



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

Manage Work Stress

Work-related stress does not just disappear when you head home for the day. When stress persists, it can take a toll on your health, well-being, and family life.

So, what can we do to reduce some of the stress in our lives?

- * **Track It:** Keep a journal to identify the situations that create the most stress and how you respond to them. Look for the patterns.
- * **Respond Healthy:** Instead of grabbing the cookie or donut, put on your tennis shoes and walk around the block or hit the gym at lunch.
- * **Boundaries & Recharging:** You cannot be on the clock 24/7, so set boundaries such as not checking email from home, or working during vacation. If vacation is not an option, turn off the phone for one night.
- * **Support Yourself:** Everyone needs friends and family that stands beside them. It is ok to actually lean on them sometimes too.

Take time to find ways that work for you on managing the stress.
You deserve it!

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My Name Is Simon. My
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Fraud Talk Podcast

My Name is Simon. My Voice Is My Password.

Simon Marchand, CFE, Chief Fraud Prevention Officer at Nuance

Communications, shares the latest developments in voice biometrics and why he thinks this could be a game-changer for fraud prevention and detection. This podcast is a product of the ACFE and

may be downloaded at https://www.podbean.com/media/share/pb-wwb7b-b30bf9?utm_campaign=w_share_ep&utm_medium=dlink&utm_source=w_share24_2019.mp3?pbs=8559e3b4-c512-5aec-9505-f03fd49fdcc6 1

UPCOMING EVENTS

LOCAL:

Lansing Chapter of the ACFE – Fall Fraud Conference

October 22, 2019

Maner Costerisan Conference Room, Lansing, MI

Speaker – Marilyn Peterson, CFE, CICA

Topic – "Detecting Fraud by Following the Money"

See page 3 for presentation description



Michigan Chamber of Commerce

Seminar - Effective Coaching and Mentoring Techniques

September 12, 2019

Walsh College, Novi, MI

Learn More at <https://www.michamber.com/seminars/coaching-and-mentoring>

Michigan Association of Certified Public Accountants

Webinar – Communicate with Different Personality Styles

August 19, 2019

Learn More at <https://store.micpa.org/product/96176>

NATIONAL:

ACFE

Seminar – Contract and Procurement Fraud

September 9-10, 2019

Chicago, IL

Learn More at <https://www.acfe.com/events.aspx?evtid=a3Y1Q000002rXFOUA2>

ACFE

Webinar – Don't Just Check the Box: Planning & Executing Grant Audits to Identify Fraud

September 26, 2019

Online

Learn More at <https://www.acfe.com/webinar.aspx?evtid=a3Y1Q0000030rxpUAA>

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



Fall 2019 Fraud Conference Oct. 22, 2019

To Be Held at Maner Costerisan – 2425 East Grand River Ave, Suite 1, Lansing

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 benefiterers 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.



*LACFE is pleased to bring you an
MICPA Ethics Seminar
October 22, 2019
Watch for more details coming soon!*



Forensic Accounting and Fraud Investigation for Non-Experts, 3rd Edition

Stephen Pedneault, Frank Rudewicz, Howard Silverstone, and Michael Sheetz

A necessary tool for those interested in understanding how financial fraud occurs and what to do when you find or suspect it within your organization. With comprehensive coverage, it provides insightful advice on where an organization is most susceptible to fraud. Updated with new cases and new material on technology tools in forensic accounting.

IN THE NEWS

Former CEO of Israeli Company Found Guilty of Orchestrating \$145 Million Binary Options Fraud Scheme

<https://www.justice.gov/opa/pr/former-ceo-israeli-company-found-guilty-orchestrating-145-million-binary-options-fraud-scheme>

Medicare Advantage Provider and Physician to Pay \$5 Million to Settle False Claims Act Allegations

<https://www.justice.gov/opa/pr/medicare-advantage-provider-and-physician-pay-5-million-settle-false-claims-act-allegations>

Waco Tax Return Preparer Pleads Guilty to Conspiring to Defraud the United States

<https://www.justice.gov/opa/pr/waco-tax-return-preparer-pleads-guilty-conspiring-defraud-united-states>

Foul Ball: Did a N.J. man get duped into buying \$100K in bogus sports memorabilia?

