



LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

LANSING CHAPTER OF THE ACFE 2021 ELECTIONS CALL FOR NOMINATIONS FOR ELECTION TO THE BOARD OF DIRECTORS

The LACFE is seeking dedicated, energetic, and enthusiastic members to become volunteer leaders as Board members and Officers. If you are such a member (or know someone who qualifies), now is the time to consider becoming a candidate (or nominating someone) for a seat on the Board.

There are five (5) director positions open for nomination, each with a two (2) year term.

To be eligible to serve, a candidate must be a member of the Lansing Chapter of the ACFE in good standing. Please note that under the Bylaws, associate members may serve in director and in officer positions, but only certified fraud examiners in good standing may hold the position of President. Elections will occur by survey monkey between Monday, July 19th and Friday, July 30th. The terms will commence on the date of the annual meeting to be held in mid-August.

Each nomination must include the nominee's name, contact information, and a brief bio. Please send nominations to president@lansingacfe.com and put "2021 Elections" in the subject line. **The deadline for receipt of nominations is Friday, July 16, 2021.**

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Fraud Talk Podcast

A Conversation With the "Original Internet Godfather"

During the closing session of the 32nd Annual ACFE Global Fraud Conference, John Gill, J.D., CFE, vice president of education at the ACFE, spoke with convicted fraudster* Brett Johnson, who shared stories from his life as a cybercriminal. After being placed on the United States Most Wanted List, captured and convicted of 39 felonies, he escaped prison. Captured again, Johnson served his time and accepted responsibility.

<https://acfe.podbean.com/e/a-conversation-with-the-original-internet-godfather-john-gill-brett-johnson-fraud-talk-episode-109/>

UPCOMING EVENTS

LOCAL:

Michigan Association of Certified Public Accountants

Virtual - Unleash your Employees' Creative Superpowers with Lessons from the Fearless

July 5, 2021

2:00 pm - 2:56 pm

Learn more: <https://www.micpa.org/cpe/store/course-detail?ProductId=116184>



Michigan Association of Certified Public Accountants

Virtual - Surgent's Fraud in Not-for-Profit Entities and Governments: Stealing from Everyone

July 12, 2021

9:00 am - 5:00 pm

Learn more: <https://www.micpa.org/cpe/store/course-detail?ProductId=120106>

Michigan Chamber of Commerce

Virtual – ATHENA Series

The Power of Saying No or Not Now

August 31, 2021

Learn more: https://www.michamber.com/signature_events/michigan-athena-conference/#

NATIONAL:

ACFE

Virtual - Investigating on the Internet

July 26 - 27, 2021

Learn more: <https://www.acfe.com/events.aspx?evtid=a3Y1Q000001PYLsUAO>

ACFE

Virtual Conference - Dusting Your Data for Fraud's Fingerprints

August 31, 2021

2:00 pm

Learn more: <https://www.acfe.com/webinar.aspx?evtid=a3Y1Q000001PVveUAG>

If you have an event that you would like posted in our newsletter or if you wish to share an article, please contact Jennifer Ostwald at jenny1661@hotmail.com

In the News

Vatican Indicts Cardinal and 9 Others on Money Laundering and Fraud Charges
<https://www.nytimes.com/2021/07/03/world/europe/vatican-cardinal-becciu.html>

Medical Imaging Companies CEO Found Guilty of Running Massive Health Care Fraud Through the State Workers' Comp System
<https://www.justice.gov/usao-cdca/pr/medical-imaging-companies-ceo-found-guilty-running-massive-health-care-fraud-through>

Why Are Gamers So Much Better Than Scientists at Catching Fraud?
<https://www.theatlantic.com/science/archive/2021/07/gamers-are-better-scientists-catching-fraud/619324/>

Portland man charged in insurance fraud scheme
<https://www.fox17online.com/news/local-news/michigan/portland-man-charged-in-insurance-fraud-scheme>

Jefferson County man charged with operating binary options fraud scheme
<https://www.justice.gov/usao-sdoh/pr/jefferson-county-man-charged-operating-binary-options-fraud-scheme>

ROBBING THE XBOX VAULT: INSIDE A \$10 MILLION GIFT CARD CHEAT
<https://www.bloomberg.com/features/2021-microsoft-xbox-gift-card-fraud/>

Theft at humane society puts halt to rescue work; agency seeks help
<https://www.daytondailynews.com/local/theft-at-humane-society-puts-halt-to-rescue-work-agency-seeks-help/HU2FR7GJ55EFNKZFKIHZZL3POE/>

FBI: Unemployment fraud is 'a crisis situation'
<https://www.abcactionnews.com/news/local-news/i-team-investigates/fbi-unemployment-fraud-is-a-crisis-situation>

Michigan employee pleads guilty, faces prison for \$3.8 million unemployment scheme
<https://www.usatoday.com/story/news/nation/2021/07/01/brandi-hawkins-contractor-michigan-unemployment-fraud-scheme/7826945002/>

