



Date
March 12, 2025

Time
1:30 PM – 2:45 PM

Instructor
Thomas A. Horne, CPA, CFE
Senior Investigative Auditor
Investigative Audit Services

Location
Live-Streamed and
Onsite at C.B. Pennington, Jr.
Conference Center at the
Pennington Biomedical
Research Center
in Baton Rouge

Method of Delivery
Classroom instruction and
Live-streamed

Learning Level
Basic

CPE Hours
1 CPE

CPA Subject Matter
Accounting and Auditing

Prerequisite
None

From Suspicion to Action: Spot and Stop Government Fraud

Description

Thomas Horne will discuss fraud schemes frequently perpetrated against governmental agencies and typical hallmarks for those schemes. This session will utilize detailed case studies to illustrate how common schemes can be detected and available resources to mitigate future fraud risk.

Objectives

After this class, participants will have a better understanding of:

- The mission and role of the LLA and Investigative Audit Services;
- Louisiana laws pertaining to fraudulent conduct;
- Common fraud schemes perpetrated against government agencies and sample cases illustrating those schemes;
- And detection and prevention suggestions.

Who Will Benefit

- Elected officials, appointed officials, and local attorneys
- Local government employees and local government auditors

About the Instructor

Thomas Horne is a Senior Investigative Auditor for the Louisiana Legislative Auditor's Office, where he performs investigative audits as part of an investigative audit unit tasked with identifying and eliminating fraud, waste, and abuse involving public funds. As a Senior Investigative Auditor, Thomas acts as the lead investigator on assigned audits, writes reports detailing investigative findings, and testifies about those findings in legal proceedings. Thomas has 11 years of experience handling fraud and forensic accounting matters as an investigative auditor with the Louisiana Legislative Auditor's Office and a forensic accountant at a regional public accounting firm.

From Suspicion to Action: Spot and Stop Government Fraud



Presented by:
Thomas Horne, CPA, CFE
Senior Investigative Auditor
225-339-3906
thorne@lla.la.gov

Background

- B.A. in Business Administration from Loyola
- Master's of Professional Accountancy and Graduate Certificate in Forensic Accounting & Fraud Examination from WVU
- Certified Public Accountant
- Certified Fraud Examiner
- 11 years in forensic accounting/fraud examination
 - ❖ Senior Manager in regional public accounting firm
 - ❖ Joined LLA in 2019 as a Senior Investigative Auditor

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Topics of Discussion

- Mission and role of the LLA and IAS
- Statutes
- Fraud overview
- Common fraud schemes perpetrated against government
 - ❖ Sample cases
 - ❖ Suggestions for detection and prevention
- Available resources

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Louisiana Legislative Auditor

- Our mission is to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information.
- Service Areas:
 - ❖ Actuarial Services
 - ❖ Financial Audit Services
 - ❖ Investigative Audit Services
 - ❖ Legal Services
 - ❖ Local Government Services
 - ❖ Performance Audit Services
 - ❖ Recovery Assistance Services

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Investigative Audit Services

- Gather evidence regarding fraudulent or abusive activity affecting governmental entities
 - ❖ State, local, and quasi-public entities
- Audits are designed to detect and deter the misappropriation or misuse of public assets and to reduce future fraud risks
- Audits also address non-compliance with applicable laws
- Background Investigations for Appointees to the Louisiana Gaming Control Board and the Louisiana Lottery Corporation
- Provide information to Legislators

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LLA's Authority to Conduct Investigations

- La. R.S. 24:513 (A)(1) (in part) ...the legislative auditor shall have authority to...examine, audit, or review the books and accounts of [auditees]. The scope of the examinations may include...legal compliance...
- La. R.S. 24:513 (A)(4) (in part) ...the legislative auditor may audit or investigate a local auditee only in those instances when:
 - ❖ The legislative auditor has received complaints of illegal or irregular acts with respect to the local auditee
 - ❖ The local auditee exhibits a record of egregious control deficiencies and failures to comply with laws and regulations
 - ❖ The local auditee has failed after thirty days written notice from the legislative auditor to comply with the provisions of this Section relating to timely audits
 - ❖ In the opinion of the legislative auditor and the Legislative Audit Advisory Council the best interest of the state of Louisiana would be served by his audit of the local auditee

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LLA Authority to Access Records

- La. R.S. 24:513 (A)(1) (in part) - ...the legislative auditor shall have access to and be permitted to examine all papers, books, accounts, records, files, instruments, documents, films, tapes, and any other forms of recordation of all auditees, including but not limited to computers and recording devices, and all software and hardware which hold data, is part of the technical processes leading up to the retention of data, or is part of the security system
- La. R.S. 24:513 (E) - In the performance of his duties as herein stated, the legislative auditor, or any member of his staff designated by him, shall have the power to inspect and to make copies of any books, records, instruments, documents, files, films, tapes, and other forms of recordation, including but not limited to computer and recording devices, of the auditee. He may call upon the auditee and any of its officials and staff for assistance and advice and such assistance shall be given through the assignment of personnel or in such other manner as necessity requires

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Louisiana Legislative Auditor

- Notification Requirement (La. R.S. 24:523)
 - A. An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. "Reasonable cause" shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency funds or assets has occurred. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation

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LLA Fraud Hotline

- La. R.S. 24:523.1. Notices to be posted
 - A. Every auditee shall post and keep posted in conspicuous places upon its premises a notice, prepared by the legislative auditor and located on his website, setting forth information concerning the reporting of the misappropriation, fraud, waste, or abuse of public funds
 - B. Every auditee shall also post such notices on the website of the auditee



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<https://lla.la.gov/report-fraud/report-fraud-resources>



LLA Fraud Hotline

- Phone calls, online fraud reports, etc.
- All activity is routed through IAS management for review and assignment/referral.
 - ❖ Potential Frauds – IAS project list
 - ❖ Non fraud or IC issues - Referred to another LLA service area (Financial, Recovery, Advisory)
 - ❖ Non fraud or IC issues also referred to external auditor for consideration during their annual audit
 - ❖ Other agencies (e.g. benefits fraud complaints)

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State Statutes

La. R.S. 14:67(A)

Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or **by means of fraudulent conduct, practices, or representations**. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

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Malfeasance in Office

La. R.S. 14:134

A. Malfeasance in office is committed when any public officer or public employee shall:

- (1) Intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; or
- (2) Intentionally perform any such duty in an unlawful manner; or
- (3) Knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner

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Malfeasance in Office (cont.)

