



# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

## Board Member Address

Greetings from the LACFE Board!

The LACFE Board wants to thank all the attendees to the Winter Conference that was held on February 22. Not only was it informative, but it was a great networking opportunity to meet fellow Fraud Fighters (and to earn some CPE)! We'd love to hear any suggestions for future chapter events, so please email us with your ideas!

Perhaps it's because spring is just around the corner, or it might have been the excitement of all those Fraud Fighters in one location at the Winter Conference, but the Board is ready to "spring forward" with some fraud fighting resources.

Check out the "Upcoming Events" section of the newsletter to see how you can jump in too.

Sneak Peek: The chapter's annual meeting is tentatively scheduled for July, location and date to be determined. More details to come!

***Molly Jeltema***

LACFE Chapter Board

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## Fraud Talk Podcast

### The Price of Health Care Fraud

Health care fraud experts Jacqueline Bloink, CFE, CHC and Jerri Rowe, CFE, examine the high cost of health care fraud, not only in monetary terms, but in peoples' well-being as well. They also discuss setting up their new health care group within the ACFE Community.

This podcast is a product of the ACFE and may be downloaded at

<http://www.acfe.com/podcasts/The-Price-of-Health-Care-Fraud.mp3>

# UPCOMING EVENTS

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## **LOCAL:**

### **AGA 2018 Spring Professional Development Training**

March 20, 2018

Okemos, MI – Okemos Conference Center

Learn More at [http://www.lansing-](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=96&mid=24&pageid=22)

[aga.org/EventCalendar/EventDetails.aspx?ItemID=96&mid=24&pageid=22](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=96&mid=24&pageid=22)



### **AGA Webinar – Cybersecurity**

March 28, 2018

Learn More at [http://www.lansing-](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=93&mid=24&pageid=22)

[aga.org/EventCalendar/EventDetails.aspx?ItemID=93&mid=24&pageid=22](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=93&mid=24&pageid=22)

### **Southeast Michigan Chapter of the ACFE**

24<sup>th</sup> Annual Fraud Conference

April 26, 2018

VisTaTech at Schoolcraft College

Learn More at [http://semcacfe.org/Annual\\_Fraud\\_Conference](http://semcacfe.org/Annual_Fraud_Conference)

### ***Lansing Chapter of the ACFE – Spring Fraud Conference***

*May 2018*

*Stay Tuned for More Info*

## **NATIONAL:**

### **Controlling the Risk of Asset Misappropriation**

March 19-20, 2018

New York, NY

Learn More at <http://www.acfe.com/events.aspx?id=4295000137>

### **Cyberfraud and Data Breaches**

March 21-22, 2018

New York, NY

Learn More at <http://www.acfe.com/events.aspx?id=4295000138>

### **Financial Statement Fraud**

April 5-6, 2018

San Diego, CA

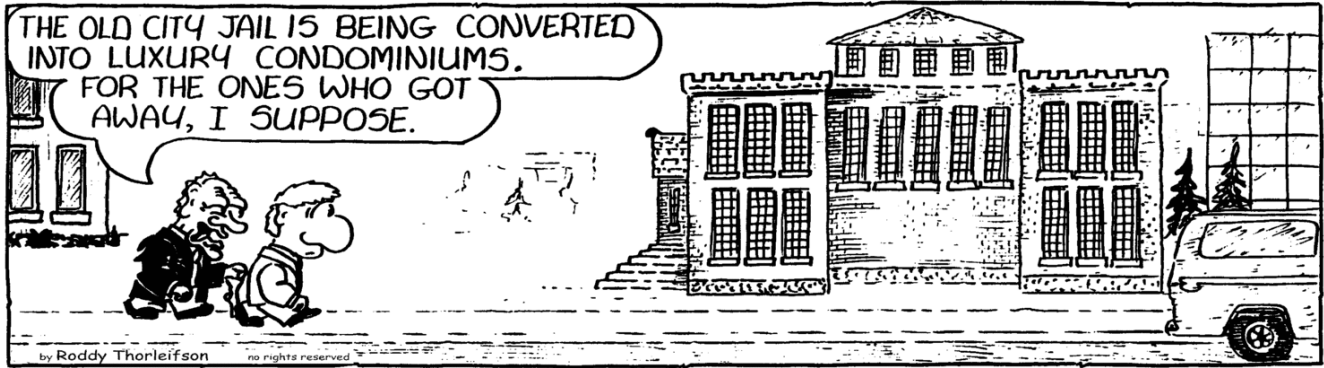
Learn More at <http://www.acfe.com/events.aspx?id=4294999648>

*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](mailto:lacfemrmarks@gmail.com)*

## **NOTE:**

**Research is being conducted for topics and speakers for Spring 2018 and Fall 2018 Fraud Conferences.**

**Your input is very important since these events are your CPE opportunities. Please contact Melanie Marks at [lacfemrmarks@gmail.com](mailto:lacfemrmarks@gmail.com) with your ideas and suggestions.**



