A

Abuse of authority, 315 Accountants, as fraud perpetrators/ accomplices, 14, 20, 54, 57, 275-276, 320 Accounting controls, 251 Accounting departments, 116–117 Accounting practices, faulty, 163, 164 Accounts-payable departments, 118, 184-185, 360-363, 367 Accounts-payable systems, 360 Account statements, 277 Administrative subpoenas, 4 Affidavits, 32 Agency agreements, 99 Alaska, 299-307 Anti-corruption codes, 252 Anti-corruption laws, 251 Anti-fraud policies, 122 Approved vendors, 183 Asbestos-containing materials (ACM), 266, 268 Asbestos Hazard Emergency Response Act (AHERA), 262, 265-267 Asbestos remediation fraud, 261–269 Asset control and inventory, 93 Assistant managers, 177-178 Association of Certified Fraud Examiners, 175, 354 ATM withdrawals, 254-255, 257, 258 Attorney-client privilege, 108, 213 Attorneys, 194 Audits, 3, 41, 133, 272, 288, 321, 322, 343-344 Audit fees, 142 Auditing, 142 Auditing software, 343

Audit trail, 135, 344, 347–354 Authentication tools, 62 Authority, abuse of, 315 Automated alerts, 196, 197 Automobile industry, 209–215 Automobiles, as bribes, 203, 204 Aviation suppliers, 343, 344

B

Background checks, 19, 20, 51, 98-99, 202, 242, 259, 294, 311, 312, 314, 316, 376 Bank deposits, 333 Pank fraud, 53–63, 133–139 Bank managers, 133–139 Bank reconciliation statements, 142 Bank records, 61, 366 Bankruptcy, 16-19, 86, 93, 107, 150, 152, 155, 294, 295, 305 Bank statements, 60, 110, 173, 221, 240, 249, 257, 273, 277, 333 Bank transfers, 343 Benchmarks, 119 Bid collusion/rigging, 3, 6, 8–10, 45, 152, 154-155, 157, 159-168, 204, 206, 231, 233, 237-238, 240, 290, 291, 295, 311, 344, 371, 372, 375 Bidding on contracts, 11, 152, 162, 170, 240, 373 Bid documents, 291 Bid rotation, 206 Bid solicitations, 237 Bid tampering, 9 "Bill of rights" (prison inmates), 288 "Blanket purchase order" agreement, 170 Blgojevich, Rod, xii

Boards of directors, 27, 319, 320, 323-328 Boats, 19-20 Bonuses, 324, 325 Breach of trust, 95 Bribery. See also Kickbacks bank loan fraud, 135 cab license fraud, 90-92 café/restaurant licensing fraud, 123-131 engineering firm fraud, 48, 49 film festival bribery case, 65-73 hotel supply kickback fraud, 179-182 Japanese bid-rigging case, 167, 168 jewelry industry fraud, 282 manufacturing fraud, 229-234 manufacturing purchase management fraud, 197 Mexican windmill company fraud, 248-251 mining contractor kickback case, 174multinational manufacturing fraud, 218-219, 221, 223 Nigerian government employee fraud, 199–207 Ohio DOT procurement fraud, 7 outsourcing procurement fraud_314 public transportation construction fraud, 371-373 Tanzanian tax fraud, 145, 146 Briefs of evidence, 351 Budgets, 68, 116-117, 359-361, 363 Building services, 349 Bureau of Indian Affairs (BIA), 261-269 "Buy-bust" arrest, 38 Buyers/buying, 107–113

