

ARIZONA EXAMINER

PRESIDENT'S UPDATE

I would like to take this final opportunity to thank all who have supported me and the ACFE Arizona Chapter for the last several years. The chapter has grown tremendously and I feel honored to have participated in that growth and the increased excellence of our group. We have all had an opportunity to laugh a little and learn a lot at our training meetings.

I encourage you to get more involved in the chapter. Please continue to support the chapter after I leave and a new President and board take over in August. I know you will be in good hands. I have thoroughly enjoyed working with all of you.

WELCOME TO OUR NEW PRESIDENT AND BOARD

We would like to welcome our new president, Erin Hager, CFE. Erin is currently an audit senior with the Special Investigative Unit of the Office of the Auditor General. Erin is a great addition to our Board and we look forward to hearing from her in the President's Update in the future. She is committed to giving back to the community and contributing to the continued success of our Chapter.

Let us also give a warm welcome to Allison Tims, CFE— Vice President, Dana Parsons, CFE—Secretary, Bert Talley, CFE—Director, and Gretchen Gilliam, CFE—Director. Although the membership elected Philip Wrona, CFE onto the board, he regretfully had to decline due to his re-deployment assignment. Thank you to everyone who took the time to vote.

WINTER 2010



*Past president
Lois Folk*

NEWSLETTER SPOTLIGHT

Members helping the community: page 2



Community Involvement and Outreach Programs, by Former President Lois Folk:

Our recent increased effort in Community Involvement and Outreach Programs has sparked interest among our members. During these hard economic times it does us some good and we reap part of the reward helping others in need. I would like to suggest that you donate some of your time to help others who are in need. You might even notice a change in yourself and the way you think after volunteering.

This year we had several ACFE Arizona Chapter member volunteers at Paz de Cristo Outreach Center in Mesa. My husband and I volunteered during the summer and you actually prepare the meal with a group of about 20 people and then together serve the food to the participants. Afterwards you help clean up the kitchen. I talked to a lot of the folks we served; they included young and old, couples and families with children. I wondered how it must feel for them to go to an organization like this to get a free meal. Many of them showed up two hours in advance to get first place in line. I still think about these people now & then and hope maybe just a few kind words from our group of volunteers might have brightened their day just a little.

UPCOMING EVENTS

Community Event	January 8, 2011	Run, Walk & Roll 5k/10k
Monthly Training Meeting	January 18, 2011	Larry Adams CFE, CPA
ACFE National Training	January 31-February 1, 2011	Money Laundering: Tracing Illicit Funds

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COMMUNITY NEWS... SUBMITTED BY GRETCHEN GILLIAM, COMMITTEE CHAIR

One of the most satisfying, fun, and productive ways to unite an organization is to get together and volunteer for a community service project. This promotes individual fulfillment, strengthens our community, and benefits the people who are served. To increase our Chapters involvement with the community, a Community Involvement Committee (CIC) has been formed, which consists of approximately 10 members and a Committee chairperson, Gretchen Gilliam. These members continually donate their time and get together to communicate, discuss, plan, and carry out ideas for community events our Chapter can actively participate in.



There have been two community events our chapter has attended in 2010, both at Paz de Cristo in Mesa, Arizona. Paz de Cristo provides meal service to the homeless/working poor community 365 days per year, with approximately 180 to 260 individuals served per night. Together, our chapter members prepared and served over 200 hot meals on July 9, 2010 and October 28, 2010. Each volunteer was assigned a separate task, including food preparation, serving, and/or clean up. Volunteers were able to serve the community while also getting to know other members of our chapter. CIC plans on participating in this event again in 2011.



Our next event our Chapter will be participating in is the Run, Walk, & Roll event on Saturday, January 8, 2011, at Tempe Town Lake. This event benefits the Arizona Disabled Sports, also known as the Mesa Association of Sports the Disabled (www.runwalkrollaz.com). The 5k/10k event has been created to support and raise money for Arizona Disabled Sports. Look for the upcoming announcements or on the chapter website for further information.

