

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.

March Program Highlights: Supervisory Special Agent Patrick Carney: Economic Espionage

Agent Carney joined the FBI in 1991 as a translator and quickly ended up working in counter intelligence. Carney discussed Soviet Intelligence successes including the Clyde Lee Conrad case, who was arrested for selling NATO defense plans. Agent Conrad also spoke about espionage by Aldrich Ames and Robert Hansen and that Wen Ho Lee was suspected of stealing documents at the Los Alamos laboratory and providing them to the Chinese.

The Wen Ho Lee case led to the Cox Report which is a classified US government document reporting on the People's Republic of China's covert operations in the United States during the 1980s and 1990s.

The Chinese did not follow the Russian model of espionage. Russian intelligence would attempt to steal plans, and manufacture a rough copy of the end product. The Chinese would attempt to steal plans and then purchase parts in free countries, and build copies using the manufactured parts.

Agent Conrad stated that we must know, "what is at risk?" It is important to identify targets of foreign espionage agents, and educate researchers on how they can be targeted. It's also important to identify foreign counter-intelligence agents and to neutralize them.

Agent Conrad explained the Duquesne Spy Ring case which took place around the beginning of World War II as a good example of how to neutralize a foreign intelligence network.

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Agent Conrad discussed the various laws that apply to the prosecution of espionage including the Economic Espionage Act of 1996.

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Proprietary information is targeted through unsolicited e-mails, front companies, and liaisons with universities with ties to defense contracts. Espionage agents try to get access to people with access to secrets. Agents attend and host conferences, and are part of scientific research delegations. Information can also be targeted through hacking.

Agent Conrad provided handouts on Economic Espionage which included 6 methods for economic protection. Recognize the threat is real. Identify and value trade secrets. Implement a definable plan for safeguarding trade secrets. Secure physical trade secrets and limit access to trade secrets. Confine intellectual knowledge. Provide ongoing security training to employees.

Agent Conrad took a couple questions from the group and discussed the Robert Hansen case.

18th Annual ACFE Fraud Conference and Exhibition

Orlando, FL • July 15-20, 2007
Disney's Coronado Springs Resort
www.FraudConference.com

Join more than 2,000 professionals and attend the largest-ever anti-fraud event in the world – the 18th Annual ACFE Fraud Conference & Exhibition, July 15-20 in Orlando. The ACFE's flagship conference brings renowned speakers, leading anti-fraud experts, worldwide practitioners and exhibitors to share anti-fraud knowledge and resources.



Fraud Fact: Paperless Money Laundering

The cutting edge of this crime is paperless money laundering. Transaction cards such as debit, credit, and more recently smartcards, are used to transfer illicit funds and to disguise the source and origin of those funds. Smartcards can make anonymous peer-to-peer or card-to-card transfers. Further, the ability to move money across international borders via chips containing value will also create challenges for law enforcement. Money launderers using electronic cards can cross the U.S. border with funds, and then transfer the money to other cards. The Encyclopedia of Fraud

Chapter Election: June 13, 2007

The Greater Pittsburgh Chapter is looking for individuals interested in taking part in leadership positions of the Greater Pittsburgh Chapter of Certified Fraud Examiners. Nomination forms and election instructions to follow. The election will take place during the June 13, 2007 meeting.

Calendar of Upcoming Events

April 11, 2007

Bill Coe
WESCO
Corporate Identity Theft

May 9, 2007

Tony Greci
Clarion University
Benford's Law

June 13, 2007

Andrew Richards
United States Postal Inspectors
Chapter Elections

July

Summer Break
Chapter Officer's Planning Meeting

August 8, 2007

Chris Giovano
Topic to be determined

Thanks to Education Director Joshua Lefcowitz, the Chapter has speakers lined up for every month through the end of the year including Perry Minnis in November. Mr. Minnis is Alcoa's Director of Ethics and Compliance and is featured in the March/April 2007 edition of Fraud Magazine.

Former Chapter Speaker George Farragher Elected ACFE Regent

The Board of Regents is elected by the certified members of ACFE and is responsible for setting membership standards that promote professionalism and ensure the future of the organization as a whole.

The Board of Regents has sole authority over the admission of members, including but not limited to examination standards. The Board establishes continuing professional education requirements, and is also responsible for establishing, modifying and enforcing the CFE Code of Professional Ethics and all other matters necessary to maintain the high standards of the ACFE.

