

Association of  
*Certified Fraud Examiners*  
Greater Chicago Chapter



[www.acfechicago.org](http://www.acfechicago.org)

*Fall 2008*

## A Message from the President

Greetings Greater Chicago Chapter Members,

The weather has finally changed and we're beginning to experience the first hints of autumn weather-rain, wind, political ads and Wall Street. Chicago is well-known as the "the windy city" and we all know that this nickname was originally bestowed upon our city, not because of the weather, but because of our "windy politicians". However, compared to shenanigans of the characters in "***The Rise and Fall of the Corrupt Politician who conceived the Soul of Modern New York***", Chicago's politicians look honest.

As we embark on our greatest efforts as an organization (one of the best chapters within the ACFE!) it is my hope that we continue to strive towards excellence, professionalism, and most importantly, integrity. These values have been the core of the fraud field since its inception.

Lately, we've been inundated with the disturbing news regarding some of our largest financial institutions and the state of our economy. A few months ago we were baffled after hearing that Bear Stearns had a liquidity problem and that perhaps it was one of the greatest financial scandals in history. The troubles deepened with Fannie Mae, Freddie Mac, AIG, Lehman Brothers, WaMu, etc. Up until now, the greatest financial debacle in history was perpetrated – believe it or not—in the 1700's. "The South Sea Bubble" scandal in 1720 caused the loss of over \$500 billion translated in today's dollars. It took over 300 years to beat that record but it is quite obvious that the 21<sup>st</sup> century has made its mark with fraud and the collapse of major companies that have for decades graced the pages of business magazines, Fortune "500" lists, and the best companies to work for."

Now we, as taxpayers, are being forced to bear a deficit of \$700 billion dollars. Like the savings and loan scandals of the 1980's, we are once again being saddled with a burden that will be passed on to our children and grandchildren. The resurgence of scandals and corporate corruption continues to be unveiled. We can and we must join forces to remain

*Continued.....*



*Delena D. Spann, M.S., CFE, CCA*

### Mission Statement

The mission of the Association of Certified Fraud Examiners is to reduce the incidence of fraud and white-collar crime and to assist the Membership in its detection and deterrence. To accomplish our mission, the ACFE...

- Provides bona fide qualifications for Certified Fraud Examiners through administration of the CFE Examination
- Sets high standards for admission, including demonstrated competence through mandatory continuing professional education
- Requires Certified Fraud Examiners to adhere to a strict code of professional conduct and ethics
- Serves as the international representative for Certified Fraud Examiners to business, government and academic institutions
- Provides leadership to inspire public confidence in the integrity, objectivity, and professionalism of Certified Fraud Examiners

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*Certified Fraud Examiner*

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dedicated to what we believe. We must not faint in adversity. Forget about the bulls and the bears of Wall Street; we must not let our great country fall to the wolves.

Our last chapter event for the year will be held on Monday, October 20<sup>th</sup> at Robert Morris College in the Culinary Dining Room.

Our holiday event will be held at Maggiano's on Tuesday, December 9<sup>th</sup>. We look forward to seeing all of you.

Lastly, for those that have an interest in participating in the Greater Chicago Chapter Women's Fraud Group, the Sponsorship Committee or writing for the chapter newsletter please contact us.

***Our vision remains: "Let's Go Shopping For Fraudsters"***

Best Regards,

*Delena D. Spann, M.S., CFE, CCA*

President, ACFE Greater Chicago Chapter  
\*ACFE Board of Regents

Editor's Note:

Like Oprah, Delena is a voracious reader, especially when it comes to the subject of fraud. These are some of the books that Delena recommends for good Fall reading:

*Boss Tweed: The Rise and Fall of the Corrupt Politician who Conceived the Soul of Modern New York* by Kenneth D. Ackerman. Avalon Publishing

*The King, The Crook, and the Gambler: The True Story of the South Sea Bubble and the Greatest Financial Scandal in History* by Malcolm Balen. HarperCollins Publisher

*Without Conscience: the Disturbing World of the Psychopaths Among Us* by Robert D. Hare, PhD. Guilford Press

## Ring Around the White Collar

By Robert Quillinan, MBA, CFE

As company after company tumbles under the credit mess, am I the only one that thought the increase in trading in derivatives smelled like week old fish? It will be interesting to watch the trials of several hedge fund managers that allegedly saw the end coming and pulled their own money out in front of their clients.

Let's get to this letter's fraud roundup.

### My Uncle is God

If you ever wondered why con men turn to fraud, our first story should shed some light on the why.

When he was growing up in Italy, Raffaello Follieri like to get new toys. His family didn't always give in to his wants, and other kids would have forgotten about Mom or Dad saying no to the demands for new toys. Not Raffaello.

