Travel Expense Reporting Fraud

The Gateway Fraud

- What is it?
- How Do We Prevent It?
- How Do We Investigate It?

What Additional Risks Does it Create ?

A Significant Business Cost and Risk

- With the continuing globalization of business, we will see a corresponding increase in travel and entertainment to facilitate this growth.
- The risk of fraud and abuse in this area is significant.
- The 2 to 6 % fraud rule cannot necessarily be extrapolated to TER fraud. Anecdotal evidence shows it may be higher.
- How do we know what the stolen funds are used for?
- Is this indicative of other fraudulent behavior?
- It is getting harder and harder to detect?

A Significant Portion of Variable Costs

- According to various sources, travel and entertainment expenses rank #3 as part of most organization's controllable costs. For service organizations this is often higher than 3.
- The level of expenditure and the amount of people involved with it means that there is an inherently higher risk of potential problems.
- Basically one instance on its own is not going to kill you but the cumulative effect can be significant.
- Tone at the top issues, equity issues and degradation of controls.

For the Purpose of this Presentation we will be Focusing on Internal Abuse and Potential Fraud and the TER Process

- We will be covering the following:
  - Types of TER abuse by the holder or filer.
  - Approaches to preventing, detecting, and investigating TER abuse.
  - Samples of problem documentation.
  - How to conduct initial inquiries regarding TER issues.
  - How to do a full-blown Travel Expense Reporting investigation.

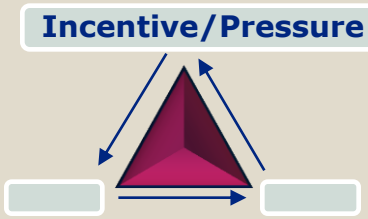
The BIG Picture!

- Often TER fraud and abuse can be an indicator of much bigger problems or issues.
  - In cases of kickbacks and other schemes, there is a tendency by the perpetrators to also be involved with TER defalcations.
- The average loss today per TER fraud fully investigated in detail is over $50,000.
- To prove the full extent of the losses is difficult. Recovery is not likely.

Who Commits TER Fraud and Abuse?

- Anyone who has the ability, a need, and can rationalize their behavior.
- The cases I have investigated have occurred at all levels of the organization.
- Generally you will deal with well respected, good performing employees of whom the supervisor states, “this is the last person I would have suspected.”

Incentive to commit fraud



Incentive: Motivation, pressure, "need" to commit a certain act

What do I or the organization stand to gain?

Assets (Directly)
Bonus
Cash
Stock Price
Achieving Goals
Status

Incentives can be financial, status-based, or rooted in other personal issues

Why do I need to commit this act?

College Tuition
Medical Bills
Means < Wants
Gambling Addiction
Resent-ment
Lifestyle

Incentives can be personal or professional, and rooted in the past, present or future

Potential Types of TER Abuse

- The following are the types of TER abuse that you may encounter:
  - Mischaracterized expenses
  - Overstated expenses
  - Fictitious expenses
  - Multiple reimbursements

Mischaracterized Expenses

- This is where someone simply claims private expenditure as business expenditure.
- Examples:
  - Someone books personal travel on their company credit card and treats it as a business trip.
  - Someone plays golf with his/her father on the weekend and claims it as business entertainment.
  - The "primary purpose" test is a good one to apply here.`

Overstated Expenses

- This would be done by falsifying expense reports with fictitious expenses and claiming cash reimbursements, purchasing items/ on company credit cards, and subsequently returning them for a full or partial cash credit or other exchange.
- Examples:
  - Inflating the cash spent on meals from 9 to 18 dollars or altering receipts.
  - Claiming tips to porters, etc. that never occurred.
  - Buying a printer for $700 and returning it for a refund after being reimbursed.

Fictitious Expenses

- In this case an employee will simply invent a purchase which they will claim a reimbursement for.
- Examples:
  - The "purchase" of a non-existent computer, supported by a false invoice, claimed as an expense.
  - Fictitious entertainment of clients.
  - Mileage reimbursement for non-existent trips

Multiple Reimbursements

- This arises when a reimbursement is claimed for the same expenditure on more than one occasion.
- Examples:
  - The same meal is claimed repeatedly on expense reports submitted month after month.
  - Items are paid for by credit card or accounts payable and also submitted for cash reimbursements.

Methodologies for Investigation

- Prevention is always better than having to investigate.
- What is your objective?
  - Full-blown investigation?
  - Focusing on a few transactions?
  - Prosecution?
  - Recovery of funds?
  - Sending a message?
  - All of the above?
- What should be done depends on where you want to go with the investigation.

Reasons We Fail to Detect Fraud

- Over reliance on representations.
- Lack of awareness or failure to recognize that an observed condition may indicate a material fraud.
- Lack of experience.
- Personal relationships with clients
- Failure to brainstorm potential fraud schemes
- Transaction testing only ignoring trends

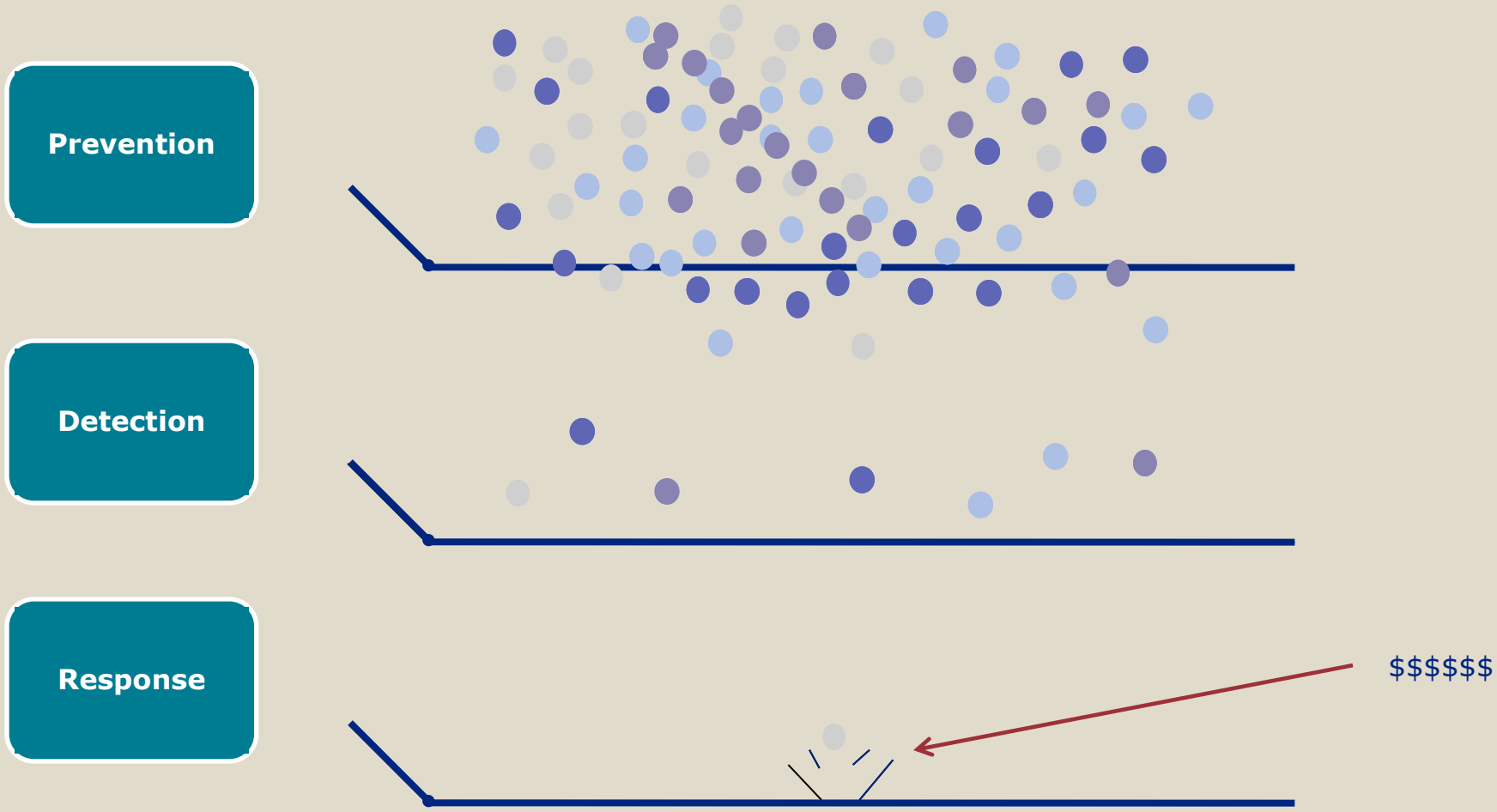
Auditor and Investigator Responsibilities

