

Interviewing as a 'Forensic-type' Procedure

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Audit failures, of which the one involving Enron and Arthur Andersen is only the most notable recent example, have progressively directed the attention of both the public and government regulators to the accounting profession. Accordingly, the chairman of the Securities and Exchange Commission (SEC) instructed the Public Oversight Board to appoint a 'Panel on Audit Effectiveness' to review and evaluate the effectiveness of financial statement audits of publicly-traded companies. The Panel listed as the first of eight major recommendations that "auditors should perform some 'forensic-type' procedures on every audit to enhance the prospects of detecting material financial statement fraud" (O'Malley, 2000). One powerful forensic-type procedure available to those responsible for detecting fraudulent activity is interviewing. Effective interviewing is a function of both a well-structured interview and a well-prepared interviewer. Successful interviewers typically have extensive interviewing experience and are proficient in identifying the verbal and nonverbal cues of deception. Those who have the skills to effectively conduct interviews will be more successful in uncovering fraud than those who do not. The purpose of this paper is to explain and illustrate, through actual case studies, the basic principles of effective interviewing.

INTRODUCTION

In 1996, the Association of Certified Fraud Examiners surveyed 2,608 companies concerning the prevalence of fraud within business today. The survey results indicated that organizations lose about 6% of their revenues or \$400 billion annually to occupational fraud and abuse (Wells, 1997). In 1998, KPMG, LLP conducted a survey of 5,000 leading U.S. companies and organizations to determine the nature and extent of fraud as an ongoing business problem. According to the report, businesses lose an average of \$116,000 per fraud incident and only 4% of such incidents were discovered during external auditor review. Consequently, the accounting profession is currently under attack for failing to detect fraud during financial statement audits. Audit failures involving companies such as Global Crossing, Baptist Foundation of Arizona, Cendant Corporation, McKesson HBOC, Inc., and Hanover Sterling have further eroded the perceived credibility of financial statement audits. Recently, Arthur Andersen offered \$750 million to resolve all claims against the firm over its Enron audits, but attorneys for the plaintiffs rejected the offer as insufficient (Weil and Schroeder, 2002).

In 1998, the chairman of the Securities and Exchange Commission (SEC) instructed the Public Oversight Board to appoint a 'Panel on Audit Effectiveness' to review and evaluate the effectiveness of financial statement audits of publicly-traded companies. Although the Panel concluded the quality of audits is fundamentally sound, it did make several recommendations for improvements in the effectiveness of audits. The report listed as the first of eight major recommendations that "auditors should perform some 'forensic-type' procedures on every audit to enhance the prospects of detecting material financial statement fraud" (O'Malley, 2000). One powerful forensic-type procedure available to those responsible for detecting fraudulent activity is interviewing. Those who have the skills to effectively conduct interviews will be more successful in uncovering fraud and obtaining admissions than those who do not. The purpose of this paper is to explain and illustrate, through actual case studies, the basic principles of effective interviewing.

THE BASICS OF INTERVIEWING

Many allegations of fraud are resolved, and many confessions and restitutions are obtained, because of good interviewing skills. However, many fraud investigations are also 'blown' because of interviewing mistakes (Albrecht, 1995). Case in point: A corporate auditor for a national chain of gas stations uncovered a \$58,000 discrepancy in the cash account during the year-end audit. He then solicited explanations for the discrepancy from both the office manager and the bookkeeper – the two employees in the best position to steal the company's cash. The explanations given for the discrepancy did not satisfy the auditor who then declared (in effect): "I'll be back first thing in the morning to figure this thing out, and if I can't find a legitimate reason for the shortage in the cash account, heads are going to roll!" Not surprisingly, that night someone intentionally burned the gas station to the ground. Local law enforcement officials determined the fire had been intentionally started and had originated in the office – next to the filing cabinets containing all relevant documents needed to resolve the discrepancy. As a result, the auditor was unable to develop a case against the suspected fraudster(s) using direct evidence since all relevant source documents had literally gone 'up in smoke.'

