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Association of Certified Fraud Examiners

HANDBOOK AND GUIDELINES

FOR

LOCAL CHAPTERS

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SECTION I

INTRODUCTION

The Association of Certified Fraud Examiners encourages Certified Fraud Examiners (CFEs) to form and support local chapters. Such opportunities afford fraud examiners significant professional interaction and education, thereby raising the level of competence within the profession.

This Chapter Handbook was prepared to assist CFEs start new local chapters and help other CFEs improve their existing local chapters. This book is intended for the potential and current leaders of the local chapter, including the Officers, Directors, and Committee Members.

Chapters can be as simple, or as complex, as necessary. But, as this book illustrates, it takes a lot of spirit, creativity, and teamwork to get a chapter started and to keep it growing. It takes a lot of ideas and input from many different individuals.

This book compiles information about local chapters and the Association. These ideas have been contributed by many past and current leaders of the local chapters of the Association and other professional organizations.

The Handbook includes some general suggestions that may not be appropriate for all chapters. However, there are several requirements that the chapters must fulfill and forms that must be completed in a timely manner and submitted to the Association's Manager of Member Services.

This book contains samples of certain required forms. These forms can either be copied from this book or reproduced via computer, so long as the original format is followed and the required information is contained therein.

Each chapter is provided a copy of this book. Chapter Officers and Committee members may make copies of portions thereof to use for their chapter activities. This book will also be available on IBM compatible diskette in Microsoft Word format. It is the responsibility of outgoing chapter officers to ensure this handbook is passed on to incoming officers.

Within this text is some recurring terminology:

- "Association" or "ACFE" refers to the Association of Certified Fraud Examiners (A Non-Profit Corporation).

- "Chapter" refers to the individual local organizations authorized by the Association of Certified Fraud Examiners.

- "CFE" refers to Certified Fraud Examiner, "CFEs" is the plural form.

- "Corporation" refers to the Association of Certified Fraud Examiners, Inc., a Texas for-profit corporation.

Members participation in the various activities of the Chapters and the Association will ensure a successful organization.

If you have any questions or suggestions regarding any of the material contained in this Chapter Handbook, please call or write the Manager of Member Services at the Association of Certified Fraud Examiners at the address below.

ASSOCIATION HEADQUARTERS

The mailing address and phone numbers for the Association headquarters are:

Association of Certified Fraud Examiners
The Gregor Building
716 West Avenue
Austin, TX 78701 USA
U.S. and Canada Toll-Free Telephone Number: (800) 245-3321
European Toll-Free Telephone Number: 0 (800) 96-2049
Telephone Number: (512) 478-9070 Facsimile Number: (512) 478-9297
E-mail: acfe@cfenet.com

Visitors are encouraged and always welcome to visit Association headquarters and meet the staff during regular business hours. Please call ahead if you would like to meet with a specific staff member.

ASSOCIATION MISSION STATEMENT

The Association of Certified Fraud Examiners is the professional organization for fraud examiners. The mission of the Association is to reduce the incidence of fraud and white-collar crime, and to assist the membership in its detection and deterrence.

To accomplish its mission, the Association:

1. Provides bona fide qualifications for Certified Fraud Examiners (CFEs) through administration of the Uniform CFE Examination;

2. Sets high standards for admission, including demonstrated competence through mandatory continuing professional education;

3. Requires CFEs to adhere to a strict code of professional conduct and ethics;

4. Serves as the international representative for Certified Fraud Examiners to business and government; and

5. Provides leadership to inspire public confidence in the integrity, objectivity, and professionalism of Certified Fraud Examiners.

The Association of Certified Fraud Examiners requires all chapter officers, directors, and members to acknowledge the Mission Statement of the Association and abide by the Code of Professional Ethics (see Appendix).

MISSION OF LOCAL CHAPTERS

Serve the Community

Every local chapter is required to develop a mechanism by which the chapter can also fulfill a critical need for community service.

The chapter should also seek to provide speakers for community organizations and provide articles and press releases on fraud related topics. Contact your members and ask them what topics they would be willing to speak about. Keep the information on file and use it when other community organizations ask for assistance. Local chapters may also donate money or services to approved charitable or community services within their particular catchment areas.

Promote Member Interaction

In the course of chapter training sessions, meetings, and seminars, time should be allotted specifically to promote member interaction. One of the keys to the success of the Association chapters has been the networking capabilities afforded its members and attendees. Give your members time to mix and socialize before and after the meeting. This social time can lead to mutual help – one member's experience can provide the answer to another's problems. Social interaction can also promote an easier exchange of ideas among members with different backgrounds and professions.

Maintain A Membership Directory

A membership directory should be updated annually to provide networking information to members. The Officers and Directors frequently receive phone calls from Members and act as a clearinghouse for information.

A good time to print a chapter directory is right after your chapter has had an active membership drive to attract new members. It often helps in getting members to renew their membership if they are aware their name and business will be published within the Chapter Directory.

During the first few years of the chapter, publish updates to the directory at least twice a year or as membership growth requires. Always provide headquarters with a copy of the latest membership directory.

It is also advisable to print a warning phrase with similar wording in the front of your directory:

> "No part of this directory may be reproduced, used for mailing lists preparations, used for promotional mailings, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the Association of Certified Fraud Examiners."

Hand out the chapter directory at chapter meetings, this will encourage members to attend. Print some extra copies of the directory so they will be available to new members who join your chapter in the forthcoming year.

Items that should be included in a chapter directory:

- The chapter name on the front cover.
- The Association logo on the front cover.
- Colored paper stock (at least on the cover) to make the directory easy to find.
- A Table of Contents.
- Name and phone numbers of the current officers and directors.
- Past Presidents and term in office.
- The chapter President welcoming letter.
- The Certified Fraud Examiner Code of Professional Ethics.
- The chapter bylaws.
- Alphabetical list of the membership, including first name, last name, nick name, certifications, employer, telephone numbers, facsimile numbers, and e-mail address.
- **Print their names in bold type.**
- Alphabetical listing of organizations and their employees who belong to the chapter. Include a section for retired members, students, honorary members, consultants and unknown affiliations.
- The Chapter mission and its goals.
- Chapter committees, chairpersons, members, and their phone numbers, and a brief description of what activities each chapter performs.
- Association of Certified Fraud Examiners headquarters address and phone numbers.
- A "Change of Information" form so that members can submit updated information to be included in the next chapter newsletter and the next Chapter Directory revision.
- Acronyms listing for your chapter members' professional designations, and the full title of each designation.
- A Chapter membership application.

- Chapter mailing address and telephone number.
- Chapter organizational chart.
- The history of the Chapter.
- List of requirements to become a CFE.
- Continuing Professional Education reporting requirements.

The Association of Certified Fraud Examiners membership directory is available to CFEs and is available on the Association's home page on the Internet at www.cfenet.com. This directory can be accessed by members only and requires an assigned password. To obtain your password, just call the Association at (800) 245-3321. The Association Membership Directory contains the names and telephone numbers of CFEs, Associates, and others who value their privacy. Since the Association endeavors to protect this personal information, you may not use the directory or any portion thereof for solicitations to members without prior headquarters approval.

Contribute to the Common Body of Knowledge (CBOK)

Since its formation, the Association has developed and presented the basic training for Certified Fraud Examiners through its conferences and seminars. Basic fraud training consists of the common body of knowledge (CBOK) in fraud examination, contained primarily in the *Fraud Examiners Manual*. The CBOK is divided into four fields:

- Investigation of fraud
- Legal elements of fraud
- Criminology and ethics for fraud examiners
- Fraudulent financial transactions and fraud schemes

Knowledge of this same material is required for the *Uniform CFE Examination*.

Provide Basic Fraud Examination Education

Chapters are strongly encouraged to provide training covering CBOK topics. The introduction of the Designated Chapter Training Director Program in 1997 was designed to help facilitate the CBOK training by the chapters. (See Section IV.)

SECTION II

FORMING A LOCAL CHAPTER

INITIAL CONTACT WITH HEADQUARTERS

To obtain information regarding current chapters or inquire about the formation of a new chapter, call the Association's Manager of Member Services. Local chapters of the Association are located in many of the major population areas of the world. The Association's Internet home page (www.cfenet.com) contains a list of the Chapters and the Chapter Presidents.

CRITERIA FOR FORMING LOCAL CHAPTERS

1. At least ten (10) CFEs from a given area must agree to form a local chapter.

2. No profit may be derived by any CFE from chapter activities, and all funds must be used to support the local chapter. Directives for use of funds are set by the Corporation.

3. Each chapter, upon being formed, must elect at a minimum, a President, a Vice President, and a Secretary/Treasurer. Interim officers' terms of office must not exceed one year or until elections are held and permanent officers take office on August 1st. The Corporation must ratify the proposed officers.

4. Chapter activities shall be voted upon and approved by a majority of members in that chapter. Committees appointed by the local chapter shall correspond to those established by the Association.

5. Chapters will keep accurate records of attendance, receipts, disbursements, and other necessary and ordinary business records. The filing of appropriate tax returns and similar documents, if any, is the responsibility of the local chapter. Financial reports and returns will also be filed yearly with the Corporation prior to September 1of each year.

6. If credit for continuing education (CPE) is awarded for local chapter attendance, such credit will conform to appropriate criteria. Local chapter training must be approved, **in advance**, by the Corporation.

7. Local chapters must hold at least **four** meetings annually.

8. Non-CFEs may attend and belong to local chapters. Fees for non-CFEs must be charged at a higher rate than for CFEs.

PETITION TO FORM A LOCAL CHAPTER

The Petition to Form a Local Chapter requires the names and signatures of at least ten (10) active Certified Fraud Examiners. Additional signatures may be obtained and submitted.

