled "Taking Back the ID". At the meeting he discussed the 2009 Federal Trade Commission's report on Identity Theft that provided an update of the Commission's prior year report and formed the basis of his first two columns in *Fraud Magazine*.

He also addressed the material to be included in the next two

columns dealing with a very new and serious fraud problem concerning banking Trojans.

Finally, he also shared his knowledge and life experiences with the attendees as he tactfully dealt with the subject of Identity Theft during this fraud seminar.

Attendees became even more informed about this topic as the Chapter continues to focus on issues for the membership that are ripped from the headlines.

## Overview of October 2009 ACFE/Chapter Joint Fraud Class

October 26-27, 2009 (Monday-Tuesday) are the dates of the next Fraud Class our Chapter jointly sponsors with the ACFE. The topic is "Financial Statement Fraud". The ACFE has not yet announced the name of the speaker. The location of this fraud class will be the SeaTac DoubleTree Inn Hotel across the street from SeaTac International Airport.

This two-day fraud class includes the following segments:

Introduction to Financial Statement Fraud;

Management's and auditor's responsibilities;

Improper revenue recognition, treatment of sales, asset valuation, deferral of costs and ex-

penses, and recording of liabilities;

A video presentation about real world financial statement schemes;

Inadequate disclosures; and,

Detecting financial statement fraud.

## Study on Occupational Fraud and the Impact on a Recession

The ACFE has recently released a "Study on Occupational Fraud and the Impact of a Recession".

According to a survey of fraud experts conducted by the ACFE, intense financial pressures during the economic crisis have led to an increase in fraud.

Results of the survey also found that layoffs are pervasive and are leaving holes in internal control systems of all organizations.

Quoting from the Study:

"Of the 261 respondents who work as internal fraud examiners, 59 percent stated that their employing organization

has experienced layoffs or similar staffing restrictions in the past year. However, 44 percent of those who have encountered recent layoffs indicated that the workforce reduction has had no effect on the companies' internal controls. Another 3 percent responded that their companies have actually increased internal controls in the wake of the layoffs.

But more than one-third of these organizations have had some controls eliminated as a consequence of the staff reduction. Paradoxically, it is these organizations — those that are trimming costs and struggling to stay afloat — that most likely need a strong system

of anti-fraud controls. Employees who remain after a round of layoffs often experience decreased morale, which — when combined with the added job responsibilities of former colleagues, fewer formal controls, and an increased pressure to perform — can lead to the perfect storm for fraud."

Accordingly, the study becomes suggested reading for CFE's everywhere. It certainly makes for an interesting read.

The study is available for download from ACFE's website (<http://www.acfe.com/documents/occupational-fraud.pdf>).

### New Chapter Members

Please welcome new members during the period June-July 2009:

#### CFE's

- Teri Kirkpatrick
- Angie Niemeyer

#### Associates

- Vickie Brazil

#### Students

- <None>

## Chapter Members in the News

Chapter President Joe Dervaes (Retired) and Member Marty Biegelman (Microsoft Corporation) were speakers at the ACFE's 20th Annual Fraud Conference and Exhibition in Las Vegas (Bellagio Hotel), Nevada (July 12-17, 2009).

Joe's topic was "A Computer Fraud Case Study: Fishing in Dangerous Waters!" Marty's topic was "The Evil that men (and Women) Do: A History of Identity Theft". Marty also lead a panel discussion on the topic of "Compliance Challenges During financial Compression".

Joe received special recognition from the ACFE as one of only four Members who have attended all 20 Annual Fraud Conferences.

Chapter Member Chris Mutchler (Southard, Beckham

Atwater & Berry, CPA, PS) wrote another article (his second this past year) for the June 2009 issue of the Kitsap Business Journal on the topic of "Fraud and the Non-Profit Organization".

Chapter Member Linda Saunders (Forensic Accounting Consulting) will be or has been a speaker at the following future organizational events on the topic of "Fraud: Will your Organization be the Next Case Study of a Not-for-Profit Theft?": (1) American Society of Women Accountants, Seattle Chapter (May 27, 2009); (2) Tacoma Community College Accounting Classes (May 28, 2009); (3) Nevada Amerinet Medical Administrators' Conference in Reno (August 11-12, 2009); and, (4) WSCPA's Annual not-for-Profit Conference, Bell Harbor Center, Seattle

(November 19-20, 2009).

Chapter Member Linda Saunders (Forensic Accounting Consulting) will be a speaker at the following future organizational event on the topic of "How Do I Search for Hidden Assets and How Does that Dovel with Forensic Accounting?": (1) Washington Association of Legal investigators Annual Conference, Shoreline Community Center (October 24, 2009).

Chapter Member Dr. Robert Holtfreter, Distinguished Professor of Accounting and Research at Central Washington University (Ellensburg Campus) won the Phi Kappa Phi Scholar of the Year Award for 2009.