- **La. R.S. 42:1461**

- ❖ A. Officials, whether elected or appointed and whether compensated or not, and employees of any "public entity", ...by the act of accepting such office or employment **assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value** belonging to or under the custody or control of the public entity in which they hold office or are employed.
- ❖ B. When, pursuant to a statute, ordinance, resolution, or contract or other agreement, a public entity, as defined in Subsection A, entrusts to a contractor or to a quasi-public entity of any kind the care, administration, allocation, or disposition of funds, property, or other things of value belonging to it or under its custody or control, **the contractor or the quasi-public entity, and the officers and employees thereof personally, shall be deemed to have undertaken the obligation of a fiduciary** with respect to such funds, property, or other things of value of the public entity.

- Code of Governmental Ethics

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Malfeasance in Office (cont.)

- La. R.S. 24:518(A)(2) – any officer of an auditee who impedes an audit shall be guilty of malfeasance and gross misconduct in office
- La. R.S. 24:518(D)
 - ❖ the type of audit report received by a local auditee from a licensed certified public accountant for three consecutive years is a disclaimer of opinion as defined by Generally Accepted Auditing Standards,
 - ❖ the same person has served as agency head of the local auditee for those three consecutive years,
 - ❖ and the legislative auditor determines that the agency head willfully failed to provide or maintain the necessary records to conduct the audit,
 - ❖ then the three such audit reports shall be evidence of malfeasance in office by the agency head.

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State Statutes – Falsifying Records

- La. R.S. 14:72 - Forgery
 - A. It shall be unlawful to forge, with intent to defraud, any signature to, or any part of, any writing purporting to have legal efficacy.
 - B. Issuing, transferring, or possessing with intent to defraud, a forged writing, known by the offender to be a forged writing...
- La. R.S. 14:132 - Injuring public records
 - ❖ the intentional removal, mutilation, destruction, alteration, falsification, or concealment of public records
- La. R.S. 14:133 - Filing or maintaining false public records
 - ❖ filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following:
 - (1) Any forged document.
 - (2) Any wrongfully altered document.
 - (3) Any document containing a false statement or false representation of a material fact

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State Statutes - Corruption

- La. R.S. 14:118 - Public Bribery
 - ❖ Giving or offering to give a public official, directly or indirectly, anything of apparent or prospective value, with the intent to influence the public official's position, employment, or duty
 - ❖ Also includes the public official accepting or offering to accept, directly or indirectly
 - La. R.S. 14:120 - Corrupt Influencing is similar
- La. R.S. 14:141 - Prohibited splitting of profits, fees, commissions
 - ❖ Giving, offering to give, receiving or offering to receive, directly or indirectly, anything of apparent present or prospective value by or to a public officer or fund or fiduciary existing for the benefit of or use by such public officer when such value is derived from any agreement or contract to which the public officer's agency is a party
 - ❖ Prohibits splitting of profits, fees or commissions, past or present, derived from the sale of any commodity, goods, services, insurance, or anything of value to an agency from which a public officer, representing the agency in his official capacity, receives or offers to receive a portion of the profits, fees and/or commissions
 - La. R.S. 14:140 - Public Contract Fraud is similar

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State Statutes – Corruption (Cont.)

- La. R.S. 14:134.3 - Abuse of Office
 - ❖ No public officer or public employee shall knowingly and intentionally use the authority of his office or position, directly or indirectly, to compel or coerce any person to provide the public officer, public employee or any other person with anything of apparent present or prospective value when the public officer or employee is not entitled by the nature of his office to the services sought or the object of his demand.



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Additional State Statutes

- La. R.S. 14:26 - Criminal conspiracy
- La. R.S. 14:68(A) - Unauthorized use of a movable
- La. R.S. 14:70.8 - Illegal transmission of monetary funds
- La. R.S. 14:230 - Money laundering
- La. R.S. 14:138 - Public Payroll fraud
 - ❖ Knowingly receive payment for services not actually rendered or for services that are grossly inadequate for payment received
 - ❖ Knowingly paying such employee or allowing such an employee to be carried on the payroll
- La. R.S. 14:67.16 - Identity theft
- La. R.S. 14:70.9 - Government benefits fraud

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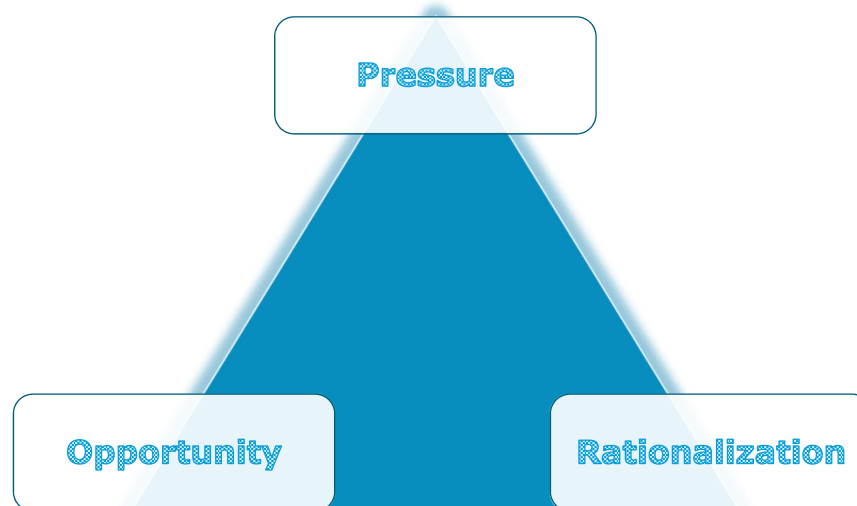
Federal Statutes

- 18 U.S. Code § 666 - Theft or bribery concerning programs receiving Federal funds
 - (a) Whoever if the circumstance described in subsection (b) of this section exists—
 - (1) being an agent of an organization, or of a State, local, or Indian tribal government, or any agency thereof—
 - (A) embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property that—
 - (i) is valued at \$5,000 or more, and
 - (ii) is owned by, or is under the care, custody, or control of such organization, government, or agency
 - (b) that the organization, government, or agency receives, in any one year period, benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance, or other form of Federal assistance
- 18 U.S. Code § 1341 – Mail fraud
- 18 U.S. Code § 1343 – Wire fraud
- 18 U.S. Code § 1001 – False Statements

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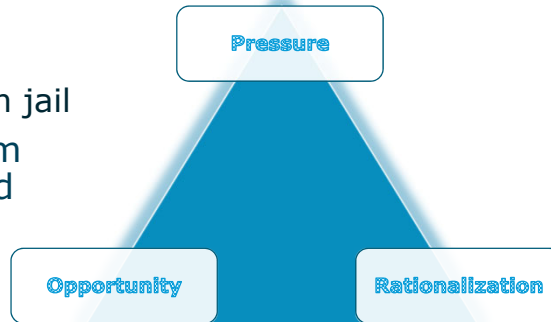
Fraud Triangle



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Non-shareable Pressure (Motive)