When he was in his early 20's, he decided to go to the land of opportunity, the USA. Now at this time, the real estate market was hot, and Raffaello hatched a plan to play off other people's greed to make more and more in the real estate game.

Raffaello had an asset, his looks. He was tall, with wavy black hair and a million dollar smile.....and an Italian accent. He started to hang with the real estate brokers in the Miami and New York area; he got invited to the right parties and let it be known that he was in the USA to look for investors. He found many takers.

His story was that he had a relative, sometimes an uncle, sometimes a brother, who was a financial advisor for the Vatican. Yes, that Vatican. The relative was to sell Vatican owned real estate in and around Rome. The relative would discount the properties to Raffaello and Raffaello would then resell the properties in the hot European markets, potentially earning huge profits.

Soon, Raffaello was getting checks from numerous investors. He opened a posh office off Wall Street. He got the big watch, actually many of them. He traveled back to Italy, allegedly continuing to work with his Vatican connection.

He was on a roll. Fame. Fortune. Toys. Now the only thing he needed was some arm candy, and arm candy he got. Seems that no less than actress Anne Hathaway fell for the good looks and the Italian accent. She was soon engaged to the kid from Italy.

It all came crashing down when one of his big investors, who actually knew someone at the Vatican, flew over and had a chat about young Raffaello. Soon he started to not answer calls and closed his office. Then the indictment was handed out and he was trading his Rolexes for handcuffs.

Follieri has pled guilty to several counts including money laundering, fraud and wire fraud. He is to be sentenced on Oct 3, 2008. He is facing up to 20 years in prison.

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### About ACFE

#### Newsletter

The ACFE Greater Chicago newsletter is published quarterly. Submissions to our newsletter must be sent to the Newsletter Editor for consideration by the deadlines stated below. This is the official publication of the ACFE Greater Chicago Chapter. All rights reserved.

Deadline for Information and Print Schedule. Dates are subject to change:

9.1.08 for 10.15.08  
12.1.08 for 1.15.09  
3.1.09 for 4.15.09  
6.1.09 for 7.15.09

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Body of Newsletter with Web Site Link  
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in JPG, TIFF, PDF  
or TEXT Format

*Continued from page 3.*

Anne Hathaway won't be visiting him at the big house, she broke off the engagement. So far, she has kept the ring.

### **How Many Times Can You Get Hit In The Head Before The Light Goes On?**

In March of 2008 arrests were made by US and Brazilian police. In all, over 18 persons were arrested and charged with the most persistent fraud I've seen in many years. Persistent, because the bad guys went back to the same victims several times and told them a different variation of the same scam.

In 2005, the New Jersey Bureau of Securities received numerous calls about fictitious stock transactions. In summary, Heritage Financial of Trenton, N.J., had alleged representatives contact people outside the United States in countries like Argentina, Brazil, Mexico etc. and offer to purchase penny stocks that were held by the people Heritage contacted. It is not known how Heritage obtained the contact names and addresses of the people that owned the penny stocks. Most of those contacted were "underwater" because they bought the stocks from various boiler room brokers anyway, and as soon as they were "pumped and dumped", they lost money.

The owners of the stock were told that Heritage was buying these stocks for an anonymous investor and that Heritage was authorized to pay well over the market price for the stocks. Once the stock owners agreed, the Heritage representative would say that the transaction required service fees and transaction fees be paid in advance. They would tell the stock owners to wire transfer money to bank accounts located in and around Miami, Florida. Once the money was received, that would be last time the stock owners would here from Heritage.

Now the "victims" were out twice. Once when they bought the stock and it immediately dropped like a rock, and a second time when they transferred money to Heritage bank accounts.

Ah, but hope springs eternal.

Some of the victims traced back the phone calls and contacted Heritage. They then demanded to know where their money was. The Heritage representative would tell them that in researching the particular penny stock that the victims had, that Heritage had uncovered outstanding warrants on the

penny stocks and that the anonymous investor wanted the warrants also. Now Heritage told the victims that because the warrants would allow their anonymous investor to control even more of the penny stock, they were authorized to pay several times what the warrants were worth. This would increase the victim's profit by several times. So many of the victims willing jumped off the ledge and ended up sending even more fees and phony pre-paid taxes to the same bank accounts in Miami.

The victims never received a dime.

The alleged bad guys in the US, Rodrigo Molina and Marcos Macchione, both of Florida, have been indicted on 16 counts of various fraud charges. They must have thought that by only targeting persons living outside of the US, that they would never be pursued in the US. They were incorrect. Investigators from the SEC, Justice Department's Major Fraud unit, FBI, Postal Inspectors and several State Police units worked with the Brazilian Federal Police over three years tracing the money and phone calls, emails and regular mail. According to the indictment, Heritage obtained over \$50 million dollars from individual investors taken by their scheme.

