

Update on Deception

**Paul T. Mason, CPA, CFE
Lecturer in Forensic Accounting
School of Business**



Mid-America Intergovernmental Audit Forum *Rock Chalk, JAYHAWK!*
Overland Park, Kansas – December 5, 2014



Mid-America Intergovernmental
Audit Forum



The Art of Deception

**What every auditor needs to
know about deception.**



Agenda

- **What is deception**
- **History of testing for truth**
- **Nature of deception**
- **Some conclusions from research**
- **Clues to verbal deception**
- **The psychology of perception**
- **How good are we at spotting lies?**
- **Clues to non-verbal deception**
- **The wired brain**
- **Additional reading**



Detecting Fraud

What is at the core of every fraud?

Occupational fraud and financial statement fraud involve the same basic component.

Deception!





Detecting Fraud

Think of forensic accounting as building a mosaic or perhaps the dot-to-dot games you played as a youth.

It's about using clues, patterns, hunches, accounting activities, people skills, trace evidence, etc. to build a case that will eventually go to court.

Evidence!



Detecting Fraud

Forensic accounting is about detecting fraud in the accounting records.



However, to suggest that forensic accounting is *limited* to the accounting records would vastly underestimate its role.



Crime and Deception

First defined “white-collar crime”

- Criminal acts of corporations
- Individuals in corporate capacity

Theory of differential association

- Crime is learned
- Not genetic
- Learned from intimate personal groups

Who taught you to deceive?



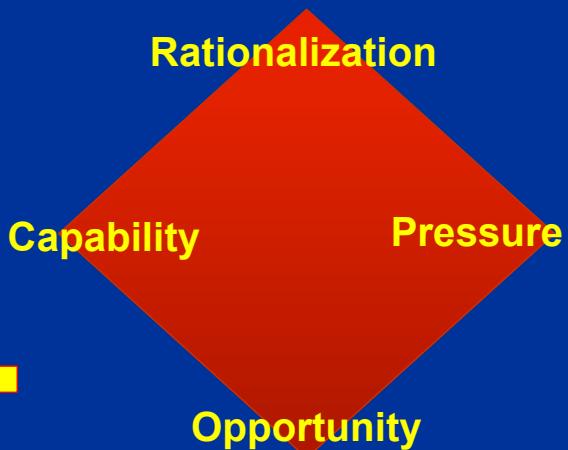
Fraud Model

An expanded model
might include:

Integrity (Moral
Compass)

Cost-Benefit Analysis

Others?????





Did You Know?

In the animal kingdom many species rely on deception for survival?

Chameleons
Jellyfish
Possum
Frogs





Deception

- What is it?
- Can anyone deceive?
- Is it possible to detect deception?
- Is there a science to this or is the idea of catching deception through “tells” just a parlor game?
- How important is it for us to be able to detect deception – even at a basic level?



Discussion Question

Are you good at deception?

Can you spot it in others?

What are some cues to deception?

**Have you discovered any techniques
that aid in detecting deception?**



NLP

- **What is it?**
- **What does it have to do with deception and ultimately with spotting a lie?**
- **Here's a hint: It is the basis of stress analysis and polygraph testing.**
- **Can you tell if someone is untruthful?**

The Human Lie Detector?



What is Deception?

- A method to portray a belief that is not true, or not the entire truth.
- Can use distraction, camouflage, or concealment to help disguise the truth.
- On a given day, most human beings will either deceive or be deceived by another person.





Types of Deception

Lies

Providing information that is the opposite or significantly different from the truth.

Equivocations

Making an indirect, ambiguous, or contradictory statement.

Concealments

Omitting information that is vital in understanding a given situation, or engaging in behavior that helps hide relevant information.

Exaggeration

Overstatement or stretching the truth to a degree.

Understatement

Minimizing or downplaying aspects of the truth.



Lies and Deception

- Liars choose to mislead their target and the target is not informed of the liar's intention to mislead.
- 2 forms of lies: concealment and falsification
- Why do lies fail?
- Why people fail to detect lies?





Obvious Deception

"I did not have sexual relations with that woman"



↑
**Typical behavior
for someone who
is attempting to
distance himself
from the person
or situation.**

Early Evidence of Detecting Deception

Trial by Ordeal

10th Century Mediaeval “test” of innocence. Here’s how it worked...





Polygraph Test

Do not detect lies

Instead, detect
when a person is
attempting to
deceive.

**Examines heart
rate, blood
pressure,
respiratory rate,
and sweatiness in
comparison to
normal levels.**





What Does a Polygraph Measure?