Obtaining Signatures for the Petition

Call the Association's Manager of Members Services for some ideas on how to get started.
Mailing lists of names contained in your area in the Association's database are available and can be selected from the desired areas or zip codes.

Do not sell or otherwise furnish your mailing lists to outsiders. You have very confidential information about the employment, home telephone numbers, and addresses of your members.

The Association can provide mailing lists in the form of 3.5" diskettes containing ASCII text (.TXT) files. From this file, mail merges and membership lists can be prepared as well as envelopes.

Consider drafting a letter and questionnaire to send to potential members. Put together a mailing list of persons or organizations who might be interested in participating in a local chapter.

After your initial formation meeting, ask other professional organizations if you can use their mailing lists to target new qualified people. Some will allow the use of their lists, while others will not. Take caution not to violate any copyright privileges associated with any mailing lists.

Periodic Meetings

As stated, the Corporation requires the chapter hold a minimum of four (4) training sessions per year. The majority of the local chapters, however, hold at least 8 training sessions plus one annual training session in conjunction with the Corporation.

Forwarding the Petition for Approval

Once the Petition to Form a Local Chapter is completed, the interim officers are designated, and the other requirements above have been met, the information should be mailed to the Association's Manager of Member Services.

The Petition to Form a Local Chapter is reviewed to verify that all those signing the petition agree to all of the terms, conditions, and requirements regarding the operation, reporting, and training functions of the chapter.

CHAPTER BYLAWS

Uniform Chapter Bylaws

A copy of the Uniform Chapter Bylaws can be found in the Appendix of this handbook. All chapters formed under the Association of Certified Fraud Examiners name are required to adopt these chapter bylaws in their entirety.

Modification of Bylaws

Since it is intended that the Uniform Bylaws be adopted in their entirety, any intended modifications, amendments, additions, or deletions to the Uniform Chapter Bylaws must first be presented to and approval obtained from the Corporation prior to presentation to the Chapter Membership. Any such modifications, amendments, additions, or deletions to the bylaws having been approved by the Corporation shall be made only by a quorum present at the Annual Local Chapter Meeting, with two-thirds of the Members approving such amendments, additions, or deletions.

Chapter Record Keeping

Local Chapters are required to maintain certain records and submit these records annually to the Manager of Members Services. (See Section V.)

INTERIM OFFICERS

Officers Required

Every local chapter will have, at a minimum, a President, Vice President, and a Secretary/Treasurer. The chapter may elect both a Secretary and a Treasurer at its option. Other officers may be established at the local chapter's discretion. The position of Designated Chapter Training Director should be filled as soon as the chapter is formed.

Procedures for Installing Officers

At the first meeting of newly forming chapters, attendees can be asked who would be willing to serve as chapter officers on an interim basis. You can have an election during the first meeting to confirm these interim officers. These interim officers will serve until the first regularly scheduled election for the chapter to install permanent officers who would take office on August 1st of each year.

Attendance

Officers are required to attend at least fifty (50) percent of all Chapter meetings. Any officer who has failed to attend the required number of meetings may be removed by a majority vote of the Board of Directors.

INITIAL FUNDING

Requesting Initial Funding

Those members electing to form local chapters will be given organizational assistance during the first year of formation. This includes reasonable and necessary incidental expenses (up to US$500), such as local advertising, office supplies, and printing. Budgets for such items, as well as advertising copy, must be approved in advance by the Manager of Member Services. For reimbursement from the Corporation, submit a letter requesting the funds (US$500.00) be disbursed.

Establishing a Checking Account

To protect Chapter funds, it is wise to require two signatures on the checks. Check with different financial institutions to find the best match for the Chapter. Compare the service fees. Some banks may offer free checking accounts if the chapter is a non-profit organization, or if one of your chapter members has an existing relationship with the bank.

INCORPORATION

Local chapters are required to incorporate as a non-profit (also referred to as a not-for-profit) corporation. By incorporating the chapter, the officers and members can avoid personal liability for the chapter's debts and obligations. For example, if a non-incorporated chapter contracts for goods or services and fails to pay, the officers of the corporation and/or the members may be held personally liable for those obligations. Therefore, chapters should always incorporate if possible.

However, there may be instances in which the chapter is too small to justify incorporation. If a chapter does not wish to incorporate, it must contact the Manager of Member Services for a waiver of this requirement. If a chapter is given a waiver of incorporation, the chapter officers must still file an Assumed Name or "DBA" filing with their county clerk's office and/or Secretary of State.

Please note that these instructions are for U.S. chapters. Chapters outside the U.S. should consult their corresponding national and local authorities for similar information.

Contact the Secretary of State

The first step in the incorporation process is to contact the Secretary of State for your state. A list of the names and telephone numbers for every state's corporation department is provided in the Appendix. The Secretary of State's office can provide you with all of the materials you need to register your non-profit corporation with that state.

You must file your Articles of Incorporation with the Secretary of State. The Appendix contains a model Articles of Incorporation.

Contact the Internal Revenue Service

The second step is to contact your local IRS office to request tax exemption.

Even though your corporation is set up as a non-profit, you must apply for tax-exempt status with the IRS. Section 501(c) of the Internal Revenue Code lists those entities that qualify for tax-exempt status. Section 501(c)(6) provides tax-exempt status for business leagues and trade associations. Contact your local IRS office and request a copy of Form 1024. This form will contain instructions and an application to submit to the IRS.

Contact Your State Revenue Department

Third, contact your state revenue department for information about state taxes. You will generally have to file a state income tax or a state franchise tax annually. However, you can apply for tax-exempt status by filing the proper form with the revenue department. A list of the names and telephone number for the revenue departments of all fifty states is included in the Appendix.

Additionally, your chapter, whether incorporated or not, may be liable for the collection of sales and/or use taxes. The state revenue department can provide you with information about the collection and reporting of sales taxes.

SECTION III

RESPONSIBILITIES OF LOCAL CHAPTERS

CHAPTER MEETINGS

Frequency of Meetings

Many chapters try to meet once a month which provides the best method for keeping the chapter active. However, for those chapters where the members are located in a wide area, or in areas of sparse population, it may be more practical to meet quarterly.

Duration of Meetings

The formal luncheon meeting must be a minimum of one training hour (50 minutes). All chapter training, other than monthly meetings, must be approved at least sixty (60) days in advance of any announcement of the course.

ELECTION OF OFFICERS AND ANNUAL MEETING

Members Eligible to Vote

All Certified Fraud Examiners in good standing with Headquarters, who are members of the local chapter, and who are current in dues for the local chapter are eligible to vote. The Board of Directors, by a majority vote, may grant Associate Members the right to vote.

Election of Officers

The officers of the Chapter shall be elected for one year terms by a plurality of the votes of Members responding to a mail ballot sent to all Members at least 30 days before the election of officers. A copy of the ballot should also be sent to headquarters.

Annual Meeting

The Annual Meeting of the total Membership of the local chapter shall be held for the purpose of announcing the election results of Officers and Directors; the installation of the Officers and Directors; and transacting such other business as deemed appropriate by the Board of Directors. Headquarters should be promptly notified of new officers.

The Annual Meeting shall be held each year at a time and place specified by the Board of Directors. All members must be notified in writing of the time and place of the Annual Meeting at least sixty (60) days in advance.

All Members in good standing and present in person shall be eligible to vote at the Annual Meeting. A quorum shall be constituted of at least ten (10) percent of those Members eligible to vote. All business coming before the Members for approval shall be approved by a majority of those present in person unless otherwise required by the bylaws.

BOARD OF DIRECTORS MEETINGS

The Board of Directors shall meet at least twice a year at times and places they may choose. At such meetings, a quorum must be present to conduct business coming before the board. The meetings shall be conducted under the rules contained in Robert's Rules of Order unless those rules are in conflict with the bylaws, in which case the bylaws shall take precedence.

In all meetings of the Board, the President shall preside. In their absence, the Vice President, the Secretary, or the Treasurer, in that order, shall preside. Appropriate notice of the meetings of the Board shall be furnished to each Member of the Board at least ten days in advance. A special meeting may be called by the President, or by any three Board Members under the provisions of the bylaws.

COMMUNITY SERVICE

Public Education

The Members of local chapters of the Association of Certified Fraud Examiners, Inc. have a responsibility for providing fraud awareness education to the public. Representatives and Members of local chapters will be frequently called upon to speak to various groups and organizations on fraud related topics.

Higher Education

Many chapters are already actively involved with the colleges and universities in their communities. The schools of business and accountancy within those institutions of higher education are usually very receptive to any additional points of education for their students. Several local chapters even have student chapters of the Association within the university that they oversee and monitor.

Local Chapters are encouraged to develop close relationships with those schools in their area and to encourage those students interested in forensic accounting, auditing, criminology, or law enforcement to become involved in the chapter.

Liaison with Other Professional Organizations

Local Better Business Bureau offices in many cities hold regular meetings and are always receptive to new speakers and topics. They are also very concerned about scams, frauds and technology crimes that they can forewarn the public about. There are many other professional organizations local chapters of the Association should contact and invite to the training sessions:

- American Institute of Certified Public Accountants
- Institute of Internal Auditors
- American Society for Industrial Security
- Canadian Institute of Chartered Accountants
- Association of Government Auditors
- Neighborhood Groups or Organizations
- State and Local Bar Associations
- Local Special Investigative Units
- State/Provincial Banking Associations

Liaison with Law Enforcement

It is important to have the involvement of individuals from law enforcement within your chapter. By the very nature of the type of work CFEs do, cases may end up being investigated by the police or other agencies and being prosecuted by federal or local prosecutors.

