

Austin Area Chapter Association of Certified Fraud Examiners

President's Corner

Glyn M. Rogers, CFE, CCEP, CCA, MBA

Welcome back!!

Hope each of you had a great summer break! The members of the board recently met to wrap up our preparations for this year's activities. We are looking for speakers and topics for a couple of sessions and we are definitely open to your requests and suggestions. This year we are planning to do some new things as a chapter. For example, we are working on putting together a community service project where we can all participate. Once we get this set, we will definitely inform you, so please be on the lookout in a future newsletter.

We are super excited to start a new year of networking, learning, and sharing together with fellow partners in the anti-fraud profession!

See you on September 12th!

Chapter Meeting Schedule

Time: 12:00 p.m. to 1:00 p.m.

Location: Catfish Parlour
4705 E Ben White Blvd

Cost: Luncheon Only:
Members and Non-members \$12.00

Date: Septetmber 12, 2011

Speaker: John Knox, CPA

Topic: Forensics Accounting

**register on line: www.austinacfe.com
or**

call 512-923-8656

INSIDE THIS ISSUE

- 2 What You Missed and Board & Committee Members
- 4 The Spotlight's on You!

What You Missed

By Mike Garner, CFE, CIA

If you were not able to attend the May 2, 2011 you missed a presentation on "Recent Investigations" by Chief Martin Cano, Chief of the Criminal Investigations Division (CID) of the Comptroller's Office. Prior to being named Chief in July 2011, Chief Cano served as deputy chief of criminal investigations since 2006, overseeing the division's field operations throughout the state. CID investigates and seeks prosecution for tax evasion, tax fraud and other Tax Code violations. Some of the most common criminal operations include sales tax violations, cigarette and tobacco tax scams, motor fuels tax evasion and evasion of motor vehicle taxes by falsification or failure to transfer title documents.

Tax revenue makes up a large part of our state government's income. In fiscal 2010, the Comptroller of Public Accounts collected more than \$35.3 billion in state taxes, an amount representing more than 40 percent of the state's total net revenue in that year. It is the statutory duty of the Texas Comptroller of Public Accounts to collect state taxes defined by the Texas Legislature in Title 2 of the Texas Tax Code.

Voluntary state tax compliance is vital to the well-being of our state and its programs, and the overwhelming majority of individuals and businesses pay their fair share of state taxes voluntarily. CID's work addresses those few that resort to criminal activity to avoid this responsibility. In addition to harming all Texans by diverting funds that support important government services, these tax-related crimes put honest and law-abiding companies at a competitive disadvantage. Publicizing the results of their investigations helps to deter individuals and businesses from similar conduct.

The CID staff includes 20 Certified Peace Officers located in 15 field offices throughout Texas including: Abilene, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Lubbock, Odessa, San Antonio, Tyler and Wichita Falls. The staff includes former organized crime, major narcotics and major crimes detectives from law enforcement agencies all across the state; peace officers with backgrounds in the financial industries as well as CPA and audit credentials; attorneys with state tax and criminal prosecution expertise; and award-winning crime analysts.

continued on page 3

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

BOARD & COMMITTEE MEMBERS

FISCAL YEAR 2011

Glyn Rogers, President
glynrogers@letu.edu
512-748-4953

Andrew Prough, Vice-President
andyprough@texasfraudexaminers.com
512 262-8760

David Heater, Treasurer
David.Heater@att.net
512-923-8656

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

Shari Daffern, Director
Texas Water Development Board
shari.daffern@twdb.state.tx.us

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

Tracy Bohmer, Director
tracy@tracybohmercpa.com
512 303-3880

Gilbert Mokry, Director
Texas Water Development Board
gilbert.mokry@twdb.state.tx.us

John Knox, Director
jbkcpapc@sbcglobal.net

Cases: Chief Cano then went through a number of cases. The first case involved Tobacco Plus an Eastman County Tobacco Shop. Tobacco Plus made wholesale purchases of more than \$307,000 worth of cigarettes and tobacco during an eight-month period beginning in December 2009. During that same period, Tobacco Plus reported only \$129,000 in retail sales to the Comptroller — a difference of more than \$177,000 in taxable sales.

