

# The Fraud Examiner



Pacific Northwest Chapter

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**January/February 2017 Issue**

## Message from the President

### Pacific Northwest Chapter/ACFE Annual Fraud Conference

Mark your calendars! The Chapter will conduct its Annual Fraud Conference in Tacoma on May 1, 2017! There will be 8 hours of CPE, including 2 hours of ACFE Ethics training, available for all those who attend this event. Registration fees will be \$150 for registration and payment received on or before April 10, 2017, \$175 between April 11 through April 24, 2017, and \$200 after April 24, 2017. Chapter members will receive a \$50 discount from these rates. The Board of Officers will notify the Membership of more information about this training opportunity, including speakers, topics and registration procedures as it becomes available. See also page 4.

### Chapter and ACFE Student Scholarship Programs

The Chapter offers one annual \$1,000 scholarship to an eligible student attending an accredited four-year college or university in Washington and seeking a major or minor in accounting, business administration, finance, or criminal justice. The ACFE Foundation also offers a robust scholarship program. Applications for the 2017-2018 academic year are due by **January 27, 2017**. If you are a student, or know of a student potentially eligible for this program, please help "spread the word". In addition, regardless of whether they apply for these scholarships, eligible students are encouraged to apply for Chapter membership at attend Chapter Fraud Seminar events, both of which are free to student members. See also page 4.

### 2017 Chapter Dues

Annual Chapter dues are due beginning in January 2017. The dues/fees structure has not changed from prior years and is as follows: \$24 for CFE Members; \$30 for Associate Members; \$36 for Affiliates of the Chapter (non-members); and \$-0- for Retired Members and Student Members. Chapter Members receive a number of financial benefits, including a \$50 discount for the Chapter Annual Fraud Conference. See additional details on page 2 and on the Chapter web-site.

Robert A. Goehring/Chapter President/(253) 856-5262/President@fraud-examiners.org.

## Chapter Members In The News

The following Chapter Members have been active in our community outreach programs and other Chapter activities as follows:

(1) Chapter Training Director John J. Tollefsen, J.D., LL.M., CFE, Founder of Tollefsen Law, was the speaker at our December 7,

2016, Fraud Seminar in Seattle, WA. The topic was, "Annual Review of Accountants Putting the Love of Money Ahead of Ethics: Review of SEC Fraud Cases." See also page 3.

Other Chapter members are encouraged to notify President Robert Goehring (President@

fraud-examiners.org) about their recent or future presentations or publications so that these events can be publicized in the newsletter.

## Upcoming Training

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

**Date:**  
February 8, 2017

**Time:**  
2:30—4:30 p.m.

**Topic:**  
Understanding the  
Secrets of Performing a  
Successful Employee  
Embezzlement Fraud  
Investigation

**Speaker:**  
Joseph R. Dervaes, CFE,  
ACFE Fellow, CIA

**Where:**  
Downtown Seattle at  
1000 Second Avenue in  
the Training Room on  
the 28th Floor of the  
Washington State  
Housing Finance  
Commission's offices.  
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 Members and \$25 for  
non-members. Student  
Members may attend  
this event at no cost.

**Registration:**  
Register and pay the  
Chapter at the door or  
on-line at the Chapter  
web-site ([www.fraud-examiners.org](http://www.fraud-examiners.org)). Pre-  
registration is not  
required for this event.

## February 8, 2017, Chapter Fraud Seminar —Understanding the Secrets of Performing a Successful Employee Embezzlement Fraud Investigation

February 8, 2017, is the date of our first fraud training seminar in calendar year 2017 at our downtown Seattle training facility. There are 2 hours of Continuing Professional Education (CPE) available to all who attend this event.

The topic will be “Understanding the Secrets of Performing a Successful Employee Embezzlement Fraud Investigation”.

The cost of this fraud seminar is \$20 for members and \$25 for non-members. Student members may attend this event at no cost.

Attendees may register and pay the Chapter at the door or on-line at the Chapter web-site ([www.fraud-examiners.org](http://www.fraud-examiners.org)). Pre-registration is not required for this event.