Many members of the local chapter should know who they can turn to with questions pertaining to the proper venue for possible prosecution of investigations. The local chapter should also consider that many local law enforcement detectives whose primary duties are white-collar crime investigations, have little, if any, formal training in this area, but who know from experience what it takes to prove and successfully prosecute white-collar crime cases. Their association with your chapter will be of considerable assistance to them. Attorneys (both government and private) are often eager to speak to groups of Certified Fraud Examiners. It is a good idea to offer these speakers honorary membership in the chapter and keep them on the chapter mailing list so they will receive the chapter newsletter and also notices of future training.

MEMBERSHIP DEVELOPMENT

Seeking New Members

It only takes ten Certified Fraud Examiners to form a local chapter, but try to get more CFEs to join. This will give the chapter better exposure and develop greater interest in chapter activities. Draw your members from a broad base of organizations. This will provide your chapter with cultural diversity and give you a wide range of professional talents upon which to draw.

Solicit members from municipal and state/provincial agencies that have responsibilities for investigating fraud, such as:

- Local Police Departments
- Consumer Affairs Divisions
- State/Provincial Health and Welfare Divisions
- State/Provincial Unemployment Divisions
- State/Provincial Motor Vehicle Division for Licensing and Registration
- State/Provincial Police
- State/Provincial Bureau of Investigations
- State/Provincial Department of Insurance Investigators
- State/Provincial Welfare Investigators

Solicit members from federal and international agencies such as:

- Federal Bureau of Investigation
- Treasury Department
- Interpol
- Postal inspectors
- Taxing authorities
- Drug Enforcement Agency
- Federal prosecutors
- Customs Service
- Defense agencies
- Offices of the Inspector General

Solicit members from the private sector:

- Schools of business at local colleges and universities
- Security Directors of large corporations in your area
- Local members of the American Society of Industrial Security
- Bank Security Directors
- Private investigators who specialize in fraud related matters
- Insurance company special investigators
- Certified Public Accountants
- Chartered Accountants
- Members of the local Bar Association
- Internal Auditors of organizations in your area
- National Auto Theft Bureau

Career Opportunities

In addition to having access to training sessions and Continuing Professional Education, most local chapter members rely heavily on the networking and career opportunities offered at the local chapter level.

Chapter leaders should consider establishing a chapter job bank to provide an employment network for potential employers and job-seeking members. The job bank could be used as a free referral service for your members for both full and part-time positions, special engagements, and contracts.

Such a job bank should be promoted throughout the professional community. Brochures can be printed detailing the types of services Certified Fraud Examiners can provide. Include as a part of the brochure the CFE Code of Professional Ethics.

Send letters and a brochure to employers in your area to let them know about the Association, the Local Chapter, and the pool of talented CFEs. Keep the list of employers and applicants as current as possible and update at least quarterly.

A summary of available positions and available CFEs in your chapter should be printed in the Chapter Newsletter. The local job bank should also be handled with the strictest confidence. Sensitive information should not be released without permission.

The Association's Job Bank

The Association of Certified Fraud Examiners also provides a job bank for Certified Fraud Examiners. The job bank is located on the Association World Wide Web Page (www.cfenet.com) and is for members only. Both job listings and consulting listings are available. The job bank was created to assist employers in located skilled professionals from the Association's membership, and to assist CFEs in their search for positions.

The Association works closely with the local chapters to fill assignments and full time positions. This service is free to all Members. Resumes, along with other pertinent information should be submitted to the Association. This information will need to be updated annually.

Media Contacts

Local chapters should inform local television, radio stations, and newspapers of the presence of their chapter. Often times the local media will produce specialized programs or talk shows and will need individuals familiar with white-collar crime.

SECTION IV

LOCAL CHAPTER TRAINING

PURPOSES OF LOCAL CHAPTER TRAINING

1. Provide knowledge concerning fraud examination skills to chapter members and others interested in furthering their education in the field of the detection and deterrence of white-collar crime.

2. Prepare chapter members and others for the Uniform CFE Examination by using the *Fraud Examiners Manual* and other study references.

3. Identify education issues within the chapter membership by means of surveys and questionnaires. Also survey local industries and government agencies for suggestions or needs within their environment in the areas of fraud. Prepare a letter as a means of introducing the local chapter to various agencies and companies in the area. Local newspapers should be contacted and asked to publish chapter meeting information. Law enforcement agencies, prosecutors' offices, senior citizens groups, and other volunteer organizations should be contacted for any special educational needs.

4. Promote member interaction by encouraging members to participate in building the chapter by being a member of one or more committees. Also, chapter members with expertise in particular areas should be encouraged to instruct and train others in those fields.

TYPES OF TRAINING

Periodic Meetings

All local chapters of the Association of Certified Fraud Examiners are required to have at least four meetings per year. Most chapters have more than the minimum. Some chapters have meetings every month. These meetings are generally one hour in length and use the "one speaker" format, whereas a singular speaker presents a particular topic to the attendees.

Speakers should be invited and scheduled as far in advance as possible. This allows the speaker plenty of time to rearrange his or her work schedule. More chapter members will likely attend if they know the subject matter and speaker a few months in advance.

Put all speakers on the newsletter mailing list. This will help them to get to know about the Association and the local chapter and the audience. Often, a speaker will become interested enough to join the chapter.

One-Hour Training Sessions

The majority of training sessions put on by local chapters will be one hour in length. NASBA (National Association of State Boards of Accountancy) requires that to receive one hour of CPE (continuing professional education) training programs shall be at least fifty (50) minutes long.

It is not required that the Designated Chapter Training Director submit a *Local Chapter Training Request Form* for training sessions one hour in length. It is, however, required that subsequent to any one-hour training session, a *Local Chapter Training Report Form* be completed and forwarded to the Manager of Member Services along with a copy of the attendance sign-in sheet(s) for that particular meeting.

For the most part, one-hour training sessions should include local speakers.

Training Days

Local chapters of the Association of Certified Fraud Examiners are encouraged to hold a 1-day training event each year. Additional training days may be conducted with the approval of Headquarters. The Association's Manager of Member Services should be notified no later than 60 days prior to the date of any proposed training and prior to any publicizing of the training event. The Local Chapter Training Day should be promoted only within the chapter's immediate catchment area. Each chapter's catchment area is that area within close proximity to the centralized location of the chapter and will not encroach into another local chapter's catchment area.

Although chapters may include advanced-level subjects in their training, chapters should also include instruction in the basic areas of fraud examination covered by the *Fraud Examiners Manual* and referred to as the Common Body of Knowledge (CBOK). Chapters have a responsibility to provide basic fraud training in those areas of investigation, legal elements, criminology and ethics, and fraudulent financial transactions so that new members or prospective members can learn the basic techniques of fraud examination. Limiting your training solely to advanced topics will discourage persons without experience from attending.

One-day chapter training programs can be in conjunction with other local professional organizations such as the Institute of Internal Auditors, the American Institute of Certified Public Accountants, or others.

All chapter training must be conducted under the supervision of the Designated Chapter Training Director. The Training Director will also communicate to the Corporation all details of chapter training including the speakers, topics, and amounts of continuing professional education credits alloted for the training.

Chapter Video Library

The Association of Certified Fraud Examiners makes available to local chapters a full set of video training tapes on permanent loan. These training tapes can be used by themselves or in conjunction with a speaker. For every training session, a video and prepared presentation should be available in the event a scheduled speaker is for some reason unable to attend as planned.

Ask the local offices of the FBI, the IRS, and other law enforcement agencies for video tapes they might let the chapter use for training.

There are also several video tapes available for purchase from The Institute of Internal Auditors, Customer Service Center, P.O. Box 140099, Orlando, FL 32889-0003, telephone number: (407) 830-7600. The video titles are:

- "A New Look at Ethics and Fraud"
- "Audit Interview Techniques: Improving Your Skills"
- "Audit Evidence"

The National Institute for Trial Advocacy, Notre Dame Law School, Notre Dame, IN 46556-6500, telephone number: (800) 225-6482, has an extensive list of video tapes available which mostly deal with courtroom and deposition situations.

Association / Chapter Co-Sponsored Training Seminars

Local chapters wishing to joint venture a two-day training seminar in their area should contact the Association's Manager of Member Services. In order to qualify for sharing of the proceeds, the local chapter must meet the following requirements:

1. The local chapter will provide an updated chapter list and assist in obtaining other local professional organizations' chapter lists that might have interest (i.e., IIA, ASIS, AICPA, CGFM, etc.).

2. The mailing lists must be received at the Association office three months prior to the seminar date.

3. The local chapter will promote the seminar training through their local newsletter and make announcements at their local meetings.

4. The local chapter will assist the Association in obtaining public relations efforts (i.e., newspaper articles, radio and television announcements, etc.).

5. The local chapter will provide a minimum of two individuals to handle registration during both days and to assist with other administrative duties.

Association of Certified Fraud Examiners Training

Additionally, the Corporation provides a variety of seminars and conferences ranging from one to five days. In general, these conferences and seminars are one of four basic types: (1) the Annual Conference; (2) regional conferences outside the United States; (3) the CFE Academy courses (offered only in Austin); (4) the Semi-Annual Fraud Symposium and the Advanced Fraud Symposium (offered only in Austin); and (5) about 50 basic seminars (one and two days in length), done in conjunction with the local chapters throughout North America.

THE DESIGNATED CHAPTER TRAINING DIRECTOR

In 1997 the Designated Chapter Training Director Program was started. The Association has the capacity to train 20 trainers annually in Austin at the bi-annual Fraud Symposium offered in June and December of each year.

The qualifications for the Designated Chapter Training Director (CTD) are:

- A Certified Fraud Examiner in good standing.
- The CTD should be a past Chapter Officer or Director and be able to perform the duties of the Designated Chapter Training Director for a minimum of 3 years.
- Experience with public speaking.

The responsibilities of the Designated Chapter Training Director are:

- Know the necessary elements to effectively train all CFEs and candidates for the Uniform CFE Examination.
- The CTD will be familiar with all training issues in the chapter.
- The CTD will take the responsibility for administering headquarters guidelines.
- Keep the Association informed of all chapter training sessions and issues in a timely manner.
- Prepare and submit all necessary chapter training forms as required within the required time span.