The discrepancy was discovered by using a recent state law (House Bill 11, 80th Legislature) requiring distributors and wholesalers who sell beer, wine, ale, cigarettes, cigars and tobacco products to Texas retailers to report those sales monthly to the Comptroller's office. State tax auditors can compare those monthly reports with retailers' reported sales to ensure that sales tax is collected on taxable merchandise and the revenue is forwarded to the state. If fraud is suspected, a criminal investigation may follow.

Tobacco Plus evaded Texas tobacco tax by purchasing some of the store's tobacco products from out-of-state distributors who do not hold Texas tobacco tax permits. Permitted distributors are required to pay Texas' tobacco tax directly to the Comptroller, and retailers are required to keep records that show their tobacco products were purchased from a permitted distributor. By purchasing from an unpermitted distributor, an unscrupulous retailer can obtain products whose price does not include a markup for tax already paid. This not only results in a loss to the state, but it gives unscrupulous retailers an unfair advantage, because they can sell tobacco products at a lower price than their competitors.

Since House Bill 11 took effect, it has helped uncover more than \$230 million in potentially unreported sales tax. In the Tobacco Plus case, investigators also discovered tobacco tax violations that might have gone undetected if House Bill 11 reporting requirements hadn't drawn attention to this particular store.

Case 2 - An Edinburg man was sentenced to 10 years deferred adjudication after pleading guilty to two counts of sales tax fraud. He admitted to intentionally failing to remit over \$100,000 of sales tax collected, a second-degree felony. He also admitted to intentionally making false entries in and failing to make entries in sales tax records required to be kept by law, a third-degree felony. He agreed to pay over \$116,000 in restitution to the Comptroller of Public Accounts as part of his plea bargain, paying \$60,000 prior to sentencing and will pay the balance of \$56,290 as a condition of his deferred adjudication.

continued in next column

He will also perform 200 hours of community service.

Case 3 – A Houston man committed Mail Fraud during a scheme to defraud the Unclaimed Property Program and was sentenced to federal prison time. While employed at an insurance agency in Houston during five months in 2008, he used the names and personal identifying information of agency clients and other individuals to apply for unclaimed property held by the Comptroller without the true owners' consent. He also falsely represented himself as the individuals who were the true owners, caused the checks to be mailed to a rented post office box, and later deposited the checks into an account in his name. He pled guilty to one count of Mail Fraud, a violation of Title 18, U.S.C. Section 1341 and was sentenced to serve one year and one day in federal prison, and upon release from imprisonment, three years of supervised release. He was ordered to pay \$14,000 in restitution to the Comptroller, provide access to all requested financial information to his probation officer, was prohibited from possessing a credit device without permission from his probation officer, and was prohibited from employment or acting in a fiduciary role during the term of supervision. The case was jointly investigated by the Criminal Investigation Division of the Comptroller's Office and the United States Postal Service.

Chief Cano also provided information on couple of other cases. He can be contacted (512)463-3901.



The Spotlight's On You!

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

Ramona Stricklan has been a member of
the Chapter

for the past 3 ½ years.

But maybe you didn't know...



Job Description:

Audit Manager for CHAN Healthcare Auditors providing internal audit services for the Seton Healthcare Family

What I'm working on now:

Risk Assessment, Compensation Plan Audits, Fraud Consideration/Detection Education

Best part of my job:

The team and the client I work with.

Ambition and/or Goals:

To provide the best service to my client as possible and to support the members of my team in any way I can

Years in audit field:

10

My first job:

A math tutor while in college

Hobbies:

Fishing, gardening, reading, walking in the evenings

Favorite Movie:

I don't really have a favorite movie but have many that I really like such as Seven Brides for Seven Brothers, The Sound of Music, The Notebook, Secretariat, Blindside, The Patriot, The Christmas Card – just to name a few.

Last books I read:

High Calling, Faith Under Fire, Flight to Heaven

Favorite foods:

Seafood, fresh vegetables and fruit, Bar-B-Que

Favorite Restaurants:

Pappas Seafood, Fish Tales, Texas Roadhouse

My pet(s):

Dog - Bella and Cat - Luke

It's a good day when:

Everything is going well for my family, I've been able to make a difference in someone's life, and it rains.

Pet Peeves:

Negative attitudes and dishonesty

What I would do with a surprise afternoon off:

Spend time with family

I'm most proud of:

My husband and children

Most people probably don't realize:

That underneath my somewhat reserve personality lies a parent who can, has, and will become extremely enthusiastic during my children's sporting events.