



# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

## Board Member Address

The Lansing Chapter of the ACFE is looking for Board Members!

Help decide the future direction of the Lansing Chapter by volunteering to serve on the Board of Directors. Minimum commitment is participation in monthly meetings via conference call and providing ideas and suggestions for Chapter educational conferences and other initiatives as determined by the Board.

The LACFE Board is comprised of 9 members, each serving a 2-year term. Board service is staggered, so that either 4 or 5 members are voted on each year. There are 4 positions open for 2018. From these 9 elected Board members there are 4 officer and 5 at-will positions. Officer positions are voted on by the Board each year after the new Board members are elected. Additionally, there are several committee positions to allow Board members to contribute efforts in specific areas of interest to them.

We sincerely hope you will consider volunteering to serve on the LACFE Board of Directors and help make the Lansing Chapter the best it can be for its members! Interested individuals should send a consideration request email indicating their interest and a short bio to [vicepresident@lansingacfe.com](mailto:vicepresident@lansingacfe.com). Please submit your request for consideration before 5:00 p.m. on June 29, 2018. Chapter voting will take place in July and is open to all current members

### **Mark Lee**

LACFE Chapter Board Vice President

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## Fraud Talk Podcast

### Spotting a Nonprofit Fraud Within Minutes of an Audit

Mary Breslin, CFE, CIA, president of Empower Audit, shares the lessons she learned from her very first fraud case and the red flags she spotted within the first 10 minutes of a routine audit.

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

<http://www.acfe.com/podcasts/Mary-Breslin-Case%20Study-01.mp3>

## UPCOMING EVENTS

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### **LOCAL:**

#### **AGA Webinar: Leadership**

June 13, 2018

Lansing, MI – VanWagoner Building

Learn More at [http://www.lansing-](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=95&mid=24&pageid=22)

[aga.org/EventCalendar/EventDetails.aspx?ItemID=95&mid=24&pageid=22](http://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=95&mid=24&pageid=22)



#### **Michigan Chamber of Commerce Webinar: Complying with Privacy Laws**

June 14, 2018

10:00 a.m. to 11:00 a.m.

Learn More at <https://www.michamber.com/webinars/privacy-and-cyber-security-webinar-series>

#### **Michigan Chamber of Commerce Unemployment Insurance Webinar Series**

Begins July 2018 Webinars are from 10:00 a.m. to 11:00 a.m.

July 24 – Unemployment Identity Theft: Steps for Fraudulent Claims

August 21 – Unemployment New Legislation: Avoiding MUA Penalties

Learn More at <https://www.michamber.com/webinars/unemployment-insurance-webinar-series>

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

*October 25, 2018*

*Grand Rapids, MI*

*Topic: Fraud Risk Management*

*Speaker: Bethmara Kessler, CFE, CISA*

### **NATIONAL:**

#### **29<sup>th</sup> Annual ACFE Global Fraud Conference**

June 17-22, 2018

Las Vegas, NV

Learn More at <http://www.fraudconference.com/>

#### **Tracing and Recovering Fraud Losses**

July 16-17, 2018

Denver, CO

Learn More at <http://www.acfe.com/events.aspx?id=4294999644>

#### **2018 ACFE Fraud Risk Management Summit**

September 14, 2018

New York, NY

Learn More at <http://www.acfe.com/frmsummit-2018.aspx>

#### **Detecting Fraud Through Vendor Audits**

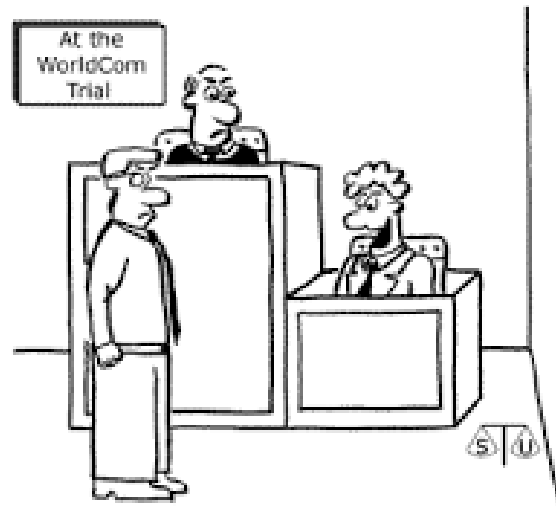
July 23, 2018

Philadelphia, PA

Learn More at <http://www.acfe.com/events.aspx?id=4295000046>

*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)*

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They said to "think outside the box."  
Naturally, I assumed "box" meant "law."

