

Austin Area Chapter Association of Certified Fraud Examiners

President's Corner

Shari Daffern, CFE, CIA, CPA

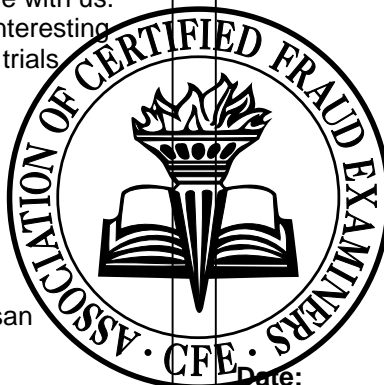
By now you should have received the information on our winter seminar on December 14. Please consider attending this great opportunity. The Board is excited about the speakers and hope you will take advantage of this great training on fraud related topics.

We are always seeking good speakers with interesting topics for the luncheons, as well as the seminars. Please let any Board member know if you hear of someone that might have something to share with us. Or if any member has recently handled an interesting case, we would love for you to present your trials and tribulations.

Thanks to Glyn Rogers, we found two excellent candidates to receive our fall scholarships. They will be invited to be our guests at the December meeting.

Please read our interesting Spotlight on Susan Driver this month. Let us know if you have suggestions for future Spotlights.

Remember that due to the timing of New Years our January meeting will be Monday the eighth. Hope you all have a wonderful holiday season!



Chapter Meeting Schedule

Time: 12:00 to 12:50 p.m.
Lunch served promptly at 11:45 a.m.

Location: Nuevo Leon Restaurant
1501 East, 6th Street

Cost: \$11.00 – Chapter Member
\$13.00 – Non-Chapter Member

This Month's Meeting

Date: December 4, 2006

Speaker: Joe H. Golson
Employees Retirement System
Director of Cost and Risk Management

Topic: Fraud Prevention Initiatives at ERS

register on line: www.austinacfe.com
or

call 512/389-4813

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What You Missed

Mike Garner, CFE, CIA

If you were not able to attend the November 6, 2006 chapter meeting, you missed a presentation on Recent Comptroller's Office Fraud Investigations and Observation on Recurring Fraud Problems in our State by Ms. Ruthie Ford, Special Assistant for Expenditure and Analysis, Office of the Comptroller of Public Accounts. In her role at the Comptroller's Office Ms. Ford's primary responsibility is management of the Expenditure Analysis Center. This center examines the state's fiscal concerns and suggests plans for the improvement and management of the state's general revenue funds. The program also alerts the Comptroller of inefficiencies and possible fraud in state expenditures.

Ms. Ford mentioned that in her area of responsibility she is reviewing the state's expenditures and identifying possible areas of waste, abuse, and fraud and then this information is turned over to the Legislature, the State Auditor's Office, the Department of Public Safety, and/or the Attorney General's Office for consideration of further action. She emphasized that she is not specifically looking for fraud but she still finds it as she makes her reviews.

Ms. Ford discussed several case histories where corruption was found including the Electric Reliability Council of Texas (ERCOT), the Central Texas Regional Mobility Authority (CTMA), and the Texas Residential Construction Commission.

In 2004 a review of ERCOT uncovered suspicious invoices and billing. Information from the review was turned over to a task force to investigate. The investigation turned up a vast conspiracy by the organization's top officials who set up a complex internal network of shell companies designed to provide "security and computer contracting services" to ERCOT. Each of them billed the organization hundreds of thousands of dollars on contracts for equipment, time and work, much of which was not provided. In total, ERCOT paid more than \$2 million to the bogus companies. Five of the agency's former top managers and one independent contractor were indicted by the Williamson County grand jury.

The Central Texas Regional Mobility Authority is an independent government agency created in January 2003 to improve the transportation system in Williamson and Travis Counties. Their mission is to implement transportation solutions that reduce congestion and create transportation choices. A review identified ethics concerns

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AUSTIN AREA CHAPTER OF
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What You Missed Continued from page 2

such as self interest (the Board Chairman buying up 254 acres covering two miles of what will become the toll road), conflict of interest (the board hiring employees that helped put them on the board), and favoritism (girlfriends and friends of employees and board members receiving contracts). They also hired 12 marketing firms paying up to \$250 hour for work that does not seem necessary to meet agency objectives.

