

Austin Area Chapter Association of Certified Fraud Examiners

President's Corner

Tracy Bohmer, CFE, CPA

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NOTE: New Luncheon location

Welcome back to our monthly luncheon meetings. Hope you had a great summer break. The Austin Area Chapter Board continued to meet this summer in order to plan for the new fiscal year. Be sure to check our website www.austinacfe.com for current info and upcoming events.

The next board meeting will be held on Sept 14th at:

**Catfish Parlor Restaurant
4705 E. Ben White**

In July, the 20th Annual ACFE Fraud Conference & Exhibition was held at Bellagio in Las Vegas. Shari Daffern and Andy Prough attended the Conference and represented our local chapter. It was quite impressive with an excellent array of keynote and breakout speakers. This was the largest attendance at any CFE conference.

Shari and Andy also attended the Chapter Leadership meeting held the day before the conference. They had the opportunity to network with other Chapter Officers, discuss how to increase and maintain membership and offer quality training. In comparison to other Chapters, Andy felt that we were worthy of winning best Chapter and Best Newsletter.

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Chapter Meeting Schedule

Time: 12:00 to 12:50 p.m.
Lunch served promptly at 11:45 a.m.

Location: Catfish Parlour
4705 E Ben White Blvd

Cost: Luncheon Only:
\$12.00 – Chapter Member and
Non-Chapter Member

This Month's Meeting

Date: September 14, 2009

Speaker: Terry McMahan, Assist. Chief of Police
The University of Texas at Austin

Topic: Investigations at the University of
Texas at Austin

**register on line: www.austinacfe.com
or**

call 512-923-8656

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What You Missed

By Mike Garner, CFE, CIA

If you were not able to attend the May 4, 2009 chapter meeting, you missed a presentation on "Those who Lie, Cheat, and Steal for Fun and Profit" by Mr. Larry Bradford, Managing Director, Financial Forensics



May speaker
Larry Bradford

Corporation. Financial Forensics Corporation (FFC) provides services in Forensic Accounting, Business Valuations, Damage Calculations, and Expert Witnessing. His topic focused on the financial crimes and otherwise bad behavior.

Unlike traditional accounting firms, FFC works exclusively in forensic accounting and related consulting. What makes FFC special as forensic accountants and consultants is the unique combination of their core skills. As Expert Witnesses for over 30 years and testifying in hundreds of court trials and cases in forensic accounting, due diligence, and business valuations, Financial Forensics Corporation has the expertise to address complex business challenges.

Mr. Bradford started his presentation by discussing typical civil litigation scenarios including divorces, commercial litigation, employees, investment schemes, and fraudulent loans. Commercial litigation includes partnerships, corporations, beneficiaries, and individuals. He discussed in more detail typical fraud and theft schemes by individuals including kickbacks; dummy vendors; cash diversions; inventory diversions and trade secret thefts. Intellectual property thefts including trade secrets are becoming one of the most troubling employee fraudulent schemes. Employees will take and provide to others data, processes, etc. Over 37 percent of men believe it is acceptable to take database information and sales leads. Over 49 percent of 16 to 24 year-olds does not think that workplace theft is stealing.

He then discussed some of the more publicized events such as Madoff and Stanford-Houston. He also discussed other investment schemes, fraudulent loan schemes and ponzi schemes such as Colgin and Erxleben (See March 2009 Newsletter).

Bernie Madoff - Madoff, who once served as a non-executive chairman of the NASDAQ stock exchange, pled guilty to an 11-count criminal complaint, admitting to defrauding thousands of investors of billions of dollars. He was convicted of operating a Ponzi scheme that has been called the largest investor fraud ever committed by a single person.

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AUSTIN AREA CHAPTER OF
THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS
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BOARD & COMMITTEE MEMBERS

FISCAL YEAR 2010

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Federal prosecutors estimated client losses, which included fabricated gains, of almost \$65 billion. On June 29, 2009, he was sentenced to 150 years in prison, the maximum allowed.