- Unique to each fraudster
- May hide to protect image
 - ❖ Fear exposure more than jail
- Pushes normal person from rule-following toward fraud
- Common
 - ❖ Living beyond means
 - ❖ Financial difficulties
 - ❖ Addiction
 - ❖ Family issues/divorce
 - ❖ Health issues

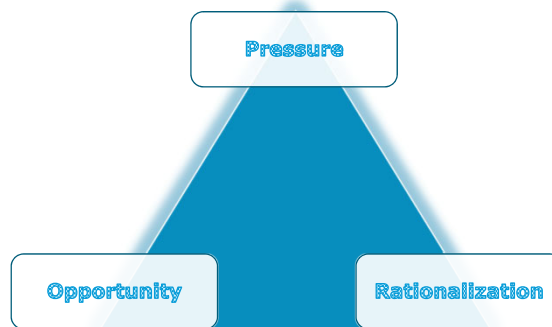


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Perceived Opportunity

- Exploitable hole in defenses
- Chance to alleviate pressure
- Common
 - ❖ No segregation of duties
 - ❖ Lack of internal controls
 - ❖ No management review
 - ❖ Lack of competent supervision
 - ❖ Exploitable changes in circumstance
 - Emergencies
 - Key employees leave
 - Management changes
 - Auditor changes



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Opportunity

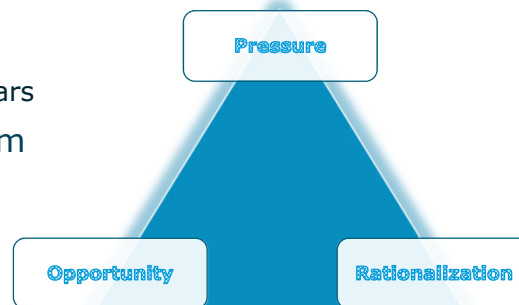
- These are the conditions that create a chance to steal
 - ❖ No segregation of duties
 - ❖ Lack of controls
 - ❖ No written policies and procedures
 - ❖ Lack of management oversight/review
- This is the leg of the triangle we most control
- The internal pressure of individuals and the ways in which they rationalize their actions (for the most part) are out of our control
- We need to create an environment that increases the perception that the fraudster will be caught
 - ❖ This is often difficult with limited resources
- This is our most effective area in focusing resources to prevent fraud

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Rationalization

- Last step to overcome moral/ethical hurdle
 - ❖ I'm a good person
 - ❖ I'm not a criminal
- Slippery slope
 - ❖ Hurdle gets lower and disappears
- Subconsciously minimize harm
- Common
 - ❖ Borrowing/will pay back
 - ❖ Just to get over the hump
 - ❖ Entitlement
 - ❖ Underpaid/underappreciated
 - ❖ Everyone does it
 - ❖ No one is getting hurt



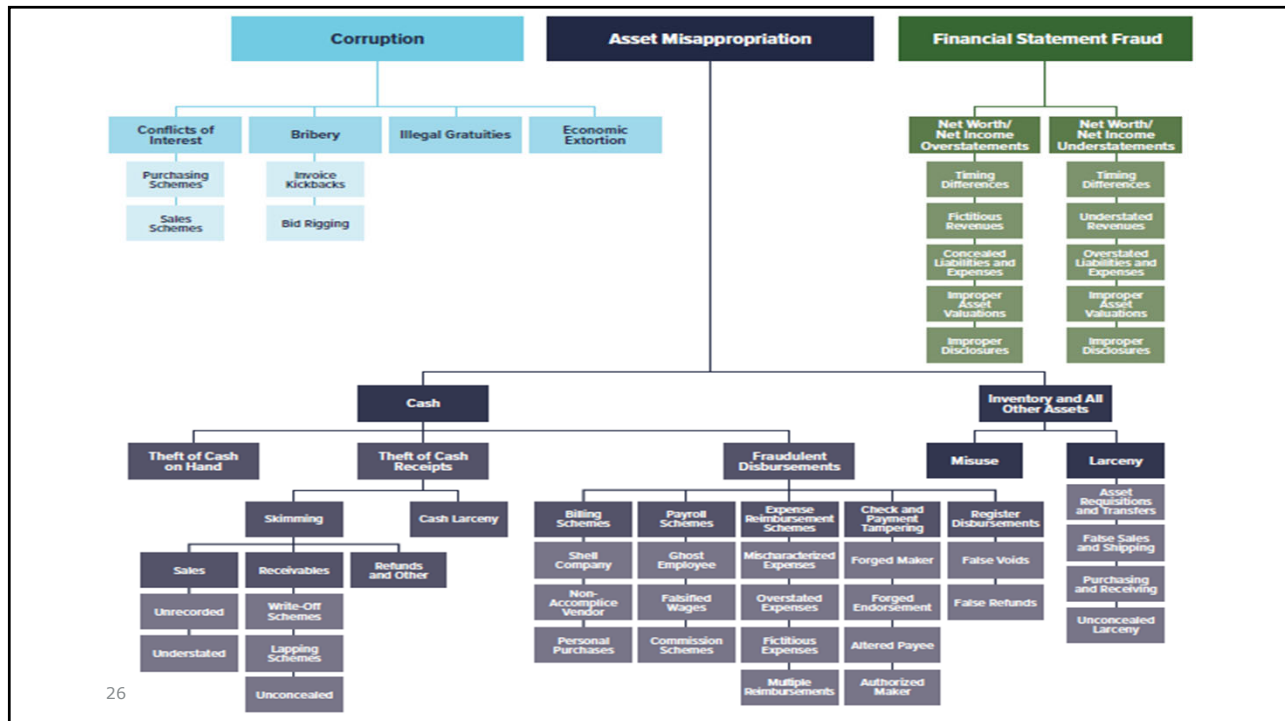
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ACFE 2024 Report to the Nations

- Median fraud is 12 to 18 months
- Median losses
 - ❖ Asset Misappropriation - \$120,000
 - ❖ Corruption - \$200,000
- Largest frauds tend to be perpetrated by top level employees
 - ❖ Less oversight
 - ❖ Greater ability to override or circumvent controls
 - ❖ Greater ability to abuse approval authority
- Accounting personnel are among most common perpetrators
 - ❖ Access
 - ❖ Ability to alter records
- Over 80% of fraudsters have no prior history
 - ❖ Trusted employees abuse trust
- No recovery of funds in 57% of cases

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ACFE 2024 Report to the Nations (cont.)

- Most Common Fraud Schemes in Government
 - ❖ Corruption (52%) – typically tied to procurement
 - ❖ Cash larceny(15%)/skimming (11%)
 - ❖ Billing Schemes (24%)
 - ❖ Payroll (18%)
- Others to consider
 - ❖ Check tampering
 - ❖ Expense reimbursement fraud
 - ❖ Noncash schemes
 - ❖ Grant fraud
 - ❖ Benefits fraud
 - ❖ Cyber fraud

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ACFE 2024 Report to the Nations (cont.)

