



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

Board Member Address

Hello Lansing ACFE Chapter,

The LACFE Board wishes to remind you that there is still time to register for the Winter Conference in Grand Rapids on February 22. The presentation of ***Fraud Investigations from A to Z*** will hit the key elements and techniques of a fraud investigation. Many times we have knowledge of how and where to start. Many of us have the instincts to dive in. However, according to our scheduled speaker, Daniel Porter, "*a series of logical steps must be followed, and specific techniques must be used to reach an accurate conclusion*".

Since we never know for sure when a fraud investigation will lead to an indictment and trial, we must be diligent in every step of the investigation. Evaluating the red flags, Fact Finding, Analyzing the Data, Documenting, and Reporting are just the beginning. We must be accurate in all areas in order to get a conviction. Daniel will walk us through the entire process. We hope to see you there!

Please do not forget that we are looking for suggestions for topics for our future conferences. Please email anyone on the Board with your ideas.

Happy February Snow Days

LACFE Chapter Board

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Fraud Talk Podcast

Who Owns Your Face? Using Facial Recognition Technology in Fraud Examinations

Walt Manning, CFE, President of Investigations MD, discusses the role technology currently plays in fraud investigations and gives his predictions about the future.

This podcast is a product of the ACFE and may be downloaded at <http://www.acfe.com/podcasts/2017-Walt-Manning-facial-recognition.mp3>

UPCOMING EVENTS

LOCAL:

Lansing Chapter of the ACFE – Winter Fraud Conference

February 22, 2018

Grand Rapids, MI – The Bluff Banquet & Conference Center

Speaker – Daniel Porter

Topic – "Fraud Investigations from A to Z"

See page 3 for presentation description



AGA Luncheon – Prisoner Reentry Program

February 20, 2018

Lansing, MI – VanWagoner Building

Learn More at [http://www.lansing-](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=85&mid=24&pageid=22)

[aga.org/EventCalendar/EventDetails.aspx?ItemID=85&mid=24&pageid=22](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=85&mid=24&pageid=22)

Southeast Michigan Chapter of the ACFE

24th Annual Fraud Conference

April 26, 2018

VisTaTech at Schoolcraft College

Learn More at http://semcacfe.org/Annual_Fraud_Conference

NATIONAL:

Investigating Conflicts of Interest

February 5, 2018

Atlanta, GA

Learn More at <http://www.acfe.com/events.aspx?id=4294999879>

Investigating on the Internet

February 12-13, 2018

Houston, TX

Learn More at <http://www.acfe.com/events.aspx?id=4295000169>

If you have an event that you would like posted in our newsletter or if you wish to share an article, please contact Melanie Marks at lacfemrmarks@gmail.com

NOTE:

Research is being conducted for topics and speakers for Spring 2018 and Fall 2018 Fraud Conferences. We could use your help! What topics do you have interest? Is there a specific topic or speaker you would like to hear?

Your input is very important since these events are your CPE opportunities. Please contact Melanie Marks at lacfemrmarks@gmail.com with your ideas and suggestions.

REMINDER: IT IS TIME TO RENEW YOUR LACFE MEMBERSHIP



"I am quite certain that there was absolutely no 'cooking' of the books. Reheating however..."

THERE IS STILL TIME TO REGISTER!
Winter 2018 Fraud Conference – Feb. 22, 2018
Fraud Investigations from A to Z

Presented by Daniel Porter, CFE

Each fraud investigation is like a box of chocolates, you never know what you're going to get. Despite these differences, a series of logical steps must be followed, and specific techniques must be used to reach an accurate conclusion. From handling the initial tip, planning and executing your investigation, maintaining chain of custody over evidence, analyzing data, interviewing witnesses and subjects, documenting your work, and writing your report to communicating your results to management, law enforcement and prosecutors.

