

Greater Pittsburgh



www.acfe-pgh.org

The Greater Pittsburgh Area Chapter (GPAC) of the Association of Certified Fraud Examiners Newsletter. This newsletter is sent to members of the Greater Pittsburgh Area Chapter to keep them informed of events and happenings related to the Chapter.

17th Annual ACFE Conference Speaker Ben Stein

Keynote Speaker Ben Stein opened the conference. Mr. Stein is a commentator for Fox News on finance, and for PBS' Wall Street Week, and a columnist of economics for the New York Times Sunday business edition. Stein has poverty lawyer, a trial lawyer on intellectual property issues, a university teacher on politics and the media, as well as a speech writer for Presidents Nixon and Ford. Stein has also been an author of books on finance and Hollywood, an analyst of financial fraud for Barron's an expert in complex securities and fraud cases, and a consultant for Presidential campaigns.

Mr. Stein stated that the US economy is a resilient economy however; he expects energy related inflation to be a factor in the future. Oil and energy will continue to be a problem as the Chinese economy continues to grow. As a result, the Chinese will increase their automobile use. Currently 3/1000 Chinese drive a car. As that number increases, the demand for oil will increase, and pollution will increase.

Mr. Stein spoke about what he feels are two giant problems facing the economy. The first problem is the retirement of baby boomer Americans. 78 million baby boomers are closing in on retirement age. Most have not saved nearly enough. About 40% have no pension. Social Security is in question. There are huge Medicare liabilities for the future that could bankrupt the government. There is a huge Medicare crisis, and the non-disclosure of this crisis to the American people is a fraud. Americans must save like mad so they can enjoy their retirement.

Officers 2005-2006

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Mr. Stein stated the second huge problem in the economy is fraud in the executive room. Excessive compensation of top officers is having a negative impact. Top officers have taken \$350 Billion out of public corporation profits over the last 5 years. America has traditionally been a nation of shared values and of equal justice. Since 1972 though, ordinary workers have seen wages stagnate. Wages for CEOs have increased dramatically. Much of this compensation is not disclosed. Executives of airlines and auto industries have been particularly guilty of these practices. Lavish benefits and pensions for executives betrays the American system. Stein stated that these corporate officers taking lavish benefits are betraying society, while American soldiers die defending our liberties.

Who will solve these problems? Not Washington. Not politicians. People need freedom from fear of having their financial well-being harmed. Stein praised the efforts of CFEs and all fraud fighters for protecting people's money. Stein closed by stating, "God's work is our work".

Chapter Officer Meeting Notes

The Chapter Officers held their first meeting of the new year on July 26, 2006. At the meeting, the Board certified the Chapter election results from the Chapter elections held in June. At this meeting, Joshua Lefcowitz resigned as a Chapter Director. The Board then unanimously appointed Carol Bertram, Allegheny County Port Authority as a replacement for Joshua. The Board then appointed Joshua Lefcowitz as Director of Education for the Chapter. The Director of Education is a non-voting member of the Board and is responsible for scheduling speakers, and developing educational programs for Chapter members and affiliates. We wish Joshua and Carol well in their new roles.

President: Craig Workman, CFE
Vice President: James Fellin, CFE, CPA
Treasurer: Kelvin Pier, CFE, CPA
Secretary: Georgene Fink, CFE
Directors: John Elliott, CFE, CPA
Dr. Diane Matthews, CPA
Carol Bertram, CFE

The Board accepted Kelvin Pier's Treasurers report.

The Board voted to create various standing committees to increase member/affiliate participation in the Chapter, and to increase the quality of events and activities. Chapter officers chair each committee. Chapter members and affiliates are encouraged to participate and volunteer a small amount of their time to a committee of their choice. The following is a list of each committee, chair, and contact information for each committee

Jim Ratley Named ACFE President

Joe Wells introduced Jim Ratley as the ACFE President, filling the void left by the departure of Toby Bishop. The term of office for Ratley is to be three years. Ratley advised that he had three goals for his term as President.