- External Auditors (CPAs)
  - SAS 99: Consideration of Fraud in a Financial Statement Audit
    - Design audit to provide *reasonable assurance* of detecting fraud that could have a *material* effect on the financial statements.
    - Perform Fraud-related procedures
  - SAS 54: Illegal Acts
    - Focused primarily is on *direct-effect* illegal acts
  - SAS 61: Communication with Audit Committees
- Internal Auditors (CIAs)
  - SIAS 3: Deterrence, Detection, Investigation, and Reporting of Fraud
- Governmental Auditors
  - Focus on laws and regulations (compliance), design audit to detect abuse and illegal acts, report to the appropriate authority

Auditing vs. Fraud Examination

ISSUE	AUDITING	FRAUD EXAMINATION
Timing	Recurring	Non Recurring
Scope	General	Specific
Objective	Opinion	Affix Blame
Relationship	Non Adversarial	Adversarial
Methodology	Audit Techniques	Fraud Examination Techniques
Presumption	Professional Skepticism	Proof

Fraud risk management framework for T&E Issues – Flow of events



The First Step (Prevention)

- The tone is set at the top. If TER fraud and abuse occurs and is tolerated at the higher levels in the organization soon there will be a much bigger problem.
- The trickle down effect should not be underestimated.

Safe Staffing: HR Leadership Dimensions

The Three Most Important Things an Organization Will Ever Do:

HIRE THE RIGHT PEOPLE !

HIRE THE RIGHT PEOPLE !

HIRE THE RIGHT PEOPLE !

Once someone becomes a part of an organization, they have the ability to wittingly or unwittingly create legal, financial, reputational and even physical problems. Employees are one of the biggest areas of exposure that an organization has.

The HR professional owns the process of bringing the right people into the work environment.

Background Investigations/Employee Screening: Considerations

This process can be performed by your own staff, background screening firms, consumer reporting agencies (CRAs) or a combination of these parties

These functions are highly regulated by federal, state and local agencies. The most prominent regulations are the Fair Credit Reporting Act (FCRA) and the Equal Employment Opportunity Commission..

Some background vendors specialize in acquiring raw data and providing searchable databases for investigators. Others provide full service screening by utilizing database checks for information on applicants.

Many vendors produce results that can be extremely difficult to understand for the uninitiated. Could you tell if a VUCSA arrest that resulted in a PMJ <40g plea conviction was a serious felony or a misdemeanor?

Background Investigations: Considerations

What are you trying to accomplish? What's the intent of performing these checks?

Many organizations can't provide a fact based answer to this key question. Is the intent to proactively address fraud issues, ensure compliance, reduce employer liability…..or is the answer, "We have always done them?"

Technically: What exactly are you checking for? Criminal, civil, financial, etc. How did you come to this decision?

The HR professional needs to understand why they are performed and what you are checking for . If you are asked, could you answer this question?

T&E Investigation Ground Rules

- Rules need to be clear and infractions of the rules must have consequences. The organization must be consistent.
- Those responsible for the Travel and Expense Reporting process in an organization must have an effective audit or monitoring function.
- Failure to be proactive can be very expensive.

Transaction Reviews Are Only Part of the Process

- Strange transactions must not be looked at in isolation but in context. Trends are what matter.
- Do not fall into the trap of, "we have a signed and approved report and a receipt, therefore it is okay."
- Small anomalies can lead to the uncovering of much larger problems. Look for what is not there.
- Data mining, through Merchant Category Code (MCC) reviews, odd purchase dates, and excessive cash expenditures are all tools which can be used to aid in preventing, detecting, and mitigating fraud.

So What Are the Risk Indicators or Red Flags—What Should We Look For?

- Credit Card Expenditure
  - Reports identifying unusual expenditure.
  - The level of expenditure compared to one's peers.
- Cash Reimbursement Reports
  - Large reimbursements or expenditures in cash.
  - Late reports.
- Significant Cash Advances
  - Which remain outstanding for a long period of time.

Problem Identification and Process

- Identify potential problems through a structured process.
- Note to facilitate investigations and depending on your system you are better off if the subject has filed a report.
- If no report is lodged initiate appropriate action to get TER filed.
- If report is lodged, review supporting documentation to see if it addresses the identified concern(s).
- If concern is not addressed, determine materiality level and type of issue.
- If defalcation is suspected, initiate a further investigation. (i.e., if prima facie evidence of a fraud exists initiate an investigation.)

Confidentiality

- Confidentiality is a key part of all investigations.
- The information you handle can cause damage to the reputation of the company and to the individuals concerned.
- An investigation has the potential to harm the customer relationships your organization has.
- Remember there are no winners in these investigations.
- Defamation issues can arise from all investigations, TER investigations are more frequent, raising the risk.
- For audited organizations the issue of reliance and reps is critical.

The Investigation

- The more information you have the better.
- Create a spreadsheet of the subjects expenditure for a reasonable period in chronological order. (Automated Download)
- Match the dates of expenditure to a calendar focusing on weekends, holidays, birthdays, and vacation taken.
- Look for patterns in expenditure (i.e., does the person in a virtual office always eat in their home town, the same restaurant, entertain the same people?)