The Texas Residential Construction Commission was developed to promote quality construction for Texas. They were designed to help reduce and mediate conflicts between consumers and Construction Companies. The Commission is made up of owners of construction companies and they appear to be biased toward using the Commission more to protect themselves (the construction companies). The Commission has identified 87% of the construction complaints to be the fault of the builder but they have done little or nothing to penalize these violations.

Ms. Ford also spoke about fraud in the health care industry. She mentioned that a recent study of health care claims identified \$1 Billion of questionable costs in the State Medicare System. These questionable costs involved case managers that billed for phone work with clients that did not have a phone, up-coding of medical procedures (give them a shot and charge the code for surgery), overcharging prescription drugs, and falsifying claims for workers comp. Her office identified patterns of abuse and then turned the findings over to the Health and Human Services Commission for investigation.

She also mentioned problems she has seen with so much of the state government going to outsourcing. The workers that are left at these state agencies are experienced in providing services but not in developing, issuing, and monitoring contracts. This has caused a concern in the area of contracting and sub-contracting.

In closing Ms. Ford indicated that one of the risks emerging in state government is one of self-interest and conflict of interest. She is concerned that the legislature does not seem to have the political will to address this issue. The highest risks appear to be in the areas of contracting, sub-contracting, and questionable procurements. To address these risks we need stricter guidelines, more training in dealing

with contracts and contractors, clearer accountability, and the promotion of ethical conduct throughout the process.

Speaker's Biography

Joe H. Golson, CEBS, CRC, CRA, CGBA

Mr. Golson is the Director of Cost and Risk Management for the Employees Retirement System of Texas (ERS). Among other things, he is responsible for overseeing the ERS Trustee Election, the ERS and the Texas Employees Group Benefits Program (GBP) Wellness programs, and the GBP cost containment and fraud prevention programs.

Prior to moving to this position, he was director of the ERS Benefit Contracts Division where he was responsible for development, implementation and monitoring of all benefit related contracts for the employee benefit programs offered through the GDP and the defined contribution programs. He also served as Assistant Director for the Member Benefits Division at ERS where he was responsible for overseeing the daily operations of the state's defined benefit retirement plans covering active and retired state employees. His responsibilities included the administration of the state's six retirement plans and for the production of all monthly annuity payments, coordination of retiree life and health insurance, record keeping, customer service, and administration of occupational death and disability and other related programs.

Mr. Golson is a Certified Employee Benefit Specialist, Certified Retirement Counselor, a Certified Retirement Administrator and a Certified Government Benefits Administrator. He presently serves as a member of the board of directors for the Austin Chapter of the International Society of Certified Employee Benefit Specialists (ISCEBS) and the national board of directors of the State and Local Government Benefit Administrators (SALGBA). He is a graduate of Alabama State University with a Bachelor's Degree in Business Management.

The Spotlight's On You!

A special feature focusing on members of the Austin Area Chapter of ACFEs

Susan Driver has been a member of the Chapter

for the past 2 years.

But maybe you didn't know...

Job Description:

Director of Internal Audit at the Comptroller's Office.

What I'm working on now:

Making progress on our audit plan

Best part of my job:

Being surrounded by intelligent, interesting, professional, and kind individuals

Ambition and/or Goals:

To live a healthy, long, and useful life

Years of State service:

16 years

My first job:

Computer Programmer

Hobbies:

Quilting, cooking

Favorite Movie:

Chicago

Last book I Read:

The Number One Ladies Detective Agency series

Favorite foods:

Grilled chicken and garlic mashed potatoes

Favorite Restaurants:

Julio's, The Frisco, El Patio

My pet(s):

Diego, an elderly, affectionate, and purrful tabby cat

It's a good day when:

I get to be with my grandchildren (Charlie age 5 and Christopher age 2)

Pet Peeves:

People who don't complete their commitments on time AND don't respond to emails

What I would do with a surprise afternoon off:

Be as lazy as possible

I'm most proud of:

That in mid-life I found a new career I love

Most people probably don't realize:

That I love action vacations with friends like cycling through the Grand Tetons or hiking in Italy.

