



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

Board Member Address

Hello to all my Fellow Fraud Fighters!

How is it possible that it is November already? 2019 is very close to being long gone.

So, what are your fraud fighting plans for 2020?

- Look for a job where you can use your fraud fighting knowledge more
- Expand your current job to incorporate more fraud detection techniques
- Plan and complete a risk assessment of your company
- Take some fraud related courses
- Do a few speaking engagements about fraud detection
- Start up a networking program for fellow fraud fighters
- Sit for the CFE exam or another designation

No matter what you decide to accomplish in 2020, know that the LACFE Board is right there with you. Let us know how we can help. We may be able to direct you to a resource or assist with gathering information.

Fighting fraud together is the best way to conquer!

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Fraud Talk Podcast

What Do Conmen and Entrepreneurs Have in Common?

There's a simple thread that connects entrepreneurs and conmen. Alexander Stein, Ph.D., discusses this connection and dissects how the psychodynamics of fraud can help fraud examiners spot the differences between ethical employees and malevolent ones. This podcast is a product of the ACFE and may be downloaded at

[https://s111.podbean.com/pb/2882302c6ade2bcd123a0719f7cea73a/5dbcc3d9/data1/fs103/2004630/uploads/What do Conmen and Entrepreneurs have in Common Alexander Stein Episode 90.mp3?pbss=1d5f6ddc-226e-5c56-9530-c913943eb306](https://s111.podbean.com/pb/2882302c6ade2bcd123a0719f7cea73a/5dbcc3d9/data1/fs103/2004630/uploads/What%20do%20Conmen%20and%20Entrepreneurs%20have%20in%20Common%20Alexander%20Stein%20Episode%2090.mp3?pbss=1d5f6ddc-226e-5c56-9530-c913943eb306)

UPCOMING EVENTS

LOCAL:

Michigan Chamber of Commerce

Webinar – How to Comply with Michigan’s Amended Mandatory

Paid Sick Leave Law

Webinar On-Demand

Michigan Chamber of Commerce, Lansing

More at <https://webinars.michamber.com/products/how-to-comply-with-michigans-amended-mandatory-paid-sick-leave-law>



Michigan Chamber of Commerce

Seminar – Building and Driving Your Team to Success

December 10, 2019

9 am – 3 pm

Learn More at https://portal.michamber.com/events/event-details/?&id=ddd39e05-3000-439d-ab4b-0396df2aea0c&_ga=2.161114941.1041621880.1572655265-1883851378.1572655265&reload=timezone

NATIONAL:

ACFE

2019 ACFE Law Enforcement and Government Anti-Fraud Summit

November 07, 2019

Washington, D.C.

Learn More at <https://www.acfe.com/legasummit2019.aspx>

ACFE

Contract and Procurement Fraud & Workshop

November 18-20, 2019

Nashville, TN

Learn More at <https://www.acfe.com/combo.aspx?evtid=a3Y1Q000002rWvbUAE>

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





How to Smell a Rat: The Five Signs of Financial Fraud

Kenneth L. Fisher and Lara Hoffmans

A timely guide to uncovering financial fraud. 2008 and 2009 will be remembered for bear markets, a global credit crunch, and some of the largest investment scams ever. But these scams are nothing new, they've been repeated throughout history, and there will certainly be more to come. But the good news is fraudsters often follow the same basic playbook.

IN THE NEWS

Former University of Virginia Football Player Convicted of \$10 Million Fraud

<https://www.financialfraudnews.com/former-university-of-virginia-football-player-merrill-robertson-convicted-of-10-million-fraud/>

Exxon to face trial in New York investor fraud lawsuit

<https://www.cnbc.com/2019/10/22/reuters-america-exxon-to-face-trial-in-new-york-investor-fraud-lawsuit.html>

Alabama Homebuilder Embezzled \$1.3M From Families and Customers

<https://www.financialfraudnews.com/alabama-homebuilder-jeff-rusert-embezzled-1-3m-from-families-and-customers/>

Gainesville Physician and Ex-Wife Convicted of Health Care Fraud Conspiracy, Health Care Fraud, and Money Laundering

<https://www.justice.gov/usao-ndfl/pr/gainesville-physician-and-ex-wife-convicted-health-care-fraud-conspiracy-health-care>

Pharmacy Owner Sentenced to 10 Years in Prison for Role in Largest Health Care Fraud Case Ever in Mississippi

<https://www.justice.gov/usao-sdms/pr/pharmacy-owner-sentenced-10-years-prison-role-largest-health-care-fraud-case-ever>

Are We Being Duped in the Foods We Purchase?

