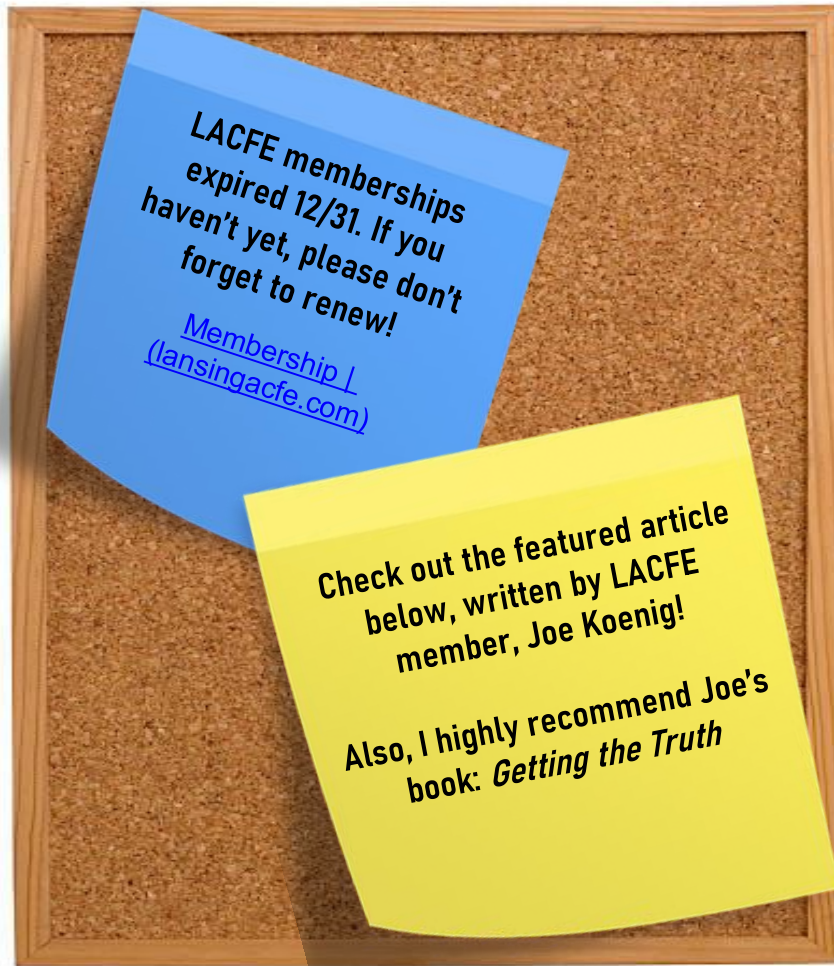




# LANSING CHAPTER OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS



## In This Issue

Bulletin Board

---

Fraud Talk Podcast – Where Fraud and Emerging Technology Meet

---

Upcoming Events

---

The Right Questions, the Right Way, the Right Time

---

In The News

---

IRS-CI counts down the top 10 cases of 2021



## Fraud Talk Podcast

Where Fraud and Emerging Technology Meet - Takara Small - Sarah Thompson - Fraud Talk - Episode 116

In this episode, renowned tech journalist and podcast host Takara Small discusses what the future of data breaches, cybercrime and cryptocurrency might look like for both individuals and organizations. She also speaks about the role online media plays in exposing fraud and the importance of supporting women, BIPOC and young people breaking into the tech space.

<https://acfe.podbean.com/e/where-fraud-and-emerging-technology-meet-takara-small-sarah-tompson-fraud-talk-episode-116/>

## UPCOMING EVENTS

### LOCAL:

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

Online – Cyber Security: Look Both Ways

Thursday, February 17, 2022

1:30 pm - 2:30 pm

Learn more: <https://www.micpa.org/cpe/store/course-detail?ProductId=125285>



#### **ACFE South Florida Chapter**

Online – Introduction to NFTs & NFT Fraud

March 24, 2022

12:00 pm - 1:30 pm

Learn more: <https://southfloridaacfe.org/event-4665644>

#### **Michigan Chamber of Commerce**

Chamber Day 2022

Radisson Hotel, Lansing

April 27, 2022 (early registration ends March 1<sup>st</sup>)

8:30 am - 1:30 pm

Learn more: [https://www.michamber.com/signature\\_events/chamber-day/](https://www.michamber.com/signature_events/chamber-day/)

### NATIONAL:

#### **ACFE**

Online/In-Person – 2022 Women’s Summit

March 8, 2022 (early registration ends February 4<sup>th</sup>)

