



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

Board Member Address

Greetings from the LACFE Board

The LACFE Board is pleased to announce our upcoming conferences! Set your calendars for some exciting and informative speakers. We have teamed up with the ACFE in bringing some distinctive and relevant topics to our area.

Spring Conference is scheduled for May 10 and our topic will be Using Data Analytics to Detect Fraud presented by Jeremy Clopton. See page 3 of the newsletter for some details on the topic and the speaker. We have a few more details to completely wrap up, so watch your email for finalized information!

We also have information on our Fall Conference! October 2018 (tentatively October 25) our topic will be Fraud Risk Management presented by Bethmara Kessler. We will be sending out a summary of this topic and brief bio of the speaker in late May.

Additionally, we had some requests for topics regarding insurance fraud. We have begun preliminary research and are seeking some guidance from ACFE. We have not forgotten and will do our best to make this happen.

Happy Detecting!

Melanie Marks

LACFE Chapter Board Secretary

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Fraud Talk Podcast

How Blowing the Whistle and a Lay Off Led to Two Anti-Fraud Practices

Fellow CFEs Tiffany Couch and Janet McHard recall their first meeting and share their stories of opening up their own practices. Couch, CFE, CPA/CFF is the principal of Aculty Forensics and McHard, CFE CPA, MAFF, CFF is the founding partner of McHard Accounting Consulting LLP.

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

<http://www.acfe.com/podcasts/McHard-and-Couch-ACFE%20Fraud-Talk-Episode-58.mp3>

UPCOMING EVENTS

LOCAL:

AGA Luncheon: Create Your Plate: Using Work-Life Flexstyles to Create the Life You Want

April 17, 2018

Lansing, MI – VanWagoner Building

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)



MICPA and Healthcare Financial Management Assoc. – Healthcare Conference

April 25, 2018

Livonia, MI

Learn More at https://store.micpa.org/product/70253?_ga=2.64574950.817687632.1522196260-1278943816.1522196260

Southeast Michigan Chapter of the ACFE

24th Annual Fraud Conference

April 26, 2018

VisTaTech at Schoolcraft College

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

Lansing Chapter of the ACFE – Spring Fraud Conference

May 10, 2018

Lansing, MI

Topic: Using Data Analytics to Detect Fraud

Speaker: Jeremy Clopton, CFE, CPA, ACDA, CIDA

Lansing Chapter of the ACFE – Fall Fraud Conference

October 2018

Grand Rapids, MI

Topic: Fraud Risk Management

Speaker: Bethmara Kessler, CFE, CISA

NATIONAL:

