



## CONTACT NUMBERS FOR THE 2012 BOARD OF DIRECTORS

Norm Grdina	604-736-8911
Martin Nicholls	604-899-6594
Joanna Joniec	604-323-3165
Rosanne Terhart	604-646-4381
David McCartney	604-605-5361
John Dumfries	604-214-0337

Vancouver Chapter Committees members were appointed on December 21, 2011. We are always looking for help with the various committees. Committee members do not have to be members of the board, so let us know if there is an area where you would like to help out. Contact the committee chair directly or send an email to: [information@cfevancouver.com](mailto:information@cfevancouver.com).

### **ETHICS**

**David McCartney**

### **MEMBERSHIP/OUTREACH LIAISON**

**Rosanne Terhart**

### **PROFESSIONAL DEVELOPMENT AND TRAINING**

**Martin Nicholls**

### **NEWSLETTER**

**John Dumfries**

### **SECRETARY**

**Dan Dalton**

### **TREASURER**

**Dan Dalton**

### **WEBSITE**

**John Dumfries/Russ Lefler**

## PRESIDENT'S MESSAGE

November 28 and our Annual General Meeting are fast approaching! The AGM is now scheduled to commence at 5:15 p.m. followed by dinner at about 6:00 p.m. at the Terminal City Club in Vancouver. Please do support this event by inviting an Associate or a friend. This will be a wonderful opportunity to network.

Your Board will be inviting some guests as part of the "Presidents Guest Program" since we are committed to our outreach initiative. We are concentrating our efforts on inviting Directors from other professional organizations to encourage education-based partnerships.

We need to spread the news about CFE to other associations and groups that may require our members' services. Please bring your brochures and promotional material as we will have a display table set up.

Your Board is also actively planning for our May full day training session as well as confirming our guest speakers for 2013. So far Shannon Walker from Whistleblower Security and Micheal Vonn the Policy Director of the BC Liberties Association have agreed to speak at our luncheons.

Please share your ideas for our up-coming sessions, continue to visit our website, following the links and offering your suggestions as they come to mind.

Take care and, once again, we thank you for your support.

Norm Grdina, CGA, CAFM, CFE President, Vancouver Chapter



### **ACFE Vancouver Annual General Meeting**

When: Wednesday, November 28, 2012 at 5:15pm

Speakers: Norm Grdina, CGA, CFE

Topics: State of the Union

Where: Terminal City Club Ceperley/Walker Rooms  
837 West Hastings St. Vancouver

Cost: \$75 plus tax for members, \$85 plus tax for non-members.

Reserve your spot by emailing Jean Michel at (cfevancouver@yahoo.ca).

### **Upcoming events:**

#### **ACFE Vancouver Chapter Christmas luncheon:**

Hear ye, hear ye, come one come all to our annual Christmas luncheon. Also, we will be having a 50/50 draw with proceeds going to The Covenant House.

When: December 19, 2012 at Noon

Where: Terminal City Club 837 West Hastings Vancouver

Cost: TBD

#### **ACFE Vancouver Chapter luncheons:**

When: February 20, 2013/April 24, 2013

Speakers: Micheal Vonn from BCCLA/Shannon Walker from Whistleblower Security

Topics: TBD

Where: Terminal City Club 837 West Hastings Vancouver

Cost: TBD

### **OCTOBER SPEAKERS SUMMARY**

At our October 24<sup>th</sup> luncheon, Dr. Robert Hanlon, a professor from UBC, spoke about Corruption in Asia.

Some of the highlights include:

- “You must assume all officials are corrupt all the time”, according to a Human Rights Lawyer, Hong Kong, 2007.
- Corruption is considered the #1 Risk to the economy in China.
- The ICAC in Hong Kong has been used as a model to combat corruption in Asia.
- 63% of Thais favoured a corrupt official if they deliver on promises and services.
- Pay bribes get in office then take it out - \$1-\$3 million dollars to be a minister of government.

Corruption in Canada:

RCMP has 14 members in the Calgary and Ottawa offices that are dedicated to fight corruption.