- Median scheme - 12 months, \$150,000
- Median Loss by Type of Government
 - ❖ Federal - \$210,000
 - ❖ State - \$92,000
 - ❖ Local - \$148,000
- Employee distribution
 - ❖ Executive (19%) - \$313,000 median loss
 - ❖ Manager (39%) - \$224,000 median loss
 - ❖ Employee (39%) - \$50,000 median loss
- Top methods of detection
 - ❖ Tip – 44%
 - ❖ Internal Audit – 18%
 - ❖ Management Review – 11%
- 73% referred for prosecution

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ACFE 2024 Report to the Nations (cont.)

- Most Common Behavioral Red Flags
 - ❖ Living Beyond Means (39%)
 - ❖ Financial difficulties (27%)
 - ❖ Unusually close association with vendor/customer (20%)
 - ❖ Control issues, unwillingness to share duties (13%)
 - ❖ Irritability, suspiciousness, or defensiveness (12%)
 - ❖ Wheeler/dealer attitude (12%)
 - ❖ Bullying or intimidation (11%)
 - ❖ Divorce/family problems (10%)
 - ❖ Complaints about inadequate pay (8%)
 - ❖ Addiction problems (7%)

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ACFE 2024 Report to the Nations (cont.)

- Primary Control Weaknesses Contributing to Fraud
 - ❖ Lack of internal controls (32%)
 - ❖ Override of existing internal controls (19%)
 - ❖ Lack of management review (18%)
 - ❖ Lack of competent personnel in oversight roles (9%)
 - ❖ Poor tone at the top (8%)



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ACFE 2024 Report to the Nations (cont.)

- Presence of controls associated with reduced size of loss
 - ❖ Surprise Audits (63%)
 - ❖ Management Review (60%)
 - ❖ Hotline (50%)
 - ❖ Fraud Training for managers/executives (50%)
 - ❖ Anti-fraud policy (50%)
 - ❖ Proactive data monitoring/analysis (50%)
 - ❖ Fraud training for employees (47%)
 - ❖ Formal fraud risk assessments (47%)

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Corruption Schemes

- Wrongful use of position or influence to obtain an improper benefit by violating a duty of your position
 - ❖ Typically associated with public servants
 - ❖ Similar duties apply to non-profits
- Subverting the public interest (exempt purpose) for personal gain
- The public is harmed when the funds they provide for the benefit of the public are instead used for the private gain of individuals who are supposed to safeguard those funds
- Collusive schemes that are difficult to detect

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Corruption Schemes (cont.)

- Common variations – Quid Pro Quo
 - ❖ Bribery
 - Giving or receiving corrupt payments to influence official acts
 - ❖ Kickback
 - Corrupt payment to obtain or receive and advantage in obtaining a contract
 - Typically coincides with an overbilling scheme
 - ❑ Fund corrupt payment and extra benefit to vendor
 - Often coincides with money laundering
 - Typically requires approval authority or ability to manipulate procurement process
 - ❑ May also manifest in circumventing approval authority
 - Contracting without authority
 - Splitting purchases to avoid limits on approval authority

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Corruption Schemes (cont.)

- Common Variations – Others
 - ❖ Illegal Gratuities
 - Prohibited gift after the fact
 - ❖ Economic Extortion
 - Obtaining a wrongful benefit through threat or coercion
 - ❖ Conflicts of Interest
 - Improper self-dealing by not disclosing or acting on conflicting personal interests at the expense of your agency



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Types of Corrupt Payments

- Cash, checks, cashier's checks, wire transfers, etc.
- Gifts, travel, and entertainment
- Payment of personal expenses
- Provide assets like homes, vehicles, investments, etc.
- Non FMV transactions – e.g. overpay to lease property
- Fictitious loans or loan guarantees
- Hidden interest in business ventures
- Promises of future employment
- Lucrative or no-show jobs for relatives

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Corruption Schemes

- Detection/Prevention Suggestions
 - ❖ Hard to detect because the payments are mostly off book
 - Most commonly found in purchasing and approval related roles
 - ❖ Hard to prevent due to collusive nature of schemes
 - ❖ Minimize opportunity with strict bid law/competitive procurement practices
 - Watch out for attempts to manipulate contracts, cut corners
 - ❖ Look for especially close relationships with vendors
 - Identifiable business or social relationship
 - Employee exhibits behavioral red flags
 - ❑ Especially wheeler-dealer attitude, ignoring rules/procedures, overly assertive/bullying, oversteps authority, routinely excuses poor performance
 - Vendor consistently awarded work despite poor performance
 - ❑ Uses substandard materials, routine complaints about unacceptable work
 - Vendor is always the lowest bidder, then issues excessive change orders
 - Same vendors always used and prices seem excessive
 - ❖ Unexplained cost increases
 - ❖ Look for corollary fraud, especially overbilling
 - ❖ Hotline/Complaint mechanism
 - ❖ Be on the lookout for signs of unexplained spending/lifestyle changes

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Billing Schemes

- Submitting false claim for payment
 - ❖ Billing for goods/services not rendered
 - ❖ Overbilling for goods/services rendered
 - ❖ Often a mechanism for corrupt payments
- Common forms:
 - ❖ False invoicing via shell companies
 - ❖ False invoicing via nonaccomplice vendors (bill and return)
 - ❖ Personal Purchases
- Shell companies
 - ❖ Legitimate vs. illegitimate
 - ❖ May involve coconspirators
 - ❖ May have no other clients, operations, property, etc.
 - ❖ Often incorporated shortly before bidding on contract
 - ❖ May be created to look like a legitimate vendor



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Corruption & Billing – Office of State Fire Marshal

- Former Emergency Management Officer Lieutenant Robert McCormick (Lt. McCormick) used his position to improperly direct state funds totaling \$846,140 to companies doing business with or on behalf of his brother, Thomas McCormick
- Emergency related items were purchased using the brothers' personal funds and billed to OSFM at excessive rates
- These companies then diverted funds totaling \$397,546 to Thomas McCormick's law firm as "Legal Fees," which then distributed the funds to personally benefit and/or reimburse Lt. McCormick, Thomas McCormick, and others

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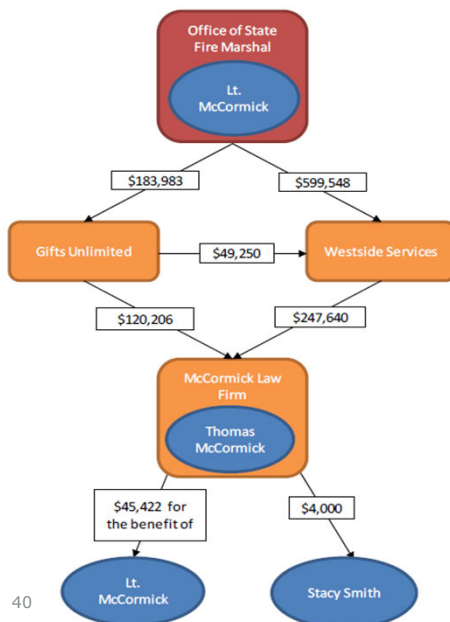
Corruption & Billing – Office of State Fire Marshal (cont.)