Building Your Fraud Examination Practice

April 9, 2018

Chicago, IL

Learn More at <http://www.acfe.com/events.aspx?id=4295000590>

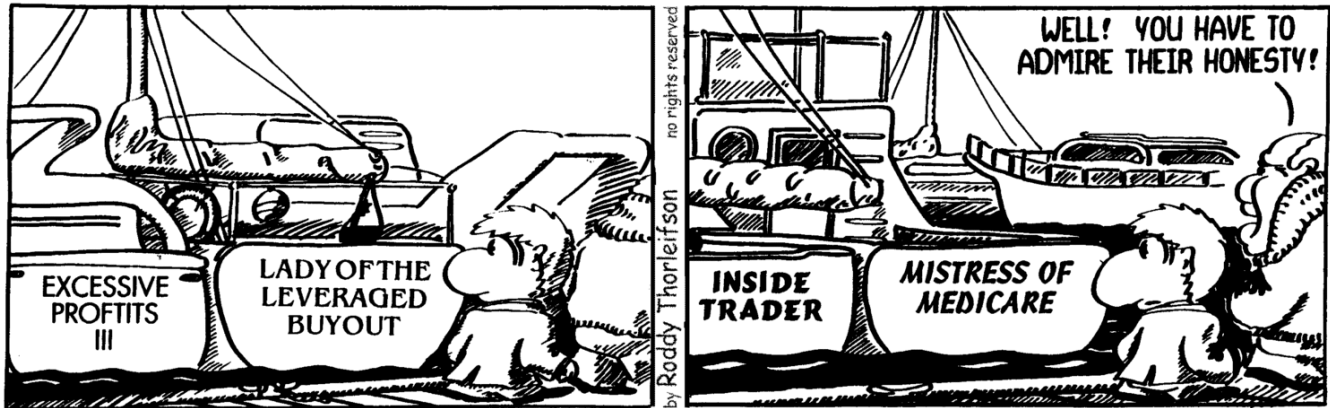
Conducting Internal Investigations

May 3-4, 2018

Austin, TX

Learn More at <http://www.acfe.com/events.aspx?id=4294999993>

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



Set The Date

Spring Fraud Conference – May 10, 2018

Using Data Analytics to Detect Fraud

Presented by Jeremy Clopton, CFE, CPA, ACDA, CIDA

According to the ACFE's 2016 *Report to the Nations on Occupational Fraud and Abuse*, proactive data monitoring and analysis is among the most effective anti-fraud controls. Organizations which undertake proactive data analysis techniques experience frauds that are 54% less costly and 50% shorter than organizations that do not monitor and analyze data for signs of fraud.

Using Data Analytics to Detect Fraud will introduce you to the basic techniques of uncovering fraud through data analysis. Taking a software-independent approach, this course provides numerous data analytics tests that can be used to detect various fraud schemes. You will also discover how to examine and interpret the results of those tests to identify the red flags of fraud.

Jeremy is the founder and owner of What's Your SQ, a company focused on helping organizations identify their key strategic questions and develop methods to answer them. His work focuses on organizational culture, strategic planning and implementation of data analytics, designing analytics-based systems to detect and mitigate the risk of fraud, and multigenerational leadership. Prior to founding What's Your SQ, Jeremy helped launch and lead the data analytics and digital forensics practices for a national accounting firm. He has experience in ACL, IDEA, and Tableau software for analysis, data visualization, visual analytics and dashboard development.

IN THE NEWS

Barclays to pay \$2 bln U.S. fine over mortgage fraud claims

<https://www.cnbc.com/2018/03/29/reuters-america-barclays-to-pay-2-bln-u-s-fine-over-mortgage-fraud-claims-justice-dept.html>

Ex-boss of China's Anbang Insurance pleads for leniency in trial for economic crimes

<https://www.cnbc.com/2018/03/28/reuters-america-ex-boss-of-chinas-anbang-insurance-pleads-for-leniency-in-trial-for-economic-crimes.html>

Trump Organization's real estate partner in India accused of \$147 million fraud

https://www.washingtonpost.com/world/asia_pacific/trump-organizations-real-estate-partner-in-india-accused-of-147-million-fraud/2018/03/18/0d7ef1fa-1c0e-11e8-98f5-ceecfa8741b6_story.html?utm_term=.1b7b2f7103ae

Nicolas Sarkozy, Ex-President of France, Faces Corruption Charges Over Libyan Cash

<https://www.nytimes.com/2018/03/21/world/europe/sarkozy-france-corruption-libyan-qaddafi.html>

Owners of Pasco County Marketing Firm Indicted for Paying Health Care Kickbacks and Money Laundering

<https://www.fbi.gov/investigate/white-collar-crime/health-care-fraud/health-care-fraud-news>

Ambulance Company to Pay \$9 Million to Settle False Claims Act Allegations

<https://www.justice.gov/opa/pr/ambulance-company-pay-9-million-settle-false-claims-act-allegations>

Answers to March's

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

Bernard Madoff had a stable of high net worth investors who trusted him to invest their money in carefully selected funds. His investors reported that they saw a steady stream of income, but they were not aware that he hadn't actually invested any of the money. Using a classic Ponzi scheme, he used new investor money to pay other investors and created fraudulent trading reports to cover his tracks. He is currently serving a 150-year prison sentence.

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

On the heels of the massive Enron scandal, it was discovered that WorldCom was also deeply embroiled in fraudulent practices. Former CEO Bernie Ebbers left the company in 1999 when it came out that he had helped himself to approximately \$366 million in loans from the company. Things got worse after his departure when an internal audit uncovered that Ebbers had artificially inflated revenues to the tune of \$3.8 billion. Ebbers was sentenced to 25 years in prison and WorldCom declared the largest bankruptcy in history, forfeiting \$107 billion in assets.

Score One For The Good Guys!

South Dakota Defendant Pleads Guilty in "QLaser" Medical Device Scam United States v. Robert "Larry" Lytle et al.

Docket Number: 5:17-CR-50020-KES (D.S.D.)