Whether you conduct fraud investigations full time or on an as needed basis, this seminar "Fraud Investigations from A to Z" will provide you with multiple takeaways you can immediately implement in your fraud investigation practice. Daniel will guide you through the entire process and provide relevant case studies of actual fraud investigations to reinforce the training and in some cases provide entertainment.

Daniel has over 20 years of investigative experience in both the private and in the public sector ranging from employees stealing gas for personal vehicles to \$20 million frauds of Federal grant funds. His experience in loss prevention, as a licensed private investigator, as an investigator in the Tennessee Comptroller's Office, and as an investigations manager with the Tennessee Department of Transportation provides him insight to the different challenges faced by internal and external auditors, accounting/finance professionals, and fraud examiners.

IN THE NEWS

Boston-Area Investment Advisers Charged with Fraud

<https://www.justice.gov/usao-ma/pr/boston-area-investment-advisers-charged-fraud>

City of Miami Police Officer Charged in Ponzi Scheme

<https://www.justice.gov/usao-sdfl/pr/city-miami-police-officer-charged-ponzi-scheme>

Germany Probes Bosch workers in US over diesel emissions

<https://www.cnbc.com/2018/01/31/the-associated-press-germany-probes-bosch-workers-in-us-over-diesel-emissions.html>

January Sudoku Answers

1	4	8	2	7	9	3	5	6
2	6	9	3	5	1	4	7	8
5	3	7	8	4	6	1	2	9
6	9	5	1	2	4	7	8	3
8	2	1	9	3	7	5	6	4
3	7	4	6	8	5	9	1	2
9	1	3	5	6	2	8	4	7
4	5	6	7	9	8	2	3	1
7	8	2	4	1	3	6	9	5

FRAUD TRIVIA QUIZ BY ACFE

- Accounting firm Arthur Andersen surrendered its CPA licenses in 2002 due to its involvement, and alleged complicity, in what company's accounting fraud scandal?
 - Deutsche Bank
 - Enron
 - KPMG
 - Target
- Olympus President and CEO Michael Woodford was fired by the Board of Directors after he did what?
 - Misstated earnings in an annual report
 - Authorized exorbitant bonuses for his brother and wife, neither of whom worked at the company
 - Wrote letters to the board expressing concern over unethical practices taking place
 - Leaked trade secrets to competitors

What Words Should I Use When I Start An Interrogation?



By John E. Reid and Associates, Inc - Recognized as The World Leader in Interview and Interrogation Training - www.reid.com

The flexibility and effectiveness of the Reid Technique of Interviewing and Interrogation is what makes it the most widely used investigative interviewing technique in the world.

The Reid Nine-Steps of interrogation is a proven structured approach that provides the investigator with a psychological road map to the truth. It has become the 'gold standard' to which all other methods are measured. This investigator tip will discuss the importance of Step One of the Reid Nine-Steps of interrogation. Although Step One is very brief, representing about ten seconds of the interrogation process, the language used in those ten seconds could make the difference between success and failure. There are three basic components to Step One: the opening statement, the observation, and the transition. This investigator tip will focus on the language used in the opening statement. We will discuss the observation and transition statement in future investigator tips.

In general terms an investigation begins with a review of the case facts and evidence in an effort to identify the various individuals who should be interviewed (see Nov/Dec 2017 Investigator Tip "Factual Analysis"). Potential interview subjects include the victim, any witnesses and potential suspects.

The interview is a non-accusatory information gathering conversation designed to develop investigative and behavioral information. (For a more detailed discussion of the Behavior Analysis Interview see Investigator Tips "The Reid Behavior Analysis Interview" (July/Aug 2014) and "Conducting A Custodial Behavior Analysis Interview" (Jan/Feb 2008)). The investigator goes to great lengths to avoid being judgmental, challenging, or accusatory to any of the suspect's statements during the interview. Following the interview, investigative steps may be taken to determine the credibility of information provided during the interview, such as the suspect's alibi. When the investigative information and evidence indicate a suspect's probable involvement in the commission of the crime the investigator may choose to transition into the second phase of the process - the interrogation.