The speaker will be Joseph R. Dervaes, CFE, ACFE Fellow, CIA. Joe retired after 42.5 years of audit and fraud examination services in 2006 as the Audit Manager for Special Investigations for the

Washington State Auditor's Office. He was responsible for managing the agency's Fraud Program and participated in over 730 fraud cases involving losses of over \$13 million during his 20-year tenure in this position. In 2003, Joe received the ACFE's coveted Donald R. Cressey award for his lifetime contributions to fraud detection, deterrence, and education. He is the former Chair of the Board of Regents (Regent Emeritus), former Chair of the ACFE Foundation's Board of Directors, and a former member of the Board of Review, serving 13 consecutive years in these ACFE international leadership positions which ended in 2011. He is the President Emeritus of the Pacific Northwest Chapter/ACFE, serving 19 consecutive years on the Chapter's Board of Officers until his retirement in 2012.

The speaker developed this fraud material for a Graduate Studies Forensic Accounting Class at the University of Washington (Bothell Campus) as a part of the Chapter's UW Fraud Victims Pilot Project. He

gathered the learning concepts he had discovered over his 20-year career with the Washington State Auditor's Office during a several week research project into his career and then compiled them into the format for this fraud seminar. The information was originally intended to give the students a 20 year advantage over their peers in the field of fraud examination. But, after preparing and presenting the material to the class, he realized that these concepts also serve as a refresher course for anyone who performs fraud examinations in their practice. Attend this fraud seminar to increase your knowledge on the topic, to improve your overall effectiveness, and to ensure that you successfully perform all fraud examinations. This fraud seminar is just one more example of the fine training opportunities the Chapter sponsors for its members.

## 2017 Annual Chapter Dues

Annual Chapter Dues are once again due in January 2017 for calendar year 2017 membership. The dues are as follows: \$24 for CFE Members; \$30 for Associate Members; \$36 for Affiliates of the Chapter (non-members);

and \$-0- for Retired Members and Student Members. Information about how to pay is available on the Chapter web-site ([www.fraud-examiners.org/membership.shtml](http://www.fraud-examiners.org/membership.shtml)).

The Chapter Board of Officers thanks you for your prompt attention to this matter, and appreciates your support of our Chapter's fraud training mission.

## Highlights of the December 7, 2016, Chapter Fraud Seminar in Seattle—Annual Review of Accountants Putting the Love of Money Ahead of Ethics: Review of SEC Fraud Cases

December 7, 2016, was the date of another Chapter fraud training seminar at our downtown Seattle training facility. There were 2 hours of Continuing Professional Education (CPE) available to all who attended this event.

This session was approved by the ACFE as qualifying for the Annual ACFE Ethics CPE requirement for CFEs.

The cost of this fraud seminar was \$20 for Members and \$25 for non-members. Student members attended this event at no cost. Pre-registration was not required. Attendees registered and paid at the door or pre-registered through the Chapter web-site. There were 15 people who attended this event, including seven non-

Chapter members.

The topic of this fraud seminar was: “Annual Review of Accountants Putting the Love of Money Ahead of Ethics: Review of SEC Fraud Cases.”

The speaker was John J. Tollefsen, J.D., LLM, Founder of Tollefsen Law, PLLC, an attorney, Certified Fraud Examiner, and Certified Controls Specialist. He is an International business finance lawyer and litigator with multiple post graduate degrees from both U.S. and European schools. Over the years he has developed a passion for helping victims of financial fraud through the civil law. The speaker serves as a member of the Board of Officers as a Director-at-Large/ Training Director for the

Chapter, and is a regular contributor to the Chapter’s Bi-Monthly Newsletter column of articles on the topic of “Fraud Law”.

This session examined selective recent CPA discipline cases from the Securities and Exchange Commission and other regulatory agency files with a special emphasis on ethics. In addition, the speaker presented critical information concerning ethics that were helpful to all who attend this session. The session included a number of very powerful testimonials and other pertinent videos.

This seminar is just one more example of the fine training opportunities the Chapter sponsors for its Members.

### New Chapter Members

Please welcome the new members who joined the Chapter during the period late June 2016 through December 2016:

#### CFEs:

- Cory Cote
- Joshua Sandvig
- Marc Stepper
- Mary Wiegand

#### Associate Members: <none>

#### Student Members:

- Galen Cheney
- Jay Quanz
- Eric Ruthford

## Free ACFE Webinars by Logging on to Your ACFE Membership Account

For dues paying Members of the global ACFE organization, the ACFE offers free training. The webinars are typically 60 minutes in length and are equal to 1 credit hour of ACFE approved CPE credits.