## FRAUD TRIVIA - The Tale of the Two Bernies

1. Bernie Madoff was arrested in 2008 for a fraud scheme that totaled \$65 billion. What type of scheme was he running?
  - a. Insider Trading Ring
  - b. Money Laundering Scheme
  - c. Mortgage Fraud
  - d. Ponzi Scheme
  
2. What year was WorldCom forced to declare bankruptcy when it was discovered that CEO Bernie Ebbers was cooking the books?
  - a. 2002
  - b. 2004
  - c. 1998
  - d. 2010

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## IN THE NEWS

*Bank fraudster found hiding out in Upper East Side apartment*

<http://www.nydailynews.com/news/crime/bank-fraudster-found-hiding-upper-east-side-apartment-article-1.3837575>

*Indian investigators seize billionaire jeweller's luxury cars in \$1.8 bln fraud probe*

<https://www.cnbc.com/2018/02/22/reuters-america-indian-investigators-seize-billionaire-jewellers-luxury-cars-in-1-point-8-bln-fraud-probe.html>

*Florida lawyer sentenced to more than 2 years for insider trading scheme*

<https://www.cnbc.com/2018/02/22/reuters-america-florida-lawyer-sentenced-to-more-than-2-years-for-insider-trading-scheme.html>

*Gainesville Physician and Ex-Wife Indicted in Health Care Fraud Conspiracy*

<https://www.justice.gov/usao-ndfl/pr/gainesville-physician-and-ex-wife-indicted-health-care-fraud-conspiracy>

## *Answers to February's FRAUD TRIVIA QUIZ BY ACFE*

1. Accounting firm Arthur Andersen surrendered its CPA licenses in 2002 due to its involvement, and alleged complicity, in what company's accounting fraud scandal?
  - a. Deutsche Bank
  - b. Enron
  - c. KPMG
  - d. Target

Enron was one of the largest fraud scandals in recent history and led the energy giant to declare bankruptcy, forfeiting \$63.4 billion in assets. A court convicted Arthur Andersen of obstruction of justice for shredding documents related to Enron audits. Although the U.S. Supreme Court overturned that ruling in 2005, the accounting firm was never able to recover.

2. Olympus President and CEO Michael Woodford was fired by the Board of Directors after he did what?
  - a. Misstated earnings in an annual report
  - b. Authorized exorbitant bonuses for his brother and wife, neither of whom worked at the company
  - c. Wrote letters to the board expressing concern over unethical practices taking place
  - d. Leaked trade secrets to competitors

Shortly after Michael Woodford was named President and CEO of Olympus, he began investigating suspicious merger and acquisition activity. He believed the deals to be irregular and traced some money to off-shore accounts. Upon raising concerns to the board, he was unanimously voted out of the company. He took his suspicions to the U.K.'s Serious Fraud Office and the FBI. Later, several Olympus executives were arrested by Japanese authorities and Olympus' share price tanked.

**Think our job of fraud fighting is done? Not in Michigan....**

*Ex-MSU Professor robotics expert accused of \$400k fraud*

[http://www.mlive.com/news/grand-rapids/index.ssf/2018/02/ex-msu\\_professor\\_renowned\\_robo.html#incart\\_river\\_home](http://www.mlive.com/news/grand-rapids/index.ssf/2018/02/ex-msu_professor_renowned_robo.html#incart_river_home)

*Former Doctor Sentenced to 75 months in Prison for Illegally Prescribing Opiates and Committing Health Care Fraud*

<https://www.justice.gov/usao-edmi/pr/former-doctor-sentenced-75-months-prison-illegally-prescribing-opiates-and-committing>

*Detroit Doctor Sentenced to Six Years in Prison for Role in \$10.4 Million Health Care Fraud Scheme*

<https://www.justice.gov/opa/pr/detroit-doctor-sentenced-six-years-prison-role-104-million-health-care-fraud-scheme>

*Feds: Johnson deep in debt before stealing from state*

<http://www.detroitnews.com/story/news/local/detroit-city/2018/02/20/bert-johnson-deep-debt-stealing-taxpayers-feds-say/110637884/>

# Understanding the Risks of Cryptocurrency

By Jim Marasco, CPA, CFE, CIA  
Jim is a partner at Stonebridge Business Partners.  
[stonebridgebp.com](http://stonebridgebp.com)

The world is trying to understand what to do with the newly popular cryptocurrencies that have emerged. 2017 was a breakout year as prices soared higher. All sorts of investors jumped in to speculate on their future – a theme that repeats itself. However, before you jump in, it's wise to understand what it is and the risk involved.

## What is a Cryptocurrency?

A cryptocurrency is a type of digital token or asset designed to work as a medium of exchange that relies on cryptography (i.e. blockchain technology) for chaining together signatures of token transfers. They rely on peer-to-peer networking and decentralization. By now, we've all heard of the most popular cryptocurrency, Bitcoin, which was actually created in 2009. Besides, Bitcoin, there are nearly 1,000 other types of cryptocurrencies today, with two dozen the most actively used.