- Robert McCormick and/or Thomas McCormick were recently convicted of charges including:
 - ❖ Malfeasance in office (conspiracy)
 - ❖ Theft (conspiracy)
 - ❖ Money laundering (conspiracy)
 - ❖ Filing or maintaining false public records (conspiracy)
 - ❖ Prohibited splitting of profits (conspiracy)
- Pending Sentencing
- Others were indicted but have not stood trial

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Corruption & Billing – Office of State Fire Marshal (cont.)

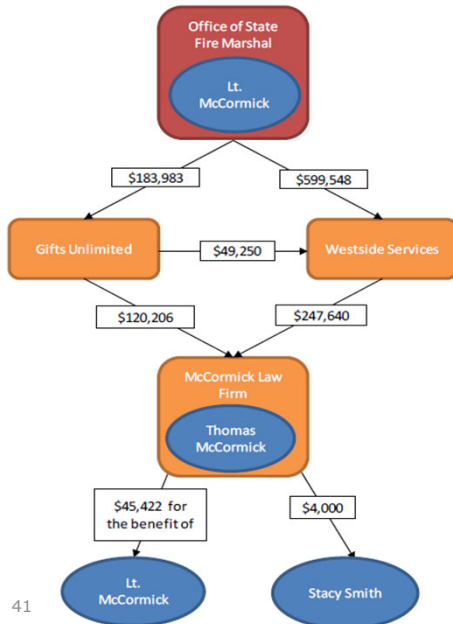


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- Pass-through billing scheme
- Used semi-legitimate shell companies to overcharge OSFM and receive illicit benefit
- Shell companies made payments to brother's law firm disguised as legal services
- Funds were then used for the benefit of Lt. McCormick



Corruption & Billing – Office of State Fire Marshal (cont.)



- Example One: Bottled Water
 - ❖ OSFM needed bottled water for Hurricane Laura response
 - ❖ Lt. McCormick contacted vendors on behalf of OSFM to find water
 - ❖ Thomas McCormick purchased the water with the brothers' funds and sold to OSFM through Westside Services
 - ❖ Split into 10 invoices to avoid \$25,000 single transaction limit for emergencies
 - ❖ OSFM paid \$182,740 (\$1.41/ bottle) for water that cost \$26,581 (\$0.13/bottle)

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Corruption & Billing – Office of State Fire Marshal (cont.)

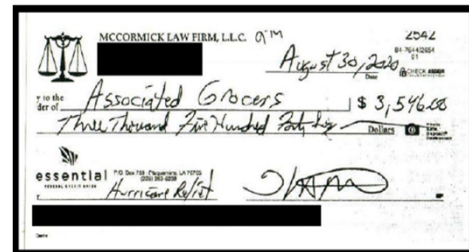
From: Robert McCormick
Sent: Saturday, August 29, 2020 2:50 PM
To: [REDACTED]
Cc: Dean Smith
Subject: 18 Pallets of Roxanne Water, 45 Liters 24 packs

Importance: High

Sir,

Due to Hurricane Laura, all of Southwest Louisiana is out of water and electricity. They are in dire need of bottled water. The Office of State Fire Marshal respectfully requests Associated Groceries go outside of their normal operations and provide the State of Louisiana with Bottled Water for first responders across Southwest, Central, and Northern Louisiana. Any assistance will be greatly appreciated and will no doubt save lives. Especially since the Heat Index has been above 105 degrees for the past few days with no end in sight. We can generate a check in a few days to pay for the items, if acceptable. I can pay with a state credit card now, if acceptable. On behalf of the State, I promise to ensure payment of all goods obtained today. If you have any questions, please let me know.

Respectfully,
Rob



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Corruption & Billing – Office of State Fire Marshal (cont.)

- This invoice emailed to Stacy Smith
 - ❖ Cost of water increased from \$3,546 to \$22,500
- Robert McCormick paid invoice with his OSFM credit card as part of a split purchase
- After funds flowed to MLF, some of the proceeds were used to:
 - ❖ Pay off Lt. McCormick’s credit card (in excess of funds used)
 - ❖ Pay school tuition for one of Lt. McCormick’s children
 - ❖ Pay Stacy Smith \$4,000

WESTSIDE SERVICES, LLC DBA GIFTS UNLIMITED

INVOICE

Invoice # Hurricane Relief2020-7
 Invoice Date 08/30/2020
 Due Date 08/30/2020

Louisiana State Fire Marshall
 8181 Independence Boulevard
 Baton Rouge, LA 70805

| Item | Description | Unit Price | Quantity | Amount |
|---------|-------------------------------------|------------|-----------|-----------|
| Product | Bottle Water - Roxane | 1.50 | 15,000.00 | 22,500.00 |
| Product | | | | |
| Service | Delivery Charge - Truck and Trailer | 1.0 | 2,000.00 | 2,000.00 |

NOTES: At the request of Lt. Robert McCormick, on Saturday, August 29, 2020, Bottle Water was picked up in EBR and brought to staging area located at 3650 Senator Jay Bennett Johnston Avenue in Lake Charles, LA 70615. Please note if credit card is used there will be a 4% convenience fee added to invoice.

| | |
|-------------------------------|------------------|
| Subtotal | 24,500.00 |
| 4% Convenience Fee - Discount | 500.00 |
| Total | 24,000.00 |
| Amount Paid | 0.00 |
| Balance Due | 24,000.00 |

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Corruption & Billing – Office of State Fire Marshal (cont.)

Example Two: Delta Base Camp

- Thomas McCormick:
 - ❖ Contracted a vendor (Just Johns) to provide equipment/services for \$97,985
 - ❖ Converted the Just Johns invoice to Westside Services quote for \$145,280
 - ❖ Emailed a second quote from Emergency Logistics Solutions for \$180,400
- Lt. McCormick used these quotes to obtain a purchase order for Westside Services
 - ❖ Received \$145,280 and paid Just Johns \$97,985
- Funds funneled to McCormick Law Firm
- Then used to pay off a \$8,658 car loan for Lt. McCormick

From: Robert McCormick
Sent: Thursday, October 8, 2020 10:44 AM
To: [Redacted]
Cc: Dean Smith; [Redacted]
Subject: PO for Base Camp
Attachments: PO for Westside Services for Hurricane Delta, 08OCT2020.pdf; Quote from Emergency Logistics Solutions, \$180K.pdf

[Redacted]

We would like to do a Purchase Order for Westside Services \$145,280 to service our base camp at Bon Carre base of operations. We will have approximately 350 personnel on site for USAR. I was able to get another quote from Emergency Logistics but they wanted \$180K and another company, Just Johns has still not responded. We would like to expedite this one as teams will be arriving today. Thank you!

