

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.

Frank Duzicky, 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.

Mr. Duzicky conducted the August presentation on IDEA as a Tool for Fraud Investigators. IDEA is a software from Audimation. Mr. Duzicky demonstrated the software and showed how to import files into the software. Through a dialog box, IDEA can sort and filter information by criteria entered by the user. For further data extraction, IDEA has an equation editor.

IDEA can identify key records, append records and results to add new columns, and review the dates of transactions. In addition, the software can identify upper and lower limits of varying amounts, identify percentages of total records, and provide a sum of the records in varying forms. IDEA also allows the user to export data to Excel.

Duzicky answered several questions and verified that IDEA has Benford's Law built into it.

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Chapter Standing Committees

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 chair.

Membership:

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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

September 13, 2006

Deputy US Marshal Derrick Berger
Financial Surveillance Unit

October 11, 2006

Lawrence Claus
Allegheny County, Assistant District Attorney

November 8, 2006

Ray Mitch
Bank Logic

Web Site for the Investigator:

www.carfax.com

Order a [CARFAX Vehicle History Report](#)... the first step to protecting yourself against buying used cars with costly hidden problems. CARFAX searches its nationwide database and provides a detailed vehicle history report in seconds.

Fraud Fact: Top 7 Management Errors that Lead to Computer Security Vulnerabilities

Seven: Pretend the problem will go away if ignored.

Six: Authorize reactive, short-term fixes so problems re-emerge rapidly.

Five: Fail to realize how much money their information and organizational reputations are worth.

Four: Rely primarily on firewall

Three: Fail to deal with the operational aspects of security; make a few fixes and then not allow the follow through necessary to ensure the problems stay fixed.

Two: Fail to understand the relationship of information security to the business problem – they understand physical security but do not see the consequences of poor information security.

One: Assign untrained people to maintain security and provide neither the training nor the time to make it possible to do the job.

Encyclopedia of Fraud

September Speaker Deputy Marshal Derrick Berger, Criminal Investigator of the United States Marshals Service

The United States Marshals Service is the nation's oldest and most versatile law enforcement agency. Federal Marshals have served the country since 1789. The Marshals Service serves as the enforcement arm of the federal courts, and is involved in virtually every federal law enforcement initiative.

Deputy US Marshall Derrick Berger is a criminal investigator for the US Marshals Service. As a Deputy US Marshal for over ten years, Mr. Berger is part of a Financial Surveillance Unit that is responsible for tracking down and apprehending criminals by monitoring their financial activity. Berger has been involved with the Financial Surveillance Unit for over three and a half years. He is also a member of the Pittsburgh area Financial Crimes Task Force. Through the Task Force, Berger interacts with other Task Force members from different law enforcement entities to investigate financial crimes. Mr. Berger will provide an overview of his responsibilities with the Marshall's Service and will relate several actual cases where the Financial Surveillance Unit was successful apprehending criminals based on financial activity.

Don't miss 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.

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: Insurance Fraud – Airbag Schemes

Two common schemes committed by unscrupulous repair facilities are “The Switch” and “The Pullout”.

The Switch – Prior to an insurance repair estimate, an unscrupulous collision repair facility removes a non-deployed airbag and switches it with a deployed airbag. After the estimate, the original non-deployed airbag is reinstalled. The insurer is then billed for a new airbag, resulting in a 100% profit for the unscrupulous repair facility.

The Pullout – A dishonest repair facility cuts open the non-deployed airbag’s cover and pulls out the airbag to make it appear as if it deployed. After the insurance estimate is completed, the non-deployed airbag is then replaced with an airbag purchased on the black market. Like the Switch scheme, the insurer pays the bill for the fraudulent act.

Encyclopedia of Fraud

The Significance of Identifying Precipitators during a Criminal Investigation Jan/Feb 2006

The first step of any criminal investigation is factual analysis. This describes the process of collecting and analyzing information and evidence surrounding a crime. One of the goals of factual analysis is to develop a list of possible suspects based on opportunity, access, motive or propensity. In many investigations factual analysis and interrogation are enhanced by identifying precipitators that led up to the crime.