Learn more: <https://www.acfe.com/womenssummit2022.aspx>

#### **ACFE**

Auditing for Internal Fraud/Detecting Fraud Through Vendor Audits

March 14-15, 2022 (early registration ends February 14<sup>th</sup>)

Chicago, IL

Learn more: <https://www.acfe.com/events.aspx?evtid=a3Y1Q000003dUDpUAM>

#### **ACFE**

Online/In-Person Conference – 2022 Global Fraud Conference

June 19 - 24, 2022 (early registration ends April 6<sup>th</sup>)

Virtual/Nashville

Learn more: <https://www.fraudconference.com/33rd-home.aspx>

*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)*

# The Right Questions, the Right Way, the Right Time

By Joseph A. Koenig  
January/February 2017 Ethikos Magazine

As we put together our communication strategies, we need to think about asking the right question, the right way, at the right time. For ethical fact-finding and decision-making, questions need to be structured correctly. Questions need to be simple, precise, using only mutually understood words. And, we have to ask them at the right time. If any of that is missing, we may close the door on Getting the Truth.

As with scientific and forensic procedures, our communication process is subject to contamination. Contamination is anything that affects a response. There are times when we may wish to employ intentional contamination, where we try to influence a statement one way or the other. In this article, I focus on unintentional contamination. To get truthful information and to detect deception, the questions we ask need to minimize contamination.

Unintentional contamination can occur as we walk into the interview room; as we begin the questioning process; the type of interview room itself; noises inside and outside the room; etc. Everything contaminates. Even no contamination can contaminate. One on one interviews are by far the best, since a second interviewer will contaminate. The way we present ourselves, our choice of interview rooms, our question strategy, our question structure, how we ask our questions, when we ask our questions and our question presentation are all considerations. We need to consider how each of these variables may affect the subject's responses and include those considerations in our communication strategy.

Questions with introductions will contaminate the response:

***Will you say...?***

***Can you say...?***

***To the best of your knowledge...?***

***What can you tell me?***

All are defective—and easily allow the deceptive to wiggle out of telling the truth. I can “say” anything. The wording “*to the best of my knowledge*” allows me to tell only what I know—and what, after all, is “knowledge?” Is the knowledge deduced, observed, inferred, or imputed? The deceptive will take advantage of poorly worded questions and provide misleading answers. Contaminating questions make the responses unreliable. Avoid contaminating questions at all costs.

The Compliance Officer who asks, “Did you follow *procedures*?” may not get the truth.

Similarly, the attorney who asks the following is just asking for a misleading answer:

**Do you have *chattel*?**

**What are your *current liabilities*?**

**What is the *value* of your *assets*?**

As is the auditor who asks,

**What are the *risks* in your operation?**

**What are your *key processes, procedures and controls*?**

**What do you *view* to be the main *risks* in your area?**

The words *procedures, chattel, current, liabilities, value, risks, key, view* all need to be defined and mutually understood before using them in questions. The deceptive will seize the opportunity to respond with partial truths to poorly defined questions. If cornered on an answer, they can always use the excuse: “I took the question to mean ...” Even truthful people may unintentionally provide misleading answers. Words matter. The old adage, “Garbage in, garbage out,” applies. So, what’s a well-constructed question?

In my book, *Getting the Truth*,<sup>1</sup> I define lies as partial truths—there is a modicum of truth in every lie. As we grow up, we hone our ability to lie (tell partial truths) by including some truth in our statement. We convince ourselves (rationalize) that a statement with some truth is not a complete lie. Only statements with no truth at all are lies. All else is truthful. Remember, people want to tell the truth.

Nature compels peace. Telling lies is stressful. A body under stress seeks peace. Our focus, then, needs to be on structuring questions to allow truthful people to tell the complete truth—and make it very difficult for deceptive people to tell partial truths. If they don’t answer the question, they did. If they don’t deny it, they probably did it.

We also need to calibrate the subject’s communication pattern during the introductory phase when asking non-threatening questions:

***How long have you been with the company?***

***How about Saturday’s game?***

***Where do you live?***

These questions all help you calibrate the subject’s communication patterns. Take note of how the subject communicates. Sense his eye, eyebrow, lip, and body movements; his breathing, word, and blinking rates; her hand movements she uses to explain; her vocabulary and eye contact. All of these observations constitute his/her unique communication pattern.