The expression 'One size does not fit all' comes to mind when considering the flexibility of Step One. There are some instances when it would be advantageous for the investigator to be very direct with the subject in the opening statement and there are other times when it would be in the best interest for the investigator to be less direct in the opening statement. To provide the investigator with the best opening statement for his situation, we offer four fundamentally different opening statements that can be used to initiate the Reid Nine-Steps of interrogation. The opening statement in Step One represents the first time that the investigator is expressing any judgment or opinion regarding the subject's involvement in the incident under investigation.

These are the four opening statement options to choose from to initiate the interrogation process:

1. *"As a result of the investigation that we have conducted, and considering the information you gave me during our interview, the investigation indicates that there are some areas that we need to clarify."*
2. *"The results of our investigation indicate that you have not told me the complete truth about (issue)"*
3. *"As you know, we have interviewed everyone in the area and you are the only one that we cannot eliminate from suspicion."*

4. *"I have in this file the results of our investigation into the (issue). The results of this investigation clearly indicate that you are the person who (committed the offense)."*

There are advantages and disadvantages to each of these four statements. Therefore, the investigator should evaluate the circumstances of each case to decide which statement will give them the best chance of success securing the truth from the subject.

As you can see some statements are more provocative than others. However, each statement is communicating to the subject the investigator's opinion or judgment, based on the investigation, that the subject knows more information regarding the incident under investigation than they have revealed up to this point.

The least provocative statement is Statement 1 - *"As a result of the investigation that we have conducted, and considering the information you gave me during our interview, the investigation indicates that there are some areas that we need to clarify."*

The most provocative statement is Statement 4 - *"I have in this file the results of our investigation into the (issue). The results of this investigation clearly indicate that you are the person who (committed the offense)."*

If the subject's attitude in the interview was defensive, argumentative, uncooperative, and in general combative then the investigator may consider using the less direct approach. Also, if the subject is in custody and has been read his Miranda rights, the investigator should consider whether the suspect may invoke their right to an attorney and refuse to talk to the investigator if the more provocative and direct opening statement is used, i.e. *"I have in this file the results of our investigation into the (issue). The results of this investigation clearly indicate that you are the person who (committed the offense)."*

While there is a degree of 'shock and awe' to this direct opening statement, and it will serve to clearly communicate to the subject the confidence the investigator has in the strength of their case, it might be at the expense of stopping the interrogation 'cold' if the subject asks for an attorney. If it is a non-custodial interrogation the investigator should consider whether the subject will terminate the conversation and walk out of the room if the more direct opening statement is used.

The most significant advantage to the more direct opening statement is the value of the subject's initial response. This value is significantly eroded when the less direct approach is used. Therefore, the investigator should also consider the strength of their case. If the case is purely circumstantial then the investigator may choose to take the risk of the subject invoking their right to an attorney or walking out in exchange for the value of the initial behavioral response. For example, when the investigator makes it clear to the subject, via the direct opening statement, that the results of the investigation clearly show the subject committed the crime and the subject offers a weak denial or no denial at all, it is a strong reinforcement to the investigator of the subject's probable guilt.

This assessment is lost, however, when using the less direct approach. When advising a suspect that 'there are some areas that need to be clarified', most subjects will not offer any immediate denial or resistance to that statement because of its ambiguity.

There are several factors to consider when selecting the proper language that should be used in the opening statement of the interrogation. The following is a discussion of five of the more common factors to consider.

1. The attitude of the subject during the interview and in general during the investigative process

As briefly previously mentioned, the subject's attitude is one of the factors to consider but it is not necessarily the determining factor. For example, if the subject has a demeanor that suggests they will walk out of the room or invoke their rights if directly confronted with involvement in the commission of the crime, then the less direct statement may be preferable. However, there are some subjects who have an aggressive attitude in the interview designed to intimidate the investigator. If it is a non-custodial interview in which invoking Miranda is not a concern, then sometimes the more direct statement may be advantageous to demonstrate the confidence the investigator has in the strength of their case.