Respectfully,
 Rob

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Corruption & Billing – Office of State Fire Marshal (cont.)

Example Two: Delta Base Camp

- Red Flags of a collusive scheme
 - ❖ Bid rigging – competitors submit token bids to give the appearance of competition while inflating the contract price and influencing who is awarded the contract
 - May submit bids from shell companies
- Here we have:
 - ❖ Appearance of competitive process
 - ❖ Same vendors are involved
 - Could indicate a close association with employee
 - ❖ Recently created businesses
 - ❖ Established vendor supposedly didn't respond
 - ❖ Responding vendors had no history of supplying this type of equipment
 - ❖ Winning vendor subcontracted vendor that didn't respond
 - ❖ Irregularities in quotes suggesting collusion

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Corruption & Billing – Office of State Fire Marshal (cont.)

Just Johns, LLC
and
Julia's
Entertainments

A Division of Just Johns, LLC

Invoice

WESTSIDE SERVICES, LLC

Invoice

Date: 10/7/2020

Date: 10/7/2020

TO

Hurricane Delta Invoice
8181 Independence
Office

TO

Louisiana State Fire Marshall
8181 Independence Boulevard
Baton Rouge, LA 70806

Hurricane Delta Invoice
8181 Independence
Office

| Salesperson | Job | Shipping Method | Shipping Terms | Delivery Date | Payment Terms | Due Date |
|-------------|-----|-----------------|----------------|---------------|----------------|----------|
| John | | | | 10-8-2020 | Due on receipt | |

| Qty | Item # | Description | Unit Price | Discount | Line Total |
|-----|------------|---|---|--------------------------------|--|
| 3 | Trailer | Shower trailer 8 station | 2700 per trailer per day - 7 day minimum | Week 2 reduces to 2500 per day | 50,700 |
| 10 | Toilet | Regular unit portable toilets | 55 per day per unit - 7 day minimum | | 3850 |
| 3 | HW | Handwash stations | 50 per day per unit - 7 day minimum | | 1150 |
| 3 | Generator | Dual 50 amp generators for each trailer - fuel not included but can be added to invoice at end of service unless fuel is provided by customer | 350 per day per unit | | 7350 |
| 3 | Containers | 500+ gallon totes for fresh water for trailers - this is optional if there is a fresh water line connection in the area of set up | 250 per day per unit | | 5250 |
| 13 | PID | 10 toilets and 3 handwash and 5 totes delivery and pick up | 30 per unit per pickup and per delivery | | 780 for PID |
| 3&3 | Mob/Denmob | Trailers and generators have mobilization and demobilization fees which are dependent on location of site | Base price for mobil/denmob is 2500 Per unit trailer and 400 per unit gen | | 7500mob/7500denmob 1200mob/ 1200denmob |

| Salesperson | Job | Shipping Method | Shipping Terms | Delivery Date | Payment Terms | Due Date |
|-------------|-----|-----------------|----------------|---------------|----------------|----------|
| Bernard | | | | 10-8-2020 | Due on receipt | |

| Qty | Item # | Description | Unit Price | Discount | Line Total |
|-----|------------|---|---|--------------------------------|--|
| 3 | Trailer | Shower trailer 8 station | 2800 per trailer per day - 10 day minimum | Week 2 reduces to 2600 per day | \$84,000.00 |
| 10 | Toilet | Regular unit portable toilets | 55 per day per unit - 10 day minimum | | \$5,500.00 |
| 3 | HW | Handwash stations | 55 per day per unit - 10 day minimum | | \$1,650.00 |
| 3 | Generator | Dual 50 amp generators for each trailer - fuel not included but can be added to invoice at end of service unless fuel is provided by customer | 400 per day per gen - 10 min | | \$12,000.00 |
| 3 | Containers | 500+ gallon totes for fresh water for trailers - this is optional if there is a fresh water line connection in the area of set up | 250 per day per unit | | \$5,250.00 |
| 13 | PID | 10 toilets and 3 handwash and 5 totes delivery and pick up | 30 per unit per pickup and per delivery | | 780 for PID |
| 3&3 | Mob/Denmob | Trailers and generators have mobilization and demobilization fees which are dependent on location of site | Base price for mobil/denmob is 2800 per unit trailer and 500 per unit gen | | 8,400mob/8400denmob 1500mob/ 1500denmob |


Corruption & Billing – Office of State Fire Marshal (cont.)