The auditor 'blew' this investigation by making two common interviewing mistakes: First, he attempted to conduct the interviews without adequate experience and preparation. The proper sequence of events in an investigation should be: (1) identify discrepancy or irregularity, (2) review source documents and other records relevant to the discrepancy, (3) employ other evidence-gathering procedures such as surveillance, net worth analysis of targets, and interviews of those employees not likely to be responsible for the defalcation, and (4) inter-

view suspect(s). Mistakenly, the corporate auditor went directly from step one to step four. Consequently, it was then impossible for him to complete step two. Second, the auditor approached the targets with an insensitive, 'out-to-get-someone' attitude. An effective interviewer should be sensitive, respectful, and seeking the truth – not trying to make 'heads roll.' As this example illustrates, the ability to conduct effective interviews is critical to those responsible for detecting and investigating fraudulent activity. Effective interviewing is a function of both a well-structured interview and a well-prepared, experienced interviewer. Successful interviewers typically excel in interpersonal relations and can accurately identify verbal and nonverbal cues of deception.

CHARACTERISTICS OF AN EFFECTIVE INTERVIEW

An interview is a structured question-and-answer session designed to both gather information and elicit certain verbal and nonverbal cues useful in determining the veracity of statements made by the subject. Good interviews share four common characteristics. First, the interview should be of sufficient length and depth to uncover relevant facts. Most interviewers tend to obtain too little, rather than too much, information. Second, the interview should solicit only information relevant to the matter under review. Extraneous or irrelevant facts tend to unnecessarily complicate the matter under review and waste the time of both the interviewer and the subject. Third, the interview should be conducted as closely as possible to the matter under review. Over time, memories fade and critical details can be lost or legitimately forgotten. Fourth, interviews should be objective in scope and aimed at gathering information in a fair and impartial manner. The objective should be to find out the truth, rather than prove that someone is guilty of a defalcation.

CHARACTERISTICS OF AN EFFECTIVE INTERVIEWER

Effective interviewers share numerous characteristics. They tend to be talented in interpersonal relations and are 'easy to talk to.' Consequently, those being interviewed are more willing to volunteer information. Effective interviewers take an interest in, and are sensitive to, the person being interviewed. While the subject is responding to a question, they *listen to understand* what is being said as opposed to *listening to respond* to what is being said. If interviewers are listening to respond, they are thinking about what the next question will be or what their response will be and, hence, cannot effectively process the information being provided by the subject. They should be able to identify and evaluate the verbal and nonverbal cues of deception in order to determine the reliability of the information being provided by the subject. Effective interviewers should approach the interview in an informal, low-key manner and phrase questions in a non-accusatory manner. They should be

friendly and professional, but not familiar or social. They should be impartial and open to the possibility that the discrepancy is the result of a ‘bookkeeping error’ rather than an employee defalcation. Finally, effective interviewers must be able to convert—in an accurate and professional way—the relevant content of the interview into a written statement to be signed by the subject.

VERBAL AND NON-VERBAL CUES OF DECEPTION

Employees engaged in fraudulent activity carry an enormous psychological burden on their shoulders. They worry continuously that one day their activities will be discovered which will dramatically impact their quality of life. When questioned during an interview, such employees are under even more stress wondering if their activities have been discovered. Since they are guilty of fraudulent activity, any questions relating to fraud—even if phrased in a non-accusatory manner—will likely elicit defensive responses and outright lies from subjects. Since lying is unnatural to most people, such subjects are extremely uncomfortable and ‘stressed-out’ during an interview. Good interviewers can recognize both the verbal and nonverbal cues indicating that subjects are under heavy stress and clearly have ‘something to hide.’

Verbal cues encompass actual statements taken literally and account for about 60% of the communication taking place between the interviewer and the subject (Thornhill, 1995). The Fraud Examiners Manual (1999) published by the Association of Certified Fraud Examiners has compiled a list of common verbal cues that are reliable indicators of deception. Some of these verbal cues of deception include:

- *Changes in speech patterns.* Deceptive persons often speed up or slow down their speech, or speak louder. They also tend to cough or clear their throats during times of deception.
- *Selective memory.* Deceptive persons tend to have no trouble remembering insignificant events or information relating to non-sensitive issues. However, when the questioning shifts to more sensitive, possibly incriminating issues, deceptive persons suddenly “do not recall” or “just can’t seem to remember.”
- *Oaths.* Frequently, deceptive persons will attempt to increase the credibility of their lies by using expressions such as “I swear to God,” “Honestly,” or “To tell you the truth.”