The Investigation, continued

- Look for:
  - Consistency in invoices.
  - Similarities in handwriting.
  - Odd expenditure via Merchant Category Codes (MCC).
  - Alterations, stub receipts, and homemade receipts.
  - Discrepancies in invoice numbering.
  - Ensure invoices from the same vendor are the same.
  - Strange entertainment or purchases.

The Investigation, continued

- Look for:
  - Purchases on days that are odd - Christmas, Thanksgiving, etc.
  - Repetitive patterns with no apparent reason.
  - Missing documentation.
  - Incomplete documentation.

What you are up against?

For Example:Fake Receipt Generators

- http://www.smileygenerator.us/fake_receipt/index.php
- http://redoreceipt.com/dyn/index.htm
- http://losthotelreceipt.com/

Example of Initial Spreadsheet

Trans_DT	Posting_DT	Merchant Name	Merch_City	State	Source_AMT	Bill_AMT	MCC	DR_	Receipt	Comments
3/21/1996	3/25/1996	OHARE HILTON	CHICAGO	IL	$388.42	$388.42	3504	D		
3/21/1996	3/25/1996	OHARE HILTON	CHICAGO	IL	$388.42	$388.42	3504	D		
5/23/1996	5/27/1996	FRANKLIN QUEST CO #8061	WASHINGTON	DC	$29.87	$29.87	5947	D		
6/14/1996	6/17/1996	MARRIOTT HOTELS GATEWAY	ARLINGTON	VA	$174.51	$174.51	3509	D		
7/11/1996	7/15/1996	BP OIL	HOLLAND	OH	$9.00	$9.00	5542	D		
7/10/1996	7/15/1996	MARRIOTT HOTELS ASHMAN CT	MIDLAND	MI	$26.24	$26.24	3509	D		
7/11/1996	7/15/1996	MARRIOTT HOTELS ASHMAN CT	MIDLAND	MI	$200.00	$200.00	3509	D		
7/19/1996	7/22/1996	ITALIAN OVEN - MIDLAND	MIDLAND	MI	$15.11	$15.11	5812	D		
7/18/1996	7/22/1996	SUNOCO 00114942	HOLLAND	OH	$12.10	$12.10	5541	D		
7/20/1996	7/23/1996	#132 TOLEDO COOKER	HOLLAND	OH	$42.02	$42.02	5812	D		
7/21/1996	7/23/1996	BP OIL	WESTERVILLE	OH	$12.00	$12.00	5542	D		
7/20/1996	7/23/1996	MARRIOTT HOTELS ASHMAN CT	MIDLAND	MI	$200.00	$200.00	3509	D		
7/29/1996	7/30/1996	PORTOFINO RISTORANTE	ARLINGTON	VA	$32.05	$32.05	5812	D		
7/30/1996	7/31/1996	MARRIOTT HOTELS CRYSTAL C	ARLINGTON	VA	$86.71	$86.71	3509	D		
7/30/1996	8/1/1996	MARRIOTT HOTELS CRYSTAL C	ARLINGTON	VA	$10.13	$10.13	3509	D		
8/1/1996	8/5/1996	AVIS RENT-A-CAR 1	FREELAND	MI	$78.44	$78.44	3389	D		
8/1/1996	8/5/1996	MARRIOTT HOTELS ASHMAN CT	MIDLAND	MI	$200.00	$200.00	3509	D		
8/9/1996	8/12/1996	THE BAGGERIE	WORTHINGTON	OH	$359.55	$359.55	5948	D		
8/19/1996	8/22/1996	AMERWESTAIR	GRANVILLE	OH	$371.50	$371.50	3253	D		
8/23/1996	8/26/1996	NWA AIR	GRANVILLE	OH	$493.36	$493.36	3060	D		
8/28/1996	8/29/1996	BOB EVANS RESTAURANT #182	HOLLAND	OH	$6.15	$6.15	5812	D		
8/27/1996	8/29/1996	AMOCO STATION 9025677	FENTON	MI	$11.00	$11.00	5541	D		
8/27/1996	8/29/1996	BP OIL	WESTERVILLE	OH	$9.79	$9.79	5541	D		
8/30/1996	9/2/1996	MARRIOTT HOTELS ASHMAN CT	MIDLAND	MI	$345.32	$345.32	3509	D		
8/30/1996	9/2/1996	MARATHON OIL 036913	BAY CITY	MI	$6.00	$6.00	5542	D		
8/30/1996	9/3/1996	CITGO4414 PERRY'S PANTRY	N BALTIMORE	OH	$7.60	$7.60	5542	D		
9/9/1996	9/10/1996	LUXOR ADV RM RESERVATIONS	LAS VEGAS	NV	$171.72	$171.72	7011	D		
9/10/1996	9/12/1996	MARRIOTT HOTELS GATEWAY	ARLINGTON	VA	$174.51	$174.51	3509	D		
9/12/1996	9/16/1996	NWA AIR	GRANVILLE	OH	$645.21	$645.21	3060	D		
9/12/1996	9/16/1996	MARRIOTT HTL AIRPORT	REXDALE	ON	$206.56	$152.04	3509	D		
9/20/1996	9/23/1996	MARRIOTT HOTELS DETROIT	DETROIT	MI	$254.40	$254.40	3509	D		
9/20/1996	9/23/1996	NWA AIR	GRANVILLE	OH	$455.22	$455.22	3060	D		
9/20/1996	9/23/1996	NWA AIR	GRANVILLE	OH	$455.22	$455.22	3060	D		
9/20/1996	9/23/1996	NWA AIR	GRANVILLE	OH	$654.93	$654.93	3060	D		
9/23/1996	9/24/1996	CAMERON'S OF BEXLEY	BEXLEY	OH	$178.82	$178.82	5812	D		

Interviewing and Information Gathering from Third Parties

- Before you make a call you need to know the following:
  - Why am I calling?
  - What do I want to know?
  - How can I get this information with the least amount of resistance and disruption?
  - What will I do with the information once I have it?
  - What is the downside of getting this information?

Interviewing and Information Gathering from Third Parties, continued

- You must always:
  - Be professional and remain courteous.
  - Be prepared and know what you want.
  - Record your conversations in written format contemporaneously.
  - Be prepared with follow-up questions.
  - Know when to quit.

Responsibility and Balance in TER Investigations

- In all you do remember the following:
  - You must be balanced and professional.
  - You cannot use your standards to judge other's expenditure.
  - Facts and reasonableness are the key.
  - Your errors will be remembered, your successes will not.

An Example Case (RR)

The Subject (RR)

- A forty-nine year old male.
- Senior position.
- Earning in excess of six figures.
- One year away from full medical benefits and being able to draw on retirement income.
- Involved with numerous small defalcations totaling for the four-year period close to $100K.

What Did RR Do?

- Falsified and altered receipts
- Claimed fictitious expenditures
- Double-claimed expenditures
- Claimed personal expenditures as business expenditures.
- Failed to provide documentation for about $17k of expenditure.
- Etc.

