# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

LACFE Winter Conference is February 15th – 17th. Space is limited, don't delay!

Reminder: renew your LACFE membership prior to registration to get the discount.

Between the Book Nook and our Video of the Month, I have something for everyone. We have fiction, non-fiction, and a new Netflix documentary. Enjoy!
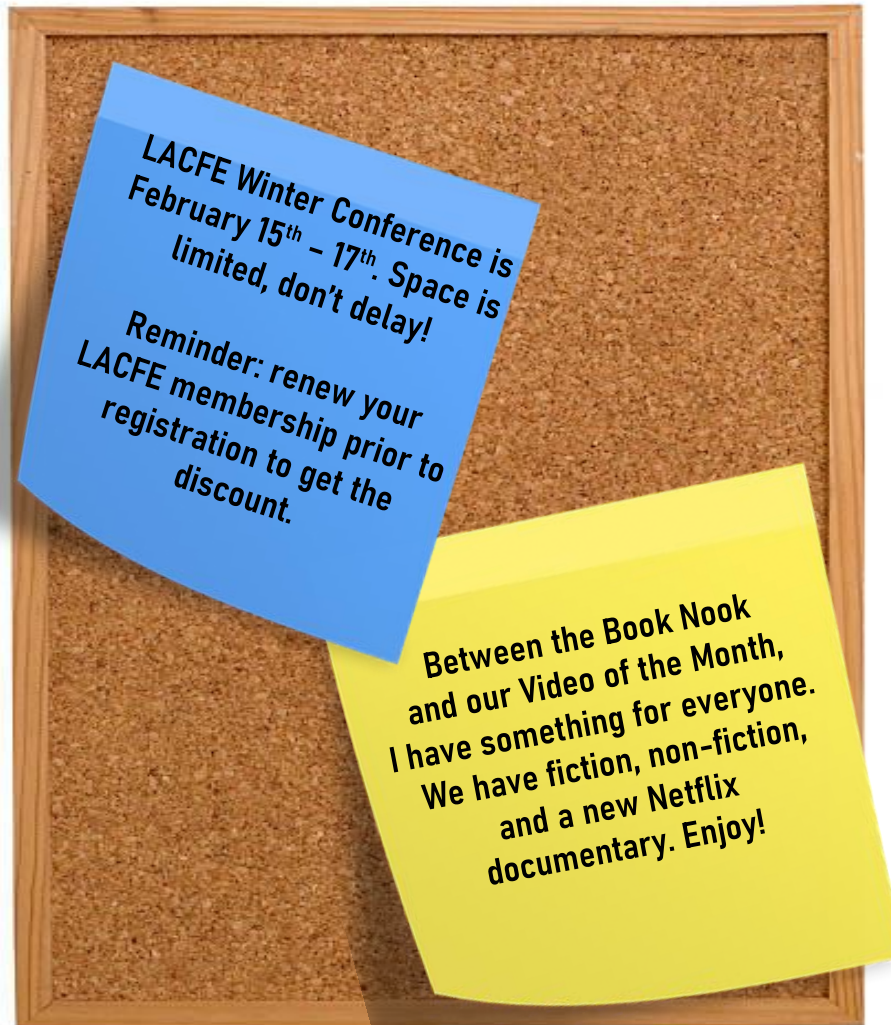
## In This Issue

## Fraud Talk Podcast

**Overseas Contractor Bribed Official to Defraud the U.S. Government - Eduardo Cuyos - Fraud Talk- Episode 127**

ACFE Community Manager Rihonna Scoggins reads a case study submitted by Eduardo "Ed" Cuyos. The case study follows Ed's investigation into fraudulent activities previously missed by the Defense Criminal Investigative Service (DCIS) and the Department of Defense Inspector General (DODIG).

https://acfe.podbean.com/e/overseas-contractor-bribed-official-to-defraud-the-us-government-eduardo-cuyos-fraud-talk-episode-127/

# UPCOMING EVENTS

## LOCAL:

**Lansing Chapter of the ACFE Virtual Winter Conference**
*Uncovering Fraud with Financial and Ratio Analysis*
February 15th – 17th, 2023
Learn more and see poster below:
http://www.lansingacfe.com/?page_id=90