George Farragher CFE, CPA of Ernst & Young, former Cleveland Chapter President was recently elected as an ACFE Regent. George conducted trainings in Pittsburgh on two occasions in the past, and is an all around great guy. Congratulation George!



April Presentation: Corporate Identity Theft, William C Cole, WESCO Distribution Company

Corporate Identity Theft – WESCO, A Case Study addresses an emerging issue of using the identity and reputation of one company to scam another. WESCO's identity has been involved with this scam for the last 8 months. The US Secret Service has been involved with the investigation for the last 4 months and has tracked hundreds of shipments, of principally computer supplies throughout the country and reshipped overseas. Look at who is involved, how the scam is conducted, what can be done to lesson the impact.

The speaker for the April is William C. Coe, Asset Protection Manager of the Internal Audit Department of

WESCO Distribution Inc. Mr. Coe has held a variety of management positions in Department of Defense, retail, distribution, and manufacturing industries associated with law enforcement, investigations, loss prevention, and international security.

US Army (retired) Military Police; Lieutenant Colonel Coe held a variety of leadership and management positions including:

- Regional Safety & Security Director, Army & Air Force Exchange, Far East
- Director of Public Safety, Fort Carson, Colorado
- Deputy Director for Security Operations, US Army, Europe
- Commander, District Office Criminal Investigations, US Army (CID)

After leaving the military service, he held positions as a Corporate Loss Prevention Manager, General Nutrition Corporation, Self Employed Security Consultant, before assuming his present position in 2001.

His education includes a Bachelor Degree, Public Administration, Southwest Missouri State University, Springfield, Missouri and Masters Degree, Administration of Justice, Webster University, St. Louis Missouri.

Bill has been an associate member of CFE for three years and is presently studying to take the CFE Examine this summer.

Please join us for this interesting and relevant presentation.

Ritchie-Jennings Memorial Scholarship

The ACFE Foundation is pleased to award a number of scholarships to support the education of collegiate accounting and criminal justice students around the globe. Thirty \$1,000 scholarships and one-year Student Associate memberships will be awarded through the Ritchie-Jennings Memorial Scholarship program this year.

The Greater Pittsburgh Chapter of Certified Fraud Examiners is looking for qualified full-time college students interested in applying for a scholarship. Please contact a Chapter officer for details.

2007 ACFE Awards

Its time again for the Annual ACFE Awards. The Pittsburgh Chapter boasts several previous winners including David Banks, Pierre Khouri and the Chapter Newsletter. Please take a moment to consider nominating a deserving CFE, Educator or Chapter.

Honor an Anti-Fraud Colleague with Your ACFE Awards Nomination

Recognize one of your fellow fraud fighters for their hard work and dedication with an ACFE Awards nomination. The ACFE is proud to recognize those members who have displayed exceptional achievement in preventing, detecting and investigating fraud with its annual ACFE awards. These awards include Certified Fraud Examiner of the Year, Educator of the Year, Chapter of the Year and Newsletter of the

Year. Achievement is also recognized in the area of Outreach/Community Service.

The recipients all share the common criteria of 1) being an ACFE member or chapter in good standing; 2) contributing significantly to the prevention, detection or investigation of fraud; and 3) contributing significantly to the discipline of fraud examination.

Nominations are due May 18th, 2007.

Awards and Criteria

Certified Fraud Examiner of the Year

The Certified Fraud Examiner of the Year Award is presented to a CFE who has demonstrated outstanding achievement in the field of fraud examination. This person must be a CFE in good standing; have played a significant role in the prevention, detection, or investigation of fraud; have made a substantial recovery or savings due to his or her role in a fraud examination; and/or have contributed significantly to the discipline of fraud examination. The nominee should be an active participant with the ACFE and in the community as well.

- [CFE of the Year Nomination Form](#)

Educator of the Year

The Educator of the Year Award is presented to an ACFE Educator who has made an outstanding contribution in anti-fraud education. Factors that will be considered in selecting the recipient are anti-fraud curriculum development efforts; impact on guiding students towards the anti-fraud profession; and influence in encouraging anti-fraud education growth in their local college or university. The nominee should also be active in their community.

