

Greater Pittsburgh Chapter

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The ACFE is the professional organization for fraud examiners. The mission of the ACFE is to reduce the incidence of fraud and white-collar crime, and to assist the membership in its detection and deterrence.



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October Meeting: Laura Miller, CPA, CFE Navigant Consulting Construction Fraud

At the October 10, 2007 meeting, Laura Miller, Managing Director of Navigant Consulting, conducted a presentation on Construction Fraud.

Ms. Miller stressed that with construction fraud it is important to know where to look. There are basically two types of contracts, fixed price (which has a specific price for the project) and cost plus, (the amount spent is reimbursed). Each contract type is subject to different types of fraud schemes.

Labor costs are traditionally an area that was subject to construction fraud. Technology though, enables a review of large amounts of records, and can identify ghost employees, and multiple employees with the same name. An analysis of the number of people working on a project compared to what is getting done can be an indicator of a problem.

The makeup of a company can leave it vulnerable to fraud. For family owned businesses, the owner may try to control everything, or a single person may control the finances. Additionally, the contract specifications may allow fraud and abuse to occur. For multi-prime construction projects, there are multiple contractors. This is commonly found in PA with different contractors responsible for electrical, construction, etc. The more entities submitting invoices, the greater the chance of fraud. A single prime contract has one contractor responsible for all aspects of the project. For minority business enterprise (MBE) contracts, fraud may occur if the minority mandated contract work is not done by the MBE, but is done by other entities. For international contracts, bribes and kickbacks are considered part of doing business; however, they are illegal for American companies. Typically, funds for kickbacks and bribes is hidden in travel and material costs.

Ms. Miller stressed the importance of having an audit clause in all contracts that

Committees

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Networking
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Education
Craig Workman

Website
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Please contact a committee chair with ideas, or to help on committee activities.

allows you to verify any service (review the documentation). Alternatively, if you are providing contractual services, be aware of what the audit clause requires of you, otherwise it can be a big problem for you. Know what is necessary, and how things will be handled if there is a dispute. The person signing the contract is responsible to insuring that the terms of the contract are met. A retroactive repricing clause in the contract allows for the review of approved and paid change orders at the end of the project.

Ms. Miller stated that to avoid problems, insure that all bills are reviewed and that they are submitted with complete documentation. A way of identifying payroll fraud would be to compare the payroll of workers at the construction site to the construction company payroll. Review and analyze reports on construction costs and labor. Materials are less problematic, but labor costs can include a lot of problems.

Ms. Miller indicated that arbitration and settlement resolution should be spelled out in the contract. Try to avoid trial, as construction contract issues may become complex and difficult to explain to a jury.

Ms. Miller took several questions from the group, and recommended that to review construction contracts and possible construction fraud and abuse, it is important to bring someone in that has experience reviewing these types of issues. Navigant Consulting is a specialized independent consulting firm providing an array of professional services.

Upcoming Chapter Events

November 14, 2007

Perry Minnus
Alcoa, Director of Ethics,
Compliance & Advisory
Services
Ethics Programs and Their
Impact On Reducing Potential
Fraud

November 19 & 20, 2007

Financial Statement Fraud
Christopher Rosetti
Harvard, Yale, Princeton Club
Downtown Pittsburgh
16 CPE

December 12, 2007

Robert Ridge,
Thorp Reed Law Firm
Foreign Corrupt Practices Act

November 14, 2007 Presentation: Perry Minnis, Alcoa, Director, Ethics, Compliance & Advisory Services

Ethics Programs and Their Impact On Reducing Potential Fraud

Registration: 11:45 AM to 12:00 Noon

Presentation: 12:00 Noon to 1:00 PM

Place: Tambelinni's Restaurant
139 7th Street
Pittsburgh PA 15222

**Cost: Members & Associates of the Pittsburgh Chapter: \$20
All others: \$30**

CPE: Qualifies for 1 credit hour of continuing professional education.
Attendance certificates will be provided.

**RSVP: to Shelley Bias via: shelley.bias@alcoa.com
Or Phone: 412-553-2240**

The November presentation will be by Perry Minnus of Alcoa.