- *Refusal to implicate others.* Although both honest and deceptive persons are reluctant to implicate others, deceptive persons typically refuse to name others possibly involved in misdeeds, no matter how much pressure is applied by the interviewer.
- *Feigned unconcern.* Deceptive persons will often appear casual and unconcerned and may adopt an unnatural slouching posture. They may also react to serious questions with nervous or false laughter or feeble attempts at humor. Honest persons tend to be very concerned about being suspected of wrongdoing, and will treat serious questions seriously.

Nonverbal cues, which include the eyes and all other body language, account for about 40% of the communication taking place between the interviewer and the subject (Thornhill, 1995). The Fraud Examiners Manual (1999) lists some of these nonverbal cues of deception as follows:

- *Breaking eye contact.* It is very difficult for most people to lie while maintaining eye contact.
- *Full body motions.* When asked sensitive, possibly incriminating questions, deceptive persons tend to change their posture completely – as if moving away from the interviewer – in an effort to relieve the mounting anxiety they are experiencing. Honest persons tend to lean forward toward the interviewer when questions are serious.
- *Crossing the arms and/or legs.* Is a classic defensive reaction to difficult or uncomfortable questions. A variation is crossing the feet under the chair and locking them. The purpose of crossing is again to relieve the mounting anxiety the deceptive person is experiencing.
- *Change in the use of illustrators.* Illustrators are the gestures made primarily with the hands to enhance communication. During non-sensitive questions, illustrators may be used at one rate while during threatening questions deceptive persons may either increase or decrease their use of illustrators.
- *Reaction to evidence.* Deceptive persons tend to be casual about observing possibly incriminating documents presented to them during an interview, and

then shove them away, as if wanting nothing to do with the evidence. Honest persons, on the other hand, tend to take a keen interest in the documents as if searching for information which might exonerate them.

The evaluation of deception is an imprecise art, not an exact science. Accordingly, no one cue – either verbal or nonverbal – should be taken as proof positive that the subject is not being truthful. All cues must be taken together as a whole to make a judgment about the subject's truthfulness.

THE PHASES OF AN INTERVIEW

Interviews generally have three distinct phases: the introduction, the body, and the close. During the introduction, the interviewer should provide his/her name and company, avoiding titles. Typically, the more informal the interview, the more relaxed and cooperative the subject will be. Also, background information about the subject should be obtained and the theme of the interview should be clearly established. During the introduction the interviewer should pay close attention to all verbal and nonverbal cues exhibited by the subject so that a 'baseline' can be established for evaluating changes in these cues later on during more sensitive questioning. During the body of the interview, information concerning the who, what, when, why, where, and how of the alleged fraud should be obtained by asking open-ended questions. During this phase the interviewer needs to carefully observe all verbal and nonverbal cues of deception and probe deeper into suspect answers by asking follow-up questions. The close of the interview should: (1) provide the subject with an opportunity to convey any additional information useful in resolving the matter under review, (2) summarize the content of the interview to ensure that all facts are correctly understood, (3) thank the subject for his/her cooperation or admission, and (4) end on a positive note since the subject's cooperation will likely be needed later. The following case study illustrates and elaborates on many of the basic principles of interviewing presented in this paper.

A CASE STUDY IN CONDUCTING EFFECTIVE INTERVIEWS

The owner of a medium-sized construction company received a 'tip' from a disgruntled spouse that 'Steve' – a highly-trusted, upper-level project manager – had an ownership interest in two vendors with which the construction company did business. Consequently, the owner engaged 'Joe' – a CPA and a certified fraud examiner (CFE) – to conduct a review of the two vendors in question. The review revealed that the vendors had only post office box addresses, no phone numbers listed on the invoices, and did not have taxpayer identification numbers on file. In addition, the invoices received from the two vendors had been created

using an Excel spreadsheet invoice template—a common characteristic of fictitious vendors. Neither of the vendors was listed in the phone book. The payments made to the two vendors totaled \$65,000. Steve, who was also a close personal friend of the owner, had approved the payments. A search of the local business registrations revealed that both vendors in question had indeed been created by Steve. Bank statements for the two vendors listed Steve's name 'doing business as' (dba) each of the vendors. After completing a substantial amount of preliminary investigative work, Joe decided to confront Steve with this information and solicit explanations. What follows is a condensed, paraphrased interview¹ that Joe had with Steve with periodic analyses of the interview in italics.