- **Respiratory rate:** two rubber tubes filled with air are placed around the chest and abdomen.
 - Muscles expand and displaces the air in the tubes.
- **Blood pressure/heart rate:** a blood-pressure cuff is placed around the upper arm.
- **Galvanic skin resistance (GSR):** measures the sweat on an individual's fingertips.



Reading the Polygraph...

Results are seldom admissible in court.

- **False Positive:** truthful response is determined to be deceptive.
- **False Negative:** deceptive response is determined to be truthful.



Beating the Box?

**It is possible to “beat the box” by employing a simple procedure.
Does anyone know what that procedure is?**



Facial Recognition Software

Matches human face
against database of
pictures

- Distance between eyes
- Width of nose
- Depth of eye sockets
- Shape of cheekbones
- Length of jaw line

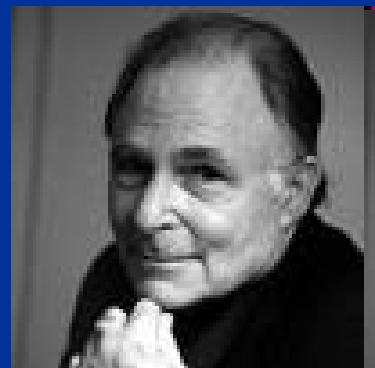
Next? 3D and micro-expressions





Dr. Paul Ekman

- Ph.D. in clinical psychology
- Officer in the U.S. Army
- Researches emotion and expressions
- Numerous awards, TV appearances and published work





What is a Micro Expression?

A Micro Expression is a brief, involuntary facial expression shown on the face of humans according to emotions experienced.



Universal Expressions

- Contempt
- Sadness
- Anger
- Disgust
- Fear
- Happiness
- Surprise



More Added in 1990s

- Amusement
- Embarrassment
- Anxiety
- Guilt
- Shame
- Pride
- Relief
- Contentment
- Pleasure



History of Micro Expressions

First discovered by Haggard and Isaacs.

In the 1960s, William S. Condon pioneered a study involving interactions at the “split-second” level.

From this study he identified what he called, “interactional micro movements.”



Dr. John Gottman

Later, American psychologist John Gottman found through video-taping clients that there are four major emotional reactions that are destructive to a marriage:

- Stonewalling**
- Defactiveness**
- Criticism**
- Contempt**



Types of Micro Expressions

Simulated

Not accompanied by a genuine emotion

Neutralized

Genuine emotion is suppressed

Masked

Genuine emotion is completely falsified by another expression

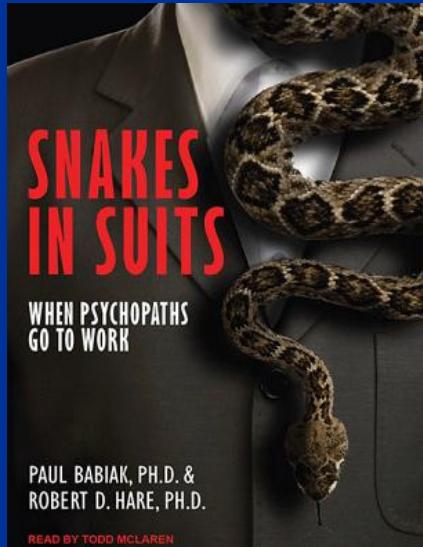


Control and Training

- Facial expressions can be controlled
- Culture makes a difference
- There are “natural liars”
- People can simulate emotions



Our Little Rascals



A 1999 study by psychologist Robert Feldman at the University of Massachusetts showed that the most popular kids were also the most effective liars.





Control and Training

Most people seem to be unable to perceive Micro Expressions in themselves or others.

However...



People can be trained.
Facial Action Coding Training Manual



Deception Clues vs. Lies

**According to most researchers,
spotting lies is only the beginning –
not the answer.**

**Lies are merely symptoms to the
more significant issue beneath the
surface.**





Common Micro Expressions

- Surprise lasts only for a second
- Eye contact may be exaggerated because the liar wants to see your reaction.
- Fear, anger and sexual arousal can make the eyes dilate.



Common Micro Expressions

- The nose is very sensitive – watch for hand motions or “covering” behavior.
- In a fake smile there is no wrinkling of the eyes.
- If the eyebrows go up – the person usually knows the answer to the question.



Body Language

- Watch for one-sided shrug – means person has little confidence in what s/he just said.
- Shake of the head “yes” when the person verbally says “no”
- Touching the neck when talking can mean deceptive response.



Body Language

- Rubbing eyes while in a response may indicate lack of truth.
- Swinging hands outward suddenly while talking may reveal deception.
- Rigid posture beyond what the situation calls for – even in an already stressful environment.



Yes and No

This occurs when the subject wants to answer one way, but his/her actions betray actual feelings.