Archived webinars are available for a limited time and new content is periodically uploaded. More information can be found by logging in to

the ACFE web site as a member, clicking on “My Account” in the upper right corner, and then clicking on the link in the paragraph in the right column which says “Access archived webinars.”

Currently available free webinars include:

- Failure to Launch? Breaking Down Barriers

to Increase Use of Data Analytics

- The Impact of the Underground Economy and How Analytics Can Fight It
- Digital Decisioning in Today’s Fraud Environment
- Improving Application Fraud Detection Across Silos

**-Renew Membership and report CPE at the same time**  
**-20 CPE required, 10 of which must be fraud related, and 2 of which must be ethics**  
**-10 hours can be carried over every 12 months**

**“Some people change their ways when they see the light; others when they feel the heat.”**

**- Caroline Schroeder**

## May 1, 2017—Pacific Northwest Chapter Annual Fraud Conference La Quinta Inn & Suites—Tacoma, WA

Monday, May 1, 2017, is the date of our Chapter's 3rd Annual Fraud Conference. Registration begins at 7:30 a.m. and a continental breakfast will be provided. The conference begins at 8:00 a.m. and ends at 4:20 p.m. Lunch will be provided from noon to 12:30 p.m.

The conference will again be held at the La Quinta Inn & Suites (1425 East 27th Street), Tacoma, WA. There is no charge for parking at the hotel.

There are 8 hours of Continuing Professional Education (CPE) available to all who attend this event. **This will include 2 hours of training that meets the ACFE Annual Ethics CPE requirement for Certified Fraud Examiners.**

The Conference Coordinator is Chapter Board Member-at-Large Pete Miller, CFE, CPA. Pete Miller and Chapter President Robert Goehring, CFE, CPA will serve as Conference Co-Chairs.

Participants can register online through

the Chapter web-site ([www.fraud-examiners.org](http://www.fraud-examiners.org)) effective December 1, 2016.

The cost of this event is \$150 for participants who register and pay on or before April 10, 2017, \$175 for April 11 through April 24, 2017, and \$200 after April 24, 2017. Chapter members will receive a \$50 discount from these rates. Chapter members must be current on their 2017 Chapter dues to be eligible for this discount.

Pre-registration for this fraud conference is required. However, a limited number of same day registrations may also be available. Participants that cancel in writing on or after April 10, 2017, will be given the option of transferring their registration to another person, or applying their registration fee to the 2018 Annual Fraud Conference. No refunds or credit will be given for "no shows".

Dr. Brian Steverson, the John L. Aram Chair of Business Ethics in the School of Business Administration at Gonzaga University will once again bring us an

exciting Ethics presentation.

The following members of the Chapter Board of Officers will each present on topics related to fraud prevention, detection, investigation and/or prosecution:

- Robert Goehring, CFE, CPA, President
- Pete Miller, CFE, CPA, Board Member-at-Large
- Nancy Pasternack, CFE, CPA/CFF, CIA, Board Member-at-Large
- Gayle Seyl, CFE, AHFI, Board Member-at-Large
- John J. Tollefsen, JD, CFE, CCS, Board Member-at-Large/Training Director
- Joseph R. Dervaes, CFE, ACFE Fellow, CIA, President Emeritus

The speaker biographies and topics for this conference will be announced on the Chapter web-site and through the March-April Chapter newsletter.

## 2017-2018 Chapter and ACFE Student Scholarship Programs

There are two annual scholarship programs available to full-time university students seeking a major or minor in accounting, business administration, finance, or criminal justice programs in the Pacific Northwest. They are the ACFE Foundation's Ritchie-Jennings Memorial Scholarship Program and the Pacific Northwest Chapter/ACFE Student Scholarship Program.

The Chapter scholarship program is a \$1,000 award to an eligible student attending a qualifying college or university

in the state of Washington. Winners of an ACFE Foundation scholarship are not eligible to receive a Chapter award for the same academic year.