How Did We Find It?

- Despite the fact that he had expense reports that had been approved, we noticed significant cash reimbursements.
- The reimbursements received appeared odd when looked at in context.
- The first report reviewed revealed altered invoices.

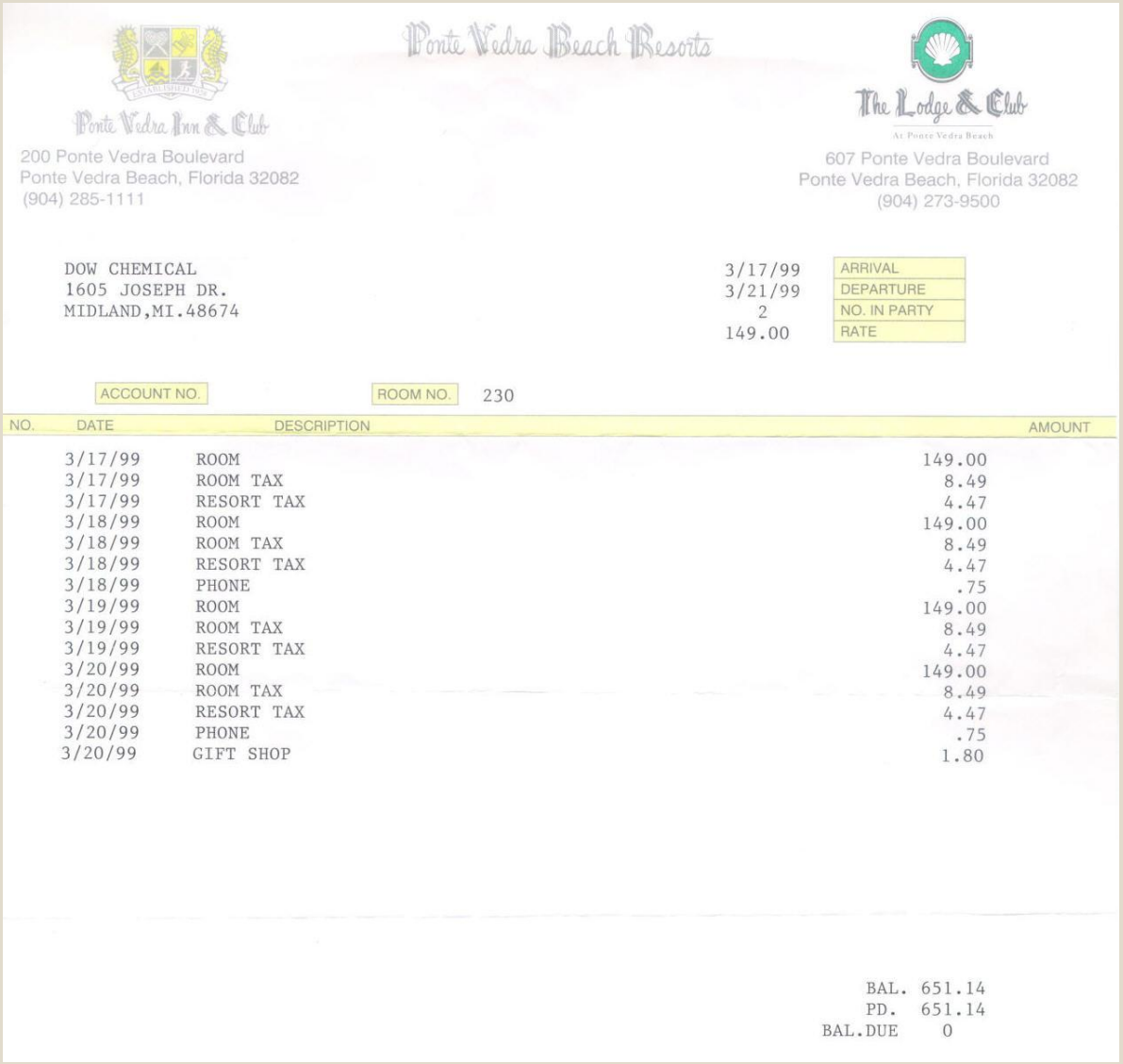
Why Was it Able to Continue for So Long?

- It started small and increased over time.
- The supervisor was conducting perfunctory reviews only.
- The supervisor had a significant number of direct reports.
- The individual in question was a longstanding and trusted employee of the company.

Examples of Documentation Used by RR

(These are selected invoices only)

rest
au
rant
de
Cuyp
09-04-'99
1x menu fl. 907.00
CONTANT VOLDAAN
Tongersestraat 30
6211 LN Maastricht
tel. 043-321.83.82
fax. 043-325.26.45
dagelijks geopend vanaf 17.00 uur
lunch ma t/m vrij van 12.00 tot 14.00 uur



Ponte Vedra Beach Resorts

Ponte Vedra Inn & Club
200 Ponte Vedra Boulevard
Ponte Vedra Beach, Florida 32082
(904) 285-1111

The Lodge & Club
At Ponte Vedra Beach
607 Ponte Vedra Boulevard
Ponte Vedra Beach, Florida 32082
(904) 273-9500