By James L. Marasco, CPA, CIA, CFE

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

On a recent trip to the Pacific Northwest, I was bombarded with stores and products advertising “all natural”, “organic”, “farm-raised”, etc. It got me thinking to when I was a kid growing up on a farm which raised chickens and sold eggs in a roadside stand. Who knew we could charge a premium for cage-free, free-range brown eggs?

What's the Difference?

Most people don't realize white eggs come from chickens like White Leghorns and brown eggs come from Rhode Island Reds or similar varieties. We raised both – there is no difference in taste. But, how much of a premium are people willing to pay for something perceived as more healthy or organic? How prevalent is deceptive advertising and fraud in the food industry involving these issues?

Food Fraud is described as the deliberate and intentional substitution or misrepresentation of food, ingredients or packaging for economic gain. This topic went mainstream when the television news show 60 Minutes ran a story in 2016 exposing the olive oil industry. Although packaging of certain brands of olive oil boasted “extra virgin”, it was found to contain mostly peanut, soy or sunflower oils. The report estimated that 75-80 percent of the extra virgin olive oil sold in the U.S. does not meet the legal grade. Some of the largest grocery chains and most expensive brands were falsely marketing these products.

The Organic Explosion

As the U.S. emerged from the 2008 recession, there's been a huge growth in food products that claim to be healthier for you, and coincidentally, cost more. According to the

Organic Trade Association, in 2016, industry sales reached \$43 billion. Some of the most prevalent monikers you may come across are:

- Cage free
- Fair trade
- Farm-raised
- Free-range
- Grass fed
- Locally grown
- No GMOs (genetically modified organisms)
- No hormones or hormone-free
- Organic

Hungry consumers are attracted to these labels with many not understanding what they really represent or how well they are enforced. In late 2017, this topic became increasingly political when the U.S. Department of Agriculture's (USDA) Inspector General released a report detailing widespread fraud throughout the global organic-food supply chain and noting the failure of federal officials to ensure the integrity of the organic market in the U.S. Some voiced their opinions that organic companies and their advocacy groups ignored the fraud so they could continue charging higher prices for food labeled organic. Some legislators pushed to double the USDA's enforcement budget.

How Closely is this Enforced and Monitored?

In May 2017, a story originally investigated by the Washington Post highlighted a fraudulently labeled shipment of 36 million pounds of "organic" soybeans and corn. They were shipped from the Ukraine, but originated from Turkey which supplies various organic products to the U.S. The shipment was later found to have been treated with various pesticides and was likely to be used in cattle feed. Under USDA rules, a company importing an organic product must verify that it has come from a supplier that has a "USDA Organic" certificate. It must keep receipts and invoices, but doesn't need to trace

the product back to the original farm. Most crop seeds, fruits and vegetables used in the U.S. are genetically modified and cannot be used in the certification of a product or livestock feed as organic. What's especially alarming is that to meet the growing demand, these "organic" products are being increasingly imported from other countries, like Turkey and China.

Most of the certifications or descriptions noted above have their own certifying organization. For example, the USDA certifies the organic program, while Fairtrade International or Fairtrade Labeling Organization certifies the Fair Trade program. Ultimately, in the U.S., deceptive food packaging would normally fall under the enforcement of either the Federal Trade Commission (consumer commodities used in the household), the Food & Drug Administration (foods, drugs and cosmetics) or the USDA.

According to the USDA website, they have the authority to suspend or revoke the organic certificates of any farm or business that violates the regulations, as well as levy financial penalties of up to \$11,000 per violation. However, there is no mention of any criminal penalties. In the six months between October 2017 and March 2018, the USDA closed 170 investigations and levied less than \$16,000 in fines.

What Should You Look For?

Since organic or all-natural products usually cost considerably more than their counterparts, you should be aware of some precautions to avoid being scammed. These include:

1. Be alert to buying oils, honey, dairy foods, spices, fruit juices and fish since they are most frequently compromised.
2. If the price is too good to be true, it probably is.
3. Buy from a reputable store or supplier.
4. If possible, buy whole or unprocessed products (i.e. a block of parmesan cheese).
5. Be especially alert when purchasing online.

6. Educate yourself – there are several recently published books which offer advanced tips on how to spot the most fraudulently compromised items. The USDA also maintains a website at: <https://www.nal.usda.gov/fnic/fraud-and-nutrition-misinformation>. Their site also maintains a list of companies who have been found to be fraudulently using the “organic” label.

Remain Diligent

Striving for a healthier lifestyle is certainly admirable, but don't lose sight of the deception that lurks. The increased popularity of the organic craze has created a whole new opportunity for fraud preparators to infiltrate. Don't fall victim and remember, white eggs come from white chickens and brown eggs come from brown chickens. Sometimes, it's really that simple.

QUOTE OF THE MONTH

"Leadership by deception isn't leadership. It's fraud."

DaShanne Stokes