



# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

## Board Member Address

Happy Fall LACFE Members!

I don't know about you, but fall, for me, is the season for learning. Maybe I've just never gotten rid of my back-to-school mentality, but at the end of each summer, I have a new desire to learn, whether it's a new skill or expanding one I already have. With that renewed zest for learning, I'm so excited for our upcoming training. As many of you know, the Board works to put on three conferences each year, each designed to help you further your skills as a fraud fighter.

The next conference, on October 25<sup>th</sup>, is all about Fraud Risk Management. What I particularly like about this conference, led by Bethmara Kessler, is that the focus is on anti-fraud initiatives and prevention. We all hear about these massive frauds that damage reputations and lives (many of which are shared on the LACFE social media pages!), but what isn't as heavily featured is what could have been in place to keep that company out of the news. This conference seeks to fill in those blanks, and help organizations keep their money where it belongs and out of the hand of fraudsters.

Details about location and pricing of the conference can be found on the flyer emailed out to members, our website, or the LACFE Facebook, Twitter, or LinkedIn pages. We hope to see you there!

***Bethany Verble***

LACFE Chapter Board Vice President

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## Fraud Talk Podcast

**Former Trader Discovers Hidden Millions in Forex Trading Losses**

In this episode, Emily Primeaux, CFE, associate editor of Fraud Magazine, talks with Dennis Gentilin, Founding Director of Human Systems Advisory, about discovering and blowing the whistle on a foreign exchange (forex) trading scandal that cost National Australia Bank \$360 million. This podcast is a product of the ACFE and may be downloaded at <https://acfe.podbean.com>

# UPCOMING EVENTS

## LOCAL:

### **Michigan Chamber of Commerce: Advanced Supervisor & Manager Training Course**

October 09, 2018 - Michigan Chamber of Commerce, Lansing

October 10, 2018 – Walsh College, Novi

Seminar - 9:00 a.m. to 3:00 p.m.

Learn More at <https://www.michamber.com/events>



### **Michigan Chamber of Commerce: Properly Document Employee Discipline**

November 08, 2018

Seminar - 1:00 p.m. to 4:00 p.m. Michigan Chamber of Commerce, Lansing

Learn More at <https://www.michamber.com/effective-manager-training>

### **Michigan Tax & Accounting Professionals: 2018 GEAR UP 1040**

November 12-13, 2018

Seminar – 8:00 a.m. to 4:00 p.m. Sheraton Hotel, Novi

Learn More at <http://www.viethconsulting.com/Calendar/moreinfo.php?eventid=47702>

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

*October 25, 2018*

*Wolverine Worldwide*

*9341 Courtland Drive NE, Rockford, MI 49351*

*Topic: Fraud Risk Management*

*Speaker: Bethmara Kessler, CFE, CISA*

## NATIONAL:

### **Legal Elements of Fraud Examination**

October 10, 2018

Dallas, TX

Learn More at <http://www.acfe.com/events.aspx?id=4295000885>

### **Cyberfraud and Data Breaches**

October 11-12, 2018

Dallas, TX

Learn More at <http://www.acfe.com/events.aspx?id=4295000886>

### **AICPA Forensic & Valuation Services Conference**

November 05-07, 2018

Atlanta, GA

Learn More at <https://www.aicpastore.com/ForensicValuationandLitigationServices/aicpa-forensic---valuation-services-conference/PRDOVR~PC-FVC/PC-FVC.jsp>

*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)*

## SCAMS THAT HAVE SURFACED RECENTLY

**\$\$** Fraudster calls and asks, “Can you hear me?”. If you answer with “yes”, your answer is recorded and may be used by the scammer to authorize bogus charges on a credit card or a phone or utility bill. Answer with a question or hang up.  
<https://www.forbes.com/sites/kellyphillipserb/2017/01/30/answering-one-simple-question-could-make-you-a-victim-in-latest-scam/>

**\$\$** A caller says that he’s from the government and your Social Security Number has been suspended. However, he can help you “reactivate” it. Once you call the number you are given, you think you are talking to the Social Security Office who wants you to verify your information.  
<https://www.consumer.ftc.gov/blog/2018/09/your-social-security-number-isnt-suspended-ever>