**ACFE South Florida Chapter presents Fraud Gone Wild**
Webinar
March 23rd, 2023
2:15pm – 3:45pm EST
Learn more: https://southfloridaacfe.org/event-4876849

**ACFE South Florida Chapter #11 presents 2nd Annual Golf & Fraud Training**
Webinar/In-Person
May 4, 2023
Learn more: https://acfesouthflorida.org/event-4876828

**MICPA - Create Reports That Matter: Turn Information Into Action!**
Thursday, May 11, 2023
8:00 am - 4:00 pm
Livonia, MI
Learn more: https://www.micpa.org/cpe/store/course-detail?ProductId=142087

## NATIONAL:

**FREE ACFE Webinar: Investigating in Languages You Don't Speak**
February 2nd, 2023
9:00 a.m.
Learn more: Event Details (acfe.com)

**2023 ACFE Women's Summit**
Washington D.C. or Online
March 8, 2023
Learn more: 2023 ACFE Women's Summit (fraudconference.com)

*Help me create your newsletter! If you have an event that you would like posted or if you wish to share an article, please contact Jennifer Ostwald at jenny1661@hotmail.com*

# Lansing Chapter of the ACFE

## Winter Fraud Conference – February 15, 16, & 17, 2023

### Uncovering Fraud with Financial and Ratio Analysis

Presented by Mary Breslin, CFE, CIA

Do you know how to spot the warning signs of fraud in your organization? Do you know what anomalies to look for in financial reports? In this course, you will dive deep into examining financial statements and explore an advanced method of detecting fraud while highlighting red flags of potential manipulation.

This seminar will cover numerous types of analyses that can be used to identify embezzlement, corruption schemes and fraudulent financial reporting. The course will use practical problems and case studies throughout to illustrate the different principles and techniques that are best for each situation.

You will Learn How To:

- Design financial analyses aimed at detecting specific types of fraud schemes, including asset misappropriations, corruption schemes, and financial statement fraud.

- Recognize financial anomalies, including duplicate transactions and violations of Benford's Law.

- Formulate targeted ratios combing financial and non-financial data.

- Select and implement monitoring tools to help automate and detect financial red flags.

- Elevate the capabilities of traditional horizontal, vertical, and ratio analyses.

- Apply complex ratios.

- Design and perform a fraud risk assessment to determine which ratios are of the greatest importance to monitor.

## Register online at www.lansingacfe.com

*For more information or for additional registration options, please contact: president@lansingacfe.org or vicepresident@lansingacfe.org.*

# Anatomy of denials
Distinguish truth from deception
January/February 2018 ACFE Fraud Magazine
By Joe Koenig, CFE

What's a "good" denial? It's a truthful statement that helps close the door on an allegation. Notice I didn't say it does close the door; it helps close the door. Evidence ultimately determines the truth. However, we can rely on a good denial. It helps disprove the allegation. It isn't, by itself, proof beyond a reasonable doubt, but it does offer evidence the allegation is false.

A good denial, of course, must be truthful. In the criminal setting, "I am not guilty," is considered a quasi-good denial. By "quasi" I mean it's a good denial in this very specific setting. It's "truthful" since all those arrested are, in fact, "not guilty" until proven guilty beyond a reasonable doubt. Even if the subject did the act, they're telling the truth with this statement. Likewise, the denial "I am innocent" is truthful in the criminal setting for the same reasons. Both are quasi-good denials even if they did that of which they're accused. But those denials offer little to close the door on allegations. "Not guilty" and "innocent" are mutually understood in the criminal setting.

However, "not guilty" and "innocent" outside the court systems aren't mutually understood. Outside the court systems (criminal and civil) there's no need to prove beyond a reasonable doubt or with a preponderance of evidence. Therefore, these denials aren't so good when used in non-court settings. So, when a wife accuses a husband of infidelity, his "I am innocent," isn't a good denial. The term, "innocent" lacks specificity and is subject to many interpretations outside the court setting.

A good denial is direct, simple and precise. It clearly denies the allegation. It uses only necessary words. All involved must mutually understand the words in the denial (they must be precise), and the statement must stand alone. By "stand alone" I mean it can't be qualified by what the subject states before or after the denial.