An interesting note to this case is that although the main scheme was operated out of Brazil, the offenders used Voice Over Internet (VOIP) to make phone calls generated from Brazil appear as if they were initiated from New Jersey.

So far, Federal and state authorities have seized 17 guns, numerous vehicles, a home and \$1.5 million in cash.

For more details, go to the Department of Justice web site, [www.usdoj.gov](http://www.usdoj.gov).

### **Bullet Points:**

- Samuel Israel III has only 19 years, 10 months left to serve on his conviction of the, so far, largest hedge fund related fraud. Israel faked his death by suicide in June of this year, but his girlfriend gave him up after being taken into custody for lying to a Federal officer. Federal officers don't like that.

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- Not even Scotland Yard seems to be immune from fraud. Former inspector Richard de Cadenet was sentenced to 10 months in prison for credit card fraud. Seems Cadenet was issued an American Express card for business use during his investigations. He ended up using it for almost everything else. In two years he ran up a bill in excess of 73,000 pounds. (I couldn't locate the symbol for pounds, so just deal with it) He resigned his position once the investigation began.

Until next time, follow the money.

*Robert J. Quillinan, Manager, may be reached at 847.582.6546.*

## How Medical Identity Theft Occurs

*By Rebecca S. Busch, RN, MBA, CCM, CFE, FHFMA*

The movement of protected health information (PHI) within the P-HCC can result in services rendered or products provided and related financial transactions. Key legitimate market players involved in these transactions include the patient, the provider, the payer, the plan sponsor, support vendors that may or may not be disclosed, and third-party vendors. Illicit market players involved include organized and white-collar crime entities. The key defining factor of the P-HCC is the direct provision of a service to the patient, but MIT can occur at any point within the P-HCC or S-HCC. Finally, it is important to not exclude nontraditional healthcare providers such as those for donating blood. The case illustrated earlier of Harold McCoy notes the importance of all health data stored in all healthcare transactions, including the donation of blood.

Another example includes the case of Katrina Brookes. Ms. Brookes started receiving healthcare bills in the name of her son, which included his middle name. At this point no one knew her child's middle name except close family and the hospital in which she completed paperwork to obtain her son's social security number.<sup>1</sup> The new paperwork was not placed within her son's medical record. New bills started to arrive from other providers that somehow new of the Childs middle name. The mother was suspicious because how could any other new provider know of her sons' middle name since she had not shared it with anyone else? Again, the breach occurred during a nontraditional health service in the healthcare setting. Any one can be a victim, the elderly, the sick, or the unsuspecting. When it comes to children, however, many of them will not know that their identity has been breached until the age at which they are able to secure credit. With respect to health services, the child will be dependent on the adult to ensure that future providers are not responding to adulterated records. These examples illustrate exposure to financial issues and medical errors issues, but how about losing your children?

The story of Anndorie Sachs, from Salt Lake City and mother of four children, provides an unimaginable consequence of MIT. Her experience dates back to April 2006, when she was approached by a Utah social worker. The plan was to take away her children. The last time Ms. Sachs had given

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## ACFE *Greater Chicago Chapter* Upcoming Events - 2008

**October 20**  
*Monday*

**Chicago Chapter  
Lunch Meeting**  
Presented by: TBD  
Location: Robert Morris  
College  
Culinary Dining Room  
401 S. State Street, 8th Floor  
Members - \$55.00  
Non-Members - \$65.00  
Additional \$10.00 Late Fee  
at the Door

**December 9**  
*Tuesday*

**Chicago Chapter  
Annual Holiday Luncheon**  
Location: Maggiano's  
Banquets- Chicago, IL  
Presented by: Lawrence Oliver II,  
The Boeing Company

For information, visit [www.acfechicago.org](http://www.acfechicago.org) or call the Chapter Administrator at 815-NO FRAUD

birth to a child was in 2004. The problem was that Dorothy Bell Moran, a known meth user, gave birth with Ms. Sachs medical identification card at the hospital. Social Services wanted to take away Ms. Sachs children because they thought she just delivered a baby with meth in her blood stream. After repeated phone calls for clarification Ms. Sachs was able to prove that Ms. Moran, who stole her medical identity, delivered the baby with meth in her blood stream. Ms. Sachs was then allowed to keep her children. Further consequences were noted when Ms. Sachs was later admitted into a different hospital with a kidney infection. The next issue involved Ms. Morans health records which were integrated into Ms. Sachs record. A critical issue occurred in that Ms. Sachs blood type is different from Ms. Morans, thus creating an opportunity for Ms. Sachs to be subjected to a medical error due to incorrect information.<sup>2</sup>The specific type of medical error would be accidently receiving the wrong type of blood.

