

# OCCUPATIONAL FRAUD IN THE GOVERNMENTAL SECTOR



*Texas Association of County Auditors 2015 Fall Conference*

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[www.shsu.edu/~rjd005/TACA.ppt](http://www.shsu.edu/~rjd005/TACA.ppt)



# TEXAS ASSOCIATION OF COUNTY AUDITORS

## QUICKLINKS

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- President's Welcome
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- Jerry Ware Award

*"Celebrating 100 Years of Public Service"*

Welcome to the Texas Association of County Auditors official website

*"In God we trust, all others we audit."*

County Government is, for many people, the primary and most accessible level of government. In true democratic fashion, officials are elected from among the populace to represent citizens, provide a variety of services, and act as a bridge to span the gap between local citizens and County Government. In the midst of these elected positions is one, apolitical, appointed official - the County Auditor. The County Auditor has a broad scope of duties and responsibilities. Among other jobs, the County Auditor is to serve as a check on the financial operations of other county offices, as well as fulfill financial accounting and budget responsibilities.

### Hot Items

*"In God we trust, all others we audit."*

TA

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### What's New

2015 Dues Statements are available now - [Click Here](#)

Interested in sponsorship opportunities for future conferences? Please contact [Cheryl Roberts](#), Young County Auditor at (940) 549-1786 for more information.

Do you know of a new County Auditor in need of a mentor? If so, please contact - Karen Lester at (512) 756-5495

[TACA Website Live](#) - contact Ector County Auditor's Office [Randy Donner](#) at (432) 498-4099 to submit news, documents, or suggestions. The deadline for monthly updates is the 28th day of each month.



# Former Cagle-Fredonia Utility District manager charged with theft of \$33,000

June 9th, 2011 | by Ben Benton | in News | Read Time: 1 min. |



An state audit of records at Sequatchie County's Cagle-Fredonia Utility District landed former utility office manager Charlotte Turner in jail on charges of stealing almost \$33,000 from the utility.

Turner, 43, of state Highway 108 in Whitwell, Tenn., is accused of misappropriating \$32,849 between April 1, 2009, and Jan. 31, 2011, according to an audit released Wednesday by the Tennessee Comptroller of the Treasury's Division of Municipal Audit. Turner was indicted in May on a charge of theft over \$10,000, auditors said.

"Ms. Turner admitted she had misappropriated the utility district collections," state auditor Dennis F. Dycus said in the audit, regarding her interview with state officials.

Turner is free on a \$7,500 property bond and is set to appear June 27 in Sequatchie County Circuit Court, according to jail officials.

Turner could not be reached for comment Wednesday.

Her telephone number in Marion County had been disconnected.

Comptroller's office spokesman Blake Fontenay said Turner had access to money that was supposed to be deposited in the bank.

"Since Turner was the district's sole employee responsible for receiving collections, logging computer records of those collections, preparing deposits, delivering deposits to the bank and reconciling bank statements, she was in position to steal cash collections without being noticed by other district



Charlotte Turner is the former manager and bookkeeper...

## Document: Cagle Fredonia Exhibit



Exhibit in case against Charlotte Turner

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“Government and Public Administration” is one of **THE** most victimized industries of occupational fraud

- How is occupational fraud most often *committed*?
- How is occupational fraud most often *detected*?
- What are characteristics of *victim organizations*?
- What are characteristics of *perpetrators*?
- How can occupational fraud be *reduced*?



- This biannual report by the Association of Certified Fraud Examiners (ACFE) provides valuable information about occupational fraud
- Report and other related resources can be downloaded **FOR FREE** at:

<http://www.acfe.com/rtn.aspx>

The screenshot shows the Marquet International website. At the top, there is a logo with a stylized 'M' and the text 'Marquet International' and 'Managing Business Risks Through Strategic Intelligence'. To the right are social media icons for Facebook, Twitter, and LinkedIn. Below the logo is a navigation menu with links for Home, About, Media, Links, Blog, and Contact. The main content area is titled 'Reports Authored by Chris Marquet'. It contains a thank you message, a registration notice, and a list of reports from 2008 to 2014. At the bottom, there is a footer with contact information and a copyright notice.

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### Reports Authored by Chris Marquet

Thank you for your interest in our special copyrighted white papers, including our annual Marquet Report on Embezzlement and the Marquet Report on Ponzi Schemes.

Access to these reports is free, but registration is required. Please click the report of interest below to proceed. You will then be asked to enter your registration number or sign up to receive one by email. You will only need to register once.

These special reports are designed to provide insight and information regarding white collar crime and other risk issues for individuals and organizations of all stripes. We hope you find them interesting and informative and welcome your feedback at [info@marquetinternational.com](mailto:info@marquetinternational.com).

["The 2013 Marquet Report on Embezzlement"](#) by Christopher T. Marquet, December 20, 2014

["The 2012 Marquet Report on Embezzlement"](#) by Christopher T. Marquet, May 13, 2013

["The 2011 Marquet Report On Embezzlement"](#) by Christopher T. Marquet, January 17, 2012

["The Marquet Report on Ponzi Schemes"](#) by Christopher T. Marquet, June 2, 2011

["The 2010 Marquet Report On Embezzlement"](#) by Christopher T. Marquet, January 2011

["2009 Report On Embezzlement"](#) by Marquet International, January 2010

["2008 Report On Embezzlement"](#) by Marquet International, January 2009

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- Another **FREE** report that is an excellent source about embezzlement:

<http://www.marquetinternational.com/reports.htm>

- Excellent blog highlighting numerous frauds reported in the press:

<http://fraudtalk.blogspot.com/>

## Fraud Talk

FraudTalk is a blog focused on the review and discussion of recent significant cases of fraud, corruption and employee misconduct - particularly major embezzlement cases in the US. Fraud Talk is published by Chris Marquet, Chairman & CEO of Marquet International Ltd., an international investigations, litigation support and due diligence firm.

Showing posts with label **public corruption**. [Show all posts](#)

TUESDAY, MARCH 24, 2015

### ➤ **2 Former Army Personnel Sentenced For Embezzling \$2.7 Million While Stationed in Saudi Arabia**

From the DOJ on 3/20/2015:

NEWNAN, Ga. - Jasen Minter and Louis E. Nock have each been sentenced to four years, nine months in prison for stealing more than \$2.7 million from a United States Government bank account while they were on active duty in the United States Army stationed in Riyadh, Saudi Arabia.

"This was an egregious abuse of trust by two former U.S. Army soldiers who had access to millions of dollars of government money," said Acting U.S. Attorney John Horn. "Their conduct betrayed their trust and honor as servicemembers and took substantial funds away from the United States Military Training Mission in Saudi Arabia."

J. Britt Johnson, Special Agent in Charge, FBI Atlanta Field Office, stated: "While the sentencing of both former U.S. Army Captain Jasen Minter and Sgt. First Class Louis Nock will finally hold them accountable for their criminal actions in stealing over two million dollars in government monies, it remains to be seen if they will be able to repay the government in spite of the fact that, as part of their sentencing, they are ordered by the court to do so. While both Minter and Nock were stationed in Saudi Arabia, their purpose as Finance Officers was to support the war fighter through the U.S. Military Training Mission. They, instead, literally sent boxes of U.S. cash back to the States for their own personal gain. This has been an extensive and protracted investigation initiated by the U.S. Army Criminal Investigative Division and the Department of Defense Office

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Showing posts with label **theft of government property**. [Show all posts](#)

FRIDAY, MARCH 20, 2015

## ➤ Former Muncial Treasurer In Illinois Charged With Embezzling More Than \$1 Million Over 20 Year Period

From the [Cook County State's Attorney's Office](#) on 8/15/2013:

The former treasurer of a suburban township school district that manages finances for multiple school districts and agencies in the western suburbs has been charged with stealing more than \$1 million dollars from the organization over a 20 year period, Cook County State's Attorney Anita Alvarez announced today.

Robert Healy, 54, of LaGrange Highlands, served as the Treasurer of the Lyons Township Trustees of Schools for 24 years from 1988 through 2012. He has been charged with Theft of Governmental Property, a Class X felony and Official Misconduct, a Class 3 felony for allegedly bilking the organization of more than \$1.5 million. If convicted, Healy faces up to 30 years in prison. Healy resigned his position in September 2012.

The Lyons Township School's Treasurer's Office, located in LaGrange Park, manages more than \$280 million in public funds on behalf of 13 school districts and agencies in the western suburbs of Cook County, including Western Springs, LaGrange Park, Lyons, Summit/Argo, LaGrange Highlands, Willow Springs, LaGrange, Burr Ridge, and Justice. The districts serve over 21,000 school children.

According to prosecutors, the defendant was responsible for

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Showing posts with label **official misconduct**. [Show all posts](#)

FRIDAY, JANUARY 7, 2011

### ➤ Tennessee Woman Pleads Guilty To Embezzling Nearly \$100K From Municipality

Arnita M. Mitchell, 44, of Mason, Tennessee, pleaded guilty to charges she embezzled \$96,000 from the town of Mason, Tennessee where she had served as City Court Clerk in charge of cash collections, among other things. According to authorities, Mitchell pocketed cash receipts over a period of some 30 months. Mitchell, who was originally indicted in November 2009 on felony theft, forgery, computer fraud, theft of services, and official misconduct, was sentenced to 90 days in jail and ordered to pay full restitution. She will also be placed on probation for 8 years after her prison sentence.

Read the story [here](#), [here](#) and [here](#).

Read the indictment [here](#).

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Posted by [Chris Marquet](#) at 12:48 PM [No comments](#)

Labels: [computer fraud](#), [embezzlement](#), [forgery](#), [official misconduct](#), [public corruption](#), [theft of services](#)

THURSDAY, DECEMBER 9, 2010

### ➤ Former New Jersey College Staffer Pleads Guilty To Embezzling \$500+K



Shaunette P. Ruffin-Moody, 48, of Jersey City, New Jersey, pleaded guilty today to charges she embezzled

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Showing posts with label **embezzlement by a public officer**. [Show all posts](#)

MONDAY, MARCH 9, 2015

## Local County Commissioner In Michigan Pleads Guilty To Embezzling More Than \$100K From County Agencies

From *The Herald-Palladium* on 3/7/2015:

Berrien County Commissioner Robert Wooley on Friday pleaded guilty to felony embezzlement charges, admitting he stole more than \$100,000 from the senior citizen center he directed and a smaller amount from a fire department.

Wooley is free on bond pending sentencing April 20 in Berrien County Trial Court.

After appearing in court for a case conference, he pleaded guilty to charges of embezzlement by agent or trustee over \$100,000, which carries a penalty of up to 20 years in prison.

He further pleaded guilty to attempted embezzlement of \$20,000 to \$50,000, a five-year felony. The plea was accepted by Judge Sterling Schrock, who asked Wooley a series of questions to establish a factual basis.

The 62-year-old Coloma resident admitted that he embezzled more than \$100,000 from the North Berrien Senior Center while serving as director from 2007 to August 2014.

He further told the court he converted more than \$20,000 but less than \$50,000 to his own use by writing checks to himself while serving the North Berrien Fire Rescue Department as a board member and

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# What is “occupational fraud?”

- “The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets” (ACFE 2014)
  - In other words, **schemes** in which a person **defrauds** his or her employing organization



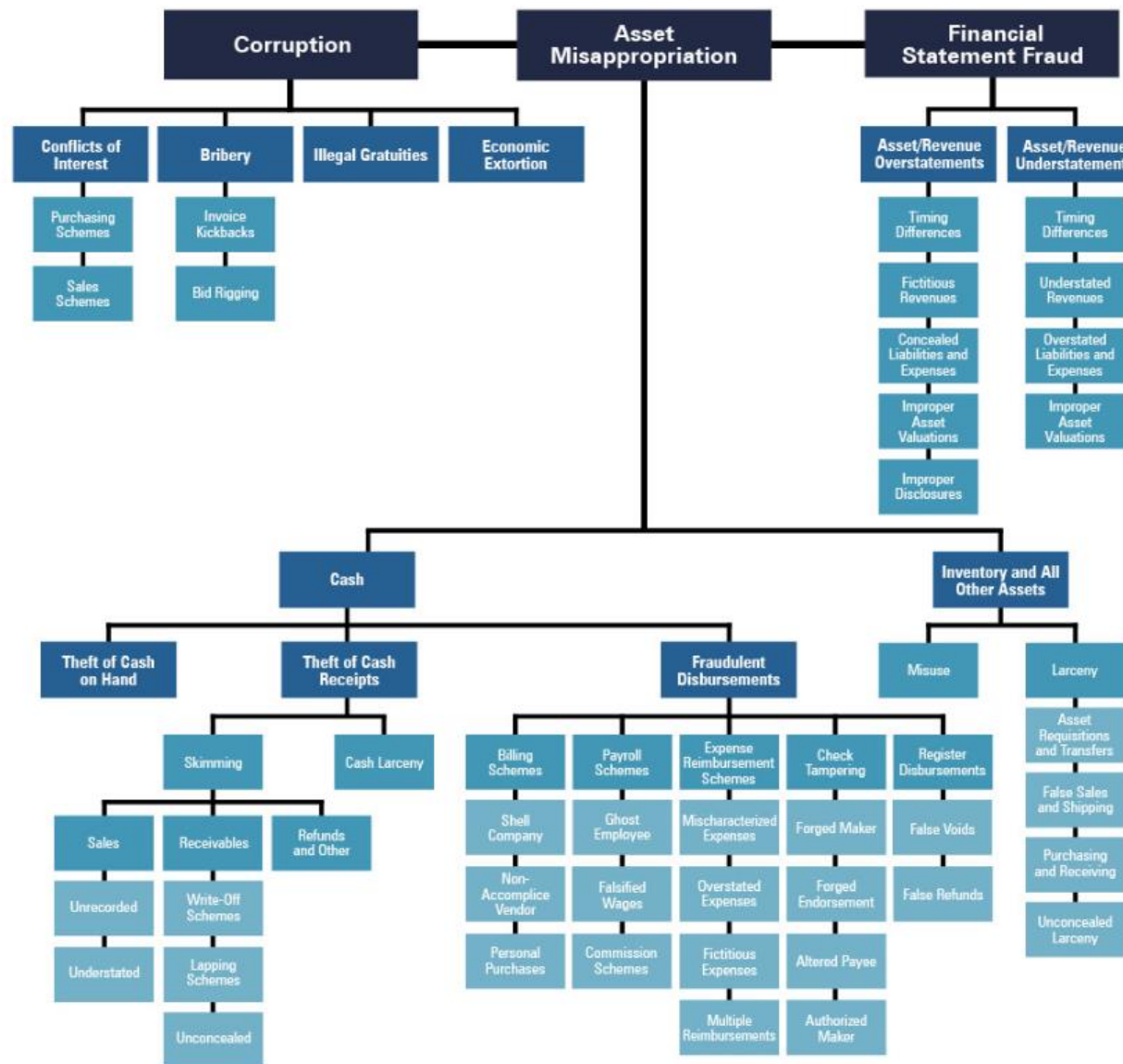
**How can I defraud thee? Let me count the ways.**



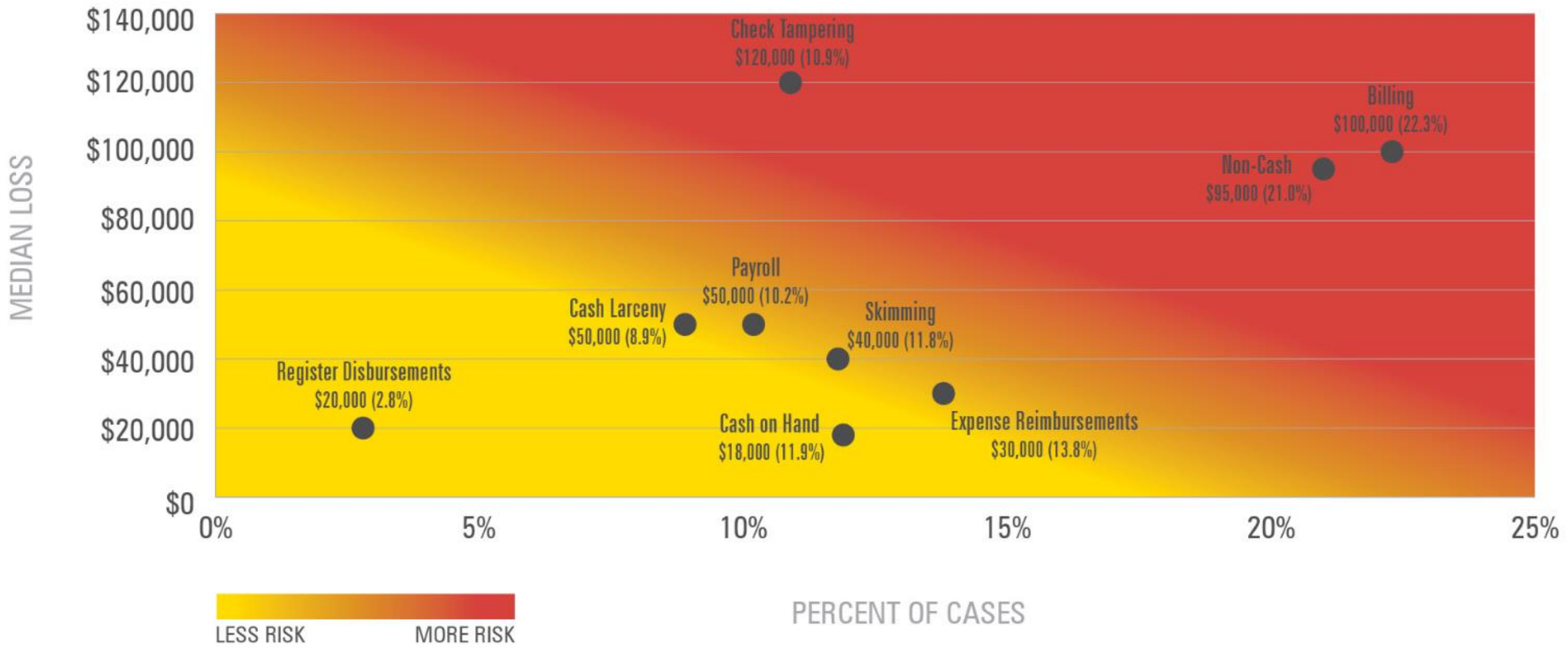
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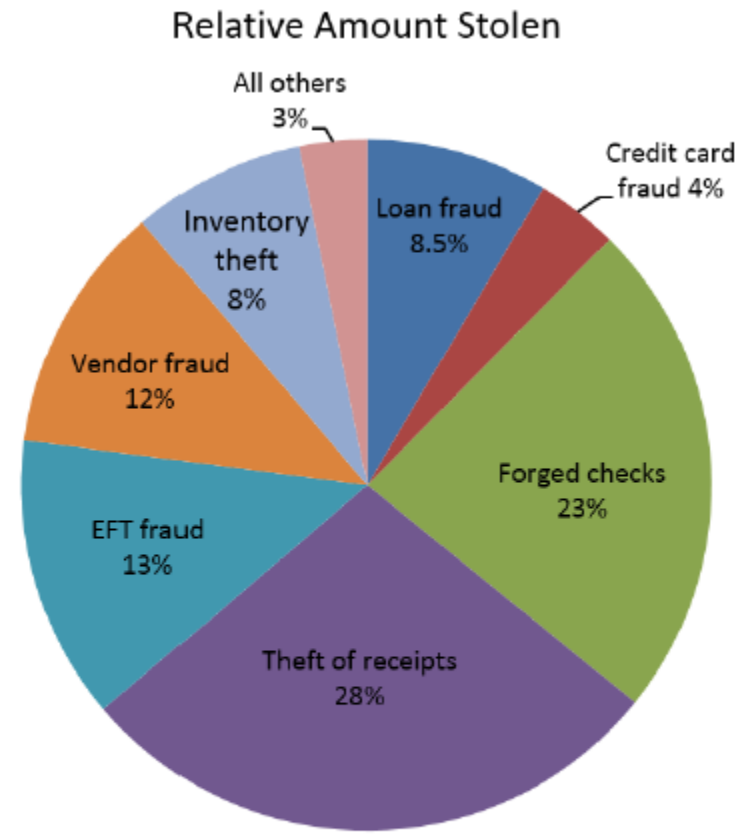
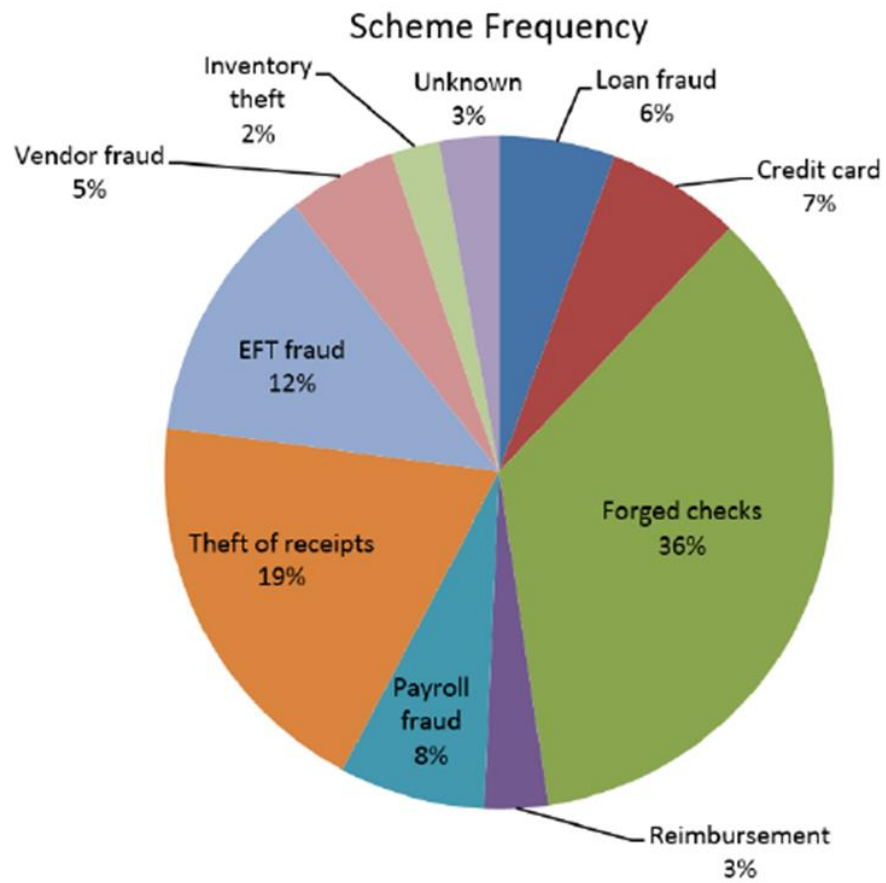
**Figure 3: Occupational Fraud and Abuse Classification System (Fraud Tree)**



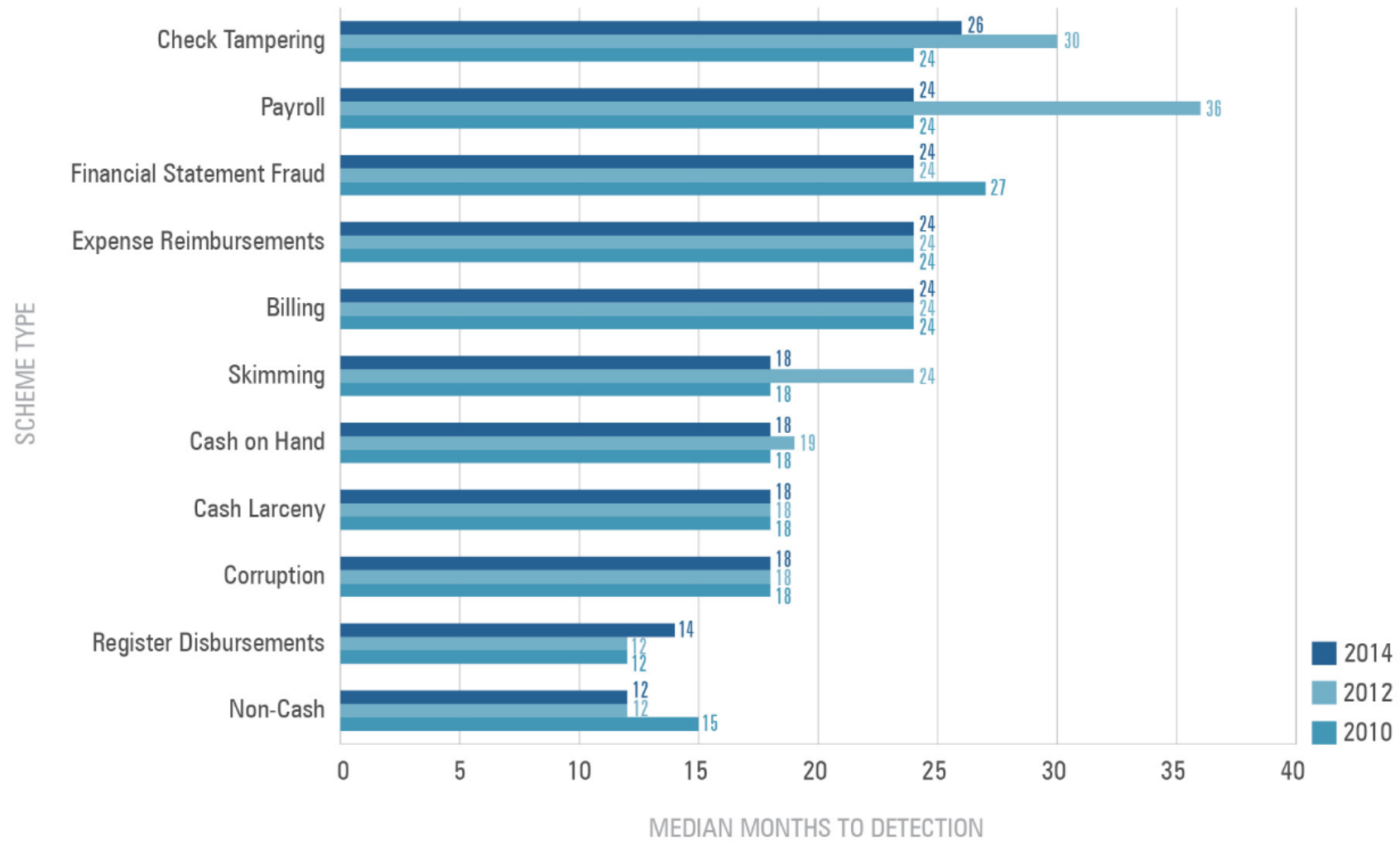
**Figure 6:** Frequency and Median Loss of Asset Misappropriation Sub-Schemes



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**Figure 10: Median Duration of Fraud Based on Scheme Type**

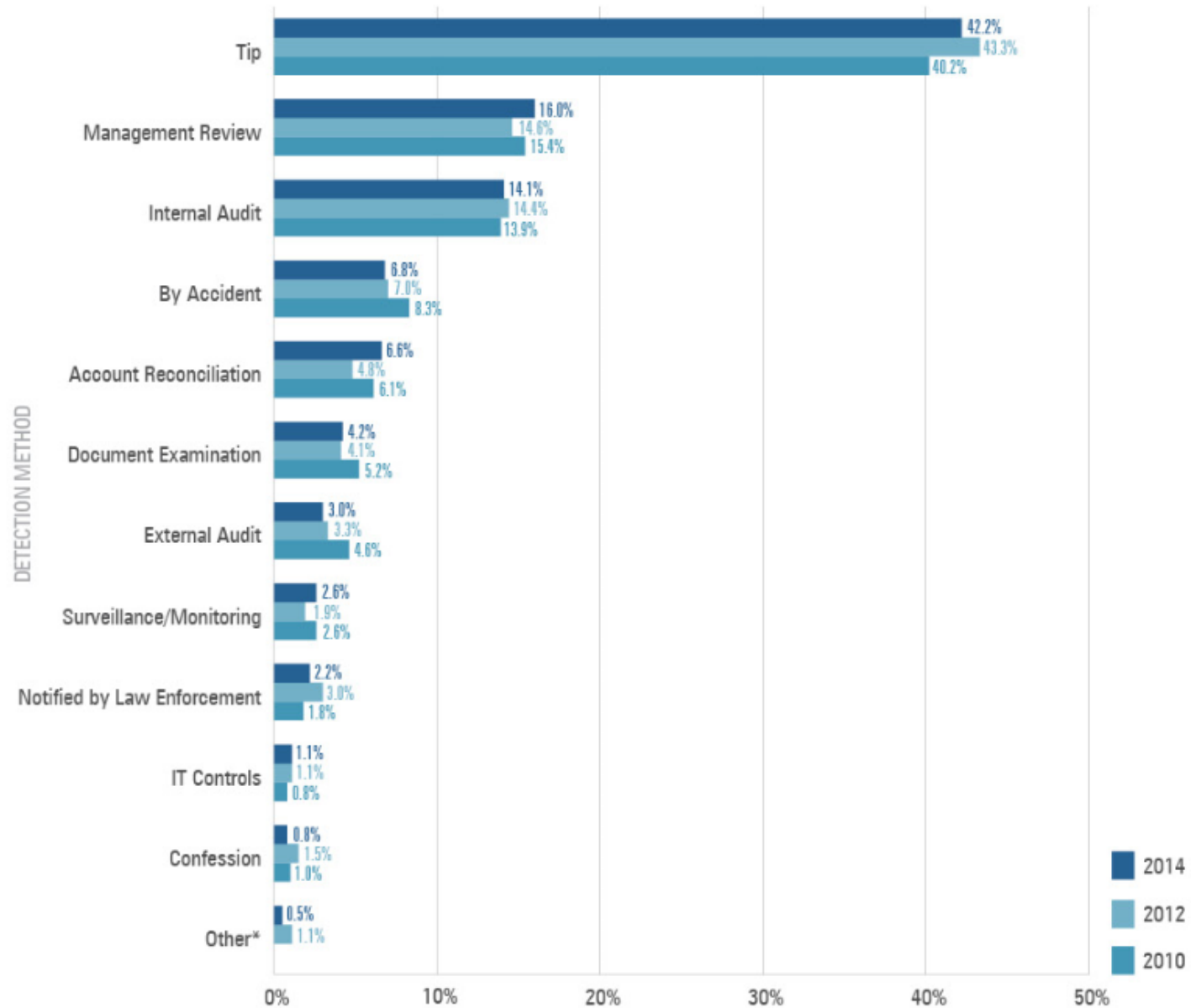




# Fraud Detection



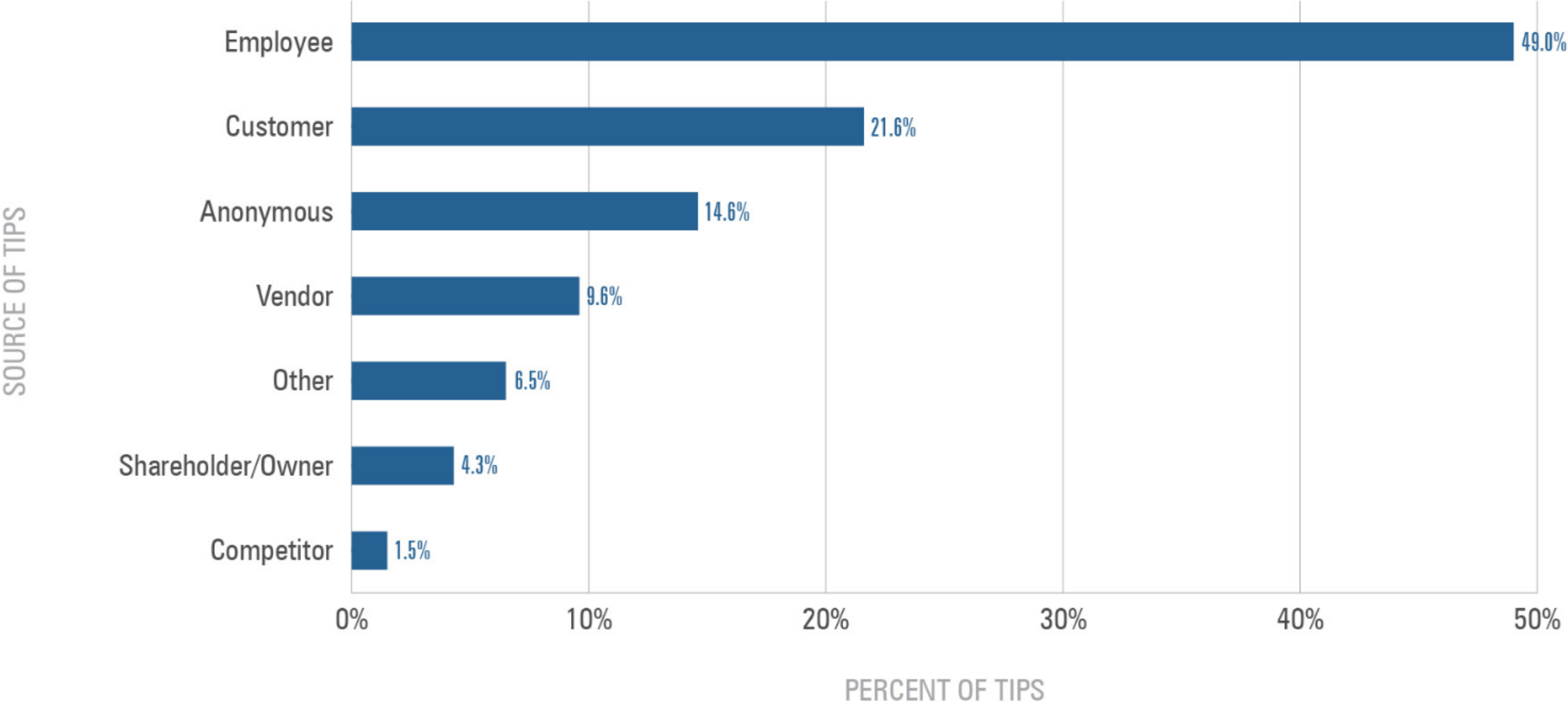
**Figure 11: Initial Detection of Occupational Frauds**



\*"Other" category was not included in the 2010 Report.

PERCENT OF CASES

**Figure 13: Source of Tips**

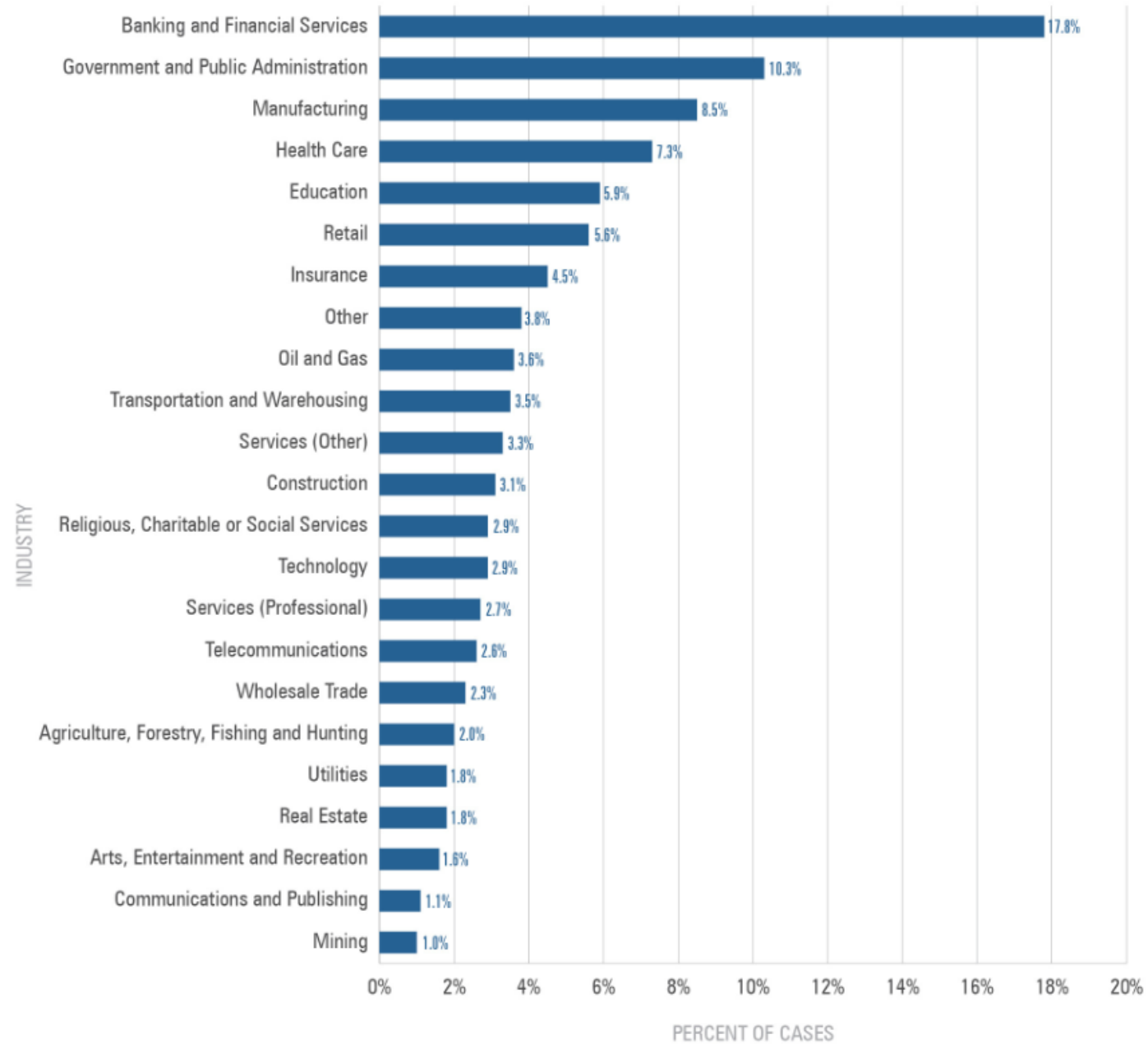


# The Governmental Sector

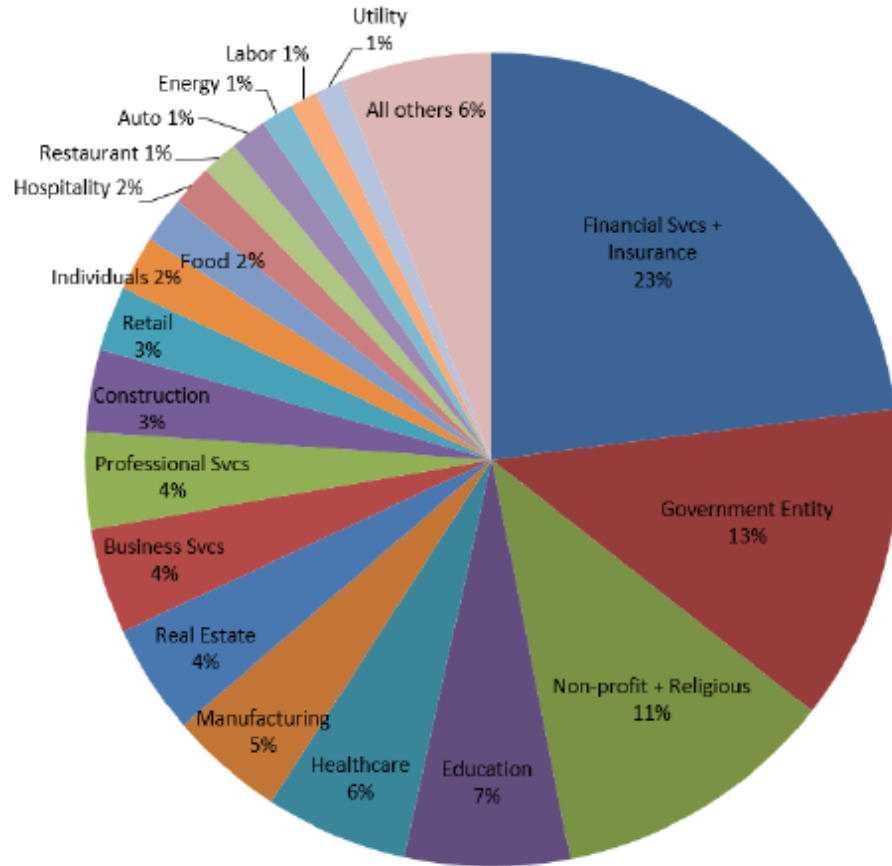




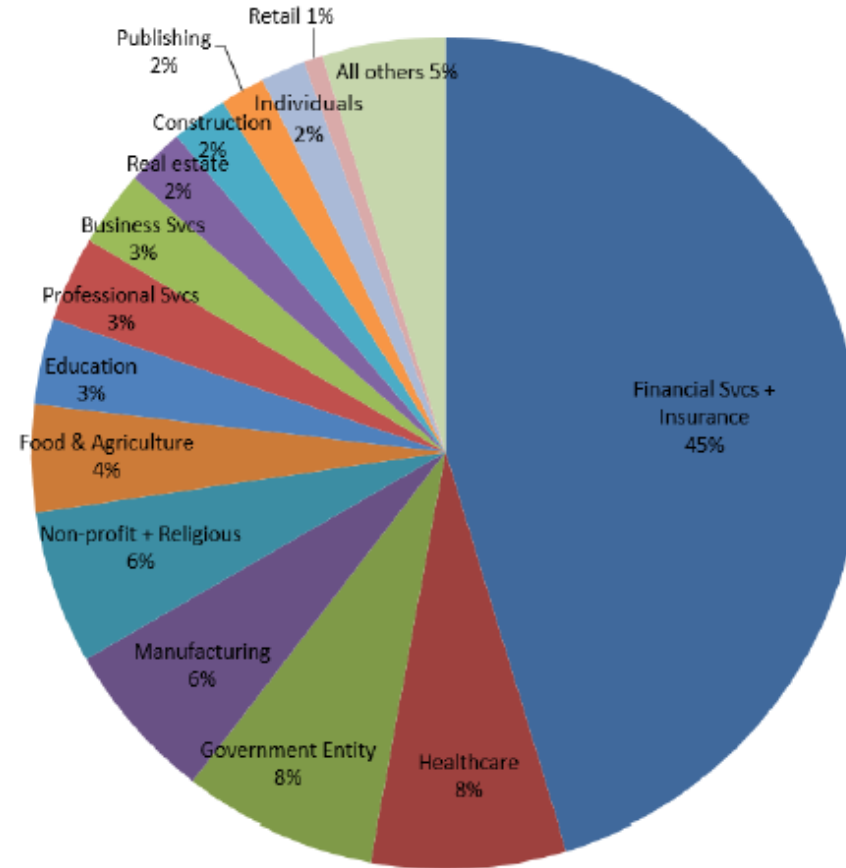
**Figure 22: Industry of Victim Organizations**



**2013 Industry Case Frequency**



**2013 Industry Gross Loss**



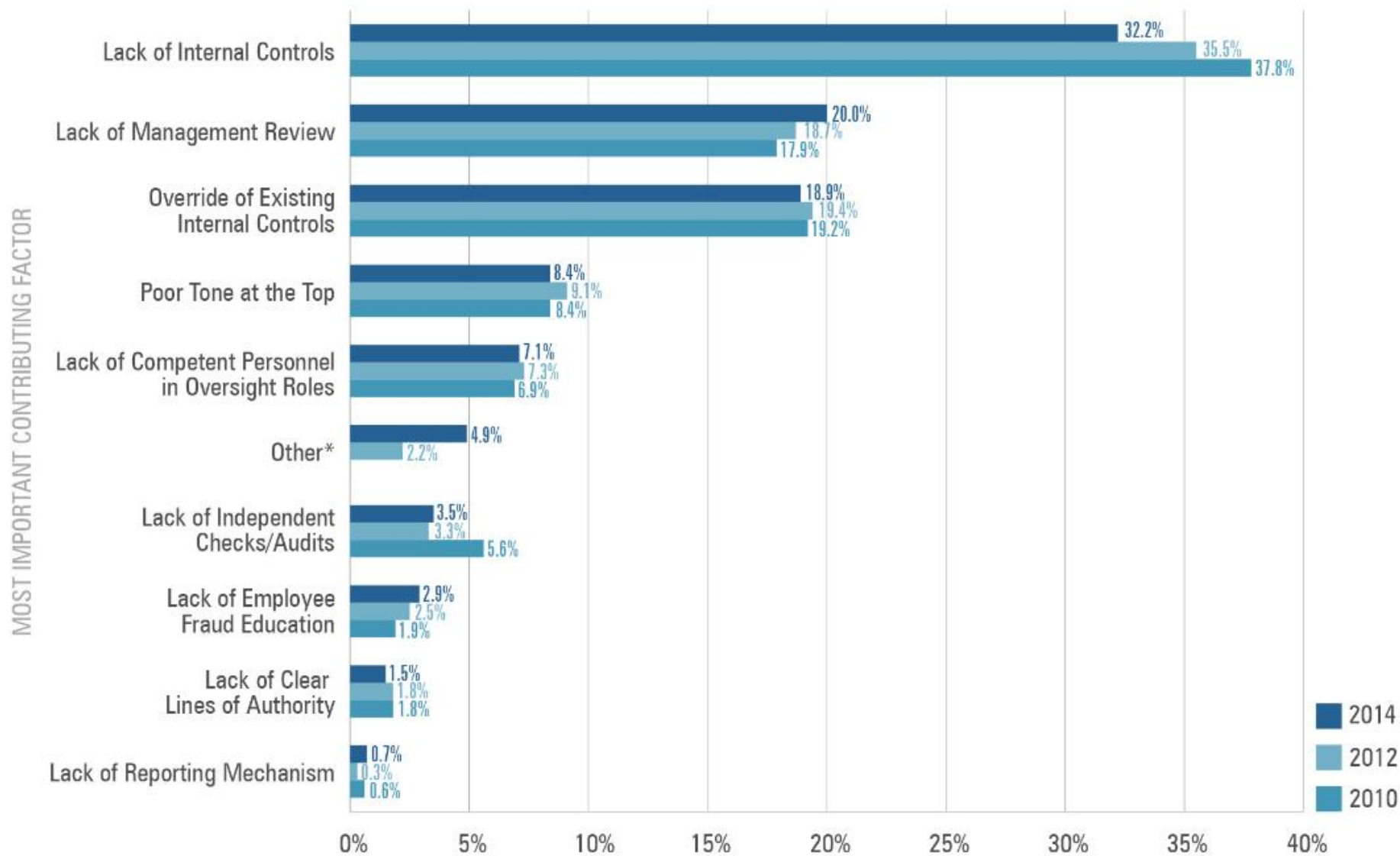
**Figure 24: Frequency of Schemes Based on Industry**

Industry/ Scheme	Banking and Financial Services	Government and Public Administration	Manufacturing	Health Care	Education	Retail	Insurance	Oil and Gas	Transportation and Warehousing	Services (Other)	Construction	Religious, Charitable or Social Services
Cases	244	141	116	100	80	77	62	49	48	45	43	40
Billing	5.7%	19.1%	22.4%	29.0%	33.8%	10.4%	17.7%	24.5%	33.3%	28.9%	34.9%	32.5%
Cash Larceny	13.1%	10.6%	6.0%	12.0%	6.3%	15.6%	6.5%	2.0%	2.1%	11.1%	14.0%	7.5%
Cash on Hand	18.9%	12.1%	7.8%	16.0%	16.3%	22.1%	1.6%	2.0%	10.4%	11.1%	7.0%	12.5%
Check Tampering	5.7%	5.7%	7.8%	21.0%	10.0%	7.8%	4.8%	4.1%	20.8%	17.8%	27.9%	35.0%
Corruption	37.3%	36.2%	54.3%	37.0%	36.3%	22.1%	33.9%	57.1%	29.2%	35.6%	46.5%	30.0%
Expense Reimbursements	4.1%	12.8%	7.8%	23.0%	31.3%	3.9%	4.8%	14.3%	14.6%	17.8%	27.9%	32.5%
Financial Statement Fraud	10.2%	5.0%	13.8%	8.0%	10.0%	6.5%	3.2%	12.2%	10.4%	6.7%	11.6%	7.5%
Non-Cash	13.1%	17.7%	34.5%	12.0%	12.5%	33.8%	12.9%	16.3%	33.3%	17.8%	20.9%	15.0%
Payroll	5.3%	15.6%	8.6%	15.0%	16.3%	5.2%	8.1%	6.1%	16.7%	6.7%	18.6%	20.0%
Register Disbursements	2.5%	0.7%	2.6%	3.0%	5.0%	13.0%	0.0%	0.0%	4.2%	6.7%	2.3%	2.5%
Skimming	5.7%	11.3%	4.3%	18.0%	20.0%	18.2%	22.6%	2.0%	6.3%	33.3%	7.0%	12.5%

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**Figure 39: Primary Internal Control Weakness Observed by CFE**

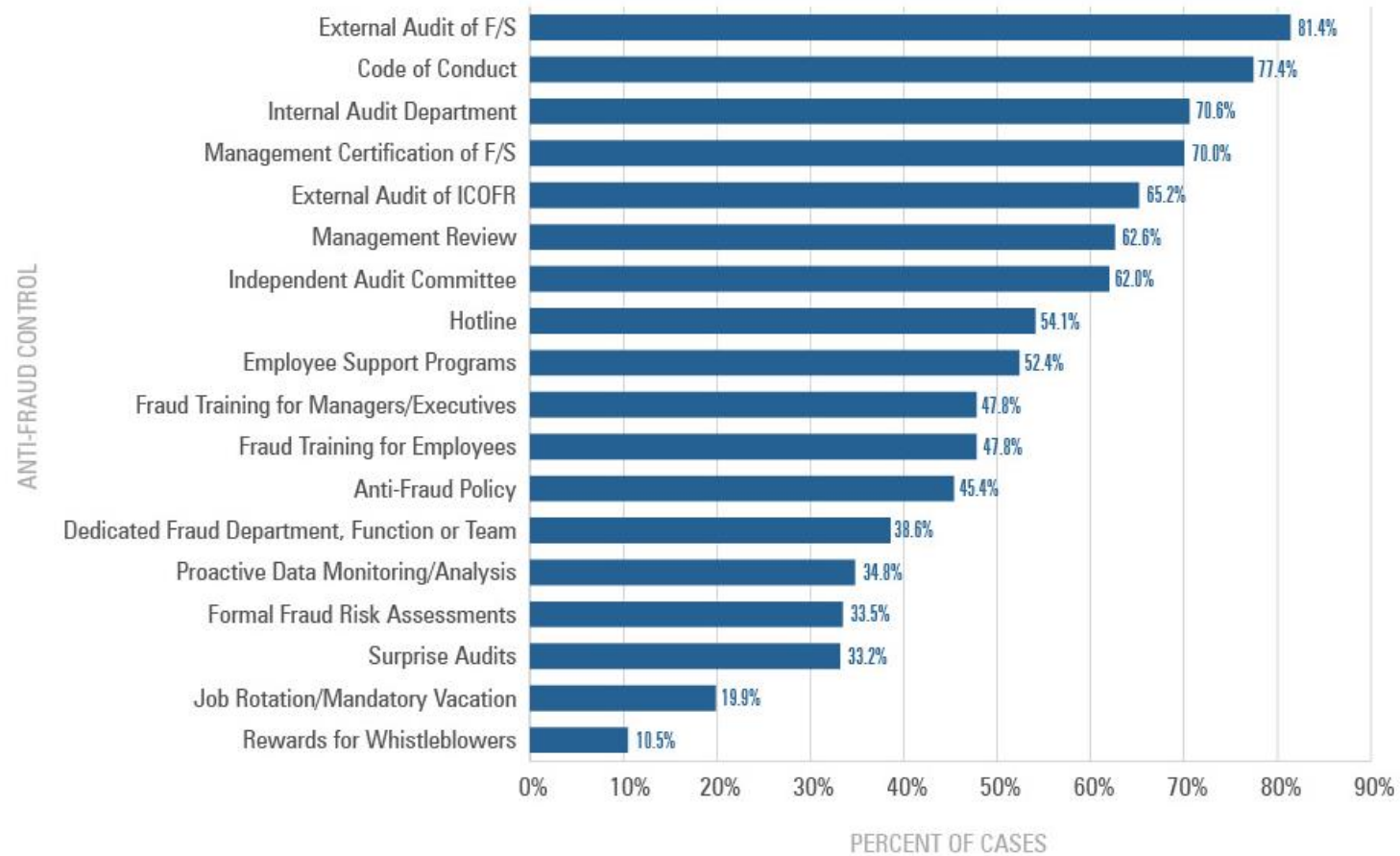


\*"Other" category was not included in the 2010 Report.