- Coordinate with the Association all training seminars in excess of one day and obtain sufficient chapter staff to assist in registration and other related duties.
- Maintain all chapter records pertaining to chapter training by date, topic, instructor, amount of continuing professional education earned, and overall evaluation ratings.
- The CTD should maintain communications with local universities and colleges to coordinate potential training opportunities within the schools of business, etc.
- The CTD will be familiar with the contents of the *Fraud Examiners Manual* in order to prepare course material for training from particular sections.
- Maintain the local chapter video library.
- Communicate to the Association the names of chapter members nominated for special awards and the names of any recipients of any other awards or certificates.
- Ensure that all training attendees receive certificates of attendance indicating the course name and amount of Continuing Professional Education earned by attending the training.
- Maintain the chapter historical files and photos.
- Assume such other duties as deemed necessary by the Board of Regents.

The Designated Chapter Training Director shall have the following authority:

- To coordinate with the Chapter Officers and Directors the training programs for the chapter.
- To enter into agreements, with the approval of the chapter's Board of Directors, pertaining to holding joint venture training with the Association of Certified Fraud Examiners.

CHAPTER TRAINING APPROVAL REQUIREMENTS

In order for CPAs to obtain CPE credit for training programs, the sponsor of the program must be registered with the National Association of State Boards of Accountancy (NASBA). The Association is registered with NASBA, which means the Association must comply with the strict requirements instituted by NASBA. The local chapters are allowed to use the Association's sponsorship number only if the chapter follows the requirements listed below.

All local chapter training in excess of one hour must be approved in advance by the Association. For those training sessions in excess of one hour, the Designated Chapter Training Director will be required to submit the following records to the Association's Manager of Member Services:

1. Local Chapter Training Reporting Form.

2. Training Evaluation Forms

3. Training Attendance Forms

The Local Chapter Training Request Form must be submitted by the Designated Chapter Training Director to the Association's Manager of Member Services at least 60 days prior to preferred training dates. This form must be submitted for approval prior to any advertising or publication of the proposed training.

After the training is completed, the CTD should forward copies of the Training Evaluation Forms and the Training Attendance forms to the Association immediately following the training. The CTD should also maintain copies of the attendance/sign-in sheets and other information in the chapters training records.

If the chapter fails to submit any of these forms, then the Association cannot approve the training for CPE credit either for NASBA or the Association.

CHECKLISTS FOR EVALUATING LOCAL CHAPTER TRAINING

After conducting a training session, use the following items to evaluate your program:

- Was the training fraud related?
- Was the speaker prepared?
- Was the topic presented in an interesting manner?
- Was the topic covered sufficiently?
- Was the training session at least fifty (50) minutes in length?
- Was the training program educational?
- Was the facility adequate for the type and number of training?
- Was the training beneficial to the attendees?
- Were Training Evaluation Forms completed?
- Were the Attendance forms completed?
- Were the Evaluation and Attendance Forms sent to the Association?

SECTION V

CHAPTER LEGAL AND FINANCIAL ISSUES

RECORDKEEPING

Local chapters of the Association of Certified Fraud Examiners are required to maintain records of all aspects of chapter business. The Secretary shall be responsible for all records, other than financial, maintained by the local chapter. The Treasurer shall be responsible for all financial records maintained by the local chapter. All records maintained by the local chapters shall be made available to the Corporation or its representative upon reasonable request. The fiscal year for all local chapters of the Association will be August 1 to July 31.

As an internal control structure, all disbursements must be properly approved. As an oversight measure, the local chapters Board of Directors must be kept advised of the status of the accounting of funds and otherwise perform appropriate duties to see that the assets of the chapter are properly safeguarded. Additionally, copies of the financial statements must be sent to Headquarters for review.

Custody of Funds

All moneys received by the local chapter as well as disbursements therefrom, is the responsibility of the Treasurer. He or she will see that any funds received are properly deposited for safekeeping to the credit of the local chapter.

Receipts

Local chapters may collect and deposit funds which come from several different sources. Some items to include in the chapter budget should be:

1. Revenue

    - Chapter membership dues
    - Fees for regular meetings
    - Fees for meals
    - Fees for seminars
    - Donations for paper and printing
    - Donations for postage
    - Miscellaneous income

2. Disbursements

- Bookkeeping supplies
- Banking supplies and service charges
- Administrative supplies
- Telephone charges and expenses
- Newsletter paper and printing
- Newsletter postage
- Cost of meals
- Cost of meeting room rentals
- Travel – airfare, hotels, meals, etc.
- Advertising
- Audio-video equipment rental
- Stationery supplies
- Speakers fees and/or gifts
- Awards for members
- Scholarship funding
- Merchandise – shirts, mugs, pins, etc.
- Miscellaneous

The Treasurer should prepare an annual budget for the chapter. The budget should be discussed at the beginning of each year with the Board of Directors.

Prohibited disbursements from chapter accounts include:

- Political contributions
- Criminal or civil defense funds
- Payments to sources and informants
- Payments or other compensation for chapter members other than reimbursements for chapter expenses

TAX RETURNS

As described in Section II, it is the responsibility of chapter officers and directors to contact the Internal Revenue Service, Revenue Canada, or other applicable taxing authority concerning the filing of tax returns and applying for tax-exempt status. Every local chapter of the Association of Certified Fraud Examiners is required to submit to the Association's Manager of Member Services a copy of the chapter's federal income tax return and an annual financial statement containing all of the records pertaining to chapter receipts and expenditures. A copy of the return should be sent to headquarters immediately upon filing the return.

Additionally, chapters may be required to file state or local income or franchise tax returns annually. They may also be required to file state sales tax returns. Copies of all state tax returns or reports should be submitted to the Association's Manager of Member Services within 15 days of filing the returns with the taxing authority.

For more information about tax-related filings, see Section II.

TRADEMARK LICENSE AGREEMENT

The name "Association of Certified Fraud Examiners" and the seals and logos used in connection therewith are the trademarks of the Corporation. U.S. federal trademark law requires that the Corporation follow strict guidelines in licensing and monitoring the use of these marks. Therefore, all chapters are required to execute a Trademark License Agreement, a copy of which is included in the Appendix. The Agreement must be signed by a chapter officer and submitted to the Manager of Member Services.

ACCESS TO CHAPTER RECORDS

The Board of Directors shall make available all financial records of the local chapter to any local chapter Member, to the Corporation, or to any member of the Board of Regents upon reasonable notice.

CHAPTER DISSOLUTION

A Chapter may only be dissolved (or dissociated from the Association of Certified Fraud Examiners) by the consent of a majority of the entire membership. The vote to dissolve must be by written ballot, and it must be approved by a two-thirds majority of the members eligible to vote.

It is the responsibility of the officers of the Chapter to use the Chapter funds to pay any outstanding debts or obligations. If a surplus remains, then it shall be donated to the Ritchie-Jennings Scholarship Fund (formerly the CFE Scholarship Fund) as provided in the Bylaws and Articles of Incorporation.

Upon dissolution, the officers shall destroy or return to the Corporation all letterhead stationery, or other items bearing the name "Association of Certified Fraud Examiners" in any form or fashion. The officers shall also file the appropriate documents with the state corporations agency and the state and federal taxing authorities. Once the affairs of the Chapter are wrapped up, the officers shall send the following to the Corporation: (1) a list of the names and addresses of the members at the time of dissolution; (2) a copy of the certificate of dissolution issued by the state; (3) copies of the final tax returns for all taxing authorities; (4) a statement that all items bearing the name "Association of

Certified Fraud Examiners" are enclosed or have been destroyed and that the name will no longer be used in connection with the Chapter.

REPORTING REQUIREMENTS: SUMMARY

Every local chapter of the Association of Certified Fraud Examiners shall submit timely reports to the Association's Manager of Member Services pertaining to the following activities:

- Local Chapter Training Request Forms for all chapter training in excess of one (1) hour presented by the Local Chapter must be submitted no later than sixty (60) days prior to any advertisement or promotion of the training. (see Appendix)
- Local Chapter Training Reporting Forms for every chapter training session. (see Appendix)
- Training Evaluation Forms for every chapter training session. (see Appendix)
- Training Attendance Forms for every chapter training session. (see Appendix)
- Copies of all chapter training promotional material proposed to advertise and promote chapter training sessions.
- Copies of each issue of the chapter newsletter
- Annual chapter financial reports.
- Annual chapter membership listing.
- Minutes of Chapter Officers or Board of Directors meetings held.
- Results of yearly officer elections should be reported no later than June 15th of each year.
- Any other records pertaining to the operation and training functions of the local chapter.

The checklist on the following page should be used to make sure that all of the required reports are furnished.

THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

CHECKLIST FOR CHAPTER REPORTS

1. Financial Statements (Due: September 1 of each year)

- ❑ Balance Sheet
- ❑ Income Statement
- ❑ Audit Reports
- ❑ Other ___________________

2. Tax Returns (Due: within 15 days of filing)

- ❑ Federal tax
- ❑ State income/corporate tax
- ❑ State sales tax
- ❑ Other ___________________

3. Membership Reports (Due: June 15 of each year)

- ❑ Incoming Chapter Officers
- ❑ Incoming Board of Directors
- ❑ Name of Designated Chapter Training Director
- ❑ Number of members – Beginning of period and end of period
- ❑ Number of new members
- ❑ Names of members
- ❑ Other ___________________

4. Training Report

- ❑ Number of one hour training sessions held
- ❑ Number of training sessions in excess of one hour
- ❑ Number of Continuing Professional Education credits available
- ❑ Speakers/Programs
- ❑ Training Reporting Form for each training
- ❑ Training Evaluation Forms for each training
- ❑ Training Attendance Forms for each training

5. Community Service Report

- ❑ Projects sponsored/co-sponsored
- ❑ Projects completed/pending
- ❑ Scholarships offered (amounts)
- ❑ Scholarships awarded (provide names)

6. Chapter Legal Documents *

- Articles of Incorporation
- Local "DBA" filings (if not incorporated)
- State filings
- Federal filings
- Bylaws
- Trademark License Agreement

* These records need only be submitted once.

