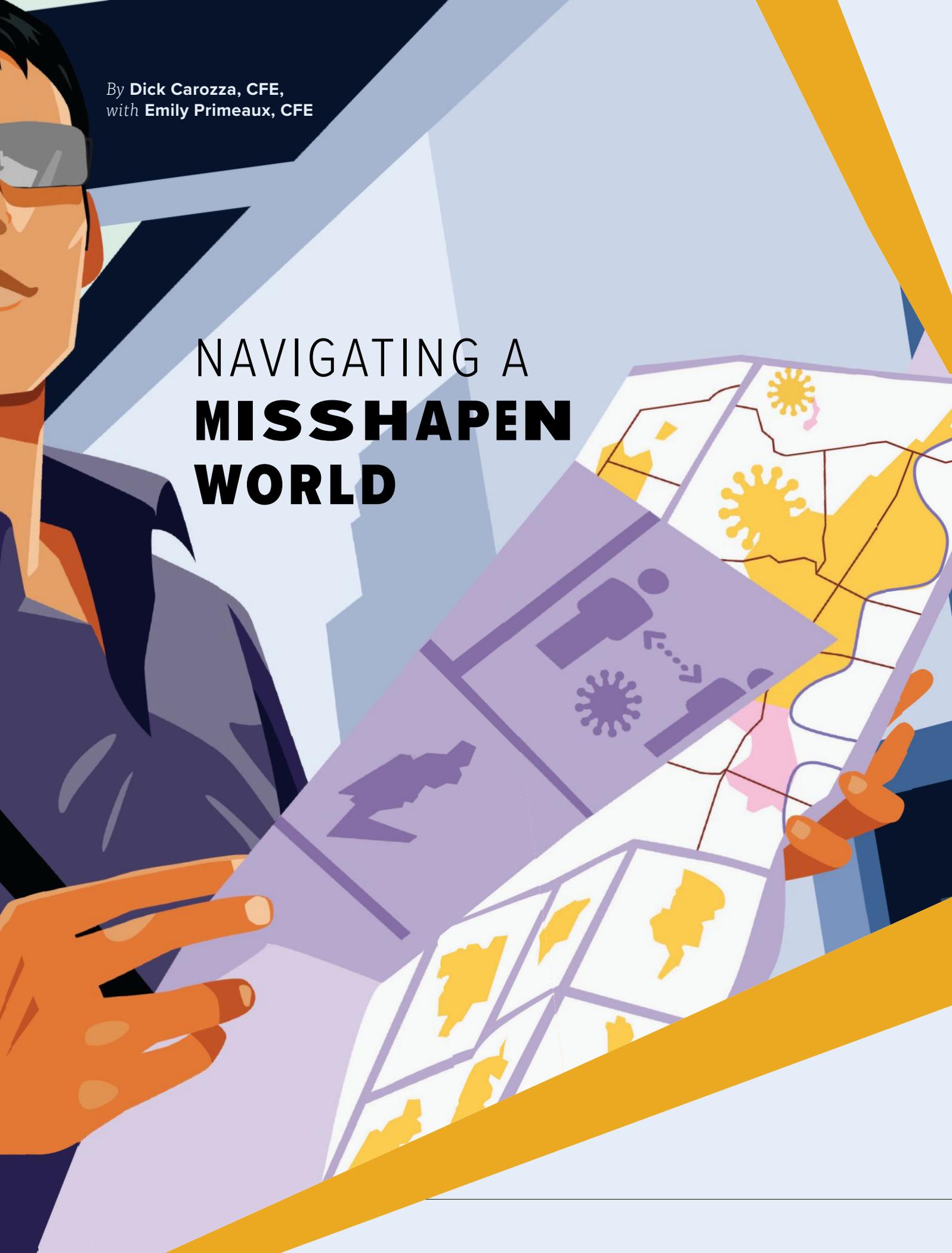


By Dick Carozza, CFE,  
with Emily Primeaux, CFE

# NAVIGATING A **MISSHAPEN WORLD**





## ACFE Board of Regents offer encouragement to members

*January of this year now seems like a quaint time. Since then, the world has stretched in bizarre ways, and it probably won't ever resume its previous shape. The Board of Regents want to encourage you as your organizations need your anti-fraud skills **more than ever.***

**F**or months, you've probably been working from home. Some of you have been trickling back to your offices. Your Board of Regents also have endured Zoom meetings, struggled with balancing deadlines with family responsibilities and coped with fluctuating emotions.

