



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

Board Member Address

Happy New Year 2018 Fraud Fighters!

The LACFE Board wishes you all a safe and wonderful year! We understand the challenges that fraud fighters face in their quest for the truth. To keep up with the white-collar criminal, we all need resources and knowledge about the angles the criminal uses to hide their crimes. Our goal for 2018 and beyond is to supply you with as many resources as possible to aid and guide you to accomplish that quest. We have seminars planned for you to earn CPE, and we also send out the monthly newsletter with current and relevant resources. In addition, we also have several links to resources on our website for you to use. Lastly, we invite you to use us! If you are searching for an answer to a specific question or need to find a resource, please feel free to contact our Board Secretary. Melanie will assist you in finding what you need and share your findings with the LACFE Community if appropriate.

Also, don't forget our Winter Conference on February 22 in Grand Rapids! Daniel Porter, our speaker, has over 20 years of experience in investigations both in the private and public sectors. He is an investigator for the Tennessee Comptroller's Office and has experience at Tennessee Department of Transportation as well as being a licensed private investigator. His presentation is *Fraud Investigations from A to Z*. This will be another exciting and informative conference! We hope to see you there!

Happy New Year

LACFE Chapter Board

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Fraud Talk Podcast

How One Hotel's Guest Records Ended Up in the Hands of the Aryan Brotherhood

Former U.S. Secret Service Agent Sean McCleskey, J.D. shares the details of the largest identity theft case to hit the city of San Antonio, Texas. McCleskey discusses the case from investigation to prosecution and predicts the challenges fraud examiners will face with identity protections in 2018. This podcast is a product of the ACFE and may be downloaded at <http://www.acfe.com/podcasts/How-One-Hotels-Guest-Records-Ended-Up-in-the-Hands-of-Aryan-Brotherhood.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 Webinar – Grants Management: Breaking Down the Complexities

January 10, 2018

Lansing, MI – VanWagoner Building

Learn More at [http://www.lansing-](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=91&mid=24&pageid=22)

[aga.org/EventCalendar/EventDetails.aspx?ItemID=91&mid=24&pageid=22](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=91&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:

Auditing for Internal Fraud

January 25-26, 2018

Phoenix, AZ

Learn More at <http://www.acfe.com/events.aspx?id=4294999645>

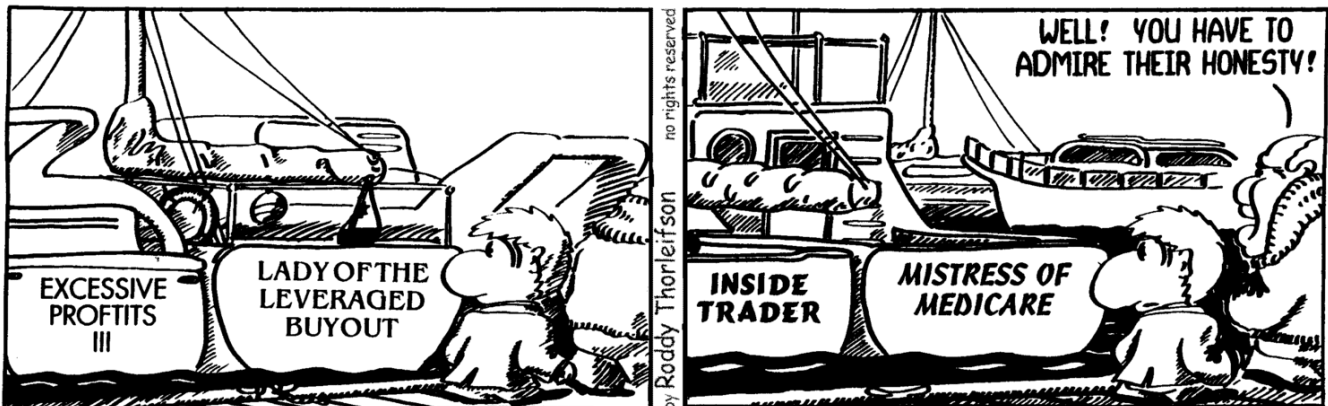
Investigating Conflicts of Interest

February 5, 2018

Atlanta, GA

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

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



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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.

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.

IN THE NEWS

New York City gallery owner hit with federal fraud charges

<http://www.nydailynews.com/new-york/nyc-crime/new-york-city-gallery-owner-hit-federal-fraud-charges-article-1.3701611>

Florida man pleads guilty to trading on inside info from lawyer

<https://www.cnbc.com/2017/12/28/reuters-america-florida-man-pleads-guilty-to-trading-on-inside-info-from-lawyer.html>

2 investors, including 'Twilight' backer, convicted of fraud

<https://www.cnbc.com/2017/12/26/the-associated-press-2-investors-including-twilight-backer-convicted-of-fraud.html>

December Word Search Answers

W M B H E O J G J K Y U K E Z
 Q N A C W H T Z N R G I W L H
 T B J R Y M D Q E I C D K Z B
 T F A I U C A B N K F C G Z N
 J Q K M X P I Y B Z Y R O E Y
 H H V I M R V A K P I L U B N
 E Q E N B Z C X U E C K Z M N
 I X F A J K H L U Z Q B G E S
 B F T L H W L S C T I X J W F
 P N R O F A L S I F I E D M C
 A O Z L R X X U B F S K D F G
 Q F N V V T F R A U D M B K B
 H M C Z Q A I A L Z L L D K B
 E N T O I H Y O A C A Y J I P
 G N I M M I K S N O Y R U P D

