

## Austin Area Chapter Association of Certified Fraud Examiners

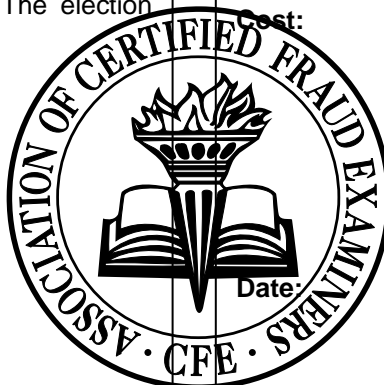
### President's Corner

**Shari Daffern, CFE, CIA, CPA**

Mark April 23 on your calendars for our spring seminar! It will be located at the new Gatti Town at Slaughter (9900 S. I-35). We will offer 8 hours of CPE. We are beginning to line up the speakers and will have information available in a few weeks. If you have suggestions for speakers, please notify any Board member.

Information has been sent on the election process for selecting our Chapter Officers and Board Members. Please consider serving in any capacity. The election will occur in April.

Happy Spring Break!



### 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, 6<sup>th</sup> Street

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

#### **This Month's Meeting**

**Date:** March 3, 2008

**Speaker:** Paul Lawrence  
Fraud Attorney

**Topic:** Fraud scandals at electrical cooperatives that have refused to distribute profits to members

register on line: [www.austinafce.com](http://www.austinafce.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 February 4, 2008 chapter meeting, you missed a presentation on "Comptroller of Public Accounts Cases" by Mr. Jimmy Archer, J.D., Chief of the Criminal Investigations Division and Mr. Martin Cano, Jr., CPA, Assistant Chief Criminal Investigations Division, Texas Comptroller's Office

Assistant Chief Cano described the State Comptroller's Office as the state's taxing entity collecting approximately 37 different taxes and fees for the State of Texas. The Criminal Investigations Division (CID) is the law enforcement section of the agency and consists of 25 professional staff located in 15 offices throughout the state. They investigate all crimes associated with these taxing responsibilities and also investigate counterfeiting. The Treasury section of the Comptroller's Office is its own bank. They issue warrants and although no other financial institution is required to honor these warrants, most of the time they are honored.

Chief Archer has been with the Comptroller's Office for 25 years and has been the Chief of CID for the past 15 years. When he first started with the Comptroller's Office they were using dumb terminals and used pencil and paper to develop records. Bob Bullock started CID in 1986 which was then called the Tax Fraud Section. In July 1986 oil prices had collapsed from \$38 a barrel in 1981 to \$11.82 a barrel. The Tax Fraud Section mainly focused on motor fuels taxes at that time because when oil prices went down motor fuels fraud went up. He briefly touched on one case where they had shut down 20 different truck stops at one time and another case where over \$20 Million in motor fuel tax fraud was identified.

When a constitutional amendment abolished the Office of the State Treasurer in 1996 and transferred its functions to the Comptroller's Office, CID employees were required to become Certified Police Officers. CID and its 20 Certified Police Officers acts as a Law Enforcement Agency inside a huge Administrative Agency.

CID is responsible for promoting tax compliance through regulatory and investigative resources. They will take action on those that owe taxes including contacting them by phone, letter, or in person.

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AUSTIN AREA CHAPTER OF  
THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS  
PO Box 13462, AUSTIN, TEXAS 78711

BOARD & COMMITTEE MEMBERS

FISCAL YEAR 2006

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CID investigations are in accordance with Texas Tax Code. They are able to issue citations for compliance issues and can submit charges for prosecution up to a second degree felony. The most common tax is sales tax but the majority of felony cases involve motor fuels tax. In motor fuels tax cases they have dual venue for prosecutions. They can prosecute in the county where an element of the criminal activity took place, or in Travis County. Therefore, they bring most of their cases to Travis County. They also investigate cigarette and tobacco taxes including inspecting retailers, stings with minor attempting to purchase tobacco products, smuggling and counterfeits of products and tax stamps.