Joe: "Hi, my name is Joe. (Joe shakes hands with Steve and each sits down.) The owner has asked me to review some of our business practices looking for ways to improve the profitability of the company. Do you have a few minutes to answer some questions?"

Steve: "Yes."

Joe: "I appreciate your willingness to take time to speak with me. Tell me about your duties and responsibilities with the company."

Steve: "I'm a project manager. I oversee construction projects, estimate construction costs and assemble bids from successful bidders."

Joe: "How long have you been with the company?"

Steve: "About 12 years."

Joe: "Are you satisfied with the work environment and the compensation you receive?"

Steve: "Yeah, I like working here and I feel I have been compensated fairly."

Analysis: Steve has agreed to answer some questions relevant to improving the profitability of the company. Joe does not immediately confront Steve with the incriminating information but instead tries to put him at ease by asking a series of non-sensitive questions. The purpose of these non-sensitive questions is to 'calibrate' the subject; that is, to establish a baseline for the subject's verbal and nonverbal cues when we know s/he is responding truthfully to non-sensitive questions. Later in the interview – when the questions move toward more sensitive, possibly incriminating issues – we will compare the subject's verbal and nonverbal cues to those observed during the early part of the interview. This calibration process can be very effective in determining whether subjects are being truthful or not.

¹The admission-seeking interview conducted by the author's firm lasted four hours.

Joe: "The owner has asked me to look into the possibility of fraudulent activity by management and employees. When talking about fraud in business, we are talking about a big area. We're not talking about taking company stationery or making a few personal copies on the copy machine. Rather we are talking about a whole range of activities where people steal from the company, lie to management, or take unfair advantage of the company. Do you think fraud is a problem for business in general?"

Steve: "I have no idea."

Verbal cues: The interview is now moving toward more sensitive, possibly incriminating issues. Most informed people would acknowledge that fraud is a problem for business in general. However, since Steve is actually guilty of fraudulent activity, he is not inclined to acknowledge that fraud is a problem for business in general and would like to end the interview as soon as possible.

Joe: "Do you think that this company has a problem with fraud?"

Steve: "No, not at all." (Leans back in his chair and looks down at the floor.)

Verbal cues: Once again, Steve fails to acknowledge fraud as being a problem. Moreover, he perceives a disturbing trend (going from the general to the specific) in the line of questioning. Steve anticipates Joe will eventually accuse him of fraudulent activity. Nonverbal cues: Steve shifts his body position away from the interviewer and breaks eye contact in an effort to relieve the anxiety he is beginning to feel.

Joe: "If employees or managers are stealing from this company, why do you think they would do it?"

Steve: "How should I know? I don't steal."

Verbal cues: Even though the question is non-accusatory, Steve feels directly attacked by the question and responds accordingly. Such 'denials' to non-accusatory questions can be good indicators that the subject has 'something to hide.'

Joe: "I didn't say you did. If you knew another employee was stealing from the business, what would you do?"

Steve: "I don't know, I've never really thought about it."

Joe: "Do you know of anyone who might be stealing or taking unfair advantage of the business?"

Steve: "No, sir."

Joe: "Suppose someone who worked here decided to steal or commit fraud. How could they do it and get away with it?"

Steve: "They couldn't get away with it. They'd be caught if they stole."
(Crosses legs, folds arms and stays locked in this position for some time.)

