



# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

## LANSING CHAPTER OF THE ACFE Membership

The drastic challenges and changes brought about economic uncertainty, shifting demographics and (yes, I must say it) Covid-19 have negatively impacted membership in many professional organizations. The LACFE was not spared and we too have experienced a drastic decline in membership.

It goes without saying that a robust membership base is vital to continue providing high quality training (including CPE) as well as networking and mentoring opportunities.

Our featured article this month is a little different from usual. This article discusses some of the challenges facing organizations and provides a few ideas on how to remedy the problem of declining membership and participation.

**Here is where you come in:** when the membership renewal information is circulated, please don't forget to renew so we can all benefit!

Share your thoughts on how to attract new members, retain existing members and garner community support. As fraud fighters, we are a group of creative professionals, so let's think outside the box. The LACFE could/can \_\_\_\_\_!

Thanks in advance for your ideas fellow fraud fighters!

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## Fraud Talk Podcast

**The \$200,000 Car: When Fraudsters Use Audit Guidelines to Steal - Mary Breslin - Sarah Thompson - Fraud Talk - Episode 111**

In this episode, the president and co-founder of Verracy, Mary Breslin, CFE, discusses a case she investigated where an employee stole \$1.8 million after being overly interested in auditing processes. After being tipped off when she saw he purchased an expensive sports car, she shares lessons she learned from the case.

<https://acfe.podbean.com/e/the-200000-car-when-fraudsters-use-audit-guidelines-to-steal-mary-breslin-sarah-thompson-fraud-talk-episode-111/>

# UPCOMING EVENTS

## LOCAL:

### **Michigan Chamber of Commerce**

Virtual - Diversity, Equity and Inclusion Series –  
Strengthening Supplier Diversity  
November 10, 2021  
9:00 am – 10:00 am

Learn more: [https://www.michamber.com/signature\\_events/diversity-equity-inclusion-series/](https://www.michamber.com/signature_events/diversity-equity-inclusion-series/)



### **Michigan Association of Certified Public Accountants**

Online Conference – Nonprofit Conference  
October 5, 2021

Learn more at the below links

Morning Session 8:30 am – 12:20 pm: <https://micpa.org/cpe/store/course-detail?ProductId=116975>

Afternoon Session 1:10 pm – 5:00 pm: <https://micpa.org/cpe/store/course-detail?ProductId=125155>

Michigan Specific Ethics Session 7:30 am – 8:20 am: <https://micpa.org/cpe/store/course-detail?ProductId=125325>

Bonus Hour 5:10 pm – 6:00 pm: <https://micpa.org/cpe/store/course-detail?ProductId=125942>

### **ACFE South Florida and Twin Cities Chapter**

Virtual – A Joint Fraud Conference  
How We Took Down Pablo Escobar & Advanced Money Laundering  
November 4, 2021

Learn more: <https://acfesouthflorida.org/event-4380114>

## NATIONAL:

### **ACFE**

Webinar - Investigating Online Fraud: Shifting from Detection to Prevention  
September 15, 2021

12:00 pm

*Free for ACFE members*

Learn more: [https://www.acfe.com/webinar\\_live\\_sponsored.aspx?evtid=a3Y1Q000003cxUmUAI](https://www.acfe.com/webinar_live_sponsored.aspx?evtid=a3Y1Q000003cxUmUAI)

### **ACFE**

Virtual Workshop - Contract and Procurement Fraud Workshop  
October 12 – 14, 2021 (early registration ends September 13<sup>th</sup>)

Learn more: <https://www.acfe.com/events.aspx?evtid=a3Y1Q000001PiGzUAK>

*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](mailto:jenny1661@hotmail.com)*

# Declining membership in professional organizations and what you can do about it

Heather Nolan

April 26, 2021

<https://www.sidecarglobal.com/member-engagement/declining-membership-in-professional-organizations-and-what-you-can-do-about-it/>

Is your association experiencing a decline in membership?