Thankfully, for investigators, crimes are not a random event. Before a person decides to commit a crime, he goes through a specific thought process designed to accomplish particular goals. There are many possible goals to consider when committing a crime. Examples include: how can the offender gain access to the victim or property; how can the offender avoid being caught; how can the offender reap the most financial reward or psychological gain from the crime; will the assistance of others be required to commit this crime and, what will be a plausible cover-story to explain away possible evidence.

Even the simplest of criminal behaviors involve underlying decisions by the offender. Consider a 14-year-old girl who shoplifts a \$15.00 CD from a music store. This girl made the conscious decision to steal that particular CD from that particular store at that particular time and on that particular date. Events or circumstances that contribute to these underlying decisions are referred to as *precipitators* of the crime. To

help identify precipitators an investigator should attempt to answer these three questions about the crime under investigation:

(1) Why was this person or property selected to be the victim of this crime?

(2) Why was the crime committed on this date, time and location?

(3) Why was the crime committed in this manner?

In the shoplifting example, the girl met two friends at a shopping mall and they went to a music store. While inside the store, the girl was looking at a particular CD with the intention of buying it because she liked the artist. She noticed that the store was very busy and that there were only two clerks present. The girl knew that she had only \$20 in her purse, which would not leave her with enough money to buy the CD and purchase lunch with her friends. This information answers the first two questions. As for the final question, the girl took the easiest route to accomplish her goal of obtaining the CD without paying for it. Robbing the store or burglarizing the store to obtain the CD were eliminated as being far too risky options. Each of these circumstances and events represent precipitators to her crime. As this case illustrates, identifying precipitators of a crime is a key aspect of factual analysis. This is especially true when multiple possible suspects are developed during the course of an investigation. By objectively listing the presence or absence of known precipitators, suspects can often be ranked from least to most likely involved in a criminal offense.

Identifying precipitators of a crime is also beneficial during the interrogation of the guilty suspect. In the previous shoplifting case, consider that the desired CD was not available in the store, that the girl had \$50 in her wallet, and that the store had an obvious security system. If any of these conditions existed, the girl probably would not have shoplifted the CD. This concept can be incorporated within an interrogation theme and used to deflect blame away from the suspect. For example, the investigator could explain to the shoplifter, "If your mom would have given you more money that day, and if that store had a proper security system in place you never would have been tempted to do this and I wouldn't even be talking to you right now."

In an effort to organize this material, precipitators will be presented by addressing the earlier mentioned three investigative questions. The suggested precipitators are merely examples of possible circumstances or events and are hardly exhaustive. An investigator should rely on experience and imagination to develop possible precipitators for a given crime or suspect. A very useful source of information in this regard is to specifically question suspects who have confessed to committing a crime. By asking the suspect, "Why did you decide to steal that particular car at that time and on that date?" the investigator will gain tremendous insight to the criminal mind.

Why this victim?

At the outset of an investigation, one of the first questions an investigator should ask himself is why was this person or property selected by the criminal. After all, the criminal could have burglarized any of a hundred other homes, stolen any of hundreds of other cars or robbed any of a hundred other people but did not. It is extremely rare to encounter a random victim. Almost always there is something unique that caused a particular person or property to be targeted for a crime, i.e., the thief consciously selected a particular deposit to steal, the pedophile consciously selected a particular child to molest, a particular man was selected to be shot. The

following are possible precipitators to consider:

Deposit - unusually large amount; deposit left unattended; safe left open; person with immediate access to deposit has pressing financial need

Burglary - home unlocked; no security system; occupants obviously not home; located in a remote area.

Robbery - victim displaying money or wealth; victim being vulnerable (alone, intoxicated, elderly, physically disabled)

Auto theft - keys left in the car; no security system; car parked in an unsecured area; valuable car in bad neighborhood

Rape - victim wearing provocative clothing; engaging in friendly or intimate contact with suspect; allowing the suspect some intimate contact; being vulnerable (alone, lost)

Child molestation - child seeks attention; being alone with child; child instigates questions about sex; innocent exposure or contact that led to fondling (stepping out of a shower)

Why this date, time and location?

