

The Fraud Examiner



Pacific Northwest Chapter

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Jan/Feb 2019 Issue

Message from the President

Dear PNW ACFE Chapter,

I hope you all are enjoying the start to 2019!

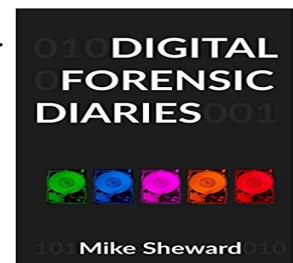
As we all venture into a new calendar year, our chapter is half way through its fiscal year. And so it is time to begin thinking about next year's board of directors. I encourage you all to consider how you might take an active role in the Pacific Northwest ACFE chapter. The opportunities are not limited to being a board member. We also need help with our newsletter content, training development, website development, speakers for our events, and other great, innovative ideas our membership can contribute. I look forward to hearing from you with ideas and from members who would like to nominate themselves or others for the 2019—2020 board (see more information on board member benefits on page 5).

We have a real treat for the chapter and friends on February 13th! Please step away from your desk and allow yourself to be not just be educated, but also entertained with stories of digital investigations by Mike Sheward. Mike is the Senior Director of Information Security at Seattle-based Accolade Inc., and a local author with multiple books published about his experiences in digital mayhem. Mike has a wealth of information to share with us and we are so happy to welcome him to the upcoming training (details on page 2).

I look forward to seeing you all at upcoming Chapter events.

Best,
Nancy

Nancy A. Pasternack, Chapter President/President@fraud-examiners.org.



Nancy's pick— I am captivated by the podcast about the Salem Witch Trials: "Unobscured" by Aaron Mahnke. "History is full of stories we think we know. They are old and dark, but time has robbed us of perspective and clarity. They've become obscured and misunderstood. That's why this series exists: to dig deep and shed light on some of history's darkest moments and fraud. To make it Unobscured." You can find it at podcasts on the iHeartRadio app.

Upcoming Training

February 13, 2019 Fraud Seminar, Downtown Seattle

Type:

Fraud Seminar

Date:

Wednesday, February 13, 2019

Time:

2:30–4:30 p.m.

Topic:

Digital Forensic Diaries: Tales from the Field

Speaker:

Mike Sheward, Senior Director of Information Security, Accolade, Inc.

Where:

1000 Second Avenue, 28th floor training room of the Washington State Housing Finance Commission's offices.

Price:

\$20 for Members
\$25 for non-members

Registration:

Pre-registration is not required for this event. Attendees can pre-register and pay at the Chapter website (www.fraud-examiners.org) or at the door.

Parking:

Special Events parking rates (approximately \$12-\$16) for the parking garage at Benaroya Hall, just two blocks North of the training facility on Second Avenue.

Currently our chapter meets on the second Wednesday of February and August; and the first Wednesday of December of each year from 2:30–4:30 p.m. Unless otherwise stated, all fraud training seminars are held in the Training Room on the 28th Floor of the Washington State Housing Finance Commission's offices (see location information below). The first training for 2019 is set as the following:

Wed, Feb. 13, 2019

The topic for this fraud seminar is *Digital Forensic Diaries: Tales from the Field* with Mike Sheward.

Mike Sheward is the Senior Director of Information Security at Seattle-based Accolade Inc., and runs Secure Being LLC, a digital investigation consultancy firm. He has worked in information security, primarily in incident response and digital forensics, in both the UK and US for 12 years.

Mike has published multiple books including the 2018 title, *Hands-on Incident Response and Digital Forensics*. He previously published tales of his work in the field in his 2017 book, *Digital Forensic Diaries*. Mike has another book based on his vast experience with

penetration testing. And he even has a book for kids! Harry the Information Security Hero: Audit Time which is a great introduction into the world of information security for children, as well as corporate budget holders. Do not miss out on our February training where you will hear many of Mike's stories from the field, most of which just couldn't be made up! This is our opportunity to support not just one of our peers, but also a local author. It's promised to be a great session and we look forward to seeing you on February 13th.

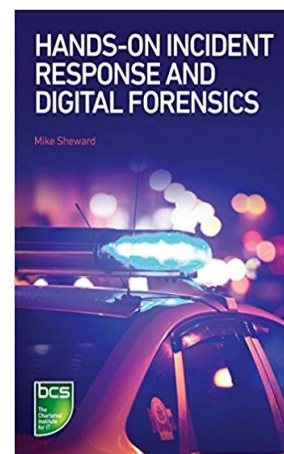
Here is a sample from the preface of *Digital Forensic Diaries*:

I hate to break it to you; digital forensics is not as it is portrayed in television and film. There are no magical programs that can decrypt heavily encrypted data within a few seconds behind some fancy graphics, while a ridiculously good-looking investigator watches on. The good news is that digital forensics doesn't need to be portrayed this way to be interesting. In real life, the stories of incidents and how investigators untangle them are often much more interesting than the same old stories peddled on TV. The problem of course, is that for confidentiality

reasons; those stories are hardly ever shared.