Verbal cues: *Steve continues to respond negatively in an effort to end the interview. Also, he answers too absolutely concerning whether someone could steal and get away with it. Since Steve is stealing from the company he is not inclined to verbally communicate schemes – like the fictitious vendor scheme he is currently perpetrating – whereby employees could steal and get away with it. Someone not involved in fraudulent activity generally has no problem verbalizing ways employees could steal from the company and not be detected. Very few companies, if any, have in place a system of internal controls which completely eliminates the opportunity to commit fraud. The fact that Steve cannot think of – or is unwilling to articulate – ways to commit fraud without being caught indicates he either: (1) is extremely unimaginative, or (2) is not responding truthfully to the question.* Nonverbal cues: *Steve is feeling personally attacked by this line of questioning and is dealing with the mounting anxiety by adopting a defensive, rigid and immobile position. It is very difficult to solicit a confession from a subject while 'locked' in this position.*

Joe: "In your opinion, who is beyond suspicion when it comes to committing fraud at this company?"

Steve: "There is no fraud going on but if there was it could be anybody." (Looks at floor)

Joe: "Did you ever think about stealing from the business, even though you didn't go through with it?"

Steve: "In all honesty, no."

Verbal cues: *Steve is unwilling to narrow the list of prospective fraudsters; he wants the circle of suspicion to be as wide as possible. Also, notice that he issued an indirect denial ("There is no fraud going on") – another indicator that Steve has something to hide. Steve claims to have never even thought about stealing from the business when, in reality, the thought has crossed the minds of most employees. Someone being untruthful tends to use phrases like "in all honesty," "to tell you the truth," or "I swear to God" in an effort to increase the credibility of their responses. A truthful person tends not to use such phrases.* Nonverbal cues: *Steve again breaks eye contact; it is very difficult for most people to lie while maintaining eye contact.*

Joe: "The owner has asked me to review some vendors which have been used on projects you supervise. (Joe spends 15-20 minutes asking Steve about vendors known to be legitimate before asking about the first fictitious vendor.) Are you familiar with Construction Supply Company, P.O. Box 1961, Moorhead, Minnesota?"

Steve: "Vaguely, we did business with them for about three years. We don't do business with them anymore." (Takes off glasses, rubs eyes, lays glasses on the table, recrosses arms and legs)

Verbal cues: When questioned about legitimate vendors, Steve was able to recall all pertinent information. However, when questioned about the fictitious vendors, Steve suddenly had problems remembering anything about them. Nonverbal cues: The question about Construction Supply Company, a fictitious vendor created by Steve, has made Steve very anxious. In an effort to relieve the stress created by this question, he has shifted his body position and taken off his glasses. Taking off the glasses is a form of breaking eye contact. It will be easier for Steve to lie looking at Joe with blurred vision than with clear eye-to-eye contact.

Joe: "Which projects did they supply?"

Steve: "I don't recall."

Joe: "What kinds of supplies were typically purchased from them?"

Steve: "I'm not sure. They weren't a major supplier."

Joe: "Who is the sales rep for the company?"

Steve: "I don't remember."

Joe: "Are you familiar with Specialist Supply?"

Steve: "Yes, we do business with them on occasion."

Joe: "Where are they located?"

Steve: "I don't remember." (Joe stands up and stretches.)

Joe: "Why don't we take a break and stretch for a minute. I'm going to get myself a Coke, would you like one?"

Steve: "No thanks, I'm fine." (Steve stands up to stretch while Joe exits. Two minutes later Joe reenters with Coke in hand. Before Steve has a chance to get seated, Joe begins questioning again.)

Verbal cues: Steve apparently is unaware of how odd it must seem that he knows nothing about these fictitious vendors he has created, but how else can he respond? Nonverbal cues: Joe is convinced that Steve is lying and is ready to directly launch an accusation, but first

he must 'blast' Steve out of the rigid and immobile position he has assumed. The twofold purpose of this break in the interview is: (1) to get Steve out of the 'rigid and immobile' position, and (2) to leave Steve in the room alone and allow his anxiety level to continue to mount. At this point, the only way for Steve to relieve this mounting anxiety is to admit what he has done. Upon reentering the room, Joe will issue a direct accusation before Steve has a chance to rebuild his defenses.

Joe: "I have reliable information that you are the sole owner of both Specialist Supply and Construction Supply Company, both of which are vendors you have approved payments to in the past. Is this true?"

Steve: (Silence for one long minute)... "That's correct."

Joe: "What are your reasons for creating and operating these two businesses?"

Steve: "My brother and I started the companies to earn some extra money to pay off some debts. I knew it was a conflict of interest to authorize purchase orders and approve payments, but there was nothing fraudulent going on."

