



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

BANKING CHANGES VIA EMAIL

John owns a manufacturing company. He has an agreement set up with a preferred supplier to have automatic shipments sent every month of the same quantity of product. John just needs to send a \$30,000 check each month to the supplier and work continues without any stoppages.

Late on a Friday afternoon in 2014, John received an email which appeared to be from this preferred supplier. The email requested John update the banking information for them in his system. The new banking information included a new account number and routing number. John took the email at face value and changed his accounting system with this updated info.

A few weeks later, John made his typical monthly payment to the supplier and waited for the parts to come in. As he waited, the production team was beginning to run out of some of the parts.

John called the supplier to see what happened and was told since payment was never received, they cancelled the order. John insisted he sent payment and contacted his bank to determine what happened to the check. He was told it was chased in Germany. That was really bad news since both John and his supplier are in Australia.

John's business stopped producing until he could take out a loan and reorder supplies. Workers could not be paid for those down days, the bank applied a hefty interest rate, and John's business became secondary to another manufacturer. The business has never fully recovered.

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Fraud Talk Podcast

Challenges in the Executive Design of Compensation & Incentives

In this episode, Dr. Alexander Wagner, associate professor of finance at the University of Zurich and upcoming keynote speaker at the 2019 ACFE Fraud Conference Europe, describes the roles incentives play in the decision-making of employees and organizations. This podcast is a product of the ACFE and may be downloaded at

https://s135.podbean.com/pb/3d01ca0ad150f2b8d70ec84ec2065685/5c68862f/data2/fs103/2004630/uploads/Challenges_in_the_Executive_Design_of_Compensation_and_Incentives_-_Fraud_Talk_-_Moody_Wagner_-_Episode_77.mp3?pbss=d3f41a8f-073c-5415-9702-02dd4ec4273d

UPCOMING EVENTS

LOCAL:

Conducting Workplace Investigations

March 05, 2019

Seminar – 9:00 a.m. to 3:00 p.m. – Michigan Chamber of Commerce, Lansing

Learn More at <https://www.michamber.com/seminars/conducting-workplace-investigations-0>



2019 Spring Professional Development Conference

March 21, 2019

Seminar – 7:30 a.m. to 5:00 p.m. Okemos Conference Center, Okemos

Learn More at <https://lansing-aga.org/events.aspx>

Second and Third Line of Defense

March 14, 2019

Seminar – 7:45 a.m. to 10:00 a.m. – MSUFCU Farm Lane Brancy Community Room, Lansing

Learn More at <https://chapters.theiia.org/lansing/Events/Pages/March-2019-Breakfast-Meeting---Second-and-Third-Line-of-Defense.aspx>

Lansing Chapter of the ACFE – Fraud Conference

May 2019 – More details to come

NATIONAL:

Understanding the Mindset of a Fraudster and Conducting Internal Investigations

March 11 and 12, 2019

Chicago, IL

Learn More at <https://www.acfe.com/events.aspx?id=4295003276>

Government Fraud

April 08-09, 2019

Denver, CO

Learn More at <https://www.acfe.com/events.aspx?id=4295003272>

ACFE GLOBAL FRAUD CONFERENCE

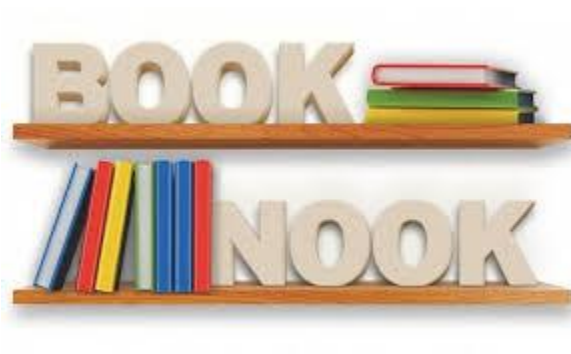
June 23-28, 2019

Austin, TX

Learn More at

https://www.fraudconference.com/30annual/sessions.aspx?utm_source=acfedotcom&utm_medium=hero&utm_campaign=30th-Annual-Sessions-Announced