In these stories Mike has drawn on real life experiences to create tales that hopefully do justice to the field of digital forensics.

Although the industries, names and settings have changed to protect those who have entrusted me to be a part of their investigations, the tools, techniques and incidents described are all very real examples of things that happen every single day in this line of work.



Chapter Members In The News

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

In late 2018, Board Member, James Peet, CFE, gave an interview on the radio program P.I.'s Declassified hosted by Francie Koehler, CPI, CCDI.

You can listen to James' interview

about becoming and being a Certified Fraud Examiner at:

<https://www.voiceamerica.com/episode/108933/pis-declassified-081618>

Also check out the "Focus on Fraud" blog from Clark Nuber where former board member, Pete Miller and current board member Mike Nurse work.

Visit our blog "Focus on Fraud" for timely topics and discussions on fraud:

<https://clarknuber.com/blog/>

Other Chapter members are encouraged to notify President Nancy Pasternack (President@fraud-examiners.org) about their recent or future presentations or publications so that these events can be publicized in the newsletter.

ACFE Mentoring Program and Scholarship Committee

Pursue your own professional development while contributing to the success of the ACFE and the anti-fraud profession by serving on an ACFE committee.

The ACFE relies on volunteers like you to contribute feedback, insight and content. Your experience in the fight against fraud helps us make better decisions and provide more value to ACFE members, in addition to helping shape the future of the anti-fraud profession.

Currently the Scholarship Committee is open for applications.

The purpose of the Scholarship Committee is to advise the Board of Directors of the ACFE Foundation on the awarding of scholarships.

The Committee shall be composed of no fewer than three and no more than seven members. Members of the committee shall be selected and appointed by the Board of Directors.

The Scholarship Committee application period is open October 1, 2018 through March 1, 2019.

The ACFE Mentoring Program connects you to anti-fraud professionals from all over the world

who can offer you a wealth of resources, experiences, advice and guidance.

What you need to know about the ACFE Mentoring Program:

Enrollment is free for all ACFE members in good standing.

Mentor selection for the upcoming session (January-June 2019) is now open.

Participants can choose to meet by phone, video chat, email or in person, and must commit to one hour per month.

<https://connect.acfe.com/mentoring>

ACFE Podcast—Fraud Talk

Fraud Talk is the ACFE's monthly podcast. In these sessions, we break down case studies, talk with the industry's leading experts and give you more tools to spot, fight and prevent fraud.

Check out the latest podcast:

[Challenges in the Executive Design of Compensation and Incentives](#)

In this episode, Dr. Alexander Wagner, associate professor of finance at the University of Zurich

and upcoming keynote speaker at the 2019 [*ACFE Fraud Conference Europe*](#), describes the roles incentives play in the decision-making of employees and organizations.

PNW ACFE Annual Fraud Conference—May 13, 2019

Mark your calendars for our local, annual fraud conference on Monday, May 13, 2019. We have a great line up of topics and speakers! Here's a sample of what you can expect in the line up:

My Time as an IRS Auditor: The Subtle Madness of Tax Fraud Investigations by Jaydra Perfetti.

Have you ever wondered what it's actually like to be an IRS auditor? Or what it's like to investigate tax fraud for Uncle Sam? Or perhaps you just like a good story in the form of a case

study. Well here is your opportunity for all that and more! Join Jaydra for an exciting hour of tales from her time as an IRS auditor. She will cover investigative techniques frequently employed in tax audits and tax fraud investigations and she will share some fun and interesting case studies.

Jaydra Perfetti is a Certified Fraud Examiner, a Private Investigator, an IRS Enrolled Agent, and an OR Licensed Tax Consultant. She spent over a decade working for IRS, auditing individuals and businesses, and conducting fraud investigations.

She left the service in 2017 to found her own firm, Paper Investigator Inc., where her current practice focuses on forensic accounting and financial investigations on one side and tax consulting on the other.

Jaydra enjoys sharing her knowledge and experience through workshops and presentations and is delighted to talk about the subtle madness of tax fraud investigations.

The Conference will be held at La Quinta Inn & Suites (1425 East 27th Street), Tacoma, WA.

Here's a Netflix and Hulu suggestion — Fyre Fraud.

