



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

Board Member Address

If you did not attend the Spring Conference May 16 & 17, you missed an awesome seminar!

We learned the ins and outs of how to conduct an internal investigation. Our speaker, Mary Breslin, has over 20 years of experience in internal auditing and fraud examination and has been involved in fraud cases in over 50 countries. Mary’s real-life experiences that she shared with us were worth every CPE hour.

Mary told us of her first fraud where she was auditing federal government grants at a church-run school. She and her fellow auditor began finding anomalies almost immediately upon arrival. When Mary contacted her boss several hours later to fill him in, he told her to keep working and not mention the issues to anyone at the school or church.

The boss showed up two hours later with a moving truck and six guys. They took every file, file cabinet, and computer from the grant administration office per the grant agreement. The pastor turned out to be the ringleader and had previously served time for a similar crime at another church. Her experiences only got better from there! Including being guarded by former Navy Seals due to death threats! Sorry you missed it.

Hopefully, you won’t miss out on our Fall Conference though. October 22, 2019 in Lansing. We have Marilyn Peterson coming to discuss *Detecting Fraud by Following the Money*. More info to come. Hope to see you there!

Melanie Marks

LACFE Chapter Secretary

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Fraud Talk Podcast

White-Collar Crime & the Innocent Spouse

John Gill, J.D., CFE, ACFE VP of Education, speaks with Lisa Lawler, founder of the White-Collar Wives Project. Lawler discusses how her husband’s fraud affected her and her family, and how it led to her creating a place for wives to turn for advice and support. This podcast is a product of the ACFE and may be downloaded at <https://www.podbean.com/media/share/pb-7skgt-ac49b4>

UPCOMING EVENTS

LOCAL:

Lansing Chapter of the ACFE – Fall Fraud Conference

October 22, 2019

Lansing, MI – site to be determined

Speaker – Marilyn Peterson, CFE, CICA

Topic – "Detecting Fraud by Following the Money"

See page 3 for presentation description



AGA Webinar – Leadership: Journey to The Frontline

June 12, 2019

Lansing, MI

Learn More at <https://www.lansing-aga.org/EventCalendar/EventDetails.aspx?ItemID=113&mid=24&pageid=22>

Michigan Chamber of Commerce

Workplace Fraud, Theft and Cyberattack Prevention

August 13, 2019

Lansing Chamber of Commerce

Learn More at <https://www.michamber.com/seminars/workplace-fraud-theft-and-cyberattack-prevention>

NATIONAL:

Webinar – Unraveling the Confusion: What & Who is a Whistleblower?

June 6, 2019

ACFE

Learn More at <https://www.acfe.com/webinar.aspx?evtid=a3Y1Q000002rWkhUAE>

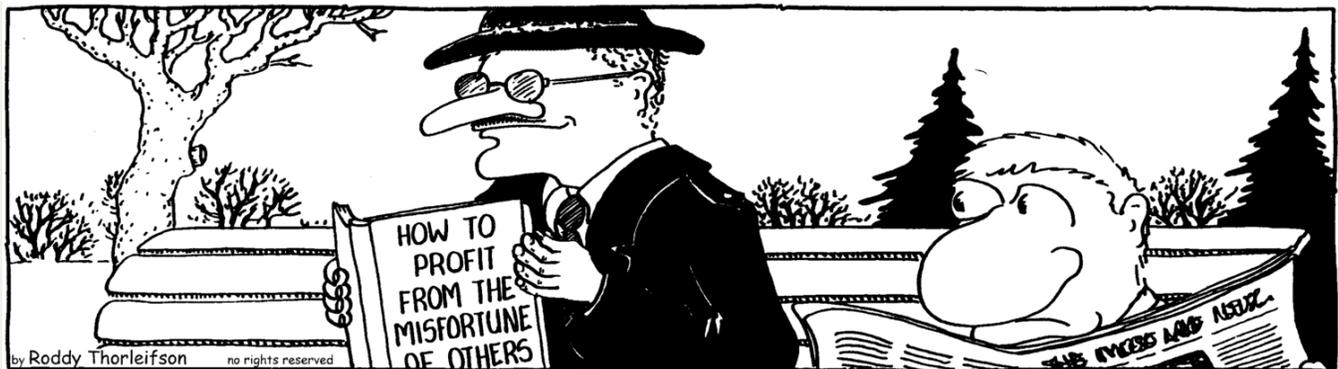
Webinar – Preventing Procurement Fraud: Moving to Continuous Monitoring

June 12, 2019

ACFE

Learn More at https://www.acfe.com/webinar_live_sponsored.aspx?evtid=a3Y1Q000002uDhmUAM

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 lacfeemarks@gmail.com



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Fall 2019 Fraud Conference Oct. 22, 2019

Detecting Fraud by Following the Money

Presented by Marilyn Peterson, CFE, CICA

The Association of Certified Fraud Examiners (ACFE) reported losses of over \$7 billion due to fraud in the U.S. during 2017 and as much as nearly \$80 billion worldwide in that period. Where does all this money go and how are these profits hidden from detection? Fraud can be found in businesses from small to large, from a single embezzler to a large network of conspirators. Sometimes those facilitating the fraud are not the actual benefiter from it and following the money can lead us to those individuals.