- Speaker demonstrates surprise
- Displeasure or other negative reaction.
- Or simply lacks confidence.



Typical Rigid Repetition

Question: “Did you take money from the cash fund?”

Answer: “No, I did not take money from the cash fund.”

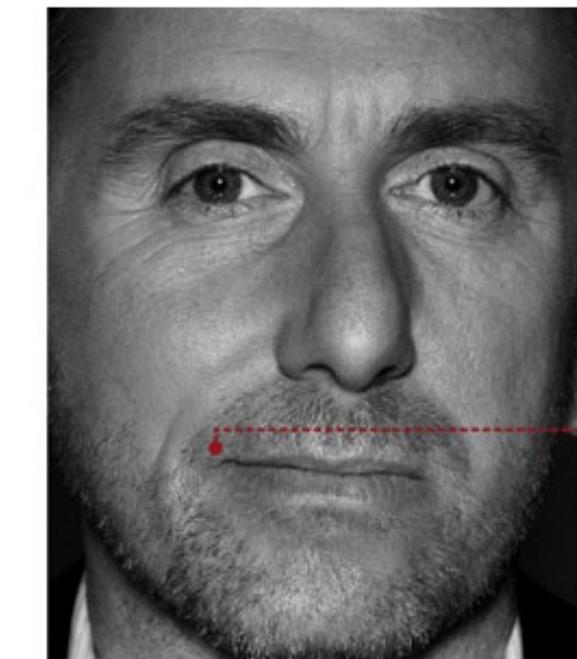
This *rigid emphasis* in an answer attempts to quickly rid the suspect of suspicion.



Breaking Eye Contact

Eye contact can be a sign of deception, but it is typically the *change* that is indicative of deception and not just the amount of contact.

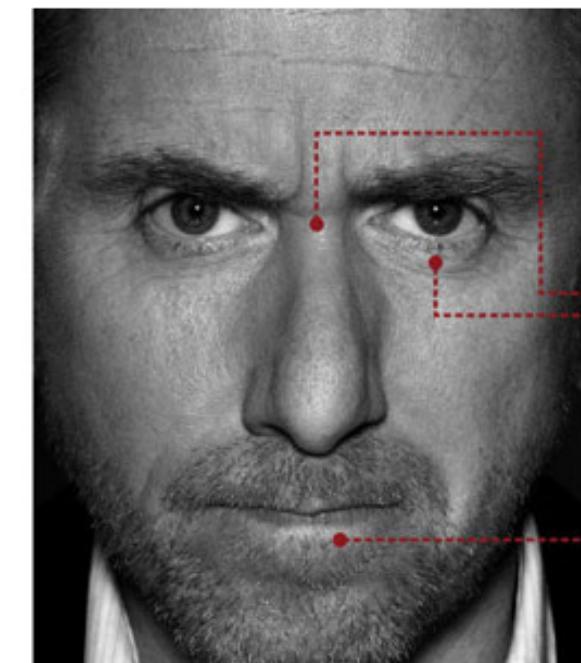




contempt

- ① lip corner tightened
and raised on only
one side of face





anger

- ① eyebrows down and together
- ② eyes glare
- ③ narrowing of the lips

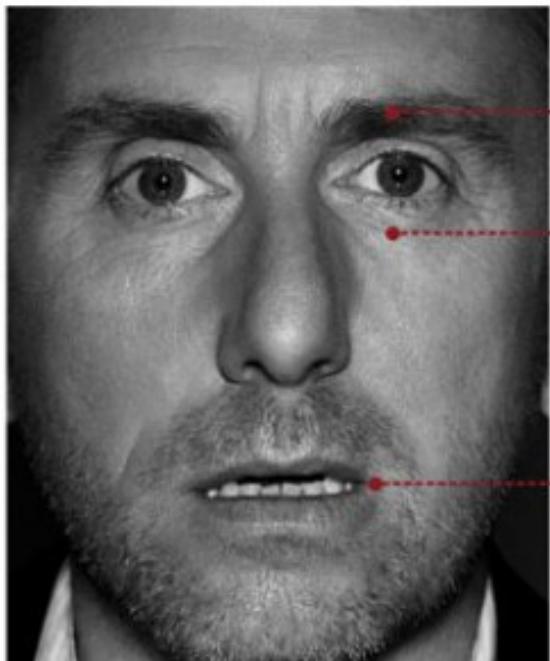




fear

- ① eyebrows raised and pulled together
- ② raised upper eyelids
- ③ tensed lower eyelids
- ④ lips slightly stretched horizontally back to ears





surprise

Lasts for only one second:

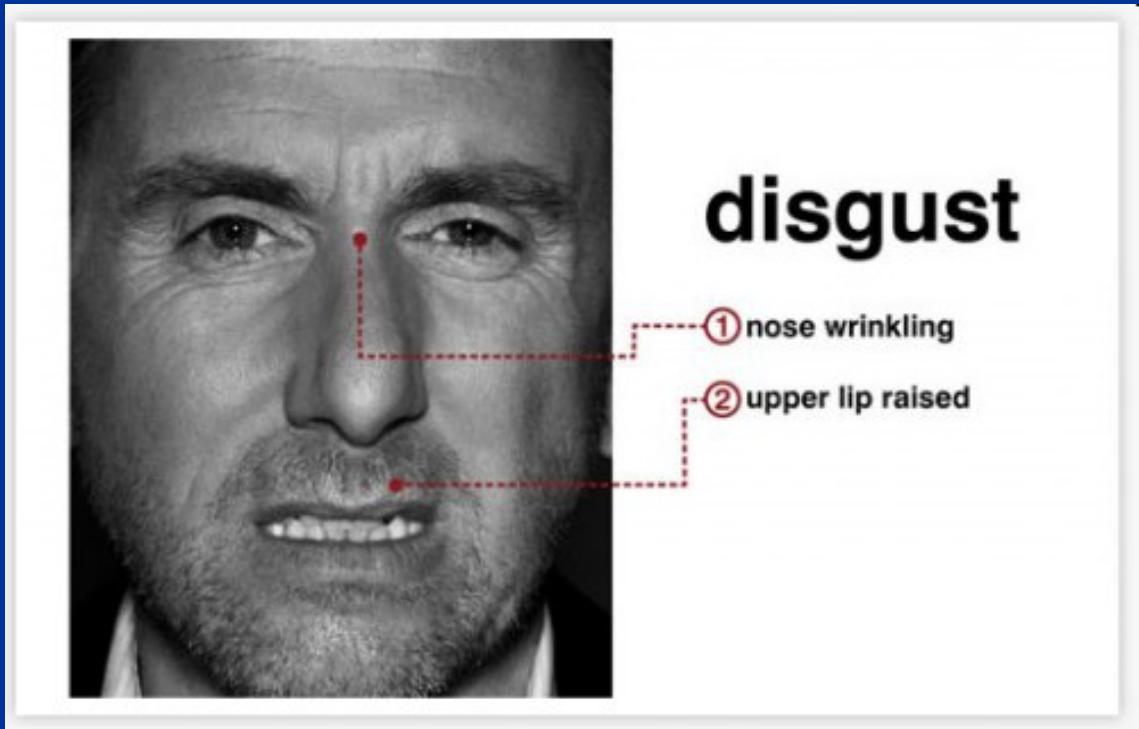
- ① eyebrows raised
- ② eyes widened
- ③ mouth open

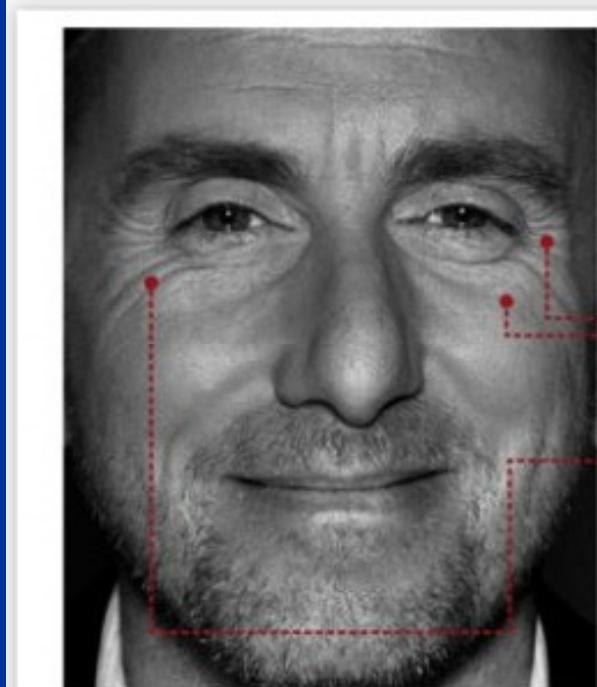


sadness

- ① drooping upper eyelids
- ② losing focus in eyes
- ③ slight pulling down of lip corners







happiness

A real smile always includes:

- ① crow's feet wrinkles
- ② pushed up cheeks
- ③ movement from muscle that orbits the eye





Not **happiness**

A real smile always includes:

- ① crow's feet wrinkles
- ② pushed up cheeks
- ③ movement from muscle that orbits the eye