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## IN THE NEWS

*As computers get harder to crack, thieves are pillaging mailboxes*

<https://www.cnbc.com/2018/05/25/as-computers-get-harder-to-crack-thieves-are-pillaging-mailboxes.html>

*4 Ways Millennials Can Avoid Online Financial Scams*

<https://money.usnews.com/money/personal-finance/family-finance/articles/2018-04-17/4-ways-millennials-can-avoid-online-financial-scams>

*Lawyer gets 8 years in U.S. prison for payday lending scheme*

<https://www.cnbc.com/2018/05/25/reuters-america-lawyer-gets-8-years-in-u-s-prison-for-payday-lending-scheme.html>

*Amherst Doctor Pleads Guilty to Theft from Insurance Companies*

<https://www.justice.gov/usao-wdny/pr/amherst-doctor-pleads-guilty-theft-insurance-companies>

*Butte County Man Sentenced to 33 Months In Prison For National Guard Recruiting Fraud*

<https://www.justice.gov/usao-edca/pr/butte-county-man-sentenced-33-months-prison-national-guard-recruiting-fraud>

## *Public Act 81*

### *CPAs, Are You Ready For The Change?*

Michigan Public Act 81 amends the Occupational Code to do all of the following with regard to CPE requirements for CPA licensees:

- Define a 2-year license cycle, the period during which a license is issued under the article.
- Require at least 8 of the 40 hours of CPE required annually to be in the areas of auditing and accounting, while also stipulating that LARA cannot require more than 8 hours of CPE in auditing and accounting in any 1 year.
- Require at least 2 of the 40 hours of CPE required annually to be in the area of professional ethics, while also stipulating that LARA cannot require more than 2 hours of CPE in professional ethics in any 1 year.
- Require that, of the 4 hours of CPE in the area of professional ethics that are required in a 2-year license cycle, at least 1 hour must cover the laws and rules of this state that apply to public accountancy. The content for this hour of CPE is required to be created by a statewide professional CPA association approved by LARA.
- Provide that a licensee is not required to meet the CPE requirements for the 12-month period beginning on the date of his or her original license.



“I was a guy sitting in a courtroom making \$100 million a year and I think a juror sitting there just would have to say, ‘All that money? He must have done something wrong.’ I think....it’s as simple as that.”

~~ Dennis Kozlowski, Tyco Former CEO

“Everybody thinks the worst of me. The only thing I’m happy about is I was able to help people recover...There’s nothing for me to change from. It’s not like I ever considered myself a bad person.”

~~ Bernie Madoff

“I agree we need some help-but the BRos always wins!!”

~~ Dick Fuld, Lehman Brother’s Former CEO

“I just want you to know you aren’t going to church with a crook.”

~~ Bernie Ebbers, WorldCom Former CEO

## The Value of Behavior Provoking Questions – A Case Study

By John E. Reid and Associates, Inc - Recognized as The World Leader in Interview and Interrogation Training - [www.reid.com](http://www.reid.com)



The investigative interview process in the Reid Technique is called the Behavior Analysis Interview (BAI). The BAI consists of three types of questions: Initial Questions designed to develop biographical information, establish rapport, acclimate the subject to the interview environment, describe the investigative process and establish a behavioral baseline for the subject.

The second group of questions are the Investigative Questions, which are designed to develop the subject's story or version of events concerning the issue under investigation, his/her alibi during the time period in question, and the who, what, when, where, why and how of activities relevant to the issue under investigation. In previous Investigator Tips we discussed using open-ended questions to develop the subject's pure version of events, and how to use follow up questions to develop additional details from their initial account. (See March/April 2017 and May/June 2017 Investigator Tips: *Using Open-ended Questions During the Investigative Interview Part 1, and Part 2*).

The third type of questions are the Behavior Provoking Questions designed to elicit responses that can be evaluated as to the subject's credibility about their potential involvement in the issue under investigation. There have been in excess of 25 behavior provoking questions developed over the years but this Investigator Tip will only discuss four of them, and then illustrate their use in a case involving 2 subjects. Research has indicated that most truthful subjects answer the behavior provoking questions one way while deceptive subject's answer the same questions in a very different way.

A properly conducted BAI leads to a decision of either 'Eliminated from suspicion', or 'Not eliminated from suspicion'. Outcomes in the latter category might result in follow-up questioning or the use of additional targeted, investigative resources.

The phrasing of the four behavior provoking questions that we are going to illustrate will be listed below as well as the principle of response and several examples of truth and deceptive answers.

### ***Punishment***

*"Jim, what do you think should happen to the person who (issue)?" or "What do you think should happen to the kind of person that would do something like this (issue)?"*

Principle: Truthful subjects will usually offer appropriately strong punishment.

Truthful:

"Get suspended."

"Get fired."

"I think they should be prosecuted."

Deceptive:

"That's not up to me."