С

Cab license fraud, 85–94 Café licensing, 123–131 Cameras, surveillance, 122. *See also* Surveillance systems Canada, 329–338 Capacity (Fraud Triangle element), 289, 290 Career advancement, 167, 168, 174, 213, 214 Cash, 7, 29, 133, 135–136, 173, 218-220, 227-229, 233, 277, 280, 283, 291, 292, 294-296, 366 tracing of, see Tracing of cash Cash advances, 48 Cash conversion, 220 Certificates of deposit, 136 Certificates of income, 254, 256 Certified Fraud Examiner, 42, 109 Certified Public Accountants (CPAs), 54, 57-59, 62 Chain of custody, 254, 345, 373 Chain of evidence, 277 Charter boat trips, as kickbacks, 2–6 Chartered account 277 Chauffeur's license, 87, 88, 90–93 Checks, 58, 59, 108, 174, 175, 249, 277, 331-334 363 Checking accounts, 173 Check stubs, 144 Chief executive officer (CEO), 213–214, 225 Chief financial officer (CFO), 162, 165, 245Chief information officer (CIO), 160, 164, 359Circumstantial evidence, 40 Civil claims, 113 Cocaine, 35-42 Codes of conduct/ethics, 13-21, 197, 203, 283, 284 Collateral, 303, 305 Collusion, 144, 168, 228, 258, 280-283, 329-338, 345. See also Bid collusion/rigging Colorado, 369-376 Commercial crime unit, 333 Commissary, prison, 287–296 Commissions, 49, 68–69, 71, 110, 111, 247, 248, 250, 272, 276, 301, 312, 351, 352 Commodities, 109, 111-112 Communication, for fraud prevention, 147-148, 184, 197, 242, 251, 321, 325-326

266

290

92

March 9, 2012 19:25 Trim: $7in \times 10in$

379

Index

Competitive bidding, 149, 167, 296 Compliance departments, 359 Compliance standards, 251 **Comprehensive Environmental** Response, Compensation, and Liability Act of 1980 (CERCLA), Computer forensics, 15, 16, 60, 218, 300, 307, 321, 338 Concert tickets, as bribes/kickbacks, Confessions, 196, 242, 283 69 Confidentiality, 242, 255 Conflicts of interest, 9, 29, 81, 95-105, 120, 180, 213 Conglomerates, 235–243 Consensual overhear (COH), 91, D Conspiracy, 30, 373 Construction, 43–51, 300–301, 369–376. See also Home

repairs/renovations, as kickbacks Construction bids, 151 Construction contracts, 202-203 Construction fraud, 115-122, 149-157 Consulting services/fees, 29, 44, 78, 82, 84, 194, 195, 220, 227, 233, 324, 332-334, 358-361, 364, 365 Contacts, development of, 99 Containment, 214 Contracts, awarding of 201, 229–231, 236, 238-240, 289 Contract administration, 374 Contract amendments, 228, 233 Contract bids, see Bidding on contracts Contract notes, 272, 276 Contractors, 115-122, 281, 351 Contractor background checks, 376 Contractor fraud, 149-157 Contract steering, 157 Controller, 336 Control logs, 294 Corporate culture, 102-104 Corporate investigations, 188–189 Corporate policies, 180 Corporate tax, 220

Corruption (defined), xi Cost, budget v., 118 Cost codes, 163 Cost-cutting programs, 226 Cost overruns, 118-120, 149, 349 Councils of government (COGs), 24-25, 27-29, 31 Counterfeit licenses, 87, 91 Credit cards, 10, 254-259, 281-283 Credit card fraud, 253-259 Culture, risk-based v. incentive-based, Custodial interviews, 274-275 Customs brokers, 221, 224 Customs fraud, 219, 221, 223

Data center consolidations, 359-360 Data extraction analysis, 15–17, 19–20, 47, 108-109, 249, 371 Debarment, 374 Deed of trust, 302 Defense witnesses, 248-249 Denver, Colorado, 369-376 Department of Public Prosecutions (DPP: Australia), 351 Destruction of records, 321-322 Detectives, 333 Deterrence, 122 Development projects, 242 Disbursements, 311 Discount stores, 348 Discretion, in investigations, 255 District attorney, 295, 296 Division of duties, 121 Divorce, 282 Documents, 107-108, 276, 304 Documentary evidence, 26 Documentation, 242. See also Supporting documents Documentation, lack of, 143 Document trails, 344 Downsizing, 196 Draft financial statements, 142 Drug trafficking, 35–42 Due diligence, 42, 50-51, 62, 224, 251-252, 312, 316

