

Follow the Money: Forensic Investigations in Action



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CRI CARR RIGGS & INGRAM 
CRI FIRM FACTS 
FOUNDED IN 1997 • **35+ MARKETS** across the United States & Mexico


2,000+
PROFESSIONALS


TOP 25*
FIRM
(as ranked by Accounting Today)

100,000+
CLIENTS



25+ YEARS
OF CONSISTENT GROWTH
SINCE FORMATION

CRI FIRM VALUES:

- CLIENT SERVICE.
- RESPECT.
- INTEGRITY.



SERVICES

Advisory
 Audit & Attest*
 Tax

INDUSTRY EXPERTISE

Captive Insurance	Manufacturing & Distribution
Commercial Real Estate	Nonprofits
Construction	Physician Groups
Financial Institutions	Post-Acute Care
Government & Public Sector	Private Foundations
Hospitals & Health Systems	Religious Organizations
Insurance	

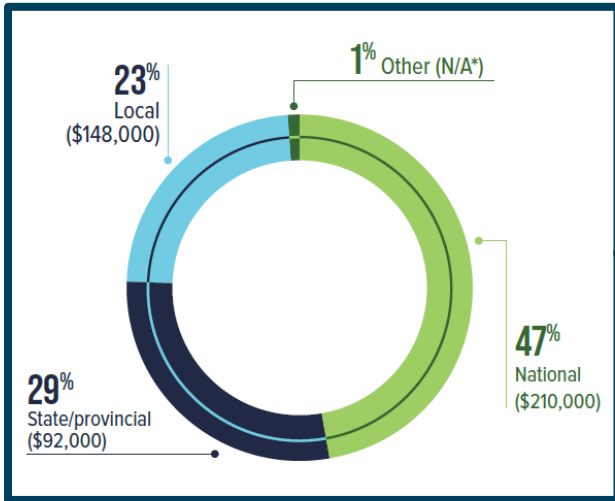
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Governmental Fraud Statistics

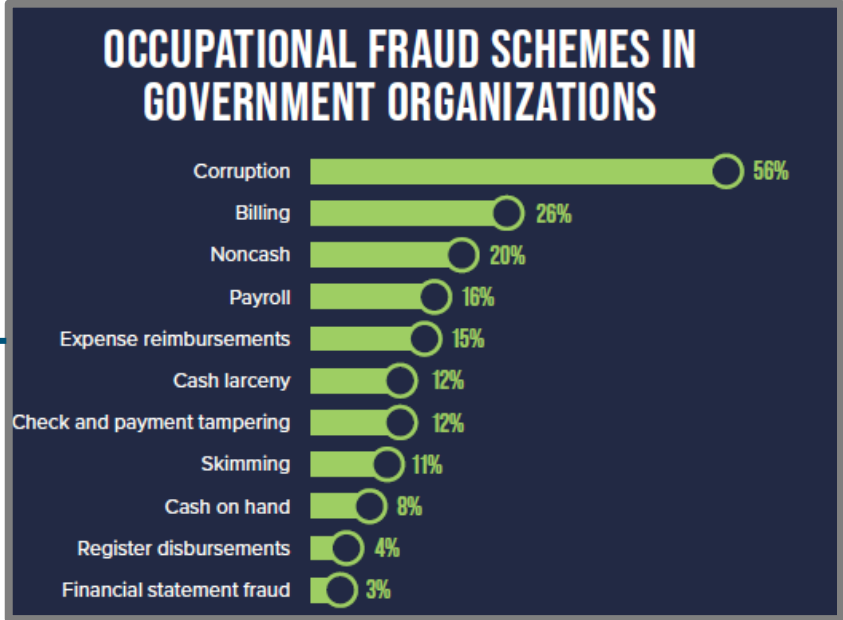
How Fraud Affects Government Entities



**Dollar amounts are median loss. Median loss calculations for categories with fewer than ten cases were omitted.*

Over **50%** of occupational fraud in government organizations occur at the Local and State/provincial level

The most common fraud scheme in government organizations is **corruption**.