A. Rod Example

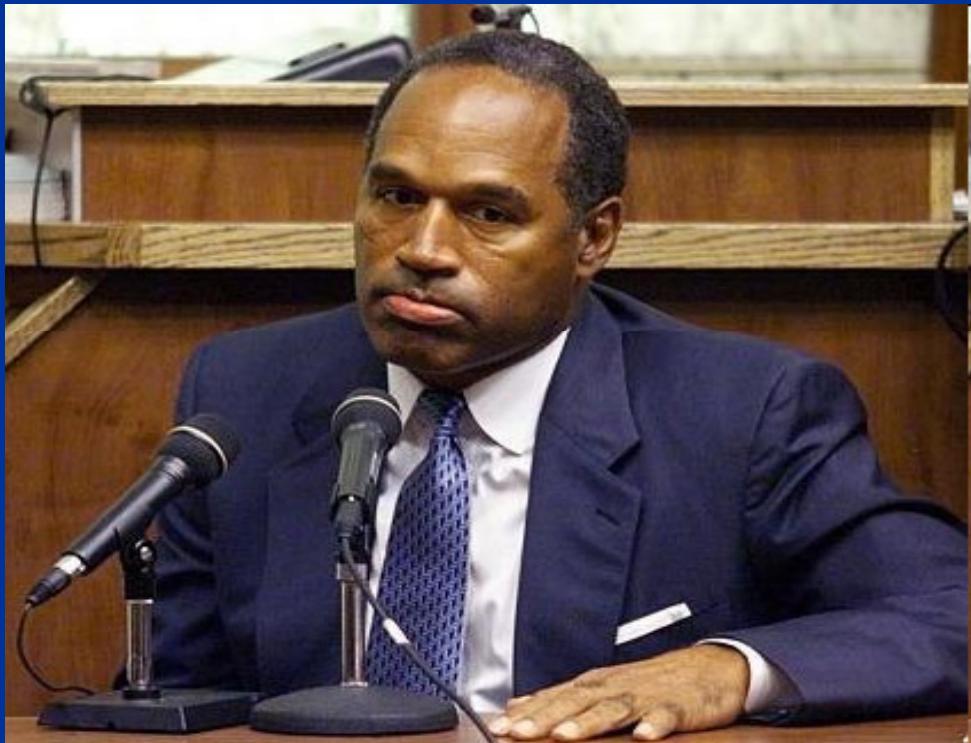




Mid-America Intergovernmental
Audit Forum



OJ Simson





Mid-America Intergovernmental
Audit Forum



Richard Nixon



"I am not a crook!"





Micro-Expression?

The press called this a lighter moment.





Easy Give Away in a Lie!