DOW CHEMICAL
1605 JOSEPH DR.
MIDLAND,MI.48674

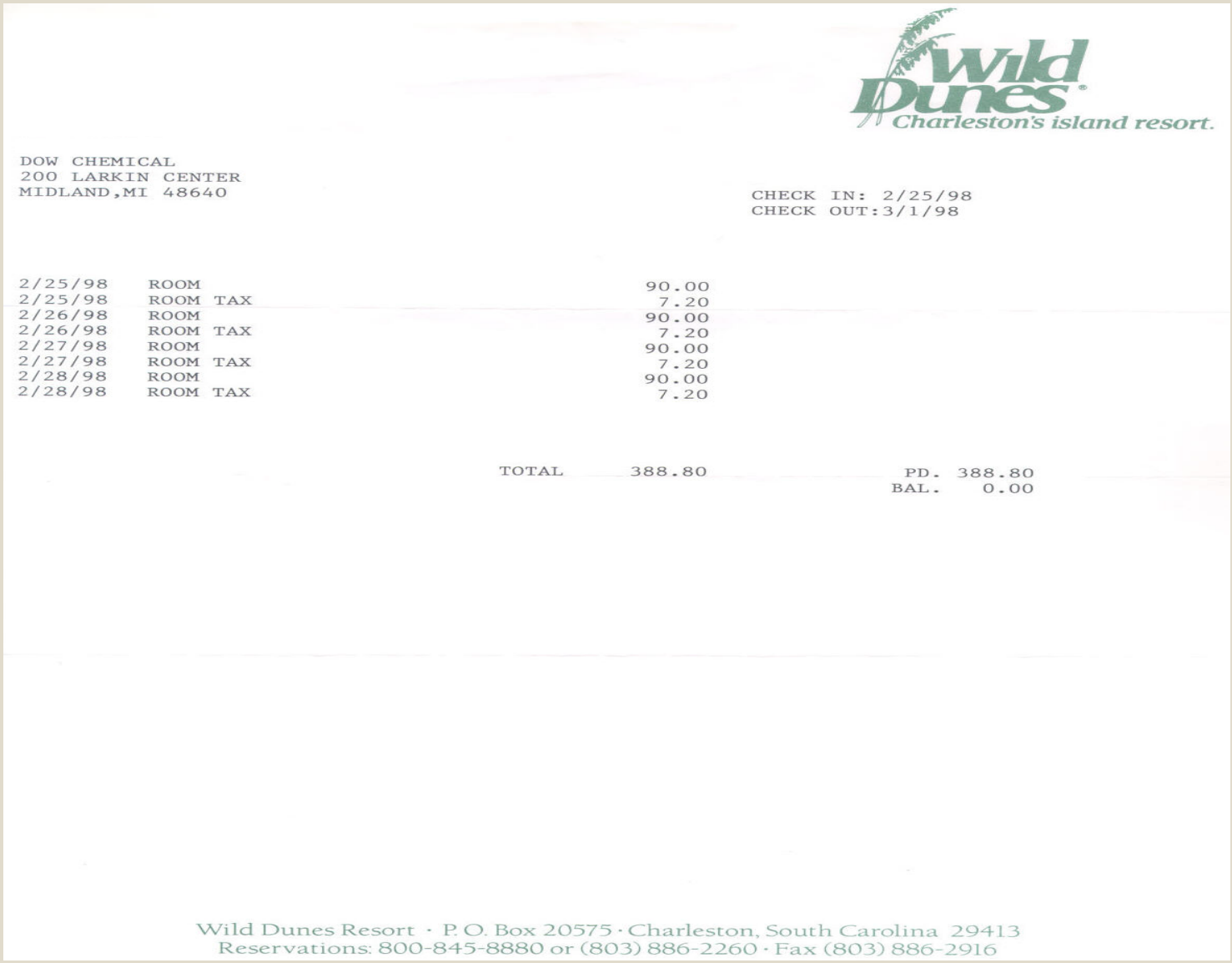
3/17/99	ARRIVAL
3/21/99	DEPARTURE
2	NO. IN PARTY
149.00	RATE

ACCOUNT NO.

ROOM NO. 230

NO.	DATE	DESCRIPTION	AMOUNT
	3/17/99	ROOM	149.00
	3/17/99	ROOM TAX	8.49
	3/17/99	RESORT TAX	4.47
	3/18/99	ROOM	149.00
	3/18/99	ROOM TAX	8.49
	3/18/99	RESORT TAX	4.47
	3/18/99	PHONE	.75
	3/19/99	ROOM	149.00
	3/19/99	ROOM TAX	8.49
	3/19/99	RESORT TAX	4.47
	3/20/99	ROOM	149.00
	3/20/99	ROOM TAX	8.49
	3/20/99	RESORT TAX	4.47
	3/20/99	PHONE	.75
	3/20/99	GIFT SHOP	1.80

BAL.	651.14
PD.	651.14
BAL.DUE	0



Wild Dunes
Charleston's island resort.

DOW CHEMICAL
200 LARKIN CENTER
MIDLAND,MI 48640

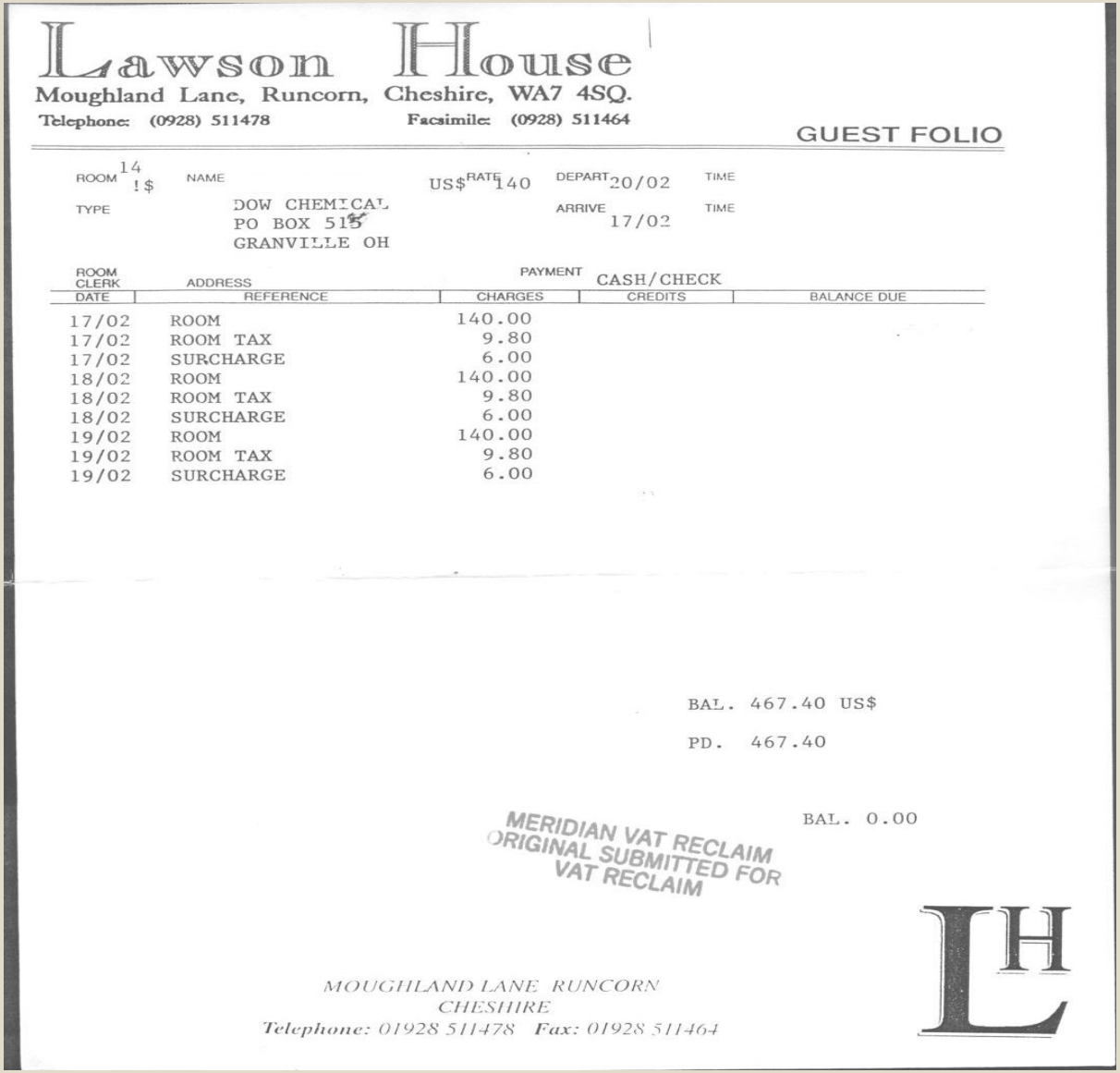
CHECK IN: 2/25/98
CHECK OUT:3/1/98

2/25/98	ROOM	90.00
2/25/98	ROOM TAX	7.20
2/26/98	ROOM	90.00
2/26/98	ROOM TAX	7.20
2/27/98	ROOM	90.00
2/27/98	ROOM TAX	7.20
2/28/98	ROOM	90.00
2/28/98	ROOM TAX	7.20