E

Eastern Europe, 47-48 Electronic files, 47, 48, 190, 192, 196 E-mails, 15-16, 48, 191, 237, 239-241, 305, 326, 361, 365 Embezzlement, 199-207, 228 Employee crimes insurance, 111. See also Insurance Employees, trusted, 183 Engineering firm fraud, 43-51, 95-105 Engine parts, 209-215 England, 341-346 Enterprise architects, 360 Environmental fraud, 75-84, 261-269 E-procurement, 344 Escrow management, 299-300 Ethical culture, 197 Ethical governance checklists, 317 Ethics policies, 150, 180, 234, 284, 372, 375, 376 Ethics programs/training, 10, 152, 155, 157, 214, 224, 250, 359 Ethics standards, 215, 353 Evidence, 35-42, 171, 345, 353 Exception-based reporting, 346 Expense accounts, 166 Expense reimbursements, 247 Expense reports, 47, 48, 51 External auditors, 210 Extortion, 175, 228-229, 231-232 291-293, 371, 373

F

Falsified billing documents, 172
Falsified loan applications, 53–63
Fannie Mae Form 1006: Verification of Deposit, 63
Federal Bureau of Investigation (FBI), 69, 70, 110, 169, 170, 322, 366, 370–371
Federal employees, 149–157
Federal Reserve, 63
Federal Sentencing Guidelines, 72, 250
FedEx receipts, 17, 18
Fees, 142
Fictitious vendors, 18
Fidelity insurance, 330, 334. See also Insurance

Fieldwork, 147 Fifth Amendment, 7, 326 Film festival corruption case, 65–73 **Financial Crimes Enforcement** Network (FinCEN), 294, 295 Financial disclosure forms, 152, 157, 203 Financial statements, 142, 148, 276 Finders' fees, 10 501(c)(3) organizations, 27 Fixed-price contracts, 227 Foreign Corrupt Practices Act (FCPA), xii, 45, 49, 67, 69, 72-73, 222, 247-250 Forensic accounting/auditing, 15–16, 112, 170-173, 290-291, 374 Forgery, 82, 135, 136 See also Signatures, forged Formal communication, 102 Fraud-awareness training, 367 Fraud Diamond, 289-290 Fraud hotlines, see Whistleblowers/whistleblower hotlines Fraud Tree, 354 Fraud Triangle, 121 Front company, 18-19

G

Gambling debts, 40-41 Gender discrimination, 293 General ledger, 15 Gift cards, 179, 180, 182 Gifts/Gratuities, 5, 6, 48, 151-157, 168, 193, 196, 247, 248, 251, 290, 324, 336 Gossip, 102 Government contracts, 247-250 Government corruption, 23–33, 149-157, 199-207, 271-278 Government funds, see Public funds Government retirement fund fraud, 271-278 Grand jury, 174 Grant fraud, 75-84, 324 Gratuities, see Gifts/Gratuities Great Britain, 341-346

Green manufacturing, 245-252

Η

Hardware-component buyer fraud, 107 - 113Hazardous materials, 266-267 "Hip pocket" concept, 26, 28 Hiring procedures, 259 Historical evidence, 26, 32 Home repairs/renovations, as kickbacks, 151, 154–156, 173, 203, 347-351, 373, 375 Hospitality industry, 177-185 Hotels, 177-185 Hotlines, 84, 157, 175, 184, 280, 284, 346, 359, 374, 376 Housing construction fraud, 115-122 Hush money, 295 Hypotheses, for investigation, 188-189

I

Imports, 220 Incentive-based cultures, 62 Incentive compensation, 63 Income statements, 284 Income tax statements, 56 In-country agents, 99 Independent contractors, 281 India, 235-243, 271-278 Industrial conglomerates, 235 Inflated invoices, 331 Inflation, 310 Informal communication, 102 Information technology (IT), 345 Information technology (IT) audit software, 343 Information technology (IT) consultants, 227 Information technology (IT) departments/staff, 160, 161, 164, 222, 357-367 Inmate commissary fraud, 287-296 Inmates' "bill of rights," 288 Inspector general, 327 Insurance, 108, 111–113, 299–307, 330, 333, 334, 338, 374 Integrity, qualifications vs., 242 Integrity rules, 316 Intermediary companies, 220-223 Internal auditors, 210, 307, 345, 373