On Jan. 26, 2018, Robert "Larry" Lytle pleaded guilty in Rapid City, South Dakota in connection with a scheme to defraud consumers by selling light-emitting devices known as the "QLaser System" as a treatment for more than 200 different diseases and disorders. According to documents filed with the court, most purchasers of Lytle's devices, which cost thousands of dollars each, were elderly. A grand jury indicted Lytle in January 2017 on charges of conspiracy, criminal contempt, mail fraud, wire fraud, and obstruction of agency proceedings. As part of a plea agreement entered just before trial was to commence, Lytle pleaded guilty to: (1) conspiracy to introduce misbranded medical devices into interstate commerce with the intent to defraud and mislead; and (2) criminal contempt.

Two other defendants, Irina Kossovskaja and Ronald Weir, previously pleaded guilty to conspiracy in the scheme; charges against Lytle's longtime companion, Fredretta Eason, will be dismissed. Lytle admitted that the scheme brought in more than \$16 million. As part of the plea, Lytle agreed to make an initial restitution payment of \$675,000 by early February. Lytle is scheduled to be sentenced in April, when he faces a maximum sentence of 5 years imprisonment on the conspiracy charge; there is no maximum penalty specified in the criminal contempt statute.

Defendant Sentenced in Multi-Million-Dollar Prize Promotion Scams Targeting Elderly United States v. Burke and Rossi

Docket Number: 2:16-CR-0262 (D. Nev.)

On March 12, 2018, Glen Burke was sentenced to 87 months in prison plus three years of supervised release in connection with two schemes that defrauded thousands of victims, many of whom were elderly, out of more than \$20 million. Burke pleaded guilty in December 2017 to conspiracy to commit mail and wire fraud and criminal contempt in court.

In pleading guilty, Burke admitted that victims were told they had won cars, boats, or other prizes they could claim by purchasing hundreds of dollars' worth of vitamins. In return, victims received worthless costume jewelry. Burke also admitted that in a second scheme, he ran a direct-mail campaign that falsely promised victims millions of dollars in cash prizes for a \$20 to \$30 fee. A codefendant, Michael Rossi, will be sentenced in June 2018.

**District Court Issues Temporary Restraining Order Against Florida Businesses in Direct-Mailing Scheme
United States v. Marotta, et al.**

Docket Number: 0:18-CV-60377 (S.D. Fla.)

On Feb. 21, 2018, the district court issued a temporary restraining order pursuant to 18 U.S.C. § 1345 against two businesses and two individuals alleged to operate a direct-mailing scheme based in Fort Lauderdale, Florida. The complaint filed in the case alleges that Art Masters LLC, which does business as Palm Beach Liquidation Gallery, and its principal, Eugene Marotta, of Fort Lauderdale, Florida, and William Clutter, doing business as Edge Graphics of North Las Vegas, Nevada, committed mail fraud in connection with their scheme.

The complaint alleges that the defendants send fraudulent solicitations styled as notifications that the recipient has won a large package of cash and prizes, typically worth more than \$350,000. The complaint further alleges that the defendants mail thousands of solicitations to potential victims throughout the United States and have grossed more than \$1 million since 2016. A hearing for the defendants to show cause why a preliminary injunction should not issue is scheduled for April 17, 2018.

**United States Seeks Preliminary Injunction Against Arkansas Compounding Pharmacy
United States v. Cantrell Drug Co. et al.**

Docket Number: 4:18-CV-0159 (E.D. Ark.)

On Feb. 28, 2018, the United States filed a civil complaint, and on Mar. 1, 2018, filed a motion seeking a preliminary injunction against Cantrell Drug Company and its co-owner and Chief Executive Officer, James L. McCarley, Jr., to stop the manufacturing and distribution of adulterated drugs. The complaint alleges that Cantrell, a compounding pharmacy, distributed adulterated drugs in interstate commerce and caused drugs to become adulterated while held for sale after shipment of a component in interstate commerce.

Cantrell initiated voluntary recalls of drug products in 2016 and 2017 due to a lack of sterility assurance. According to the complaint, FDA inspections of the Cantrell facility documented evidence of insanitary conditions and significant deviations from current good manufacturing practice requirements, including records showing the company detected potentially dangerous bacteria in the air and on surfaces used for sterile processing.