- In 2005, Hydro Kleen Group in Alberta (\$25,000 fine).
- Niko Resources in Bangladesh (\$9.5 million fine).
- Padma Bridge and SNC-Lavalin in Bangladesh (current).
- Blackfire Exploration in Chiapas, Mexico (current).
- Another 34 ongoing cases.



## **Find a Fraud Examiner**

The Vancouver Chapter website <http://cfevancouver.com/examiners> has a section called **Find a Fraud Examiner** where members in private practice or those willing to take outside jobs can advertise.

**If you are a CFE** and a current member of the Vancouver Chapter of the Association of Certified Fraud Examiners and you would like your name and contact information on our website, please send the following information to us at [website@cfevancouver.com](mailto:website@cfevancouver.com) and put '**Find a Fraud Examiner**' in the subject line.

**Name:**

Professional Designation(s):

Title:

Company:

Address:

Telephone #:

Fax:

Cell Phone #:

Email:

Website:

Specialty or Area(s) of Practice: \*

*\* For instance, Forensic Accounting, Risk Consulting, Investigation, Employment Law, etc. We are also happy to accept a short narrative description of your services. Please note that other than name, each of these fields is entirely optional.*

## **Website Jobs Posting**

A feature of the website is a Jobs Posting page <http://cfevancouver.com/postings>. We are offering a free posting to any companies who have even one employee as a member of our chapter.

To post a position, contact John Dumfries or Russ Lefler at [website@cfevancouver.com](mailto:website@cfevancouver.com).

## **In The News**

Wal-Mart deals with corruption in Mexico:

<http://www.reuters.com/article/2012/10/24/us-walmart-compliance-idUSBRE89N11R20121024>

Fraudsters are now targeting bank employees:

<http://www.bankinfosecurity.com/fraudsters-target-bank-employees-a-5269#.UJlukSibEcw.twitter>

Lessons for auditors from the Peregrine fraud:

[http://www.accountingtoday.com/ato\\_issues/26\\_10/The-end-of-a-20-year-old-fraud-64114-1.html](http://www.accountingtoday.com/ato_issues/26_10/The-end-of-a-20-year-old-fraud-64114-1.html)

BC Municipal auditor appointed:

<http://www.biv.com/article/20121108/BIV0109/121109938/-1/BIV/clark-appoints-municipal-auditor-general>

Another Madoff employee admits to fraud:

[http://www.reuters.com/article/2012/11/09/us-madoff-controller-plea-idUSBRE8A804E20121109?feedType=RSS&feedName=businessNews&utm\\_source=dvr.it&utm\\_medium=twitter&dvr.it=56943](http://www.reuters.com/article/2012/11/09/us-madoff-controller-plea-idUSBRE8A804E20121109?feedType=RSS&feedName=businessNews&utm_source=dvr.it&utm_medium=twitter&dvr.it=56943)

Laval and Montreal mayors resign over corruption, Quebec appoints special auditor:

<http://montreal.ctvnews.ca/quebec-to-appoint-special-auditor-for-laval-1.1036383>

BC MLA's travel expenses audited:

<http://www.theglobeandmail.com/news/british-columbia/bc-mlas-travel-expenses-disclosed/article4803570/>

Toronto's watchdogs downsized:

<http://news.nationalpost.com/2012/10/27/downsizing-torontos-watchdogs/>

Conrad Black, convicted fraudster, sociopath:

[http://www.vancouversun.com/news/Conrad+Black+loses+Order+Canada+hearing+Federal+Court+wont/7446064/story.html?utm\\_source=dvr.it&utm\\_medium=twitter](http://www.vancouversun.com/news/Conrad+Black+loses+Order+Canada+hearing+Federal+Court+wont/7446064/story.html?utm_source=dvr.it&utm_medium=twitter)

[https://www.youtube.com/watch?v=GaH7yj4w\\_Ag](https://www.youtube.com/watch?v=GaH7yj4w_Ag)

## **Newsletter article quiz**

Name 1 internal control recommendation that Peregrine has now implemented after the fraud or must be implemented. Send answer to [newsletter@cfevancouver.com](mailto:newsletter@cfevancouver.com) for a chance to win a \$20 Starbucks gift certificate.