A few days before the virtual 31<sup>st</sup> Annual ACFE Global Fraud Conference, the Board conferred (yes, on Zoom) to give you some encouragement as they discussed the challenges and benefits of working in semi-isolation, supporting budding and new fraud examiners, and acquiring soft skills that all of us need to thrive in a world that we couldn't conceive in January.

**FM:** As we begin, do you have something you feel like you want to communicate to the members during our COVID-19 sojourn?

**Feldman:** The nature of work has changed. That's obvious. I don't know that we'll ever go back to the kind of normal that existed before, which isn't necessarily a bad thing. Companies I've been dealing with are saying that at least some percentage of their workforce is going to remain remote because they like it, and people feel more comfortable working from home if they can because of childcare and other personal issues. So, I think there's going to be a fundamental shift. It also saves money.

And I've talked to some people in the commercial real estate market, and they've said that they expect significant negative impact to them because of reduction of the physical footprint of organizations in the years to come.

So, what does that mean for us and for fraud fighting? Risks are different, which means that compliance and anti-fraud programs need to be different. We'll see a fundamental shift in the risk profiles that we're going to have to address.

**FM:** I was talking with a manager, who's a CFE, about the difficulties in interviewing and investigating. She said it's been a real fail for them so far for her and her team because they're not able to do what you normally do in an in-person interview. In one interview, the subject pressed "leave meeting" and wasn't seen again for two weeks. For those who do fraud examinations, have COVID-19 conditions changed how you investigate?

**Cameron:** We do corporate investigations, so these are our fellow employees. We're trying to be very mindful of their personal situations. So, they're not in the office. They're in a place where their 3-year-old is going to climb behind them on potentially the worst day of their lives. Likewise, we have to be very mindful about the investigators in the same position. They're also working from home with all of the associated challenges. We are seeing team members getting very, very tired. Overwhelmed because they don't have that natural cut-off point.

People can walk out of our interviews whenever they want to whether it's physical or virtual. We don't have any form of coercive powers to keep them in place. From that perspective that hasn't changed for us. We've also seen some efficiencies because we're not having to coordinate the logistics

of getting everybody into one place at a certain time. And so we haven't seen a difference in productivity yet, but we might as the pandemic continues.

**Dieffenbach:** We've seen some improvements in efficiency because some 80 percent of our fraud interviews are with witnesses who are cooperative and want to help. It's so much easier to do a half-hour phone call without any of the participants driving to and from an interview.

Subject interviews are a little more challenging, but we've been doing some of them with video technologies. But I think the trick there is you just have to be better organized, and you've got to be able to present and protect images of documents.

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ERIC FELDMAN

There have been some advantages but also some challenges we haven't yet figured out how to overcome.

**FM:** What concerns do you have about some workarounds on investigations during these unusual circumstances?

**Kessler:** What's really worrying me is some corporate organizations might not be 100% dedicated to investigations. Because circumstances are so different, investigative teams might be deprioritizing or actually



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## THE PARTICIPANTS

forgoing certain interviews or skipping some tips. People might be thinking that if they can't figure out how to do interviews easily or how to coordinate they're just not going to do them, which leaves the door open for fraudsters to continue their misdeeds or discard evidence.

On the positive side, I'm hearing that some shops are increasing their data analytics and forensic skills. In the past, before they had to work remotely, they might have first relied more heavily on interviews and friendly witnesses. But now they're spending more time getting better at collecting data evidence hiding in plain sight that shows fraudsters tried to manipulate or cover their tracks.

**FM:** So, you're saying that fraud examiners are becoming better data analysts?

**Kessler:** Well, they're prioritizing it more. When you're in an office and you can talk to people you might deprioritize data analysis. They might want to talk to the people first before gathering the hard data. Now they're doing more complete investigations and have data analyzed before they interview anybody.

**Dieffenbach:** Some are just holding their breath until things get back to normal. To Eric's point, things aren't going back to normal ever in some ways. But some people and organizations are saying that "as soon as this is over, we'll go back to business as usual," and that's very short-sighted and unfortunate.

**Kessler:** I completely agree, and that's why I'm really concerned about those who are saying they're not going to chase down this tip or they're not going to do this investigation because right now they don't have the resources. We have

a responsibility to not just throw up our hands and say we can't do this or wait until things get back to normal. This is the time when we can really shine and actually flex some creative skills to come up with new ways of working. Those who are going to be the real heroes and succeed in this environment are the ones who use it to their advantage to look for ways to permanently change the way they're working.

**Meyer:** Organizations are overlooking that relying more heavily on data does require additional skill sets. People tend to assume that if employees can use Excel then they can do data analytics and find anomalies and fraud. People aren't always getting properly trained in the additional skill sets required for forensic data analysis.

**Cameron:** Working from our homes now, organizations need to make training shorter — sort of like microbursts



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— because everything is being done virtually. I'm sitting here talking to you, but I've also got my other screen with my work emails, and I have my daughter coming in and asking me to cut an apple for her. So, the concept of sitting in front of your computer focused on learning for any lengthy period of time is just not how you do it. The concept of us previously bringing the team together for a day of training is no more. Now we have to think of shorter bursts of training pulling people in among different time zones. We're going to re-think how we educate and increase the skills of our team.

**Feldman:** The ACFE has obviously converted to virtual training. I've done three or four of them so far, and yes, it can be done. But it's very difficult for an instructor to sit for hours at a time talking to a computer and not getting any reaction from attendees. So, it's very hard for the instructor to know if you're focusing on the right information. We're going to need — from a technology standpoint — to define additional ways to do this to make it more interactive.

**Dieffenbach:** Virtual reality could be the next step. Why doesn't Eric Feldman have a headset on when he teaches? He and the attendees could actually be immersed in the experience, and he could see their reactions.

**Kessler:** Experiential learning has been proven to be the most effective in making information "sticky" so that people actually remember it. Part of the benefit of being able to deliver live training is that you do get that push and pull, and you can adapt to where the audience is. But with these kinds of platforms it's virtually — no pun intended — impossible to do that, and so even if people are participating I think what they're walking away from the sessions is a very, very different set of takeaways. To Lyn's point you need to kind of

**"Internal fraud is likely going to be on the uptick because we're all working remotely and doing things in a different way. We're not able to rely on some of the traditional internal control checkpoints. We are also not able to rely on existing anti-fraud skills."**

BETHMARA KESSLER

come up with way of devising microburst takeaways that are applicable.

**Feldman:** But let's think about it from the opposite viewpoint. Because people have the time, and this kind of training is cheaper, and you don't have to spend money on travel and hotels, more people are going to be exposed to training more frequently. Just look at the virtual [31st Annual ACFE Global Fraud Conference] attendee numbers that exceeded everyone's expectations. [See "Successful virtual turnaround" on page 22.]

**Cameron:** At the [annual conference] President's Reception last night I was chatting with a member from Hong Kong, and he was able to attend his first annual conference because it was virtual. His management probably wouldn't have given him the nod otherwise.

**FM: Do you think that you'll see an increase in internal fraud at some point because the anti-fraud messages aren't communicating — they're not as sticky?**

**Kessler:** Internal fraud is likely going to be on the uptick because we're all working remotely and doing things in a different way. We're not able to rely on some of the traditional internal control checkpoints. We are also not able to rely on existing anti-fraud skills.

Certain schemes will increase. For example, more cybercriminals are trying

to breach systems. A limited percentage of us probably have the skill sets to really understand how to spot intruders' footprints in our systems and make sure that our organizations are doing the right thing. We need to consider upping our skills as fraud fighters because we can't just rely on security teams to do it.

**Dieffenbach:** One of the big things on my mind, as a U.S. government fraud investigator, are the hundreds of billions of dollars the government is distributing via unemployment insurance, the payroll protection program and other programs that are vulnerable to fraud schemes. During the Great Recession, we saw novel fraud schemes related to the U.S. Recovery Act. It's critically important that money is sent out as quickly as possible, but that creates all kinds of additional problems if we're not sending it to the correct people and we don't have controls in place. Within the federal inspector general community we do have the right cadre of people to guard against fraud, but it remains to be seen how it all plays out agency by agency. But we have already seen media reports about foreign cybercrooks receiving some of the benefits before the government even realizes that the money's been paid out.

**Cameron:** I want to extrapolate that for other countries. We will see fiscal injections to stimulate economies and infrastructures all around the world. There's a need for speed to provide cash, particularly

in health care and education. But the desperate need to get things moving presents tremendous opportunities and pressures for fraud, especially for those who are under pressure to meet targets or whose employment is at risk. We're seeing a perfect storm coming.

We have opportunities and pressures, so it's easy to come up with the third side of the triangle when potential fraudsters start rationalizing all the things they've got to do to feed their families. But there's also the potential to have sheer greed involved because of the vast amounts of money coming in from governments to stimulate economies. Because of opportunities, fraudsters are connecting and colluding. It's like whack-a-mole: You push fraud schemes down here, and they come back somewhere.

**Kessler:** I think it's going to be interesting to see what the ACFE Report to the Nations is going to look like in the next cycle. One of the recurring stats in the report is how long it takes to identify a fraud. For a long time, it was 18 months, but in 2018 it dropped to 16 months. And then in the current 2020 edition, it's down to 14 months. I predict it's going to increase in the 2022 report. I think it's going to be harder for people to detect fraud during the COVID-19 conditions. To Lyn's point, if you're in the thick of things, you might not be seeing red flags as easily as you would if you were in pre-covid natural work environments.

**Feldman:** Both of your points are well taken. I think it's time to dust off the Fraud Triangle. It might be the perfect utility right now. Opportunities are increasing in lockdown. There's a heightened sense of anonymity because employees are at home, and they're operating behind a computer camera. They feel that things they're doing aren't being scrutinized, and they may be right to some extent, which

is why on the other side we need to hone our skills.

On the flip side, the relaxed work environments can work to our favor. As I conduct ethics and compliance assessments, I find that people — sitting at home in their shorts and flip flops — are feeling a sense of freedom because their boss isn't in the other office. So, they can honestly answer my questions. The nature of fraud reporting may change a bit if we're a bit more aggressive in soliciting that input from our employees.

**Meyer:** I also think we'll see an increase in the length of time for detection. During the initial lockdown in the financial services industry, where I do most of my work, many banks went into emergency "we're about to have a financial crash" planning mode. They started to see cuts in their budgets for financial crime control [FCC], which incorporates both anti-fraud measures and anti-money-laundering measures. Some FCC departments are canceling projects to test or improve controls because they are being told they can no longer use external consultants. The heads of compliance or of AML won't be making those decisions. Their bosses will. Then it's up to the compliance and AML departments to figure out how to maintain controls without that support.

Prior to the last recession, a \$6 million budget for a compliance intelligence project I was working on was cut overnight to \$2 million. And from what I can figure out, something similar is happening now. The banks are readying for economic pressure.

**Kessler:** Budget questions are always tough during a time like this. If a department isn't generating revenue, it's going to be a candidate to get cut. Since our work stems the flow of loss, it's always a quagmire. Does it make sense to spend money to go to the doctor if nothing's wrong? We know that doing our work well avoids trouble down the line, but many business

leaders don't immediately see that in tough times.

Like Eric said earlier, I truly believe organizations are going to be cutting their physical footprints. And they're going to be finding ways of saving money on travel because now they realize they really can communicate on normal business issues. For a long time organizations were very, very hesitant to go all in on technology. Now is the opportunity for the folks who are in fraud-risk management to make a case for going after some of those dollars. We have an opportunity to create more solid and reliable anti-fraud cultures.

As fraud fighters, we should be asking ourselves what could we get done if we had 10% more in our budgets and what would we reprioritize if we had 10% less. That gives us and our leaders the sensitivity to ensure focus on the right goals and risks. This helps as all organizations are rethinking about their spends.

**Feldman:** Bethmara, you mention culture. I sometimes sound like a broken record on this, but I view culture as a foundational internal control. Cultures of companies are really at risk, and they're changing because of the new nature of work. Ken pointed out that weren't not going back so we need to figure out a different way to build and strengthen that corporate ethical culture to create the kind of control environment that we need to prevent fraud. And it is going to be different!

## HELPING BUDDING FRAUD EXAMINERS

**FM:** How are some ways that you're, albeit in a remote fashion, working with new budding fraud examiners — either those who are in school or new hires who are just getting into the business? How are you preparing the next generation to do what you're doing right now and maybe do it better?

**Dieffenbach:** We've brought on three new employees in the past three months.

We're taking a much more formalized approach to mentoring. We immediately assign more experienced employees to the new hires and highly encourage frequent collaboration. Now, of course, with everyone working remotely, there's a lack of connection. There's no water cooler. That's why mentoring has to be intentional. There needs to be somewhat of a forced connection. One of the great things about the fraud conference was having those informal networking opportunities. So, I don't know the solution yet, but we have to figure out a way to get people to regularly connect in this new world.

**Kessler:** I've always liked to show new and future fraud examiners the art of the possible in their fraud risk management or fraud investigation careers. I've been volunteering for Drexel University's Fraud and Internal Control Case Competition as a coach and judge. [See "Win, win, win in fraud-case competition," by Barbara Murray Gerin, Ph.D., CPA, and Frank Pena, CFE, CPA,

CFE, "Fraud EDge," *Fraud Magazine*, May/June 2020, [tinyurl.com/y9fusmcs](https://tinyurl.com/y9fusmcs).]

I've been a mentor or coach to students and young fraud examiners for many years, and I encourage veteran CFEs to do the same. Fraud is actually sexy for students! In higher-ed classes, students love to hear intriguing cases and war stories — it really piques their interest.

We can be deliberate about how we're engaging with new generations especially in these unique times. I really enjoy virtual mentoring of up-and-coming fraud fighters.

**Feldman:** One of my things is to push fraud examination and anti-fraud activities into the compliance field, which has traditionally been focused on regulatory compliance and not on ethical behavior. More higher-ed institutions are developing programs in compliance. I'm a lecturer in the Santa Clara University School of Law online masters of legal studies in compliance program. In the program, I try to teach the next generation to become effective

compliance officers by focusing on anti-fraud principles and how to execute an investigative program. I try to push them to learn fraud examination in a practical organizational context for the compliance function.

**Cameron:** Organizations tend to pigeon-hole young employees. I like them to see what's possible for them by identifying their competencies. It helps them think about doing things they never considered and realize they have transferable skills for many different areas in the organization. They can build a story about themselves that allows them to move among the anti-fraud, audit, risk and compliance worlds.

#### DEVELOPING SOFT SKILLS FOR HARD JOBS

**FM:** In addition to those skills, what kind of soft skills do you think the next generation of fraud examiners need in the virtual world?

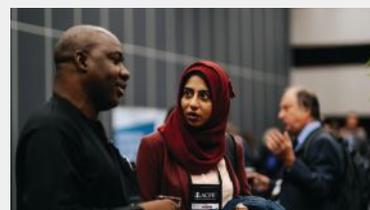
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## FRAUD CONFERENCE CANADA

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**Dieffenbach:** Getting along with others! It's the make or break for an office to get the job done. Many people are so focused on technical skills and on achieving great things they neglect to be amiable with all types of people, especially those with different perspectives or backgrounds.

**Feldman:** In this environment, it's going to become even tougher to teach the next generation to get along because of the disconnection, and everything is remote.

**Kessler:** Many investigative folks that come up through the fraud world struggle a lot with relationships particularly because of the need for independence in many of our roles. So, to Ken's point, being able to get along with others, meet people where they are, read the room and have empathy, those kinds of things will continue to be important as they navigate through their careers.

**Dieffenbach:** CFEs must also be able to get along with clients, customers and hostile parties in an extremely mature manner. They must deal with all kinds of personalities, scenarios and situations without losing their cool or their focus on accomplishing the tasks at hand.

**Kessler:** It's emotional intelligence — understanding your emotions and how to control those and then also understanding others and how to help them.

**Meyer:** New fraud examiners should also understand international cultures and legislation, so they can be aware of different ways of doing business, speaking and interacting. International nuances play a role in investigations.

**Feldman:** There's no doubt now that we're living in an interconnected world.

**Kessler:** And we really should be teaching folks how to recognize their unconscious bias so they can better relate to others and understand where they're coming from.

**Cameron:** I like to encourage young people to acquire the skill of listening, especially in this virtual environment. They, as we all do, need to hear and understand and not just be thinking what they're going to say next.

## HEARTENING, REASSURING, BENEFICIAL WORDS

**FM:** What parting solace, counsel, advice or encouragement would you like to give to members?

**Feldman:** Governments' huge injections of recovery and infrastructure money will cause unprecedented fraud. The world will be relying on you and your skills even more than ever.

**Kessler:** Use this time to take an inventory of your skills and then bolster what you're lacking. Also, this time in isolation allows you to understand the futility of limitless time in the office and the need for periodic self-care rituals and routines. If you don't establish boundaries, people will take advantage of them. It's always been important to me to have a group of trusted colleagues, at different career life stages, that get together virtually — and in person in non-covid times — to mentor, support and challenge each other.

**Meyer:** I would really echo that because it's all very well to say the world needs you more than ever and the world is relying on you — and that's true — it could mean for the people in the trenches that their managers will just want them to investigate more cases without extra time and not necessarily having the right training or support. And their budgets might be cut, further limiting resources. They're going to be under a lot of stress and pressure because the world will be relying on them, and not all firms have the right level of support in place to help them deal with that pressure. To Bethmara's point, it's important, now more than ever, to reach out to colleagues and possible

mentors, especially with the extra pandemic pressures.

**Cameron:** Establishing clarity about your role and resources is so important. Also, self-awareness about your level of skills and having the confidence to say no in terms of prioritization. Your managers are expecting you to do more and more. Consider saying "this is my assessment on what has to give because I can't do it all, and I need to maintain quality because of the importance of the work that I do." You can get that self-confidence by having a trusted network of colleagues.

**Meyer:** That right there is the best bit of advice that I wish I'd had earlier in my career.

**Kessler:** If you're in a situation where you have a manager or leader who's not that good at the care and feeding of their team you must have the confidence that Lyn's talking about to be able to ask for what you need. Sometimes it's just an oversight or a leader who's just too busy, but making sure that you're aligned on the exact expectations are really key.

**Cameron:** We have a manager framework at Microsoft, which is based on the characteristics of model, coach and care. So, the concept of a manager working all the hours in the day to get the job done is contrary to our model, coach and care framework. You have to lead by example.

**Kessler:** People who want to be successful and want the promotions, struggle with what they think they need to have to succeed. I started in public accounting. I worked for a woman who wanted to be a partner so badly; she prided herself that she never left the office. She had people come to the office to give her a haircut. She had people pick up her dry cleaning. When you work for someone like that when you're early in your career, you start thinking that's what you need to do to be successful.

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**Meyer:** Go out there and find yourselves some mentors that you can talk to. In some corporate environments you might have people within the firm that you can go to. But in the big consulting firms, everyone is focused on utilization — getting those hours done. You need mentors and peers outside the organization that you can talk to, to provide an outside perspective.

**Feldman:** We have to be more focused on outcomes rather than outputs. In this self-directed environment, the employee has to self-promote and demonstrate their worth to their organization.

**Kessler:** I had a CEO who used to say, “Don’t confuse asthma with passion. There’s a lot of heavy breathing and nothing’s going on.” Many people feel the only way that their worth is measured is by how busy they constantly are versus the quality of what they’re actually doing. It’s a cultural manifestation that happens in a lot of organizations. We have to be careful about not getting caught up in it. Don’t be busy for the sake of busy.

**Dieffenbach:** At its core, fraud examination should always be about collecting, analyzing and communicating the facts. Don’t get hung up on big splashy outcomes. Focus on ensuring a fair and comprehensive process, and you can rest assured you have done your job. A small percentage of my fraud investigations over the past 24 years have resulted in an arrest, civil settlement or made the news, but each one has been an important and worthy endeavor.

While it may sound grandiose, our profession is about trying to ensure the world works in a fair manner for everyone. This includes line employees, investors, competing vendors, tax-paying citizens, public-assistance beneficiaries, and a wide array of individuals without a voice or the resources to fight back. We’re about keeping those in positions of authority in check to ensure they do not trample on others’ opportunities and rights. ■ FM

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