- [Educator of the Year Nomination Form](#)

Chapter of the Year

The Chapter of the Year Award is awarded to a chapter that is active and is in good standing with the ACFE and provides timely and high quality fraud training and networking opportunities for its members; outreach programs for the local business community about fraud prevention and detection; and active promotion of the ACFE and the CFE credential in their local community. A signed copy of the Uniform Chapter Bylaws should also be on file with ACFE Headquarters.

- [Chapter of the Year Nomination Form](#)

Chapter Newsletter of the Year

The Newsletter of the Year Award is awarded to the Chapter Newsletter that is of highest quality and is delivered to recipients on a regular and timely basis. The winning newsletter must contain pertinent chapter officer contact information and a schedule of upcoming chapter training events. The newsletter must also provide information received from ACFE Headquarters and other relevant and timely anti-fraud information, articles of interest, or other information that would benefit the membership or community.

- [Chapter Newsletter of the Year Nomination Form](#)

Achievement in Outreach/Community Service

The ACFE believes strongly that members should be active members of their community and committed to helping improve the quality of life where they live and work. This commitment can be fulfilled through volunteerism and community partnerships. The Outreach/Community Service Award is presented to an ACFE member that has made an outstanding contribution in their community. The nominee must demonstrate having been an active volunteer in community projects that have resulted in a recognized improvement of a community. The nominee should also be active in their local chapter and/or college/university.

- [Achievement in Outreach/Community Service Nomination Form](#)

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	In
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 Facts: Capitalizing Nonasset Cost

The purchase price of an asset may be capitalized over time, provided the asset provides a future and ongoing benefit. However, any interest payments and finance charges incurred in the purchase must be recognized as they are paid. Management commits fraud by improperly capitalizing interest payment and finance charges.

Misclassifying Assets

In order to meet budget requirements, assets are sometimes misclassified into general ledger accounts. The manipulation of entries to accounts in which assets are falsely and incorrectly coded can be beneficial by skewing financial ratios and helping meet borrowing requirements

Encyclopedia of Fraud

Web Site for the Investigator: [Federal Trade Commission](#)

www.ftc.gov

The FTC deals with issues that touch the economic lives of most Americans. In fact, the agency has a long tradition of maintaining a competitive marketplace for both consumers and businesses. When the FTC was

created in 1914, its purpose was to prevent unfair methods of competition in commerce as part of the battle to “bust the trusts.” Over the years, Congress passed additional laws giving the agency greater authority to police anticompetitive practices.

This website contains information on a variety of issues including mergers and acquisitions, antitrust issues, real estate, health care issues, and case filings.

Electronically Recorded Confessions March-April 2007

The topic of electronically recording interviews and interrogations comes up frequently during our seminars. Clearly, there is a national trend in which through state court decisions or legislative efforts police officers are required to electronically record their interrogations and confessions. Recognizing the benefits to the investigator, many departments and agencies have decided, on their own volition, to electronically record interrogations and confessions.

It has always been our recommendation that if an investigator chooses to electronically record an interview or interrogation session that everything be electronically recorded. This includes the initial introduction of the investigator to the suspect, the administration and waiver of *Miranda* or Article 31 advisements, the entire interview, interrogation and confession. On the other hand, if only the suspect’s confession is electronically recorded the defense may attack the interrogation. The argument is as follows: Obviously the investigator had access to recording equipment but chose not to record the interrogation because he did not want the jury to see or hear the threats and promises made to the defendant.

Despite this potential danger, there remain many investigators who only electronically record confessions. Furthermore, many prosecutors prefer a summary account of the suspect’s confession, even when the entire interview and interrogation that led up to the confession was recorded. Quite simply, it is easier for juries to absorb a concise confession lasting several minutes than an interview and interrogation that lasting several hours. If obtained properly, the electronically recorded confession has tremendous persuasive impact at trial. Conversely, if the recorded confession is not done properly it affords a defense attorney with tremendous ammunition to attack the validity of the confession.

This web tip offers guidelines for obtaining an electronically recorded confession either as a stand-alone document or as a summary account within an electronically recorded interview and interrogation. For illustrative purposes, a burglary investigation will be used.

Introducing the recorded confession to the suspect

In situations where the investigator has not been electronically recording the interrogation the following approach has been used successfully to get a suspect to agree to have a confession electronically recorded:

“Jim, at this point I need to document what you’ve told me because I need to make sure that I understand everything correctly and that no one later says that you said something that you did not say. So this is for your protection as well as mine. Now we have a couple of choices. You could write out what you’ve told me or I could just ask you about what happened on tape. What are you

most comfortable with?”

