

Committees

Membership
Kelvin Pier

Newsletter
Craig Workman

Networking
James Fellin

Education
Craig Workman

Website
John Elliott

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

Upcoming Chapter Events

April 9, 2008

(Originally scheduled for March, but postponed due to a scheduling conflict)

United Stated Postal Inspector

Ken Wahler

Kathleen Haefner, Internal Revenue Service:

The BioTechnology Corporation of America Case

May 14, 2008

David Banks, CFE, CIA

Wheeling-Pittsburgh Steel

Quantitative Investigative Methods for the Numerically Disinclined

June 11, 2008

Paul Van Osdel

WTAE Action News

Investigative Reporting; The Good, the Bad and the Ugly

Speakers and Writers Needed

The Chapter is looking for speakers for future Chapter meeting events.

For prevention, start with an assessment of potential fraud scheme risks. Include industry specific risks. Then identify key elements in place. Validate procedures to insure they are being followed. Also validate vendor and employees. For detection, understand how fraud is detected, and insure that the necessary vehicles are in place to identify the frauds. I.e., if most frauds are discovered by tip, is there a hotline in place?

Mr. Randolph discussed the positive and negatives of data mining. The secret of data mining is to identify transactions that are not like the other ones. Mr. Randolph reviewed several examples of data mining results. Data itself does not prove fraud, so you must research the anomalies.

Mr. Randolph then discussed what to do if you find fraud. Evidence protection is critical. He also recommended having a strategy for handling the issue to include CFEs, attorneys, and other internal resources. Also, evaluate insurance bonding. As a final statistic, Mr. Randolph advised that in 42% of cases, there is no recovery. Mr. Randolph took questions from the group. If you are interested in contacting Lance Randolph, you can reach him at (216)525-1855, or by e-mail at lcrandolph@CBIZ.com.

April 9, 2008 Program

US Postal Inspector Ken Wahler

The BioTechnology Corporation of America Case

Our speaker for April is US Postal Inspector Ken Wahler. Ken has been a Postal Inspector for 19 years with investigative experience in internal embezzlements, narcotics, and white collar. Mr. Wahler has a B.S. in accounting from Penn State and an MBA from Pitt and worked as a supervisor in the post office before becoming a Postal Inspector in 1989.

Ken's presentation will focus on the recent case involving BioTechnology Corporation of America and Tim Heffner, a Pine businessman. The presentation will discuss the scheme that was undertaken by Mr.

Presentation should be 50 minutes long and be about a fraud or white-collar crime related issues. Speakers receive 1 hour of CPE credit for their presentation.

The Chapter is also looking for writers to contribute articles for future Newsletters. If you would like to contribute an article or short piece on fraud, please forward your articles or contributions to Craig Workman at craig77w@comcast.net.

ACFE 19th Annual Fraud Conference and Exhibition
July 13-18, 2008
Boston, MA

Gather with more than 2,000 anti-fraud professionals from around the world to share knowledge, exchange ideas and realize your full potential in the global fight against fraud. With informational educational sessions, presentations and various networking opportunities, you'll walk away with even more tools, resources and contacts than ever before.

March evening Meeting: An Evening with Walt Pavlo featured in Tribune Review:

TRIBUNE-REVIEW
Thursday, March 27, 2008

Walter Pavlo Jr., jailed for embezzling \$6 million from MCI Communications Inc. in 2001, said his bosses' lax supervision made it easy to steal.

"As long as they received information they thought was good, they were pleased," Pavlo said Wednesday prior to telling members of the Pittsburgh Chapter of the Association of Fraud Examiners about his role in fraud at MCI.

It was easy, Pavlo said, because of an internal oversight system that was loose at best, and because of the need to please his bosses, who pressured him to keep unpaid bills off the books.

"The more that I was able to do (illegal), the more I was accepted," he said.

Heffner, and how it was perpetrated with the help of an accomplice.

At various times, Heffner claimed to be a knight and a doctor, and sought to have a helicopter landing pad at his house. Heffner is also the past president of the A-men Corner Association, a local organization whose membership includes many local attorneys and politicians. Heffner was responsible for helping many local charities and was often mentioned in local society pages.

Heffner recently pled guilty to a scheme in which he and a partner were accused of defrauded Sigma-Aldrich Corporation out of \$5 million.

Please join us for this interesting and relevant presentation.



Tim Heffner in better times.

After his illegal get-rich-quick scheme was discovered, Pavlo, 45, pled guilty to embezzlement and served 2 1/2 years in federal prison.

Saying he is not a terrible person and does not look like a "criminal," Pavlo issued a warning: "It can happen to anyone."

In the early 1990s, Pavlo, a West Virginia University graduate raised in Parkersburg, W.Va., rose to oversee a collections department at MCI that handled \$2 billion in bills each year.

When pressure mounted to keep bad debts off MCI's books, Pavlo said he responded by concocting a scheme with a friend. That friend posed as an "angel investor," pretending to cover the bills of some of MCI's worst customers -- such as phone-sex companies that racked up huge bills but didn't pay. In return, the duo convinced those customers to make payments into an offshore account in the Cayman Islands, controlled by Pavlo and the friend. In less than a year, they milked the customers for \$6 million in cash. Pavlo said his share was about \$700,000.

The scheme worked until internal auditors caught a discrepancy in payments. That prompted Pavlo to quit MCI in 1997, but auditors did not quit on the investigation.

Pavlo found the fall from grace costly. His wife divorced him while he was in prison. He eventually had to declare bankruptcy.

Last year he wrote a book, "Stolen Without A Gun," that detailed his experiences. Now on the speaking circuit, Pavlo praised legislation adopted in response to corporate fraud cases such as Enron and WorldCom -- the Sarbanes-Oxley Act of 2002 -- as a good effort to prevent accounting abuse. "But you can't legislate ethical behavior," he said.

To prevent a recurrence of such fraud "the big thing is ... to put stopgaps and controls in place," said James Fellin, a Certified Fraud Examiner, president of the local chapter of the fraud examiners, and managing director of The Nottingham Group LLC, Downtown.



While committing his frauds, Mr. Pavlo did not think he would ever get caught. Pavlo described the effect of his actions on his family stating, "No one would do a white-collar crime if they what it would do to their family". Pavlo took several questions from audience members and was quite willing to talk to attendees.

Mr. Pavlo's presentation was subsidized by the PA Alliance for Security and Preparedness.

PA Alliance for Security & Preparedness

www.paasp.org

Training course available through PAASP.

To be eligible, you must be a employed full-time and residing in Pennsylvania and work in one of the following public or private sector organization; Physical security & investigations, Cyber/IT security, Fraud & forensics, Continuity planning, fire, EMT, Safety/environmental. Individuals must pre-register, and complete an Individual-QMR form, plus pay a registration fee.

Program: Interviewing & Interrogation Techniques

May 28-30, 2008

8 am to 5 pm

\$180.40/qualifying person after PAASP subsidy (normally \$410/person

Location:

Seagate Technology

1251 Waterfront Place

Pittsburgh, PA 15222-4213

To register contact Deb Hines at dhines@c4oe.com.

See www.PAASP.com for more programs.



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

We look forward to seeing you at future Chapter Events!