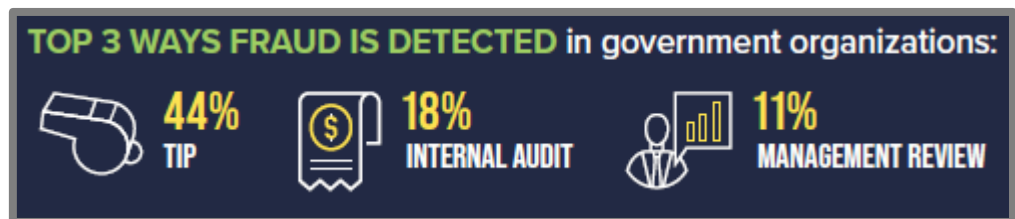
Governmental Fraud Statistics

Controls and Effectiveness

Control	Percent of cases	Control in place	Control not in place	Percent reduction
Surprise audits	42%	\$75,000	\$200,000	63%
Management review	72%	\$100,000	\$250,000	60%
External audit of financial statements	84%	\$121,000	\$250,000	52%
Hotline	71%	\$100,000	\$200,000	50%
Fraud training for managers/executives	62%	\$100,000	\$200,000	50%
Anti-fraud policy	60%	\$100,000	\$200,000	50%
Proactive data monitoring/analysis	45%	\$100,000	\$200,000	50%
Fraud training for employees	63%	\$100,000	\$187,000	47%
Formal fraud risk assessments	48%	\$100,000	\$187,000	47%
Internal audit department	80%	\$120,000	\$210,000	43%
Dedicated fraud department, function, or team	50%	\$109,000	\$184,000	41%
Code of conduct	85%	\$121,000	\$200,000	40%
Management certification of financial statements	77%	\$120,000	\$200,000	40%
External audit of internal controls over financial reporting	72%	\$119,000	\$199,000	40%
Employee support programs	59%	\$101,000	\$150,000	33%
Independent audit committee	68%	\$120,000	\$165,000	27%
Rewards for whistleblowers	14%	\$110,000	\$145,000	24%
Job rotation/mandatory vacation	23%	\$115,000	\$150,000	23%