Consider that a fire is set in a warehouse at 10:00 PM on November 2nd. Because this arson was an intentional act the location, time and date were all consciously selected by the arsonist. The warehouse may have been selected so that the owner could file an insurance claim on merchandise that he claimed was burned, but was actually moved to another location. The time of 10:00 PM may have been selected to make certain that no one was injured and to avoid any witnesses. Finally, November 2nd may have been selected because the last of the merchandise was moved out of the warehouse that afternoon.

When answering this question a broad distinction can be made between premeditated crimes (such as the previously mentioned arson) and spontaneous crimes (the suspect striking his girlfriend during an argument). As a general guideline, in a premeditated crime the offender gives much more conscious thought about where and when to commit his crime. In a spontaneous crime, the events immediately preceding the time in which the crime was committed become the most important consideration.

Precipitators for premeditated crimes

arson - failing business; new regulations that would require expensive updates; threats of unionization

homicide - discovery that spouse was having an affair; wife not granting a desired divorce; financial need (recently increasing death benefit on life insurance policy)

Embezzlement - gambling addiction; unusual medical expenses; pay tuition for son or daughter's education

Robbery - loss of a job; support drug addiction; unusual financial expense

Precipitators for Spontaneous Crimes

Emotional Precipitators

homicide/Assault - anger, humiliation, embarrassment

Theft/ burglary - greed, excitement

Arson (vandalism) - thrill, excitement

Sexual arousal - seeing the victim partially clothed; inadvertent physical contact with the victim

Unusual opportunity caused by negligence - leaving a safe unlocked, writing the combination to the safe down in plain view; not turning on a security system; leaving keys in car

Stress: Loss of income; recently diagnosed medical illness; divorce, death or illness of loved one; legal proceedings (upcoming trial)

Judgement Precipitators

Alcohol

Illegal drug use

Medications

Peer pressure

Financial Precipitators

Legal actions - threat of eviction, re-possession of car, mortgage foreclosure; bankruptcy proceedings; divorce papers

Unusual expenses - car repair; bail a friend out of jail; pay tuition; medical bill

Threats - threats of harm if gambling debt is not paid; threat of garnished wages; threat of public exposure

Date Factors

One of my first investigations involved the theft of an even million dollars from a bank. The money was purposefully stolen on the Friday before Columbus day because the thieves knew that the bank would be closed on Monday and the discovery of theft would be delayed by an extra day. In many cases the significance of the date of a crime only becomes apparent after the guilty suspect confesses. Nonetheless, it is important to look for precipitators in the suspect's life that may have caused the crime to be committed on that particular date. Some precipitators to consider in this area are:

Last day of work

Birthday or other celebration (alcohol consumption; peer pressure)

Change in job assignment, hours, position

Loss of access (no longer having high security clearance, alarm code)

Loss of opportunity (explosives being moved next week to a more secure area)

Wife leaving town (providing time alone with victim)

Time Factors

Statistics that track criminal behavior demonstrate various date and time correlations. Most of these follow common sense. More outdoor rapes occur during warm months (when people are outdoors), retail theft increases in November and December (holiday shopping) and alcohol related crimes are more common on nights and weekends when people are more likely to drink. The following are examples of possible precipitators centered around the time in which a crime was committed:

Unusually busy or slow (retail theft, drug use during work hours)

Change in shift (confusion to open range of possible suspects)

Public transportation schedules (as a means to get to or from the crime scene)

Lack of supervision (temptation, opportunity)

Late at night - affected judgment from fatigue, alcohol or drug use

Victim's schedule (going to bank with cash deposit at 6:00 each Friday)

Why was the crime committed in this manner?