Chief Archer described a couple of cases they worked one involving motor fuels taxes and more recent cases involving cigarette taxes. In the first case discussed a Comptroller's Office employee who started falsifying refund claims on motor fuels taxes. He started out at \$400; then \$1,000; \$3,000; \$6,000; \$10,000; and then \$39,000 testing the tolerance level of the control systems. The scam ended up totaling over \$2 million and there were nine people involved. The mastermind received 28 years in the penitentiary. They were able to recover three-fourths of the total amount including a large portion of cash in a suitcase under his bed.

The second case discussed was about indictments related to tobacco tax fraud. When the state cigarette tax increased effective 1 January 2007 from 41 cents to \$1.41 per pack, CID anticipated an increase in tax evasion attempts. This was the first increase in the cigarette tax since 1989 and to help provide property tax relief the increase was very substantial. The state has 60 to 70 distributors in Texas that buy stamps and affix them to packs of cigarettes and only 130 in the country. In Texas there are 28,000 retail permits licensed to sell cigarettes.

In a number of cases distributors purchased and stockpiled a large number of cigarette tax stamps before 1 January 2007. They would then use these stamps instead of the current tax stamps. In one case the distributor indicated that a lot of the cigarettes were sold to locations on a Native American Indian Reservation for which tax was not due but a quick check with the Reservation indicated that they had not purchased these cigarettes.

There are 30,000 tax stamps on a roll which @ \$1.41 per stamp each roll is valued at \$42,300. Chief Archer mentioned a number of cases involving 268 rolls (over \$11 million), 200 rolls (\$8.5 million), and 230 rolls

(nearly \$10 million). Due to the opportunity created by the tax increase, cigarette tax fraud has increased in this area. In most cases the perpetrators of this fraud view their fraud as a clerical error that they can rectify by just giving the money back. Chief Archer indicated that he relates this to a bank robber who goes in and robs the bank but then when caught says that he will give the money back so there is no crime. There is still a crime even though you make restitution.

Chief Archer and Assistant Chief Cano closed by answering a number of questions about their cases, their working relationships with the District Attorneys, and their investigation activities.

## Speaker's Biography

### Paul Lawrence

Mr. Lawrence obtained his Juris Doctor degree from the LSU Law Center in 1976. He served as a law clerk to Honorable Albert Tate, Jr., Justice of the Louisiana Supreme Court in New Orleans, La., from 1976 to 1977, and thereafter practiced law in Shreveport, Louisiana, from 1977 until 1996, where he was a founding member of Comegys, Lawrence, Jones, Odom & Spruiell. In 1997, Mr. Lawrence relocated his practice to Austin. In late 2005, Mr. Lawrence obtained a \$12.5 million settlement for cost accounting fraud from a Fortune 500 company that provided international engineering services to the departments of Defense and Energy. As of late 2006, he was litigating a health-care fraud suit in which the government had intervened and was actively investigating whistleblower claims involving billions of dollars of alleged overcharges in the pharmaceutical and defense manufacturing industries.

## CFE Scholarship

Scholarships, Scholarships, Scholarships... It's that time again!!!! The Austin Chapter of the ACFE is now accepting scholarship applications for the 2008 school year. All applications and required documentation must be received by NO LATER than March 18, 2008. For questions, please contact Glyn Rogers at: [glyn.rogers@ci.austin.tx.us](mailto:glyn.rogers@ci.austin.tx.us).

# The Spotlight's On You!

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



**Jan Engler** has been a member of the Chapter  
*But maybe you didn't know...*

**Job Description:**

*Internal Audit Manager*

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**What I'm working on now:**

*IT Audit*

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**Best part of my job:**

*Interaction with people*

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**Ambition and/or Goals:**

*Continuous improvement*

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**Years of State service:**

*17 years*

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**My first job:**

*Food Service*

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**Hobbies:**

*Aviation, Travel, and Home Remodeling*

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**Favorite Movie:**

*Rocky*

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**Last book I Read:**

*Gone with the Wind*

**Favorite foods:**

*Steak and Lobster*

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**Favorite Restaurants:**

*Iron Works and Kirby Lane Cafe*

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**My pet(s):**

*Clawdia the Ca*

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**It's a good day when:**

*When I accomplish that one thing*

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**Pet Peeves:**

*Hidden agendas*

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**What I would do with a surprise afternoon off:**

*Go to a movie and eat popcorn*

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**I'm most proud of:**

*My husband*

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**Most people probably don't realize:**

*I live in an airplane hangar.*