

Greater Pittsburgh Chapter

November 2008
Volume 9 Issue 5



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.



2008-2009 Board Members

President:

James Fellin, CPA, CFE
jfellin@nottinghamgroup.com
412-288-9948

Vice President:

Dr. Diane Matthews, CPA, CFE
matthewsDA@carlow.edu
412-578-6348

Secretary:

Shelley Bias, CFE
shelley.bias@alcoa.com
412-553-2240

Treasurer:

Kelvin Pier, CFE, CPA
kpier@piersolutions.com
412-759-8698

Directors:

John Elliot, CPA, CFE
jelliott@bc.pitt.edu
412-624-6127

Georgene Fink, CFE
Georgene.fink@hminsurancgroup.com
412-544-1124

Craig Workman, CFE
workmanc@upmc.edu
412-454-5524

October Meeting: Mike Selwood, FTI Consulting

The speaker for October was Mike Selwood of FTI Consulting. Mr. Selwood spoke about the lessons of Devon Capital Management and how they were forgotten. The Devon Capital Management case included John Black, who covered up the amount of his liquid assets and ended up going to jail for his actions. Black pooled payment streams from home loans and sold them as securities. By doing this, he basically created hedge funds. The invested money was mainly from school districts. Black pooled the invested money and guaranteed a rate of return on the investments. Long term securities were invested in the bottom of the pool, while Black took new money to pay older investors. He gambled with the lower pool money on higher risk investments, and borrowed additional money to invest on high risk investments. In some respects, Black's actions represented a Ponzi scheme.

Investment losses were incurred in 1997 though, were not disclosed until 2004. Black covered up the losses, and provided his own estimated valuations to the investors. Black kept two sets of books, one he shared with investors, and a second set of books with more realistic numbers. There was a lack of verification of the valuations that Black supplied.

Black gambled the invested money on subprime and highly volatile mortgage strips. If interest rates increase, there is an increased yield in the pooled funds used to purchase sub-prime true derivative securities.

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 ACFE Events

Professional Interviewing Skills

December 8-9, 2008
San Juan, Puerto Rico
(English-speaking event)

SPECIAL COMBO COURSE!

Legal Elements of Fraud Examinations & Conducting Internal Investigations

December 15-17, 2008
Las Vegas, Nev.

Fostering an Ethical Organizational Culture Through Communication

Your ethical culture can impact everyone in your organization. The challenge comes in making sure that impact is positive.

To register for EthicsLine's **FREE** online seminar and learn concepts on cultivating an ethical culture and applied techniques that have helped several organizations build ethical cultures, [click here](#).

The investors receive a guaranteed yield, and the fund skims excess profits. During the investment period on 1990-1995, there was a long period of declining interest rates. As a result, there were massive shortfalls in the investment fund Black created. For covering up the shortfall, Black went to jail.

2008 Compensation Guide for Anti-Fraud Professionals

The ACFE's [2008 Compensation Guide for Anti-Fraud Professionals](#) is out, and the results confirm the value of the Certified Fraud Examiner credential: **CFEs earn nearly 22 percent more**, on average, than their non-certified colleagues. This finding is based on research conducted by independent research firm Industry Insights, Inc.

Findings in the 2008 Compensation Guide include:

- **Certified Fraud Examiners (CFEs) earn nearly 22 percent more than their non certified colleagues.** The survey showed that CFEs earn a median total compensation of \$90,300, while the median total compensation for non-CFEs is \$74,111.
- **More executive-level professionals are certified.** Greater than 80 percent of those surveyed who are a partner or principal in their firm are CFEs. Similarly, more than 70 percent of the respondents who are executives and directors have the credential, while CFEs make up more than two-thirds of survey respondents who are managers and supervisors/senior consultants.
- **The CFE adds value for auditing and accounting professionals.**
 - External auditors: CFEs earn 27.6% more than non-CFEs
 - Internal auditors: CFEs earn 18.3% more than non-CFEs
 - CPAs/CAs: CFEs earn 25.1% more than non-CFEs

The full 2008 Compensation Guide is available for download (in PDF) at www.ACFE.com/compguide.

November 12, 2008

George Farragher, CPA, CFE, CFF

ACFE Regent (Chairman)

Owner, Independent Investigation & Forensic Advisory Practice

Direction of Government Anti-Fraud Efforts and How to Handle Them

George Farragher formed an independent investigation and forensic advisory practice in September 2008. Formerly, he was an Executive Director in Ernst & Young's International Fraud Investigation & Dispute Services practice and has over 25 years of experience in forensic financial investigations, financial management and audit.

George has applied his unique combination of professional talents on both domestic and international engagements to achieve successful solutions for his clients. Early in his career, he was an agent with the

ACFE Events

For upcoming program information and more details on the ACFE, go to www.acfe.com/.

Ideas

If you have a recommendation or idea for how we can improve the Chapter, please contact one of the Chapter officers.

U.S. Internal Revenue Service. During this period, he gained significant experience in compliance audit and investigative techniques combining his extensive financial knowledge with investigative skill. He subsequently transferred to the Department of Defense, Defense Contract Audit Agency. George was then part of Ernst & Young's Assurance and Advisory Business Services. Recently, George is now applying his many years of experience to create his own business and is the owner of his own investigation and forensic advisory practice.

George will discuss a topic of discussion opened by Alice Fisher, a keynote speaker at the 19th Annual ACFE Conference on the anti-fraud direction of the US Department of Justice. George will discuss the hot topics of what the government will be looking at, and how to handle these issues.

Please join us for this interesting and relevant presentation.

We look forward to seeing you at future Chapter Events!