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**Figure 26: Frequency of Anti-Fraud Controls**



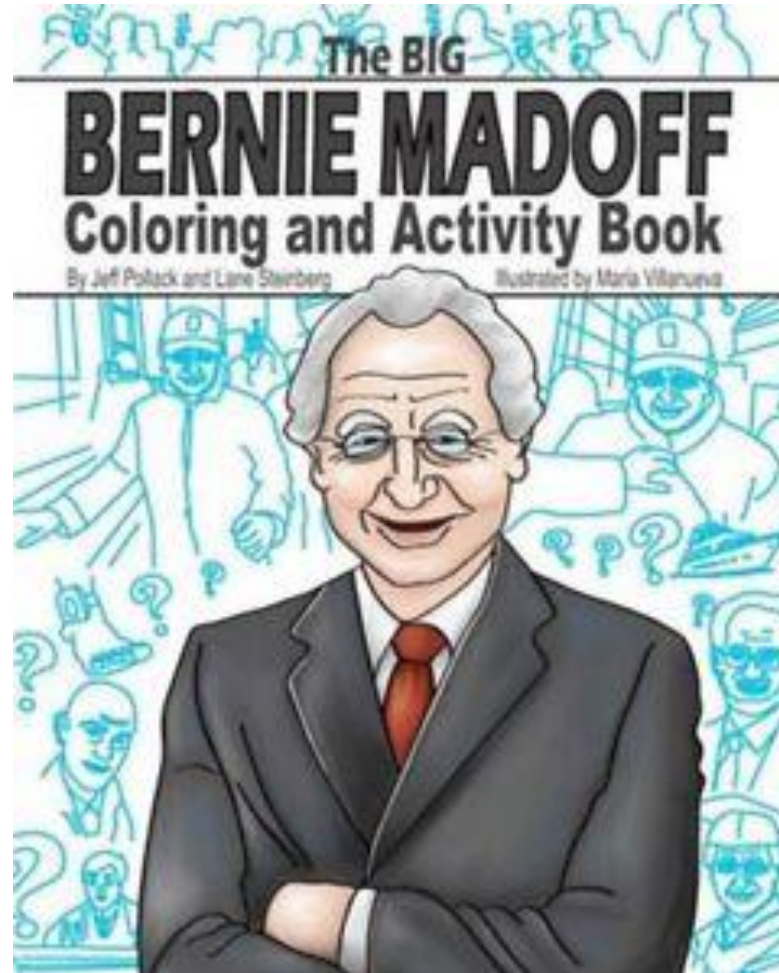
**The following key applies to Figures 26, 27, 37 and 38:**

External Audit of F/S = Independent external audits of the organization's financial statements

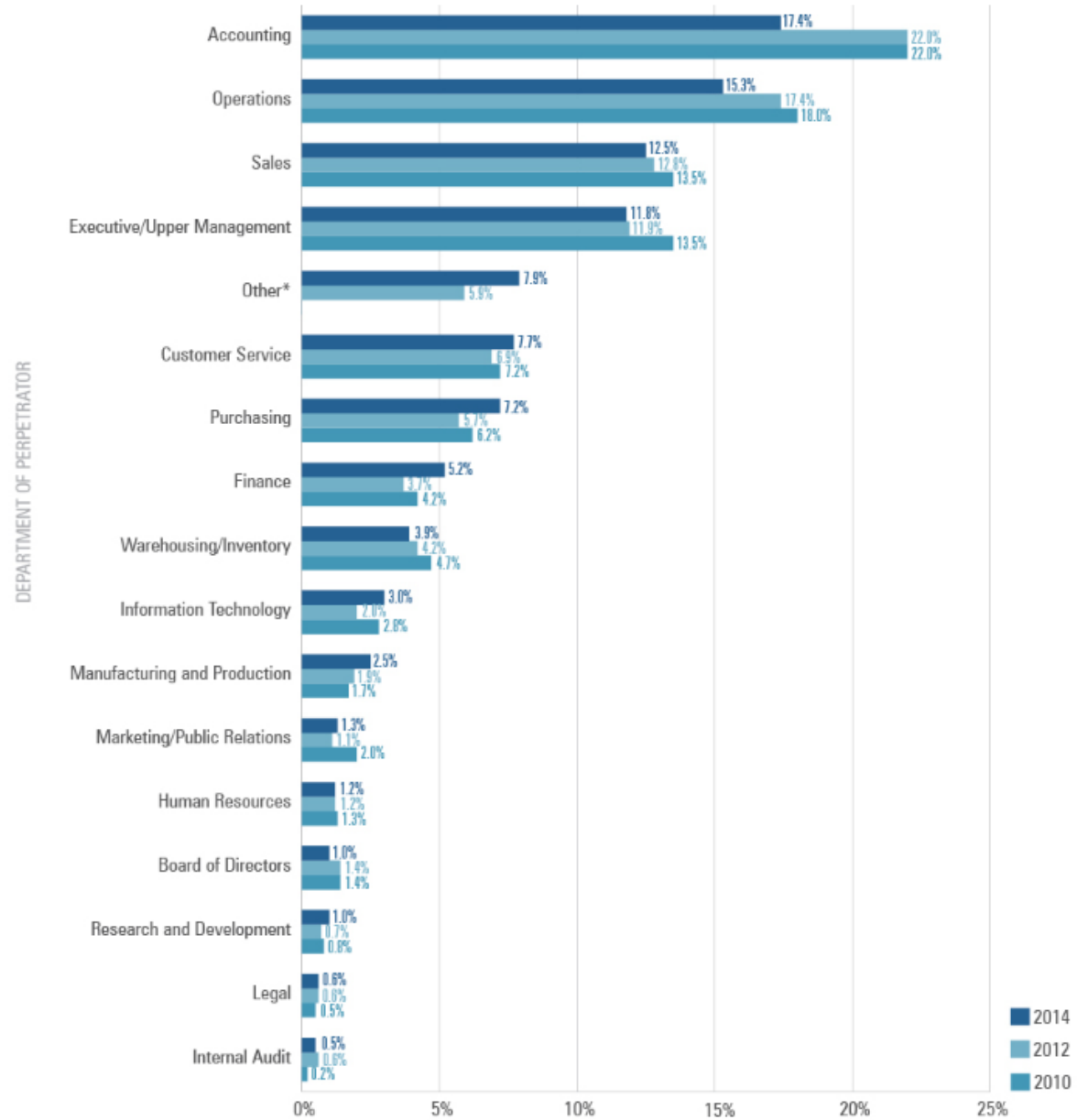
External Audit of ICOFR = Independent audits of the organization's internal controls over financial reporting

Management Certification of F/S = Management certification of the organization's financial statements

# Who are these fraudsters?



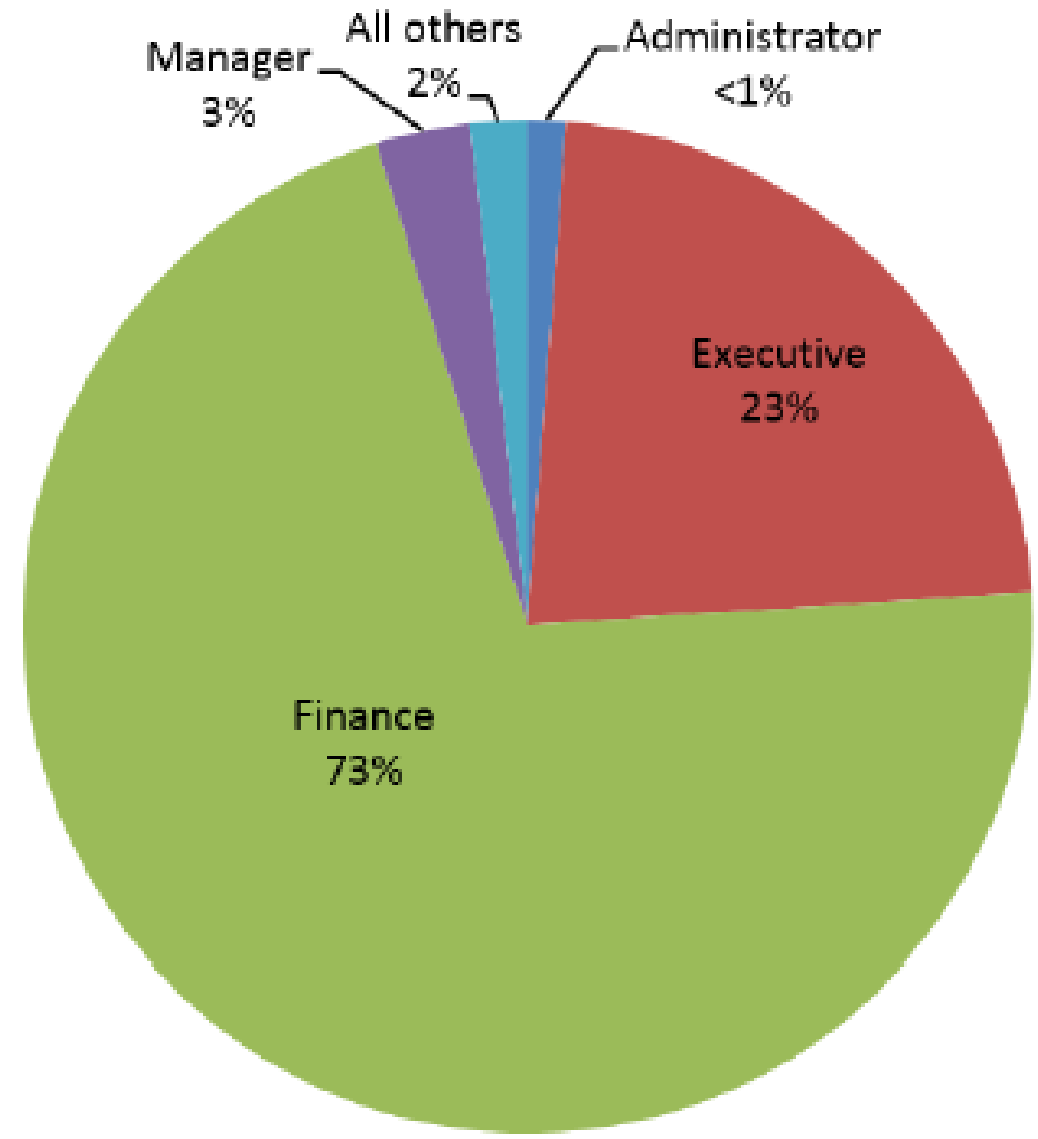
**Figure 66: Department of Perpetrator — Frequency**