Temporal Lacuna

Truth

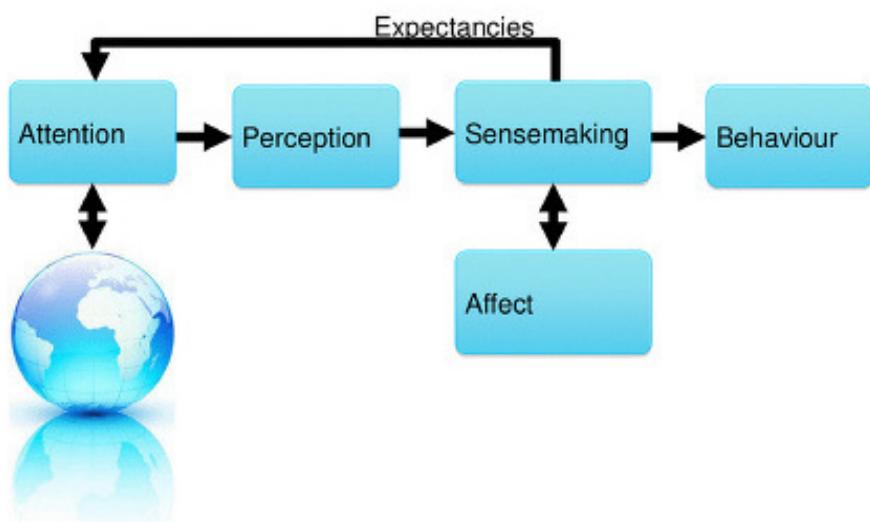
Truth



Building Blocks of Deception

SECRET//SI//REL TO USA, FVEY

The psychological building blocks of deception

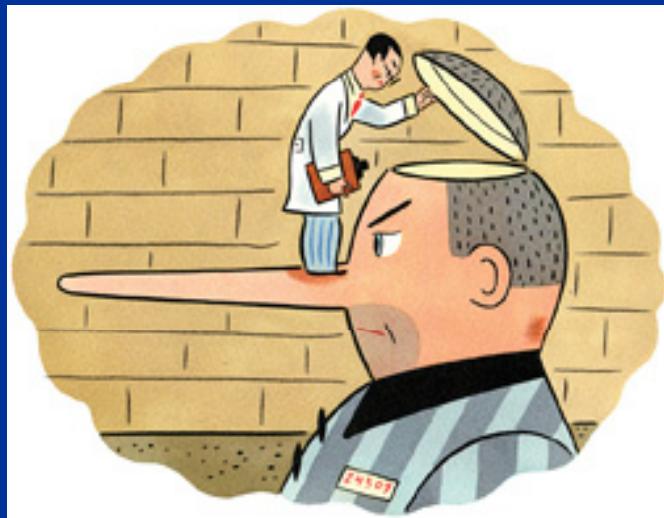


SECRET//SI//REL TO USA, FVEY



Neuroscience

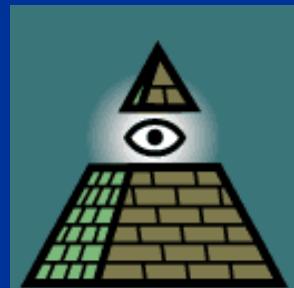
**Is it possible to look inside the brain
using various technology or is
deception a state of mind?**





The Human Mind

How observant are you? Ready for a test? Looking for a volunteer.

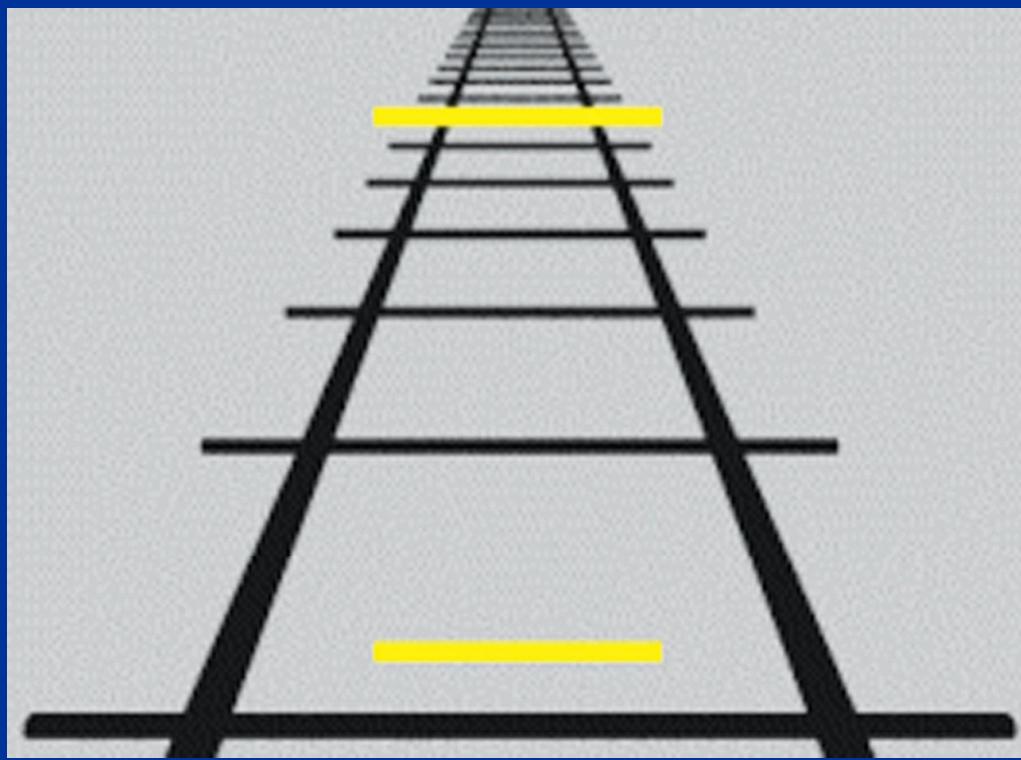




Mid-America Intergovernmental
Audit Forum



Which Line is Longer?

