



# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

## Announcements:

It's time to renew your LACFE membership. Keep your membership up to date to secure discounts on trainings from LACFE and associate Chapters. [Membership | \(lansingacfe.com\)](https://lansingacfe.com)

From all of us at the LACFE, have a happy and healthy holiday season!



## In This Issue

**Fraud Talk Podcast:  
The Bored Room: How Apathy Is  
Undermining Your Ethics Training**

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### **Upcoming Events**

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**Using Behavioral Experiments to  
Understand Refund Fraud in  
Customer-Centric Retail**

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### **Book Nook**

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### **Reindeer Games**

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## Fraud Talk Podcast

**The Bored Room: How Apathy Is Undermining Your Ethics Training - Garth Sheriff - Fraud Talk - Episode 161**

In this episode of Fraud Talk, we explore an often-overlooked risk factor inside organizations: boredom. Guest Garth Sheriff, CFE, CPA, educator and former actor, joins ACFE Content Manager Rihonna Scoggins to examine how disengagement in ethics training and workplace culture can quietly open the door to fraud. Sheriff draws on his unique background in accounting, acting and continuing education to show why storytelling and lived experience matter more than checklists when it comes to ethics.

<https://acfe.podbean.com/e/the-bored-room-how-apathy-is-undermining-your-ethics-training-garth-sheriff-fraud-talk-episode-161/>

## UPCOMING EVENTS

### LOCAL:

#### **Lansing ACFE Fall Conference**

In-Person, Lansing, MI

December 2, 2025

Learn more: [https://www.lansingacfe.com/?page\\_id=90](https://www.lansingacfe.com/?page_id=90)

Registration has been extended to same-day registration!



#### **ACFE Southwest Ohio: An Insider Look on Fraud Prevention Throughout Industries**

Webinar

December 10, 2025

Learn more: <https://swohacfe.org/event-6344207>

### NATIONAL:

#### **ACFE Money Laundering Schemes**

Webinar

January 20 - 21, 2026 (early registration ends December 22<sup>nd</sup>)

Learn more: [Event Details](#)

#### **ACFE 2026 Government Anti-Fraud Summit**

Webinar

February 24, 2026 (early registration ends January 13<sup>th</sup>)

Learn more: [2026 ACFE Government Anti-Fraud Summit](#)

#### **The ACFE 36th Annual ACFE Global Fraud Conference is now On-Demand**

Webinar

Learn more: [Product Detail Page](#)

*Help me create your newsletter! If you have an event that you would like posted or if you wish to share an article or job opening, please contact Jennifer Ostwald at [newsletter@lansingacfe.com](mailto:newsletter@lansingacfe.com)*



Courtesy of [Moose Lake Cartoons](#)

# Using Behavioral Experiments to Understand Refund Fraud in Customer-Centric Retail

November 18, 2025

By Dr. Princely Dibia, Ph.D., CFE, FHEA

<https://www.acfe.com/acfe-insights-blog/blog-detail?s=behavioral-experiments-understand-refund-fraud-customer-retail>

Retail fraud is no longer just about false invoices or internal theft. Increasingly, it is happening at the customer service desk, under the guise of refunds.

In a bid to deliver seamless service, many customer-centric retailers are removing friction from their refund processes, such as lowering barriers, removing checks, simplifying refund policies and trusting customers to act ethically. But when policies rely too heavily on customer honesty, they unintentionally reward dishonesty. That is not a bug; it is a design flaw. From my research into lean retail environments, I've found that refund fraud often is rarely perceived as "fraud" by the perpetrator. Customers rationalize deceptive refund claims as deserved, harmless or simply normal. That presents a challenge to fraud examiners: how do you detect and prevent behaviors that aren't perceived as wrong? The answer lies in behavioral economics and experimental game theory, which offer the tools to go beyond procedural audits and look at how people think and behave.

## Real Fraud Hidden Behind Justifications

In customer-first environments, refund fraud often hides in plain sight. Consider these scenarios:

- A customer returns an item bought on sale but claims a full-price refund.
- Someone says they lost the receipt but insists the item was just bought.
- Customers file returns during busy periods, hoping staff won't verify the original purchase details.

On their own, these cases may seem minor. But multiplied across multiple channels and a store network, they create material losses and erode the ethical climate.

What's more revealing is what customers might say to justify their actions:

- "It's not stealing; the store should check better."
- "I shop here often, so I'm owed something."
- "It's just one item. They won't even notice."

These are not hardened fraudsters. They're everyday consumers who have disengaged from the moral weight of their choices. This requires fraud investigators to examine the motivations and rationalization driving these frauds.

