

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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The Internal Revenue Service: Investigating Tax Fraud: Christian Eehalt, Greg Martinelli Lisa Gapsky, Kathy Haefner

The presentation started with a discussion of a case where the bookkeeper of a small company manipulated Quickbook employee payroll records to show an increased tax withholding in order to generate a big tax return. Another case discussed involving a Schedule S company, manipulated Quickbooks to pay for veterinarian bills for the company owner and also took deductions for kickbacks paid as part of larger fraud.

The speakers from the IRS talked about phony bookkeeping and the manipulation of payroll for greater overtime, but without making payroll tax payments, can lead to tax interests and penalties up to 70%.

In discussing additional cases, a company whose two owners had a falling out, left one owner running the company, while the other was excluded. The owner operating the company manipulated the books to show the company was making little profit. A review of the financial records showed legitimate-looking payments, were actually illegitimate. Quickbooks 2005 version has an audit function that identifies

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 Events

May 13, 2009

Michael Lamb
Controller, City of Pittsburgh

June 10, 2009 Chapter Officer Elections

Ray Lichauer
Medicare Fraud

Please contact a Chapter Officer if you are interested in volunteering as an officer for 2009-2010

Upcoming ACFE Events

www.acfe.com

20th Annual ACFE Fraud Conference and Exhibition

July 12-17, 2009

Bellagio, Las Vegas, Nev.

Today's economic climate requires you to find the answers to address the present and future fraud challenges your company faces. Discover these answers and more at the 20th Annual ACFE Fraud Conference & Exhibition. The 2009 lineup of keynote speakers has been announced: Michael

changes made to the books.

In another case, IRS auditors found that invoices didn't match up, and through additional investigation found that a major supplier did not exist. The owner didn't want to pay tax and used a phony vendor scheme to move money around to pay personal credit cards with company money, as a way of lowering taxable earnings.

For a review of a small public company, the IRS auditors found false income entries with phony invoices as a way to increase revenues. Red flags related to this case included changes and entries made in Quickbooks at the end of each quarter, and the company had a part-time CFE that did not have access to the financial records. Another red flag was that this multi-million dollar company was using Quickbooks for their accounting. In another review, the owner of a \$15 million dollar company with assets such as an expensive house, boat, fancy cars, filed a tax return showing \$40,000 income. The assets were greater than what the income showed.

The auditors stressed looking for red flags. Even smart individuals leave something behind that can be found. Also look for instances where there are no separation of duties or controls in place. Look for issues like sales being up, but profits down. Look for red flags like a high standard of living, but no income to support the standard of living. The speakers closed by stating that if an individual is not prosecuted criminally for tax fraud, the IRS may still pursue them civilly.

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.

Chertoff, former U.S. Secretary of Homeland Security; and Madoff Securities whistle-blower Harry Markopolos, CFE, CFA, will lead this dynamic group. Visit

Attend the Most Important Event for Anti-Fraud Professionals.

Join more than 2,000 of your fellow anti-fraud professionals at the 20th Annual ACFE Fraud Conference and Exhibition. Whether you are new to the field or an experienced professional, you will find opportunities to enhance your knowledge and develop your skills. You will also enjoy unparalleled opportunities to network with the premier practitioners and thought leaders in the fight against fraud. The ACFE Fraud Conference and Exhibition connects you with experts, resources and information that can help you stay competitive in this rapidly evolving industry.

For more information, please visit www.FraudConference.com.

Please join us for this interesting and relevant presentation.



**City of Pittsburgh Controller
Michael Lamb**

- **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.

May 13, 2009 Meeting Pittsburgh City Controller Michael Lamb

Michael Lamb was elected as Controller of the City of Pittsburgh in November 2007, and took office on January 7, 2008. The Controller's Office is responsible for assuring that City residents receive the best products and services for their tax dollars, and to maintain the high level of professional financial standards. The Controller's Office inspects goods and services received by the City, conducts performance and fiscal audits of City departments and authorities, and accurately compiles financial data to assess the City's current and future fiscal condition.

Prior to being elected as City Controller, Michael was the Prothonotary of Allegheny County, the chief record keeper of the Court of Common Pleas. Michael served as Deputy Prothonotary from 1992 – 2000 prior to becoming the Prothonotary.

Mr. Lamb is an attorney admitted to practice in the Commonwealth of Pennsylvania. He received his Juris Doctorate from the Duquesne University School of Law, his Masters Degree from Carnegie Mellon, and his Bachelor's Degree from Penn State University.