"I didn't do it," and "I did not do it" are good denials when all mutually understand "it," and there's no doubt as to what "it" is. "Let's say, I didn't do it," thus isn't a good denial because of the qualifier, "Let's say." Anybody can "say" anything.

Somebody takes $621.31 from a grocery store cash register. The owner, who suspects $650 is missing, improperly asks the suspect, "Did you take the $650?" The suspect answers, "I didn't take it," knowing that he didn't take $650. The "it" isn't mutually understood by all. Deceptive people take advantage of poorly worded questions and provide partial truths that, on the surface, appear to be complete truths.

A poor denial, on the other hand, helps keep the allegation alive. A poor denial is a lost opportunity and offers evidence the allegation is true. If there are several allegations and the accused provides a good denial to one of the allegations but is silent on the others, the silence on the others is evidence the others might be true. Poor denials usually hold some degree of truth — a partial truth. Partial truths are misleading and considered lies.

People want to tell the truth. Quoting from my book, "Getting the Truth":

"Like water seeking its own level, the body relieves itself of stress, seeking calmness. The greatest stress reliever known to man is truth telling. It's a relief valve, a bloodletting, a purging. Nature demands it in order to begin the rebuilding process."

**Famous denials**

Take a look at these famous stand-alone denials. (I'm not implying guilt or innocence of these people except for those convicted.) Can you identify the good denials? Hint: There's but one.

1. "I unequivocally and without any reservations totally deny all the allegations about sexual contact." Alan Dershowicz, 2015
2. "I am absolutely, 100 percent not guilty." O.J. Simpson, at his 1994 arraignment
3. "She was not choked. She was not punched." Pastor Creflo Dollar, 2012
4. "I would never even hurt her. People who know me know that I could never hurt Susan." Josh Powell, 2011
5. "I have never doped. I can say it again … but I've said it for seven years." Lance Armstrong, 2005
6. "I'm not a murderer." Amanda Knox, 2013
7. "I have never sexually harassed anyone, let's say that ..." Herman Cain, 2011
8. "I'm very comfortable saying nobody did it as far as I know." Tom Brady, New England Patriots' quarterback, 2015
9. "I barely knew the man, and why would I kill him?" John McAfee, 2012
10. "In my heart, I know I did not do these alleged disgusting acts." Jerry Sandusky, 2012
11. "As far as the allegations of CIA hacking into Senate computers — nothing could be further from the truth." CIA Director John Brennan, 2014

**Poor denials, but one**

All but one of these are poor denials. Here's why:

1. Alan Dershowicz

"I unequivocally and without any reservations totally deny all the allegations about sexual contact." Alan Dershowicz, professor emeritus at Harvard Law School. A Florida court alleged on Dec. 30, 2014, that Dershowitz was one of several prominent figures to have participated in sexual activities with a minor employed by financier and convicted sex offender, Jeffrey Epstein. In April 2015, U.S. District Court Judge Kenneth A. Marra, presiding over a 2008 lawsuit seeking to re-open the Epstein case, ordered "sensational" allegations against Dershowitz be stricken from the record.

*This is a denial statement, not a denial. He doesn't tell us he didn't do it. He's simply issuing a denial statement. A denial for Dershowicz would be something like, "I didn't have sexual contact with the accuser." Be careful with denial statements. Saying, "I deny" is not the same as "I didn't do it." Denial statements are poor denials.*

2. O.J. Simpson

"I am absolutely, 100 percent not guilty." OJ Simpson, at his arraignment on criminal charges of murder.

*This is a good denial (albeit quasi-good). He's 100 percent not guilty at this point in the criminal justice system. All accused aren't guilty until proven guilty beyond a reasonable doubt.*

3. Pastor Creflo Dollar

"She was not choked. She was not punched." Pastor Creflo Dollar, pastor of an Atlanta, Georgia, megachurch, accused of choking and hitting his teenage daughter. On Jan. 25. 2013, prosecutors

dropped a simple battery charge against Dollar, who'd completed an anger-management program.