Some people have jumped into the craze by "mining" Bitcoin or others. For the blockchain to work, transactions must be validated each step of the way. This is done by "miners" who modify their computers to authenticate each of the transactions solving complicated mathematical problems. This early work was done by cryptography enthusiasts (thus the name). For their efforts, they earn cryptocurrency themselves. To take advantage of this revenue opportunity, there is a whole business model set up around training and supplying people with the tools and knowhow to get started. Individuals are pooling resources with each other and commercial enterprises have been established to invest in the necessary resources to capitalize on it.

Besides being used as a currency to buy and sell items, cryptocurrencies are being used as a speculative investment. As a result, the prices of the most popular currencies have become increasingly volatile.

## Advantages/Disadvantages

When describing the advantages and disadvantages of cryptocurrencies, it's easier to list their overall characteristics since the pros and cons can become murky, based on perception. For example:

- Access – anyone with Internet access and an account can use cryptocurrencies. Since they are decentralized and not restricted to any one country, they trade 24/7 all over the world.
- Ease of payment/reduced fees – users can easily transmit payments to each other's digital wallets in seconds with very low transaction fees, compared to banks or credit cards. With cryptocurrencies, the buyers are charged a small fee, the opposite of our current credit card system and chargebacks are not allowed. Therefore, once a transaction is consummated, it cannot be reversed. This could also work against you for payments that are made in error and the receiver refuses to return the currency.
- Security and privacy – most of the platforms run on blockchain technology which has proven quite secure. You can remain anonymous. As of today, very little, if any, government reporting is involved making this characteristic the most controversial aspect to cryptocurrencies.
- Peer-to-peer – users control their own digital wallet versus using a bank. However, losing access to your wallet (forgotten password or lost phone/computer) can present some major challenges.
- Acceptance – while in theory, cryptocurrencies like Bitcoin can be used all over the world. Unfortunately, most vendors are not set up to accept them or educated as to their potential benefits.
- Uncertainty – the volatility in the pricing of cryptocurrencies is intimidating and threatens widespread acceptance. Currencies need to be stable and reliable to earn trust and be widely used.

## Types and Uses of Cryptocurrencies

While we discussed the popularity of one of the first in Bitcoin, others are also widely used.

- Litecoin (LTC) – created in 2011 by Charlie Lee, a former Google engineer. Believed to process transactions faster than Bitcoin.
- Ethereum (ETH) – established in 2015 and the most popular besides Bitcoin. In addition to a currency, it is also a software platform that enables Smart Contracts and various other applications.

- Zcash (ZEC) – launched in 2016 and offers users extra security and privacy or selective transparency of transactions.
- Ripple (XRP) – released in 2012, it enables banks to settle cross-border payments in real time and at lower costs.
- Monero (XMR) – started in 2014, it offers secure, private and untraceable currency. The development was completely driven by donations and focuses on decentralization and scalability.

## **The Dark Side of Cryptocurrencies**

The growing popularity and secrecy aspects of cryptocurrencies are starting to attract considerable attention around the world from all sorts of people. Criminals are attracted to the features that allow for money laundering and secrecy, while investors see opportunities for large gains to go unreported. Likewise, most governments and banks are starting to scream foul.

While some countries have outright banned cryptocurrencies, others, including the U.S., are trying to regulate it. As talk of regulation and oversight became louder, prices of cryptocurrencies started to fall from their peak in early 2018. Major banks also joined into the fray by starting to prohibit purchases of cryptocurrencies using their credit cards. However, Japan stands alone. They were the first to actually grant cyber currencies recognized status as a form of legal tender in mid-2017. Accordingly, popularity grew in the country and their citizens represented one-third of all Bitcoin activity by the end of 2017.

## **A Wolf in Sheep's Clothing?**

You have to go back to the Dot Com craze of the late 90's to witness the fear, trepidation and speculation that cryptocurrencies have created. For example, the famous corporate raider, Carl Icahn is quoted as saying, "Bitcoin and other cryptocurrencies are ridiculous." Jamie Dimon, Chairman and CEO of Chase Bank, "Bitcoin will eventually blow up; it's a fraud." He later came out and partially recanted by saying that the blockchain technology it runs on is real. Warren Buffet, "cryptocurrency will come to a bad ending." Yet industry insiders and Kay Van-Peterson, an analyst at Saxo Bank who correctly predicted the popularity and pricing of Bitcoin in 2016 and 2017, is forecasting that Bitcoin will hit \$100,000 in 2018. Japanese citizens are betting on that as they pour their life savings in cryptocurrencies.

The argument supporting regulation by countries involves more than their just attempt to capitalize on revenue. It also involves protecting investors and consumers from fraud, abuse and extraordinary risks. In the U.S., investors must be “accredited” before making large speculative investments, meaning they can afford to lose what they are investing. Should investments in cryptocurrency be treated in a similar fashion? Should everyone be allowed to blindly invest in something unregulated by any authority? The thought of a universal, decentralized currency may be appealing, but widespread acceptance will be threatened if the price wildly fluctuates day-to-day. Speculative investors have flooded the market hoping to get rich quick. They don’t have to go back far to see how this story could play out.

## QUOTE OF THE MONTH

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**"There will always be waste, fraud, and abuse. That's just life."**

**Scott Garrett**