

Austin Area Chapter Association of Certified Fraud Examiners

President's Corner

Shari Daffern, CFE, CIA, CPA

Welcome back from the break from our monthly luncheon meetings. Hope you have been enjoying the summer. The Board of the Austin Area Chapter has continued to meet monthly in order to plan for the new fiscal year, which now begins June 1st of each year.

We have been working to implement a Chapter web site. You will be able to meet the Board members, read about our history, register for meetings and seminars and check the calendar. Although you will still receive a notice of the upcoming meetings, the meeting information will be updated on the web site as soon as it is finalized. Hopefully, by October you will be able to pay on-line. The link is www.austinacfe.com. Check it out.

The Board also adopted the Uniform Chapter Bylaws recommended by the Board of Regents of the Association. These will also be posted on the web site.

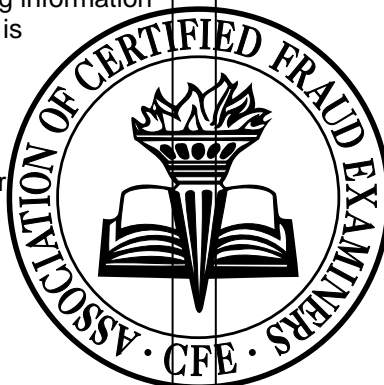
Continued on page 2

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: September 11, 2006

Speaker: Mike Garner, CFE, CIA
Director of Internal Audit
Adjutant General's Department

Topic: Internal Audit and Fraud Awareness
(Good vs. Bad)

INSIDE THIS ISSUE

- 2 Board & Committee Members
- 3 What You Missed
- 4 Speaker's Biography
- 5 Call for a Speaker

President's Corner Continued from page 1

At our May meeting our President of two years, Bill Atwood, received a plaque for his dedicated service to our Chapter. He's pictured here in his "uniform."



In July, the 17th Annual ACFE Fraud Conference & Exhibition was held in Las Vegas, Nevada. This was my first time to attend the Annual Conference, and it was quite a production. At the formal opening several bagpipers led a procession of over 40 attendees who carried flags representing their different countries. These were posted behind the head table for the remainder of the conference.

I'm sure you have read about the excellent speakers such as Ben Stein and Frank Hydoski. But what you may not know is that each year a Chapter Representative meeting is held the day before the conference. As your President, I attended this meeting, as well as the Conference. We had the opportunity to network with other Chapter Officers, discuss how to increase and maintain membership and offer quality training to our members. It was a fascinating experience to learn how other chapters hold their meetings and training.

One of the suggestions was to highlight one member each month to let other members know more about that person. We are going to try this beginning with our October newsletter.

If you have any suggestions about how we can improve our meetings, training or seminars, please contact any Board member.

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

BOARD & COMMITTEE MEMBERS

FISCAL YEAR 2006

Shari Daffern, President
Texas Water Development Board
shari.daffern@twdb.state.tx.us
512 463-7978

Andrew Prough, Vice-President
Medical Fraud Reviews LLC
andyprough@austin.rr.com
512 262-8760

David Heater, Treasurer
Texas Parks & Wildlife Department
david.heater@tpwd.state.tx.us
512 389-4813

Mike Garner, Secretary
Adjutant General's Department
Mike.D.Garner@tx.ngb.army.mil
512 782-5640

Tracy Bohmer, Director
Health & Human Services Commission
stbohmer@texas.net
512 303-3880

Marci Sundbeck, Director
Employees Retirement System
marci.sundbeck@ers.state.tx.us
512 867-7302

Glyn Rogers, Director
Office of the City Auditor
glyn.rogers@ci.austin.tx.us
512 974-2081

Patty Vela, Newsletter
Texas Parks & Wildlife Department
patricia.vela@tpwd.state.tx.us
512 389-4458

What You Missed

Mike Garner, CFE, CIA

If you were not able to attend the May 1, 2006 chapter meeting, you missed a presentation on Fraud Investigation Examples by the FY 2007 elected Chapter Officers and Directors. Those providing presentations were as follows: Ms. Shari Daffern, current Vice-President and incoming President; Mr. Andy Prough, current Director and incoming Vice-President; Mr. David Heater, current and incoming Treasurer; Mr. Mike Garner, current and incoming Secretary; and Ms. Glyn Rogers, incoming Director. Current and incoming Directors Ms. Marci Sundbeck and Ms. Tracy Bohmer were unable to attend this meeting. Each incoming member of the Chapter's Board of Directors provided a short summary of one of their Fraud investigations.

Incoming President – Ms. Shari Daffern, CFE, CPA, CIA, Director of Internal Audit, Texas Water Development Board. Ms. Daffern discussed a fraud she investigated when she was at West Texas State University (now West Texas A&M University) involving the Police Chief. It was discovered he was using the petty cash fund illegally when he was gone from the office for a few days and the Assistant Police Chief was asked to sign vouchers. He used a pad of invoices for a company that repaired cars to make up repairs, and claimed the company had to be paid in cash. The invoices showed a phone number for the company but no street address. The records showed that the police cars were fixed multiple times during the year including several new sets of tires, new batteries, and other expenses outside the normal expected repair for an amount totaling over \$70,000.

Incoming Vice-President – Mr. Andrew Prough, CFE, Executive Director, Medical Fraud Reviews LLC. Mr. Prough briefly discussed the foster care fraud he reviewed in 2005. During this time he worked with current Chapter President Bill Atwood and with the State Comptroller's Office. After their fraud examination both he and Bill provided reports to the State Legislature, which took up this important issue and made sweeping changes to the way foster care providers are regulated in the state. He provided an example of one foster care provider in Sugar Land, Texas that was charging more rent to the state than the amount that his property was worth, and was keeping children in a heavily drugged state in order to maximize his charges to the state.