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



Assuming Names: A Con Artist’s Masquerade

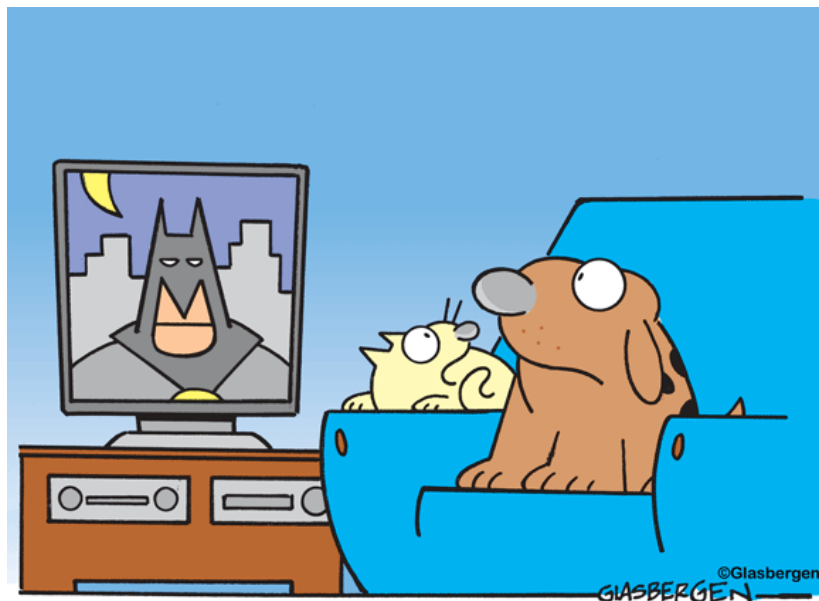
Tanya Thompson

Assuming Names is the true story of a young con artist. It’s the tale of a 15-year-old runaway that assumed the title of Countess and then went on to fool the FBI, DEA, and Interpol – as well as a number of other celebrities and institutions – with an elaborate tale of world intrigue.

La Grande Therese: The Greatest Scandal of the Century

Hilary Spurling

An unforgettable real-life story, La Grande Therese describes the rise and fall of a poor French peasant girl with extraordinary willpower and irresistible powers of persuasion. Therese Humbert was one of the most powerful women in France one hundred years ago. This doyenne’s grand high society lifestyle was based solely on illusion and fantasy wealth. When she was exposed in 1902, the scandal nearly destroyed the French Third Republic.



“Are you sure Cat Woman is a villain? She seems OK to me!”

T.V. CRIME TRIVIA ANSWERS

1. What was the name of the dog in the series "Hart to Hart"?
 - a. Rover
 - b. Freeway
 - c. Astor
 - d. Bear

2. On the series "Riptide", my brains often proved more useful than the brawn of my two partners. Who am I?
 - a. Jerry "Jinx" Jenkins
 - b. Peter "The Great" Atkins
 - c. Murray "Boz" Bozinsky
 - d. Albert "Einstein" Shofenski

3. What veteran small screen actor starred as Anthony Blake in "The Magician", a 1973 mystery series airing on NBC?
 - a. Bill Bixby
 - b. Gene Barry
 - c. Judd Hirsch
 - d. Harry Morgan

4. What United States agency does Annie Walker work for in the series "Covert Affairs"?
 - a. F.B.I.
 - b. Secret Service
 - c. Justice Department
 - d. C.I.A.

5. Colin Farrell played the role of Jim Street in the 2003 movie "S.W.A.T.". What tv tough guy played the original role in the tv series of the same name?
 - a. Michael Landon
 - b. Chuck Connors
 - c. Robert Urich
 - d. David Soul

6. "Life is hard and then you die" was the catchphrase of a Chicago cop exiled to England after killing his partner in a corruption investigation. What tv series was this?
 - a. Dempsey and Makepeace
 - b. MacGruder and Loud
 - c. Malloy and Reed
 - d. Watson and Dale

IN THE NEWS

CNBC American Greed Podcasts

<https://www.cnbc.com/2018/09/04/american-greed-podcast.html>

Ex-Goldman banker returning to the US where he faces 1MDB criminal charges

<https://www.cnbc.com/2019/02/15/1mdb-ex-goldman-banker-roger-ng-returning-to-us-to-face-charges.html>

Democratic senators urge FTC to act on Facebook 'friendly fraud' practices

<https://www.cnbc.com/2019/02/21/reuters-america-update-1-democratic-senators-urge-ftc-to-act-on-facebook-friendly-fraud-practices.html>

Former U.S. Counterintelligence Agent Charged With Espionage on Behalf of Iran; Four Iranians Charged With a Cyber Campaign Targeting Her Former Colleagues

<https://www.justice.gov/opa/pr/former-us-counterintelligence-agent-charged-espionage-behalf-iran-four-iranians-charged-cyber>

South Florida Patient Recruiter Convicted for Role in \$600,000 Health Care Kickback Scheme'

<https://www.justice.gov/opa/pr/south-florida-patient-recruiter-convicted-role-600000-health-care-kickback-scheme>

U.S. Seeks to Recover Approximately \$38 Million Allegedly Obtained from Corruption Involving Malaysian Sovereign Wealth Fund

<https://www.justice.gov/opa/pr/us-seeks-recover-approximately-38-million-allegedly-obtained-corruption-involving-malaysian>

Michigan Patient Recruiter Pleads Guilty in \$1.2 Million Kickback Scheme

<https://www.justice.gov/opa/pr/michigan-patient-recruiter-pleads-guilty-12-million-kickback-scheme>

Nine Real Estate Investors Sentenced for Rigging Bids at Mississippi Public Foreclosure Auctions

<https://www.justice.gov/opa/pr/nine-real-estate-investors-sentenced-rigging-bids-mississippi-public-foreclosure-auctions>