**\$\$** A fraudster sends you a check for no reason. However, if you cash it, you may be authorizing the purchase of items or even signing up for an unsolicited loan.  
<https://www.usa.gov/common-scams-frauds#item-36617>

Scary stuff! The number of scam calls is continuing to increase. According to the 2018 Scam Call Trends and Projects Report, 3.7 percent of calls in 2017 were scam calls. That number increased to 29 percent in 2018. And even worse, 45 percent of calls will be scammers in 2019! <https://www.thespectrum.com/story/news/2018/09/25/in-2019-nearly-half-of-all-cellphone-calls-will-be-scams-new-report-says/37919137/>

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**“Opportunity texted me, tweeted me, linked to me, friended me, blogged me and spammed me. I was expecting it to knock!”**

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easy

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hard

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**"We could hire a productivity expert, but wouldn't it be cheaper to buy a bigger coffee machine?"**

# *The Lansing Chapter of the Association of Certified Fraud Examiners*

Fall Fraud Conference  
Thursday, October 25, 2018

## ***Fraud Risk Management***

Presented by Bethmara Kessler, CFE, CISA

Wolverine Worldwide  
9341 Courtland Drive NE, Rockford, MI 49351

CONFERENCE DETAILS	
Registration Time:	7:30 am – 8:00 am (Continental Breakfast)
Conference:	8:00 am – 4:30 pm
Conference Fee:	\$200 members, \$235 non-members
Meals (Included in fee):	Continental Breakfast; Lunch; Snack
Registration:	Through Friday, October 19, 2018
CPE Credit:	8 Hours
Dress:	Business Casual

***\* Seating is limited, so please register today!***

**Register online at [www.lansingacfe.com](http://www.lansingacfe.com) or:  
For more information or to register by mail, please contact:  
[president@lansingacfe.org](mailto:president@lansingacfe.org) or [vicepresident@lansingacfe.org](mailto:vicepresident@lansingacfe.org)**

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**To register by mail, please complete and submit the following after contacting the president or vice president. Please send to: Lansing Chapter of the ACFE, P.O. Box 13233, Lansing, MI 48901**

**Name:** \_\_\_\_\_

**Name on Badge:** \_\_\_\_\_

**Company:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Lansing Chapter ACFE Member? Yes** \_\_\_\_\_ **No** \_\_\_\_\_

**E-Mail Address:** \_\_\_\_\_

**Phone:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**City:** \_\_\_\_\_ **State:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**Fraud Risk Management Description:**

The field of risk management has attracted increased mainstream attention in the wake of the economic meltdown as the public has begun to comprehend the negative effects of uncontained risk. Unfortunately, many risk management professionals tend to underestimate the role of fraud in the scope of their professional duties.

With organizations losing an estimated 5% of their annual revenues to fraud, the need for a strong anti-fraud stance and proactive, comprehensive approach to combating fraud is clear. As organizations increase their focus on risk, they should take the opportunity to consider, enact and improve measures to detect, deter and prevent fraud. This course will explain how organizations can integrate anti-fraud initiatives into their risk management programs to: Identify, assess and manage fraud risks from all sources; Support fraud risk management initiatives by establishing an anti-fraud culture and promoting fraud awareness throughout the organization; Develop a system of internal controls to address the entity's fraud risks; and Address and respond to any identified instances of fraud.

**Speaker Bio:**

Bethmara Kessler is a global thought leader, lecturer, consultant and advisor to businesses on the topics of fraud, audit, compliance, enterprise risk management, shared services delivery strategies, process transformation and is on the ACFE Faculty and Advisory Council. She earned her bachelor's degree in business administration and accounting from Baruch College in New York.

Kessler is the former Head of Integrated Global Services (IGS) for the Campbell Soup Company. Her career spans over 30 years in positions that include Chief Compliance Officer, Chief Audit Executive and Enterprise Risk Management Head. Her extensive experience also includes leadership roles in audit, risk management, information technology and corporate investigations in companies including EY, Avon Products, Nabisco, EMI Group, L Brands, The Fraud and Risk Advisory Group and Warner Music Group.