*Dollar doesn't say who didn't choke her or who didn't punch her. A good denial would have been, "I didn't choke her. I didn't punch her."*

4. Josh Powell

"I would never even hurt her. People who know me know that I could never hurt Susan." Josh Powell, who was named a "person of interest" Dec. 14, 2009, in the disappearance of his wife, Susan. On Feb. 5, 2012, Powell killed himself and the couple's two young sons. Police closed the active investigation on May 21, 2013.

*"I could never" is a statement about the future, not the past.*

5. Lance Armstrong

**I have never doped. I can say it again ... but I've said it for seven years." — Lance Armstrong, 2005**

"I have never doped. I can say it again … but I've said it for seven years." Defamed bicyclist Lance Armstrong, in a CNN interview with Larry King, Aug. 26, 2005. This is a very cleverly constructed denial. The best denial would be the stand-alone sentence, "I did not dope." Instead he says "I have never doped. I can say it again … but I've said it for seven years."

In interpreting denials, you need to look at the entire statement because the denier might add qualifiers, before or after what appears to be the denial. In this case, Armstrong, much like Herman Cain did in No. 7, qualifies his denial with a retroactive introduction, "I can say it again … but I've said it for seven years." *The retroactive introduction again makes this a poor denial.*

*Further, in looking at many of Armstrong's denials over the years, there's evidence that he defines "doped" in the legal sense: the failing of a dope test not the mere use of performance-enhancing drugs. That gives a new interpretation of, "I have never doped." Because he was ahead of the testing process, he enjoyed many years of never failing a drug test.*

*Deceptive people will seize on poorly defined words to make you believe they're saying one thing, when in fact, they're saying something else. When he's saying, "I have never doped," he's knowingly misleading us. It's very important that all the words a subject uses in denials are mutually understood by all parties. The honest person will try to make sure everyone understands. The deceptive will encourage misunderstanding.*

6. Amanda Knox

"I'm not a murderer." Amanda Knox, then a 20-year-old American in 2007, was accused of murder in Italy, convicted, spent almost four years in an Italian prison and then — after a lengthy and convoluted trial process — was acquitted after the Supreme Court of Italy dismissed the case in 2015.

*The word "murderer" is subject to many interpretations. Therefore, it's not "mutually understood." Does "murderer" mean someone convicted by what she feels was an improper forum? I think not. While this might well be a truthful denial because of the possibly misunderstood word, we can't rely on it.*

7. Herman Cain

"I have never sexually harassed anyone, let's say that ..." Herman Cain, candidate for the 2012 U.S. Republican Party presidential nomination.

*The trailing introduction, one I call a retroactive introduction, "… let's say that ..." makes this a poor denial. When we see "I can tell you this" or "I feel comfortable telling you this" or "I can say" we can't rely on what follows. Because they're stating what they're telling us, not what they did. With that introduction, they deftly and deceptively make it appear to be a denial when, in fact, it's not.*

8. Tom Brady

"I'm very comfortable saying nobody did it as far as I know." Tom Brady, New England Patriots' quarterback, who was the center of an alleged underinflation scheme of American footballs.

*Again, "saying" is a giveaway. He could've said, "Nobody did it" without any qualifiers. The fact he didn't makes this a poor denial. An additional qualifier is the, "as far as I know."*

9. John McAfee

"I barely knew the man and why would I kill him?" John McAfee, founder of the software company McAfee Associates, was named a person of interest in 2012 in connection with the murder of Gregory Viant Faull in Belize. McAffee was never charged.

*He never denies killing the man. He could have said, "I didn't kill him."*

10. Jerry Sandusky

"In my heart, I know I did not do these alleged disgusting acts." Jerry Sandusky, convicted serial rapist, child molester and retired Pennsylvania State University football coach, is serving a 30- to 60- year prison sentence.

*Look at the qualifiers, "In my heart" and "I know." These qualifiers make this a poor denial. He could have simply said, "I did not do these alleged disgusting acts."*

11. John Brennan

"As far as the allegations of CIA hacking into Senate computers — nothing could be further from the truth." Former CIA Director John Brennan, accused in 2013 by the U.S. Senate Intelligence Committee (SSCI) of illegally searching the computers.