Students interested in applying for the 2017-2018 Scholarship programs are encouraged to visit the Chapter web-site ([www.fraud-examiners.org](http://www.fraud-examiners.org)) or contact any Chapter Board Member to learn more about these programs. The application deadline is **January 27, 2017.**

Applicants must first apply directly for the Ritchie-Jennings Memorial Scholarship Program, then provide the ACFE Foundation complete application package, including the ACFE's questions and students answers about their interest in the area of fraud, and a resume to Chapter President Robert Goehring via e-mail at [President@fraud-examiners.org](mailto:President@fraud-examiners.org) or by USPS to P.O. Box 215, Auburn, WA 98071-0215.

Elizabeth Stanton was the recipient of the 2016-2017 Chapter Scholarship Award.

***"We are inclined to believe those whom we don't know because they have never deceived us." - Samuel Johnson***

## Start Planning for the ACFE 28th Annual Global Fraud Conference and Exhibition—June 18-23, 2017—Nashville, TN

Join nearly 3,000 anti-fraud professionals at the 28th Annual Fraud Conference in Nashville, TN June 18-23, 2017.

Location:  
Music City Center  
201 Fifth Avenue South  
Nashville, TN 37203  
(615) 401-1400

Individual Registration:  
Register on-line or contact the ACFE at (800) 245-3321.

Group/Team Registration:  
Contact the ACFE at (512) 478-9000 or e-mail [grouppregistration@acfe.com](mailto:grouppregistration@acfe.com) for registration information, including group pricing that is available for teams of 3 or

more from the same organization.

See below. The Pacific Northwest Chapter/ACFE will again participate in team registrations. Participants will likely receive at least a \$100 discount from the registration fees, and will have an opportunity to network with each other as well as receive valuable training in our common fight against fraud.

### Announcing Team Registration Pricing for Chapters

The ACFE will once again offer team registration pricing for chapter members at the 28th Annual ACFE Fraud Conference and Exhibition.

The team registration pricing is:

#### Team Registration—Full Conference

- ACFE Member:
- 3 or more—\$1,350
  - 5 or more—\$1,300
  - 10 or more—\$1,225

- Non-Member:
- 3 or more—\$1,600
  - 5 or more—\$1,550
  - 10 or more—\$1,475

#### Team Registration—Main Conference

- ACFE Member:
- 3 or more—\$950
  - 5 or more—\$925
  - 10 or more—\$900

- Non-Member:
- 3 or more—\$1,200
  - 5 or more—\$1,175
  - 10 or more—\$1,150

Members must have paid 2017 Chapter dues and must register through the Chapter by April 7, 2017, in order to participate.

Team Registration Process:

1. Complete the ACFE Supplemental *Attendee Form* (<http://www.fraudconference.com/28th-pricing.aspx>) and send it via e-mail to [President@fraud-examiners.org](mailto:President@fraud-examiners.org). Do not send payment at this time!
2. You will be billed by the ACFE.
3. Please clearly indicate whether you will be attending the Full Conference or the Main Conference.

4. Chapter President Robert Goehring will complete the ACFE *Group Registration Form* and will provide it to the ACFE with the related individual *Supplemental Attendee Forms* on April 8, 2017.
5. After registration, each member will be responsible for making their own hotel reservations and signing up for their break-out sessions at the Conference.
6. Chapter President Robert Goehring will notify all participating members via e-mail regarding the final count and pricing.

Remember that the due date is **April 7, 2017**. If you have any questions please contact Chapter President Robert Goehring at [President@fraud-examiners.org](mailto:President@fraud-examiners.org) or at (253) 853-5262.

### 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 each year, **10 of which must be fraud related, and 2 of which must be on ethics.**

Report your CPE Compliance to the ACFE in your anniversary month (online or by phone).

If a CFE has earned more than 20 CPE

hours of CPE in any year, he/she may carry forward up to 10 of these extra hours to meet their future CPE requirements.

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

- How CPE Works
- CPE Changes from Year to Year
- Maintaining CPE

Records / CPE Audit

You may access the [My CPE](#) 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).

## Joint Chapter/ACFE Fraud Training Class October 16-17, 2017— Hilton Seattle Airport & Conference Center—SeaTac, WA

October 16-17, 2017, are the dates of our joint Chapter and ACFE Annual Fraud Training Class. This event will be held at the Hilton Seattle Airport, 17620 International Blvd., SeaTac, WA. Registration begins at 7:30 a.m. each day.