Kessler is a passionate fraud fighter and frequently speaks on a variety of topics related to fraud prevention and detection, investigations, auditing, compliance and risk. She is a contributing author to the ACFE's *Fraud Examiners Manual* and *Fraud Casebook: Lessons from the Bad Side of Business* as well as several articles that have appeared in *Internal Auditor Magazine*, *The Journal of Accountancy* and other specialty publications.

## IN THE NEWS

*Detroit Doctor Sentenced To More Than 11 Years In Prison For \$8.9 Million Health Care Fraud Scheme*

<https://www.justice.gov/opa/pr/detroit-doctor-sentenced-more-11-years-prison-89-million-health-care-fraud-scheme>

*Federal Court Upholds Seafood Traceability Rule; Targets Fraud*

<https://www.foodsafetynews.com/2017/08/federal-court-upholds-seafood-traceability-rule-targets-fraud/#more-143372>

*Sacramento Man Sentenced To Six Years In Prison For Fraud In Connection With Arson Scheme*

<https://www.justice.gov/usao-edca/pr/sacramento-man-sentenced-six-years-prison-fraud-connection-arson-scheme>

*CFO Jimmy Patronis Announces 20 Fraud Arrests In Pasco County Joint Crooked Contractor Sting*

<https://www.myfloridacfo.com/sitePages/newsroom/pressRelease.aspx?id=5104>

*Scammers Targeting Tornado Victims, Insurance Bureau Says*

<https://www.cbc.ca/news/canada/ottawa/scammers-targeting-tornado-victims-insurance-bureau-1.4839168>

*LSP: Two Women, Accused Of Fraud, Jailed At Bossier Max*

<https://www.arklatexhomepage.com/news/local-news/lsp-two-women-accused-of-fraud-jailed-at-bossier-max/1476909978>

*Five Charged With Fraud In Connection With Auto Claims*

<https://www.insurance.wa.gov/news/five-charged-fraud-connection-auto-claims>

*11 Charged In Multimillion Dollar Insurance Fraud Case Involving Surgeries On Recovering Addicts*

<http://www.latimes.com/socal/daily-pilot/news/tn-dpt-me-ocda-insurance-fraud-charges-20180926-story.html#>

*U.S. Prosecutors Charge Three Men In \$364 Million Ponzi Scheme*

<https://www.cnbc.com/2018/09/19/reuters-america-update-1-u-s-prosecutors-charge-three-men-in-364-mln-ponzi-scheme.html>

*Ex-OpenTable Worker Charged In Bogus Reservations Scheme*

<https://www.cnbc.com/2018/09/23/the-associated-press-ex-opentable-worker-charged-in-bogus-reservations-scheme.html>

# Protecting Against Expense Reimbursement Fraud and Abuse

By Jim Marasco, CPA, CIA, CFE

Jim is a partner at Stonebridge Business Partners  
stonebridge.com

As organizations expand their reach, business travel is becoming more common for employees and contractors of smaller companies. For some of these organizations, expense reimbursement fraud and abuse is something they never contemplated. Don't let your company be caught blindsided. In the *2015 Report to the Nations on Occupational Fraud and Abuse*, the Association of Certified Fraud Examiners estimates that 14% of all asset misappropriations investigated involve expense reimbursement schemes.

## Identifying the various types of fraud

Individuals committing expense report fraud can perpetrate a variety of schemes. The most popular involve:

- Inflating actual expenses.
- Claiming reimbursement for fictitious or non-business related expenditures.
- Placing greater emphasis on loyalty and award programs for personal gain.
- Violating an organization's expense reimbursement policy.

Examples of inflating business expenses can include:

- Claiming reimbursement in excess of the allowed per diems.
- Adding tips to reimbursement when they were already included.
- Adding higher tip amounts to the reimbursement copy than what was actually left to the merchant/server.
- Staying at five star accommodations, flying first class or using luxury transportation when more modest options are available and practical.