Internal audits, 82, 83, 108, 118, 122, 175, 179, 188, 190, 211, 224, 227, 237, 313-314, 344 Internal controls, 14, 49, 83, 133, 167, 175, 187, 196, 207, 233, 248, 256, 257, 259, 282, 291, 316, 338, 345, 353, 359, 373, 375, 376 Internal controls department, 311, 312 Internal controls review, 247 Internal controls supervisor, 253, 258 Internal cost center, 360 Internal legal department, 215 Internal promotions, 179 Internal Revenue Service (IRS), 69–71, 172.195 Internal Revenue Service Form 4506-T, 56, 58, 63 Inventory tracking, 3 Invested funds, 271–278 Investigative interviewing, 168 Investment certificates, 278 Invoices, 6, 15, 17, 19, 25–26, 49, 174, 180, 185, 188, 189, 192, 220–222, 227, 281–284, 331, 332, 334, 335, 337, 343-345, 349, 360-364, 372, 373 Invoice-review process, 361-365, 367

IRS, *see* Internal Revenue Service (IRS) Islam, 103

J

Jail commissary fraud, 287–296 Japan, 159–168 Jewelry industry fraud, 279–285 Job cost code, 118 Job rotation, 317 Joint ventures, 159–168

K

Kickbacks. *See also* Bribery automobile industry fraud, 212, 213 bank loan fraud, 133, 135–137 coffee company procurement fraud, 18, 19 drug evidence diversion case, 39–40, 42 engineering firm fraud, 48, 49 film festival bribery case, 65–73

Index 381

Kickbacks. See also Bribery (Continued) Florida loan fraud, 53-63 government contractor fraud, 157 hardware-component buyer fraud, 108-111 hotel supply kickback fraud, 177-185 Indian manufacturing fraud, 235-243 Indian retirement fund fraud, 271 - 278jail commissary fraud, 288, 290, 292, 294Japanese bid-rigging case, 168 jewelry industry fraud, 282-284 manufacturing fraud, 228 manufacturing purchase management fraud, 194-197 Mexican windmill company fraud, 248multinational manufacturing fraud, 219, 222-223 Nigerian government employee fraud, 201, 204–205 Ohio DOT procurement fraud, 5, 8-9 Oklahoma environmental grant fraud, 81-82 outsourcing procurement fraud, 312 plastics industry fraud, 329–338 public transportation construction fraud, 371-373, 375 Romanian credit card traud, 258 state senate corruption case, 29, 32 L Laptop computers, 241-242 Large Tax Payer (India), 143, 146 Leadership failures, 234

Ledgers, reconciliation problems with, 164 Legacy data systems, 359 Legal department, internal, 215 Licensing fraud, 85–94, 123–131 Lifestyle checks, 133, 242 Lines of credit, 256–258 Loan fraud, 31, 53–63, 134–136, 301–303

Loan officers, 54

Loan payments, 174 Lobbying, 324 Lumber sales, 116–120

M

Mail fraud, 174, 175, 366, 371, 373 Maintenance contracts/services, 1–11, 349 Management, 83, 84, 104-105, 112, 113, 120, 161, 177-178, 217-224, 351, 354 Management consulting, 160 Management information systems (MISs), 159–168 Managerial oversight, 196, 197, 289 Manufacturing, 159-168, 187-197, 217-234 Marketing directors, 209, 211 Markups, pass-through invoicing, 189, 190 Master chronology, 353 Materiality, 296 Mergers, 50-51 Mexico, 245–252 Middle Eastern engineering fraud case, 95 - 105Mind-map template, 143 Mining, 169–176 Misappropriation of public funds, 23-33, 75-84, 275, 319-328 Money laundering, 40, 68, 69, 72, 206, 227, 366 Money orders, 39 Money trail, following, 201-203 Motive, 103, 121, 172, 289 Multicultural ethics, 97, 102–104, 167 - 168Multidisciplinary teams (MDTs), 124–126, 129, 130 Multinational corporations, 43–51, 159-168, 217-224 Muslim cultures, 103

