

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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January Meeting: Kirk French: Stock Option Backdating

The January speaker was Kirk French, who spoke on the subject of Stock Option Backdating. Mr. French stated that the practice of giving stock options to employees is a common practice that is used to encourage an employee to stay with a company. It is a form of compensation. Employees may receive stocks at the time of their employment, and if the company is successful, can redeem them in the future at a higher price.

The original rule on handling stock options was APB-25 which did not give much direction. When the Financial Accounting Standards Board (FASB) issued a new pronouncement on stock options, it was met with opposition by members of Congress. As a result backed off on the pronouncement, but did require a footnote on back of audit findings per FAS-123. Because of this, fraud was enabled due to the lack of audit guidelines.

Mr. French explained that there is a lack of experienced auditors in Silicon Valley and further lack of experience with FAS-123. This contributes to problems that enable stock option backdating to occur.

With stock options, their price fluctuates based on the volatility of the market. Employees of a start-up company may be awarded stock options when the prices are low, and with

Committees

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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

February 13, 2008

Craig Workman, CFE
Manager, Fraud & Abuse
Statement Analysis

March 12, 2008

United States Postal Inspector
Ken Wahler
Kathleen Haefner, Internal
Revenue Service:
The BioTechnology
Corporation of America Case

April 9, 2008

To Be Announced

May 14, 2008

To be Announced

June 11, 2008

To be Announced

success, the price of the stock options will increase. Stock options can't be exercised for a number of years though. A fraud occurs though, when the date of the stock options, is back dated to a date when the stock price is low. To investigate this, an auditor must verify the employee start date and review payroll records, (employment letters may also be backdated to support the fraud).

Mr. French reviewed several cases involving stock option backdating and also provided several handouts detailing newspaper clippings, and summarizing major cases against big companies accused of stock option backdating. Mr. French also reviewed the Martha Stewart case, where stocks were exercised based on insider information.

Mr. French also took several questions from the group and explained several term.

Craig Workman Recognized for Service to the Greater Pittsburgh Chapter

At the January 9th, 2008 meeting of the Pittsburgh Chapter, Chapter President James S. Fellin CFE, CPA presented former president Craig Workman with a plaque in honor of the dedicated service and efforts that Craig has expended on behalf of the chapter (See picture below of the presentation). Among Craig' accomplishments as president were honors from the National Association for best chapter newsletter and a substantial increase in membership. Thanks for all of your efforts Craig. They are much appreciated.



Speakers and Writers Needed

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

February 13, 2008 Presentation: Craig Workman, CFE, Manager Fraud & Abuse, UPMC Health Plan, Training Director, Pittsburgh ACFE Chapter.

Our February speaker is Craig Workman, CFE, Manager Fraud & Abuse, UPMC Health Plan, Training Director, Pittsburgh ACFE Chapter.

Sometimes a subject's written statement can give you clues as to whether the individual is a person of interest in an investigation. Mr. Workman will conduct a presentation on Statement Analysis. Included in this presentation will be an explanation of what to look for to identify when a subject is being evasive in their written statements. What clues may lead the reader to question the veracity of the writer's statement.

Mr. Workman is Manager of Fraud & Abuse at UPMC Health Plan and has investigated Life, Disability, Workers' Compensation, and Health Care claims for possible fraud. He is former Pittsburgh Chapter President, and is the Director of Education.

Please join us for this interesting and relevant presentation.

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

We look forward to seeing you at future Chapter Events!