It's very difficult to detect skillfully worded deceptive statements. Lance Armstrong's statement, "I've said it for seven years—I haven't doped." provides us with an example. Deceptive people are wordsmiths, and we, as interviewers, need to use that trait to our advantage. We do that by forcing subjects to give us precise responses using mutually understood words that can't be misinterpreted. Keep in mind that truthful people will not intentionally provide partial truths. Typically, truthful responses are simple, precise, and direct. Truthful people want us to know the complete truth. Deceptive people don't. Use that to detect deception.

The response, "I didn't do it," when it stands alone without explanation, contains the components of a truthful response. But you can rely on it only when there is no doubt about what "it" is and it is consistent with the evidence and circumstances. And, the context matters. Was it blurted out? Was it in response to a question? Is it consistent with the subject's calibrated communication pattern?

The responses, "I couldn't do it; I wouldn't do it; I'm telling you I didn't do it; I can tell you there is no way I did it; I am not guilty; As God is my witness," all suggest deception.

I regularly employ a powerful handwriting technique that addresses many of these issues using a plentiful amount of plain, unlined paper—unstructured by design and plentiful to encourage thorough responses. It also provides a report, a personally handwritten statement, that can't be improved upon since it records the interview and the subject's own thoughts. Once I'm in the interview room with the subject, I introduce myself with minimal conversation. I ask the subject non-threatening questions about their full name, address, time with the company, etc. During this time I'm calibrating the subject to determine his/her communication pattern.

After that short introductory session, I then tell the subject I will handwrite my questions and ask him/her to respond in their handwriting. I typically use different color inks for my handwriting and the subject's. I will start with the command, "Tell me what happened." I will also leave the room, telling them I will wait outside, and to notify me when they complete the response. This further minimizes contamination. I'm not sitting there fidgeting, looking at my phone, or distracting them in any way. It also leaves them alone with their thoughts. This is a powerful technique. People tend to write things they won't verbalize, especially when they are alone.

The command to write out a response to "Tell me what happened," on an unlimited supply of plain white paper sets up a very complex process. The subject has to compose the response knowing where she starts will determine where she finishes.

We then have several pages of a handwritten explanation of what happened, produced with minimal contamination. I look at that statement to see if there are signs of stress in the composition, noting areas of sensitivity—cross outs, rewrites, flow disruptions, different handwriting styles, etc.

To illustrate, look at the following picture of a statement I obtained using the above principles. The subject's ex-wife accused him of taking personal checks made payable to her, forging her name, cashing the checks, and keeping the money. I minimized contamination. There is little that I said or did to influence his statement. It is harder to lie than to tell the truth. Deception requires a much higher thought process than truth-telling. Deception is, therefore, more stressful. See on the next page a portion of his five-page statement responding to "Tell me what happened."

had already missed some time. I asked her to meet me at the bank on Saturday and she stated she had plans and would not be able to. I asked her what I was supposed to do. She said to sign her name and to deposit it in the ATM machine and that it would go through

**PEOPLE TEND TO WRITE THINGS THEY WON'T VERBALIZE, ESPECIALLY WHEN THEY ARE ALONE.**

Note the handwriting changes dramatically when the subject writes, "She said to sign her name..." Something caused that difference in writing. Was the cause deception, the pen, or a noise in the room? The fact it occurs when he provides his main defense suggests stress. Stress, in this case, probably reflects deception.

My first question to him once I returned to the room was, "You wrote 'She said to sign her name,'" please tell me about that." Ask the right question, at the right time, in the right way. I asked that question in that way with those principles in mind. I wanted him to know his deception was identified immediately and to maintain the stress level following the difficult task of completing the statement. He later confessed to me that his ex-wife did not give him permission to sign her name. Just like in nature, water seeks its own level. There is peace in truth. While he lost his financial institution job, he was now on his path to rebuild his life.

My next step in this statement-taking process is to ask him/her to define their words by asking, "What did you mean when you wrote... 'I then made the entry?'" Force them to define their language, their meaning, then use their words, now defined and mutually understood, when constructing questions.

Well-constructed questions (commands) contain mutually understood words constructed simply and precisely. Again, the goal is to minimize contamination.

**Were you ever at 765 Moross?**

BETTER: *Show picture of 765 Moross and ask, **Were you ever inside that building?** (“At” is not precise; “inside” is better—also subject may not know address.)*

\*\*\*

**What is your net worth?**

BETTER: **What does the phrase “net worth” mean to you?** Then, **What is your net worth?** *(Define the word, then use the word once mutually understood.)*

\*\*\*

**When was the last time you saw Nicole?**

BETTER: **When did you last see Nicole?** *(6 words vs. 8 words; also simple and precise.)*

**ethikos** January/February 2017 13

**Did you kill your wife?**

BETTER: **What happened to your wife?**

“She was killed.”