Analysis: Catching Steve 'off-guard,' Joe issues a direct accusation that Steve ponders momentarily before answering. Joe knows that Steve has perpetrated either: (1) a 'pass-through' scheme, or (2) a fictitious vendor scheme. A pass-through scheme occurs when the perpetrator inserts himself as an unnecessary intermediary – usually via a shell company – between a legitimate vendor and the employer and makes an unauthorized 'profit' on the transaction. Consequently, the employer actually receives something in return for payments made to the shell company. The fraud loss is the amount of the unauthorized 'profit' realized on the transaction. Alternatively, a fictitious vendor scheme occurs when the employer receives nothing in return for payments made to the shell company. The fraud loss is the total amount of payments made to the shell company. In his response Steve implies that he has not perpetrated a fictitious-vendor scheme but instead is involved in a pass-through scheme – the less serious of the two offenses.

Joe: "I didn't say there was. Did you approve payment of \$9,400 to Construction Supply Company for this invoice." (Hands Steve an invoice but Steve puts it on the table, face down)

Steve: "Yes, but that's the only one. I closed that company down two years ago."

Analysis: Steve is more likely to admit to the fraudulent invoices one at a time rather than being confronted with them all at once. Also, when admitting to fraudulent activity, it is very common for perpetrators to minimize – and lie about – the magnitude of what they have

done. Nonverbal cues: Steve does not want to look at the incriminating invoice so he puts it face down on the table. An honest person would want to look at the invoice in question for pertinent information which might exonerate him or her.

Joe: "What service or product did you provide for the \$9,400 you received?"

Steve: (Looks down at the floor.) "Nothing."

Analysis: Joe wants to know whether the scheme is the fictitious or pass-through variety. Steve just admitted to the fictitious vendor scheme. Had Steve not admitted to the fictitious vendor variety, Joe could have reviewed the canceled checks written from the Construction Supply Company checking account. If a pass-through scheme was being perpetrated, checks made out to vendors who supplied the actual materials and labor invoiced to the employer would be included in the canceled checks. The absence of such checks would indicate that nothing was provided for the payments received.

Joe: "How many invoices did you submit from Specialist Supply?"

Steve: "Three or four."

Joe: "Tell me about this invoice to Central Sugar for \$40,500." (Hands Steve an invoice but Steve puts it on the table, face down)

Steve: "Specialist Supply provided materials and labor for a project involving Central Sugar."

Joe: "How much was the actual cost of materials and labor?"

Steve: "About \$500 for materials and \$500 for labor."

Analysis: Steve is slowly breaking down and admitting to more and more. Steve actually feels some relief from the intense anxiety by 'getting this off his chest.' He likes this feeling and can extend it by continuing to admit to things. Accordingly, it is imperative that the interview not be interrupted by anything (e.g., the telephone) or anyone at this point in the interview. The interviewer should take appropriate precautions to eliminate the chance of interruption while the subject is 'on a roll.'

Joe: "What happened to the rest of the money?"

Steve: "It went into the checking account I had opened for Specialist Supply."

Joe: "What did you do with the 'profit'?"

Steve: "Added a garage to my home, paid off credit cards, paid medical bills, paid tuition for my daughter's college, things like that."

Analysis: Joe needs to know what Steve did with the money for two reasons. First, Steve will be more likely to sign a 'statement of admission' if the statement contains his motivations for 'taking' money from his employer. The fact that he had substantial financial pressures on him that caused him to do something 'out of character' for him allows Steve to 'save face' and facilitates his cooperation during the remainder of the investigation. Second, the employee dishonesty insurance provider will want to know what the target did with the money for purposes of estimating the probability of recovery.

Joe: "Were you involved in any other types of unauthorized activities? Kickbacks from vendors? Selling company materials or scrap?"

Steve: "No, and after the Central Sugar invoice I was going to quit and never do it again."

Joe: "Are you aware of other situations where employees of this company are engaged in unauthorized or fraudulent activities?"

Steve: "No."

Analysis: Typically, if one employee is defrauding the company, others within the company are also engaged in fraudulent activity. Simply inquiring of an employee who has just admitted to fraud can sometimes uncover other fraudulent activity. However, Steve did not implicate others and subsequent investigative work seemed to indicate that Steve's scheme was an isolated incident.