| WESTSIDE SERVICES, LLC [REDACTED] | DBA GIFTS UNLIMITED | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------|------------|------------|--------|---------|-----------------------|------|-----------|-----------|---------|--|--|--|--|---------|-------------------------------------|-----|----------|----------|-----------------|-----------|-------------------------------|--------|--------------|-----------|-------------|------|--------------------|-----------|--|------|-------------|------------|----------|--------|-------|------------------------------|--------|-----------|----------|---------|---|------------------|------|------------|---------|--|------------------|------|-----------|---------|--|----------------|------|----------|-----------------|--------------|---------------------------------|-----------|--------------|--------------|-------------|------|----------------------------|--------|
| INVOICE | INVOICE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Invoice # Hurricane Relief 2020-7 | Order # Hurricane DELTA 2020-1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Invoice Date 08/30/2020 | Order Date 10/7/2020 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Due Date 08/30/2020 | Due Date 10/7/2020 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Louisiana State Fire Marshall 8181 Independence Boulevard Baton Rouge, LA 70806 | Louisiana State Fire Marshall 8181 Independence Boulevard Baton Rouge, LA 70806 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Item</th> <th>Description</th> <th>Unit Price</th> <th>Quantity</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Product</td> <td>Bottle Water - Roxane</td> <td>1.50</td> <td>15,000.00</td> <td>22,500.00</td> </tr> <tr> <td>Product</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Service</td> <td>Delivery Charge - Truck and Trailer</td> <td>1.0</td> <td>2,000.00</td> <td>2,000.00</td> </tr> </tbody> </table> <p><small>NOTES: At the request of Lt Robert McCormick, on Saturday, August 29, 2020, Bottle Water was picked up in EBR and brought to staging area located at 3650 Senator Jay Bennett Johnston Avenue in Lake Charles, LA 70615. Please note if credit card is used there will be a 4% convenience fee added to invoice.</small></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Subtotal</td> <td style="text-align: right;">24,500.00</td> </tr> <tr> <td style="text-align: right;">4% Convenience Fee - Discount</td> <td style="text-align: right;">500.00</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">24,000.00</td> </tr> <tr> <td style="text-align: right;">Amount Paid</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td style="text-align: right;">Balance Due</td> <td style="text-align: right;">24,000.00</td> </tr> </table> | Item | Description | Unit Price | Quantity | Amount | Product | Bottle Water - Roxane | 1.50 | 15,000.00 | 22,500.00 | Product | | | | | Service | Delivery Charge - Truck and Trailer | 1.0 | 2,000.00 | 2,000.00 | Subtotal | 24,500.00 | 4% Convenience Fee - Discount | 500.00 | Total | 24,000.00 | Amount Paid | 0.00 | Balance Due | 24,000.00 | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Item</th> <th>Description</th> <th>Unit Price</th> <th>Quantity</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Truck</td> <td>F550 Pump Truck 1150 gallons</td> <td>600.00</td> <td>unlimited</td> <td>5,000.00</td> </tr> <tr> <td>Trailer</td> <td>Shower Trailer w/ generator 10 stall (14 day min) 3 total</td> <td>9,150.00 per day</td> <td>14.0</td> <td>128,100.00</td> </tr> <tr> <td>Trailer</td> <td>Light Tower w/ generators (14 day min)</td> <td>1,400.00 per day</td> <td>14.0</td> <td>19,600.00</td> </tr> <tr> <td>Toilets</td> <td>Portable Toilet Units (14 day min) and Handwashing Stations (14 day min)</td> <td>550.00 per day</td> <td>14.0</td> <td>7,700.00</td> </tr> </tbody> </table> <p><small>NOTES: At the request of LS State Fire Marshall's Office, on Wednesday, October 7, 2020, PO was made for above items with delivery and set up to 8181 Independence Blvd, Baton Rouge, LA. Call for further authorization after 15 days. Address may change but in EBR.</small></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Subtotal</td> <td style="text-align: right;">\$160,400.00</td> </tr> <tr> <td style="text-align: right;">Setup and removal fee for items</td> <td style="text-align: right;">20,000.00</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">\$180,400.00</td> </tr> <tr> <td style="text-align: right;">Amount Paid</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td style="text-align: right;">AUTHORIZED PURCHASE</td> <td style="text-align: right;">\$0.00</td> </tr> </table> | Item | Description | Unit Price | Quantity | Amount | Truck | F550 Pump Truck 1150 gallons | 600.00 | unlimited | 5,000.00 | Trailer | Shower Trailer w/ generator 10 stall (14 day min) 3 total | 9,150.00 per day | 14.0 | 128,100.00 | Trailer | Light Tower w/ generators (14 day min) | 1,400.00 per day | 14.0 | 19,600.00 | Toilets | Portable Toilet Units (14 day min) and Handwashing Stations (14 day min) | 550.00 per day | 14.0 | 7,700.00 | Subtotal | \$160,400.00 | Setup and removal fee for items | 20,000.00 | Total | \$180,400.00 | Amount Paid | 0.00 | AUTHORIZED PURCHASE | \$0.00 |
| Item | Description | Unit Price | Quantity | Amount | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Product | Bottle Water - Roxane | 1.50 | 15,000.00 | 22,500.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Product | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Service | Delivery Charge - Truck and Trailer | 1.0 | 2,000.00 | 2,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 24,500.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4% Convenience Fee - Discount | 500.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 24,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amount Paid | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance Due | 24,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Item | Description | Unit Price | Quantity | Amount | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Truck | F550 Pump Truck 1150 gallons | 600.00 | unlimited | 5,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trailer | Shower Trailer w/ generator 10 stall (14 day min) 3 total | 9,150.00 per day | 14.0 | 128,100.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trailer | Light Tower w/ generators (14 day min) | 1,400.00 per day | 14.0 | 19,600.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Toilets | Portable Toilet Units (14 day min) and Handwashing Stations (14 day min) | 550.00 per day | 14.0 | 7,700.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | \$160,400.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Setup and removal fee for items | 20,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | \$180,400.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amount Paid | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AUTHORIZED PURCHASE | \$0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Corruption & Billing – Office of State Fire Marshal (cont.)

Key Issues:

- Emergency environment
 - ❖ Relaxed procurement procedures reduced oversight and enabled larger transactions
 - ❖ Placed employees in unusual roles meeting unusual needs
- Override of existing internal controls
 - ❖ Overrode state's credit card policy
 - Split purchases to exceed single transaction limit
 - Used other employees cards
 - Credit cards were used for transactions that should have required purchase orders
- Collusion
 - ❖ Employee working with outside parties to facilitate transactions
 - ❖ Used shell companies to disguise involvement
 - ❖ Used shell companies to give appearance of competitive process
- Lack of management review
 - ❖ Rubber stamp supervisor



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Billing – Town of Abita Springs



- Former Town Finance Clerk apparently made \$87,227 in personal purchases using town credit cards
 - ❖ Purchases across four cards, including one not approved by Town
 - ❖ The clerk received the statements and supporting documentation, paid the credit card bills, filed the records, and recorded transactions in the accounting system (no SoD)
 - ❖ Clerk stopped sending statements and support to Town Clerk and Mayor for review and approval during Covid (no management review)
 - ❖ No receipts for \$93,207 of \$115,348 charged (81%)
 - ❖ Some purchases were shipped to her home address
 - ❖ Allegedly altered amounts owed in accounting system and on credit card statements to force reconciliation
- Recently Indicted

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Billing – Town of Abita Springs (Cont.)

- Former Town Public Works Supervisor apparently made \$132,633 in personal purchases using town credit cards and charge account
 - ❖ Did not have a Town credit card but used other employees' cards for \$45,572 in purchases
 - Used credit card numbers to make purchases on eBay and had items shipped to his house
 - Per Town, eBay was not used for Town purchases
 - ❖ Town identified \$87,062 in charges on Home Depot charge account that were not for Town
 - Duplicate or non-existent purchase order numbers
 - 65% of purchases were made on weekends he didn't work or after his scheduled work hours
 - Purchased appliances during period remodeling house
- Recently Indicted

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Billing – City of Oakdale



- Former Town Clerk made 63 payments totaling \$115,304 on two personal credit cards with Town funds
 - ❖ Bank records suggest she initiated direct payments on these credit cards outside the City's normal payment practices
 - ❖ No supporting documentation for transactions
 - ❖ She reconciled bank statements
 - ❖ No other employees reviewed the bank statements
- Recurring Themes
 - ❖ Lack of segregation of duties
 - ❖ No controls or control override
 - ❖ No management review

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Billing Schemes (cont.)

- Other variations
 - ❖ Personal travel, meal, fuel purchases
 - ❖ Lump personal expenses in with legitimate expenses
 - Cell phone, utilities, internet, car insurance, etc.
 - ❖ Alter invoices to make personal work appear legitimate
 - Construction work on personal residence
 - Automotive work on personal vehicle
 - Goods/Services provided to a private business

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Billing Schemes (cont.)