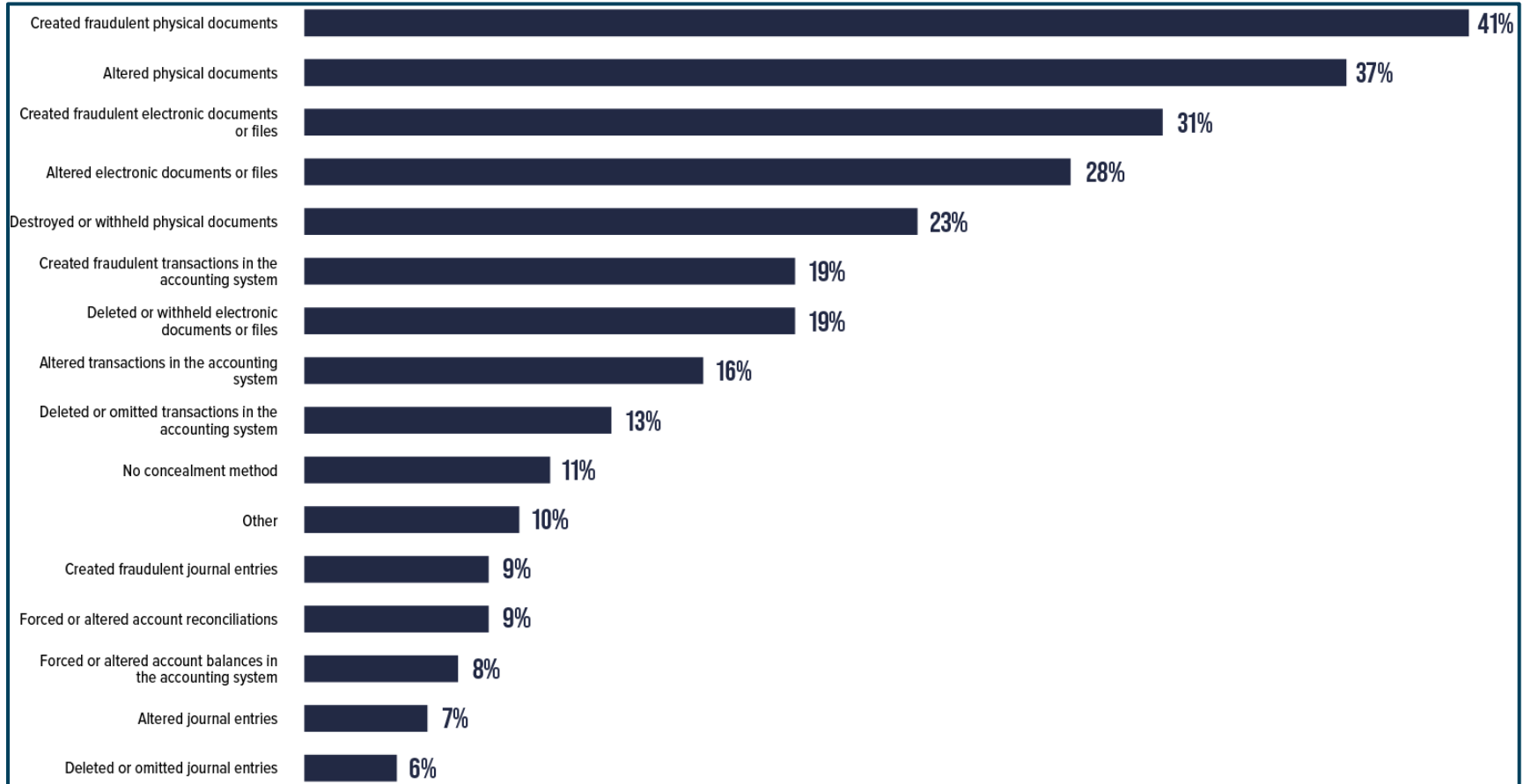
Tips may be the result from any number of controls

For government organizations tips, internal audit, and