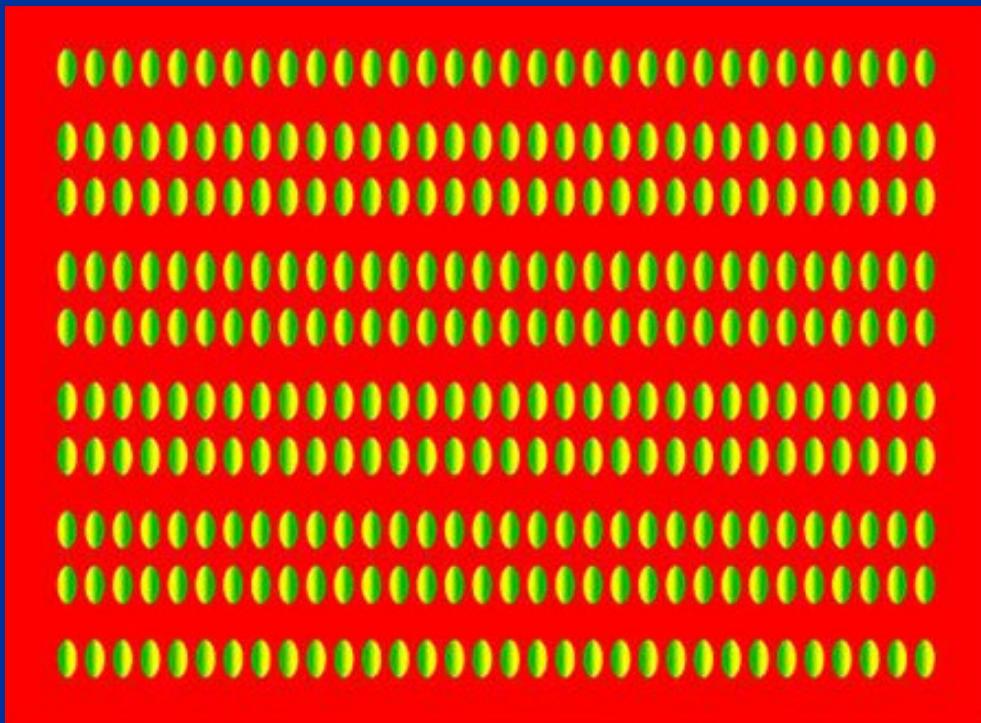




Mid-America Intergovernmental
Audit Forum

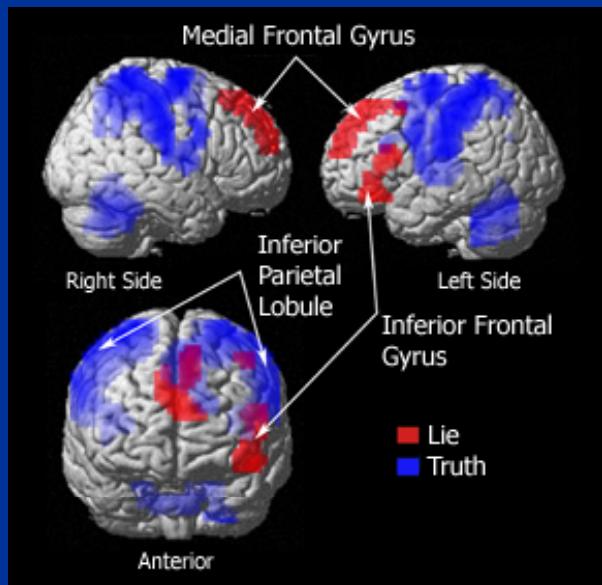


What Do YOU See?





Brain Activity in Deception



*We know brain
activity is
altered in truth
vs. deception.*

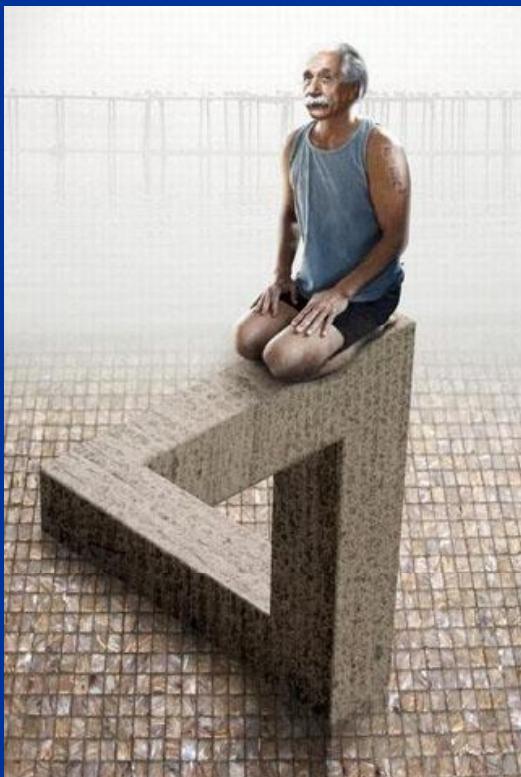




Mid-America Intergovernmental
Audit Forum



How About This...