Promoted as an exclusive, ridiculously upscale music fest staged on a remote island once owned by drug kingpin Pablo Escobar, Fyre turned out to be an inexpertly executed con job that still managed to attract a sizable number of people willing to drop five or more figures to party in the tropics with Blink-182. News outlets and social media reacted in kind, meaning not-so-kind, to retweets and Instagram stories of the young and well-off going temporarily tribal. Now come the post-mortems in the form of two competing documentaries: Chris Smith's Fyre, distributed by Netflix, and Julia Willoughby Nason and Jenner Furst's Fyre Fraud, a Hulu original.

2019-2020 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 2019-2020 Scholarship programs are encouraged to visit the Chapter

website (www.fraud-examiners.org) or contact any Chapter Board Member to learn more about these programs. The application deadline is **March 31, 2019**. Applicants must first apply directly for the Ritchie-Jennings Memorial Scholarship Program (due date is late January 2019), then provide the ACFE Foundation complete application package, including the ACFE's questions and students answers about

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. 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.

Chapter Membership and Board of Officers Benefits

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?

Chapter Membership:

Types of Chapter membership and annual dues/fees:

- Chapter Member (\$24)

- Chapter Associate Member (\$30)
 - Affiliate of the Chapter (\$36)
 - Student Member (\$-0-)
 - Retired Chapter Member (\$-0-)
- See the Chapter website for eligibility requirements and application process.

Membership Benefits:

- \$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 Officer Benefits:

- 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 the ACFE Annual Conference as our Chapter Representative
- Free registration for all Board

Combined Annual Dues and Training Payment Option

As previously announced, the Board of Officers established a new option for Members to pay Chapter dues and Fraud Seminar registration fees! Chapter Members may pay a flat \$94 fee on a calendar year basis that would cover the Member's annual dues and registration fees for all Chapter Fraud Seminars for the

entire year.

It is the same cost if you are a Chapter Member, Chapter Associate Member or Affiliate of the Chapter.

This fee does not cover registration fees for the Chapter's Annual Fraud Conference. Further, this fee is non-refundable and cannot be pro-rated

for Chapter Fraud Seminars that the member did not attend, nor is this payment transferrable to another person.

Payment may be made at the Chapter website (www.fraudexaminers.org), by mail, or in person at a Chapter Fraud Seminar.

Check out Fraud Talk Podcasts at ACFE.com. The latest episode focuses on "The 5 Most Scandalous Fraud Cases of 2018"

In Case You Missed It: The 5 Most Scandalous Fraud Cases of 2018

The following is one of the five cases found in the latest article from Fraud Magazine.

According to the ACFE's 2018 *Report to the Nations*, the median cost of occupational fraud is \$130,000 per instance, and the duration is 16 months. However, some fraud incidents are staggeringly more costly and last many years. The scale and impact of these frauds capture the attention of people around the world — even leading to massive regulatory overhauls or fraudsters becoming ingrained in pop culture.

The ACFE has found that these large, noteworthy fraud cases — like Enron or Bernie Madoff — will live on in infamy and can provide valuable lessons for fraud fighters. That's why we, along with input from our members, have selected these five stories of 2018 as the most scandalous frauds of 2018. We chose the stories based on money lost, lives impacted and relevance to the anti-fraud profession.

In March 2018: SEC charges Theranos Inc., and its founder and CEO, Elizabeth Holmes, with fraud

After a meteoric rise in fame, one of Silicon Valley's darlings fell hard and fast. By the mid-2010s, Elizabeth Holmes was a familiar face on magazine covers and TV screens. She was often hailed as a visionary for founding her blood-testing company Theranos Inc. In October 2015, Inc. magazine called Holmes "the next Steve Jobs" on its cover, and *T MAGAZINE* — The New York Times style publication — wrote, "It's hard to overestimate the potential benefit of what Elizabeth Holmes has developed with her tech company Theranos." (See [How](#)

[Playing the Long Game Made Elizabeth Holmes a Billionaire](#), by Kimberly Weisul, Inc. magazine, October 2015, and [Five Visionary Tech Entrepreneurs Who Are Changing the World](#), by Laura Arrillaga-Andreessen, Oct. 12, 2015.)

However, around the same time, cracks began to appear in the façade of the seemingly miracle company. Before the adoring profiles began in earnest, Theranos employee Tyler Shultz emailed Holmes in 2014 to allege that Theranos had doctored research and had quality-control issues.

Shultz blew the whistle to a state regulator who quietly started investigating his — and other employees' — claims. Starting in March 2016, when federal regulators said Theranos was plagued by quality-control problems, the company and Holmes' reputation went into a freefall. (See [Theranos Whistleblower Shook the Company—and His Family](#), by John Carreyrou, The Wall Street Journal, Nov. 18, 2016, and "[Report Shows Theranos Testing Plagued by Problems](#)," by Andrew Pollack, The New York Times, March 31, 2016.)