### **Damages to Primary Victims**

Primary victims or patients face a variety of threats resulting from MIT. Examples of damages to patients include:

- Access denial to future healthcare services resulting from exhausted benefits
- Exposure to medical errors and subsequent demise of health due to integration of perpetrator health data into victim's health data
- Unwarranted litigation due to behaviors and activities by the perpetrator during episodes in which the medical identity was assumed by the perpetrator
- Unwarranted financial damage due to behaviors and activities by the perpetrator during episodes in which the medical identity was assumed by the perpetrator

### **Medical Identity Theft from a Consumer Perspective**

#### *When the Consumer Is Not Aware*

A woman who was affiliated with a medical facility had access to claim forms and medical records. She submitted claims for heart surgery, gall bladder surgery, finger amputations, a hysterectomy, and more—27 surgeries in all. There were no hospitalizations or claims for anesthesia. The woman utilized PHI and assumed the identity (on paper) of several patients to collect money.

### **When the Consumer Is Involved**

At an insurance company, all payments of foreign claims are made to the insured and not to the foreign medical provider. An insured submitted \$90,000 fictitious foreign claims from a clinic in South America, indicating that the entire family was in a car accident. A fictitious police report accompanied the medical claims. A telephone call to the clinic revealed that the insured and the dependents were never treated in their clinic.

### **When an Individual Wants Products or Services**

A man stole Medicaid recipient cards that entitled the bearer to medical benefits, including prescription drugs, paid for by the Medicaid program. He also stole written prescriptions, purportedly issued by doctors for various narcotic medicines, for personal use.<sup>3</sup> He was convicted of Medicaid fraud and receipt of stolen property and faced up to six years in state prison and a fine of up to \$20,000.

### **Deterrence by Consumers<sup>4</sup>**

- Shred all explanations of benefits, expired benefit cards, healthcare billing statements, and or health records prior to discarding them.
- Protect social security numbers, benefit plan ID cards, and any other document that identifies individuals with any healthcare benefit plan.
- Do not give out personal health information on the phone, through mail, or over the Internet unless the party receiving the disclosed information is known and trusted.
- Never click on links sent in unsolicited e-mails.
- Be mindful of free personal health records programs that offer to track information and free health screenings in which they ask for benefit information.
- Do not use obvious passwords like date of birth, name, mother's maiden name, or the last four digits of social security numbers for electronic communications containing health records or benefit claim information.
- Keep all health information and benefit card information in a safe, secure place.
- If you are admitted into a healthcare setting, leave your credit cards and any other identification information at home.
- Do not have your family bring your personal mail to any inpatient facility.

- Be careful when you do visit any clinic to leave your sensitive information in a locked locker.
- Refuse requests for social security numbers. If absolutely required, request how the information will be stored and monitored. Many carriers are not using social security on their identification card.
- Ask your provider to use your medical record number for identification purposes instead of your social security number.
- From time to time, review the content of your medical records for detailed personal information.
- Most important, never be afraid to ask questions. If you do not understand the response, ask for it again.

### **Detection by Consumers<sup>5</sup>**

- Monitor and review explanations of benefits (EOBs).
- Look for bills from providers never seen before.
- Look for bills with ambiguous dates of service.
- Look for bills with ambiguous diagnoses on the EOBs.
- Review explanations of review (EOR) statements in the same manner.
- Review your release of medical records to third parties.
- Check credit reports for any outstanding bills from providers.
- Look for letters from insurance companies regarding denied services for services never requested.

### **Defense and Mitigation by Consumers<sup>6</sup>**

- Place a fraud alert on credit reports. Once perpetrators steal a medical identity, then they may enter into other financial arrangements.
- File a police report and contact providers immediately.
- Obtain copies of medical records and review them for any ambiguous information.
- Work with providers to address any misinformation.
- Report the theft to the Federal Trade Commission.
- Contact your insurance company and request a complete historical claim run. Ask them for a complete listing of any bills submitted in your name with your benefit card.

- Report to your carrier any providers that are on your list that you have never seen before.

*Rebecca S. Busch, RN, MBA, CCM, CFE, FHFMA is President and CEO of Medical Business Associates, Inc and author of Healthcare Fraud Audit and Detection Guidebook. This is an excerpt from "Electronic Health Records An Audit and Internal Control Guide" published July 2008 John Wiley & Sons. She may be reached at 630.789.9000 or [bbusch@mbanews.com](mailto:bbusch@mbanews.com)*

### (Endnotes)

- 1 [www.msnbc.msn.com/id/23392229](http://www.msnbc.msn.com/id/23392229)
- 2 [www.msnbc.msn.com/id/23392229](http://www.msnbc.msn.com/id/23392229)
- 3 [www.nj.gov/oag/newsreleases03/pr20031211a.html](http://www.nj.gov/oag/newsreleases03/pr20031211a.html)
- 4 Adapted from Federal Trade Commission [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft)
- 5 Adapted from Federal Trade Commission [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft)
- 6 Adapted from Federal Trade Commission [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft)