

President's Notes

by Brent L. Rumbley, CFE, CPA, CISA



Great job chapter members! At the December luncheon, we collected 168.5 pounds of food that was donated to the Second Harvest Food Bank of Middle Tennessee. Beth Pendergrass and I took it to them

after the luncheon, and it was an honor for us to represent your chapter when making this donation. We also sent them a gift of \$25. Isn't it good to know that we have helped families in need! Thank you for your willingness to take part in helping others.

As of this writing, we have already received over 150 registrations for our 10th Annual Fraud Conference in March, and are receiving more every day. As you probably know, we have had to turn people away from the past couple conferences due to space limitations. Although we have added a room with a live video feed of the conference to accommodate more attendees, I encourage you to go ahead and send in your registrations while there is still space available. With the slate of speakers lined up, this conference will prove to be one of the best yet, and I'd hate for anyone to miss out. I hope to see you there!

Our next luncheon is scheduled for Thursday, January 26, and the speaker (highlighted elsewhere in the newsletter) works with our own Tom Mathis. Please make your reservations by 9:30 on Tuesday, January 24, and come hear a good presentation.

In this issue:

Case of the Month	2
December Meeting Minutes	2
Dues Update	2
News from National	3
January Speaker	3
CPE Reporting	3
Officers and Contacts	4
Directions to Scarritt-Bennett	4
Meetings & Events	4

Member Profile

Melinda N. Patterson, CFE

I was born in Nashville, Tennessee and raised in Tennessee, Ohio, and Georgia. In 1996, I graduated from Hendersonville High School and headed north to Miami University (in Ohio . . . not Florida). During my time at Miami, I had the opportunity to study overseas as part of the Business in Europe Program. We studied Comparative Accounting and Comparative Business Law during our travels to 5 "base" cities (Paris, Barcelona, Geneva, Munich, and Rome). We were free to travel on our own over the weekends, which was a great experience. After graduating from Miami in 2000 with a BS in Accounting, I was ready to move back south. My first job out of college was



Member Profile (Continued)

Melinda N. Patterson, CFE

in Internal Audit with The Sherwin-Williams Company. I worked for Sherwin-Williams for 2 ½ years performing audits in Tennessee, Alabama, and Kentucky and training new hires. Ready for a change (and less travel), in February 2003 I was hired by Deloitte's Policy and Compliance group. I have been with Deloitte for almost 3 years and am involved in compliance audits, special projects, and the supervision of a team of auditors. In September 2005, I passed the CFE exam.

I live in Murfreesboro with my husband, Tony, and our brown tabby cat, Max. My interests include: taking guitar lessons, going to the lake, and spending time with friends and family.

Case of the Month:

Family Greed Doesn't Pay for the Family (or their Auditors)!

Submitted By: Bob Cleland, CFE



In July 2002 the Security and Exchange Commission (SEC) charged one of the largest communications companies in the United States and the family that ran the business with financial fraud. Specifically, the SEC charged the company with (1) fraudulently excluding billions of dollars in liabilities by hiding them on the books of off-balance sheets affiliates; (2) inflated earnings; and (3) self dealing.

LECG personnel were retained by the SEC to copy hard drives, image billions of pages of documents for review, review financial statements to include auditors work papers and trace funds to assist the government prosecutors in the matter. Software tools utilized were included Encase software, building an SQL/Access database and Doculex for reviewing images and updating the database.

A team approach to reviewing the massive amounts of documents was utilized in which documents were assigned a number code by different level of importance. As an example, junior personnel would review documents looking for key words (i.e. subsidiary company names) and assign a Number 1 to that document. The "senior" consult-

ants would then review those documents the junior staff prioritized and would either agree with the findings or reduce the priority of the document. A seasoned consultant then conducted a final review of documents with the results compiled on a daily and weekly basis for presentation to the government prosecutors.

Through this approach the SEC obtained conclusive evidence to convict the founder of the company and sentenced him to 15 years in prison, he was 80 years old at the time of his sentence, his son received 20 years. All of their personal assets were frozen and the company has since gone into Chapter 11 bankruptcy.

The story doesn't end there. There was sufficient evidence to show the auditors turned a blind eye toward this misconduct and the SEC fined them \$50 million dollars, which the auditors agreed to pay.

December Meeting Minutes

The Middle Tennessee Chapter, Association of Certified Fraud Examiners met on December 15, 2005 for its annual Christmas social. Because the meeting was the social, there was no speaker, but instead an opportunity to share fellowship with other members. Members donated 168.5 pounds of food which was delivered to Second Harvest Food Bank. Brent Rumbley welcomed everyone to the meeting, asked members to introduce their guests, and reminded everyone of the Fraud Conference coming up March 20 and 21, 2006. As is customary at the December meeting, numerous door prizes were given. Brent wished everyone a Merry Christmas, and the meeting was adjourned.



Dues Update

Dues notices are being prepared, and will be sent via e-mail this year. If your e-mail address has changed since you last updated your information with the chapter, please contact Beth Pendergrass at beth.pendergrass@state.tn.us or at (615) 747-5294.

News from National

Leading Anti-Fraud Organization Appoints Grossfeld CEO

January 4, 2006

Today the Association of Certified Fraud Examiners announced the appointment of Scott J. Grossfeld, CPA as Chief Executive Officer. Grossfeld assumes the leadership role of the organization following his service as the ACFE's CFO. The ACFE also announced that former President Toby J.F. Bishop has resigned to return to professional practice. Under Bishop's leadership, the ACFE grew from 25,000 to 35,000 members in three years and participation in ACFE educational opportunities grew by 60 percent.

Grossfeld is well-positioned to lead the ACFE in its role at the front of the anti-fraud profession. For more than ten years, he has helped organizations manage complex financial, accounting and technology-related business dynamics. He will champion the ACFE mission as the world's premier provider of fraud information and educational "best practices" for business and government as the organization looks to the future.

"The growth of our membership by almost 15 percent in 2005 demonstrates our continuing role as the global leader in anti-fraud education at a time when fraud fighters are needed in all segments of the economy," Grossfeld said. "As industries and markets change, the ACFE remains committed to delivering information, new and improved fraud-fighting techniques, trends and professional development.

"The profession continues to evolve, so we will continue in our mission to support our members and the profession by providing innovative resources that address the high-tech nature of fraud today," Grossfeld said.



January Speaker

Curtis Watkins, Program Director AdvanceMed

Curtis Watkins is currently the Program Director for AdvanceMed, a CSC Company. In this role, he is responsible for the oversight of all Medicare Part A and Part B fraud investigations for the states of Tennessee, Arkansas, Louisiana, and Oklahoma. He is also responsible for Medicare Part B fraud investigations in the state of North Carolina where he also oversees a data matching project for Medicare and Medicaid.



Mr. Watkins has eight years of Medicare fraud and abuse investigative experience. He was previously a police officer for five years in Camden, South Carolina. He is a graduate of St. Leo University where he received Associate of Arts and Bachelor of Science Degrees in Criminal Justice.

CPE Reporting Requirements

The Association of Certified Fraud Examiners, in compliance with its bylaws, requires all Certified Fraud Examiners to maintain competence through Continuing Professional Education (CPE).

The minimum required is 20 hours per calendar year of which at least 10 hours must relate directly to the detection and deterrence of fraud.

CPE hours in excess of the minimum requirements may not be carried forward to meet the requirements of future years. It is important that CFEs obtain CPE of at least the minimum required amount every year to stay current in their profession. CFEs are required to either certify compliance online, or download the [CPE Compliance Form](#) and mail the completed form to ACFE headquarters.

CFEs have the option to fulfill their CPE requirements for their three-year reporting period pending as of August 3, 2003 under the rules applicable immediately prior to that date, in which case the new requirement for 20 hours CPE per calendar year would take effect on the January 1st following the expiration of that three-year reporting period.

The Examiner

January 2006

Page 4

Chapter Officers and Board Members:

President	Brent L. Rumbley, CFE, CPA, CISA	747-5298	brent.rumbley@state.tn.us
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Member at Large	Tom Mathis	425-2468	mathist@dynpsc.org

Committees

Website	Lew Robbins, CPA	747-5325	lewis.robbs@state.tn.us
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Important Meeting Information

Luncheons are \$8.00 for members who make their reservations by 9:30 a.m. on the Tuesday prior to the luncheon. For members making their reservations after that time on Tuesday, until Thursday morning, and for members who make a reservation but do not attend or call to cancel, the cost is \$12.00. Scarritt-Bennett Center charges us \$16.00 for meals when no reservation is made. Therefore, for individuals who attend without making a reservation, the cost is \$16.00. First-time guests eat free. After a guest's first visit, he or she will be charged \$12.00 for the lunch, provided he or she makes a reservation. Without a reservation, the lunch is \$16.00. Scarritt-Bennett provides excellent meals and plenty of free parking. For reservation contact Doreen Zientar at 882-7179 or by email at: dzientar@deloitte.com.

Luncheon Dates

January 26, 2006
February 23, 2006
April 27, 2006
May 25, 2006

Directions to our Luncheon at the Scarritt-Bennett Center

From Downtown: Take West End Avenue south to 19th Ave. Turn left on 19th and drive to Division Street. Turn left on Division for about 100 feet, then turn back to the right on 19th Ave. Follow 19th Avenue to Grand Ave., turn left on Grand, turn right from Grand onto 18th Avenue. You will find two entrances to Scarritt-Bennett parking lots on the right just after you turn onto 18th Ave. We will be meeting in the Bennett Building in the Raintree Room on the 2nd floor. The Bennett Bldg. is about the same distance from either parking lot, toward the 19th Ave. side of the campus. Feel free to arrive early and get acquainted with the facility. If you are traveling from the south side of town, travel north on West End to 19th Ave. (You will pass the street that you used to turn on to go to the University Club.) Turn right on 19th Avenue and go to Division Street. Follow the rest of the directions from above. Visit www.scarrittbennett.org to see a map of their campus.

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