2. The quality of the evidence against the suspect: is the evidence circumstantial or is there irrefutable proof of the suspect's guilt?

If the investigator's case is purely circumstantial then the more direct statement may be preferred. The advantage of the direct statement ("...our investigation clearly shows you did [issue]") is that it provides the investigator with the best opportunity to evaluate the subject's initial response to the statement, which can then serve to increase the investigator's confidence in the subject's guilt. On the other hand, if the investigator has irrefutable proof of the subject's guilt then the initial response to the accusation is not as crucial. A less direct statement may be in order ("... there are a few areas we need to clarify"). When the evidence is circumstantial and the direct opening statement is used, the investigator should be prepared to respond to the subject's potential request to see what evidence 'clearly shows they did it'. This brings us to the next consideration - the experience level of the investigator.

3. The experience level of the investigator

Step Two, Theme Development, is the most difficult aspect of the Reid Nine-steps of interrogation. An investigator must have the ability to maintain a monologue in the face of potential verbal resistance from the subject to properly develop the themes. One of the disadvantages of using the direct statement is the increased possibility of provoking strong verbal resistance from the subject. Experienced investigators who are accustomed to handling this resistance can maintain control and at the same time develop their themes in the face of this resistance. Investigators who do not have much experience using this method may find it difficult to get into the rhythm of the monologue in the face of this verbal resistance.

Another potential disadvantage of the direct opening statement is that it increases the probability of the subject requesting to 'see the evidence'. This probability is diminished when the less direct "there are a few areas we need to clarify" statement is used because the investigator is not making the claim that the results clearly show that the subject committed the crime.

Experienced investigators are accustomed to 'talking around the evidence' whereas inexperienced investigators may stumble when the subject presses the issue to see the evidence. (For more information on the development of interrogation themes see the Sept/Oct 2017 Tip: "The fundamental foundation of the Reid Technique: Empathy and Understanding).

4. Is it a custodial or non-custodial interrogation?

When a subject is in custody the investigator must consider whether the subject will invoke his right to an attorney if they use the direct opening statement. If the investigator has irrefutable evidence and has developed sufficient rapport with the subject, then the direct opening statement may be preferred. The direct opening statement will demonstrate the investigator's confidence in the strength of their case. This is advantageous to the investigator because the subject will more likely be convinced that the investigator knows they 'did it' and will be more inclined to listen to the monologue of themes which act to persuade and influence the subject to tell the truth.

5. The nature of the issue under investigation

For example, if you have a number of subjects who participated in the commission of a crime (such as fraternity hazing that had lethal consequences) the initial statement should be more general in nature because we may not yet know the specific behavior that each individual committed.

On the other hand, if the investigation has developed overwhelming evidence of the subject's guilt, the opening statement may be very specific so as to indicate the investigator's confidence in the subject's involvement.

In some instances where you have continual losses, such as ongoing inventory shortages, some of which is undoubtedly due to employee theft, a less-direct opening statement may be appropriate, particularly if it is suspected that more than one employee is stealing.

Choosing which opening statement to use in Step One can set the stage for the remainder of the interrogation, so careful thought should be exercised in deciding on the exact words that should be used in this opening statement.

This Investigator Tip was developed by John E. Reid and Associates Inc. 800-255-5747 / www.reid.com.

Did you know...

- * **Organizations worldwide lose about 5% of top-line revenue to fraud annually.**
- * **The banking and financial services, government and public administration, and manufacturing industries are the most represented sectors in fraud cases.**
- * **Mining and wholesale trade had the fewest cases of fraud. However, those industries reported the greatest median losses of \$500,000 and \$450,000 respectively.**

~ Report to the Nations on Occupational Fraud & Abuse – 2016 Global Fraud Study

QUOTE OF THE MONTH

"The challenge for capitalism is that the things that breed trust also breed the environment for fraud."

James Surowiecki