TOTAL 388.80

PD. 388.80
BAL. 0.00

Wild Dunes Resort · P. O. Box 20575 · Charleston, South Carolina 29413
Reservations: 800-845-8880 or (803) 886-2260 · Fax (803) 886-2916



Lawson House

Moughland Lane, Runcorn, Cheshire, WA7 4SQ.
Telephone: (0928) 511478 Facsimile: (0928) 511464

GUEST FOLIO

ROOM 14 !$ NAME DOW CHEMICAL PO BOX 515 GRANVILLE OH
RATE US$140 DEPART 20/02 TIME
TYPE ARRIVE 17/02 TIME
ROOM CLERK ADDRESS PAYMENT CASH/CHECK

DATE	REFERENCE	CHARGES	CREDITS	BALANCE DUE
17/02	ROOM	140.00		
17/02	ROOM TAX	9.80		
17/02	SURCHARGE	6.00		
18/02	ROOM	140.00		
18/02	ROOM TAX	9.80		
18/02	SURCHARGE	6.00		
19/02	ROOM	140.00		
19/02	ROOM TAX	9.80		
19/02	SURCHARGE	6.00		

BAL. 467.40 US$

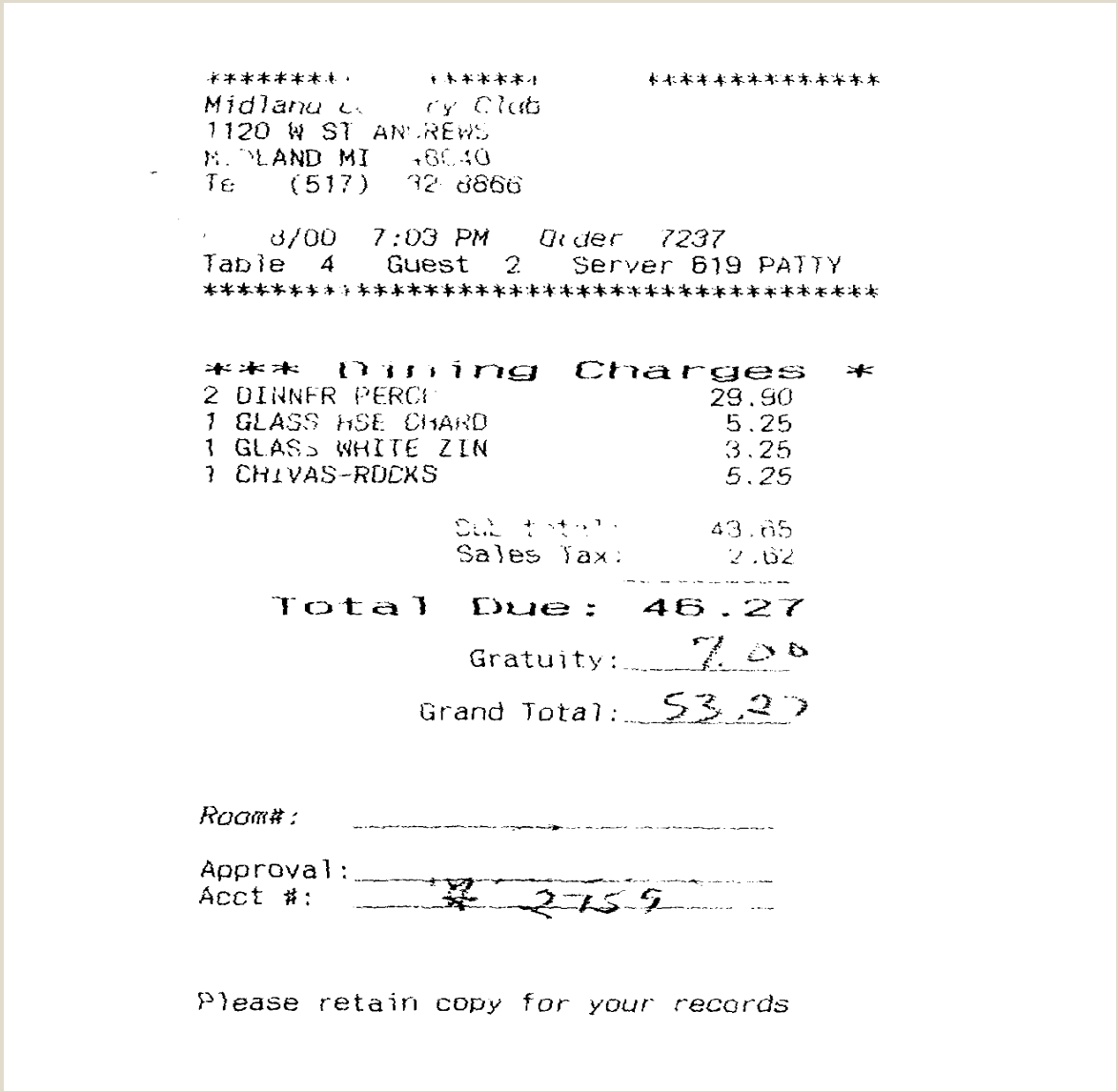
PD. 467.40

BAL. 0.00

MERIDIAN VAT RECLAIM
ORIGINAL SUBMITTED FOR
VAT RECLAIM

MOUGHLAND LANE RUNCORN
CHESHIRE
Telephone: 01928 511478 Fax: 01928 511464

LH



Midland [illegible] ry Club
1120 W ST AN[illegible]REWS
M[illegible]LAND MI [illegible]
Te (517) [illegible] 8866