10 Commandments for Fraud Auditors:

1. Assume anyone can commit fraud.
2. Think dirty.
3. Remember that good documentation does not mean something happened, only that somebody says something happened.
4. Pay attention to the details of documents.
5. Pay attention to the reasonableness of accounting entries, especially corrections and adjustments.
6. Pay attention to rumors of wrongdoing, and follow up on them.
7. Check our hunches.
8. Be nosy, especially if something does not seem clear.
9. Use statistical sampling to select items that would not be examined otherwise.
10. Look for both patterns in an unusual transaction.

[How to Detect and Prevent Financial Statement Fraud.](#)

Website for the Investigator: Netronline

<http://www.netronline.com/>

A real estate public records and research information portal for property information, deeds & mortgage copies, tax records, parcel maps, assessment records, and public records nationwide. State and County government records may be accessed through Public Records Online portal, and property



Perry A. Minnis
Director, Ethics, Compliance & Advisory Services
Pittsburgh, PA

Perry Minnis is responsible for implementing Alcoa's Ethics and Compliance Program worldwide. Alcoa has operations in 45 countries and as the company grew the focus on appropriate business conduct gained greater significance. He assumed leadership for Alcoa's efforts in ethics and compliance, and business conduct in 2000.

Perry Minnis began his career at Alcoa in 1968 in the Finance organization at the company's Cleveland Works location. After transferring to several operating locations he transferred to the company's Pittsburgh office initially working in financial accounting and then assumed federal and international taxation positions, culminating as Director, Corporate Taxes. In 1988, Perry was asked to join the newly formed Corporate Quality group and after four months of total quality management (TQM) training, involving training in Japan, he facilitated Alcoa's corporate quality initiative by teaching total quality management skills throughout Alcoa's global locations. He was appointed Director, Advisory Services in 1995 responsible for implementing TQM in administrative departments. In 2000, when Alcoa focused greater effort on its global ethics and compliance program, he was asked to lead this implementation.

Perry is a member of the board of directors of the Ethics and Compliance Officer Association, a professional association that promotes ethical business practices and serves as a forum for senior ethics and compliance officers to exchange ideas for designing and enhancing ethics and compliance programs. He previously held the position of chairman of the Manufacturers Alliance Ethics and Compliance Council, a leading executive development and business research organization serving the needs of senior management. He is Associate Professor of Ethics at Duquesne University and also serves in the Alcoa Executive Lend Forward program at the University of Pittsburgh.

Perry obtained a bachelor's degree in accounting and an MBA from John Carroll University, in Cleveland, Ohio. He has achieved professional certifications as a Certified Management Accountant (CMA) and is also a Certified Quality Manager (CQM). In addition, Perry is a member of the American Society for Quality, the Institute of Management Accountants, and past officer of the Tax Executives Institute.

Please join us for this interesting and relevant presentation.

information may be obtained through online Property Data Store.

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Looking for an interesting training seminar? Still need CPE credits for 2007? Did you see the exciting announcement about the 2-day training seminar on Financial Statement Fraud? If not see below!

Greater Pittsburgh ACFE Chapter Special Training Announcement November Seminar – Satisfy those CPE Requirements!

Financial Statement Fraud
Monday & Tuesday, November 19 & 20, 2007

Speaker: Christopher Rosetti, CFE, CPA
Partner, BST Advisors, LLC
Albany, NY

Location: Harvard Yale Princeton (HYP) Club
619 William Penn Place
Downtown Pittsburgh

Breakfast: 7:30 am

Program: 8:00 am to 4:30 pm

CPE: 16 Hours

Registration: E-mail your reservation to Craig Workman at Craig77w@comcast.net

Deadline: All reservations are due no later than November 15, 2007. Cancellations after November 15th will be billed unless a replacement attendee is sent.