<https://www.nbcnews.com/news/us-news/foul-ball-did-nj-man-get-duped-buying-100k-bogus-n1019676>

Genetic-testing scam targets seniors and rips off Medicare

<https://www.nbcnews.com/health/aging/genetic-testing-scam-targets-seniors-rips-medicare-n1037186>

California Man Pleads Guilty in Florida to \$1.3B Fraud Scam

<https://www.nbcmiami.com/news/local/California-Man-Pleads-Guilty-in-Florida-to-13B-Fraud-Scam-528321161.html>

Final Defendant Pleads Guilty in Bid-Rigging Conspiracy Involving Government Contracts

<https://www.justice.gov/usao-edca/pr/final-defendant-pleads-guilty-bid-rigging-conspiracy-involving-government-contracts>

U.S. charges ex-CEO, ex-CFO of Brixmor REIT with fraud

<https://www.cnbc.com/2019/08/01/reuters-america-update-1-u-s-charges-ex-ceo-ex-cfo-of-brixmor-reit-with-fraud.html>

FBI: Delivery drivers involved in Amazon theft ring

<https://abcnews.go.com/US/wireStory/fbi-delivery-drivers-involved-amazon-theft-ring-64726008>

Chief Financial Officer of Norman Company Indicted for Employment Tax Fraud

<https://www.justice.gov/usao-wdok/pr/chief-financial-officer-norman-company-indicted-employment-tax-fraud>



Direct Questioning and Its Role in Counterintelligence Investigations

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

While driven by logic, direct questioning is an art-form that requires creative thought and methodical application

Counterintelligence agents and counterpart law enforcement investigators who debrief informants or other sources on national security issues and organized criminal enterprises may use a variety of approaches in order to accurately detect deception and obtain actionable information during a questioning session. First among those choices is the *Direct Approach*.

Most “source operations” begin with the direct approach, which involves direct questions that address issues of fact and/or evidence. Source credibility and the value of the intelligence derived are then assessed based upon a thorough analysis of the information revealed by a source relative to evidence developed through other means.

What can an agent do to improve results from the direct approach? Here are a few suggestions.

1. Identify critical components

Questions should be addressed toward the source’s critical components of perception, memory and sincerity.

Perception relates to the origin of the source’s information. First-hand sensory perceptions are the most useful, i.e., what the source actually saw, heard, touched, smelled, or tasted. The agent should always have an answer from the source to the following question: “How do you know what you think you know?”

Memory relates to the accuracy of a source’s recollections. The agent should cautiously assess a source’s information for selectivity of memory through timeline integrity, consistency of details and use of memory qualifiers (i.e., “As far as I know...” or “To the best of my recollection...”). Repetition works against a deceptive source who faces the challenge of “keeping their story straight.”

Sincerity relates to a source’s intentions. Something as basic as the desire to unjustly “throw a rival under the bus” may prompt an informant to offer false information about another’s activities or allegiance. The agent should probe whether the source bears any bias or dislike against one whom the source implicates or harbours prejudice against any

group or organization. Most important to the agent’s assessment of a source’s sincerity is the prospect of a monetary or other corollary interest, such as revenge, ideology, a bruised ego, or having been compromised.

2. Question formulation

The most fundamental guideline is to seek a narrative or descriptive response from the source rather than a simple “yes” or “no.” The broad form “Walk me through the events of the day” will stimulate a narrative reply that may include a timeline. This in turn could allow an interviewer to identify selective memory characterized by lack of uniformity in details, as well as the presence or absence of appropriate emotions.

Agents should resist the temptation to interrupt a source during a narrative response, even if the source contradicts evidence already known to the agent. Instead the agent should note any discrepancies and return to them for clarification. While a source should be allowed to correct honest mistakes, persistent inconsistencies are signs of deception.

As the line of inquiry narrows, the agent’s follow-up questions should be brief and to the point as the agent drills into the first-hand origin of a source’s information. Examples include:

“Why do you say that?” “How do you know that?” “Where exactly were you when you saw that?”

Time and place should be established for observations made and conversations heard, including identification of others present and details about the environment where the action occurred in order to probe the plausibility of a source’s perceptions and memory.

A source’s background might reveal potential precipitators for the disclosure of disinformation. With that insight, an agent is armed to challenge a source’s intentions. Interview questions that might draw out potential precipitators include, “Why do you think someone planted explosives on that bus?” or, “Is there any circumstance in your mind that might justify someone to provide false information about a safe house?”

Deceptive sources often spontaneously disclose their own motives to the hypothetical inquiry. Investigators should not overlook the obvious but, instead, should ask whether the information being provided is true: “are you 100 per cent confident that what you’ve said is accurate?” or, “Is any part of what you just told me not correct?”

3. Response assessment

Under the direct approach, an agent may reliably interpret the content of a source’s response.