Joe: "Let me summarize what you've told me. Due to financial pressures weighing on you such as credit card debt, medical bills, and having a daughter in college, you set up two companies – Specialist Supply and Construction Supply Company – to generate some extra money. When you initially set up the companies, you intended to actually provide some labor and materials for the payments received, but for one reason or another, you ended up providing little or no materials and labor. The amount you took in this manner totaled about \$65,000 – with your out-of-pocket costs equaling about \$1,000. You knew what you were doing was wrong but didn't consider it to be that big a deal. Is my summary of the situation accurate?"

Steve: "....Yes."

Analysis: Since Joe will be converting the content of the 'admission-seeking' interview into a written statement to be signed by Steve, it is important to get all the facts straight. Moreover, there is no such thing as an 'accidental' or 'unintentional' fraud. For this reason,

Steve must be willing to acknowledge that he knew that what he did was wrong and the written statement must unambiguously communicate this. Notice the absence of the words “steal” or “fraud” in Joe’s summary. The use of such inflammatory terms makes the subject less likely to sign the written ‘statement of admission.’ Instead of condemning the subject for his/her behavior, allow the subject to ‘save face’ by focusing on the fraudulent act rather than the person. This can be accomplished by establishing the motivation for the fraud. Verbally acknowledge to the subject that you understand s/he was under heavy financial pressure that motivated him or her to do something ‘out of character.’ Such an attitude will greatly increase the chances of obtaining a signed ‘statement of admission’ from the subject. The signed statement will greatly facilitate the employee dishonesty insurance claim and any criminal or civil action resulting from the case.

Joe: “Here’s my card, let me know if you think of anything else which might be relevant to this situation. Is there anything else you’d like to say?”

Steve: “Yeah,...What’s going to happen now?”

Joe: “I’m going to put together a written statement for you to sign tomorrow. I’ll drop by your office about 9:00 a.m. if that’s OK with you. (Steve nods agreement.) Then I will report my findings to Robert, the owner of the company, and it will be his decision what happens next. (Stands up, extends hand to Steve.) Thanks for taking time with me to resolve this situation. It’s good to get this all behind us so we can move on. See you tomorrow at 9:00 a.m.”

Epilogue: The written statement developed by Joe had to go through two minor revisions before Steve would sign it. Due to his close longtime friendship with Steve and his family, Robert was very reluctant to turn the case over to local law enforcement for criminal prosecution. Joe advocated criminal prosecution for two reasons: (1) the employee dishonesty insurance provider strongly recommends criminal prosecution, and (2) a severe penalty would send a signal to the rest of the company that Robert is not going to tolerate fraudulent activity. Such a signal can effectively deter future fraudulent activity by others within the company. Robert ultimately decided to file the employee dishonesty insurance claim and press criminal charges against Steve.

The case involving Steve was resolved quickly because Joe understood and utilized effective interviewing skills. Although the text of the actual interview has been paraphrased and shortened for brevity, the general substance of the interview has been preserved. Steve was eventually convicted of Theft By Deception, a Class B Felony and given a 12 month suspended sentence with electronic monitoring.

SUMMARY

Conducting interviews of appropriate personnel can effectively uncover fraudulent activity. However, as evidenced by the case study, forensic interviewing requires careful preparation and skillful execution. Effective interviewing is a function of both a well-structured interview and a well-prepared, experienced interviewer. The interview should be conducted in an informal atmosphere, one that is professional and friendly but not social. Effective interviewers typically employ good 'people skills' and are considered 'easy to talk to.' In addition, they objectively analyze each interviewing experience and are proficient in identifying the verbal and nonverbal cues of deception. When evaluating responses, the interviewer should look for verbal cues of deception such as changes in speech patterns, selective memory, use of oaths, refusal to implicate others, and feigned unconcern. The interviewer should also pay attention to nonverbal cues of deception such as breaking eye contact, full body motions, crossing the arms and legs, change in the use of illustrators, and reactions to evidence. Those who possess the skills and experience to effectively conduct interviews will be much more successful in resolving allegations of fraud than those who do not.

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