8/00 7:03 PM Order 7237
Table 4 Guest 2 Server 619 PATTY

*** Dining Charges *

2 DINNER PERCH	29.90
1 GLASS HSE CHARD	5.25
1 GLASS WHITE ZIN	3.25
1 CHIVAS-ROCKS	5.25
Sub total:	43.65
Sales Tax:	2.62

Total Due: 46.27

Gratuity: 7.00

Grand Total: 53.27

Room#: _____

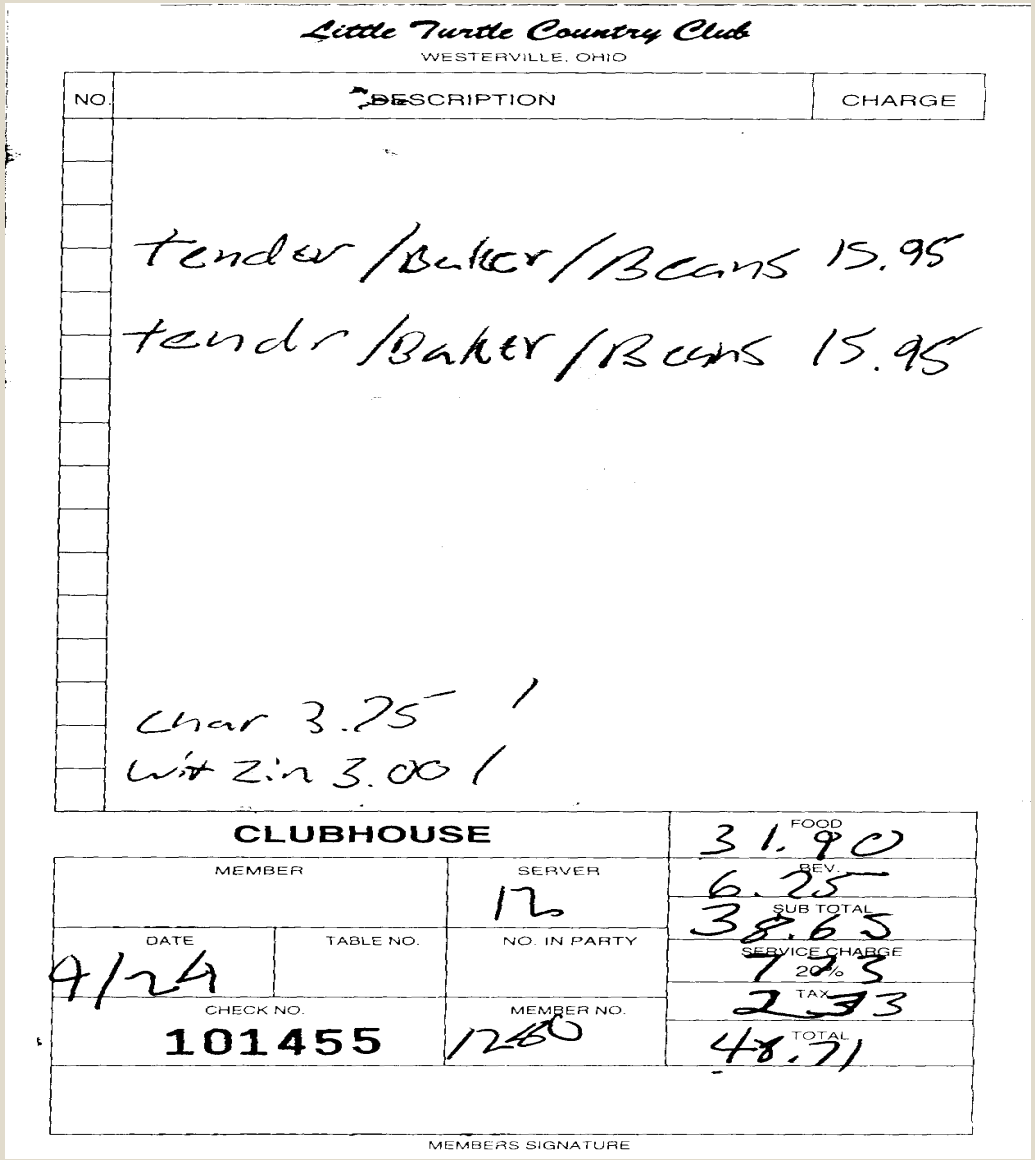
Approval: _____
Acct #: [illegible] 2-15-9

Please retain copy for your records

Analysis of Little Turtle Country Club

Report Date	Transaction Date	Check Number	Amount	Guests	Description
7/11/1996	7/1/1996	(Golf Shop) 22021	$ 256.14	6	Origional date looks like
7/11/1996	7/1/1996	35792	$ 30.14		Snacks for Golf
12/24/1996	12/11/1996	35793	$ 275.24	6	Dow (T. Lacey, K. Wolfgram, J. Patin, B. ?, T. Wardle)
3/20/1997	3/10/1997	35795	$ 410.43	12	Lunch w/Dow
8/6/1996	8/5/1996	35796	$ 246.58	10	Dinner w/Customers
2/3/1997	1/21/1997	35797	$ 130.85	3	Dinner w/Customers
9/24/1996	9/16/1996	35798	$ 321.89	6	Team meeting w Dow (K. Wolfgram/T. Lacey/T. Wardie/ J. Patin/ L. Bollinger)
8/19/1996	8/9/1996	35799	$ 375.72	4	Golf & Dinner w/Habit for Humanity
11/18/1996	11/12/1996	35800	$ 292.89	6	Dinner w/Elf Autochem and J.Johnson(Dow), Alan Shoaf (Dow)
3/20/1997	3/12/1997	35800	$ 301.38	7	Dinner w/Dow
11/18/1996	10/31/1996	63658	$ 62.25		Dinner w/ J. Blum of PIMA
7/11/1996	6/20/1996	75491	$ 45.87		Dinner w/D. Crooker of AutoChem
4/24/1997	4/17/1997	100948	$ 423.55	8	Dinner w/ Dow
6/29/1997	6/24/1997	100949	$ 393.00	4	Golf & Dinner w/Customers
5/10/1997	5/6/1997	100954	$ 326.07	6	Dinner w/Dow
4/24/1997	4/24/1997	101455	$ 48.71	2	Dinner w/ Customer
5/10/1997	4/26/1997	101489	$ 34.53	2	Dinner w/Customers
			$ 3,975.24		

Note that the check numbers are in sequential order, however the dates do not match that order.