The class is entitled, "Using Data Analytics to Detect Fraud". The ACFE course leader has not yet been announced.

There are 16 hours of Continuing Professional Education available to all who attend this class.

According to the ACFE's 2016 Report to the Nations on Occupational Fraud and Abuse, proactive data monitoring and analysis is among the most effective anti-fraud controls. Organizations which undertake proactive data analysis techniques experience frauds that are 54% less costly and 50% shorter than organizations that do not monitor and analyze data for signs of fraud.

Using Data Analytics to Detect Fraud will introduce you to the basic techniques of uncovering fraud through data analysis. Taking a software-independent approach, this 2-day course provides numerous data analytics tests that can be used to detect various fraud schemes. You will also discover how to examine and interpret the results of those tests to identify the red flags of fraud.

You will learn how to:

- Recognize the types of data and available tools that can be used to look for signs of fraud.
- Implement the full data analytics process from determining which data to acquire to evaluating the results.
- Apply numerous fundamental, advanced and non-traditional data analysis techniques.
- Analyze non-numeric data, such as text and non-traditional timelines, for signs of fraud.

- Identify anomalies and recognize common red flags of fraud that appear in the data.
- Use data analytics tests to detect various asset misappropriation, corruption and financial statement fraud schemes.

Registration for this fraud class is directly with the ACFE. To register, contact the ACFE at (800) 245-3321, or at [www.ACFE.com](http://www.ACFE.com).

The cost of this class is \$695 for ACFE Members and \$845 for non-members. There is a \$95 discount for early registration (deadline—September 15, 2017).

Contact the ACFE for registration procedures. Pre-registration for this class is required.

Parking is available at the hotel at a discounted rate of \$12 for each day of this class.

## Benefits of Chapter Membership and Serving on the Board of Officers

The Board of Officers recognizes that the Chapter membership is fully aware of the non-financial benefits of being a Chapter Member and serving the Chapter in various capacities including serving on the Board of Officers, serving on the various Chapter committees, and speaking at Chapter training events and other venues. However, did you know that there are very real financial benefits?

### Membership:

- \$5 discount on Chapter Fraud

### Seminars

- \$50 discount on Chapter Annual Fraud Conference
- Free lunch at the June Chapter Training/Business Luncheon Meeting
- Free lunch (1 day only) at ACFE October training, when held
- As an Associate Member, the opportunity to apply for the Chapter CFE Incentive Program Award (up to \$500)

### Board of Officers:

- Free registration for 3 Board Members for the Joint Chapter/ACFE October fraud training class (\$695/each), when held
- Up to \$500 for one member for attendance at ACFE Annual Conference as the Chapter Representative
- Free registration for all Board Members at the Chapter's Annual Fraud Conference (\$100 each)

***"The real problem is in the hearts and minds of men. It is not a problem of physics but of ethics. It is easier to denature plutonium than to denature the evil from the spirit of man."***

***- Albert Einstein***

## The Tidbit: Scam Alerts— (1) Some Claim Money Is Owed - Recent Phone Scams Pretend To Be Police Officials Or IRS Agents; and (2) On Your Side – Phony IRS Threatens Fines

**Scam No. 1.** This information was paraphrased from an article in The Peninsula Gateway newspaper from December 16, 2015, by Andrea Haffly, staff columnist.

### **Some claim money is owed - Recent phone scams pretend to be police officials or IRS agents.**

There has been an increased number of reports about aggressive telephone scams in the Gig Harbor area according to police officials. Several different types of scams have been reported recently:

- **Scam #1.** You receive a telephone call from an individual pretending to be a police official, such as a Washington State Patrol trooper, sheriff's deputy, or police officer, who claims that you owe money for a parking ticket. They even threaten they'll send you to jail.
- **Scam #2.** You receive a telephone call from an individual who says that they are a representative from the Internal Revenue Service (IRS) who claims that you owe overdue property taxes.

There is very little the police can do about these scam telephone calls because they often originate from places outside the United States. They also "spoof" the telephone number by altering it using a computer to indicate that the call is coming from wherever the caller wants it to say, such as the agency the scammer purports to represent.

The Washington State Patrol has taken the matter seriously by issuing an official release to combat some of the misinformation that these unknown callers are spreading. The alert states that while many police unions or associations, such as the Washington State Patrol Troopers Association may call people to solicit donations, their representatives are never aggressive and do not ask for your credit card number or other financial information.