SECTION VI

OTHER ADMINISTRATIVE MATTERS

INSURANCE

The local chapter will be fully and solely responsible for its own legal and financial affairs, and shall hold harmless the Corporation, by reason of their affiliation, from any lawsuits, damages, other expense or liabilities arising out of the activities of the local chapter.

The Corporation may procure liability insurance for local chapters, and the chapters agree to pay all reasonable premiums for such insurance.

SCHOLARSHIPS

Local Scholarship Program

Local chapters of the Association of Certified Fraud Examiners will set up a scholarship fund to encourage further education in fraud detection and prevention. Scholarships can be established for any amount.

Scholarships might be granted to:

- Attend specific college programs or courses.
- Attend Association seminars, symposiums, and conferences.
- Attend Chapter Training Day seminars.
- Study for the CFE Examination.
- Conduct fraud-related research.

To increase the scholarship fund the local chapter could:

- Allocate a specific amount from the chapter's General Fund.
- Solicit donations from employers and members.
- Establish an annuity.

- On your chapter membership application and billing, request an optional contribution to the scholarship fund in increments of $10, $20, or more.
- Contribute the proceeds, or a portion, from a chapter-sponsored seminar.

Scholarships could be named in honor of:

- The chapter.
- A past chapter leader.
- A popular or respected chapter member or officer who is now deceased.

Contact the scholarship offices at your local university or community college. Their scholarship coordinator can provide information about how to set up a scholarship fund. They can provide ideas for scholarship criteria, and applications for funding the scholarship, and applications for receiving the scholarship.

Some of the common criteria the chapter could consider in developing a scholarship are:

- City or state residency.
- Cumulative grade point average (3.0 minimum recommended).
- Major concentration of studies, such as accounting, law, criminal justice.
- Financial needs.
- Full time or part time attendance status.
- Class level (graduate, undergraduate, or a specific course).
- Renewable scholarship or a one-time scholarship.
- Leadership and activities on or off campus.
- Active membership in a particular club or organization.
- Completion of a specific number of credit hours per academic semester (12 hours recommended)
- Recommendation letters.
- Relationship to a chapter member.

- Past or current employment in a field related to fraud examination.

Make the chapter membership aware of the scholarship fund by publishing the information in the newsletter. Honor the recipients in the newsletter as well.

Association of Certified Fraud Examiners Scholarship Program

The Association of Certified Fraud Examiners is committed to improving the detection, deterrence, and prevention of fraud and white-collar crime. The Association also is committed to the education of accounting and criminal justice students who will become Certified Fraud Examiners in the future.

Therefore the Association established the Ritchie-Jennings Scholarship Fund. Formerly known as the CFE Scholarship Fund, it was renamed in 1998 in memory of Tracy Ritchie, CFE, and Larry Jennings, CFE, who were killed in 1997 in Karachi, Pakistan while on a business trip.

The Ritchie-Jennings Scholarship Fund awards a number of scholarships each year to full-time graduate or undergraduate students (12 hours or more per semester) who are majoring in accounting or criminal justice degree programs.

The scholarships are awarded on the basis of:

a) Overall academic achievement demonstrated by notarized transcripts.

b) Three letters of recommendation, including at least one recommendation from a Certified Fraud Examiner or a local CFE Chapter, plus additional recommendations from faculty members or academic advisors; and

c) An original essay of at least 250 words explaining why the applicant deserves the scholarship, and how the awareness of fraud will affect his or her professional career development.

An application package must include:

- A completed application form (available from the academic department of the Association of Certified Fraud Examiners);
- A notarized transcript (or transcripts) showing all completed college or university courses;
- Three (3) letters of recommendation, including at least one from a Certified Fraud Examiner or a local CFE Chapter, plus additional recommendations from advisors or faculty members;
- A photograph of the applicant (for publication in the Association's magazine);

- Three copies of a 250-word essay explaining why the applicant deserves the award, and how fraud awareness will affect his or her professional career development.

All scholarship components should be mailed together in one package. Students who wish to apply for a scholarship but who are not acquainted with a Certified Fraud Examiner will be referred by the Association to a representative of the nearest local CFE Chapter. It is the responsibility of an applicant to meet with a CFE Chapter or with a Certified Fraud Examiner to receive a recommendation.

CHAPTER AWARDS

Awards and recognition are important for keeping members motivated. The local chapter could present a number of annual awards to people of outstanding merit. The form of the local chapter awards could include:

- Announcements at meetings
- Certificates of recognition
- Press releases
- Chapter newsletter announcements
- *The White Paper* announcements
- Plaques
- Trophies
- Free chapter membership renewal
- Cash awards

Chapter awards could be made for a variety of honors, such as:

- The person who recruited the most new members for the chapter.
- The local person with the highest CFE Examination grade.
- The person who wrote the best or most technical papers.
- The person who wrote the best or most articles for *The White Paper.*
- The person who wrote the best or most articles for the chapter newsletter.
- The person who made the best or most presentations for local chapter meetings.
- A member of the community having excelled in the area of white-collar crime, (local District Attorney's, law enforcement officers, investigators, accountants, auditors, etc.).

ASSOCIATION AWARDS

The Cressey Award

The Association of Certified Fraud Examiners provides periodic awards and special recognition for exceptional performance in the field, to recognize the professional contributions of dedicated individuals.

The Cressey Award – Established in 1989, *The Cressey Award* is the Association's highest honor. It is bestowed annually for a lifetime achievement in the detection and deterrence of fraud. *The Cressey Award* is named in honor of one of the nation's foremost experts on fraud, and a founding father of the Association, Dr. Donald R. Cressey (1919-1987).

Nominations for *The Cressey Award* should be submitted to the Association headquarters no later than June 1 each year. The award is presented at the Annual CFE Conference.

The Walker Award

The Walker Award is named in honor of Morris R. "Red" Walker, CFE (1938-1989), a charter Member and nationally recognized fraud examiner. Mr. Walker was Chief Investigator for Colorado National Bankshares, Inc. Established in 1989, *The Walker Award* is given to the person receiving the highest annual score on the Uniform CFE Examination.

Distinguished Achievement Award

The Manager of Member Services oversees and coordinates the Distinguished Achievement Award program for the Association. Once yearly, each chapter can nominate two members of the chapter, or someone outside the chapter, for the Distinguished Achievement Award. This award is reserved for those individuals that have excelled in the area of deterring, investigating, or prosecuting white-collar crime.

Nominations must be postmarked by December 31 of each year. Awards are approved and signed by the Board of Regents and are awarded by Local Chapter Officers.

SECTION VII

ORGANIZATION OF THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

MEMBERSHIP

There are three categories of Membership in the Association of Certified Fraud Examiners: Associate Member, Student Member, and Certified Fraud Examiner. Qualifications for membership in the Association are based on a point system.

Associate Member

Associate Members enjoy the following benefits:

- Bimonthly issues of *The White Paper* magazine
- Discounts on Association publications
- Discounts on conferences, seminars, and self-study training products
- On-line access to Association Members worldwide via the Members Only area of the website
- On-line access to current fraud information
- Career information
- Networking opportunities
- Optional membership in local chapters worldwide

Qualifications for Associate Membership

Associate Membership is open to all individuals of high moral character with the requisite professional interest, education, or experience in the fraud examination field.

Professional Interest

Associates should have a professional interest in the field of fraud examination. Typical Members included accountants, auditors, investigators, law enforcement personnel, loss prevention specialists, attorneys and prosecutors, managers and executives, academicians and students, and anti-fraud consultants.

Education

There is no educational requirements for Associate Membership, however, there is a requirement for professional experience, detailed below. To become a Student Associate Member, one must be at least in the last full year of study for a baccalaureate degree from a recognized institution of higher learning.

Experience

You may become an Associate Member once you have at least two years of professional experience in a field directly or indirectly related to fraud detection and deterrence.

Applying for Membership

To become an Associate or a Student Associate Member, simply complete the Associate Membership Application (available from the Association) and submit it to the admissions office at the Association headquarters in Austin, Texas.

The minimum qualifying score for Associate Membership is 20 points (the point system is explained below). To become a Certified Fraud Examiner, applicants must first be approved as an Associate Member. Thereafter, if qualified, a separate application for CFE must be submitted.

The Point System

Admission as an Associate Member or a CFE is based upon a point system, which awards credit based upon education and experience. All points claimed for education must be from a recognized institution of higher learning.

10 Points
- For each year of formal higher education (with a four-year limit)
- For each recognized certification (e.g., CPA, CIA, CPP)
- For a doctorate or equivalent postgraduate degree (e.g., Ph.D., J.D.)

5 Points
- For each year of full-time equivalent related experience
- For a master's degree or equivalent

United States and Canadian Residents

For purposes of determining eligibility for certification, you may claim any combination of education and experience. A minimum score of 40 points is required to sit for the Uniform CFE Examination, and a minimum of 50 points is required for certification by examination.

As an example, the typical candidate for certification may have 50 points, consisting of a baccalaureate degree (40 points) and two years of related experience (10 points). But a candidate with no baccalaureate degree and 10 years of professional experience (50 points) would qualify, as would a candidate with two years of formal higher education (20 points) and six years of professional experience (30 points).

Student Members

Student Associate Membership is limited to those individuals enrolled in an associated field degree program (schools of business, criminal justice, law enforcement, schools of law, etc.) as a full-time student (12 hours or more per semester).