After the company failed multiple lab inspections and laid off most of its employees, the fortunes of Holmes and Theranos continued to decline when, in March 2018, the U.S. Securities and Exchange Commission (SEC) [charged Theranos, Holmes and former CEO and president Ramesh "Sunny" Balwani](#) with massive civil securities fraud charges. The charges alleged that Holmes and Balwani made numerous false and misleading statements while raising more than \$700 million from private investors.

In June 2018, a federal grand jury indicted Holmes and Balwani on charges of wire fraud and conspiracy to commit wire fraud for their roles in separate schemes: one to defraud investors and another to defraud doctors and patients. In September 2018, Theranos shut down for good after reaching an agreement to hand over its patents to its most important creditor, Fortress Investment Group. Investors lost an estimated nearly \$1 billion. (See [U.S. Files Criminal Charges Against Theranos's Elizabeth Holmes, Ramesh Balwani](#), by John Carreyrou, The Wall Street Journal, June 15, 2018, and [Theranos is finally shutting down](#), by Angela Chen, The Verge, Sept. 5, 2018.)

"Unfortunately, health care managers' demand to control costs and innovate makes it a prime industry for ethically challenged would-be visionaries often seduced by the typical fraudster greed patterns," says Rebecca Busch, R.N., CFE, CEO and president, Medical Business Associates. "The green-eyed monster has the exceptional ability to operate with blinders while basking in starlit glory," Busch says.

"What is most painful about health care fraud is that it goes beyond the theft of money; our health is at stake when innovators crush the human experience with their runaway greed.

"It appears that Holmes expressed desire at the age of nine 'to be a billionaire when she grew up,' which set the stage of expedient means to achieve her goal at all costs." [Busch quotes from [The rise and fall of Elizabeth Holmes ...](#) by Avery Hartmans, Business Insider, Sept. 5, 2018.]

Links to

ACFE Chapters

Pacific NW Chapter
www.fraud-examiners.org

Oregon Chapter
www.oacfe.org

Spokane Chapter
www.spokane-fraud.org

Boise Chapter
www.boiseacfe.org

Big Sky Chapter (Montana)
kathy.arata-ward@josepheve.com

Vancouver, B.C.
www.cfevancouver.com

Edmonton Chapter
www.acfe-edmonton.com

Calgary Chapter
www.acfe-calgary.com

International ACFE Headquarters

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 Nancy Pasternack
at President@fraud-examiners.org



Other ACFE Fraud Training Opportunities

Self-Study Available at ACFE.com

- Detecting and Deterring Conflicts of Interest
- Common Ethical Lapses by CFEs
- Protecting Against Emerging Cyber Risks
- Overcoming Bias in Investigations and Audits

Live Seminars from ACFE:

- Detecting Fraud with Data Analytics Workshop, Ft. Lauderdale, FL, 2/4/2019 - 2/6/2019
- Effective Report Writing for Fraud Examiners, Atlanta, GA, 2/11/2019 - 2/11/2019
- CFE Exam Review Course, San Diego, CA, 2/11/2019
- Obtaining, Managing and Searching Electronic Evidence, Atlanta, GA, 2/12/2019 - 2/13/2019
- Cyberfraud and Data Breaches, New Orleans, LA, 2/21/2019
- Financial Statement Fraud, San Francisco, CA, 02/25/2019 - 02/26/2019
- Understanding the Mindset of a Fraudster, Chicago, IL, 03/11/2019 - 03/11/2019
- Conducting Internal Investigations, Chicago, IL, 03/12/2019 - 03/13/2019

The ACFE contact point for all course offerings is Caitlin Perdue, Event Marketing Specialist, by phone at 1-800-245-3321, or at the website www.ACFE.com. Contact her for more information and actual registration procedures.

New Chapter Members

Please welcome the new members who joined the Chapter during Summer 2018:

CFEs:
William Callow,
CFE
Kari A. Overson,
CFE

Associate Members:
None

Student Members:
Marie A. Dhanens

Chapter Affiliates:
None

PNW ACFE Chapter Annual Fraud Conference

Annual Fraud Conference, PNW Chapter May 13, 2019 at La Quinta Inn & Suites (1425 East 27th Street), Tacoma, WA.

The Chapter Board of Officers & Training Director

President
Nancy Pasternack, CFE, CPA, CIA
President@fraud-examiners.org

Vice-President
Julie Armbrust, CFE, CPA
VicePresident@fraud-examiners.org

Secretary-Treasurer
Liz Larson, CFE, CPA
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Board Member-At-Large
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Board Member-At-Large
Mike Nurse, CFE, CPA, CGMA
BoardMAL4@fraud-examiners.org

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