## Economic Games Reveal the Psychology of Deception

Traditional fraud controls rarely detect these behaviors early. But behavioral experiments allow us to simulate deception and understand its drivers.

For example, we can adapt Uri Gneezy's deception game, published in 2005 in "[Deception: The Role of Consequences](#)," to mimic a refund scenario:

- **Player 1 (Customer)** knows private information, like whether they have a receipt or the original price paid.
- **Player 2 (Retail Employee)** must decide whether to approve the refund based on what Player 1 claims.

This setup lets us test how often people lie, and under what conditions, especially in trust-based systems with minimal consequences.

A second adaptation, based on [Gneezy's \(2013\) linear deception game](#) goes further:

- Customers report a refund claim while only they know the true price paid.
- The retailer has no choice but to honor the claim, mirroring customer-first policies where scrutiny is removed.
- The greater the deception (refund claim > true price paid), the higher the customer's reward and the greater the loss to the retailer.

This version isolates the moral decision point: the customer must choose whether to lie, knowing they will benefit and that they won't be caught.

### What Can We Learn?

Systems built on unchecked trust can become breeding grounds for rationalized fraud. When customers face no verification, no resistance and no visible consequence, dishonesty can feel justified or even normal. By simulating these decision environments, pilot studies suggest that researchers and practitioners can uncover:

- **How social norms influence deception:** Do customers lie less when fairness is highlighted? If people know that their gain would cause someone else's loss, would they be more cautious?
- **When trust is exploited:** Are lies more common when rules are ambiguous or when no receipts are required?
- **How moral justification works:** Do customers rationalize fraud as compensation, convenience or loyalty?
- **Reciprocity as strategy:** When customers expect their honesty to be rewarded, would they lie less?
- **Ethical cues:** Would transparency about refund policies and moral messaging at checkout reduce dishonest behavior?

## **Designing Smarter Controls with Behavioral Insight: Policy and Practice Implications**

The goal is not just to catch liars or turn refund counters into interrogation zones, but rather, to design smarter systems, which are control environments that make dishonesty harder and less justifiable.

Here is how retailers and organizations can apply these experimental insights:

### **1. Rethink Refund Policy Design**

- Require more documentation or verification in ambiguous cases, such as requiring customers to sign attestations for no receipt, especially for high-value items.
- Use visual controls to optimize and increase transparency tools like printed refund terms on receipts or digital reminders at kiosks.

### **2. Use Ethical Nudges**

- Visibly place messaging near checkout to remind customers of honesty expectations.
- Frame refund policies in fairness terms (“Dishonest claims hurt all customers”).
- Provide transparency about the cost and impact of refund fraud to the business.

### **3. Train Staff with Discretion**

- Empower frontline workers to flag or escalate suspicious returns.
- Provide scripts and guidance to handle edge cases without alienating customers.

### **4. Model Fraud Risk Cognitively**

- Use experimental results to predict where deception is most likely to occur.
- Simulate new policies before rolling them out.
- Test whether changes in communication form or media reduces fraudulent behavior.

Instead of focusing solely on deterrence, behavioral insights build awareness of how culture, communication and policy shape customer behavior by encouraging honesty through positive reinforcement and transparency, rather than relying only on fear of punishment.

## **From Procedural to Cognitive and Behavioral Fraud Control**

Organizations need to evolve from procedural to cognitive counter-fraud models. That means designing policies that discourage rationalization, activate fairness and anticipate deception, not just enforce outcomes after the fact. Behavioral experiments give us tools to model this complexity. By going beyond binary “fraud/no fraud” definitions, you can better understand how ordinary people justify dishonest acts in seemingly minor decisions.

Refund fraud is opportunistic. It thrives where systems are permissive and where people can rationalize harm. But it can be contained when you understand its drivers and design accordingly.



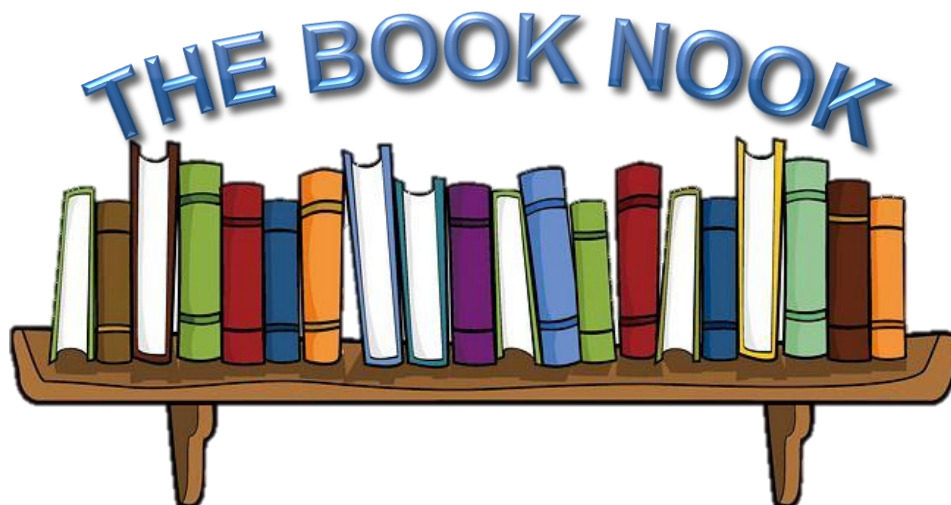
That's why experimental game theory isn't just academic. It's a practical tool to sharpen policies, strengthen controls and reintroduce ethical friction of customer service systems that become too relaxed over time.