Detection/Prevention Suggestions:

- Minimize opportunity
 - ❖ Segregation of duties
 - ❖ Implement controls and monitor compliance
 - ❖ No self approval of expenses
 - ❖ Management review
 - ❖ Bid law/competitive procurement practices (multiple quotes)
 - ❖ Require approved purchase orders for all purchases (over a threshold)
 - Monitor for usage, duplicate POs, attempts to circumvent threshold

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Billing Schemes (cont.)

Detection/Prevention Suggestions:

- Be Proactive
 - ❖ Hotline/Complaint mechanism
 - ❖ Implement an anti-fraud culture
 - ❖ Job rotation and cross training
 - ❖ Surprise audits
 - ❖ Data Analysis (fraud doesn't happen in a vacuum)
 - Budget v. actual
 - Top vendors (GU/WS was the top vendor paid by credit card)
 - Especially in combination with other red flags
 - Trend analysis
 - Frequency of transactions just below approval thresholds
- Look for unexplained cost increases or above industry standard costs
- Be on the lookout for behavioral red flags



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Skimming/Cash Larceny

- Theft of cash receipts
 - ❖ Skimming – stolen before entered into the accounting system
 - ❖ Cash larceny – stolen after recording in accounting system
- Most commonly perpetrated by employees who receive payments and/or process deposits
- Access is key
 - ❖ Touch cash, checks, money orders
 - ❖ Ability to transfer electronic collections
 - ❖ Create unauthorized payment collection method
- Substantially more risk if also record payments

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Skimming/Cash Larceny Variations

- Theft of sales
 - ❖ Fee for service areas – less common in government
- Theft of receivables - fines, fees, taxes, utility payments, etc.
 - ❖ Difficult to conceal expected payments weren't received
 - Unpaid receivables accrue and age if not manipulated
 - Uncollected items remain on bank reconciliation if not collected
 - Possibility of delinquency notices, tax sales, etc. regarding diverted payments
 - ❖ Requires extensive falsification of records or destruction of records
 - Forcing Account balances – reverse transactions, write-off AR, alter bank statement
 - These actions leave their own trail
 - Destroying transaction records
 - Lapping – robbing Peter to pay Paul
 - May fix issues with past due notices but still results in large outstanding balance

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Skimming– Town of Abita Springs

- Former Finance Clerk transferred \$41,773 from the Town’s Venmo account to her personal Venmo Account
- Indicted
 - ❖ Collected cash, checks, and Venmo payments at farmer’s market
 - Beverage tickets
 - Table rental fees
 - ❖ Former Finance Clerk opened the Town Venmo account and had sole access
 - ❖ Town Clerk did not monitor the Venmo account or receive transaction reports
 - ❖ No procedures to calculate receipts or ensure deposits
- Key issues
 - ❖ Lack of controls
 - ❖ Lack of management review

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Cash Larceny – West Baton Rouge Parish Sheriff

- WBRSO received \$158,852 more in traffic ticket revenue than was deposited over a 4 year period
- The former Traffic Administrator pled guilty to Theft or bribery concerning programs receiving Federal funds and agreed to pay restitution in that amount
- No segregation of duties
 - ❖ Collected cash and money orders – in person/by mail
 - ❖ Deposited those funds to a “clearing account” to hold payments for others
 - Statutory requirement to disburse funds to other agencies
 - ❖ Recorded those collections to ticket management and accounting systems
- She estimated she took \$150,000 in cash

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Cash Larceny – West Baton Rouge Parish Sheriff

- WBRSO also collected electronic credit card payments
 - ❖ Receipts posted daily but deposits were weekly
- She recorded amounts received but not deposited as receivables
- Forced bank reconciliation with false journal entries
 - Dr: AR
 - Cr: Cash
- Lack of manipulation usually manifests with the “hockey stick”



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Skimming/Cash Larceny (cont.)

- Detection/prevention suggestions
 - ❖ Segregation of duties
 - ❖ Access restrictions
 - ❖ Stop accepting cash
 - ❖ Restrictively endorse checks and money orders
 - ❖ Issue a receipt for every transaction
 - ❖ Management review
 - ❖ Surprise cash counts/audits
 - ❖ Reconcile payment systems, management systems, bank statements, accounting system
 - ❖ Investigate suspicious activity
 - Register voids, refunds, receipt gaps
 - Inability to reconcile accounts or long delays
 - Large amount of old in transit items
 - Large amount of increasingly stale receivables
 - Journal entries
 - Data analysis
 - Customer complaints

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Payroll Fraud

- Common Schemes
 - ❖ Ghost employees
 - ❖ Falsified hours and payrate
 - Unauthorized change in pay rate
 - Record hours not worked
 - Double dipping
 - ❖ Unauthorized payroll transfers
 - ❖ Alter payroll deductions
 - Collect but not remit payroll taxes
 - ❖ Receive stipend and direct benefit
 - Vehicle stipend and take-home vehicle
 - Travel stipend and expense reimbursement



Payroll – City of Oakdale

- Former City Clerk paid herself \$769,136 more than her authorized salary over ~7 years
 - ❖ Her duties included check signing, initiating electronic payroll transfers, supervising payroll, preparing bank reconciliations
 - ❖ She also had access to the accounting system
 - ❖ Payroll was processed by direct deposit
 - ❖ She had access to the bank portal to input payroll and the token used to authorize the transactions
 - ❖ The mayor did not sign checks or approve payroll and no one reviewed the ACH transfers
 - ❖ Town had no invoices supporting excess payments
- Key issues:
 - ❖ No segregation of duties
 - ❖ No management review
 - ❖ Ineffective access controls

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Payroll Fraud (cont.)

- Detection/prevention suggestions
 - ❖ Segregation of duties
 - ❖ Management review
 - ❖ Outsource payroll processing
 - ❖ Pay all employees by direct deposit
 - ❖ Periodically
 - Match pay rates to HR files, ordinances, etc.
 - Check payroll register for employees with no or abnormal deductions
 - Search for duplicate bank account numbers, addresses, etc.
 - Compare payroll register with access cards, email address directories, etc.
 - ❖ Use an electronic timekeeping system
 - Implement access controls
 - Consider biometrics/individual credentials for hourly employees

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Available Resources

- LLA - Best Practices/Templates
- External auditor and other CPAs/CFEs
- Association of Government Accountants
 - <https://www.agacgfm.org/Resources/intergov/FraudPrevention.aspx>
- Association of Certified Fraud Examiners
 - <https://www.acfe.com/fraud-resources/free-training-and-resources>
- US Government Accountability Office
 - <https://antifraud.gainnovations.gov/resources>

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Questions?



Thomas Horne, CPA, CFE
Senior Investigative Auditor
225-339-3906
thorne@lla.la.gov

Thank You!

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