**What do you mean?**

“Someone shot her”

**Did you shoot her?** *(“Kill” needs to be defined.)*

\*\*\*

**What do you think happened?**

BETTER: **What happened?**

\*\*\*

**Do you have any chattel not already listed?**

BETTER: **Do you have any personal property not already listed?**

\*\*\*

**Do you know who took the money?**

BETTER: **Who took the money?** (*Akin to “What can you say ...”; more precise.*)

\*\*\*

**Can you say you did not take the money?**

BETTER: **Did you take the money?**

There is much to learn in developing the skills necessary to conduct ethically sound and good fact-finding interviews. We need to minimize contamination, knowing that everything we do (and don't) will contaminate. We need to help prevent deception by asking properly constructed questions, at the right time, in the right way only using mutually-understood words. We need to know how deceptive people use words in our questions to provide deceptive answers. We need to remember people want to tell the truth and deceptive people rationalize that a partial truth is not a lie. We also need to know what kinds of responses to expect from truthful people so we know when we're being told the truth. Know truth. Know deception.

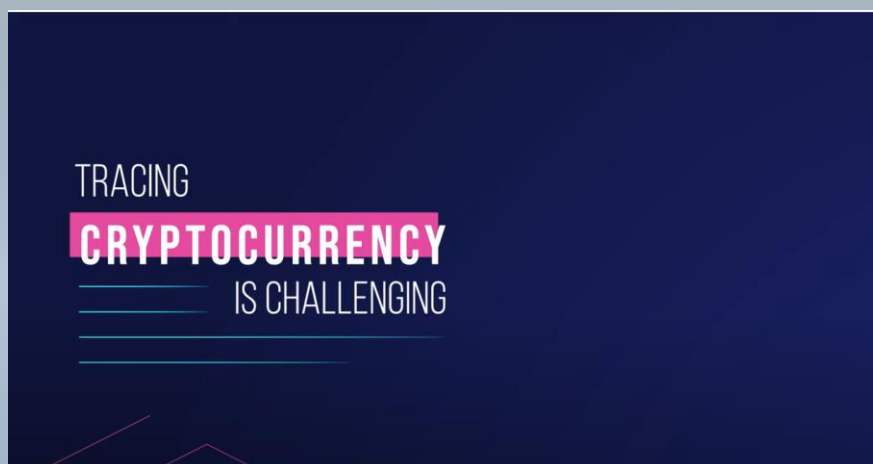
*Joseph A. Koenig is a professional investigator with KMI Investigations LLC in Grandville, MI ([kmiinvestigations.com](http://kmiinvestigations.com)) and the author of the award-winning book Getting the Truth.*

**ENDNOTE** 1. Available at <https://goo.gl/qgDmxl>

## Video of the Month

[What Anti-Fraud Professionals Need to Know About Cryptocurrencies - YouTube](#)

Cryptocurrency has become a hot topic in the news over the past few years. As it continues to gain a foothold in society, what do anti-fraud professionals need to know? Learn more in this short video from the ACFE.





## In The News

*Unemployment agency sees spike in fraud efforts over the holidays*

[https://www.michigan.gov/leo/0,5863,7-336-94422\\_97241\\_102475-574931--\\_00.html?utm\\_medium=email&utm\\_source=govdelivery](https://www.michigan.gov/leo/0,5863,7-336-94422_97241_102475-574931--_00.html?utm_medium=email&utm_source=govdelivery)

*Q&A with new Michigan UIA director: Unemployment claims, frustrations, fraud, more*

<https://www.clickondetroit.com/consumer/help-me-hank/2022/01/27/qa-with-new-michigan-uia-director-unemployment-claims-frustrations-fraud-more/>

*Gov. Whitmer Lays Out New Tax Proposals in Latest Address*

<https://www.micpa.org/stay-informed/news/2022/01/31/gov.-whitmer-lays-out-new-tax-proposals-in-latest-address>

*Safeguarding American Investors and Consumers*

<https://acfeinsights.squarespace.com/acfe-insights/2022/1/21/safeguarding-american-investors-and-consumers-could-increased-disclosure-and-whistleblower-protections-for-private-companies-prevent-another-fraud-scheme-like-theranos>