- Inflating mileage totals on reimbursement for auto travel.

Examples of fictitious or non-business related expenses could involve:

- Claiming reimbursement for items that were never purchased (office supplies, education materials, etc.).
- Including expenses that were subsequently cancelled (airline tickets, seminar registration fees, tuition reimbursement, dues, etc.).
- Charging the organization for items that were used personally or for an unauthorized business purpose (alcohol, gas, groceries, leisure activities, sporting events, etc.).
- Collusion between employees who both seek reimbursement for the same expenses when traveling together.
- Seeking both per diem amounts and actual expenses.
- Deliberate falsification or manipulation of receipts.

Companies create loyalty and award programs to entice consumers for their repeat business. Unfortunately with business travelers, this also leads to the possibility of having individuals place a greater emphasis on these programs over the well-being of their employer or client. As a result, the organization can be financially harmed. Examples of this include:

- Selecting an airline, car rental or hotel based solely on the loyalty program versus the cost to the organization.
- Paying higher rates or bypassing discounts for services in exchange for extra “points”.

When traveling on behalf of an organization, individuals and contractors should adhere to the applicable travel reimbursement policy. While most of the examples described above involve fraud, abuse of these policies can occur and be just as financially devastating. Examples include fueling rental vehicles with premium gas, accepting auto rental insurance when none is needed, not taking advantage of applicable discounts when available, etc.

# Safeguard your organization

To protect your company from expense report fraud and abuse, you should consider:

- Establishing and communicating a detailed travel reimbursement policy to all employees and contractors.
- Requiring original documentation to either be submitted with reimbursement requests or maintained for a specified period of time.
- Establishing a formal review process in which someone independent reviews the reports.
- Routinely inquiring about expenditures that look extraordinary or abnormal.
- Reimbursing in a formal manner through payroll or accounts payable – discourage cash advances.
- Using corporate charge cards for greater control and visibility. Periodically review this activity.
- Periodically auditing a sample of expense reports to ensure compliance.
- Requesting full documentation from contractors seeking reimbursement.
- Maintaining a consistent reimbursement process by either reimbursing the employee after the fact, or have the company pay directly. Vacillating between the two could allow for duplicate reimbursements to occur.
- Punishing offenders accordingly.

## Set an example

Maintaining strong internal controls and consistently reviewing expense reports will certainly help safeguard an organization. However, setting a strong tone at the top is paramount. If top management is allowed to violate the policies or has a “separate set of standards”, be prepared for the rank and file to follow their example. Rules must apply to everyone and be followed to be effective in protecting an organization from fraud and abuse.

## ACFE CODE OF CONDUCT

- ✓ An ACFE Member shall, at all times, demonstrate a commitment to professionalism and diligence in the performance of his or her duties.
- ✓ An ACFE Member shall not engage in any illegal or unethical conduct, or any activity which would constitute a conflict of interest.
- ✓ An ACFE Member shall, at all times, exhibit the highest level of integrity in the performance of all professional assignments and will accept only assignments for which there is reasonable expectation that the assignment will be completed with professional competence.
- ✓ An ACFE Member will comply with lawful orders of the courts and will testify to matters truthfully and without bias or prejudice.
- ✓ An ACFE Member, in conducting examinations, will obtain evidence or other documentation to establish a reasonable basis for any opinion rendered. No opinion shall be expressed regarding the guilt or innocence of any person or party.
- ✓ An ACFE Member shall not reveal any confidential information obtained during a professional engagement without proper authorization.
- ✓ An ACFE Member will reveal all material matters discovered during the course of an examination which, if omitted, could cause a distortion of the facts.
- ✓ An ACFE Member shall continually strive to increase the competence and effectiveness of professional services performed under his or her direction.

## QUOTE OF THE MONTH

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**"It is possible that the scrupulously honest man may not grow rich so fast as the unscrupulous and dishonest one; but the success will be of a truer kind, earned without fraud or injustice. And even though a man should for a time be unsuccessful, still he must be honest: better lose all and save character. For character is itself a fortune."**

**Samuel Smiles**