Cost: Greater Pittsburgh Area Chapter ACFE Members, \$295.00
Non-Chapter member \$345.00

Payment: Make checks payable to the Greater Pittsburgh ACFE Chapter and mail to:


Kelvin Pier,
c/o Pier Solutions,
P. O. Box 418
North Versailles, PA 15137-0418

Questions: Please contact Craig Workman craig77w@comcast.net

Biography: Chris Rosetti is a partner with BST Valuation and Litigation Advisors. Mr. Rosetti has spent the last eighteen years working full-time as a forensic accounting/fraud investigator, working with various private and public entities in the resolution of contentious and litigious fraud matters. He has presented over 80 seminars internationally on forensic accounting, fraud investigation, and loss analysis, including the ACFE and AICPA Annual Fraud Conferences. In addition, he has authored six fraud-related articles and has developed fraud training programs and self-study materials for a number of entities including the ACFE. He was an adjunct professor of accounting for six years and he developed and taught forensic accounting courses at two colleges in New York State.

Chris holds a Bachelor's degree in business administration from Siena College and a Master's degree in Public Administration from State University of New York at Albany. Mr. Rosetti is the founding treasurer of the Albany Area Chapter of CFEs, former two term president, and chapter training director. He is also a recipient of the distinguished service award presented annually by the ACFE and he has testified as an expert witness.

Seminar Schedule:

	DAY ONE	DAY TWO
7:30 a.m. - 8:00 a.m.	<i>Registration - Breakfast Pastries</i>	<i>Breakfast Pastries</i>
8:00 a.m. - 9:20 a.m.	<p>Introduction to Financial Statement Fraud This opening session provides an introduction to financial statement fraud; examples of who commits financial statement fraud and why; definitions of fraud, proving intent and materiality; guidance for prosecution; and management and auditors' liability for financial statement fraud.</p>	<p>Improper Deferral of Costs and Expenses The improper deferral of costs and expenses often does not leave an audit trail. A simple change in accounting methods can shift current expenses to an earlier period. The most frequently used methods for improper deferral are discussed within this session.</p>

9:20 a.m. - 9:35 a.m.	<i>Break</i>	<i>Break</i>
9:35 a.m. - 10:55 a.m.	Management's and Auditor's Responsibilities Management is ultimately responsible for the financial statements, however this session provides recommendations which, when used with other measures, will help curb fraudulent financial reporting. Reviews of current developments including SAS 99, Sarbanes-Oxley Act are highlighted.	Improper Recording of Liabilities Failure to record liabilities, changes in accounting assumptions, off balance sheet entities, and manipulation of reserves are some of the popular methods in the hands of the fraudster. This session explains when liabilities should be recorded.
10:55 a.m. - 11:10 a.m.	<i>Break</i>	<i>Break</i>
11:10 a.m. - 12:30 p.m.	Improper Revenue Recognition Premature revenue recognition; recording financing arrangements as sales; misclassifying gains; less-than-arm's-length transactions; bill and hold schemes; and improperly recognizing extraordinary gains are several of the many ways discussed during this session that revenue can be improperly recognized.	Video Presentation This video presentation provides examples of real world financial statement fraud schemes and establishes the level of professional skepticism required for the accountant or auditor to maintain throughout an engagement.
12:30 p.m. - 1:30 p.m.	<i>Group Lunch</i>	<i>Lunch on Your Own</i>
1:30 p.m. - 2:50 p.m.	Improper Treatment of Sales Improperly classifying certain sales transactions can take a wide variety of forms, from fictitious sales to booking loan proceeds as income. This session addresses three principal sources of improper sales treatments.	Inadequate Disclosures Management has an obligation to disclose all significant information in the financial statements. Inadequate disclosures of related party transactions are among the most difficult financial statement frauds to detect. This session also addresses sham transactions and other issues affecting Management's Discussion and Analysis of the Financial Statements.
2:50 p.m. - 3:05 p.m.	<i>Break</i>	<i>Break</i>
3:05 p.m. - 4:25 p.m.	Improper Asset Valuation Improper valuation of accounts receivable, inventory, business combinations, and fixed assets, just to name a few, are some of the many methods used to produce fraudulent financial statements.	Detecting Financial Statement Fraud Combining financial statement analyses techniques, risk assessment questionnaires and common sense, this session provides methods of quickly and effectively detecting financial statement fraud and focusing your examination.



Watch out for new programs in the not too distant future!

We look forward to seeing you at future Chapter Events!