## **Books about white collar crooks**

These month's recommended book is "Bailout: An inside account of how Washington abandoned Main Street while rescuing Wall Street" by Neil Barofsky. Barofsky was the Special Inspector General in charge of oversight of TARP.

TARP was the Trouble Asset Relief Program created to aid troubled banks i.e. the \$700B bailout in 2008. SIGTARP, an independent dept., had a \$70 million budget to ensure that TARP funds were spent on the intended purpose of the program. SIGTARP audited the process of Treasury's TARP decision making.

Barofsky had previous experience prosecuting drug crimes (where he faced interference from the DOJ) and investigating mortgage fraud as a US Assistant District attorney in New York. One of his investigations included the REFCO case which was the first to charge outside counsel that aided in mortgage and accounting fraud.

Barofsky mentioned that the best advice he heard prior to starting was don't be a lapdog or a junkyard dog, be a watchdog.

The original TARP plan had no oversight provisions, no reporting provisions and Treasury was protected against administrative and legal review. This was rejected and then replaced with broader oversight provisions but a virtually unlimited expansion of the definition of troubled assets that treasury could purchase. One of the first TARP programs was called the Capital Purchase Program which was a \$250 billion direct equity injection into banks in the form of preferred shares which was not the original intention of TARP. TARP was also not intended to bailout 2 big automakers, which eventually happened. Banks were spending TARP funds on acquiring other banks, bonuses to employees, buying securities and saving but not lending to the public which was the intention of the bailout. Banks were not required to disclose how they were spending TARP funds.

Concerns raised were that almost half of the money was out the door prior to the SIG being hired and the lack of transparency displayed by the banks.

TARP fraud committed by banks: Banks overstating their assets to appear healthier in order to receive TARP funds (\$11 million fraud in NYC). Also, some banks would claim that they had received TARP funds to appear to be less risky to potential investors. Colonial Bank and Mortgage originator Taylor Bean were involved in an insider trading fraud involving TARP Funds and lack of adequate disclosure. SIGTARP's investigation determined it was a multi-billion dollar accounting fraud. In addition, one Ponzi schemer fraudulently received funds from investors stating that the investment was secured by TARP when it wasn't.

Barofsky also found discrepancies in the bailout of AIG (bonuses paid) and the Term Asset Backed Securities Loan Facility (TALF) both received TARP funds. TALF was created to help out the bond market but fraud risks existed such as collusion between the bond seller and buyer.

Challenges included how to measure bailout funds received from other banks funds since money is fungible. Also, Barofsky faced interference from the Treasury department.

Methods to audit banks on how they used TARP funds:

- What changed on their balance sheet after they received the funds?
- How did different balances compare before and after the funds came in?
- Did lending increase or decrease?
- How about cash on hand, securities investments and acquisitions?

During Barofsky's time at SIGTARP they secured criminal convictions of 18 TARP related fraud cases with another 54 charged. Prevented more than \$550 million being lost due to fraud and recovered \$150 million.



## **Chapter member profile**

Rob Reid is a current CFE student and expects to complete his CFE designation by the end of the year. Rob holds a Diploma in Accounting from Kwantlen Polytechnic University.

Currently, Rob works as a Fraud Analyst with Ritchie Bros. Auctioneers and has over seven years of accounting experience in a variety of roles, including almost five years as an internal auditor/risk analyst. Recently, Rob has been heavily focused on fraud analysis and investigations, implementing and improving loss prevention processes, ethics hotline and code of conduct related activities, and anti-corruption compliance and prevention. Other areas of expertise include enterprise risk management activities and SOX compliance planning and testing.

Rob joined the Vancouver chapter of the ACFE in the summer of 2012 and is looking forward to various learning and networking opportunities offered by the ACFE.

## **Chapter news**

If you haven't already is that time of year again for members to complete the registration form and renew their ACFE Vancouver chapter membership. Chapter membership has many benefits such as discounted PD luncheon fees, access to the newsletter, job postings, and the Find a Fraud Examiner webpage. The membership fees cover the period October 1, 2012 to September 30, 2013. It is \$95.20 for regular membership and \$28.00 for student membership. The fees have stayed the same this year.