Here's some advice to help you identify telephone scams.

- No government agency, and especially not a police officer, would call and threaten anyone for money.
- No government agency will ask for your bank account information over the telephone.
- No government agency will tell you to wire money or purchase gift cards. This is a common tactic of telephone scams.
- Just hang up the telephone! Eventually the calls will stop.

**Scam No. 2.** This information was paraphrased from an article from the December 2015-January 2016 issue of AARP Bulletin/Real Possibilities by Ron Burley.

### **On your side - Phony IRS threatens fines**

A senior citizen received a telephone message from the

Internal Revenue Service (IRS).

The message said that back taxes were owed and that the individual should call back right away. The individual called AARP instead, and their representative contacted the supposed IRS agent. The bogus agent told the inquirer that his only hope to avoid jail was to pay fines and back taxes before the police arrived at his door. But, the agent then stated that there might be a way the citizen could avoid this consequence if he acted quickly. After repeated threats of pending arrest and hopes of salvation, the agent directed the citizen to a local super market where he was to purchase several thousand dollars worth of Green Dot MoneyPaks – a way to transfer cash to another person instantly by simply giving them a secret code number. The investigator promised to call back, but never did because he knew it was a scam.

The Federal Trade Commission reports that there has been a 20-fold increase in complaints about the IRS scam from 2013 to 2014, more than 54,000 Americans in 2014 alone. Scammers often target immigrants or senior citizens who might be less likely to have the knowledge or support system to keep them from falling into this trap. As in the case discussed above, the scammer brings fear into the conversation immediately and then turns helpful by providing a solution that involves sending money in a quick and untraceable way.

### **Scam Alert**

#### **Summaries:**

- (1) ***“Scammers hide their identity by “spoofing” the telephone number which appears on the “Called ID” function of your telephone.”***
- (2) ***“Assume any call from the IRS is a scam and just hang up!”***

*(Continued on page 8)*

## The Tidbit—Continued

(Continued from page 7)

Unfortunately, the scammers often avoid capture because they're operating from overseas, using relayed calls, or showing fake caller IDs on your telephone. The bogus caller ID shows "IRS GOV" in such cases.

Most people won't fall for a foreign scammer's heavily accented delivery and unlikely story, but some always do. The threat of a pending arrest might rattle even the best of us. Scammers flee at the first sign of discovery. When the investigator in the above case called the scammer back and identified himself as a journalist, the scammer gave him a terse response and hung up. So, here's what

you should do if you receive a suspicious call reportedly from the IRS.

- Assume it's a scam. The IRS doesn't call people about back taxes. Instead, it will send you a notice through the mail. But, if you think you have unpaid taxes, call the IRS directly at 1-800-829-1040.
- Hang up the telephone. Do not attempt to engage the caller. If you do provide any information to them, you will simply "mark" yourself to receive additional bogus telephone calls.
- Report the incident. If you ever receive one of these suspicious IRS telephone calls, report the incident to

the U.S. Treasury Department's Inspector General for Tax Administration at 1-800-366-4484. If you have been contacted by e-mail, forward the message directly to the IRS at: [phishing@irs.gov](mailto:phishing@irs.gov).

- Educate others. Talk to any other vulnerable people in your life about this scam. Share the news.

Finally, stay abreast of the latest tricks con artists use and find out how to protect yourself against fraud by going to the AARP Fraud Watch Network at: "[aarp.org/fraudwatchnetwork](http://aarp.org/fraudwatchnetwork)".

## Presentation of the 2016 Chapter Distinguished Achievement Award

Make sure to attend the Chapter's February 8, 2017, bi-monthly fraud seminar in downtown Seattle to support one of your fellow Chapter members.

At this meeting, the Chapter will present its 2016 Distinguished Achievement Award to James (Jim) Tyrrell, CFE, MA. Pictures will be taken and will be published in the March-April 2017 Chapter Newsletter.

The Chapter Board of Officers approved this award at its February 10, 2016, meeting in Seattle. In addition, the Membership of our Chapter also approved this award at its June 8, 2016, Annual Luncheon and Business Meeting in Tukwila.

Jim is being recognized for his many years of service and leadership to the Chapter.