We would like to continue to donate our time to various community events throughout 2011 and we would like to encourage our chapter members to come and join us for a fulfilling experience.

BURROWING OWLS... SUBMITTED BY ALLISON TIMS

Thursday, April 1, 2010 I received an email from my good friend Patty Huling. This email originated from Wild At Heart, an all-volunteer, nonprofit organization dedicated to the conservation and preservation of native wildlife in Arizona. The request came on short notice to assist in the transport of 8 Burrowing Owls from Phoenix to McNeal, AZ on Friday, April 2, 2010. Our family typically volunteers on housing projects, orphanages in Mexico, and other non animal related projects. Transporting owls seemed like magical experience and quite different than what we were used to.



Burrowing Owl courtesy Wild at Heart

The owls found a ride to McNeal but my daughter (Alexi, 9) and I were not ready to let the owls pass through the city without saying hello. I offered to drive to McNeal on Friday and help build "tents" for these adorable creatures. The experience was quite unusual and very gratifying for both of us. Union High School in Tombstone assigned this project to the students. They went to the site located on a student's farm and dug approximately 14 burrowing sites for the owls. When Alexi and I arrived the habitats were being built with steel PVC pipe, cloth shade cover, handmade perches, and all the frozen mice these little guys and gals could eat. The idea is to provide a well established structure with all the benefits of natural living, only the owls don't have to provide it for themselves, all they have to do is mate. Greg Clark, from Wild At Heart, led the project and clearly had an expertise that would have impressed anyone. He explained the process and instructed the student on how to feed and water the owls daily. There were 8 owls released in the first structure and another 8 to be arriving on Saturday and released into the second structure. Within 28 days the owls would lay their eggs and the shade cloth would be removed. Once removed the mothers would remain at the original site. With 12 additional burrow sites the males would make their new homes and feed off the land. The conditions were optimal as there are many field mice and insects in the area.

These feathery yellow eyed creatures made a pleasant addition to the little town of McNeal, Arizona. With nothing to do but procreate they will have a safe haven free from bulldozers and slabs of concrete. Alexi and I couldn't have been more elated about being a part of this very important project.

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FRAUD IN DIVORCE—SUBMITTED BY MEMBER TAMMY GASIOROWSKI

Just when it seems that many couples can finally enjoy their financial success after years of hard work building a small business, some find themselves involved in a bitter divorce battle over, among other things, money. The couple will have many financial issues to settle as they go through the process of splitting their assets, and their financial issues may include accusations of hidden or diverted cash or other assets, unreported business income, use of business funds for payment of personal bills (often includes writing off payments for personal credit card charges), and many other schemes to keep a spouse from the truth. If only one spouse is the key person running the business, and the other spouse (often referred to as the “out-spouse”) suspects there has been such a scheme, a forensic analysis could be performed to identify and quantify the undisclosed amount, and assist in achieving a more equitable division of community property. Questionable bookkeeping methods can often make the forensic analysis more difficult to perform, and much more costly.

A forensic analysis in a divorce case may include reviewing source documents such as invoices, checks, wired funds, etc., to verify the purpose of each transaction and trace it back to the company’s financial records to determine whether it was reported as a business expense. Such schemes are commonly intended to hide transactions from a spouse, or to reduce the tax liability of the business, or both. The scope of an investigation may include both corporate and personal financial records, and in cases where there is substantial underreported income, a life style analysis could be performed, which includes tracing all of the sources of income available to the couple, and comparing that amount to the level of spending in a given period of time. If the level of spending is in excess of the reported sources of funds, it may be necessary to trace all of the funds back to expose any unreported sources of income.

Depending on the level of deceit in any particular case, a forensic analysis in a divorce case can expose the use of marital property to provide gifts to a lover, expose hidden bank accounts, and uncover hidden real-estate ownership such as a get-away cabin in Northern Arizona.