- Accelerate global goals of the ACFE expanding into England and Europe.
- Identify and initiate more and diverse methods of training, including web based training, and the introduction of a new ACFE webpage in the fall.
- Increase recognition of the CFE designation

chair.

Membership:

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Chair – John Elliott 412-624-6127 jelliott@bc.pitt.edu

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The Chapter is in the process of sending out membership renewals for the 2006-2007 plan year. Membership for the Chapter currently stands at 41 paid members/affiliates.

The Board also voted to bring administration of the Chapter website in-house so that updates can be made on a timelier basis.

Calendar of Upcoming Events

August 9, 2006

Frank Duzicky, Alpern Rosenthal
IDEA as a tool for Fraud Investigation

September 13, 2006

Speaker to be announced

October 11, 2006

Lawrence Claus
Allegheny County, Assistant District Attorney

Web Site for the Investigator:

<http://foia.fbi.gov/foiaindex/foiaindex.htm>

The FBI Freedom of Information Act (FOIA) Reading Room is located within the J. Edgar Hoover Building at FBI Headquarters, Washington, D.C. Thousands of pages of frequently requested FBI documents that have been released under the provisions of the FOIA are stored in the Reading Room.

Fraud Fact: Booking Fictitious Assets

Fictitious assets boost the value of the owners' equity account. Because company assets are often physically found in many different locations, this fraud can sometimes be easily overlooked. One of the most common fictitious asset schemes is to simply create fictitious documents. In other instances, the equipment is leased, but is recorded as if was owned.

Encyclopedia of Fraud

August Speaker Frank Duzicky, Alpern Rosenthal, IDEA as a tool for Fraud Investigation

IDEA is a data extraction and analysis software tool that is used by auditors and financial professionals to read, display, analyze, manipulate, sample and extract data from a variety of sources. This presentation will consist of a high-level overview of the product as well as a demonstration of specific tools that can be used during a Fraud Investigation.

Frank Duzicky is the learning coordinator at Alpern Rosenthal, a mid-sized CPE firm in Pittsburgh that provides services in Accounting & Auditing, Tax, Business Valuation and Litigation Support, and many other practice areas.

Frank is creating an in-house learning program at Alpern that includes training, courseware development, interactive learning, one on one learning and productivity consultations for all employees and the creation of a CPE tracking and registration tool.

In addition to his experience as a corporate trainer, Frank has also worked as a Data and Quality Assurance Analyst.

Please join us for this interesting and relevant presentation.

Reid Interrogation Training

The Greater Pittsburgh Chapter of ACFE is always looking for ways to provide greater benefits to our members and affiliates. (Members are individuals that are either CFEs or Associate members of the ACFE that paid membership dues to the Chapter. An affiliate is an individual that is not a CFE or Associate member of ACFE, but paid dues to the Chapter). Greater Pittsburgh Chapter members and affiliates may now sign up for ***The Reid Technique of Interviewing and Interrogation*** programs at a discounted rate. The Greater Pittsburgh ACFE Chapter is now a participant in the Reid Preferred Group of Associations.

Through Reid training seminars you will learn The Reid Technique of Interviewing and Interrogation, widely recognized as the most effective means available to exonerate the innocent and identify the guilty.

Reid specialized interrogation training seminars are designed for law enforcement and government investigators, corporate security and loss prevention professionals.

Reid has an upcoming program in Pittsburgh PA at the Marriott City Center. Reid will be presenting their 3-Day Program on ***The Reid Technique of Interviewing and Interrogation*** followed by our 1-Day Advanced Course. Reid scheduled to present this course September 6-8, 2006 at the Pittsburgh Marriott City Center.

The normal fee for the three-day seminar is \$550 per person, and \$750 for the full four-day program. As a participant in the Reid Preferred Group of Associations, chapter members and affiliates can attend the three-day training seminar for the reduced fee of \$395 per person - a savings of \$155 per person, or \$570 for the full four-day program – a savings of \$180. (Remember too, that RPGA members can purchase any of Reid

products at a discounted price.)