In August 1989, James T. Tyrrell, became a Certified Fraud Examiner (Member ID Number JT1274). From November 1989, thru July 1996, Jim served the Federal representative to the

ACFE's Governmental Fraud Committee. In July 1997, Jim became a ACFE Life Member.

Jim is a founding member of the Pacific Northwest Chapter/ACFE. During the early years of the chapter's history he was instrumental in securing speakers for training sessions, a meeting room in the Seattle Federal Building, and recruiting chapter members.

Jim spent 28 years in a variety of fact gathering positions with the Federal Government (intelligence, law enforcement, administration, and auditing). In 1998, he retired from the Office of Inspector General as a GS-14. During his government career he received numerous awards for detecting and/or preventing fraudulent use of Federal resources.

Prior to retirement from his government job, he received permission to obtain an armed private investigator license and open a private investigative agency. Since 1995, Jim has owned and operated Seattle Investigative Services

(SIS), a private investigative agency. While continuing to support the ACFE, and attend and support chapter activities, he has worked for private and corporate clients on major cases involving international investment fraud, software program and music/CD product diversions, and real estate/mortgage fraud. His clients have included Fortune 500 corporations/executives, foreign dignitaries, and international celebrities.

Jim is a guest lecturer at the University of Washington, part-time instructor at Green River College, and does pro bono presentations for various investigative and service groups. During his presentations pertaining to fraud detection, investigation, and preventions; he frequently refers to the ACFE as a valuable resource for training and investigative assistance.

The Board of Officers joins the entire Chapter Membership in congratulating Ken for his continued fine achievements on behalf of the Chapter!

***"To be left alone, and face to face with my own crime, has been just retribution."***

***- Henry Wadsworth Longfellow***



## Fraud Law—January 2017—By Dr. John J. Tollefsen, CFE, JD, CCS

### LOCAL EB-5 VISA FRAUD

Recent Seattle newspaper headlines have informed us that Lobsang Dargey, a local real-estate developer, has agreed to plead guilty to EB-5 fraud allegedly involving at least \$125 million from 250 Chinese investors. This type of fraud is a form of securities and immigration fraud and has become more common on both sides of the transaction: investors make fraudulent claims regarding their eligibility for the program and promoters misappropriate their investments.

EB-5 was enacted by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by foreign investors. Under a pilot program enacted in 1992, and regularly reauthorized since then, investors may also qualify for EB-5 visas by investing through regional centers designated by U.S. Citizenship and Immigration Services (USCIS) based on proposals for promoting economic growth. On September 29, 2016, President Obama signed Public Law 114-223 extending the regional center program through December 9, 2016. Ten thousand visas are allocated each year and processing times can be two years. Not only does the investor and family need to be vetted for the visa (e.g. where did the money come from?). There are two investment amounts \$500,000 and

\$1,000,000. Both require creation of ten full time (35 hours per week) permanent jobs. The \$500,000 is by far the most popular and is only available in rural and high unemployment area. This is where the developers get involved. They package a deal, arrange for USCIS processing, and arrange permanent management. Teams of well-paid sales agents sell the package in China and elsewhere. Since the package involves an investment with an expectation of a profit, it is a “security” under U.S. state and federal law. The investors are entitled to full disclosure.

On August. 25, 2015, The Securities and Exchange Commission announced an asset freeze obtained against Lobsang Dargey in Bellevue, Wash., accusing him of defrauding Chinese investors. In the civil law suit filed in the Western District of Washington, the SEC alleged that Lobsang Dargey and his “Path America” companies raised at least \$125 million for two real estate projects: a skyscraper in downtown Seattle and a mixed-use commercial and residential development containing a farmers’ market in Everett, Wash. The SEC claims Dargey diverted \$14 million for unrelated real estate projects and \$3 million for personal use including the purchase of his \$2.5 million home and cash withdrawals at casinos.

The Department of Justice also pursued

the case criminally. According to the Seattle Times, Dargey pled guilty to two felonies: Conspiracy to commit wire fraud and concealing information from the federal government, which were enhanced because of the magnitude of the fraud. As part of the plea deal, the government said it wouldn’t bring charges on other, undisclosed potential offenses. From his birth on the livestock floor of a primitive farmhouse in Tibet to celebrating multimillion-dollar deals with local luminaries in Seattle, developer Lobsang Dargey’s rise was swift and remarkable. Dargey has only a second-grade-level education and could not read English beyond an elementary-school level.