Click here to complete the form and submit it to Jean Michel [cfevancouver@yahoo.ca](mailto:cfevancouver@yahoo.ca):

[http://cfevancouver.com/files/RegistrationRenewal\\_2012\\_2013.pdf](http://cfevancouver.com/files/RegistrationRenewal_2012_2013.pdf)

## **Chapter news continued**

Members and the public are able to connect with the ACFE Vancouver chapter via social media sites such as Twitter and LinkedIn. To find out about PD events, job postings, network with fellow members and keep up to date with the latest fraud news add/follow us on social media sites.

Twitter: [http://twitter.com/#!/ACFE\\_Vancouver](http://twitter.com/#!/ACFE_Vancouver)

LinkedIn: [http://www.linkedin.com/groups?gid=3964400&trk=hb\\_side\\_g](http://www.linkedin.com/groups?gid=3964400&trk=hb_side_g)

I would like to welcome our new sponsors the BC Securities Commission's InvestRight and Be Fraud Aware program.



## **News Release from BCSC:**

### **Investment Decisions Go Mobile: Be Fraud Aware Application Offers On-the-Go Protection Against Investment Fraud**

Staying informed and alert is key to protecting against [investment fraud](#). Research, background checks, and understanding the [warning signs of investment fraud](#) are all critical to making an informed decision on investment services. But not all decisions on [how to invest](#) are made following extensive consideration or in a familiar environment. Many times investment decisions are made quickly and under pressure, or at a seminar or group setting. The chance to invest is offered only within a short window and there is no time or tools available to stop and conduct a proper assessment of a proposed investment offer. The risk of investment fraud is high in situations like these.

Having information on the warning signs of investment fraud and the ability to spot and report a [fraudster](#) constantly at your fingertips would make navigating





## **News Release from BCSC continued**

Investment offers and decisions much easier. That is where the use of mobile phones and, more specifically, mobile applications, come into play. At home or on the road, a new mobile application from the [BC Securities Commission's \(BCSC\) InvestRight](#) program provides assistance in avoiding, spotting and reporting investment fraud.

The [Be Fraud Aware application](#) can be used on iPhone or iPad to stay informed with timely investor education and investor protection news, alerts about scams happening in British Columbia, and unbiased information on investment products or emerging fads.

The application (available for free in [Apple's App Store](#)) provides access to on-the-go protection from investment fraud through:

- Up-to-date news and Investor Alerts
- A 'Fraud Finder' featuring an easy-to-use guide to spotting investment fraud
- A 'Risk Profiler' which provides a means of assessing your personal risk tolerance
- The ability to complete a quick check of the CSA Disciplined Persons List to see if the person offering the investment services has been sanctioned or disciplined for misconduct
- Access to the BCSC's Investment Caution List to determine if unregistered activity or unqualified securities are being promoted in British Columbia
- A glossary of scam terms that can be used to identify warning signs of common investment scams
- The ability to connect to BCSCInvestRight on [Twitter](#) and [YouTube](#) directly through the app

Not only can the Be Fraud Aware application be used to navigate and assess potential investment fraud, but it can also be used to report it.

The iconic, red 'report fraud' button on the app allows individuals to act immediately and send information about potential investment fraud anonymously, to the BCSC.

Now, people sitting in an investment seminar or a meeting where they are asked to make a commitment on the spot can quickly and easily access information that will help them make an informed decision. They will also be able to report their suspicions and fears directly to the BCSC.

## **BCSC's October Enforcement Roundup**

In October 2012, the BCSC issued one notice of hearing, two decisions, and reasons for revoking a temporary order. BCSC staff, with the help of the police, made one arrest. During October 2012, IIROC released one settlement agreement relating to a BC registrant, and the MFDA released one decision against a BC registrant.