Chapter Members and Affiliates will need the Chapter Association Code Number in order to register for the programs at the special discounted rate. To register on-line for this seminar [click here](#) (or by calling 1-800-255-5747, extension 24). Additional information about Reid Training can be obtain by visiting the Reid website at www.reid.com. Please contact Craig Workman if you are a Chapter member of Affiliate and need the Chapter Association Code Number.

If you are not a Chapter Member or Affiliate but would be interested in taking advantage of this offer, you may join the Greater Pittsburgh Chapter for the 2006-2007 plan year and then sign up to the May or September training dates. See the Chapter website <http://www.acfe-pgh.org/membership.htm> for additional details on a chapter membership:

	Membership dues (One Year):	Membership Dues (Two Years):
CFE	\$40.00	\$64.00
Non-CFE	\$50.00	\$80.00
Student	\$15.00	

Time to Renew Your Membership

The Chapter is in the process of issuing Membership Renewals. Membership options include one-year and two-year rates, as well as a student rate.

Membership rates are as follows:

	One Year	Two Years
CFE	\$40.00	\$64.00
Non-CFE	\$50.00	\$80.00
Student	\$15.00	

If you need a membership form please contact Kelvin Pier at kpier@piersolutions.com or Craig Workman at craig.workman@hminsurancegroup.com.

Chapter Documents Purge

Recently, the AICPA lost a hard drive, which contained, among other items, member's social security numbers. To insure security of our member/affiliate personal information, Chapter Treasurer Kelvin Pier reviewed Chapter records and destroyed records three years and older with Shred-It, a mobile document destruction service on September 21, 2005. E-mails containing member/affiliate information are sent using the strongest commercially available encryption. According to Kelvin - they bill it as "1344 bit military grade encryption".

The Greater Pittsburgh Chapter Library

Title	Status
2003 Edition of the Encyclopedia of Fraud (cd)	In
2003 Edition of the Fraud Examiners Manual (cd)	In
Auditing Accounts Receivable for Fraud	In
Conducting Internal Investigations	Out
Contract and Procurement Fraud (CD Rom)	In
Cooking the Books – Video/workbook	In
Fraud Related Internal Controls	Out
How Fraud Hurts You and Your Organization (cd)	In
Interviewing and Interrogation (book by Don Rabon)	In
Investigating Fraudulent Financial Transactions (2 CD-Rom set)	Out
Statement Analysis (CD Rom)	In
The Computer and Internet Fraud Manual	Out

Fraud Fact: Methods of Proving Corrupt Payments

There are three basic ways to prove illegal payments: through auditing, by obtaining a cooperative witness, or by monitoring ongoing transactions. On-book schemes are best approached from the point of payment; off-book schemes are most easily identified at the suspected point of receipt, through the use of an inside witness or surveillance.

The business profile begins the examination process. It identifies prospective witnesses and targets, as well as relevant documents and transactions, and should provide leads as to whether an on-book or off-book scheme is being used.

Encyclopedia of Fraud

The Use of an Interpreter During an Interview March/April 2006

A question that is frequently asked during our seminars concerns the proper use of an interpreter during an interview. This is particularly true when we train military personnel who regularly utilize translators in their effort to develop intelligence from a variety of sources. Our staff has successfully used interpreters both during interviews and interrogations. However, because interrogation is a more complex process, this article will focus on the use of an interpreter during an interview.

The goal of an interview is to develop information from a subject and assess the credibility of that information. To accomplish this, the investigator must ask the right questions, phrase questions properly, ask appropriate follow-up questions and evaluate the subject's verbal, nonverbal and paralinguistic communication. Each of these tasks is dependent upon the investigator's ability to communicate effectively with the subject and correctly interpret the subject's responses to questions. When the investigator does not speak the same language as the subject, the success of the interview becomes dependent on the skill of the interpreter.