Keynote Speakers

The ACFE Annual Fraud Conference traditionally hosts the foremost experts in the anti-fraud field. These leaders in their fields share their insights and address the key issues. Previous conference speakers include: Senator George J. Mitchell, Senator Paul Sarbanes, the Honorable Michael Oxley, Ben Stein, Rudy Giuliani, Sherron Watkins, David M. Walker, Cynthia Cooper, William Barr and many others.

This year's conference is no exception. The 2009 lineup of keynote speakers is a diverse group of influential leaders and practitioners that will both inform and enlighten you.



Michael Chertoff

2nd U.S. Secretary of Homeland Security
Opening Ceremonies & General Session
Monday, July 13
8:30 - 9:50 a.m.

In his previous capacity as a federal prosecutor, Michael Chertoff co-authored the USA PATRIOT Act, served as the lead prosecutor in the "Crazy Eddie" Antar securities fraud case and led the government investigation of Enron and its accounting firm, Arthur Andersen. A leader and statesman, Chertoff came to the job of 2nd Secretary of Homeland Security with a background heavy with experience in fighting terrorism and white-collar crime, having served as the head of the Justice Department's criminal division in the months after September 11. [Read Bio](#)



Robert Rudloff, Jr., CFE, CIA

Vice President of Internal Audit, MGM MIRAGE
Working Lunch
Monday, July 13
11:40 a.m. - 1:10 p.m.

A 27-year veteran of the gaming industry, Bob Rudloff is a recognized leader in the internal auditing profession and a frequent speaker on internal auditing, fraud and gaming industry topics at local and national conferences and seminars. Prior to joining MGM MIRAGE, he was Director of Internal Audit Services with PricewaterhouseCoopers serving diverse clients such as Starbucks Coffee Company, Overture Services, Gemstar-TV Guide, Hypercom, Hyatt Gaming and the Mississippi Band of Choctaw Indians. Mr. Rudloff will discuss the ethical failures of organizations, the indicators that were present, and how to develop a stronger ethical culture in an organization. [Read Bio](#)



Mark Sullivan

Director of the United States Secret Service

General Session

Tuesday, July 14

8:30 - 9:50 a.m.

After joining the agency in 1983 as a special agent and working his way up the ranks, Mark Sullivan was sworn in as the 22nd Director of the United States Secret Service on May 31, 2006. He oversees the activities of the entire federal law enforcement agency best known for protecting the safety of the President and other national VIPs. In addition to the more traditional duties of the U.S. Secret Service, Mr. Sullivan's agency is also responsible for the investigation of financial crimes, credit card fraud, telecommunications fraud, computer fraud, identity theft and crimes affecting federally insured financial institutions.



Harry Markopolos, CFE, CFA

Fraud Investigator and Madoff Securities Whistle-Blower

Working Lunch

Tuesday, July 14

11:40 a.m. - 1:10 p.m.

Harry Markopolos is an expert in financial derivatives mathematics and prior to becoming a full-time fraud examiner, he was Chief Investment Officer for a Boston-based, multi-billion dollar derivatives asset management firm. Mr. Markopolos has risen to prominence as the "Madoff whistle blower" for his persistence in shedding light on Bernard Madoff's alleged \$50 billion Ponzi scheme. Beginning in May 2000, Mr. Markopolos regularly submitted detailed documentation to the Securities & Exchange Commission regarding the scheme. He was ignored and the fraud was allowed to reach epic proportions. He recently testified to the House Financial Services Committee on the breakdown within the SEC.



Aaron Beam

Convicted Fraudster & Former HealthSouth Chief Financial Officer

General Session & Closing

Wednesday, July 15

11:40 a.m. - 12:30 p.m.

In 1984, Richard Scrushy and Aaron Beam co-founded HealthSouth, a provider of outpatient surgery and rehabilitative services that would go on to become that nation's largest company of its kind with annual revenues exceeding \$3.5 billion. After years of record growth, the company fell just short of expectations in 1996 and Scrushy ordered the books to be fixed. Mr. Beam complied and, anguished and guilt-ridden resigned from the company a year later. When the scheme, which had continued for nearly 10 years, unraveled in 2005, Beam pleaded guilty to bank fraud in what became a \$2.6 billion accounting scandal. He served only three months in federal prison in return for his testimony against former HealthSouth Chief Executive Officer Richard Scrushy.

Subject to change.