By using ways to find and follow the money, we can detect the fraud earlier, we can shut down the profits of the fraud and we can identify properties obtained with illicit funds to make them vulnerable to freezing and seizing. Today's seminar guides us through the progress of fraud's profits and uses hands-on financial analysis exercises to underscore the efficacy of following the profits of fraud.

Marilyn Peterson is the Principal of Peterson Analytic Associates, LLC, in Virginia. She served as an intelligence analyst specializing in financial analysis for 25 years in Pennsylvania and New Jersey. She then taught intelligence analysis for the Department of Defense in Washington, DC, for 11.5 years.

Marilyn wrote *Applications in Criminal Analysis: A Sourcebook* in 1994 (Greenwood Press) and *A Guide to Analyzing Personal and Corporate Bank Records* in 1996. This was followed by *A Guide to Understanding and Analyzing Bank Secrecy Act Data* in 2002 and by *A Guide to Counter-Threat Finance Analysis* in 2006.

In addition, Marilyn has served on the ACFE Board of Regents and on the Board of the CFE Foundation. She has been involved in the International Association of Law Enforcement Intelligence Analysts (IALEIA) having served on its board in varied capacities, including president, and now sits on its Executive Advisory Board. She is currently editor of the *Journal of Intelligence and Analysis*. Her most recent publication is *Applications in Intelligence-Led Policing, Where Theory Meets Practice, (2018)* of which she was managing editor.



IN THE NEWS

Fake Saudi prince Anthony Gignac jailed for \$8m fraud

<https://www.bbc.com/news/world-us-canada-48483286>

Elder fraud is growing rapidly. Here's how to detect and stop it

<https://www.winknews.com/2019/06/01/elder-fraud-is-growing-rapidly-heres-how-to-detect-and-stop-it/>

Co-Owners of Chicago-Area Home Health Agency Plead Guilty to Kickbacks Conspiracy Charges

<https://www.justice.gov/opa/pr/co-owners-chicago-area-home-health-agency-plead-guilty-kickbacks-conspiracy-charges>

Kansas Cardiologist and His Practice Pay \$5.8 Million to Resolve Alleged False Billings for Unnecessary Cardiac Procedures

<https://www.justice.gov/opa/pr/kansas-cardiologist-and-his-practice-pay-58-million-resolve-alleged-false-billings>

Potential Flat 35 loan fraud – another low blow for Japan's real estate industry

<https://www.rethinktokyo.com/potential-flat-35-loan-fraud>

SEC Only Collects Half of Fraud-Related Fines

<https://www.pymnts.com/news/regulation/2019/sec-fraud-fines/>

Fraud via rogue apps exploded by 300 percent in just a few months

<https://www.cyberscoop.com/app-fraud-on-the-rise-rsa-report/>

CBS Credit Union Manager Pleads Guilty to \$40 Million Fraud

<https://variety.com/2019/biz/news/cbs-credit-union-manager-guilty-fraud-1203220963/>

Houston Patient Recruiter Sentenced to 188 Months in Prison for Role in \$20 Million Medicare Fraud Scheme

<https://www.justice.gov/opa/pr/houston-patient-recruiter-sentenced-188-months-prison-role-20-million-medicare-fraud-scheme>

From prison, 'Pharma Bro' Martin Shkreli sues ex-colleagues for \$30 Million

<https://www.cnbc.com/2019/05/31/reuters-america-from-prison-pharma-bro-martin-shkreli-sues-ex-colleagues-for-30-mln.html>

Las Vegas businessman gets 50 years prison in \$1.5 billion Ponzi scheme

<https://www.cnbc.com/2019/05/31/reuters-america-from-prison-pharma-bro-martin-shkreli-sues-ex-colleagues-for-30-mln.html>

CASE STUDY IN HEALTH CARE FRAUD: WALGREENS PAYS \$269 MILLION TO SETTLE FRAUD CASES

By Ron Cresswell, J.D., CFE
Research Specialist, Association of Certified Fraud Examiners

During the 2018 fiscal year, the [U.S. Department of Justice](#) (DOJ) recovered more than \$2.8 billion from civil cases involving fraud and false claims against the government. Of that \$2.8 billion, \$2.5 billion (89%) came from health care fraud cases. Last year was the ninth consecutive year in which the DOJ recovered more than \$2 billion from health care fraud cases. As those numbers indicate, health care fraud continues to be a massive problem in the U.S.