"I don't know."

"That's up to \_\_\_\_." [the boss, the police, etc.]

"Depends on why they did it."

"They should have to \_\_\_\_." [apologize, pay it back, etc.]

**Think**

*"Did you ever think about (doing issue), even though you may not have actually gone through with it?"*

Principle: Truthful subjects tend to offer direct denials, particularly as the seriousness of the offense escalates.

Truthful:

"No way."

"Never."

"Are you crazy? No."

Deceptive:

"...Not really."

"Yeah, but not seriously."

"Yeah, I think everyone thinks about doing things like that."

**Second Chance**

*"Jim, do you think that the person who did this should be given a second chance?"*

Principle: Truthful subjects will usually reject the idea of leniency.

Truthful:

"No way."

"Absolutely not. They'll just do it again."

"If you let them get away with it, it will only be worse the next time."

Deceptive:

"It depends on what they have to say about it."

"Yeah, I don't see why not." "That's not up to me to say."

**Investigation Results**

*"When the investigation is completed, how do you think it will come out on you?"*

Principle: Truthful subjects usually indicate confidence that the investigation will exonerate them.

Truthful:

"It will come out fine."

"It will verify that everything I'm telling you is completely accurate"

"It will prove that I had nothing to do with this."

Deceptive:

"I hope it comes out OK"

"I don't know"

"I guess we'll find out"

## **Case Facts**

The case that we are using is a real case that our office investigated and that we reference in several of our training programs. The case facts are as follows:

Mary was in charge of the main vault at a local bank. During the day she sold money to one of the tellers (Mark) - fifty, twenty and ten - dollar bills. At the end of the day when Mary counted the money in the vault she was \$600 short.

A co-worker, Judy, helped Mary re-count the money in the vault in an effort to resolve the \$600 discrepancy. During this recount effort Judy discovered that Mary had erroneously counted two straps of ten-dollar bills as \$250 each when they were actually \$100 each - explaining \$300 of the shortage.

In reviewing her activities of the day Mary realized that she gave Mark two of these same straps - believing they were \$100 each when in fact they were \$250 each - accounting for the remaining \$300 of the shortage. However, when questioned, Mark said that he did not receive any extra money but only what he had originally ordered. Both Mary and Mark were subsequently interviewed. Here are their respective answers to the above referenced four behavior provoking questions.

### ***Punishment***

*"What do you think should happen to the person who did steal this \$300?"*

Mary: "I think they should be prosecuted, I think they should lose their job and charges be presented, that's what we do to people who come in and rob us and it's what they should do to anybody."

Mark: "Well you've concluded that it was stolen."

Investigator: "Let's say it was stolen, what do you think should happen to an employee that did steal that \$300?"

Mark: " Ah that's really up to management at the bank."

### ***Second Chance***

*"Do you think that the person who did this should be given a second chance?"*

Mary: "No."

Mark: "Once again that's up to management."

### ***Investigation Results***

*"When the investigation is completed, how do you think it will come out on you?"*

Mary: "I'll do fine."

Mark: "I guess we'll soon find out."

**Think**

*"Is there any time you just thought about taking money from the bank, even though you may not have actually gone through with it?"*

Mary: "The money at the bank is not money to me, it's just paper and it's not my paper, it's \_\_\_\_\_ Savings paper. I would not take that money for anything. I would die of starvation first. It's just not me. I wouldn't do it."

Mark: "Not seriously."

Using the behavioral response models that we described above Mary's answers are more suggestive of a truthful person while Mark's answers are more suggestive of a deceptive individual. Mark went on to confess that he did steal the missing money and took the bank security staff to his home where he still had the money that he had stolen from the bank only 2 days earlier.

We are not suggesting that any investigative decision should be made by how a subject answers four interview questions, but in this case the answers to these questions do serve to illustrate a marked contrast between the answers of a verified truthful person and a verified deceptive individual. Incorporating behavior provoking questions into the investigative interview can be helpful and offer the investigator additional insight into the subject's potential involvement in the commission of the act in question. For additional information on the use of behavior provoking questions please review previous Investigator Tips, our book *Criminal Interrogation and Confessions* (5th ed), as well as the article, *The behavioral analysis interview: clarifying the practice, theory and understanding of its use and effectiveness* (which you can access on our website at <http://reid.com/pdfs/baiarticle.pdf>)

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This Investigator Tip was developed by John E. Reid and Associates Inc. 800-255-5747 / [www.reid.com](http://www.reid.com).

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## QUOTE OF THE MONTH

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**"Whoever commits a fraud is guilty not only of the particular injury to him who he deceives, but of the diminution of that confidence which constitutes not only the ease but the existence of society."**

**Samuel Johnson**