

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.

May Program Highlights: Anthony Greci, Benford's Law

The speaker for May was Anthony Greci CPA/PFS, CMA, CIA, CFM, and CISA. Mr Greci is currently a Professor of Accountancy at Clarion University and has an accounting practice in Butler, PA.

Mr. Greci stated reviewed the history of Benford's Law and indicated that in 1881, Simon Newcombe stated that some numbers occur naturally. In 1938 Frank Benford wrote a paper in which he observed predictable patterns of the 1st digits of naturally occurring numbers.

Mr. Greci provided a handout showing Benford's Law 1st digit pattern.

Log (f + 1) – Log (f)	
1	.301030
2	.176091
3	.124939
4	.096910
5	.079181
6	.066947
7	.057992
8	.051153
9	.045757

Mr. Greci stressed that Benford's law can only be applied to naturally occurring numbers, such as financial data. The key is that there must be positive or negative growth from one year to the next, and there must be a lack of restrictions.

Benford's Law will not work with random or contrived numbers.

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Mr. Greci explained part of the concept of why positive or negative growth reinforces Benford's Law. If you have \$100 that grows at 4%, it will take longer to grow to \$200, than it would for \$400 or \$800 to grow to the next \$100 level.

Mr. Greci talked about the different applications for Benford's Law including stock prices, milage audits, and expense reports.

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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

Financial service companies are more prone than most other industries to security breaches of the information system infrastructure, according to analysts at International Data Corporation. In findings published in 2001, researches it IDC found:

- 96% of financial companies have reported security breaches.
- Viruses on client or server infrastructure were the most common attacks. Most companies deploy anti-viral tools, but still suffer breaches. Banks were able to repel 56% of virus attacks at inception and another 36% midstream.
- One in four finance companies reported unauthorized use of information systems, applications, and e-mail. In other industries, the average is one in six companies reporting such issues.

The Encyclopedia of Fraud

Chapter Election & Member Recognition: June 13, 2007

The Greater Pittsburgh Chapter elections and Member Recognition will take place at the June 13, 2007 meeting. Please plan for the meeting start time to for the voting of the new officers, and for our annual recognition of member and officer achievements. Speaking at the June meeting will be Andrew Richards, US Postal Inspectors. Mr. Richards is a return speaker and has been known to entertain the group with amusing stories from his many years as a Postal Inspector.

Calendar of Upcoming Events

June 13, 2007

Please note special time:

11:30 am – 1:00 pm

Andrew Richards

United States Postal Inspectors

Chapter Elections & Member Recognition

July

Summer Break

Chapter Officer's Planning Meeting

August 8, 2007

Chris Giovano

Topic to be announced

September 12, 2007

Kirk French

Topic to be announced

October 10, 2007

Robert Camern

Topic to be announced

ACFE Member Discussion Threads

In need of an answer for a fraud related question. As a CFE or Associate member of the ACFE, you can ask fraud related questions of anti-fraud professionals all over the world. There are several discussion threads available on the ACFE website, including a General Forum, Employment Forum and more.

[General Forum](#) [1208 Posts] [4697 Replies]
[Last Post: 6/2/2007 7:40:12 AM]

[CFE Exam/Prep Course Forum](#) [365 Posts]
[947 Replies] [Last Post: 6/1/2007 2:45:03 PM]

[Employment Forum](#) [273 Posts] [464 Replies]
[Last Post: 5/31/2007 6:13:45 PM]

[Educators Forum](#) [72 Posts] [228 Replies] [Last Post: 5/22/2007 3:23:20 PM]

[Chapter Forum](#) [49 Posts] [115 Replies] [Last Post: 5/22/2007 8:28:45 AM]

[Student Forum](#) [0 Posts] [21 Replies] [Last Post: 5/22/2007 3:26:15 PM]

June Presentation: Andrew Richards, US Postal Inspection Service

Financial Crimes Task Force.

Please join us for this interesting and relevant presentation.

President's Notes

It's hard to believe but just about seven years ago, Jim Fellin organized a meeting of a small group people interested in resurrecting the Greater Pittsburgh ACFE Chapter. Armed with some ideas and a little left over cash, the Chapter started up operations in year 2000. The Chapter held 3 meetings that first year and learned a lot. Each year since, Chapter membership has grown, as the Chapter has held monthly meetings with interesting presentations. In addition, each year the Chapter has increased the number of services provided to members. In addition to monthly newsletters, and a Chapter library, and networking opportunities, the Chapter now offers occasional evening programs. The success of the Chapter is due in large part to the dedicated professionals that volunteer their time and efforts. As the 2006-2007 plan year comes to an end, we thank those volunteers and our Chapter officers for their efforts in making the Pittsburgh Chapter the

successful professional organization that it is. We also wish next year's officers continued success.

The Greater Pittsburgh Chapter Library

Fraud Facts: Inventory Turnover

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

The relationship between a company's cost of goods sold and average inventory is shown through the inventory turnover ratio. This ratio measures the number of times inventory is sold during the period. This ratio is a good determinant of purchasing, production, and sales efficiency. In general, a higher inventory turnover ratio is considered more favorable. For example, if cost of goods sold has increased due to theft of inventory, (ending inventory has declined, but not through sales), then this ratio will be abnormally high.

Cost of Goods Sold
Average Inventory

Encyclopedia of Fraud

Web Site for the Investigator: The Network Abuse Clearinghouse

<http://www.abuse.net/index.phtml>

The Network Abuse Clearinghouse is intended to help the Internet community to report and control network abuse and abusive users. Since the best place to report abusive activity varies from one system to another, we're trying to keep a master database of reporting addresses for users throughout the net to use. The database is provided in four forms:

- Via a [mail forwarding service](#)
- Via a [web look-up page](#)
- Via a [domain name lookup](#) **NEW!**
- Via a WHOIS server

We look forward to seeing you at future Chapter events!

