



# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

## Board Member Address

It's Coming Soon!

Fraud Week is November 17-23, 2019.

Ways to get involved:

- Print and post the free ACFE poster  
<https://www.fraudweek.com/uploadedFiles/Fraudweek/2018/2019/fraud%20week%20poster.pdf>.
- Invite a CFE to talk to your employees/coworkers on how to avoid common mistakes when preventing fraud.
- Host a short seminar for your community on how to stay aware of the red flags of fraud.
- Post on your social media information and appropriate images with the tag #fraudweek.
- Discuss the 5 Fraud Tips to as many people as you can –
  - Be Proactive
  - Establish Hiring Procedures
  - Train Employees in Fraud Prevention
  - Implement a Fraud Hotline
  - Increase the Perception of Detection

So, how will you and your organization celebrate Fraud Week?  
Go big or keep it small, either way, Have Fun & Spread The Word!

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## Fraud Talk Podcast

**The Interview Room: Preparation, Evidence and Empathy**

Scott Porter, CPA, CA, and Senior Investigator at CPA Ontario, shares techniques to assist fraud examiners conducting investigative interviews in corporate settings. He also explores traditional law enforcement interview models, and offers emerging alternatives to enable practitioners to conduct ethical, legal and effective interviews. This podcast is a product of the ACFE and may be downloaded at

[https://s129.podbean.com/pb/3ffab49c59aca5161a9cf07cc724140b/5d94f7f7/data2/fs103/2004630/uploads/Interviewing\\_With\\_Empathy\\_Sarah\\_Hofmann\\_Scott\\_Porter\\_Episode\\_89.mp3?pbss=7513c42a-2f5c-55ae-8f81-bd5f43cca649](https://s129.podbean.com/pb/3ffab49c59aca5161a9cf07cc724140b/5d94f7f7/data2/fs103/2004630/uploads/Interviewing_With_Empathy_Sarah_Hofmann_Scott_Porter_Episode_89.mp3?pbss=7513c42a-2f5c-55ae-8f81-bd5f43cca649)

# UPCOMING EVENTS

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**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 – Employment Law for Managers

November 12, 2019

9 am to 3pm

Michigan Chamber of Commerce, Lansing

More at <https://www.michamber.com/seminars/employment-law-managers>

**AGA West Michigan Chapter**

Webinar – Practical Implementation of GASB 87

October 22, 2019

Learn More at <https://www.agacgfm.org/Chapters/West-Michigan-Chapter/Training-Events/Event-Calendar.aspx>

**NATIONAL:**

**ACFE**

Webinar - Interviewing in a Forensic Investigation

October 30, 2019

Learn More at <https://www.acfe.com/webinar.aspx?evtid=a3Y1Q0000030uU9UAI>

**ACFE**

Legal Elements of Fraud Examination & Professional Interviewing Skills

October 30 – November 01, 2019

Baltimore, MD

Learn More at <https://www.acfe.com/combo.aspx?evtid=a3Y1Q000002rWnxUAE>

*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)*



## 2019 Fall Fraud Conference

### ***MICPA Ethics***

Presented by Chris Harper, CPA (8am-10am)

**\*\*NOTE THIS IS NOT A MICHIGAN SPECIFIC ETHICS SESSION\*\***

### ***Detecting Fraud by Following the Money***

Presented by Marilyn Peterson, CFE, CICA (10am-5pm)

Tuesday, October 22, 2019

Maner Costerisan, Suite 1, Conference Room  
2425 E. Grand River Avenue, Lansing, MI 48912

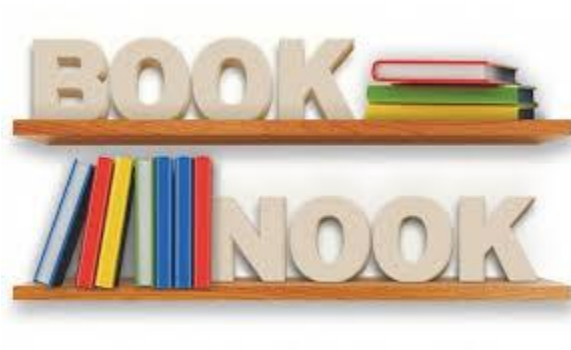
The Association of Certified Fraud Examiners (ACFE) reported losses of over \$7 billion due to fraud in the U.S. during 2017 and as much as nearly \$80 billion worldwide in that period. Where does all this money go and how are these profits hidden from detection? Fraud can be found in businesses from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



## **Ponzi's Scheme: The True Story of a Financial Legend**

Mitchell Zuckoff

It was a time when anything seemed possible-instant wealth, glittering fame, fabulous luxury-and for a run of magical weeks in the spring and summer of 1920, Charles Ponzi made it all come true. Promising to double investors' money in three months, the dapper charming Ponzi raised the "rob Peter to pay Paul" scam to an art form. At the peak of his success, Ponzi was raking in more than \$2 million a week at his office in downtown Boston. Then his house of cards came crashing down-thanks in large part to the relentless investigative reporting of Richard Grozier's Boston Post. A classic American tale of immigrant life and the dream of success, Ponzi's Scheme is the amazing story of the magnetic scoundrel who launched the most successful scheme of financial alchemy in modern history.