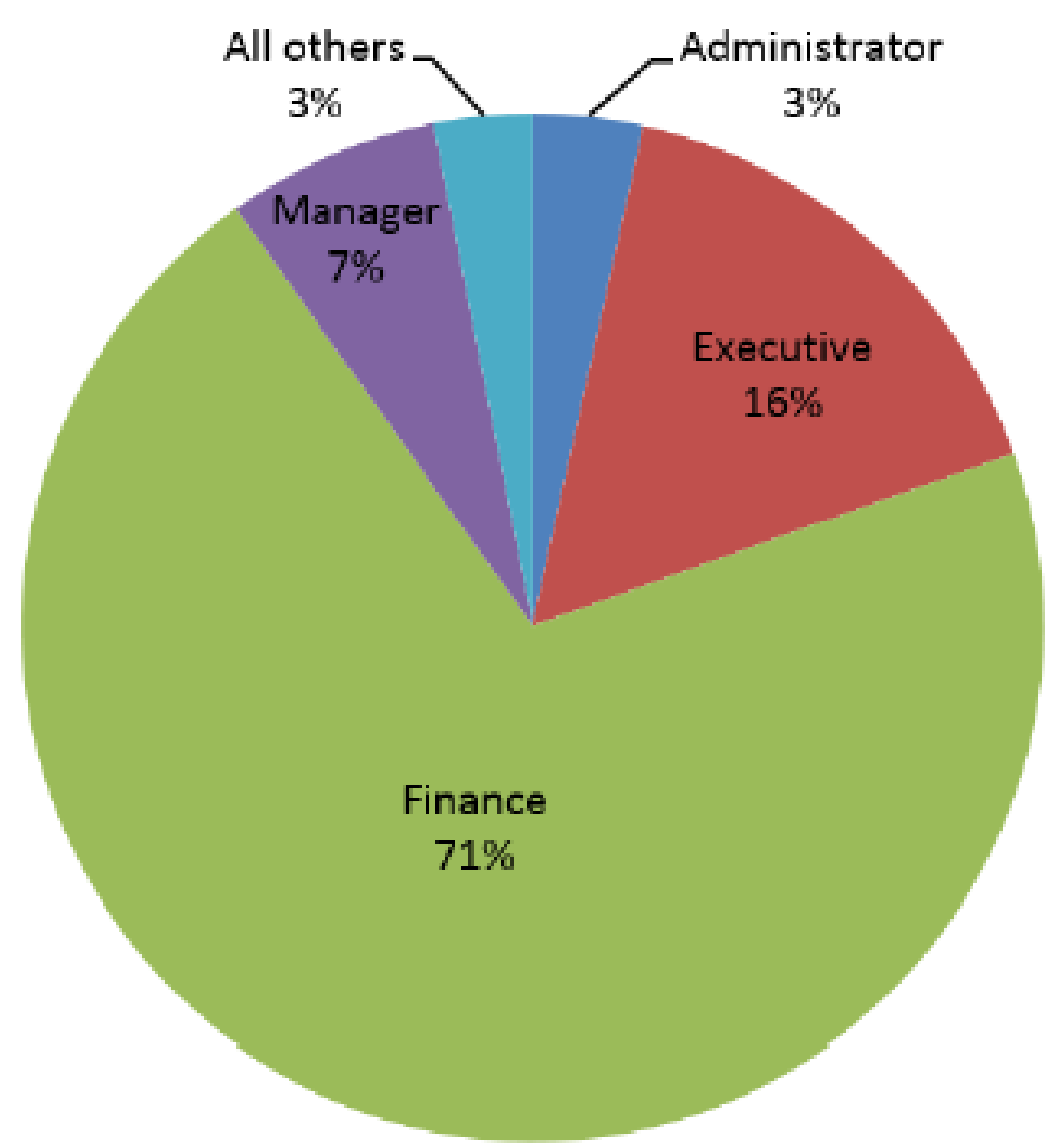
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# 2013 Relative Amount Stolen



# 2013 Position Frequency

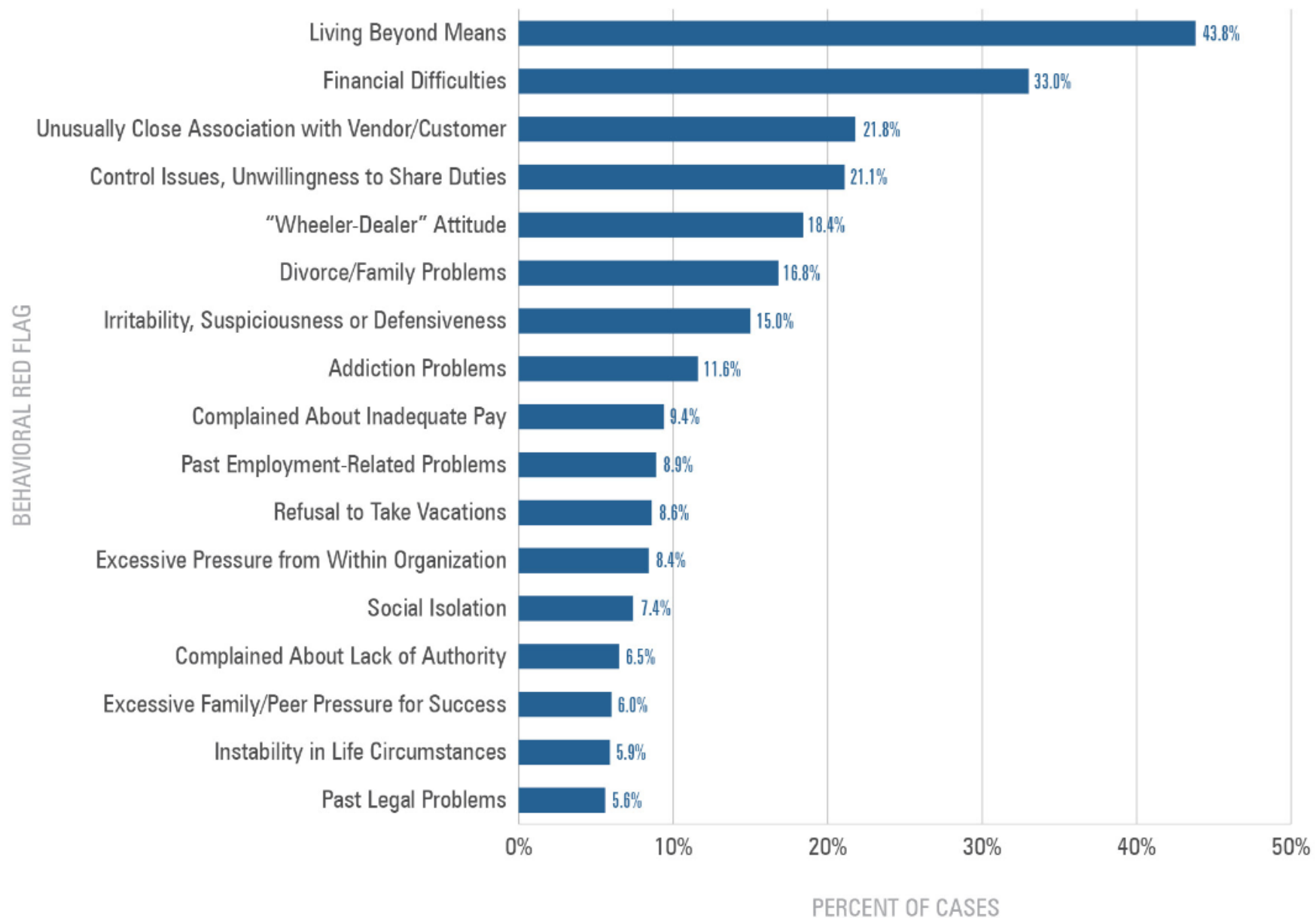


**Figure 68: Frequency of Schemes Based on Perpetrator's Department**

Department/ Scheme	Accounting	Operations	Sales	Executive/ Upper Management	Customer Service	Purchasing	Finance
Cases	230	203	166	156	102	95	69
Billing	31.3%	22.2%	9.6%	35.9%	10.8%	25.3%	26.1%
Cash Larceny	19.1%	8.4%	3.6%	7.7%	17.6%	1.1%	10.1%
Cash on Hand	18.7%	15.8%	10.2%	9.0%	24.5%	4.2%	14.5%
Register Disbursements	3.0%	3.9%	4.2%	2.6%	4.9%	1.1%	2.9%
Check Tampering	35.7%	4.4%	3.0%	10.9%	3.9%	3.2%	24.6%
Corruption	22.2%	37.9%	29.5%	51.9%	24.5%	73.7%	31.9%
Expense Reimbursements	15.7%	14.8%	10.2%	26.9%	7.8%	6.3%	13.0%
Financial Statement Fraud	8.3%	4.9%	9.6%	26.3%	1.0%	4.2%	17.4%
Non-Cash	7.8%	19.7%	24.1%	21.2%	20.6%	21.1%	17.4%
Payroll	18.7%	3.9%	6.0%	15.4%	6.9%	2.1%	11.6%
Skimming	18.3%	13.3%	15.7%	10.9%	15.7%	2.1%	5.8%