With respect to the method selected to commit a crime, an initial distinction can be made between crimes that

are readily detected (\$5000 deposit missing from a manager's safe) and crimes that involve an effort to prevent discovery (embezzlement, medicare fraud, dumping a homicide victim's body in a lake). When a person not only commits a crime but also takes the time and effort to make the detection of the crime difficult, that behavior alone strongly points to the individual with the best opportunity and motive to commit the crime. Consequently, when a crime is discovered inadvertently (hunters discovering a body in a shallow grave, a surprise audit revealing a shortage in a teller's drawer) or there is an effort to make the crime appear accidental or an act of nature, the obvious suspect is usually the person guilty of the crime.

Many crimes are readily detected and are committed in such a way as to conceal the identity of the offender. For example, robbers usually make an effort to conceal their identity and select a store where they are not well known; burglaries are committed when the home is vacant and an arsonist is careful not to be seen lighting his fire. When there is no effort to disguise the crime or make the crime difficult to discover, the following precipitators may help answer the question, "Why was the crime committed in this manner?":

Unusual access (discovering safe unlocked, keys left out, security system turned off, security guard sleeping)

Unusual opportunity (returning to work to pick up a check and discovering a deposit in manager's office, coming home from work early and discovering wife with lover).

Previous success using that particular MO: entering unlocked windows of a home, pretending to have a gun in a coat pocket during a robbery, distraction techniques (calling in false fire reports on other side of town)

Because of their value during an investigation, precipitators should always be sought during the course of an investigation. This starts with focused observation of the crime scene where the investigator actively looks for answers to the questions: Why was this victim selected?; Why was the crime committed on this date, time and location? and, Why was the crime committed in this manner? Answers to these questions should also be pursued by thoroughly questioning a victim or witness. Precipitators should always be pursued during the interviews of possible suspects. Innocent suspects will be comfortably speculating and theorizing about such things as why a particular child was selected to be molested or why a home was burglarized at 10:00 in the morning or how the thief was able to get product out of the warehouse without getting caught. After all, the suspect is talking about someone else's crime. Guilty suspects are not comfortable talking about the crime they committed and certainly do not want to reveal the precipitators that led up to their crime. Consequently, during the interview of any person suspected of an act of wrong-doing, the investigator should ask questions addressing precipitators. For example:

"Why do you think that store was selected to be robbed?"

"Why do you think the fire was started at night?"

"Why do you think no knife was found at the scene of the killing?"

During an interview speculative questions are perceived significantly differently from a guilty or innocent suspect, which results in completely different behavior symptoms. An innocent suspect who is asked the

question, "Why do you think this particular car was stolen?" perceives the question as a hypothetical one and will predictably ponder the question before answering it. Their response is often reflective and qualified, e.g., "Gosh I don't know. Maybe because it was not in a garage or maybe because it was expensive, I'm not sure." A guilty suspect, of course, knows exactly why he selected that particular car to steal. To him, the question is not hypothetical, but rather quite threatening. Typically guilty suspects respond to speculative questions during an interview too quickly and exhibit a reluctance to offer an expansive answer, e.g., "How would I know?"

Occasionally guilty suspects will offer very detailed answers to speculative questions because of a psychological phenomenon called introspection. Under this circumstance the guilty suspect is revealing truthful information about their crime but does not consider the information incriminating because it is merely "speculation.", e.g., "Why do you think the driver of that car left the scene of the accident?" "Well, I think the guy was drinking and already had a couple dui arrests and left because he was afraid that he might go to jail."

In conclusion, identifying precipitators that led to the commission of a crime serves several important purposes. First, it will assist during factual analysis to help identify possible suspects and also rank order the suspects to help focus on the one most likely guilty of the crime. Second, pursuing precipitators during an interview may reveal behavior symptoms of a suspect's guilt or innocence. Because precipitators are so closely linked to the commission of the crime itself, they become valuable persuasive material to use during an interrogation. Finally, once a suspect has confessed to committing a particular crime, the investigator should actively elicit precipitators that led to the commission of the crime. This information will not only help corroborate the confession, but will also provide insight to criminal behavior which will be helpful in future investigations.

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