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Where Business & Law Meet™

Fraud And Government Investigations

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Internal Fraud Investigations: The When? The Why?? The How???

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Fraud Investigations

- Red Flags for Fraudulent Activities



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Why Do You Suspect Fraud

- Tip
- Irregularities in accounting
- Missing money or equipment

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Where Do I Begin

- Backwards planning---we knew of a crime, now we have to determine several things



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Identifying the Issues

- How was it committed
- Who was involved--- were there others
- How much was involved
- What other areas if any were impacted

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Initial Actions

- Review Department Notes
- Internal Search of:
 - Computer Audit
 - Organizational Chart
 - Job Duties
 - Emails
 - Correspondence
 - Contracts
 - Controls

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Initial Actions

- Vendor Processing Initial Action:
 - Who is doing the reviewing?
 - What is being reviewed?
 - Invoices
 - Purchase orders
 - Quotes
 - Bids
 - Contracts
 - Payment history

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Investigation

- Interviews
 - Who
 - When
 - Interviewers
 - Witnesses



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Outcome/Results

- Administrative Discipline
- Criminal Charges
- After Action Review
- Revision of Policies and Procedures

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Common Culprits

- Internal Controls
 - Purchasing Policies and Procedures
 - Separation of duties
 - Management letters

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Common Shortfalls in Governmental Agencies Which Result in Fraudulent Activities

- Management
- Staffing
- Clear Review Process
- Vendor Approval
- Outdated/Unenforced/Lack of Policies and Procedures

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Management

- Lacked a Clear Understanding of:
 - Duties
 - Position
 - Law
 - Basic Leadership Skills

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Staffing

- Understaffed
- Job Descriptions
- Organization Chart
- Reliance too heavily on department heads and would not challenge or ask questions due to unreasonable deadline, output requirements

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Review Process

- No Review Process
 - Signing of invoices is not an audit
 - Asked questions but never held up payments
 - No controls in place to verify/ prevent fraudulent activity
- Verification of Products/Services

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Vendor Approval

- Vendor approvals not formalized
 - No verification of authenticity
 - No control on work done
- No control on equipment/ service/ product provided
- Vendor payment reports
 - Who was paid
 - When they were paid
 - For what
 - How regularly
 - Vendor Review/ monthly yearly
 - Vendor Spend

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Outdated/Unenforced/Lack of Policies and Procedures

- Effective and Enforceable Policies and Procedures
- Training
- Auditing

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Questions?

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