*Elizabeth Holmes to be sentenced nine months after guilty verdict*

<https://www.theguardian.com/technology/2022/jan/13/elizabeth-holmes-sentence-september-fraud>

*Year in jail, probation ordered for Michigan insurance agent who embezzled \$375K from clients*

<https://www.mlive.com/news/ann-arbor/2022/01/year-in-jail-probation-ordered-for-michigan-insurance-agent-who-embezzled-375k-from-clients.html>

*Dearborn Heights pharmacist gets 6+ years for health insurance fraud*

<https://www.detroitnews.com/story/news/local/wayne-county/2022/01/21/dearborn-heights-pharmacist-gets-6-years-health-insurance-fraud/6609243001/>



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*Federal investigators collar 23 people for staging car accidents in massive insurance fraud scheme*

<https://wobm.com/23-indicted-for-health-care-fraud/>

*Former Pharmacy Executive Pleads Guilty To \$88 Million Health Care Fraud Conspiracy Targeting Military Health Care Programs*

<https://atlanta.cbslocal.com/2022/01/30/former-pharmacy-executive-pleads-guilty-to-88-million-health-care-fraud-conspiracy-targeting-military-health-care-programs/>

*A Miami couple is charged with stealing \$2.5 million in a crab and lobster scam*

<https://thecounter.org/miami-couple-charged-with-stealing-2-5-million-crab-and-lobster-scam/>

*Investigators probe alleged fraud involving over \$240 million in federal child nutrition dollars*

<https://thecounter.org/fbi-investigate-alleged-fraud-federal-child-nutrition-dollars-feeding-our-future-minnesota/>

*Michigan man sentenced in North Dakota for identity theft*

[https://bismarcktribune.com/news/local/bismarck/michigan-man-sentenced-in-north-dakota-for-identity-theft/article\\_47fe8293-3691-505f-8a08-7bb2079fe93f.html](https://bismarcktribune.com/news/local/bismarck/michigan-man-sentenced-in-north-dakota-for-identity-theft/article_47fe8293-3691-505f-8a08-7bb2079fe93f.html)

*Three Kalamazoo County men plead guilty in Amazon textbook rental fraud case*

<https://www.mlive.com/news/kalamazoo/2022/01/three-kalamazoo-county-men-plead-guilty-in-amazon-textbook-rental-fraud-case.html>

*What You Should Know About Money Mules*

<https://acfeinsights.squarespace.com/acfe-insights/2022/1/12/what-you-should-know-about-money-mules>

*The Dark Side of Cryptocurrency Hardware Wallets*

<https://acfeinsights.squarespace.com/acfe-insights/2022/1/7/the-dark-side-of-cryptocurrency-hardware-wallets>

*Supply disruptions and the need for vigilance*

<https://acfeinsights.squarespace.com/acfe-insights/2022/1/3/supply-disruptions-and-the-need-for-vigilance>



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# IRS-CI counts down the top 10 cases of 2021

Cases include tax evasion, Ponzi schemes, COVID fraud, cyber crimes

<https://www.irs.gov/newsroom/irs-ci-counts-down-the-top-10-cases-of-2021>

IR-2022-04, January 7, 2022

WASHINGTON — Internal Revenue Service Criminal Investigation (IRS-CI) began counting down the top 10 cases for calendar year 2021 on its [Twitter](#) account on January 3. These cases include the agency's most prominent and high-profile investigations of 2021.

"The investigative work of 2021 has all the makings of a made for TV movie – embezzlement of funds from a nonprofit, a family fraud ring that stole millions in COVID-relief funds and a \$1 billion Ponzi scheme used to buy sports teams and luxury vehicles. But this is real life and I'm grateful to our IRS-CI agents for pursuing these leads and ensuring that the perpetrators were prosecuted for their crimes," said IRS-CI Chief Jim Lee.

The top 10 IRS-CI cases of 2021 include:

## **10. Albuquerque couple sentenced to federal prison in Ayudando Guardians case**

Susan Harris and William Harris were sentenced to 47 and 15 years in federal prison, respectively. They stole funds from Ayudando Guardians Inc., a nonprofit organization that provided guardianship, conservatorship and financial management to hundreds of people with special needs.

## **9. Rochester man going to prison and ordered to pay millions in restitution for his role in Ponzi scheme that bilked investors out of millions of dollars**

John Piccarreto Jr. was sentenced to 84 months in federal prison and ordered to pay restitution totaling \$19,842,613.66 after he was convicted of conspiracy to commit mail fraud and filing a false tax return. He conspired with others to obtain money through an investment fraud Ponzi scheme.