Results of actual forensic assignments:

In one prior forensic assignment, the business owner clearly lived on substantially higher income than was reported on the company’s income statement. The reported operating costs were above-average for this commercial construction company. Upon review of the actual transactions for a three-year period, we discovered over \$200,000 each year that was spent on non-business expenses and should have been reported as profit, which represents a significant difference for purpose of alimony payments. These personal payments included acquisitions of personal automobiles, remodeling of personal residences, personal gifts, extravagant meals and entertainment, and payment of all personal utility expenses. The owner auctioned over \$300,000 worth of construction equipment and pocketed the cash, rather than reporting the business gain. The out-spouse knew of some of these fraudulent activities; however, one fraudulent transaction was a complete surprise -- the check register showed a check written for over \$100,000 to an equipment company for capital equipment; however, upon review of the canceled check, the payee was actually a title company and the funds were used as a down-payment for the purchase of a cabin in Northern Arizona. The cabin was utilized by the business owner for an extra-marital affair. Upon review of the company’s general ledger and federal income tax returns, we discovered that the non-existent capital equipment was actually being depreciated by the company as a business asset.

Other forensic assignments have uncovered that a business owner appeared to have two sets of bookkeeping records: one kept for actual transactions and one to under-report earnings for tax evasion. When faced with a divorce, the business owner initially claimed the lower earnings to keep the divorce settlement at a minimum. The forensic investigation uncovered that there were actually three sets of books because the owner became confused in the initial scheme and tried to restate the fraudulent records.

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FRAUD IN DIVORCE—CONTINUED

Another financial investigation for a divorce case revealed that a two-year old child of the owner was on the payroll – another way of diverting income to the business owner. By the way, we also found that the business owner with the get-away cabin had an undisclosed bank account in the small Arizona town where the cabin was located. As with most fraudulent findings, the fraud was discovered by following the trail of money.

AZ ACFE STUDENT CHAPTERS' NEWS—SUBMITTED BY DAREK KOCHMAN

ACFE AZ Chapter Hosts ASU and NAU Student Chapters at Luncheon
On February 27th, the AZ Chapter of the ACFE hosted the ASU and NAU student chapters to a luncheon aimed at developing the communication and interaction between chapters. All together 15 attendees, ranging from AZ Chapter Board Members to ACFE Student Chapter faculty advisors and student board members, gathered at Claim Jumper Restaurant in the North Phoenix Valley. During the course of the event two roundtable discussions were held, with questions that addressed significant challenges faced in establishing individual organizations and how the chapters could best collaborate in the exchange of information, ideas, and resources.



Members of ASU and NAU Student Chapters meet at Claim Jumper

SPRING SEMINAR BRINGS 3 INTERESTING SPEAKERS TO AZ CHAPTER

The May event had a fantastic turn out. Aaron Beam, former HealthSouth CFO and convicted felon started the seminar off. He shared his story of the events that lead to the downfall of HealthSouth. During his presentation he reminded the audience of the consequences of committing fraud. Next L. Timothy Terry, Attorney from Terry Law Firm in Nevada spoke on the False Claims Act and common frauds connected with the statute. Finally, Michael Schwartz kept the crowd captivated with his presentation “The Art of Oral Advocacy on the Witness Stand—A Guide for Expert Witnesses”. He shared examples and his own court room experiences to deliver his message on how to be an excellent expert witness.



Aaron Beam,
former Health-
South CFO



Michael Schwartz captivates the audience

DO YOU HAVE AN ARTICLE YOU WOULD LIKE TO SUBMIT?

Please submit articles or article suggestions to Susan Vos at susanvos@cfe-arizona.org.

Additionally, if you would like to be a speaker or know someone who would like to be a speaker at one of our meetings please contact anyone of our board members. Additional information can be found on our website at www.cfe-arizona.org.

Questions or comments? Email us at president@cfe-arizona.org