Unresponsive answers indicate deception. Examples include changing the subject, answering a question with a question, or rephrasing a question. Credible sources respond definitively and do not hesitate to use descriptive terminology within discussions of “treason, bribes, kickbacks, stealing or killing.”

A nuanced, unresponsive answer occurs when a source interjects a reason in support of his or her credibility instead of a definitive statement.

For example, when asked, “Did you disclose the informants’ identities?” a credible source would bluntly respond using broad denials and harsh terminology, such as, “No, I’ve never committed treason.”

Conversely, a disingenuous source might instead use non-descriptive terms while merely explaining innocence, such as, “Why would I do something like that, I love my country,” or, “I wouldn’t have done that; it could have cost them their lives.”

Another subtle form of unresponsive answer is “deception by referral,” whereby a disingenuous source prefers to refer back to a prior statement that the source may have given on the issue rather than once again spontaneously answering the question. Having to repeat an answer is problematic for those whose perceptions, memory and sincerity are in doubt, because they struggle to maintain consistency to their story. An example is: “Do I have to tell you what happened all over again? I already told your colleague last week all about it, and I have nothing new to add.”

Qualifiers are a sign of uncertainty at best, deception at worst. While everyone has periodic memory lapses, over-reliance upon qualifiers raises doubt about credibility. Examples include:

- As best as I recall
- I think
- I believe
- Apparently
- Not really

Omission qualifiers include “Nothing in particular,” when asked “What did you do last night?” or, “Nobody in particular” when asked, “Who were you with last night?” “Generalized qualifiers” include “Usually I get home around 6 p.m.,” in response to the specific question, such as “What time did you get home last night?”

4. Challenges

Disparities may become evident between what a source says and what the evidence shows.

Success in challenging those disparities depends upon the rapport that an interviewer establishes with a source throughout the interview process. Objectivity and a non-judgmental attitude by the agent will lead to mutuality of respect with a source; and the agent’s own self-confidence will assure a source that he or she is in capable hands.

It’s fundamentally sound to point out weaknesses in a source’s perception, memory or sincerity when supported by evidence which challenges their credibility. (Caution should be exercised by the agent not to reveal evidence, which is necessary for corroboration in

the event a source subsequently admits deception.)

Crafting evidence-based challenges that draw out the truth from a disingenuous source regarding both their conduct and their mental state requires an understanding of the source’s motives.

For example, consider the following case study. A mathematically gifted 24-year-old foreign national has unrestricted access to algorithms, which are the core trade secrets of his North American corporate employer. Unauthorized access to those algorithms has been detected through internal IT surveillance. While the origin of the breach cannot be confirmed, suspicion is cast upon the young prodigy whose initial debriefing is characterized by disingenuous responses in his perceptions, memory and sincerity. Prior to the interview, a review of the source’s background reveals not only an extraordinary intellectual and educational history but also that his parents and siblings reside in his dictatorial homeland. A potential precipitator in this instance is reasonably inferred to be compromise of the source by a hostile nation willing to leverage risk of harm to the source’s family members in order to compel disclosure of the sought-after technology.

During questioning the source is asked whether, in his mind, there's any circumstance that might justify a person in revealing such highly sensitive information. The source suggests one might be pressured into it to protect his family.

Given the alignment between the source's hypothetical precipitator and his family's actual circumstances, the source is immediately presented evidence from the investigative file of his family's dangerous overseas residence and is allowed to study it. Upon looking up, the source is bluntly, yet non-judgmentally, asked: "You gave up the algorithms to protect your family, didn't you?" The source replies, "Yes."

That singular response acknowledges the source's wrongful conduct as well as his premeditation. A sequence of brief, non-leading, specific questions are quickly posed to confirm critical details that validate the reliability of the intelligence revealed. In this instance, the source discloses the identities of his adverse handlers, the specific media he used to download the data, his means of electronically transferring the data to his handlers, and the location of the discarded external drives which were then recovered, still fully loaded with the formerly secret information.

The Direct Approach is far more complex than a simple "Q&A" concerning basic occurrence facts, i.e., the "who, what, when, where, how, and why" of an event under scrutiny. While driven by logic, direct questioning is an art-form that requires creative thought and methodical application. Since its reward is increased efficiency in the derivation of actionable intelligence, every opportunity should be taken to exhaust the direct approach before shifting to incentive-based or emotional approaches during a questioning session.

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

QUOTE OF THE MONTH

"Facts are threatening to those invested in fraud."

DaShanne Stokes