## **8. Orlando sisters sentenced in \$25 million tax fraud scheme**

Petra Gomez and her co-conspirator, her sister, Jakeline Lumucso, were sentenced to eight and four years in federal prison, respectively. They operated a tax preparation business with five locations in central Florida that filed more than 16,000 false tax returns for clients from 2012 to 2016 with a total estimated loss to the IRS of \$25 million.

### **7. Russian bank founder sentenced for evading exit tax upon renouncing U.S. citizenship**

Oleg Tinkov, aka Oleg Tinkoff, was ordered to pay more than \$248 million in taxes and sentenced to time-served and one year of supervised release after he renounced his U.S. citizenship in an effort to conceal large stock gains that were reportable to the IRS after the company he founded became a multibillion dollar, publicly traded company.

### **6. Ontario man who ran multimillion-dollar unlicensed bitcoin exchange business sentenced to 3 years in federal prison**

Hugo Sergio Mejia was sentenced to three years in federal prison and required to forfeit all assets derived from running an unlicensed business that exchanged at least \$13 million in Bitcoin and cash, and vice versa, often for drug traffickers. He charged commissions for the transactions and established separate companies to mask his true activity.

### **5. Owner of bitcoin exchange sentenced to prison for money laundering**

Rossen G. Iossifov, a Bulgarian national, was sentenced to 121 months in federal prison for participating in a scheme where popular online auction and sales websites — such as Craigslist and eBay — falsely advertised high-cost goods (typically vehicles) that did not actually exist. Once victims sent payment for the goods, the conspiracy engaged in a complicated money laundering scheme where U.S.-based associates would accept victim funds, convert these funds to cryptocurrency, and transfer the cryptocurrency to foreign-based money launderers.

### **4. Ex-pastor of Orange County church sentenced to 14 years in federal prison for orchestrating \$33 million con that defrauded investors**

Kent R.E. Whitney, the ex-pastor of the Church of the Health Self, was sentenced to 14 years in federal prison and ordered to pay \$22.66 million in restitution to victims after defrauding investors of \$33 million by orchestrating a church-based investment scam. At his direction, church representatives appeared on television and at live seminars to make false and misleading claims to lure investors to invest in church entities. Victims sent more than \$33 million to the church and received fabricated monthly statements reassuring them that their funds had been invested, when in reality, little to no money ever was.

### **3. Prairie Village Man Sentenced to 12 Years for \$7.3 Million Dollar Payday Loan Fraud, \$8 Million Tax Evasion**

Joel Tucker was sentenced to 12 years and six months in federal prison and ordered to pay over \$8 million in restitution to the IRS after selling false information or fictitious debts to payday loan businesses and not filing federal tax returns – for himself or his businesses – with the IRS for multiple years.

## **2. DC Solar owner sentenced to 30 years in prison for billion dollar Ponzi scheme**

Jeff Carpoﬀ, the owner of California-based DC Solar, was sentenced to 30 years in federal prison and forfeited \$120 million in assets to the U.S. government for victim restitution after creating a Ponzi-scheme that involved the sale of thousands of manufactured mobile solar generator units (MSGs) that didn't exist. He committed account and lease revenue fraud and purchased a sports team, luxury vehicles, real estate and a NASCAR team with the proceeds.

## **1. San Fernando Valley family members sentenced to years in prison for fraudulently obtaining tens of millions of dollars in COVID relief**

The Ayzvazyan family received sentences ranging from 17.5 years in prison to 10 months of probation for crimes ranging from bank and wire fraud to aggravated identity theft. The family used stolen and fictitious identities to submit 150 fraudulent applications for COVID-relief funds based on phony payroll records and tax documents to the Small Business Administration, and then used the funds they received to purchase luxury homes, gold coins, jewelry designer handbags and more. Richard Ayzvazyan and his wife Terabelian cut their ankle monitoring devices and absconded prior to their sentencing hearing; they are currently fugitives.

## **Quote of the Month**

**“To threaten the institution is to threaten fair administration of justice and protection of liberty.”**

- Supreme Court Justice Stephen Breyer

Stephen Gerald Breyer is an American lawyer and jurist who has served as an associate justice of the Supreme Court of the United States since 1994. He was nominated by President Bill Clinton, and replaced retiring justice Harry Blackmun.