Michigan Public Service Commission warns of utility fraud scam calls
<https://www.wlns.com/news/michigan-public-service-commission-warns-of-utility-fraud-scam-calls/>

Fraud from online dating costs two \$12,000 in Northern Michigan
<https://www.petoskeynews.com/story/news/local/gaylord/2021/06/09/fraud-online-dating-costs-two-12-000-northern-michigan/7599109002/>

After Madoff, There's Still One Major Ponzi Scheme Causing Investors Misery

June 17, 2021

<https://acfeinsights.squarespace.com/acfe-insights/after-madoff-theres-still-one-major-ponzi-scheme-causing-investors-misery>

Martin Kenney, CFE

The Allen Stanford Ponzi scheme is notorious for many reasons. Stanford's \$7 billion scam, affecting upward of 18,000 victims, was the second largest Ponzi scheme in history, eclipsed only by the huge fraud run by the late Bernie Madoff, who defrauded thousands of investors out of \$17.5 billion.

The formerly bankrupt Stanford is currently serving a 110-year sentence in the Coleman II Supermax federal prison in Florida, after living a life of luxury in the Caribbean for two decades off the proceeds of his crime.

I act as co-general counsel for the liquidators of Stanford International Bank – SIB – the Antigua offshore bank formerly controlled by Allen Stanford. I have therefore been keeping an eye on unfolding events, which include a major court case which has taken a decade to come to trial and has just delivered a judgment in Canada.

Stanford International Bank (now in liquidation) had been suing the Toronto-Dominion Bank (TD Bank) in Canada, for alleged negligence. SIB claimed that TD Bank could have saved Stanford investors \$4.5 billion had the bank upheld the standards expected of a reasonable bank in the 1991-2009 time frame, when TD operated a U.S.-dollar correspondent bank account for Stanford's offshore bank, through which more than \$10 billion flowed, becoming one of TD's highest earning correspondent accounts.

Live testimony in the trial ended in March after three months of hearings on Zoom, followed by closing submissions at the end of April. Unfortunately for SIB, and the many thousands of Stanford's victims still waiting for payouts on their lost savings, Justice Barbara Conway dismissed our side's claims, ruling that TD did not owe a duty of care to SIB to protect it from 'insider abuse,' and even if a duty had existed then TD did not fall below the standard of care of a 'reasonable banker'. Had she found that duty was breached, TD would have been exposed to a significant damages awards, she wrote, ranging between \$1.1 and 4.3 billion.

The joint liquidators of SIB are now considering the possibility of an appeal and TD continues to face separate legal action in the US.

Regardless of the outcome, this remains an important case. Banks and other financial institutions will realize the great importance of "know your customer" (KYC) and due diligence. Only meaningful due diligence intended to ferret out and act appropriately in the face of high risk will satisfy the bank's duty of care. The banks' facilitation of economic crime risk management is of central importance.

The Stanford case, like all Ponzi schemes, also has a human face. Most of the victims tend to be retirees, people who had hoped to invest savings and reap returns that would see them safely through retirement. When pensioners lose their savings to a fraudster, the effects can be devastating and life changing. This is no longer simply about their return on the dollar (or lack of it). This is a matter of the victims' livelihood.

Like TD Bank, Société Generale (Geneva) – Soc Gen – has found itself on the receiving end of a similar lawsuit connected to the Stanford affair. In November it was reprimanded by a Swiss appellate court and ordered to give up \$150 million deposited by Allen Stanford that it had fought for nearly a decade to keep. The court ruled that Soc Gen had failed to undertake reasonable due diligence before accepting Stanford's money (the bank is also being sued for another \$510 million in damages by the liquidators of SIB, in a separate case).

Effectively in these civil cases, the banks stand accused of failing to adequately investigate and manage the risk of the possibility that they were enabling what turned out to be a fraud of epic proportions.

This goes back to the notion I floated earlier, that the days of lax due diligence and shortcomings in KYC have long disappeared. In fairness, since the Stanford fraud came to light in 2009, such processes have improved, but this is no time for financial institutions and other facilitators of fraud to rest on their laurels.

Professional enablers such as banks, lawyers or company formation agents, understandably aim to earn profit. But from a fraud victim's perspective, they can seem to disregard the economic pain and dislocation when things go wrong, and which can have a devastating impact on people's lives.

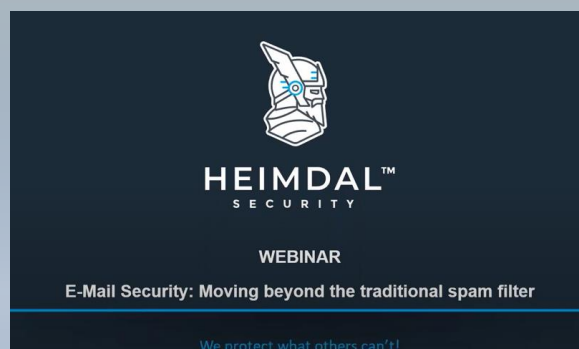
The principal narrative radiating from these types of facilitation liability cases against banks, though, is that being sued for significant sums may impact profits and adversely affect the reputational capital of an institution.