Student Members enjoy the same benefits as Associate Members such as a Certificate of Membership, bi-monthly issues of *The White Paper*, discounts on seminars, conferences, self-study courses and other services and are also eligible to join one of the local chapters in their area.

Certified Fraud Examiner

Certified Fraud Examiners enjoy the same benefits as the Associate and Student Associate Members, and much more:

- CFE designation
- Membership certificate
- Bimonthly issues of *The White Paper* magazine
- Discounts on Association publications
- Discounts on conferences, seminars, and self-study training products
- On-line access to Association Members worldwide via the members only area of the website
- On-line access to current fraud information
- Career information
- Networking opportunities
- Optional membership in local chapters worldwide

Qualifications

Certified Fraud Examiners have the expertise to resolve allegations of fraud from inception to disposition, gather evidence, take statements, and write reports, testify to findings, and assist in the prevention and detection of fraud.

Only Associate Members can be eligible for certification. To achieve the CFE designation, you must (a) be of high moral character, (b) meet the minimum education and experience requirements, (c) pass the Uniform CFE Examination (if a resident of the United States or Canada), (d) maintain required continuing professional education, (e) pay annual dues, and (f) agree to abide by the Bylaws and Code of Professional Ethics of the Association of Certified Fraud Examiners.

Passing the Computerized Uniform CFE Examination

All residents of the United States and Canada, without exception, must pass the computerized Uniform CFE Examination. Certain international candidates, described below, may be admitted on the basis of experience only or education and experience.

Other International Residents

The Uniform CFE Examination is currently offered only in the United States and Canada. If you live outside these countries and wish to apply for certification, you may do so one of two ways: (1) by sitting for the U.S. or Canadian version of the Examination; or (2) if you have sufficient experience, by applying for an International Waiver of Examination. A minimum of 80 points is required to apply for an International Waiver of Examination.

The International Waiver is granted only to those Associate Members having significant experience in uncovering, documenting, or investigating fraud and white-collar offenses.

For the benefit of the European residents, a separate regional office has been established in Utrecht, The Netherlands.

The Computerized Uniform CFE Examination

The Uniform CFE Examination is a computer-based exam. The Exam consists of 500 objective and true/false questions in a Windows format. There are four sections of 125 questions each: (1) Fraudulent Financial Transactions, (2) Fraud Investigation, (3) Legal Elements of Fraud, and (4) Criminology and Ethics. The Exam is made available upon request any time during the year. When the test arrives and is installed, the candidate has 30 days to complete all four sections and return it for grading.

In order to pass the test, a score of 75% on each and every part must be achieved. Historically, the Exam has proven rigorous. For those not completing the CFE Review Course or the Canadian Prep Course, fewer than one in four candidates pass all parts on the first attempt.

Continuing Professional Education

Article VIII of the Code of Professional Ethics states, "A Certified Fraud Examiner shall continually strive to increase the competence and effectiveness of professional services performed under his or her direction."

In compliance with Article VIII, the Board of Regents requires each CFE to maintain a minimum level of continuing professional education. Specifically, each Certified Fraud Examiner must have a minimum average of 20 hours of continuing professional education (CPE) annually, or 60 hours over three years (half of the CPE must be fraud-related.) Acceptable CPE generally is one of five types:

- Formal classes
- Postgraduate college course
- Correspondence and self-study courses
- Author/instructor credit
- Meeting credit

THE NON-PROFIT ASSOCIATION

Prior to 1996, all Certified Fraud Examiners and Associates were members of an unincorporated association titled the Association of Certified Fraud Examiners. In 1997, pursuant to a resolution by the Board of Regents, the membership association was officially incorporated into a non-profit corporation named the Association of Certified Fraud Examiners (a Non-Profit Corporation).

All Certified Fraud Examiners, Associate Members, and Student Associate Members are members of the Non-Profit Corporation.

The purposes of the Association of Certified Fraud Examiners (a non-profit corporation), as stated in Article Four of its Articles of Incorporation, are as follows:

> The non-profit Corporation is organized solely for non-profit purposes (1) to set forth the educational, experience, and testing requirements for persons to be awarded the designation “Certified Fraud Examiner”, (2) to establish, modify, and

enforce the CFE Code of Professional Ethics including disciplinary actions relating thereto, (3) to administer the CFE Scholarship Program, (4) to establish and administer a funding program dedicated to providing assistance to persons for scholarly research and writing in the field of fraud examination, and to transact any and all lawful business in furtherance of the foregoing purposes.

The non-profit Corporation is organized as a professional trade association pursuant to Internal Revenue Code Section: 501(c)(6).

The Board of Regents

The Board of Regents is composed of five (5) members, all of which are elected by the members. The five elected members of the Board of Regents control the non-profit corporation. They form the Board of Directors and serve as the Officers of the non-profit corporation.

There are three Advisory Members appointed by the Corporation who can attend the Board of Regents meetings. The Advisory Members are allowed to provide input or give advice to the five elected Regents, but they are not allowed to vote.

All CFEs in good standing are encouraged to apply for election to the Association's Board of Regents.

The Board of Regents has issued the following guidelines for those who wish to serve:

1. All Board Members must be CFEs in good standing.

2. No person may serve both on the Board of Regents and any Association Committee simultaneously.

3. Each fall qualified Members can submit letters to place their own names in nomination. A CFE can also be nominated by another CFE. The nominations letters should include any special qualifications of the candidate that the Nominations Committee should consider. Nominations are open October 1st, and nominations are closed November 1st. About November 15th, each member of the Nominations Committee reviews a portion of the nomination letters and selects several for final review. The full Nominations Committee selects the final three nominees for each Board position that will be available.

4. Three or four Regents (depending on the staggered terms) will be elected by the Membership at large from candidates chosen by the Nominations Committee. Elections will be held at the end of the year. Ballots are mailed to all eligible CFEs by November 30th, and the balloting closes on January 15th. The new Board of Regents is sworn in in early March.

5. Regents shall meet according to the schedules they establish, but shall meet at least twice annually.

Bylaws

New bylaws for the Non-Profit Association of Certified Fraud Examiners were approved by the Board of Regents in August, 1997. The basic provisions are as follows:

1. The five elected Regents will act as the Board of Directors of the Non-Profit. The Board of Regents will appoint the officers of the Non-Profit.

2. The Board of Regents will be responsible for appointing and overseeing the committees.

3. There are three classes of members in the Non-Profit: Certified Fraud Examiners, Associate Members, and Student Associate Members.

4. The Board of Regents sets forth the educational, experience, and testing requirements to become and remain a member of the Non-Profit.

5. Only CFEs in good standing are eligible to vote for the Board of Regents.

6. The Board sets forth the Continuing Professional Education requirements for Members.

7. The Board of Regents handles all matters regarding disciplinary actions or any action to rescind, suspend, or otherwise modify the status of any Member.

8. The Board of Regents establishes the conditions and requirements for establishing local chapters.

LICENSING AND SERVICES AGREEMENT

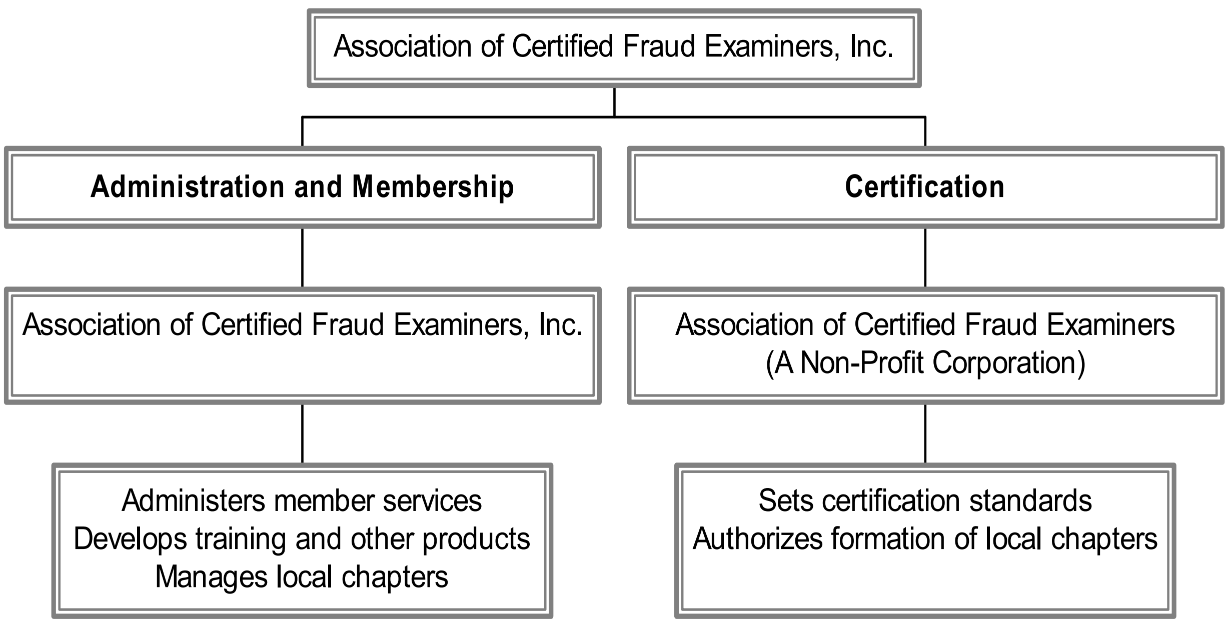
The relationship between the Non-Profit and its management company, the Association of Certified Fraud Examiners, Inc. (“the Corporation”), is governed by the Licensing and Services Agreement.

Since the Corporation owns the trademark in the Seal and the designation “CFE” as it relates to fraud examination, the Licensing and Services Agreement provides that the Corporation will license to the Non-Profit the use of these trademarks; however, the Corporation will not charge a royalty fee. The Corporation’s fees will be paid through membership dues and related training revenues.