In a [report published by Wild Apricot](#), surveyors found 68% of organizations had difficulty growing their organization in 2019 — 11% of those shrunk, and 25% experienced no growth. The remaining 32% grew only 1-5%.

Declining membership in professional organizations is a reality for many association leaders. But why? And what can you do to reverse the trend? In this post, we'll explore a few causes of membership decline and what you can do about it.

Why are professional organizations seeing a decline in membership?

While there are many factors behind declining membership, financial uncertainty and struggles to connect with younger members are common issues for membership-based organizations.

Cost and financial uncertainty

Even before the furloughs and layoffs ushered in by the COVID-19 pandemic, economic instability was a major concern for potential members. For example, a [2017 study on membership trends](#) by Kenes Group noted, "The decision to become a member of a professional association has always been a factor of perceived value, that is, what is the cost of membership and what benefits are obtained in return. The changes to the economic climate have meant that individuals place greater emphasis on the perceived value of any membership and examine in more detail if membership of an association provides value to them."

Essentially, many potential members aren't sure what the future holds for them financially, so they need to ensure the benefit of membership is worth the price. Associations are also under pressure to compete with free resources and prove why a paid membership is more valuable than joining a free LinkedIn community or Facebook group.

Struggles to connect with younger demographics

The millennial generation has been the [largest generational group in the American workforce](#) since 2016. However, many associations and professional organizations are struggling to reach and relate to these younger audiences. Understanding this generation's values, addressing their concerns and pain points, and communicating in a way that resonates with them is important to win them over.

## What to do about membership decline

Combatting membership decline in professional organizations requires forward-thinking and a willingness to change and adapt new strategies.

### Maintain engagement with existing members

Retaining existing members is your low-hanging fruit. It's a lot more cost-effective to keep your current audience happy than it is to start fresh attracting, nurturing, and converting a new one.

Stay in touch with your existing members, and hold their hand every year to remind them to renew. Canceling a membership you never use doesn't require a second thought, so be sure to target your existing members with engagement campaigns showing them how to maximize their membership.

### Plan for tomorrow's members

1. Young professionals are eager to learn and prove themselves in their industry. Newly or several years out of college, they're likely earning lower salaries and can't always afford the price of an annual professional membership. Provide flexible pricing options and affordable rates to attract this demographic.
2. Start engaging early. Whether it's through scholarships, internships, educational curriculum, or other programs, begin building relationships with high school and college students to invest in your future members.
3. Be accommodating to potential members going through career transitions. It can be intimidating to join a professional association in an industry you're new to. As an association leader, you should be aware of career shifters and make your community accessible and welcoming to these kinds of members.
4. Understand which platforms your future members use and what's important to them. That's where you should establish a presence to build relationships.

Be sure to check out [our facing the future worksheet](#) to tally how well your organization is prepared for the next generation.

### Reframe your perception of growth

Keep in mind that membership numbers aren't the only way to grow your association. In fact, experts suggest that approaching your constituencies as only members vs. nonmembers is an easy way to stifle your opportunities. Additionally, thinking outside the box to find other ways to generate revenue can help your association grow even when membership is on the decline.

### Adopt the Open Garden approach

When considering membership decline and association membership trends, try not to get too tied up in the thought of members versus nonmembers. The truth is your association's publics go a lot further than these two categories.

Amith Nagarajan's [Open Garden approach](#) turns these two audience divisions into four:

- Members who pay dues
- Volunteers who are deeply committed to your organization
- Interested people who support your efforts
- The general public, who are occasionally interested in what you do, depending on the news cycle

As you can see, approaching your organization from the restrictive lens of members vs. nonmembers eliminates important stakeholders from the equation. People who are not members may still:

- Work for your association
- Visit and learn from your website
- Attend or sponsor your events
- Subscribe to your newsletters
- Promote and recommend your association to their networks
- Download or purchase your resources

Pivot to other means of generating revenue

As we evaluate declining membership in professional associations, keep in mind that there are other ways to drive revenue in your organization than just membership dues.