management review lead the way in fraud detection.



Governmental Fraud Statistics

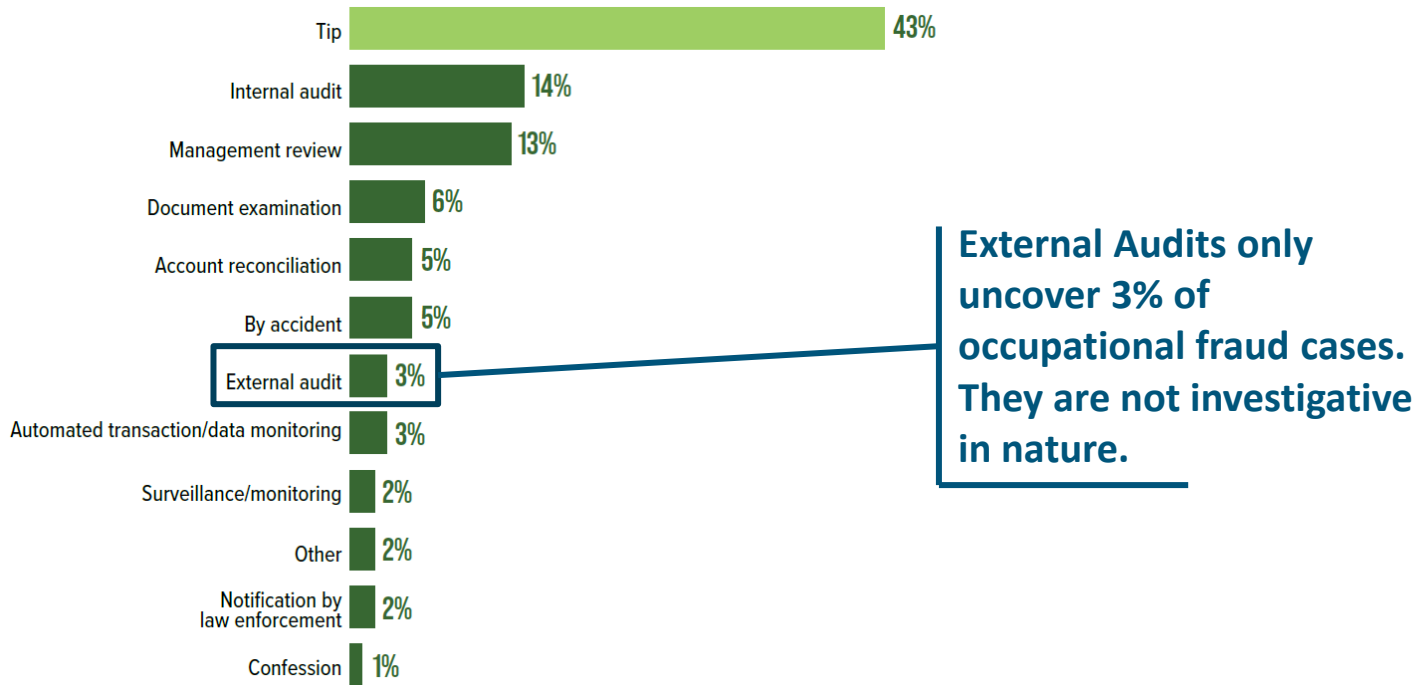
How is the fraud concealed?