Meanwhile, the call for more robust risk management practices by banks in the fight against fraud is only going to get louder and louder as the years march by. That's why in the battle against corruption, it's time actions were matched to words.

Video of the Month

[E-MAIL SECURITY: Moving Beyond the Traditional Spam Filter - YouTube](#)

Heimdall Security Webinar: In this session we'll discuss about e-mail security, how it works and what are the top threats, but also learn how to spot and report suspicious emails and e-mail security best practices.



The Archer's Paradox of Compliance Communication

June 21, 2021

<https://acfeinsights.squarespace.com/acfe-insights/archers-paradox-compliance-communication>

Raina Verma, CFE

The archer's paradox explores the idea that in order to hit your target, an arrow has to bend around the bow. In order to achieve this, you must have an arrow with the right flexibility. An organization's communication related to anti-fraud policies and professional integrity, which can include topics like conflicts of interest, employee code of conduct, insider information, managing confidential information, whistleblowing and hotlines, and more, should aim to tackle and reduce fear, nervousness and whispers. Every individual within an organization should feel comfortable bringing up a potential ethics issue.

So if the aim of your organization's communication is to remove fear, think of the archer's paradox. Your communication should be flexible, willing to bend and reshape through constant communication, as well as by demonstration of what is being discussed. Just like an arrow bends back and forth several times before meeting its target, we need to repeatedly discuss, train and remind employees of our values in order to advocate the importance of professional integrity.

Success of a training program will not come with a one-time delivery and formal sign-off by employees, but by repeating the message over and over again, in many different formats. Mastery of a training program only occurs with its continuous journey.

Where do organizations begin building their compliance program?

The most important piece of any compliance program is a detailed communication plan.

What we usually see:

- An organization publishes their policies on a shared portal and requires employees to mark policies as "read." This exercise suggest that the company has made employees aware of the policies but does not indicate any true adoption of the policies.

What we need to see:

- An organizational culture that demonstrates professional integrity as a core value. This message is delivered with a well-thought-out communication plan and a continuous journey for each employee.

How do organizations plan and communicate?

Communication is not a one-time exercise and as the word suggests, it is an imparting and exchanging of information. Organizations should build in-house expertise in anti-fraud and financial crimes compliance in relation to the communication of the policies.

I tend to see communication plans that relate to policies where professional integrity is not prioritized or given the significance and weight it truly requires and deserves. However, when a breach or perception of a breach is addressed, there is a substantial and noticeable disciplinary action against the employee. In some instances, the only exposure an employee has had of the policy relating to the incident is from the “mark as read” exercise.

Organizations should, instead, aim to regularly share information with employees. Sharing information is more than publishing an internal paper or memo, but breaking that paper down, simplifying it, giving scenarios and requesting feedback. When an organization creates an entire awareness program, it opens doors for employees to speak up on compliance issues.

Most often, organizations issue a sporadic roll-out of anti-fraud training, which can be in house or may include hiring an external party. Things like flyers, place cards, emails and newsletters are helpful, but without a plan, without a vision toward a continuous journey, these items can feel like an afterthought. If there is no cohesive communication plan, or there is any sort of inconsistency in the messaging, it will be difficult for employees to trust employers.

In fact, it can heighten skepticism in relation to financial crime compliance. So, if organizations stay focused on continuously and regularly discussing uncomfortable hypothetical scenarios, when a real situation arises, fear of retaliation is reduced, and the employee is empowered to take action. This strikes a balance between what is disclosed and how it can potentially impact performance of the employee or the organization.

It is not one department’s responsibility. It’s not one employee’s responsibility. It is a key message at every level.

What do we lack in training programs?

Where I often see training programs fall short is the customization element. Each employee has an individual level of access based on what their role and responsibilities are in an organization. So why wouldn’t we customize our compliance communication to the audience that will be listening to it? What we tell employees on paper and what we tell the employees on the ground are both very important. The art lies in the delivery and touching on aspects that are relevant to a specific audience.

While the pandemic has been challenging and heartbreaking in so many ways, it has also forced many organizations to change their methods of communication. We can learn from this crisis, and communicate more effectively. Even if you have a policy in place but a poor communication plan, you still have a good problem — at least you know where to start!

Once communication has kicked off and you have voices coming back from employees, remember the archer’s paradox. If you stay flexible and willing to adjust, eventually you will hit your target.



Wishing you and yours a safe and happy Independence Day!



Quote of the Month

"In matters of style, swim with the current; in matters of principle, stand like a rock."

- Thomas Jefferson

Author of the Declaration of Independence and the third U.S. president.