### **Trust is Good — But Trust with Insight is Better**

We don't need to abandon customer-first values, but we do need to balance them with behavioral understanding and insight into how people behave. Customers are not just passive recipients of service; they're active agents navigating the systems that are built. If those systems are designed to be too trusting, it shouldn't be a surprise when they are cheated. By adapting behavioral economic experiments to study refund fraud, you gain a richer understanding of the motivations, justifications and trade-offs behind customer deception.

Fraud examiners must lead the shift, from procedural enforcement to cognitive prevention. Because when you understand the thinking behind deception, you are far better equipped to stop it before it starts.





## **May Contain Lies: How Stories, Statistics, and Studies Exploit Our Biases—And What We Can Do about It**

by Alex Edmans

Our lives are minefields of misinformation. It ripples through our social media feeds, our daily headlines, and the pronouncements of politicians, executives, and authors. Stories, statistics, and studies are everywhere, allowing people to find evidence to support whatever position they want. Many of these sources are flawed, yet by playing on our emotions and preying on our biases, they can gain widespread acceptance, warp our views, and distort our decisions.

In this eye-opening book, renowned economist Alex Edmans teaches us how to separate fact from fiction. Using colorful examples—from a wellness guru's tragic but fabricated backstory to the blunders that led to the Deepwater Horizon disaster to the diet that ensnared millions yet hastened its founder's death—Edmans highlights the biases that cause us to mistake statements for facts, facts for data, data for evidence, and evidence for proof.

## **Video of the Month**

### [Cybersecurity 101: Synthetic Identity | The Cybercrime You've Never Heard Of](#)

Synthetic Identity Fraud is one of the fastest-growing threats in the cyber world — and most people don't even know it exists. In this episode of Cybersecurity 101, Mark breaks down how scammers create entirely fake people using a mix of real and fake data, and how they use these identities to steal millions. Learn how it works, why it's so hard to detect, who's most at risk, and most importantly — how to protect yourself and your organization.



# Reindeer Games

Winter Word Search – Find 21 wintery words in the puzzle

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      N
      V
    D I X
    F E C
    N K B
  N A A L
  A M L C W
  J W F L S
    U Y O W K E
    C E N O B V I
    Z X S N O O G
T A O C L E L E G N A W O N S S D L N P V A Z Z F L J G Z H T
  N J K L X A D P T N S K I I N G G I R E O Z T I R R A Y E
    S M N U T M E U J F F T X J Z Z Y R A U R B E F U
      O P S S L E D D I N G S T F E F F J I Q B H X
        D N H W F R O S T O T X L E R N T Y M M Y
          O O S W N G W O O U V R A T H E J
            C V C X X Q C O C M F C Y C C
              E E S L L A B W O N S E T
                X W L O R U X V I L D P S
                  Z H T O L K Y E Z N D D C
                    C H R I S T M A S H S T X Q M
                      Q R A M K L O E U N M S E Z E
                        Z Z Z J Z S G   X O H A T R K
                          A U U A U V       K R C G Y X W
                            S G N W F         G U M Q E
                              R U U J           F H X T
                                A A J             C H G
                                  R C               I Q
                                    Y K               C Q
                                      V                 E