*Brennan never denied the allegation of hacking into Senate computers. About a month later, he issued an apology: "The Director subsequently informed the SSCI Chairman and Vice Chairman of the findings and apologized to them for such actions by CIA officers as described in the OIG report."*

Many of the inferences we can take from these quotes are subtle. But they can be indicators as we look for the truth. A "good" denial is only one component in a fraud examination. Again, remember that a truthful statement helps close the door on an allegation. Evidence ultimately determines the truth.

**What *isn't* said can be most important**

Possibly deceptive subjects structure poor denials to lead you to believe they're saying one thing,

when, in fact, they're on the record saying something else.

When we're trying to get the truth, we need to look both at what's said and isn't. Both are important, but what isn't said can be most important. You can often identify poor denials by what isn't said. Look at Toronto Mayor Rob Ford's denial in 2013:

"I do not use crack cocaine, nor am I an addict of crack cocaine." Notice this is written in the present tense, not the past tense. Present tense is only a snapshot, a millisecond. He says nothing about the past, which tells the whole story.
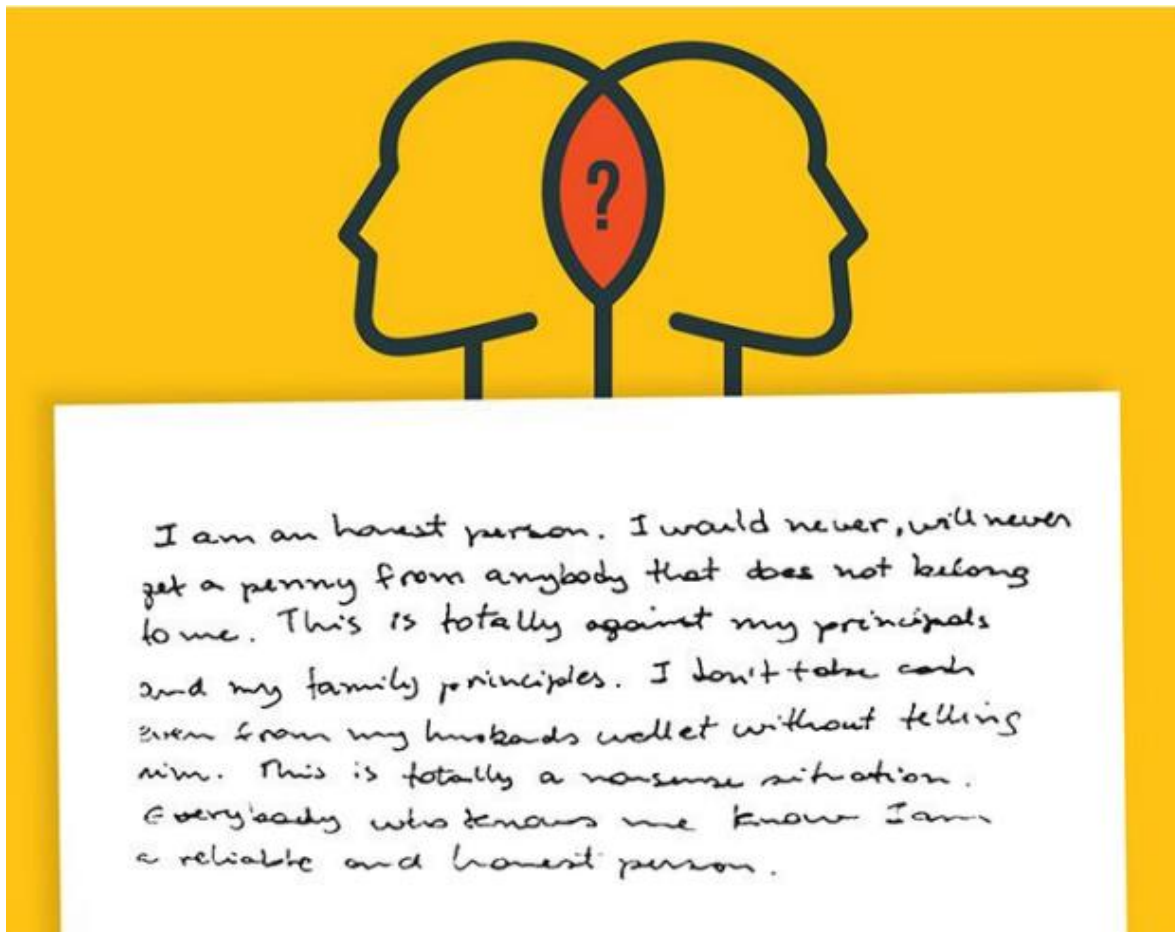


Look at the written denial above, which begins "I am an honest person." This was in a written statement from one of 10 bank tellers who were all suspects in an investigation into missing money. Is this a good denial?