*John J. Tollefsen, J.D., LL.M., is a semi-retired attorney licensed in 6 jurisdictions, Certified Fraud Examiner, and Certified Controls Specialist. His email is John@TollefsenLaw.com. See TollefsenLaw.com for more information regarding fraud law. This article and the SEC complaint can be found at <https://tollefsenlaw.com/local-eb-5-visa-fraud/>*

*Dr. Tollefsen is also the Director-at-Large/ Training Director on the Chapter’s Board of Officers, member of the Chapter’s Web-site and Newsletter Committee, and the contributor for all of the information presented in this column.*

## 2017 Chapter Incentive Award Program

Each calendar year the Board of Officers recognizes one Associate Member who becomes a Certified Fraud Examiner during that year and meets other requirements, by granting him/her an award of \$500 to help defray the costs of obtaining the CFE professional credential.

See the Chapter website ([http://www.fraud-examiners.org/PNW\\_Chapter\\_Incentive\\_Award.shtml](http://www.fraud-examiners.org/PNW_Chapter_Incentive_Award.shtml)) for specific information concerning eligibility and the selection process.

Key items (Not All-Inclusive):

- Deadline for fulfilling all of the requirements—**Dec 31, 2017**
- Applicant must be an Associate Member of the Chapter and provide written notice of intent to the Board to apply for this award
- Applicant must pass the CFE Examination and obtain the CFE Credential in 2017
- Applicant must attend at least two

of the Chapter’s Fraud Training events

- Applicant must incur eligible expenses that are not reimbursed by his/her employer or other party

The winner will be determined through a drawing, if more than one person meets the eligibility requirements. The winner will be announced at the February 2018 Chapter Fraud Seminar.

There were no applicants for the 2016 Award.

## Links to

### ACFE Chapters

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

Oregon Chapter  
[www.oacfe.org](http://www.oacfe.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.acfe-calgary.com](http://www.acfe-calgary.com)

### International ACFE Headquarters

[www.ACFE.com](http://www.ACFE.com)

*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 Robert Goehring at  
[President@fraud-examiners.org](mailto:President@fraud-examiners.org)



## Other ACFE Fraud Training Opportunities

- Understanding the Mindset of a Fraudster, Atlanta, GA 2/15/2017 - 2/15/2017
- Conducting Internal Investigations, Atlanta, GA 2/16/2017 - 2/17/2017
- CFE Exam Review Course, Athens, Greece 2/16/2017 - 2/19/2017
- CFE Exam Review Course, Arusha, Tanzania 2/20/2017 - 2/24/2017
- CFE Exam Review Course, Dubai, UAE 2/26/2017 - 3/2/2016
- Effective Report Writing for Fraud Examiners, Houston, TX 2/27/2017
- Fraud Risk Assessment, Houston, TX 2/28/2017 - 3/1/2017
- Contract and Procurement Fraud, Denver, CO 3/6/2017 - 3/7/2017
- CFE Exam Review Course, Washington, D.C. 3/6/2017 - 3/9/2017
- CFE Exam Review Course, Melbourne, Australia, 3/7/2017 - 3/10/2017
- CFE Exam Review Course, Mexico City, Mexico 3/8/2017 - 3/11/2017
- Professional Interviewing Skills, Miami, FL 3/9/2017 - 3/10/2017
- 2017 ACFE Fraud Conference Europe, London, United Kingdom 3/19/2017 - 3/21/2017
- CFE Exam Review Course, Lagos, Nigeria 3/23/2017 - 3/26/2017
- Auditing for Internal Fraud, New York, NY 3/27/2017 - 3/28/2017

The ACFE contact point for all course offerings is Caitlin Perdue, Event Marketing Specialist, 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

- Annual Fraud Conference, Spokane, WA Chapter (to be announced—Spokane, WA)
- Anti-Fraud Training, Vancouver Chapter/Justice Institute of BC (to be announced)
- Annual Fraud Conference, Pacific Northwest Chapter (May 1, 2017—Tacoma, WA)
- Annual Fraud Conference, Oregon Chapter (May 17-18, 2017, Portland, OR)

## The Chapter Board of Officers & Training Director

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