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## **IN THE NEWS**

*Philadelphia Tax Preparer Convicted of Preparing False Tax Return – Caused Tax Loss Of Over \$2 Million*

<https://www.justice.gov/opa/pr/philadelphia-tax-preparer-convicted-preparing-false-tax-return>

*Judge orders Marex to pay most of \$32 million metals fraud bill*

<https://www.cnbc.com/2019/10/02/reuters-america-update-3-judge-orders-marex-to-pay-most-of-32-mln-metals-fraud-bill.html>

*Former Jackson County Treasurer Sentenced to Prison for Identity Theft and Wire Fraud Scheme*

<https://www.justice.gov/opa/pr/former-jackson-county-treasurer-sentenced-prison-identity-theft-and-wire-fraud-scheme>

# Man's Best Friend — Do We Know What We Are Feeding Him?

By James L. Marasco, CPA, CIA, CFE

James is a partner at EFPR Group, LLC and Founding Member of Stonebridge Business Partners

Over the past decade, consumers have started taking greater notice about the foods they are consuming. Today, in most grocery stores, you'll notice a growing organic food section that didn't exist in the past. Being more health conscious about what we feed ourselves and our family can be vitally important to our well-being. For most people, dogs are considered a family member, so shouldn't we be paying attention to what we are putting into their bodies, too? Is there really a quality difference in the dog foods available or is it a marketing gimmick to pull at our heart and purse strings?

## The 2007 Melamine Scandal

The spark of this movement started over 12 years ago. In April of 2007, one of the worst consumer recalls occurred: the melamine pet food recall. Dogs and cats started dying of renal failure. A manufacturer out of Canada, Menu Foods, voluntarily recalled their pet foods after pets linked to their food started dying. Soon after, complaints started pouring into the FDA involving numerous other manufacturers. Independent tests by the FDA and Cornell University confirmed that melamine contaminated wheat gluten and rice protein from sources in China were associated with kidney failure in pets in the United States, while contaminated corn gluten was associated with kidney failure with pets in South Africa. Apparently, Chinese food companies use the nitrogen-based compound in wheat flour and other products to make these products appear to have more protein. While Menu Foods represented the largest portion of the recall, other major brands were also caught up in the scandal. Blue Buffalo, Hills, Purina, Royal Canin and others, all experienced recalls, even as they advertised the health benefits of their products. Five months after the scandal, Congress developed the Food and Drug Administration Amendments Act (FDAAA). This required that the Food and Drug Administration (FDA) improve the safety of pet food. Per the FDAAA, the FDA was required to:

1. Establish an improved pet food adverse event reporting system;
2. Establish improved pet food ingredient definitions and ingredient standards (the standards part is significant); and
3. Establish improved pet food labeling, providing the consumer more and better information on labels.

## Truth in Advertising

In mid-2014, Purina filed a lawsuit against Blue Buffalo for false advertising of their pet food after testing revealed the presence of poultry by-product meal in some of Blue Buffalo's top selling pet foods. Purina claimed that some Blue Buffalo products were not consistent with the company's "True Blue Promise," which stated that the products are "formulated with the finest natural ingredients" and made with "no chicken/poultry by-product meals; no corn, wheat or soy; and no artificial preservatives, colors or flavors."

A year later Blue Buffalo acknowledged in court that a "substantial" and "material" portion of Blue Buffalo pet food sold to consumers contained poultry by-product meal, despite advertising claims to the contrary. Under the terms of the agreement, Blue Buffalo had to pay \$32 million into a settlement fund to settle the claims of the plaintiff class. Blue Buffalo claimed it was duped by its suppliers and pursued them for misleading and misrepresenting the company.

## Regulation and Safety

For human food, we know that the United States Department of Agriculture (USDA) is responsible for regulation and safety of meat, poultry and egg products, and the FDA regulates all other food. But what about our pet's food?

According to the FDA website, they regulate "that can of cat food, bag of dog food, or box of dog treats or snacks in your pantry." That seems like a pretty vague and loose list of what they regulate. They go on to say that the Federal Food, Drug, and Cosmetics Act (FFDCA) requires that all animal food be safe to eat, produced under sanitary conditions, contain no harmful substances and be truthfully labeled. They go on to state that there is no requirement that pet

food products have pre-market approval by the FDA. However, the FDA ensures that the ingredients used in pet food are safe and have an appropriate function in the pet food. Many ingredients such as meat, poultry and grains are considered safe and do not require pre-market approval.

In the United States, the FDA regulates both finished pet food products and their ingredients. Their responsibilities include:

1. Inspections of pet food manufacturing and ingredient suppliers (excluding USDA regulated suppliers);
2. Pet food investigations (based on consumer or veterinary complaints);
3. Works in cooperation with Association of American Feed Control Officials (AAFCO) developing state laws, defining ingredients, establishing nutritional requirements for pet food/animal feed; and
4. Approves or denies pet food additives or processing aids not defined by AAFCO (GRAS — Generally Recognized as Safe — ingredients).