The [Wild Apricot report](#) showed that most membership-based organizations either slightly increased or experienced the same levels of revenue in 2019 as the previous year. According to the report, revenue leaders were those who were less likely to rely on their members for funding.

This creates a more sustainable path forward for your organization. Here are a few ideas for increasing revenue that don't depend on dues:

- Host paid events, workshops, and webinars
- Create an active YouTube channel that's eligible for monetization
- Sell branded merchandise
- Hold fundraisers like raffles or tournaments
- Create a job board with paid job listings
- Hold online learning courses
- Sell website ads

MORE: [3 ways to generate non-dues revenue](#)

Future-proof your membership-based organization

If you're a victim of the trend of declining membership in professional organizations, don't panic. It's not a dire situation, but it is a reason to innovate. Rethink how you engage your existing members, don't neglect younger audiences, and start brainstorming creative ways of revenue generation that aren't dependent on dues.

# The IC3 2020 Elder Fraud Report

July 13, 2021

Ron Cresswell, J.D., CFE

<https://acfeinsights.squarespace.com/acfe-insights/fbi-ic3-2020-elder-fraud-report>

On June 15, 2021, the FBI's Internet Crime Complaint Center (IC3) released its 2020 Elder Fraud Report. According to the report, victims over 60 reported nearly \$1 billion in fraud-related losses in 2020, which represents 28% of all losses reported to IC3. The average loss for seniors was \$9,175, and nearly 2,000 senior victims lost more than \$100,000. The top three fraud schemes reported by seniors in 2020 were extortion schemes, nonpayment/nondelivery schemes and tech support fraud. The type of scheme that accounted for the greatest amount of loss was confidence fraud/romance schemes.

## Extortion schemes

Among seniors, extortion schemes were the top fraud scheme reported to the IC3 in 2020. According to the report, there were 23,100 senior victims of extortion schemes in 2020. This represents an increase since 2019 (12,242 victims) and 2018 (13,600 victims).

In extortion schemes, the fraudster extracts money or something of value from the victim by threatening physical or financial harm, or the release of sensitive information. In one popular extortion scheme, victims received an email threatening to tell their contacts that they are infected with COVID-19, or threatening to infect the victims with COVID-19, unless they sent virtual currency to the fraudsters. According to the report, this type of email campaign accounted for most of the extortion complaints filed by seniors in 2020.

Although extortion schemes were the most reported among seniors, they were also the least costly of the schemes discussed in this article. Senior victims lost more than \$18 million to extortion schemes in 2020.

## Nonpayment/nondelivery schemes

The second most reported type of fraud among seniors in 2020 were nonpayment/nondelivery schemes. There were 14,534 reported senior victims of this type of scheme in 2020, which was almost double the number of victims as in 2019 (7,731) and 2018 (7,328).

In nonpayment schemes, goods or services are delivered, but payment is never received. In nondelivery schemes, payment is made, but the goods or services are never delivered. According to the report, the increase in senior complaints for nonpayment/nondelivery schemes can probably be attributed to the worldwide pandemic, which forced many seniors to shop online for the first time. Additionally, more seniors used social media to connect with others. Many complainants reported ordering goods from links advertised on social media and then receiving nothing or receiving goods that were not as advertised.

Seniors lost more than \$40 million to nonpayment/nondelivery schemes in 2020. This is significantly more than the \$18 million lost to extortion schemes, but it is much less than the

amounts lost to tech support schemes and confidence fraud/romance schemes (discussed below).

### Tech support fraud

Tech support fraud was the third most reported type of fraud among seniors in 2020. The IC3 received 9,429 complaints of tech support fraud from seniors — up from 6,781 in 2019 and 6,731 in 2018. Senior victims accounted for 66% of total complaints for tech support fraud and 84% of total losses.