Ν

Native Americans, 261–269 Negative evidence, 273 Negligence, 306 JWBT704-IND JW

March 9, 2012 19:25 Trim: $7in \times 10in$

Index 383

Nepotism, 327 Nigeria, 199–207 No-bid contracts, 289 No-knock search warrants, 7 Noncompete clauses, 213 Nonprofit organizations, 26–29, 31, 319–328 Nonverbal communication, 168

Ο

Objectives, setting, 353 Obstruction of justice, 28 Occupational fraud, 183 **Occupational Fraud Classification** System, 354 Occupational Safety and Health Administration (OSHA), 265 Office supplies, 179–180 Official misconduct, 295 Off-market transactions, 273–274 Ohio Department of Transportation procurement case, 1–11 Oklahoma environmental grant fraud, 75 - 84Operating budgets, 211 Operating systems, access to, 346 Opportunity (Fraud Triangle element), 103, 121, 289, 290 Organization of Economic Co-operation and Development (OECD), 51 Outsourcing, 309-317 Overbillings/overcharges, 170–174, 330-338 Overpayment, 111–112 Overtime fraud, 291-296

P

Padding, 212 Painting companies, 348–350, 372 Paper files, 190 Parallel imports, 219 Partnerships, 116, 117 Pass-through invoicing, 189 Payroll departments, 296 Plastics industry, 329–338 Plea bargaining, 30–33, 366

Police corruption, 35–42 Police detectives, 333 Political corruption, 23–33, 319–324. See also Government corruption Pollution remediation grants, 75-84 Ponzi schemes, 58-59, 61-62, 276 Postal money orders, 39 Preferred contractors, 349 Preferred suppliers, 343 Pressure (Fraud Triangle factor), 121 Price inflation, 331 Price lists, 331-332, 334, 335, 338 Pricing strategies, 212 Printing companies, 330-338, 343-345 Prison commissary fraud, 287–296 Private investigators, 108, 109, 255 Private lenders, 301-303 Process governance checklists, 317 Procurement contracts, 371 Procurement departments, 362 Procurement fraud, 1–11, 160, 167, 205-207, 236, 291, 309-317, 341-346, 349, 373-374 Procurement managers, 165 Procurement policies, 316 Professional accounting body (PAB), 146Profit margins, 13, 282 Project costs, 118 Project executives, 359-360 Project management/managers, 166, 236-237, 370 Promissory notes, 136 Proof of performance, 224 Proxy accounts, 201 Public assistance organizations, 319-328 Public funds, 23-33, 75-84, 319-328 Public relations officer, 135 Public transportation construction fraud, 369-376 Punitive termination warning, 102 Purchase orders, 121–122, 170, 183, 268, 290, 291, 344 Purchase tickets, 119 Purchasing, 1-11, 25-26, 122, 226, 237 Purchasing controls, 346

Purchasing cycle, 196 Purchasing departments, 184–185 Purchasing directors, 190 Purchasing fraud, 1–11, 13–21, 23–33 Purchasing kickbacks, 329–338 Purchasing managers, 187–197, 237, 238

Q

Qualifications, integrity v., 242 Quid pro quo, 32, 195 Quotes, 5, 6, 9, 11, 82

R

Rationalization (Fraud Triangle element), 121, 289 Real estate, 24, 201-202, 299-307 Rebate programs, 75-84 Receipts, 153, 222, 338 Receiving departments, 17, 18, 122 Receiving logs, 18 Reconciliation, 142, 164 Records, destruction of, 321–322 Records reviews, 99, 268 Reference checks, 242 Regional Transportation District (RTD; Denver, Colorado), 369-376 Reimbursements, 247, 250, 335 Relationship management, 346 Relatives, as vendors, 315 Repair orders, 280-284 Repeat orders, 335 Reporting mechanisms, 284 Reserve Bank of India (RBI), 273-274 Restaurant licensing, 123–131 Restitution, 72, 175, 296, 345, 373, 374 Retailers, 347-354 Reticular activating system (RAS), 354 Retirement fund fraud, 271–278 Rewards, for reporting fraud, 284 Rigging of bids, see Bid collusion/rigging Risk assessments, 296 Risk-based cultures, 62 Romania, 253–259 Rotation of employees/executives, 215