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## THANKSGIVING

by Frank Longo | © 2014, The New York Times

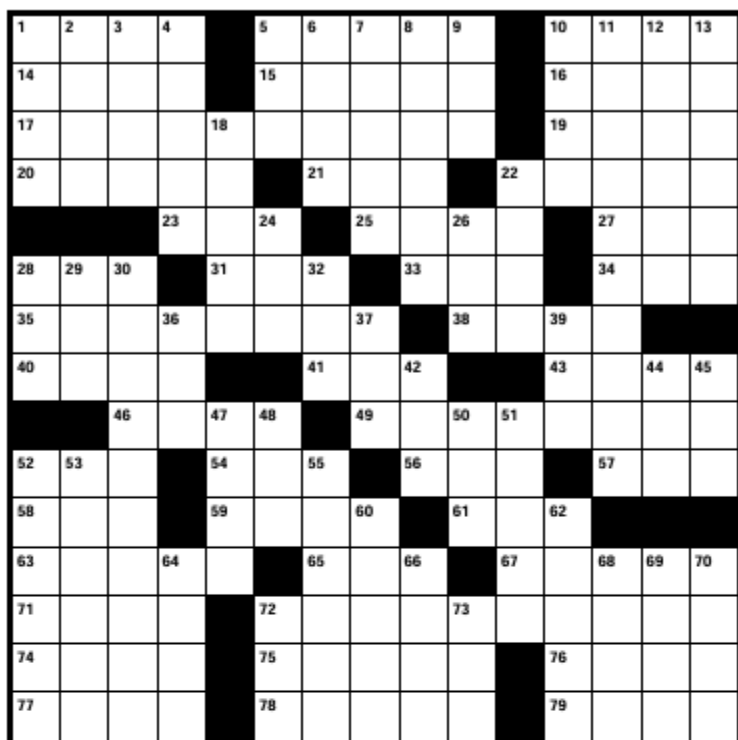


## ACROSS

- 1 Thanksgiving feast, for example  
5 Mayflower Compact signer John  
10 As happy as \_\_\_\_ in mud: 2 wds.  
14 Not currently being used  
15 \_\_\_\_ Lama (chief Tibetan monk)  
16 "Clair de \_\_\_\_" (Debussy composition)  
17 One who withdraws, as from an established church in search of religious freedom  
19 Letters after K  
20 Sleep noisily  
21 Use a chair  
22 Overly energetic  
23 Short sleep  
25 Tiny amount  
27 Beer barrel  
28 Work with needle and thread  
31 Grade below a cee  
33 Thanksgiving's month: Abbr.  
34 Chemical suffix with cyan  
35 See 78-Across  
38 Lowly laborer  
40 Make less harsh  
41 The Mediterranean is one  
43 Gorillas and orangutans  
46 Horse's foot  
49 It gets cooked inside a Thanksgiving turkey
- 52 Major news-distributing org.  
54 Apple computer  
56 Chemical suffix  
57 Approximate amount: Abbr.  
58 \_\_\_\_ Francisco  
59 Molecule unit  
61 Swiss mountain  
63 Church instrument  
65 When repeated, one of the Teletubbies  
67 Small sucking parasite  
71 Hiking trail  
72 First governor of 55-Down: 2 wds.  
74 Biblical kingdom  
75 Day \_\_\_\_ day out (constantly): 2 wds.  
76 First, reverse or neutral  
77 Goose that's the state bird of Hawaii  
78 With 35-Across, 55-Down military adviser  
79 Thanksgiving side dish

## DOWN

- 1 Fail to notice  
2 Adam and Eve's garden  
3 Dog food brand  
4 What the Plymouth settlers had to do from the Native Americans in order to survive  
5 City in central Oklahoma  
6 Big back muscles, for short  
7 553, in Roman numerals



- 8 Pop singer Sheena  
9 \_\_\_\_-picker (overly critical person)  
10 Political friend  
11 Thanksgiving dessert: 2 wds.  
12 Requiring assistance: 2 wds.  
13 With 30-Down, he proclaimed a National Day of Thanksgiving in 1789  
18 Total up again  
22 Possess  
24 Shar-\_\_\_\_ (wrinkly-skinned dog)  
26 Highest point  
28 Direction opposite NNW  
29 Greek vowel  
30 See 13-Down
- 32 Suffix with baron  
36 Keanu's role in "The Matrix"  
37 The Pointer Sisters' "\_\_\_\_ So Shy"  
39 Big klutz  
42 Enjoyed a Thanksgiving feast  
44 Military officer: Abbr.  
45 Military officer: Abbr.  
47 Persian Gulf country  
48 It's usually trimmed from a Thanksgiving turkey  
50 Spanish article  
51 Guy, informally  
52 Major golf event: 2 wds.  
53 Thanksgiving event with floats
- 55 Plymouth \_\_\_\_ (what the Pilgrims established in 1620)  
60 India's Taj \_\_\_\_  
62 "\_\_\_\_ and Bess" (Gershwin opera)  
64 Words said with a sigh: 2 wds.  
66 Poet Bradstreet whose husband was the governor of the Massachusetts 55-Down  
68 Eye part containing the iris  
69 Sewing line  
70 Messes up  
72 Carrey of "Dumb and Dumber"  
73 Record store purchases