No. Notice she doesn't deny she took the money. The absence of a denial can be evidence the allegation is true. Truthful people want to tell the truth — will tell the truth. A truthful denial will be simple, direct and precise. The subject won't use any misunderstood words, and the denial will stand alone.

Good denials use the pronoun "I." The denial, "I didn't do it," is a good denial on its face (only if we all know what "it" is). The pronoun "I" requires unique, personal accountability and responsibility. No one else did the act when "I" is used. So, look for the "I" in a good denial. However, just because the subject uses "I," doesn't make the denial a good one. Just look at Mayor Ford's poor denial, for example.

In 2012, the British government accused Andy Coulson and Rebekah Brooks of phone hacking when they worked for the "News of the World," a newspaper owned by Robert Murdoch (which ceased publication in July of 2011). Prime Minister David Cameron had hired Coulson as his director of communications following Coulson's stint as editor of the newspaper. Let's look at Coulson's denial as provided by a July 24, 2012, article in The Guardian:

**[The deceptive person's] objective is to get you to believe one thing while they're saying something else on the record.**

"Coulson gave a short statement outside his south London home, saying he would 'fight these allegations', and added that he never had done anything to harm the Milly Dowler investigation.

"He said: 'I am extremely disappointed by the CPS decision today. I will fight these allegations when they eventually get to court. Anyone who knows me, or who worked with me, would know that I wouldn't, and more importantly that I didn't, do anything to damage the Milly Dowler investigation. At the News of the World we worked on behalf of the victims of crime, particularly violent crime, and the idea that I would sit in my office dreaming up schemes to undermine investigations is simply untrue.' " (See Andy Coulson and Rebekah Brooks charged over phone hacking, by Dan Sabbach and Vikram Dodd, The Guardian, July 24, 2012.)

Is this a good denial? No. He never tells us he didn't do it. Instead he says, "Anyone who knows me, or worked with me ... would know that I wouldn't, and more importantly that I didn't …" This sounds eerily similar to former CIA Director John Brennan's denial.

Good denials often contain a contraction. Lying is more stressful than telling the truth. Therefore, I look for contractions in good denials because the contraction can be (notice can be) an indication of less formality, less stress. So, the denial, "I did not do it," is good, but not as good as, "I didn't do it." Be careful, though, because there are no absolute rules.

**Practice to identify good denials**

Let's review. Good denials are direct, simple and precise; contain only mutually understood words; use the personal pronoun "I"; and clearly deny the allegation. Good denials stand alone. They are simple and void of unnecessary words. The truthful person simply wants to tell the truth. That's why, "I didn't do it" — as long as everyone knows exactly what "it" is — typically is a good denial. As always, we never rely solely on the denial — we want to accumulate all the necessary evidence to prove or disprove the allegation. A good denial is evidence the allegation isn't true.

The deceptive person wants you to believe they're telling you the complete truth. Their objective is to get you to believe one thing while they're saying something else on the record. They'll give you partial truths to make you believe you're receiving the complete truth. Poor denials often look good on the surface but don't hold up to the tests of a good denial. Remember Lance Armstrong's denial, "I have never doped. I can say it again … but I've said it for seven years."

It takes practice and knowledge to be able to consistently identify good denials. Reading this article is a good first step. Learn these principles and you're well on your way to becoming a better fraud examiner, executive and decision-maker.