Madoff founded the Wall Street firm Bernard L. Madoff Investment Securities LLC in 1960, and was its chairman until his arrest on December 11, 2008. The firm was one of the top market maker businesses on Wall Street, which bypassed "specialist" firms, by directly executing orders over the counter from retail brokers.

He confessed to his sons on December 10, 2008, that the asset management arm of his firm was a giant Ponzi scheme—as he put it, "one big lie." They then passed this information to authorities. The following day, FBI agents arrested Madoff and charged him with one count of securities fraud. The SEC had previously conducted several investigations into Madoff's business practices since 1999, which critics contend were incompetently handled.

Stanford-Houston - In February 2009 a federal judge in Dallas issued a restraining order and appointed a receiver to take control of the Stanford Financial Group and its assets. Stanford Financial Group is described as a privately held global network of independent, affiliated financial services led by Chairman Sir Allen Stanford. Stanford, a Mexia native who holds dual citizenship in the U.S. and in the Caribbean island nation of Antigua and Barbuda, has been knighted in that country.

The SEC alleges that Stanford International Bank in St. John's, Antigua, acting through Houston-based investment advisers Stanford Group Co. and Stanford Capital Management, sold \$8 billion in "self-styled" CDs by promising double-digit returns that exceed those available through CDs offered by traditional banks.

Mr. Bradford then discussed methods we can use to combat this fraudulent activity. These weapons include enhanced owner involvement; enhanced internal controls; internal control audits; bonding of employees; employee background checks; bringing in someone smarter than the employees to conduct financial analysis; conduct routine specific anti-fraud audit procedures; improving workplace security including prohibiting certain items in the workplace; and inspecting against what you expect.

In concluding his presentation Mr. Bradford emphasized the importance of our being aware of what we see and hear about what is happening around us; don't be naïve about what can happen; be proactive to address potential risks; publicize your anti-fraud efforts with your staff to bring them in to assist; and to inspect what you expect.

It appears we are on the right track to sustain a successful Chapter and give our members the tools they need to be successful CFEs. They did bring back some new ideas that the Board is considering implementing. If you have any suggestions about how we can improve our meetings, training or seminars, please contact any Board member.

Speaker's Biography

Assistant Chief Terry McMahan has been in Law Enforcement for 24 years and holds a Bachelor of Science degree in Chemistry and Math from the University of Texas of the Permian Basin. He served as Chief of Police at the University of Texas of the Permian Basin for ten years and nine years as assistant chief with The University of Texas at Austin. He holds a Masters and an instructor certification from TCLEOSE. He is a graduate of the FBI National Academy and WestPoint Leadership Academy put on by APD and The University of Texas.



The Spotlight's On You!

A special feature focusing on members of the Austin Area Chapter of ACFEs

Eric Ramos has been a member of the
ACFE

for the past 4 years.

But maybe you didn't know...



Job Description:

Internal Audit Manager at the Texas
Commission on Environmental Quality

What I'm working on now:

Biennial Audit Plan and Risk Assessment

Best part of my job:

Helping our customers improve and/or succeed

Ambition and/or Goals:

CIA & CGAP Certifications

Years of state service:

18 years

My first job:

Cook at McDonald's

Hobbies:

Collect Music, Coach/Organize Youth Football

Favorite Movie:

Remember the Titans

Last books I read:

Uncommon by Tony Dungy

Favorite foods:

Mexican and Steak

Favorite Restaurants:

Pappacito's and Texas Roadhouse

My pet(s):

Astro (American Eskimo)

It's a good day when:

It is not 100 degrees outside

Pet Peeves:

Impatience

**What I would do with a surprise
afternoon off:**

Yard Work and/or Nap

I'm most proud of:

My family and my volunteer work in community

Most people probably don't realize:

I'm fairly decent at repairing computers