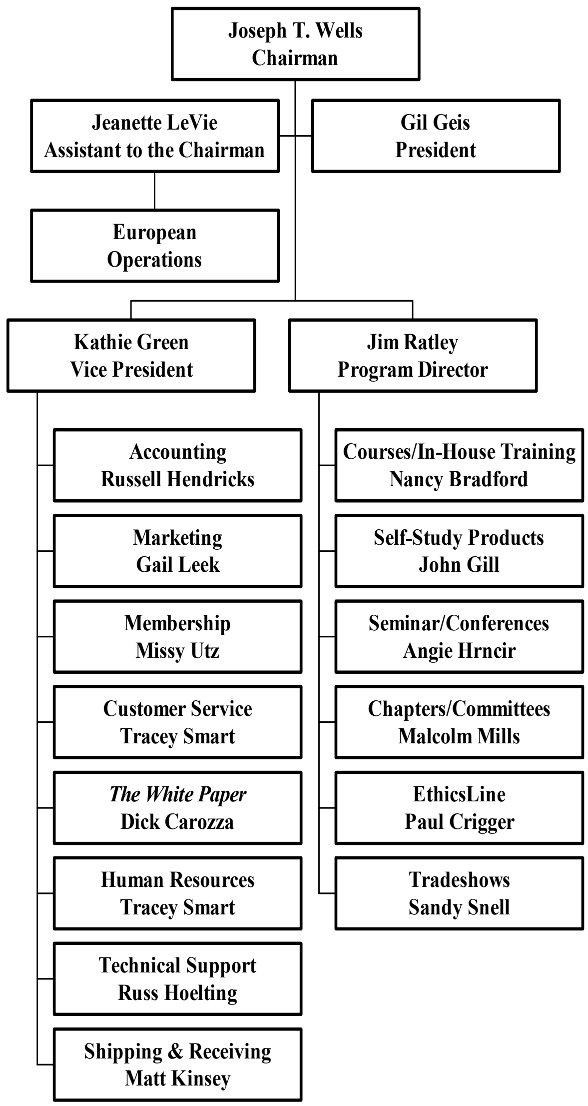
The Non-Profit Association contracts with the Corporation to provide services to the members including:

- Processing applications for membership based on the criteria set forth by the Board of Regents.
- Maintaining the Association's membership records.
- Developing educational and training programs for Certified Fraud Examiners.
- Providing services to members including managing the Association's member communication including publishing of newsletters, periodicals and other types of books, pamphlets, magazines and print media as well as consulting with members, the public at large and the media.
- Managing and regulating local chapters.

Association of Certified Fraud Examiners
Organizational Chart



Association of Certified Fraud Examiners, Inc.



THE MANAGEMENT COMPANY

The Association of Certified Fraud Examiners, Inc., ("the Corporation") is the management company for the Non-Profit membership corporation. The Corporation processes the applications for membership and recommends for certification those people who meet the requirements as set forth by the Board of Regents. It will also handle all the services for the members (such as keeping track of Continuing Professional Education and the publishing of *The White Paper*) as well as providing services to local chapters. It also conducts training seminars, conferences, symposia, and publishes training manuals and self study products.

The Association of Certified Fraud Examiners, Inc. is a for-profit corporation organized under the laws of the State of Texas. The stock is privately held by three individuals who also comprise the Board of Directors: Joseph T. Wells, Kathie S. Green, and James D. Ratley.

HEADQUARTERS DEPARTMENTS

Membership Department

The Membership Department processes each application for membership. Candidate information is subsequently entered into the Association's database and correspondence prepared for each applicant.

The Membership Department also processes and distributes the Uniform CFE Examination to qualified candidates and then grades the examinations upon their return. They also review CFE applications for completeness and present the files to the Certification Committee for final review.

Certificates for Certified Fraud Examiners, Associate Members, Student Associate Members, and Lifetime Members are prepared in the Membership Department and mailed to the recipients.

International waiver requests are also handled by the Membership Department from those countries (excluding European residents who must contact the European Regional Offices) exempted from taking the Uniform CFE Examination.

Accounting Department

The controller has overall responsibility for the accounting functions and financial statements and also oversees the accounts receivable section, the accounts payable section, and the assistant controller.

The accounts receivable section invoices the sales of all Association products and services such as membership, seminars, self-study courses, and Association merchandise.

The accounts payable section is responsible for paying for all goods and services the Association receives. The bills are reviewed for accuracy, coded for the proper vendor account, and set for payment.

Financial reporting consists of developing financial statements for the Association owners. Although many of the functions to generate financial statements are automated, some functions, such as bank reconciliations, are done manually. Financial statements are issued monthly and the books are closed out for the previous year by the second quarter of the current year.

Seminar Department

The Association's Seminar Department is designed to handle all conference and training seminar registration request as well as the organizing, shipping and detailing of all seminar materials. The department is also in charge of keeping track of all Continuing Professional Education credits and sending CPE certificates to training attendees.

The Conference Coordinator supervises the department and is in charge of negotiating and overseeing all contracts with the chosen host site for conferences and seminars. The Coordinator oversees the seminar department, which includes the Assistant Conference Coordinator and the Registrar. The Assistant Conference Coordinator is in charge of shipping all training materials to each seminar or conference. They also work closely with the instructors assigned to speak at the conferences. The Registrar oversees CPE credits, certificates and the registration process for all seminars.

The Seminar Department also works closely with local chapter representatives in setting up and coordinating the co-hosting of one and two day training seminars.

Any chapter interested in co-hosting such a seminar should contact the Association's Seminar Department.

Member Services

The Member Services Department corresponds with and assists individuals with all requests for service and to coordinate with the other departments of the Association to adequately provide those services.

The Manager of Member Services reviews membership applications and files for presentation to the Certification Committee and subsequently forwards those files to the Membership Department for notification and update.

The Manager of Member Services is also the liaison for the Association's Advisory Committees:

- Chapter Development Committee
- Commerce Committee
- Computer Fraud Committee
- Financial Institution Fraud Committee
- Governmental Fraud Committee
- Health Care Fraud Committee
- Insurance Fraud Committee
- International Fraud Committee
- Professional Liaison Committee
- Research Committee

Also, the Manager of Member Services assists the Chairpersons of the Committees in selecting additional members from year to year to serve on the Committees and coordinates research projects and assignments.

The Manager of Member Services also oversees and coordinates the Distinguished Achievement Award program for the Association and is also the Life Membership liaison for the Association, to assist with special requests and handle any applicable questions.

The Manager of Member Services assists CFEs in the formation of new chapters of the Association of Certified Fraud Examiners. Database searches, the mailing of interest letters to CFEs in the area, the coordinating of information and materials necessary to form a chapter are also performed by the Manager of Member Services.

Sometimes referred to as the Chapter Liaison, the Manager of Member Services is responsible for the recording and updating of all chapter information. Information pertaining to the installation of newly elected chapter officers must be reported prior to June 15th, so that information will be recorded correctly in the printing of the following years annual Association catalog. All chapter members should be made aware that the Manager of Member Services is here to be of service to them and may call, fax, or email with their questions.

Individual chapter files are maintained in the offices of the Manager of Member Services. Each chapter's files are constantly updated and all correspondence is maintained within the files. Request For Training, Attendance Sheets, Reports of Training and Evaluation forms are also kept within the files. These files must be kept up to date so as to accurately reflect all training being done by the local chapters under the authority of the Association of Certified Fraud Examiners.

Local Chapter membership lists are maintained in the chapter files and at least semi-annually, or upon special request, the Manager of Member Services will provide the chapters with updated listings of new members and names contained within the Association's database. Normally provided on diskette, which simplifies mail merges and membership directories, it is possible to obtain this listing in a hard-copy version.

The Manager of Member Services works closely with Dick Carozza, editor, in the writing and production of the "Chapter News" section of *The White Paper.* Articles and photographs for the "Chapter News" section should be directed to the Manager of Member Services.

The Manager of Member Services assists in the coordination of the two-day training seminars being done in conjunction with the local chapters. The preparation of agreements between the Association and the chapter, the accumulation of the mailing lists collected by the local chapters, and the coordination of local chapter registration personnel with the Seminar Department are also duties of the Manager of Member Services.

Research and Education

John D. Gill, J.D., who also serves as the Association's General Counsel, supervises the Research and Education Departments. These departments consist of four full-time professionals, including lawyers and accountants. The Research Department is available to CFEs, Associates and Local Chapters who are seeking information or have questions about fraud and white-collar crime. The Education Department is responsible for developing new education products and updating existing products such as books, self-study courses, and updates to the *Fraud Examiners Manual.*

Administration

The Association's Administration Department is comprised of a team whose common goal is to ensure the organization efficiently, effectively, and successfully services its members and customers. Together, the members of this team work diligently to oversee the basic operations of the company.

As white-collar criminologist, Founder, and Chairman of the Board of Directors of the Association of Certified Fraud Examiners, Joseph T. Wells, CFE, CPA, plays a vital role in the Association's growth and development. In addition to authoring several comprehensive books on white-collar crime, Mr. Wells writes, researches and lectures extensively on fraud related topics.

Gil Geis, President of the Association, is President Emeritus of Criminology at the University of California-Irvine. Geis is a Regent Emeritus and one of the founding fathers of the Association. A major contributor to the *Fraud Examiners Manual*, Geis also advises the Association on fraud research and trends.

Vice President Kathie S. Green is second-in-command of the Association, supervising the organization's day-to-day operations. Directly overseeing the Finance, Marketing, Seminar, Membership, Member Services, and Human Resources Departments, Ms. Green makes on a daily basis the crucial decisions necessary to run a successful international company. Skilled in the art of resolving conflicts, Ms. Green has helped the Association earn its reputation for providing excellent customer service.

