



First Friday Fraud Facts+

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The Office of the Idaho State Controller distributes this newsletter as a public service and as a cost-effective method of increasing awareness about ways to detect and prevent fraud, waste, and abuse in government.

Theft

Simply defined, theft is taking or using something of value that a person does not have a right to possess. There are various types of theft: bribery, larceny, embezzlement, and misuse.¹ Theft does not focus exclusively on tangible items. Theft can include various assets, such as:

- Money - Probably the most common asset stolen from employers.
- Time - Occurs when an employee is paid for time not worked due to falsifying timekeeping records or not working while on the job.
- Supplies - Typically includes office supplies.
- Merchandise - Products meant to be sold to customers.
- Information - Information theft can have the most damaging effect on an organization. Theft of personal information, product designs, or trade secrets and the lasting impact can be extremely difficult, if not impossible, to quantify.²

75% of all employees steal at least once; half of those steal repeatedly.

- U.S. Chamber of Commerce

Why Employee Theft Matters

Here are some interesting theft statistics reported by the U.S. Chamber of Commerce:

- Approximately 75 percent of all employees steal at least once; half of those steal repeatedly.
- Employee dishonesty costs American businesses more than \$50 billion annually.
- The average time it takes to discover a fraud scheme is 18 months.
- Twenty percent of employees are aware of fraud in their organizations.
- Employees are 15 times more likely than nonemployees to steal from an employer.²

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Reducing the Risk of Theft

Set the tone at the top. This is a critical step to reducing fraud and



theft. Leadership must create a culture that clearly exemplifies honesty and zero tolerance for any type of malfeasance.

Run background checks on prospective employees. Relative to the potential loss due to theft, a simple nationwide background check is easy, efficient, and inexpensive. (The Idaho State Police’s Bureau of Criminal Identification offers these services; information can be found at: <https://isp.idaho.gov/BCI>.)

Check references. Call the prospective employee’s references. Do not assume anything regardless of how well the interviews transpired or how good the person may appear.

Alternate duties among staff. Alternating duties not only reduces the risk of theft, it will also provide your organization with more well-rounded employees.

Be cautious of the trusted employee. Employees with long tenure know the organization’s strengths and weaknesses. Tenured employees tend to have greater access rights and higher levels of trust.

Implement internal controls. A lack of controls or insufficiently strong controls are most often the cause of theft.³ (Sample control checklists and links to toolkits can be found on the State Controller’s website at <http://www.sco.idaho.gov/web/scoweb.nsf/displayview?ReadForm&L1=Accounting&L2=Internal+Controls#>.)

Examples of Theft in Government⁴

Taking the Blackhawk Out for Lunch

A concerned citizen contacted the Inspector General after seeing a Blackhawk helicopter parked in a field behind a restaurant. Inside, he found five service members who had stopped for lunch and were enjoying their meals with several civilians. An investigation revealed that the soldiers were on a training mission and had properly listed the restaurant stop in their mission plan. Since the stop was properly listed, the soldiers did not violate any regulations, but they still received verbal counseling because their actions created an appearance of impropriety.

While the pilots technically did not steal anything, the appearance thereof can be almost as damaging.

Secret Agent Man?

A former high-level official at the Environmental Protection Agency (EPA) stole nearly \$900,000 from the federal government by pretending to be part of a detail to the Central Intelligence Agency (CIA) for nearly two decades. He duped a series of supervisors, including top officials, by disappearing from the office and explaining his absences by telling his bosses that he was performing top-secret work for the CIA and its “directorate of

*Do not be fooled by the
‘Secret Agent Man’!*



operations". No one at the EPA ever checked to see if he worked for the CIA. In total, he was paid for 2.5 years of work that he did not perform and received approximately \$500,000 in "retention bonuses" that he did not deserve.

In addition, he lied about contracting malaria, which cost the EPA \$8,000 over three years for a parking space reserved for the disabled. He was reimbursed for \$57,000 in fraudulent travel expenses, and he continued to draw a paycheck for 19 months after his retirement.

He has repaid the nearly \$900,000 to the EPA, but still owes \$507,000 in a money judgment. He was sentenced to 32 months in prison.

Furlough No Defense for Misuse of Government Credit Card

When the Government shut down occurred two years ago, a Federal employee decided to use his Government credit card to purchase nearly \$12,000 worth of groceries, hotel rooms, cable TV, and ferry rides. The employee, from the Department of Housing and Urban Development (HUD), was not immediately caught for misuse of the card because the supervisors overseeing the use of the Government credit card were also on furlough. Nevertheless, some time after the furlough, authorities detected the misuse. The HUD placed the employee on administrative leave, and is now in a court-ordered drug rehabilitation program. The employee is required to pay full restitution.

Citations

¹ Theft and Misuse. <https://www.agacgfm.org/Fraud-Prevention-Toolkit/Tools-by-Fraud-Type/Theft-Misuse.aspx>. Accessed 12 February 2016.

² Employee Theft. <https://businesspracticalknowledge.wordpress.com/legal-security/employee-theft/>. Accessed 22 February 2016.

³ Ten Ways to Reduce Employee Theft. <http://forensicaccountingadvisors.com/articles/Employee-Theft1.pdf>. Accessed 22 February 2016.

⁴ Encyclopedia of Ethical Failure. http://www.dod.mil/dodgc/defense_ethics/dod_oge/eef_complete.pdf. Accessed 22 February 2016.

Upcoming Events

13-14 Apr 2016 - SCO's Annual Internal Control Training

11-12 May 2016 - Beginning and Intermediate Closing Package Training

For information on registering for these training opportunities, please contact us at cafr@sco.idaho.gov

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