Almost all suspects will agree to the easier procedure, which is to have the conversation electronically recorded. This places the investigator in a desirable position when testifying. If the defense attorney asks why only the confession was recorded and not the entire interrogation, the investigator can respond by saying that it is not the department’s policy to electronically record the interrogation but that in this particular case the defendant preferred that his confession be electronically recorded.

If the investigator has already been electronically recording the entire interview and interrogation session, he may introduce the summary account as follows:

“Jim, I really respect you for getting this clarified this afternoon. As you know, I have to submit a report which will reflect the findings of our investigation as well as the explanation that you have just given me about why you did this. My boss is going to review everything and he likes to have a real quick summary of things to review. So what I’m going to do is to work with you to summarize everything that has happened this afternoon.”

Start by documenting the date, time, location and people present

The electronically recorded confession should start with a brief statement explaining who is present as well as the current date and time. To instill the sense of accuracy, times should be given to the nearest minute. It is appropriate to identify the positions or titles of people present such as investigator, attorney, human resource specialists, union representative, etc. The suspect’s name should be given but he or she should not be referred to as a suspect (the people hearing the confession will know his role in the conversation). The following is an example of such an introduction:

“My name is Brian Jayne, an investigator with John E. Reid and Associates. With me is Mike Masokas who is also an investigator as well as James Smith. The date is Friday, February 9th, 2007 and the current time is 3:07 PM. We are inside an interview room located at 209 W. Jackson Boulevard, in Chicago Illinois.”

Document Miranda (Article 31) advisements and waiver

For a suspect to give a knowing and voluntary waiver of his constitutional right advisements the investigator must document that the suspect was truthfully told about the issue under investigation and that the warnings were administered properly. While not legally necessary, a written waiver that was read out loud and which the suspect subsequently signed is probably the best documentation for this purpose. Furthermore, for the waiver to be valid the suspect must be an adult and in adequate physical and mental health. For example:

“At 1:00 PM this afternoon I met with Mr. Smith at our office on 209 W. Jackson Blvd. At that time I told him that I wanted to talk to him about some thefts from a home on Madison St. in Chicago and advised Mr. Smith of his Miranda rights orally and in writing. At 1:11 PM Mr. Smith waived those rights and agreed to answer my questions without having an attorney present.

(I) 'Is that correct, Jim?'

(S) 'Yes.'

(I) 'Jim, what is your date of birth?'

(S) 'June 21, 1982'

(I) 'So you are presently 24 years old?'

(S) 'That's right.'

(I) 'Do you have any mental health problems?'

(S) 'Not that I know of.'

(I) 'Are you under a psychologist or psychiatrist's care?'

(S) 'No'

(I) 'How would you describe your physical health today?'

(S) 'I feel good. I'm in good health.'

Introduce the confession and develop details of the crime

An investigator should not expect a suspect to spontaneously generate a perfectly court-admissible confession. Rather, the investigator should introduce this area with a summary of the suspect's confession and then request details of the crime:

"During our conversation, Mr. Smith told me that he broke into the home located at 419 Madison street in Chicago and that he stole money, a lap top computer, and some jewelry from the home. I would like to review the details of that statement.

(I) 'Jim, how did you get into the home?'

(S) 'They left the back patio door unlocked. I just opened it and went in.'

(I) 'About what time was that?'

(S) 'Around 9:15 or 9:20 that morning.'

(I) 'Which morning was that?'

(S) 'It was last Thursday morning. Two days ago.'

(I) 'How much money did you steal from the home?'

(S) 'Only about 75 dollars.'

(I) 'Where did you steal that money from?'

(S) 'It was in a desk drawer in the kitchen.'

(I) 'What else did you steal from that house?'

(S) 'I stole a Toshiba lap top computer that was on the kitchen counter.'

[This dialogue would continue to cover all aspects of the crime to include development of dependent and independent corroboration]

The following guidelines relate to questions asked about the suspect's crime:

Do not ask questions you do not already know the answer to: Prior to any attempt to summarize a confession or obtain an electronically recorded confession, the suspect should have already fully confessed to the investigator. Clearly the investigator wants to avoid having to re-confront a suspect whose memory is all of a sudden foggy. Similarly, the investigator does not want to be surprised by learning new information about the suspect's crime, e.g.:

(I) 'Now you were alone when you entered the home?'