S

Safe Harbor provision (Bank Secrecy Act), 295 Sales agents, 116, 246, 247, 279-285, 335 Sales taxes, 143, 145 Sarbanes-Oxley Act (SOX), 45, 46 School asbestos remediation fraud, 261-269 Scope of investigation, limiting, 175 S corporations, 68 Search warrants, 7, 29-30, 32, 38, 39, 69, 273, 305, 333, 350 Securities and Exchange Commission (SEC), xii Securities certificates, 272, 274 Securities fraud, 271-278 Security guards, 122 Segregation of duties, 10 Self-motivation, 214-215 Sentencing, 174 Serious Fraud Office, U.K. (SFO), 345 Sharna, 103 Shell companies, 29, 67, 125, 201, 205, 220, 276 Siemens bribery scandal, xii-xiii Signatures, forged, 81, 135, 136 Silent partners, 372 Site supervision, 116 Skepticism, 20, 147 Slush funds, 305 Socializing with vendors, 166, 211 Social media websites, 284 Social networks, 211 Social services, 319-328 Software, 300, 307, 321 Sole-source construction contracts, 149, 151 Source (loan referrals), 57 Special auditors, 133-134 "Special payments," 219 Specialty materials, 159-168 Sports tickets, 290 Spot checks, 124 Spreadsheets, 218–219 Staff reductions, 177, 190, 196 State funds, 25-26

March 9, 2012 19:25 Trim: $7in \times 10in$

Index 385

Statutory auditors, 142, 147 Steering of contracts, 152 Stock investments, 240, 242 Stock market, 237 Subcontracting, 9, 10, 67, 169, 189, 227, 372 Subsidiaries, 209-215, 220 Subsuppliers, 193 Succession planning, 178 Summary cost reports, 117 Supervisors, 177, 288 Supervisory fraud, 209-215 Suppliers, see Vendors Supporting documents, 25, 47, 48, 58, 63, 148, 188, 192-193, 196, 221 Surveillance systems, 14–15, 122

Т

Tally sheets, 38 Tanzania, 141-148 Taxes, on withdrawals for bribes, 172 Tax evasion, 69, 72, 143, 218 Tax fraud, 141-148, 218-220, 223 Tax ID numbers, 3, 11 Taxi license fraud, 85-94 Tax officials, 144–145 Tax returns, 55-57, 59, 61, 63, 7 110Teamwork, 147-148 Telecommunications company fraud, 357-367 Temporary chauffeur's license, 87, 88, 90 - 93Theft allowances, 117-118 Third-party contractors, 281, 284, 332 Third-party sales agents, 245-252 Third-party vendors, 220, 222 Tickets, as bribes, 290 Timber/hardware procurement fraud case, 341-346 Time sheets, 365 Time stamps, 363 Title history examinations, 301, 305 Title insurance fraud, 299-307 Town-hall meetings, 105

Tracing of cash, 249 Tracking sheets, 336 Transfer vouchers, 277 Transparency, 97 Travel costs, reimbursements of, 247, 250 Trial balance, 142

U

Unannounced audits, 343–344 Underwriting, 57–58, 301, 303 U.S. Department of Labor, 321, 327 U.S. Department of Treasury, 294 U.S. Postal Inspection Service, 39

V

Value added tax (VAT), 144, 220
Vendors, 3, 4, 6–7, 17, 97–98, 110, 166, 169, 170, 179–182, 185, 190, 192, 209–215, 226, 228, 233, 236, 237, 242, 234, 288, 290, 291, 294, 296, 311–312, 314, 315, 336, 343, 360, 351
Vendor audit, 212, 215, 314
Vendor audit, 212, 215, 314
Vendor background checks, 376
Vendor lists, 367
Vendor management systems, 113
"Vendor-providers," 97–99
Video surveillance, 294

W

Warehouses, 202 Watch lists, 374, 376 Weapons possession, 41 Web design, 67 Whistleblowers/whistleblower hotlines, 50, 113, 131, 175, 197, 207, 251, 284, 325, 327, 346, 359, 67, 374, 375 Windmills, 245–252 Wire transfers, 32, 68, 69, 71, 110, 249 Witnesses, development of, Witness evidence, 26

Witness intimidation, 7

http://www.bookshop.com