James D. Ratley, CFE, is the Association's Program Director. In this capacity, Mr. Ratley oversees all aspects of the CFE program, including implementing procedures for the CFEs at the direction of the Board of Regents. Mr. Ratley is also a member of the Association's faculty and teaches regularly at workshops and conferences on a variety of fraud-related subjects.

The Assistant to the Chairman oversees all administrative functions at the direction of the Chairman, and works closely with him in joint ventures with other organizations and associations. In addition to serving as the project manager for all Association publishing and self-study projects, the Assistant to the Chairman is also the liaison between Association headquarters and the European Region, working closely with our European team to improve the quality of service to the Association's international members.

The Human Resources Coordinator is responsible for recruiting, interviewing, and selecting candidates for employment. In addition to maintaining all personnel files, the Human Resources Coordinator manages the Association's Customer Service Team, provides on-going company training to employees, and oversees property maintenance.

HEADQUARTERS TRAINING RESPONSIBILITIES

The Association of Certified Fraud Examiners, Inc. will coordinate all regional, national and international conferences, seminars, and symposiums. Organizing these events will be the principal thrust of headquarters personnel. Because of the growth in the Association, the main training event for all Members is now the *Annual Fraud Conference*.

Each year the Association offers a number of programs in anti-fraud training, which can be studied in a variety of formats. All Members (CFEs) receive discounts on training and Chapter Members receive an additional 5% discount.

Conferences and Seminars

Currently, there are three major international fraud conferences annually – in the United States, Canada, and Europe. Seminars ranging from one to five days are offered in select locations around the world, as well as at the Association's headquarters in Austin, Texas.

Distance Education

- Self-study training: Members and Associate Members can access a variety of formats for self-study training: interactive computer-based programs, videotape training, and workbooks.

- *The White Paper* CPE Quiz provides Members with an easy and convenient way to acquire continuing professional education credit, simply by reading the informative fraud-related articles found in each issue of *The White Paper* and returning the completed CPE Quizzes at one time. A score of 80 or higher on each CPE Quiz will qualify for two hours of CPE credit. After grading the five quizzes, the Association will mail a Certificate of Completion, which indicates the number of CPE credits earned.

- The CFE Review for the Uniform CFE Examination: this a computerized course contains a total of 2,000 questions in the following areas: Financial Transactions and Fraud Schemes; Law; Investigation; and Criminology.

- On-line learning: the Association offers several courses that can be taken over the Internet for CPE credit. For more information and a list of courses, visit the Association's website at www.cfenet.com.

COMMITTEES OF THE ASSOCIATION

Advisory Committees and Responsibilities

There are ten advisory committees of the Association of Certified Fraud Examiners which advise the Association's Board of Regents on applicable trends, crimes, projects and areas of research affecting Certified Fraud Examiners. A budget of $600 per year has been allotted to each committee to defray costs of telephone, postage, copying, and miscellaneous expenditures. Although advisory committee members do not generally meet in person, expenses for attendance at advisory committee meetings is the responsibility of the committee member.

Advisory committees are typically made up of from six to eight members. Most terms are for two years, but may be extended depending on the circumstances and with the approval of the Association. The advisory committees report to the Manager of Member Services functionally, but are under the direction of the Board of Regents. A Regent may be designated to personally supervise a specific committee.

Chapter Development Committee

- Provide assistance to Certified Fraud Examiners who wish to form local chapters of the Association.

- Provide assistance to current local chapters to improve chapter activities, training and services.

- Assist the Manager of Member Services in communicating with the local chapters.

Commerce Committee

- Identify key fraud areas of special concern for commercial entities.

- Design and implement a survey instrument to determine common fraud schemes specific to commercial environments.

- Draft an inventory of detection methods and controls to prevent fraud.

- Formulate a series of specialized training initiatives for CFEs and make recommendations to the Professional Liaison Committee on marketing the CFE program in the commercial field.

Computer Fraud Committee

- Determine the needs of Certified Fraud Examiners in understanding computer fraud and other areas of computer-related crimes, which include:

  – Computer fraud and computer-related crime schemes.

  – Elements of computer fraud and computer-related crimes.

  – Skills needed to investigate computer fraud and computer-related crimes.

  – Tools and techniques available to investigate computer fraud and computer-related crimes.

  – Training needed to investigate computer fraud and computer-related crimes.

  – Detection techniques.

Financial Institution Fraud Committee

- Provide the Association with an effective means of communicating with financial institutions.

- Identify areas of special concern for financial institutions

- Make recommendations for promoting the CFE program in financial institutions.

- Act as a resource for Association members of financial institutions by providing a network of information sharing and informal consulting on matters affecting the industry.

Governmental Fraud Committee

- Promote improved fraud detection and deterrence in the government sector.

- Represent the interests of Certified Fraud Examiners employed by federal, state, and local governments.

- Develop surveys to compile a professional profile of CFEs in government.

- Propose training to the Association which meets the needs of CFEs in government.

Health Care Fraud Committee

- Collect and disseminate information regarding fraud in health care.

- Develop ideas on how to prevent and detect fraud in health care.

- Provide speakers for conferences and local chapter meetings on the subject of health care fraud.

- Encourage professionals at health care institutions to become Certified Fraud Examiners and to become active in the Association and local chapters.

Insurance Fraud Committee

- Provide the Board of Regents with guidance for insurance industry training needs to deter, detect, investigate, report the fraud to management, and, if necessary, law enforcement agencies for possible prosecution.

- Create a communication network among CFE members on new fraud detection methodologies to minimize and control fraud in the insurance industry

- Develop a database for storing vital statistics regarding CFE insurance members and information on how effectively each company is preventing, detecting, investigating, and reporting fraud, etc.

International Fraud Committee

- Promote Association membership, certification, and education programs in international business markets.

- Assist the Association grasp peculiarities of custom, law, and language in markets it chooses to enter.

- Encourage effective outreach programs with international fraud investigators and the law enforcement community.

- Facilitate exchanges of international fraud detection and deterrence ideas.

- Keep the Association on the forefront of research and development regarding international investigative tools and containment strategies.

Professional Liaison Committee

- Identify professional and industrial organizations for which the ACFE can provide significant services and secure an active interface with these organizations.

- Inform such organizations about the availability and character of Association programs designed for or adaptable to their use, facilitate the presentation of these programs, and provide such service as requested.

- Initiate and maintain a working relationship with professional and industrial organizations with which the Association shares significant common objectives and provide reasonable assurance that such interorganizational cooperation achieves the maximum cost-effective mutual benefit.

Research Committee

- Identify key areas needing research and develop objectives relating to such research.

- Determine current and up-to-date sources available for research information relating to fraud detection and deterrence, with a view to distribution of the information to the ACFE membership.

- Utilizing ACFE resources, disseminate research results to Certified Fraud Examiners, allied professions, and other parties of interest.

Standing Committees and Responsibilities

There are four standing committees of the Association of Certified Fraud Examiners which have specific assignments set forth by the Board of Regents requiring action and resolution. The committee chair meets with the Board of Regents at the annual meeting to discuss the status of various projects as well as to get feedback and direction on specific projects. The Association pays for travel, food, and lodging for the Annual Meeting only. A budget of $600 per year has been allotted to each committee to defray costs of telephone, postage, copying, and other miscellaneous expenses. Committee meetings may be held outside of the annual meeting at the expense of the committee member.

Most standing committees have three members, more members may be designated as needed to complete various assignments. Most terms are for two years, but may be extended depending on the circumstances and with the approval of the Association. The standing committees report to the Deputy Program Director functionally, but are under the direction of the Board of Regents. A Regent may be designated to personally supervise a specific committee.

Continuing Education Committee

- Reviews the continuing professional education programs of the Association and makes recommendations to the Board of Regents concerning requirements the Certified Fraud Examiner must have to maintain their member status.

- Administers the scholarship fund. The committee sets the prerequisites, reviews the applications, and awards the scholarships to the recipients. The committee also recommends the number and amount of the scholarships.

- The committee works closely with *The White Paper* editor in the administration of the scholarship program.

Nominations Committee

- Reviews the background and qualifications of all potential candidates for positions on the Board of Regents

- Reviews the background and qualifications of all potential members of all Association Committees. The Nominations Committee also may have final approval for selection of all committee appointments.

- Makes recommendations to the Board of Regents as to the candidates who are most qualified to fill the positions.

Professional Standards and Practices Committee

- Develops Standards and Practices for the field of fraud examination.

- Writes interpretations of the Standards and Practices.

- Provides advice and counsel to the Association and its members relative to interpretations of the Standards.

- Promotes promulgation and acceptance of the Standards.

- Publishes such Standards and Practices and those interpretations in *The White Paper* and the Association's website.

- Develops guides for the Certified Fraud Examiner.

Board of Review

The Board of Review is the independent appraisal committee established by the Board of Regents to establish and maintain standards of conduct and to maintain canons of ethics for the integrity and reputation of the professional certification – Certified Fraud Examiner (CFE).

The purposes of the Board of Review are to:

- Establish uniform standards for handling members alleged to have violated the CFE Code of Professional Ethics, and to review and modify the standards as necessary.
- Develop procedures to investigate complaints submitted to the Board of Review.
- Investigate complaints submitted to the Board of Review.
- Make recommendations to the Board of Regents for disciplining CFEs who are considered to be in violation of the Code of Professional Ethics.
- Interact with the Professional Standards and Practices Board in issues of common interest.

Appointment to Committees

All CFEs are encouraged to participate on an Association Committee. Committee members must be CFEs in good standing. The Association annually solicits and appoints members to serve on committees. If you would like to be considered for an appointment, complete an application and submit it by November 30 of each year to either the Deputy Program Director or the Manager of Member Services.