The goal of tech support fraud is to convince victims to pay for unnecessary services to resolve nonexistent problems. The fraudster impersonates a company's support or service representative and offers to resolve an issue such as a compromised email or bank account, a virus on a computer or a software license renewal. In 2020, there was an increase in fraudsters posing as representatives of financial institutions, utility companies and virtual currency exchanges. The victims are often asked to wire funds to overseas accounts, purchase prepaid cards or mail cash via overnight services.

Tech support fraud is one of the fastest growing fraud schemes. In 2019, IC3 reported that seniors lost more than \$38 million to tech support fraud. In 2020, that number jumped to more than \$116 million. Only confidence fraud/romance schemes and business email compromise schemes account for greater losses among seniors.

### Confidence fraud/romance schemes

According to the report, there were 6,817 senior victims of confidence fraud/romance schemes in 2020. Despite being only the seventh most reported type of fraud, these schemes were by far the most expensive for seniors. In 2020, they accounted for a \$281 million loss to seniors — a slight increase from 2019 (\$234 million) and a significant increase from 2018 (\$170 million).

In confidence fraud/romance schemes, the fraudster adopts a false online identity to gain the victim's confidence and affection, often creating the illusion of a romantic relationship. The fraudster then uses that relationship to manipulate the victim and ask for money. The fraudster often claims to need the money for an unexpected personal, medical, business or legal expense. Additionally, IC3 received 403 complaints last year that involved confidence fraud/romance schemes in which the victim was pressured to participate in alleged investment opportunities, often involving virtual currency. These hybrid schemes, standing alone, resulted in losses of \$29 million to seniors.

## Video of the Month

### [Why Credit Card Fraud Hasn't Stopped In The U.S.](#)

CNBC



# “Collective”: An Exposé of Vast Health Care Fraud in Romania

August 27, 2021

Liza Ayres

<https://acfeinsights.squarespace.com/acfe-insights/collective-exposes-vast-health-care-fraud-romania>

Alexander Nanau’s 2019 Academy Award winning documentary “Collective” tells the story of a tragic 2015 nightclub fire that led to the discovery of Romania’s vast health care fraud. Even though the fire was the deadliest in the country’s history, it wasn’t until several victims started dying of non-life-threatening wounds that residents began investigating the links between the nightclub fire deaths and the country’s corrupted hospital industry. The incident sparked outrage over the government’s health care system and inspired a whistleblower to disclose the internal secrets to the media. Nanau’s heartbreaking depiction serves as a rallying cry for whistleblowers to act, especially in cases of life or death.

## The tragic event

While gathered to celebrate a band’s new album release, Colectiv nightclub attendants were shocked when the band’s pyrotechnics ignited flammable materials, causing sparks to spread rapidly. Twenty-seven victims died on-site, many by inhaling poisonous toxins, and at least 180 others were rushed to hospitals for burn wounds, with 37 more people dying over the next few months.

Government officials constantly told the nation that they were providing adequate care for people in critical condition and that the country’s hospital infrastructure met all of Europe’s exemplary health care standards. However, victims began dying after several weeks in the hospitals, and many friends and family members questioned those outcomes, believing that if the victims had been under the care of a different country’s emergency medicine facilities, they would have lived. Rumors quickly spread that the conditions of the hospitals and the negligence of the doctors is what actually killed them. Mass protests ensued, resulting in the resignations of the prime minister and the health minister.

## Investigating the situation

Nanau’s film revolves around a group of investigative journalists at a Romanian sports newspaper called Sport Gazette who looked into the public hospital mismanagement and corruption connected to the fire. While a current events story such as this one would typically not fall into a sports newspaper’s domain, a whistleblower later revealed that she felt confident informing those journalists because she believed they would tell the story truthfully and not bend it to fit a certain political bias. Citizens later questioned what it meant about the state of the national media that the best current events reporting was being done by a newspaper that typically follows athlete successes and challenges.