Selecting the Interpreter

In a perfect world a suspect who speaks a foreign language would be interviewed by a trained investigator who speaks the same language. Unfortunately, there are a very limited number of well trained multi-lingual interviewers; thus the necessity of an interpreter. When selecting or recruiting individuals to serve as an

interpreter during the interview of a criminal suspect, the following considerations should be kept in mind:

1. The interpreter should not be familiar with the suspect. The interpreter's role during the interview is merely to accurately translate language and should be perceived by the subject as a neutral, uninvolved party of the communication. Using a member of the subject's family or other person acquainted with the subject as an interpreter is clearly undesirable. First, the interpreter may be sympathetic toward the subject's situation and not accurately translate incriminating information. Second, the subject may perceive a familiar interpreter as an adversary which may reduce that person's fear of detection, ultimately making it more difficult to detect deception.
2. The interpreter should be fluent in both languages. It is an added benefit if the interpreter has an understanding of the subject's cultural background, religious beliefs and value system.
3. The interpreter should be emotionally mature and confident. This is particularly important if the issue under investigation involves a sexual issue or a heinous crime. If the interpreter is uncomfortable discussing sensitive or revolting topics he may alter language used by the investigator or subject which, in turn, could affect the integrity of the entire interview.

In many investigations, there is no "ideal" interpreter so the investigator will have to make do with available personnel. There are a number of things an investigator can do to compensate for an interpreter's shortcomings:

1. If possible, the interview should be electronically recorded. This will not only memorialize the session but also serve as an incentive for the interpreter to make accurate translations. If it is not possible to electronically record the session but there is a concern that the interpreter may attempt to protect the subject and not accurately convey questions or responses, the interpreter can nonetheless be told that the entire interview will be audio-taped and later reviewed by a person fluent in the subject's language.
2. In preparation for the interview emphasize with the interpreter the importance of exact translations. For example, the investigator could write out a couple of similar response and comment on the significant differences between the two, e.g.:

Q: "Before we go any further let me ask, did you steal that deposit?"

A: "I didn't take that deposit." Vs. "I didn't steal that deposit."

Q: "Last Saturday evening were you with Paul Kingston at any time?"

A: "Was I with him? No, not at all." Vs. "No, not at all."

Q: " At 10:00 last night were you inside a blue car outside the Plaza liquor store?"

A: "I don't own a blue car." Vs. "I wasn't in any blue car."

3. If the interpreter is not fluent in both languages there is a risk that the interpreter will guess at the meanings of some unfamiliar words or pursue an independent conversation with the subject to clarify the meaning of words. The investigator should anticipate this possibility and explain to the interpreter that if the subject uses unknown words this fact should be included within the translation. The interpreter should be specifically instructed not to pursue the meaning of unknown words.

Positioning of the Interpreter

In our discussions with investigators who frequently utilize interpreters, they have described a number of

different room arrangements involving an interpreter. Our experience indicates that the most desirable room arrangement is for the investigator to sit approximately 4 - 4.5 feet directly in front of the subject and for the interpreter to sit 2 - 3 feet off to the investigator's side. The arrangement allows the investigator to maintain a frontally-aligned posture with the subject, which is important to transmit trust, openness and interest. This positioning also invites the subject to talk to the investigator rather than the interpreter. Finally, by sitting directly in front of the subject the investigator is in the best position to observe the subject's nonverbal behavior.

Conversely, it is undesirable to position the interpreter directly in front of the subject. This arrangement affords the deceptive suspect greater comfort because he is not psychologically exposed to the investigator in much the same way that a guilty suspect feels protected if the investigator is seated behind a desk or table. Furthermore, if the investigator is not sitting directly in front of the subject, the interpretation of various nonverbal behaviors such as posture alignment and eye movements may be affected.

The one exception to this rule is when interviewing a subject who is deaf or hearing impaired. Under this circumstance the subject needs a clear view of the signer's hand movements and mouth and the interpreter should sit directly in front of the subject. The investigator should be positioned directly to the side of the signer.