BRIBERY

CRIMINAL

EMBEZZLE

EXTORTION

FALSIFIED

FRAUD

KICKBACK

PONZI

SKIMMING

SMURFING

January Sudoku

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

The Profile of a Fraudster

By Stephanie Wood, CPA, CFE, CIA

Stephanie is part of the Leadership Team at Stonebridge Business Partners.
stonebridgebp.com

We are all aware of the seven key questions that help us understand a situation and the context of a situation: The Who, What, Why, When, Where, How, and How Much? When applying these key questions to fraud related stories, it seems that many of the articles we read today focus on the what, why, when, where, how, and most often, the how much. While these details are pertinent to the story, it is also interesting to take a deeper look at the “who”. It is becoming increasingly important for employers to have an understanding of the warning signs, and understand who commits fraud just as much as they should understand how it is perpetrated and what controls should be in place to mitigate the risk.

The Association of Certified Fraud Examiners (“ACFE”) 2016 Report to the Nations on Occupational Fraud and Abuse (the “Report”) analyzes actual case information provided by Certified Fraud Examiners and presents statistical data on the cost of occupational fraud, the perpetrators, the victims, and the various methods used to commit crimes. Included in the chapter on perpetrators is information related to their position, tenure, department, gender, age, education level, employment history, and whether or not the individual acted alone or colluded with others. The report is based on an analysis of 2,410 cases that were investigated between January 2015 and October 2015.

Using the valuable information provided in this report, we can gain a better understanding of the types of individuals committing crimes, which will ultimately assist employers in their continued fight against fraud in the workplace.

What Does a Fraudster Look Like?

Using the information presented in the ACFE’s Report to the Nations, the following is a profile

of a perpetrator, split out into different categories:

Position: Consistent with previous reports, the individuals most likely to commit fraud were in the “employee and manager” positions. Of the cases analyzed, 40.9% were employees and 36.8% were managers. The other significant category under position was the owner/executive, which made up 18.9% of the crimes.

Tenure: The report also analyzed data on how long the perpetrators were employed with an organization. In doing so, it was noted that losses were more significant the longer an individual worked for the organization. Employees with 1-5 years committed the most frauds at 42.4%. Those with 6-10 years at the organization came in at 26.5%, and those with more than 10 years were at 22.9%. This seems reasonable as one would assume the longer an employee is with an organization, the more responsibility they get, which in turn may give them more opportunity to commit the fraud.

Department: According to the Report, approximately 76% of frauds came from seven key departments: accounting, operations, sales, executive/upper management, customer service, purchasing, and finance. Of these, the accounting department had the most frauds at 16.6%. Coming in second, the Operations department made up 14.9% of the frauds, and in third, the Sales department was at 12.4%.

Gender: Of the 2,410 cases reviewed, 69% of fraud perpetrators were male and 31% were female. The Report noted that these percentages were consistent with previous studies which have found females to be responsible for between 30%-35% of frauds in every study since they began collecting data in 1996. Some of this distribution was attributed to the fact that men still make up a larger portion of the workforce than women, so it might be expected that their percentage would be higher.

Age: More than half (55%) of frauds were committed by individuals between the ages of 31 and 45. Less than 3% of crimes were committed by people over the age of 60.

Education Level: Coming in at 47.3%, perpetrators with a college degree were much more likely to commit fraud than someone without a degree. This category could be influenced by the fact that someone with a higher education level will most likely have a higher level of authority, and have the opportunity to commit fraud more than someone who has a high school level of education, and much less authority and access within the organization.

Acting Alone or Colluding with Others: Are those committing fraud most likely to act alone or in collusion with others? The ACFE reported that 52.9% of cases involved only one perpetrator, which is down slightly from the 2014 Report (54.9%). The Report indicated that this decrease could be due to better anti-fraud controls related to separation of duties. However, if multiple individuals act together, they could still circumvent the system to commit the fraud.

Criminal History: The majority of occupational fraudsters are first time offenders. Only 5% of those committing occupational fraud were convicted of a prior fraud-related offense, and only 8% were previously fired for fraud-related conduct by a previous employer. These findings have been consistent since the ACFE's first report in 1996.

Employment History: Approximately 83% of individuals committing fraud had never been terminated or punished prior to the crimes included in the ACFE's Report. Some of this could be due to the fact that some cases are never referred to law enforcement, offenders not receiving punishment, or entering into settlement agreements that are confidential. Therefore, this figure could be slightly inflated and the actual number of individuals with a history is higher.

Behavioral Red Flags

In addition to the specific demographic information identified in [the Report](#), the ACFE also explored behavioral red flags that are common in fraud perpetrators. According to the ACFE, the following are the six most common red flags:

- Living beyond means
- Financial difficulties
- Unusually close association with a vendor or customer
- Wheeler-dealer attitude
- Control issues, unwilling to share duties
- Divorce/family issues

These six have been the most common red flags since this data was first tracked in 2008. The ACFE found that approximately 79% of perpetrators exhibited at least one of these six during their employment.

What can employers do?

While it is important to learn of the what, why, when, where, how, and how much, it is also necessary to understand the “who” behind fraud. Employers can use a combination of the demographic information above and the common red flags to be more adept at identifying potential risks. The more aware organizations are of the risks, the better equipped they will be to implement the proper controls to mitigate them.

First published in *The Daily Record* July 2017 taken from

<https://stonebridgebp.com/library/uncategorized/the-profile-of-a-fraudster/>

QUOTE OF THE MONTH

**"For the most part fraud in the end secures for its companions repentance and shame."
Charles Simmons**