Sport Gazette journalists launched an investigation into a company called Hexi Pharma that provided disinfectants for 350 state hospitals and, after having the product sent for testing, discovered that the disinfectant ingredients had been diluted in at least 2,000 operating rooms. The company had used fake documents to promote their product, which they then gave to hospitals where the disinfectants were diluted even more and used improperly.

After the newspaper broke the story, the journalists waited for the country's Health Minister to comment, but what he said was vague and incited further suspicion of professional misconduct and lack of quality control. Additionally, a member of one of the government's intelligence agencies came forward and declared he had sent hundreds of documents to hospitals for over eight years, reporting that the disinfectant was killing people, but the hospitals had consistently insisted that those safety reports had gotten lost and that everything was suitable for use.

Further investigation into Hexi Pharma proved that the company's manager, Dan Condrea, had created a system of hospital managers which he used to bribe the government to use his product. Condrea allegedly bought international products and then sold the ingredients at seven times the amount he paid. He had his product in at least 300 hospitals, likely risking the lives of 3.8 million people per year. The government later disclosed that there had been discrepancies in their initial tests of the disinfectants, and every single one of the disinfectants tested at the Hexi Pharma labs was diluted. Soon after, Condrea was suspiciously killed in a car crash, the evidence from which was quickly obstructed before a proper investigation could be completed.

### Choosing to reveal the truth

As more incriminating information from the investigations surfaced, and as victims who had only been minimally burned continued to die, a former doctor chose to blow the whistle on the whole health care system in Romania. The whistleblower, believing the doctors were at the point where they cared only about money and not about the patients, remarked that "we were no longer human." She knew she needed to say something.

In her accounts to journalists and to the country's new health minister, the whistleblower detailed the extent of the corruption and mismanagement in the hospitals. Many hospital managers were put into their positions simply because they held an administrative role in a political party, and doctors were allegedly accepting bribes to care for certain patients before others. A former hospital accountant admitted to processing fake invoices worth tens of millions of dollars so that hospital managers could steal the hospital's money for their personal use.

Moreover, the country's previous health minister later admitted he put all the burn victims in the same crowded unit, where many patients were forced to share beds, because he didn't want to pay to transport them abroad where they would get better treatment, fully knowing the country's hospitals were not equipped to care for burn victims.

The whistleblower explained that the doctors blatantly disregarded patients. She said the hospital staff covered victims' faces with sheets so they didn't have to see them, and she showed the health minister a video in which maggots were eating victims because the

disinfectants didn't adequately work, but the staff largely did nothing to ameliorate the situation.

### Replacing a whole infrastructure

The documentary follows the new health minister's revelation of the deep layers of corruption and his acknowledgement that fixing anything would require an overhaul of the whole system. He created strict regulations for any new hospital manager, but he appeared disheartened at the constant reminders that "the entire selection process is rotten to the core," as he noted. He realized he would need to restructure everything to attempt any eradication of the corruption.

At the end of the documentary, the Social Democratic Party — the party responsible for the initial corruption — swept the election, and the public hospital appointed a manager who was legally unqualified to manage a hospital. Several of the documentary's subjects lacked hope for any improvement to the situation.

While somber, Nanau's exposé reveals haunting truths of what can occur when corruption goes unchecked for years. His documentary offers a lesson in the importance of regular institutional auditing and the powerful strength of whistleblowers to come forward in unjust situations.

## Quote of the Month

**"Every great dream begins with a dreamer. Always remember, you have within you the strength, the patience, and the passion to reach for the stars to change the world."**

- Harriet Tubman

An American abolitionist and political activist. Born into slavery, Tubman escaped and subsequently made some 13 missions to rescue approximately 70 enslaved people, including family and friends, using the network of antislavery activists and safe houses known as the Underground Railroad.