Congratulations on these achievements in our Community Outreach Program.

### New CFE's

- Bob Holtfreter

We have several Chapter members who are currently studying for the CFE Examination. So, we expect to see their names listed in this section of the newsletter in the near future. Let's all wish them success in this most important professional matter.

**“For the most part fraud in the end secures for its companions repentance and shame.”**

**- Charles Simmons**

**-Renew Membership and report CPE at the same time**

**-20 CPE required, 10 of which must be fraud related**

**-10 hours can be carried over every 12 months**

## ACFE Announcements

(1) As a part of its 20th Anniversary, the ACFE has provided a free webinar exclusively for ACFE members entitled “Using the Report to the Nation to Enhance Your Anti-Fraud Efforts”.

(2) Use the new Fraud Risk Assessment Tool to assist your organization in identifying fraud risks and developing a fraud risk response.

(3) Visit the ACFE's Online Communities (Anti-Fraud Technology and Financial Institutions) to connect with other ACFE members, access shared documents, and blog or participate in discussion forums.

(4) Enroll in Auto Dues Service and receive a 5% discount in addition to saving time by

setting up your membership dues to be paid automatically each year.

Visit ACFE's web-site ([www.ACFE.com](http://www.ACFE.com)) to find out additional information about these topics. All you have to do is click on “fraud resources” on the home page and follow the prompts. It's easy to do.

## Electronic Discovery Certificate Program

The University of Washington Law School has announced a new certificate program starting in fall 2009 on “Electronic Discovery Management”. For those fraud examiners that want/need to manage large

scale computer discovery, this might be a good course to take. It will deal with both the technology and the legal aspects of managing digital evidence. Class information can be obtained at: “[http://](http://www.extension.washington.edu/ext/certificates/edm/edm_gen.asp)

[www.extension.washington.edu/ext/certificates/edm/edm\\_gen.asp](http://www.extension.washington.edu/ext/certificates/edm/edm_gen.asp)”. The class will meet in downtown Seattle at Puget Sound Plaza, 4th Avenue and Union (1325 Fourth Avenue).

## CPE Compliance for Certified Fraud Examiners

When you renew your annual dues you must certify your CPE compliance.

You are required to earn 20 hours of CPE from January 1, 2008 through December 31, 2008, 10 of which must be fraud related.

For 2009, your required CPE hours will be calculated and prorated based on your anniversary month.

Report your CPE Compliance for 2008 and 2009 in your anniversary month in 2009

(online or call).

You may carry over 10 hours of CPE every twelve months. Hours earned before January 1, 2008 are not eligible for carry over.

Now you can find all your CPE information in one convenient place. Browse the [CPE Dashboard](#) for information and updates on:

-How CPE Works  
-2008-2009 CPE Transition  
-Your anniversary month and prorated CPE for 2009

You may access the [CPE Dashboard](#) from your [My Account](#) section or at [ACFE.com/CPE](http://ACFE.com/CPE).

It is understandable that you may have questions, so feel free to contact the ACFE's CPE Compliance Team or Member Services by calling (800) 245-3321 or +1 (512) 478-9000, or by e-mail at [CPE@ACFE.com](mailto:CPE@ACFE.com).

## The Tidbit—Credit Repair’s Dirty Business

The following information is paraphrased from the May 2009 American Association of Retired Persons (AARP) Bulletin.

A 58-year old citizen, a foster mother from north Carolina, just wanted to provide her “at-risk” children with a stable home to call their own. But, with a low FICO score—a measure of one’s credit risk—she couldn’t get a mortgage.

So, in the Fall of 2007, at the suggestion of a real estate agent, she turned to a credit repair company. For an up-front fee of \$1,400, the company told her all negative items on her credit report would be erased and her credit score would be increased by several hundred points in just two months.

By the end of the year, the “credit repair specialist”, who took her money, had vanished.

This is a story that’s becoming more common as banks and other lenders tighten the credit reins. In the past year there has been a 50% increase in reports of credit repair scams. The Federal Trade Commission said that to date, they’ve never seen a legitimate credit repair company.

These companies make false

promises of having inside connections and knowing legal loopholes to “clean” your credit. They claim they can improve a score by erasing bad debt, bankruptcies or foreclosures from your credit history in a matter of months and usually for an advance fee of up to \$2,000. Most just take the money and run. Others simply flood credit reporting bureaus with frivolous disputes over your debts, which may make them disappear briefly while they’re investigated. But, the Better Business bureau says it only puts your credit file in a “pending” status, and no lender will lend you money. It does nothing to improve your credit score.