In some situations it may be appropriate to position the interpreter out of the subject's sight, e.g., behind the subject. This arrangement emphasizes the investigator's control over the subject and tends to increase the adversarial relationship between the two. Consequently, this arrangement may be considered when the subject is in custody and is offering little cooperation. Another occasion in which this may be a desirable position for the interpreter is when the subject is familiar with the interpreter and the investigator wants to minimize the psychological bond between the two.

Procedures

Prior to the interview the investigator should spend a few minutes briefing the interpreter about the issue under investigation as well as the general procedures that will be used during the interview. It may be appropriate to reassure the interpreter that the suspect does not present a danger and that adequate security measures in place. If the interpreter is familiar with the subject's cultural background, religious beliefs or special status within the community the investigator should take advantage of this information to help formulate interview questions and, in particular, to develop an interrogation strategy.

During any formal interview it is our recommendation that the investigator prepare for the interview by writing out, in abbreviated form, key questions that will be asked during the interview. It will be beneficial for the interpreter to review these scripted questions to help prepare for the translations and ask questions, if necessary, to clarify the meaning of certain words.

Once the investigator and interpreter are seated in front of the suspect, the investigator should introduce himself but not the interpreter. The goal is for the suspect to perceive the interpreter as a disinterested, uninvolved party to the conversation. The investigator should look at the subject when asking a question. If this pattern is established from the outset of the interview, most subjects will also direct their responses to the investigator rather than to the interpreter. If the subject directs his response to the interpreter, the investigator should immediately interrupt the response and instruct the subject to talk to him.

During the first several minutes of the interview the investigator should ask non-threatening background questions which appear to have the purpose of identifying the subject and obtaining general background information from him. The following are examples of introductory questions:

"Please spell your first and last name for me."

"What do most people call you?"

"What is your present address?"

"How long have you lived there?"

"Who do you live there with?"

"How much education have you received?"

"Tell me about the school you attended."

In actuality, these questions serve a much more important function than simply identifying the subject. First, introductory non-threatening questions establish a communication pattern for the rest of the interview. That is, the investigator asks a question, the interpreter translates the question, the subject responds to the question (while facing the investigator), the interpreter translates the response and the investigator writes down the essence of the subject's response.

Second, the initial asking of non-threatening questions allows the investigator to develop a rapport with the subject. To conduct an effective interview requires that a special relationship exist between the investigator and subject. Regardless of the power or authority the investigator may hold over the subject, ultimately it is the subject who decides whether to answer the investigator's questions. This rapport involves a mutual understanding that the subject will not be physically harmed, that the investigator is sincerely interested in what the subject has to say and that the investigator has not judged the subject as a bad person.

Finally, starting the interview with non-threatening questions allows the investigator to establish the subject's normal behaviors. This is especially important when interviewing a person from a different culture. There are three primary assessments of normative behaviors an investigator should make at the outset of the interview. The first is the subject's normal level of eye contact, e.g., does the subject maintain mutual gaze when answering non-threatening background questions? The second assessment involves the subject's communication skills. This ranges from a gross assessment of intelligence by evaluating vocabulary and comprehension to assessments of unusual paralinguistic anomalies, e.g., talking very fast or slow, long delays prior to answering a direct question. The final assessment is of the subject's initial emotional state. During the first several minutes of the interview did the subject appear composed, confident and interested or did the subject appear aloof, detached, preoccupied, frightened, or angry? None of these initial demeanors serve as a behavior symptom of guilt or innocence. However, the dynamics of the subject's change in demeanor during the course of a 30 or 40 minute interview can be very revealing in this regard.

In summary, a language barrier between a subject and investigator in a criminal investigation can be largely overcome through the use of a competent interpreter and by modifying the interview procedures. Because the accuracy of translations is critical in the assessment of information during the interview, it is recommended that these interviews be electronically recorded. It is important for the investigator to work closely with the interpreter so that the interpreter knows exactly where to sit, what issues will be covered during the interview and the basic interviewing procedures that will be used. In this regard, especially during an interview that utilizes an interpreter it is important for the investigator to begin the interview by asking several minutes of

non-threatening background questions.

Courtesy John E Reid & Assoc., www.Reid.com