A recent settlement illustrates the scope of the problem. On January 22, 2019, the DOJ [announced](#) that it had reached a \$269 million settlement with Walgreens in two separate fraud cases. Walgreens is the second largest pharmacy chain in the United States, operating more than 9,000 stores in all 50 states. In the first case, Walgreens was accused of improperly billing government health care programs for insulin pens that patients did not need. In the second case, the government claimed that Walgreens overbilled Medicaid by failing to disclose a discount program.

False claims for insulin pens

The first case involved Walgreens' policies regarding insulin pens, which are prescribed to patients for the treatment of diabetes. The manufacturer of the insulin pens packaged them in cartons that contained five pens per box. The insulin pens could be sold individually — each pen was marked with a bar code and other information necessary for sale. Nevertheless, from 2006 to 2017, Walgreens prohibited its pharmacies from dispensing less than a full carton of insulin pens at a time, even if the prescription called for fewer than five pens. According to the government, this practice often resulted in patients receiving more insulin than they needed and the waste of substantial quantities of insulin.

Another result of this practice was that federal health care programs, such as Medicare and Medicaid, often denied Walgreens' reimbursement claims for refills of insulin pen prescriptions. Government health care programs limit the amount of a drug that can be dispensed and reimbursed within a period of time. If a patient has a 90-day supply of insulin, for example, the government generally will not reimburse the pharmacy for dispensing a refill after only 30 days. The government claimed that Walgreens circumvented these limits by reporting false "days of

supply” information after such claims were denied. For instance, the company would falsely claim that a 90-day supply of insulin was a 30-day supply. According to the government, this false information resulted in millions of dollars paid to Walgreens for insulin that was not needed.

In 2015, two pharmacists filed a whistleblower lawsuit against Walgreens, claiming that the company’s practices violated the federal False Claims Act and similar state laws. On January 11, 2019, the federal government intervened in the lawsuit after a lengthy investigation. On January 22, the government announced a settlement agreement to resolve allegations that Walgreens submitted false claims to Medicare, Medicaid and other government programs. Walgreens agreed to pay a total of \$209.2 million (\$168 million to the federal government and \$41.2 million to state governments). There has been no announcement regarding how much the whistleblowers will recover; however, whistleblowers are generally entitled to 15 to 25% of the government’s recovery under the False Claims Act.

Failing to disclose discount program

The second case involved Walgreen’s failure to disclose its Prescription Savings Club (PSC) to the government. Walgreens customers who joined the PSC received discounts on various drugs. They also received a store credit if the amount they paid to enroll in the PSC for the year was more than the amount they saved through the PSC that year.

Under Medicaid regulations, pharmacies must seek government reimbursement for prescription drugs at their “usual and customary” price. The usual and customary price generally includes prices offered through discount programs, such as the PSC. Therefore, if a pharmacy fails to include its discount programs in its calculation of the usual and customary price for drugs, the pharmacy illegally overbills the government.

In 2012, a pharmacy manager filed a whistleblower lawsuit against Walgreens, claiming that the company violated the False Claims Act by failing to disclose the PSC to the government. The federal government investigated the claims and intervened in the lawsuit. On January 22, 2019, the government announced a settlement agreement to resolve claims that Walgreens charged the government more for certain drugs than it charged the public. Under the settlement, Walgreens agreed to pay a total of \$60 million (\$32 million to the federal government and \$28 million to state governments). According to the whistleblower’s [attorneys](#), this is the largest settlement of its kind against a retail pharmacy chain. The attorneys also announced that the whistleblower will receive 21% of the government’s recovery.

Corporate integrity agreement

As a part of both settlements, Walgreens entered into a corporate integrity agreement (CIA) with the Office of Inspector General of the U.S. Department of Health and Human Services. Under the CIA, Walgreens' retail and specialty pharmacies will be subject to broad oversight by an independent review organization to ensure the company's continuing legal compliance.

There are a number of takeaways from the Walgreens settlement. First, health care fraud is still pervasive in the industry, even at the largest and most visible companies. Second, government regulators are serious about uncovering and punishing such fraud schemes. And finally, whistleblowers continue to be a vital tool in the fight against health care fraud.

QUOTE OF THE MONTH

"Fraud and deceit are anxious for your money. Be informed and prudent."

John Andreas Widtsoe



Using your client's money for landscaping is not considered a hedge fund.