We've included a summary of a few of the cases below:

### **[Arrest – Kelly Fielder](#)**

The BCSC's Criminal Investigations Team and the Vancouver Police Department arrested Fielder and charged him with fraud over \$5,000 and theft over \$5,000. Both are Criminal Code charges that have not been proven.

### **[BCSC Findings and Sanctions – Gaia Equity Investments, Midas Group Holdings Ltd., and Samuel Richard Allaby](#)**

A BCSC panel permanently banned Allaby, Midas and Gaia from the province's capital markets and fined Allaby \$50,000.

The panel found that Allaby knowingly made false statements while promoting Gaia Equity Investments, a purported company claiming to guarantee B.C. investors a risk-free monthly rate of return of up to 9.83% through investments in renewable energy projects in developing countries. In its decision, the panel stated that Gaia is effectively a division of Midas Group Holdings Ltd, a company incorporated by Allaby and for which he is the sole director.



## **BCSC October enforcement roundup continued**

BCSC staff investigated the case after finding an advertisement that promoted the Gaia investment on Craigslist.

### **BCSC Findings and Sanctions – Paul Lester Stiles**

A BCSC panel permanently banned Stiles from the province’s capital markets and fined him \$35,000.

The panel found that between 2009 and 2012, Stiles promoted an investment in Velocity Entertainment Inc. that he claimed would provide B.C. investors with returns ranging from 12% in one year to 100% within six months. Stiles was the sole director of Velocity, which was dissolved in 2005 and has never filed a prospectus in B.C. The Velocity Entertainment investment was also promoted on Craigslist. In its decision, the panel noted that Stiles ignored BCSC Staff warnings that his capital raising activities contravened securities laws.

The panel characterized Stiles’ disregard of BCSC staff warnings as “contempt for our system of securities regulation”, and stated that his conduct “shows that he has attempted fraud before and will continue to do so.”

### **IIROC Settlement– Samuel Ryan Scoten**

A hearing panel accepted a settlement agreement, between IIROC staff and Scoten. Scoten admitted that he solicited and facilitated the purchase of shares without his employer’s consent, he engaged in discretionary trading, and that he provided IIROC staff with information that he knew, or ought to have known, was false.

Scoten consented to a three-year prohibition from approval in any capacity from IIROC, and that he takes approved courses before being eligible for approval. He will also be subject to one year of strict supervision once reapproved. He agreed to pay IIROC a fine of \$50,000 and costs of \$5,000.

Access to more cases BCSC cases: [Notice of hearing: Jefferson Franklin Mesidor](#)

[Reasons for decision re temporary order: Yan Zhu \(also known as Rachel Zhu\), Guan Qiang Zhang, and Bossteam E-Commerce Inc](#)

SRO cases: [MFDA decision re Raymond Ho](#)

## **Reporting to the BCSC**

Time and time again, the BCSC hears reasons for not reporting: “it is too difficult”; “I do not know who to report it to”; “I am too embarrassed”; “I am too ashamed”; “I signed a confidentiality agreement”.

There are a variety of ways you can report suspicious activity that involves the buying and selling of securities.

The BCSC makes it as easy as possible for anyone to report to them.

- You can phone the inquiries line 604-899-6854 or 1-800-373-6393. You will be able to talk to one of their staff to outline your concerns.
- You can report anonymously, or you can give the BCSC your contact information so their investigators can follow-up with you.
- You can fill out a [complaint form](#) and email it to [inquiries@bcsc.bc.ca](mailto:inquiries@bcsc.bc.ca).
- You can respond to their blog in the form of a comment, and they will follow-up to get more information.
- You can fill out [Report a Scam](#) and simply click on the submit button and it will go right to the Inquiries Group.

The benefits of reporting far exceed the reasons not to. So please look for the investment fraud [warning signs](#), and report to the BCSC anything you think is suspicious – whether it involves you, your family, or your friends.

### **Stay connected with BCSC InvestRight:**

Subscriptions: <http://www.investright.org/subscriptions.aspx>

Facebook: <https://www.facebook.com/BCSCInvestRight>

YouTube:

<http://www.youtube.com/user/BCSCInvestRight?feature=watch>

Twitter: <https://twitter.com/bcscinvestright>