*Joe Koenig, CFE, is owner of KMI Investigations, LLC, and author of the book "Getting the Truth: Discover the Real Message. Know Truth. Know Deception," available in the ACFE Bookstore at ACFE.com/booksandmanuals. His email address is: Joe.Koenig@kmiinvestigations.com*
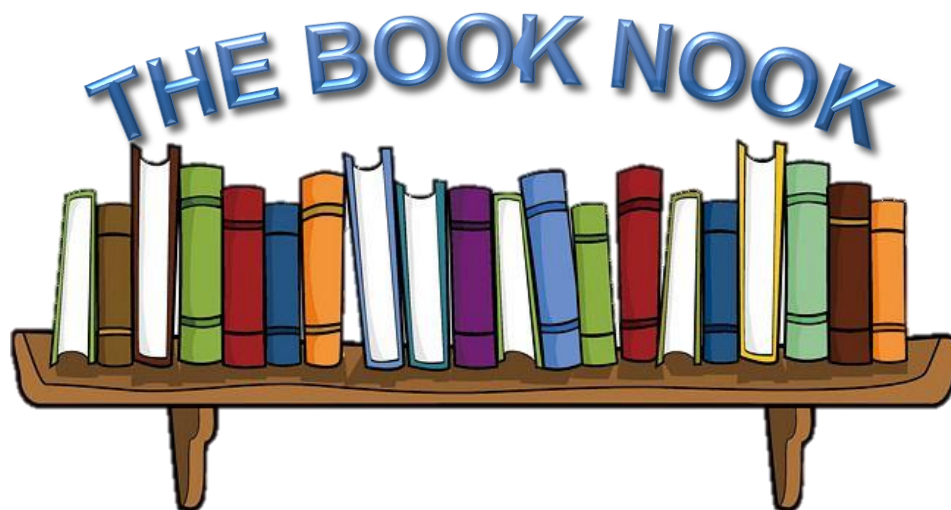
## The Last Thing He Told Me
by Laura Dave

Before Owen Michaels disappears, he smuggles a note to his beloved wife of one year: Protect her. Despite her confusion and fear, Hannah Hall knows exactly to whom the note refers—Owen's sixteen-year-old daughter, Bailey. Bailey, who lost her mother tragically as a child. Bailey, who wants absolutely nothing to do with her new stepmother.

As Hannah's increasingly desperate calls to Owen go unanswered, as the FBI arrests Owen's boss, as a US marshal and federal agents arrive at her Sausalito home unannounced, Hannah quickly realizes her husband isn't who he said he was. And that Bailey just may hold the key to figuring out Owen's true identity—and why he really disappeared.

Hannah and Bailey set out to discover the truth. But as they start putting together the pieces of Owen's past, they soon realize they're also building a new future—one neither of them could have anticipated. With its breakneck pacing, dizzying plot twists, and evocative family drama, The Last Thing He Told Me is a riveting mystery, certain to shock you with its final, heartbreaking turn.

## Capital Punishment
by Jack Abramoff

The name Jack Abramoff is synonymous with Washington scandal, but the fascinating facts of his case are either largely unknown or wildly misunderstood. His memoir will serve as a corrective - an engrossing, informative work of political nonfiction that is also a gripping real-life thriller. The biggest surprise twist comes in the form of Abramoff himself, a smart, funny, charming, clear-eyed narrator who confounds every expectation of the media's villainous portrait. He's a perfect bundle of contradictions: an Orthodox Jew and upstanding family man with a staunch moral streak, caught in multiple scandals of bribery and corruption with an undercurrent of murder.

Abramoff represented Indian tribes whose lucrative casinos were constantly under threat from proposed changes in law; though he charged the tribes many millions, he saved them billions by ensuring votes to support the livelihoods of their reservations. Much of Jack's share was funneled not into his own coffers, but to charities. Abramoff on the front pages could not be further from the Jack Abramoff who's ready to tell his honest and compelling story.

# Video of the Month

[MADOFF: The Monster of Wall Street | Official Trailer | Netflix - YouTube](#)

With an innovative visual approach, Madoff: The Monster of Wall Street is a four part edge-of your seat financial thriller which reveals the truth behind Bernie Madoff's infamous multibillion-dollar global Ponzi scheme and the ways in which a willfully blind financial system allowed it to flourish for decades.



# Quote of the Month

**"At the time I dealt with Jack Abramoff, I obviously did not know, and had no way of knowing, the self-serving and fraudulent nature of Abramoff's activities,"**

**— Congressman Bob Ney, who later plead guilty to charges of conspiracy and making false statements in relation to the Jack Abramoff Indian lobbying scandal.**