(S) 'No, actually I was with two friends. They were the ones who actually took the stuff. I just waited outside for them.'

Do not include information about past crimes: One of the reasons prosecutors like to have a separate summary account of the suspect's confession is that there may be statements or information developed during the interrogation that are inadmissible as evidence. A common example is a remark about the suspect's prior convictions or arrests. Similarly, courts consider information that the suspect refused to take, or failed a polygraph examination as highly prejudicial.

Clarify ambiguous responses: If the suspect's response to the investigator's question is not clear or is possibly misleading, the investigator should ask follow-up questions, e.g.:

(I) 'About what time was that?'

(S) 'Around 9:15 or 9:20 that morning.'

(I) 'Which morning was that?'

(S) 'It was last Thursday morning. Two days ago.'

The investigator should introduce descriptive terminology when asking questions: The suspect's

confession needs to acknowledge personal responsibility for committing the crime and satisfy the elements of the crime. Consequently, the statement, “I *took* a laptop computer from a home on Madison St. in Chicago.” does not satisfy the legal elements of theft. The statement should be, “I *stole* a laptop computer from a home on Madison St. in Chicago.” Guilty suspects do not feel comfortable using descriptive language when discussing their crime. Therefore, the investigator should introduce this language when asking the suspect questions, e.g.:

- (I) “John about what time was it when you killed Sarah?”
- (I) “What did you use to intentionally start this fire?”
- (I) “What did you have in your hand when you robbed the clerk?”
- (I) “Approximately how long did your hand rub her bare vagina?”

It is better to elicit behaviors than opinions: Opinions are subject to interpretation and can introduce irrelevant information within a confession. The following examples illustrate how a question that addresses the suspect’s behavior is more likely to lead to relevant information:

Opinion		Behavior
“Why did you do this?”	vs.	“What did you do with the money you stole?”
“Whose idea was it to start the fire?”	vs.	“Who lit the cigarette lighter used to start the fire?”
“Did you get this job so you could embezzle stock funds?”	vs.	“When did you first divert stock funds to your personal account?”

Do not ask leading questions

Leading questions are designed to elicit agreement from the suspect and represent one way to elicit a confession, e.g.:

- “So you are the person who broke into that home?”
- “You stole money, a computer and jewelry from the home, correct?”
- ”You broke into the home the morning of February 9th, right?”

However, such leading questions are also easy to attack in court where the defense attorney argues that the investigator spoon-fed the confession to his client who felt compelled to agree with the investigator’s assertions. A confession has much more persuasive impact if the suspect spontaneously volunteers detailed information about his crime. Consequently, leading questions like those illustrated above should be avoided.

Use simple terminology:

(I) “So you are the person you illegally entered the domicile located at 914 Madison St.?”

(S) “huh?”

Many suspects who commit crimes do not possess a genius IQ or an extensive education. If an investigator uses unfamiliar words in asking the suspect a question, an affirmative response to that question is meaningless in a court of law. Also, a jury may resent an investigator’s unnecessary use of “police-speak.”

Conclude the statement by documenting the suspect’s treatment

(I) “Jim is everything you told me today the complete truth?”

(S) “Yeah.”

(I) “Have you been offered any promises of leniency?”

(S) “What do you mean?”

(I) “Did anyone make any promises about what would happen to you if you admitted breaking into the home?”

(S) “No. Nothing was said about that.”

(I) “Were you threatened in any way today?”

(S) “No. You’ve treated me real good.”

(I) “Jim, is there anything else that you would like to include in this recorded document?”

(S) “Just that I’m sorry I did this and I can guarantee that I will never do that again.”

(I) “Thank you. That concludes this recording. The current time is 3:22 PM.

In conclusion, even though an entire interrogation has been electronically recorded, it is often beneficial for the investigator to conclude the recording session with a summary account of the suspect’s confession. In all likelihood, this summary account will be played for the jury and will represent the strongest single piece of evidence against the defendant. Consequently, the investigator must make certain that the summary account includes all of the elements of the crime and addresses issues frequently attacked by the defense such as the validity of the Miranda waiver, the duration of the interview/interrogation and whether the defendant was offered any promises of leniency or threatened in any way.

Courtesy www.reid.com

We look forward to seeing you at future Chapter events!