The FDA is also mandated by federal law to abide by the Food Drug and Cosmetic Act, the Food Drug and Cosmetic Amendments Act, and the Food Safety Modernization Act. The secondary authority for regulation of pet food is the State Department of Agriculture (SDA). They are tasked with inspecting pet food labels for adherence to labeling laws, investigating consumer complaints and inspecting pet food manufacturing facilities within their jurisdiction. Some states work in cooperation with AAFCO developing state laws, defining ingredients, establishing nutritional requirements for pet food/animal feed.

The FDA administers pet product recalls and displays a complete list of them at <https://www.fda.gov/safety/recalls-market-withdrawals-safety-alerts>. However, are they really doing enough to provide the assurances most of us expect?

## What Should You Look For?

The key to ensuring your pet's safety is education. The most expensive food may not be the

best food for your dog; however, you will probably pay more for higher quality ingredients.

There

is a wealth of information online describing the various ingredients that are added into dog food and ones to avoid. Listed below are the most prominent ingredients found in pet foods and ones you should try and avoid:

- Wheat and corn gluten, which are commonly used as cheap fillers and could cause dogs considerable distress if they have allergies or digestive issues.
- Animal “by-products.” This could represent all scraps of an animal not used in human consumption such as bones, brains, feathers, intestines, etc. Look on the label for actual identified animals that are included.
- Generic described “meat” and “meat meal.” Similar to above, look for actual named animals.
- Chemical fat preservatives such as BHA (Butylated Hydroxyanisole). BHT (Butylated Hydroxytoluene) and ethoxyquin. BHA and BHT are banned in most countries except for low doses allowed in the U.S., Canada and Europe. Ethoxyquin is not allowed in human food in the U.S., but is still allowed in dog food. These chemicals have been linked to cancer and hyperactivity.
- Food dyes (Blue 2, Red 40, Yellow 5 and 6, 4-MIE), which are linked to hyperactivity and provide no nutritional value.
- Propylene glycol, also known as antifreeze. Some human foods contain low amounts, which helps a product maintain its moisture. In large doses, it’s fatal.
- Rendered or animal fat. Some fat could be good, but if it goes unnamed it probably represents dead, dying, disabled or diseased animals, which the pet industry is famous for including in their food. Look for fats from named sources.

## Keeping Them Healthy

Veterinary journals are reporting that cancer rates are affecting more dogs and at younger ages. Current statistics show that one of every two dogs will succumb to cancer. It’s unclear whether

it’s the commercial food they are eating, the vaccines they are receiving or environmental



toxins they are coming in contact with. If we want our pets to thrive, do them a favor and read the labels.

Eating healthy may cost more, but in the long run, it may make them happier, more manageable and keep them with the family longer. Who could put a price on that?

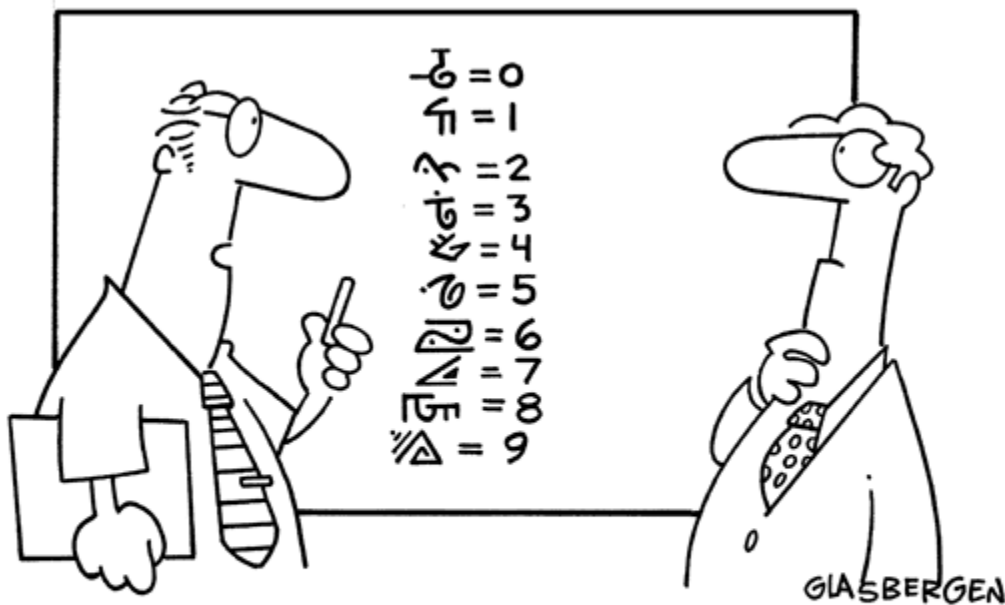
## QUOTE OF THE MONTH

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"If it is too good to be true....it is probably a fraud."

Ron Weber

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**"The accounting department just can't live with the old numbers anymore. There is just too much bad history, too many painful memories. We've replaced them with a whole new set of digits and we'd like the rest of the company to cooperate."**