Here’s what to do if you’re in a credit crunch:

- (a) Know the realities. Anyone who promises to remove accurate debt information from your credit history is lying. Under federal law, debt remains in a credit report for about seven years; bankruptcies stay listed for 10 years. And, it’s illegal in many states to accept an advance payment for any debt-adjusting service.
- (b) Monitor your file. You are entitled to three free credit reports each year at Annualcreditre-

port.com. (FICO credit scores start at \$10 at Equifax and TransUnion; Experian no longer provides them.) Check for any fraudulent debts resulting from identity theft which can be legally removed at no charge by contacting those three agencies yourself.

- (c) Get legitimate help. Bona fide credit counseling services usually arrange a structured repayment or consolidation plan for free or for a small fee. The national Foundation for Credit Counseling ([www.nfcc.org](http://www.nfcc.org); 1-800-388-2227) operates the largest and most respected network.
- (d) Be like the citizen in this article. She bought a house last year after paying down her previous debts. She says she raised her credit score after contacting her creditors and stuck to a repayment schedule.

For more information, visit [www.ftc.gov](http://www.ftc.gov) and type in “Credit Repair Scams.” If you’ve been victimized, contact your state attorney general, the Federal Trade Commission, and your local Better Business Bureau chapter.

***“A citizen paid \$1,400 to a credit repair company to have all negative items on her credit report erased and her credit score increased. With no action taken, the ‘credit repair specialist’ simply took her money and vanished.”***

## Links to

### ACFE Chapters

Pacific NW Chapter  
[www.fraud-examiners.org](http://www.fraud-examiners.org)

Oregon Chapter  
[www.oregon-acfe.org](http://www.oregon-acfe.org)

Spokane Chapter  
[www.spokanefraud.org](http://www.spokanefraud.org)

Boise Chapter  
[www.boiseacfe.org](http://www.boiseacfe.org)

Big Sky Chapter (Montana)  
[kathy.arata-ward@josepheve.com](mailto:kathy.arata-ward@josepheve.com)

Vancouver, B.C.  
[www.cfevancouver.com](http://www.cfevancouver.com)

Edmonton Chapter  
[www.acfe-edmonton.com](http://www.acfe-edmonton.com)

Calgary Chapter  
[www.acfecalgary.com](http://www.acfecalgary.com)

### International ACFE Headquarters

[www.acfe.org](http://www.acfe.org)

*Do you have ideas for our  
next newsletter?*

*Want to write the review for  
the last fraud training you  
attended?*

*We would love your  
feedback!*

Contact Joe Dervaes at  
[joeandpeggydervaes@centurytel.net](mailto:joeandpeggydervaes@centurytel.net)



## Other ACFE Fraud Training Opportunities

- Introduction to Digital Forensics, Philadelphia, August 20-21, 2009.
- CFE Exam Review Course, Chicago, IL, August 24-27, 2009.
- How to Testify, Washington, D.C., August 27-28, 2009.
- Advanced Fraud Examination Techniques, Austin, TX, September 14-16, 2009.
- CFE Exam Review Course, Washington, D.C., September 28-October 1, 2009.
- Professional Interviewing Skills, Salt Lake City, UT, September 2009 (no dates).
- Healthcare Fraud, Boston, MA, September 2009 (no dates).
- Legal Elements of a Fraud Examination, New York City, NY, October 21, 2009.
- Interviewing Techniques for Auditors: Eliciting Information, New York City, NY, October 22-23, 2009.
- Financial Statement Fraud, SeaTac, WA, October 26-27, 2009.
- Financial Institution Fraud, Houston, TX, October 2009 (no dates).
- Money Laundering: Tracing Illicit Funds, Los Angeles, CA, October 2009 (no dates).

The ACFE contact point for all course offerings is Dianne Lloyd, Marketing Specialist, Events, by phone at 1-800-245-3321, or at the web-site [www.ACFE.com](http://www.ACFE.com). Contact her for more information and actual registration procedures.

## Other ACFE Chapter Annual Fraud Conferences

- Joint Annual Fraud Conference, Big Sky Chapter and Montana Society of CPAs, September 15-16, 2009.
- Annual Fraud Conference, Calgary Chapter, October 20, 2009.
- Annual Fraud Conference, Boise Chapter, November 13, 2009.
- Annual Fraud Conference, Spokane Chapter, November 19-20, 2009.
- Joint Annual Fraud Conference, Pacific Northwest Chapter and Washington Society of CPAs, December 7, 2009. To register for our Chapter's Annual Fraud Conference, contact the WSCPA's Education Operations Manager, Rachel Ingalls, by phone at 1-800-272-8273, or register on-line at the WSCPA's web-site at [www.WSCPA.org](http://www.WSCPA.org). See the next newsletter for more details on this event.
- Joint Annual Fraud Conference, Big Sky Chapter and Montana Society of CPAs,

## The Chapter Board of Officers

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