Current and Incoming Treasurer – Mr. David Heater, CFE, Senior Forensic Auditor, Texas Parks and Wildlife Department. Mr. Heater has been a member of the

Chapter since it started as the very first Chapter of the Association of Certified Fraud Examiners. He spoke briefly of those early Chapter meetings and then discussed a few of his cases including the following recommendations.

- Be sure to review job applications for content. His agency hired an office supervisor who had included on her application that her last employment was in Gatesville and her salary was \$0.00 (she was an inmate at the Gatesville Women's Prison). They were able to finally understand their error when they caught her committing the same crime (stealing cash) for which she had been incarcerated.
- Make sure that someone is tracking cash accountability controls that are in place. Texas Parks and Wildlife have a lot of locations that use cash registers. Information at the end of the day is entered into their revenue system. These cash registers have a Z tape that has a unique number for accountability. They found one instance where about \$75,000 was not entered into their revenue system. This could have been caught immediately if the Z tape information would have been compared to the revenue entered.
- Review items that do not look right or do not make sense (something is probably wrong).
- When someone reports that something does not look right be sure to get their information and concerns written down.
- When you find a problem at one location consider looking at the concern statewide because a similar problem is probably happening at other locations.

Current and Incoming Secretary – Mr. Mike Garner, CFE, CIA, Director of Internal Audit, Adjutant General's Department. Mr. Garner started out by discussing his investigative process which he adapted from what he used during his time at the Texas Department of Transportation. This includes receiving the investigative assignment, confirming an understanding of allegations, developing an investigative plan (involve legal at this point), conduct the investigation in accordance with the plan (tape the interviews and develop statements that are signed by those interviewed and examine available documentation), develop a report that will include conclusions on each

Continued on page 4

of the allegations based on an analysis and summary of the information included in the work papers.

He then discussed one case he investigated that involved storm water diverter valves used at Armory wash racks. This diverter valve separates contaminated water that will flow to the sanitary sewer and allows the rest of the water to flow through the storm water system. Environmental funds were used to fund these projects. The allegations involved one of the Environmental Project Officers requiring the contractors installing these diverters to purchase them from a certain vendor. The investigation showed that the vendor was charging much more (five times as much) for this separator than if bought directly from the manufacturer with no additional value being provided by the vendor.

Incoming Director – Ms. Glyn Rogers, CFE, Integrity Unit, Office of the City Auditor. Ms. Rogers spoke of two cases where she was involved in the investigation. The first related to a City Administrator that was padding her time. Her time records showed that she was averaging 16 hour days and some days she showed working as much as 27 hours. The investigation showed a lack of supervisory oversight.

Ms. Rogers was also involved in the well know Vision Village investigation. Vision Village was a development project involving both public and private money to construct affordable housing at the former Travis State School. Ms. Rogers indicated that the only housing construction that took place was to the developers own houses. The criminal case has recently been completed and those responsible received token time served and restitution requirements totaling over \$559,000.

Current and Incoming Directors – Current and incoming directors Ms. Marci Sundbeck, CFE, CIA, CISA, CCSA, Director of Internal Audit, Employees Retirement System and Ms. Tracy Bohmer, CFE, CPA, Investigator, Health and Human Services Commission were unable to attend this chapter meeting.

Speaker's Biography

Mike Garner, CFE, CIA

Director of Internal Audit
Adjutant General's Department



In May of 1994 Mike moved into his current position as the Director of the State Internal Audit Office, Adjutant General's Department at Camp Mabry. He has over 28 years experience as an auditor in state government at the Texas Department of Health, Texas Department of Community Affairs, Texas Department of Transportation, and the Adjutant General's Department. Mike has been an active member the Association of Certified Fraud Examiners for over 16 years serving as Treasurer two years, currently serving as Secretary, writing the monthly "What You Missed" article for the chapter newsletter since 1997, and received the Association's Distinguished Achievement Award in 1997 and 2002. He is also involved in a number of professional organizations including the Institute of Internal Auditors where he has been a member for more than 22 years, worked on the local Board for 15 years, and was Chapter President during the 1989-1990 Chapter Year. Additional professional organizations include: the State Agency Internal Audit Forum where he has been a member of the Peer Review Committee for eleven years and chaired the committee for the first four years; and has been a Lead Examiner with the Greater Austin Quality Council for four years. He received his BBA in Management from Baylor University in May of 1976 and received his MS in Quality Systems Management from the National Graduate School in July 2002 (earned the Distinguished Graduate Award). He is both a Certified Internal Auditor (1987) and a Certified Fraud Examiner (1989). Mike and his wife, Christi live in Lampasas, Texas on 70 acres including a 10-acre coastal field, Ranch House, and Cottage.

Call for a Speaker

The East Texas Council of Governments is very interested in having the Certified Fraud Examiners present skills for recognizing fraud, what to do about it and how to interview.

The association is comprised of approximately 40 members, several CPA's, finance & personnel directors for the Texas Association of Regional Councils. All of are federally and state funded. Therefore, it has minimal amounts to spend on training. They have quarterly meetings in Austin to discuss issues related to their responsibilities. They would be absolutely thrilled if someone could discuss the importance of recognizing fraud and what to do about it. They will be meeting on November 29th at the downtown Austin Omni Hotel.

They would like someone with a generous heart, interested in peaking interest for your organization and loves to teach, come and speak for a couple of hours. They would be most appreciative. If you are interested, please contact Shari Daffern at:

Shari.daffern@twdb.state.tx.us

or

Jeff Kubiszyn at:

jkubiszyn@acfe.com.