External Audits ≠ Fraud Detection

The Misconception

Do Financial Statement Audits detect fraud?



Knowing The Difference

What is a Financial Statement Audit?

Objectives	Provide independent assurance that financial statements are free of <u>material</u> misstatement
	Obtain reasonable independent assurance that internal controls over <u>financial reporting</u> are effective
	Issuing reports expressing opinions on whether financial statements are presented fairly and internal controls are effective

Tasks	Planning	Fieldwork	Audit Evidence	Review	Report
	Understanding the Entity	Test Internal Controls	Sufficiency and Appropriateness	Supervisory Review	Draft Audit Report
	Risk Assessment	Substantive Testing	Sources of Evidence	Evaluate Misstatements	Opinion on Financial Statements
	Materiality Thresholds	Fraud Considerations*		Ensure Compliance	Management Presentation
	Audit Plan				

*as it relates to financial reporting

Knowing The Difference

What is a Forensic Investigation?

Objectives

Deep-dive, objective-driven investigation of specific issues, such as suspected fraud or legal disputes

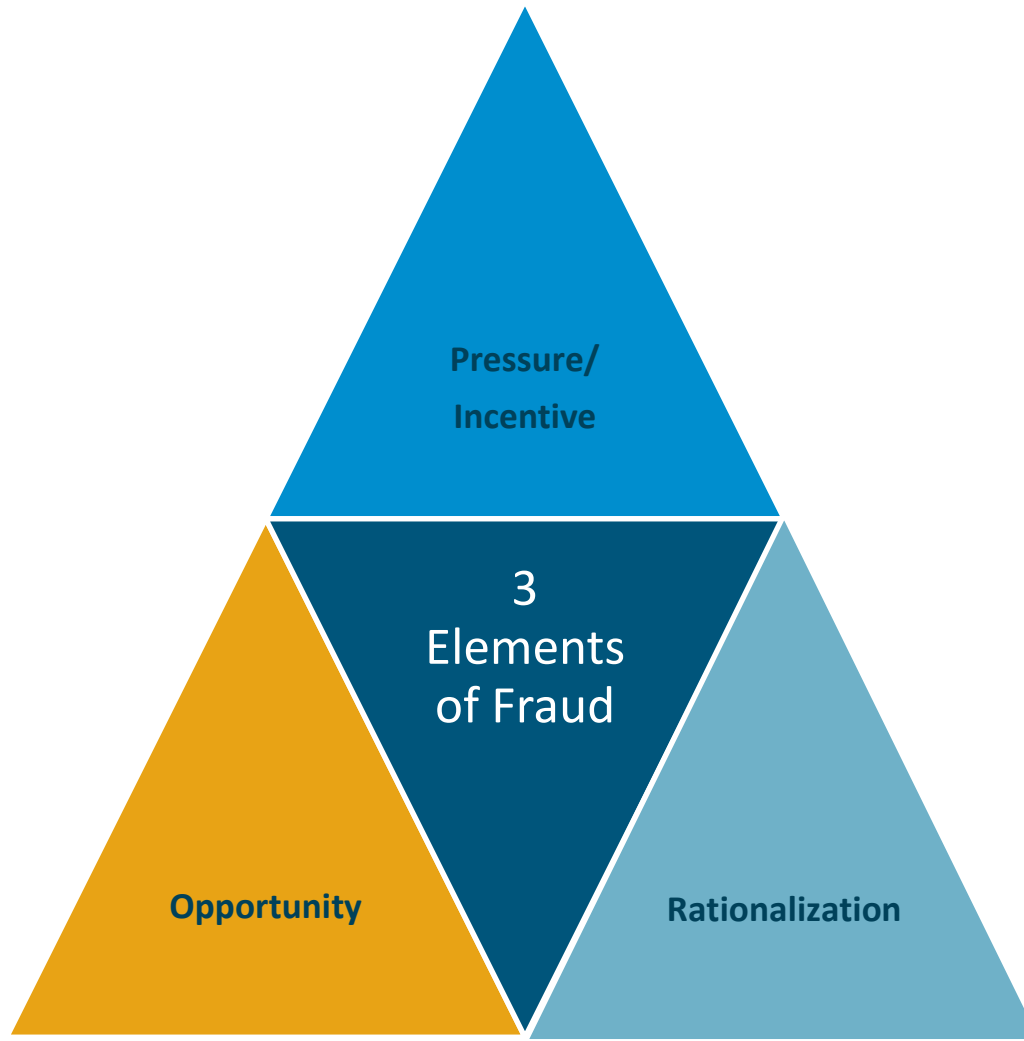
Uncover, document, and provide support for legal or disciplinary action if needed.

Provide reports detailing financial transaction, findings, and recommendations to the client

Tasks

Planning	Risk Assessment	Execution	Findings	Report
Clarify Allegations or Concerns	Conduct Background Research	Transaction Testing	Chronological Timeline	Prepare Forensic Report
Define timelines, transaction types and departments	Secure and Preserve Evidence	Forensic Data Analysis	Document Supporting Evidence	Include Exhibits and Workpapers
Legal and confidentiality considerations	Prevent Data Tampering	Interviews Communication analysis	Evaluate Intent and Motive	Present and Provide Report to Management

Uncovering Fraud: Fraud Triangle



Uncovering Fraud: Initial Steps

Understanding

- Operations
- Policies and Procedures
- Key Players
- Roles
- Agreements
- Interviews

Background

- Department
- Industry
- Leadership
- Events/Changes
- Right to Audit Clauses

Documentation

- “Wish” List
- Public Records
- Policies/Procedures
- Agreements
- Bank Statements
- General Ledgers
- Financial Statements
- Audit Reports
- Purchase Orders
- Invoices
- E-mails

Uncovering Fraud: Documentation

Organization

- Naming
- Structures
- Splitting
- Original Formats

Data

- Clean
- Structured
- Searchable
- Manipulable
- Verify

Identify

- “Best” Evidence
- Missing or New Documents
- Search Terms
- External Data
- Creativity

Uncovering Fraud: Consider Risks

New or Unknown Vendors

Vendor Payment Process

Contract Types/Amounts

Sole Source/Vendor Dependence

Tone at the Top

RFP Process

Policies and Procedures...P-Cards

Uncovering Fraud: Non-Financial Information



- Emails



- Internet Archives/Social Media



- Former Employees/Spouses



- Calendars/Vacations



- Board Minutes/External Representations

Uncovering Fraud: Red Flags

Fraud Indicators

Financial Difficulties/Lifestyle

Purposeful Lack of Oversight/Transparency

Manipulated Data/Documents

Uncovering Fraud: Red Flags

RED FLAG BEHAVIOR

“You know I don't give a xxxx about money but when the board only gave me 62% of my bonus on the year I did both Jane's job and mine, Sally's job, opened the new building and made it thru COVID and the break in? Yeah that's when I decided to literally just do what I need to do and not give a xxxx.”