*Our brain
searches to
close spatial
anomalies –
even if these
don't make
sense to us.*



Mid-America Intergovernmental
Audit Forum

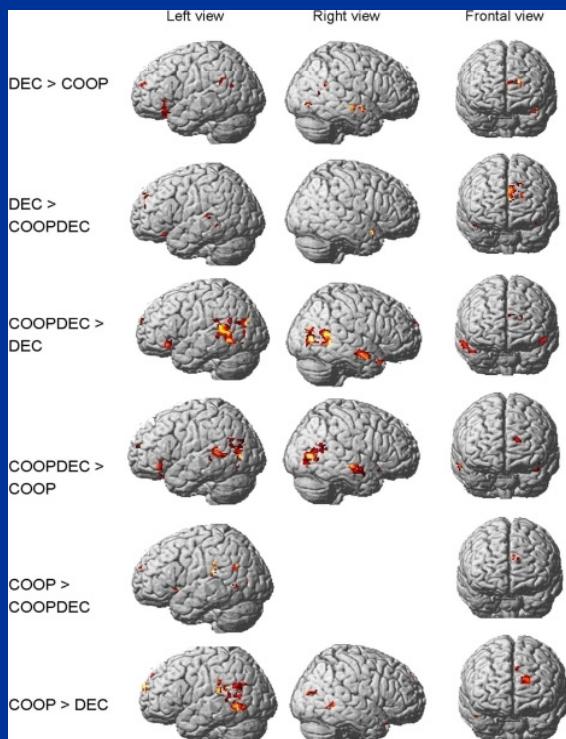


Or How About This?

Caution:
**The next picture may cause severe
mental instability... unless you're an
auditor.**



Brain Activity in Deception

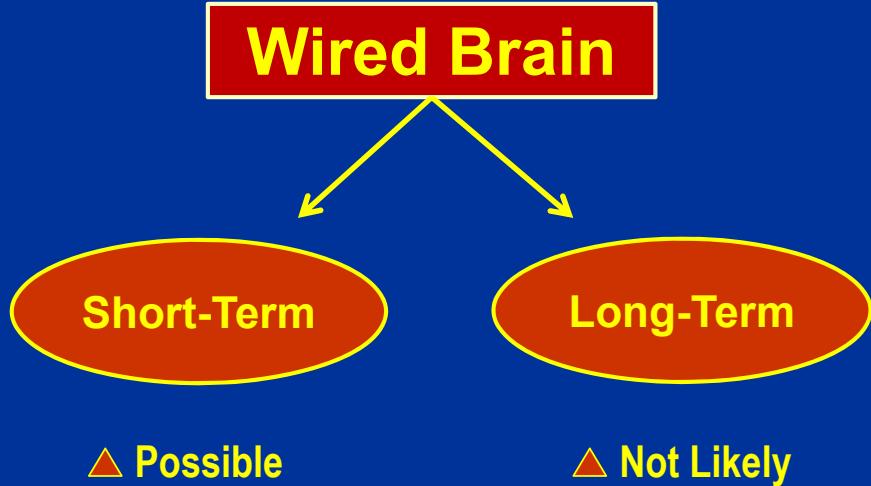


This is brain activity during a session where the subject is being intentionally deceptive.





What Can We Change?





Assessing Deception

- Establishes the credibility of the respondent
- Norming or calibrating
 - Process of observing behavior before critical questions are asked
- Physiology of deception
 - People lie for one of two reasons: to receive rewards or avoid punishment
 - The human body will attempt to relieve stress through verbal and nonverbal clues



Verbal Clues to Deception

- Changes in speech patterns
- Repetition of the question
- Comments regarding the interview
- Selective memory
- Making excuses
- Oaths
- Character testimony
- Answering with a question



Verbal Clues to Deception

- Overuse of respect
- Increasingly weaker denials
- Failure to deny
- Avoidance of emotive words
- Refusal to implicate other suspects
- Tolerant attitudes
- Reluctance to terminate interview
- Feigned unconcern



Nonverbal Clues

- Full-body motions
- Anatomical physical responses
- Illustrators
- Hands over the mouth
- Manipulators
- Fleeing positions
- Crossing the arms
- Reaction to evidence
- Fake smiles



Power of Rationalization

- Unfair treatment
- Inadequate recognition
- Financial problems
- Aberration of conduct
- Family problems
- Accuser's actions
- Stress, drugs, alcohol
- Revenge
- Depersonalizing the victim
- Minor moral infraction
- Altruism
- Genuine need



Management Training

Several firms have developed proprietary methods of altering the short-term “wiring” of subjects using bio-feedback technology... the very same output metrics used in the polygraph.

Blood pressure

Heart rate

Brain wave activity



Some Really Good Reading

- *Telling Lies (Eckman)*
- *Your Brain at Work (Rock)*
- *Emotional Intelligence (Goleman)*
- *Liespotting (Meyer)*
- *Emotions Revealed (Eckman)*
- *What Every BODY is Saying (Navarro)*
- *Snakes in Suits (Babiak)*