**Figure 71: Behavioral Red Flags Displayed by Perpetrators**





## Motivating Factors

- Coercion
- Entitlement belief
- Financial need
- Lavish lifestyle
- Gambling issue
- Romance driven
- Shopping addiction
- Substance abuse
- Support a personal business
- Support significant other

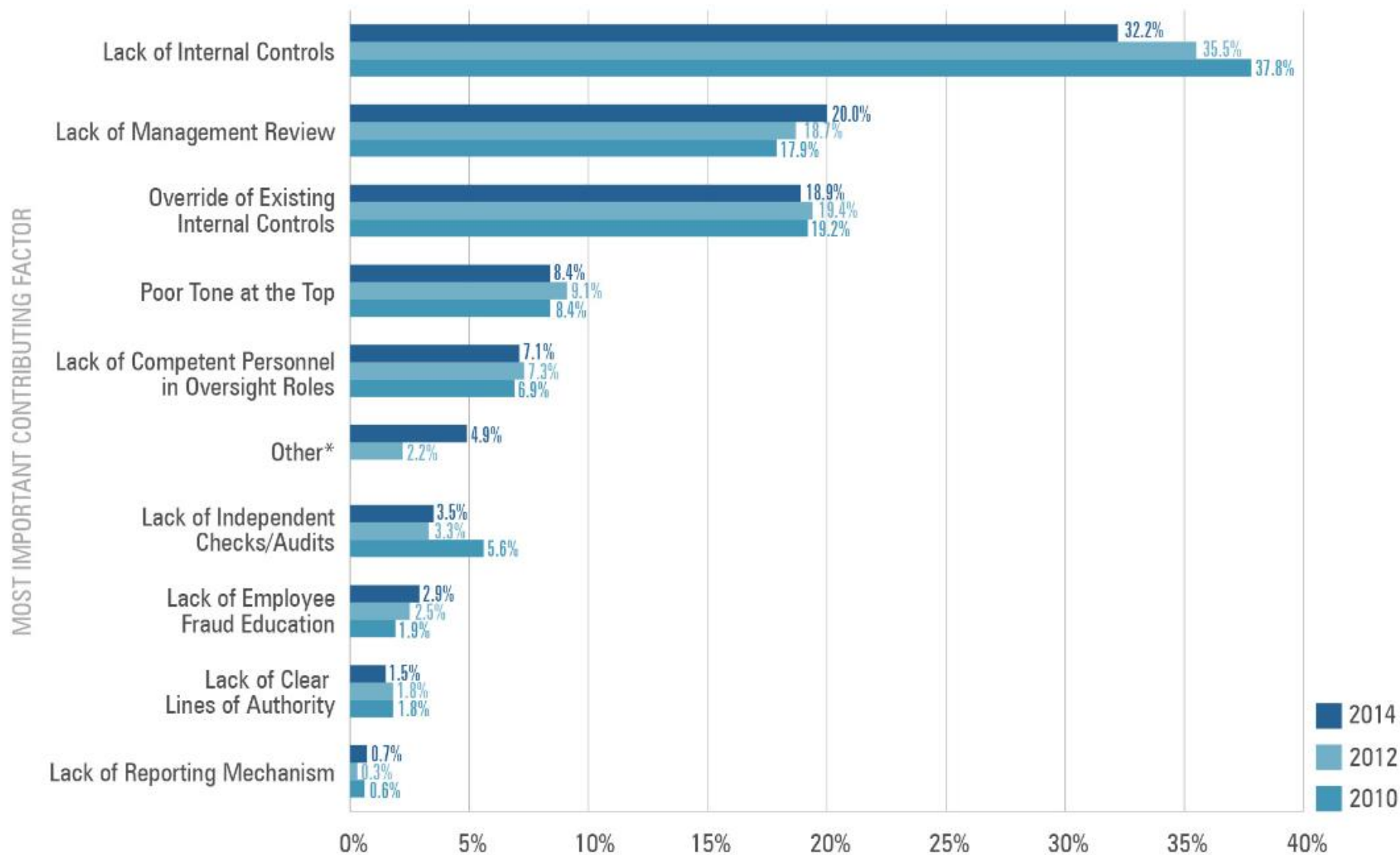
The overall break down in the 2013 study was as follows:

<u>Motivation</u>	<u>Need</u>	<u>Gambling</u>	<u>Lifestyle</u>	<u>Drugs</u>	<u>Business</u>	<u>Shopping</u>	<u>Family</u>	<u>Entitled</u>	<u>Forced</u>	<u>Love</u>	<u>Total</u>
Number	9	50	126	1	7	2	7	3	2	3	210
Percent	4.3%	23.8%	60.0%	0.5%	3.3%	1.0%	3.3%	1.4%	1.0%	1.4%	100.0%

**HOW?**



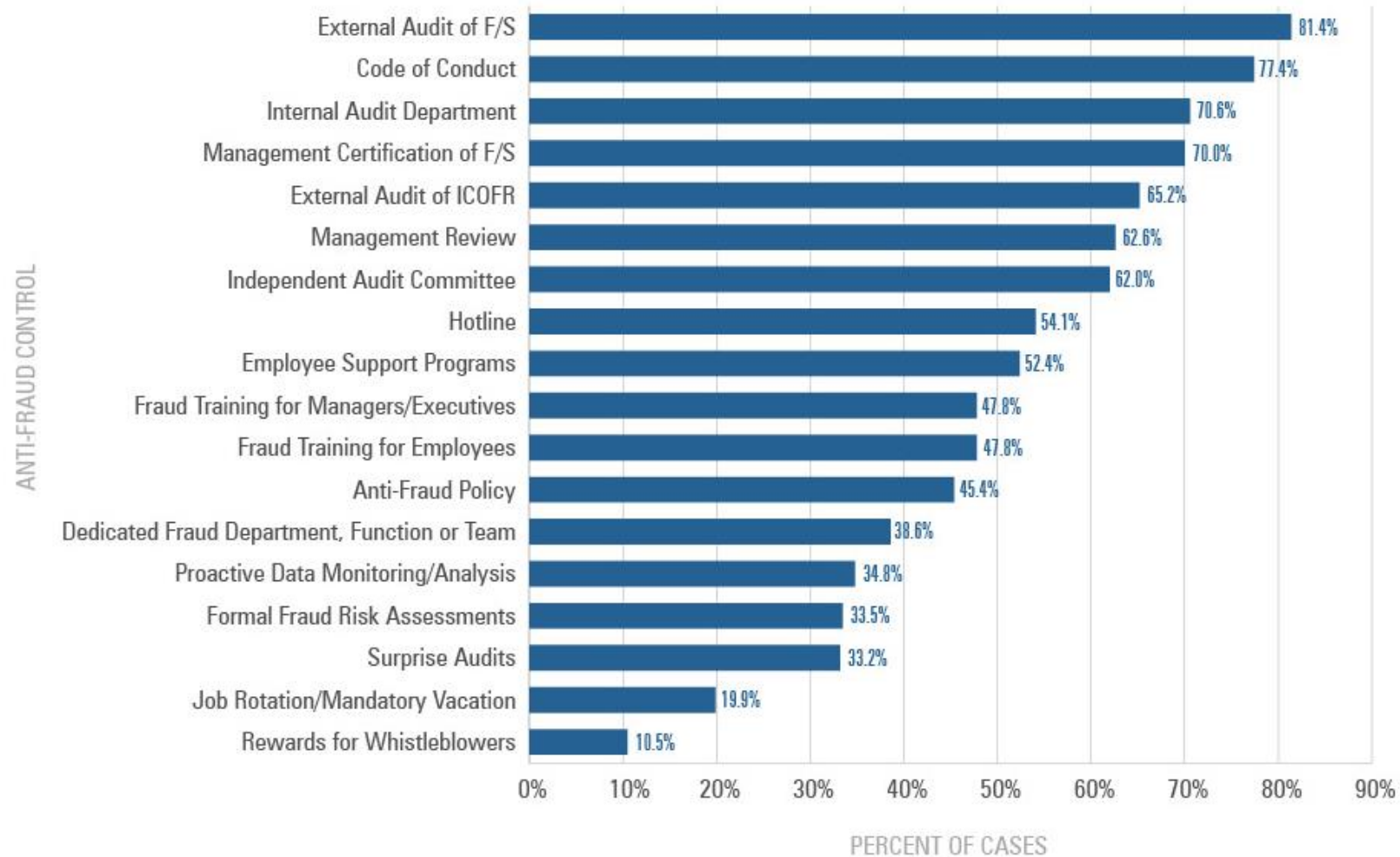
**Figure 39: Primary Internal Control Weakness Observed by CFE**



\*"Other" category was not included in the 2010 Report.

PERCENT OF CASES

**Figure 26: Frequency of Anti-Fraud Controls**



**The following key applies to Figures 26, 27, 37 and 38:**

External Audit of F/S = Independent external audits of the organization's financial statements

External Audit of ICOFR = Independent audits of the organization's internal controls over financial reporting

Management Certification of F/S = Management certification of the organization's financial statements

# Preventive and Detective Measures

## (2013 Marquet Report on Embezzlement)

- Separation of duties
  - *Bank reconciliation, check processing and recording, check authorization and check signing*
  - *Bank reconciliation, cash handling and deposits, recording and credit authorization*
- Examine cancelled checks when doing the bank reconciliation
- Rotate responsibilities amongst accounting personnel
- Require vacations be taken
- Do not allow accounting personnel to take work home

# Preventive and Detective Measures

## (2013 Marquet Report on Embezzlement)

- Require two signatories on checks above a certain amount, with one signatory outside of accounting and finance
- Physically secure blank checks
- Maintain and reconcile the sequence of checks, purchase orders and invoices
- Surprise audits
- Audit petty cash, company credit cards and expense reports on a regular basis



# Preventive and Detective Measures

## (2013 Marquet Report on Embezzlement)

- Support each payment with appropriate documentation (voucher package)
- Make daily backups of financial data
- Make and reconcile daily deposits, including the use of a “for deposit only” stamp on checks
- Know your vendors
- Examine payroll records regularly for extra paychecks and bonuses, as well as phantom or former employees receiving pay

# Preventive and Detective Measures

(2013 Marquet Report on Embezzlement)

- Investigate customer and vendor complaints on a regular basis
- Conduct pre-employment and later background checks on employees with fiduciary and financial responsibilities
- Pay close attention to the employee grapevine about behavior that may motivate the commission of fraud
- Prosecute perpetrators and create a permanent record that future employers can find

*Thank you!*

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