Uncovering Fraud: Red Flags

Construction Procurement							Estimate	Invoice
Estimate Date	Requisition Date	P.O. Date	Invoice Date	Vendor		Amount	Amount	
08/18/20	09/16/20	09/16/20	09/15/20	Company A		\$ 12,623.04	\$ 12,623.04	
09/10/20	N/A	N/A	N/A	Company B		13,819.26	N/A	
09/10/20	N/A	N/A	N/A	Company C		13,768.50	N/A	
09/15/20	12/11/20	12/14/20	11/19/20	Company A		\$ 19,805.05	\$ 19,803.05	
11/13/20	N/A	N/A	N/A	Company C		22,950.00	N/A	
12/07/20	N/A	N/A	N/A	Company E		26,344.00	N/A	
12/10/20	12/18/20	12/18/20	12/23/20	Company D		\$ 16,750.00	\$ 14,750.00	
12/16/20	N/A	N/A	N/A	Company A		22,412.35	N/A	
12/16/20	N/A	N/A	N/A	Company C		25,305.75	N/A	
01/25/21	02/09/21	02/09/21	02/10/21	Company A		\$ 18,192.50	\$ 18,192.50	
01/26/21	N/A	N/A	N/A	Company E		21,525.00	N/A	
01/29/21	N/A	N/A	N/A	Company C		22,388.00	N/A	
Total							\$ 65,368.59	

RED FLAGS

Estimates procured after services rendered

Related company estimates

Sequential invoice numbers

Purchase order splitting

Case Study: System Issues

Mid-Tiered Employee

Control of Grant Funds for Children

Utilized P-Cards

New Grant Funding

Case Study: System Issues

Transition to New P-Card System

Access to New Data

Lack of Understanding

Management Review

Case Study: System Issues

Data Issues


Explanations

Altered Version

Unaltered Version

Walmart 

ST# 01087 OP# 002721 TE# 92 TR# 07005
PRODUCT SERIAL # AA200401C7A013209
ONN. ROKU 068113130830 284.00
HISENSE 58
DISA CODE # 100007369920 398.00 0
088814300681
FABRIC DYE 001775428580 21.97 0
FABRIC DYE 001775428580 21.97 0
SZ5 MLS PRO 002572545353 14.97 0
FOOTBALL 088381359154 12.88 0
FOOTBALL 088381359154 12.88 0
VOLLEYBALL 008040901610 19.88 0
PS4 GAME 085613100822 33.88 0
SZ5 MLS PRO 002572545353 14.97 0
VOLLEYBALL 002638827911 8.97 0
SUBTOTAL 1,088.37
***TOTAL** 1,088.37
TEND 1,088.37

Walmart 

Save money. Live better.

ST# 01087 OP# 002721 TE# 92 TR# 07005
PRODUCT SERIAL # AA200401C7A013209
70 ONN. ROKU 068113130830 528.00 0
DISA CODE # 100007369920
HISENSE 58 088814300681 398.00 0
FABRIC DYE 001775428580 21.97 0
FABRIC DYE 001775428580 21.97 0
SZ5 MLS PRO 002572545353 14.97 0
FOOTBALL 088381359154 12.88 0
FOOTBALL 088381359154 12.88 0
VOLLEYBALL 008040901610 19.88 0
PS4 GAME 085613100822 33.88 0
SZ5 MLS PRO 002572545353 14.97 0
VOLLEYBALL 002638827911 8.97 0
SUBTOTAL 1,088.37
1,088.37
1,088.37

Case Study: Ozarks

Nonprofit Organization

Grant Funding Sources

COVID-19

Expansion of Duties



Case Study: Ozarks



• Secretary of State Registration



• Immediate Change



• Bank Account Opening



• New Business Opening



• Ozark References

Case Study: Ozarks



• Misdirecting Check Payments



• PayPal Funnel



• Misdirecting Wires/ACH



• Total Misdirected Funds



• Usage

- Today's Presenter -

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