DOD Official Gave \$280K in Fraudulent Bonuses

<https://www.usnews.com/news/national-news/articles/2019-02-21/senior-dod-official-gave-280k-in-fraudulent-bonuses-oig-says>

People Lost \$143M to Romance Scams in 2018

<https://www.usnews.com/news/national-news/articles/2019-02-12/ftc-people-lost-143m-to-romance-scams-in-2018>

Fraudsters Targeting Professional Athletes

By Stephanie Wood, CPA, CFE, CIA

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

stonebridgebp.com

Affinity fraud refers to investment scams that prey upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups. The fraudsters who promote affinity scams frequently are, or pretend to be, members of the group. These scams exploit the trust and friendship that exist in groups of people who have something in common. Because of the tight-knit structure of many of these groups, it can be difficult for regulators or law enforcement officials to detect these scams. Additionally, victims often fail to notify authorities or pursue legal action, and instead try to work things out within the group.

Many of the affinity scams we read about involve religious/ethnic groups, and the elderly. Another group that we may not read about as much, but is very frequently targeted, is the professional athletic community. A study published earlier this year by Ernst & Young (“EY”) reported that professional athletes lost almost \$500 million between 2004 and 2016. The study detailed the losses by sport, noting that the highest losses came from athletes in football and boxing.

The report also noted that the incidence of fraud increased steadily over the period reviewed. This is partially due to the fact that the amount of money to be stolen from the athletes continues to increase. EY reported that in 2016, the average salaries of athletes in the National Hockey League, National Basketball Association, Major League Baseball, and the National Football League ranged from \$2.1 million to \$6.2 million, which is the highest recorded in at least five years.

Common schemes

According to the U.S. Securities and Exchange Commission (“SEC”), many affinity scams involve Ponzi schemes, where new investor money is used to make payments to earlier investors to give the false illusion that the investment is successful.

According to EY’s report, the following are examples of common schemes specifically targeting athletes:

- **Individuals posing as financial professionals:** Individuals pretending to be financial advisors, improperly using funds from athletes.
- **Unauthorized investments:** Financial advisors of athletes making unauthorized investments on their behalf. Often these are risky investments that benefit the financial advisor.
- **Unauthorized use of cash:** Representatives of athletes, sometimes even family members, using their money to make unauthorized purchases.
- **Misappropriated earnings:** Individuals designated to control and manage cash flows for the athletes are not properly distributing earnings.
- **Misleading investors:** Financial advisors misleading athletes with false information and suggestions on what to do with their money.

Examples

Some notable scams involving professional athletes include:

- In 2011, Kurt Branham Barton, former CEO of Triton Financial, was indicted on 33 counts, including securities fraud, money laundering, and wire fraud. Barton allegedly used ex-NFL stars and church contacts in a \$50 million Ponzi scheme.
- In 2013, the Financial Industry Regulatory Authority (“FINRA”), flagged the financial firm Success Trade for selling \$18 million in fraudulent and unregistered promissory notes to 58 investors, 30 of whom were professional athletes.

- In 2016, Ash Narayan, managing partner of the Texas-based RGT Capital Management, defrauded several different professional athletes by channeling money into The Ticket Reserve, an online sports and entertainment ticketing business. Narayan earned the trust of the athletes by stressing his Christian faith, interest in charity, and claiming he was a Certified Public Accountant. Without the consent of the investors, Narayan channeled more than \$33 million into the business from 2010-2016.

What can athletes do to protect themselves

While everyone is at risk for these types of fraud, athletes have an elevated level of risk due to the fact that the majority of their time is dedicated to their sport. Outside of the sport, many of them have other roles through endorsements and sponsorships. This leaves a heavy reliance on other people to manage the financial aspect of their life.

For professional athletes, as well as any other individuals making investments, the following measures should be taken to protect your money:

- First, always establish a relationship with a properly accredited financial advisor. In order to do this, the following areas should be considered during the vetting process:
 - Background checks
 - Conflict of interest check
 - Interviews
 - Reference checks
 - Investment strategy, and history of success
 - Training and education
 - Reputation among others in the industry
- Once you have decided on someone to engage as your representative, the following protections should also be considered:
 - Sign a formal contract with your financial representative.

- Include a right to audit in your contract.
- Periodically review financial information.
- Require regular disclosures and performance updates from your financial representatives.

Remain Skeptical

No matter how trustworthy a person seems, it is important to check everything out before engaging anyone to manage your money. An investment should never be made based solely on the recommendation of someone else. If something seems too good to be true, it probably is. With the proper due diligence, and continued skepticism, the risk of being defrauded can be reduced.

**Optimism and Skepticism
are like a map and a
compass; they belong
together.**

QUOTE OF THE MONTH

"It's really amazing that in the age of unbelief, as a smart man called it, there isn't even more fraud. After all, with no God, there's no one to ever call you to account, and no accounting at all if you can get away with it."

Ben Stein