Cognitive Interviewing

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



Cognitive interviewing is a memory retrieval procedure designed to enhance recall when interviewing a victim or witness. Unlike hypnosis, which involves placing the subject in an altered state of consciousness, cognitive interviewing relies on retrieving memories that are stored in different areas of the brain by cognitively stimulating various neural pathways. This phenomenon is familiar to all of us. A certain song, smell or taste may remind us of a memory long since forgotten. On the drive home from an unfamiliar location, seeing one familiar object oftentimes stimulates recall of upcoming buildings, intersections or landscapes that would not otherwise be remembered.

Introducing the Technique

Cognitive interviewing requires full cooperation on the part of the victim or witness and works best when that person is relaxed and in a private environment. The investigator should offer an explanation as to the basic theory of cognitive interviewing similar to the following:

"Sally, I'd like to go over this incident with you in a little different way. It's a technique called cognitive recall and will help you remember things easier. Have you ever heard a song on the radio and associated that song with a past boyfriend or maybe a vacation that you took with your family? You see, different parts of the brain respond to different stimuli. When we hear something, that sound is processed in a different area than when we see or touch something. No wall of these sensory areas are linked biologically to the top part of the brain which is where we store knowledge and memories. So rather than focusing on specific details, I'm going to ask some questions that will help stimulate memories. This works best when a person is completely relaxed so you may want to close your eyes. Simply listen to my questions, and tell me whatever comes to mind."

Stage I. Re-create Feelings or Strong Impressions of the Event

The interviewer should start by asking the victim or witness which one incident he or she best remembers. Following recall of the localized incident, the interviewer would ask specific questions to elicit sensory experiences of the incident such as,

"How did you feel?"

"What did you hear?"

"What were you holding?"

These questions are intended to stimulate different neural pathways; e.g., emotional, auditory, kinesthetic.

Stage II. Recollection of the Event

During this stage the victim or witness is asked to recall all the occurrences of the event in chronological order, regardless of apparent significance. This is a free flowing account without interruption to clarify points or to check accuracy. An example of this question may sound something

like this: "Okay Sally. You were chewing gum and holding your purse. You heard traffic sounds in the background and it was just starting to get dark. Tell me everything that happened from the beginning to the end once you left the building."

Following this recall, the interviewer would focus the witness' attention to certain aspects of the experience using past experience questions such as:

"Did the man remind you of anyone you know?"

"Did the man talk like anyone you know?"

"What do you think the man did for a living?"

"Did the man mention any names?"

"Did the man talk about any places?"

These types of questions may stimulate forgotten material in an indirect manner. For example, the victim may originally not be able to recall what the robber was wearing, but when asked what occupation he thinks the individual holds, the witness might state, "A delivery man." When asked who the person reminds him of, he may say, "The Rock." These answers are not to be interpreted literally, but rather serve as signal cues to assist recall. The "delivery man" answer may now allow the witness to remember that the robber was wearing coveralls. The reference to "The Rock" may stimulate the memory that the individual was very muscular.

Stage III. Reversal Recall of the Event

During this stage the victim or witness is asked to recall, in reverse order, what happened during the event. It is sometimes practical at this stage to start the witness out at a significant event and work backwards from that event. The following is a suggested way to introduce this question:

"What I'd like you to do now is to tell me everything that happened in reverse order, like playing a videotape backwards. You are lying down on the ground of the parking lot. Tell me everything that happened in reverse order."

Stage IV. Recall the Incident from Another Person's Perspective

By asking the witness to relay the incident from another person's perspective, further memories may be stimulated. In a homicide case, for example, the witness may be asked to relate what he thinks the victim saw and heard. In the victim example we've been using, Sally may be asked to tell the story from the eyes of the person who attacked her (or was standing across the parking lot).

Conclusions

In situations where a victim or witness is cooperative and relatively untraumatized, cognitive interviewing techniques should produce more accurate and greater amounts of information than traditional questioning techniques. It does not have the courtroom restrictions of hypnotically induced evidence, and yet may reveal memories not retrievable through other means. On the other hand, hypnosis or other techniques should not be ruled out when cognitive interviewing procedures are ineffective.

For additional information see The Cognitive Interview method of conducting police interviews: Eliciting extensive information and promoting Therapeutic Jurisprudence by Ronald Fisher and

R. Edward Geiselman at <http://www.cti-home.com/wp-content/uploads/2014/01/Cognitive-Interview-Method-Fisher-Geiselman.pdf>

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

QUOTE OF THE MONTH

"In a way, fraud in business is no different from infidelity in marriage or plagiarism in scholarly work. Even people committed to high moral standards succumb."

Miroslav Volf