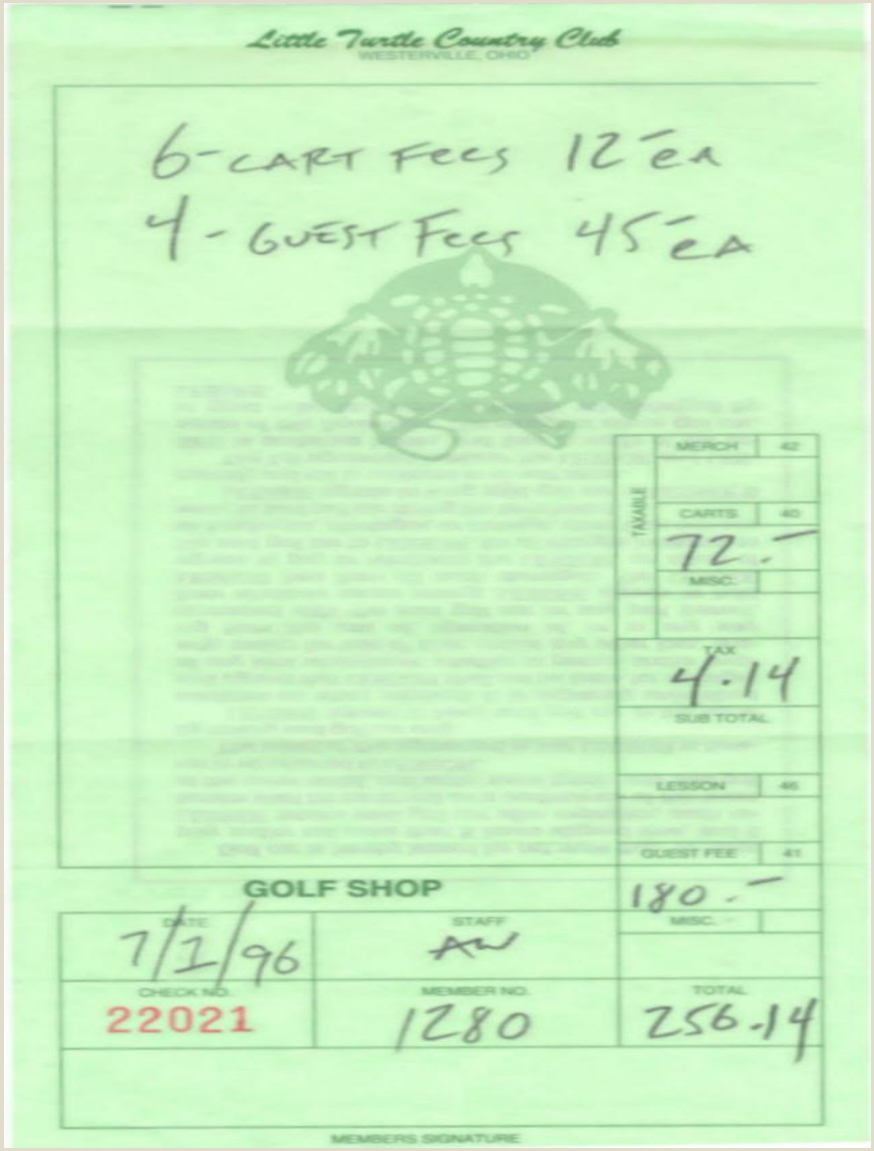
Little Turtle Country Club
WESTERVILLE, OHIO

NO.	DESCRIPTION	CHARGE
	tender / Butter / Beans 15.95	
	tendr / Baker / Beans 15.95	
	char 3.25	
	wit 2:n 3.00	

CLUBHOUSE

MEMBER		SERVER 12	FOOD 31.90
			REV. 6.25
DATE 4/24	TABLE NO.	NO. IN PARTY	SUB TOTAL 38.65
			SERVICE CHARGE 20% 7.73
CHECK NO. 101455		MEMBER NO. 1260	TAX 2.33
			TOTAL 48.71

MEMBERS SIGNATURE



Little Turtle Country Club
WESTERVILLE, OHIO

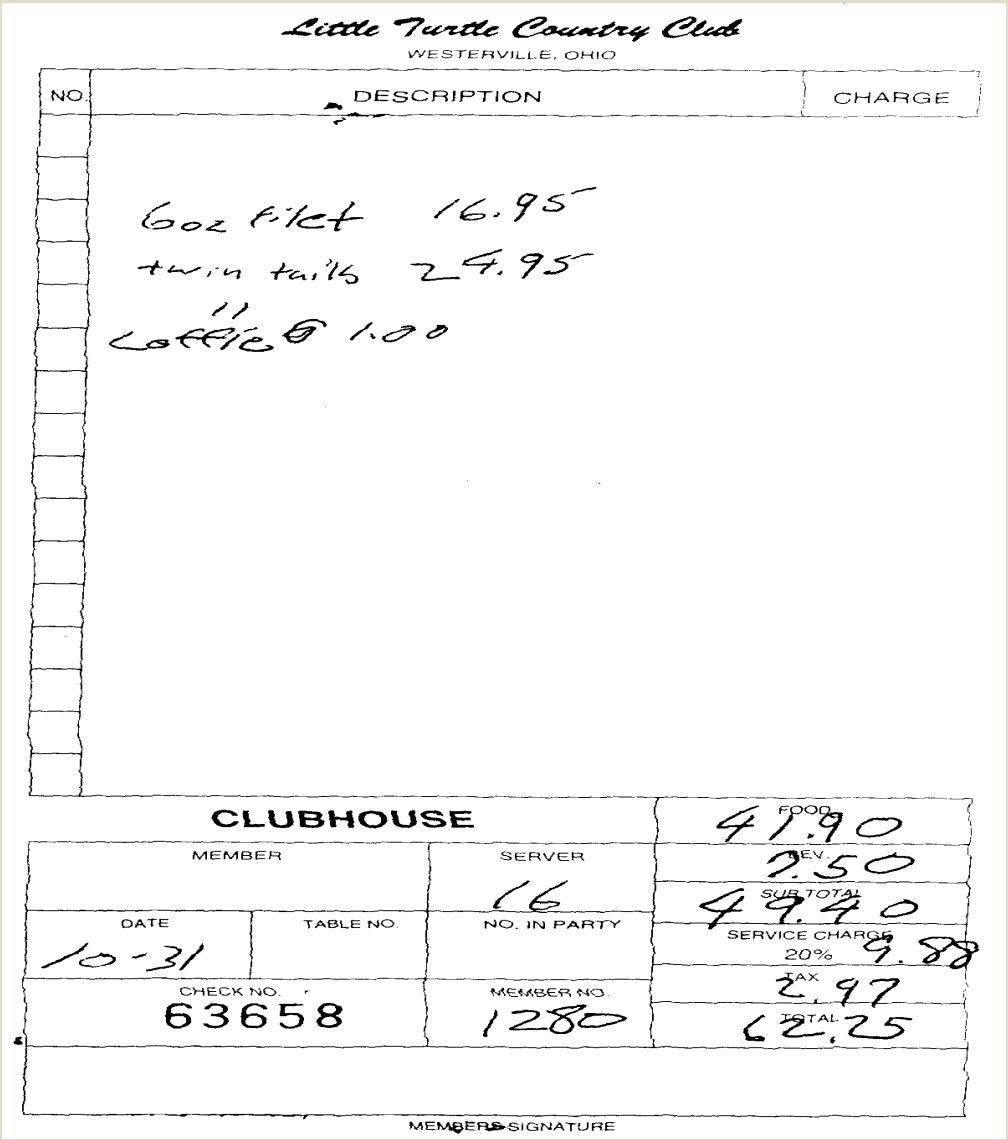
6- CART FEES 12 EA
4- GUEST FEES 45 EA

	MERCH	42
TAXABLE	CARTS	40
		72.-
	MISC.	
	TAX	4.14
	SUB TOTAL	
	LESSON	46
	GUEST FEE	41
		180.-
	MISC.	
	TOTAL	256.14

GOLF SHOP

DATE 7/1/96	STAFF AW	
CHECK NO. 22021	MEMBER NO. 1280	

MEMBERS SIGNATURE



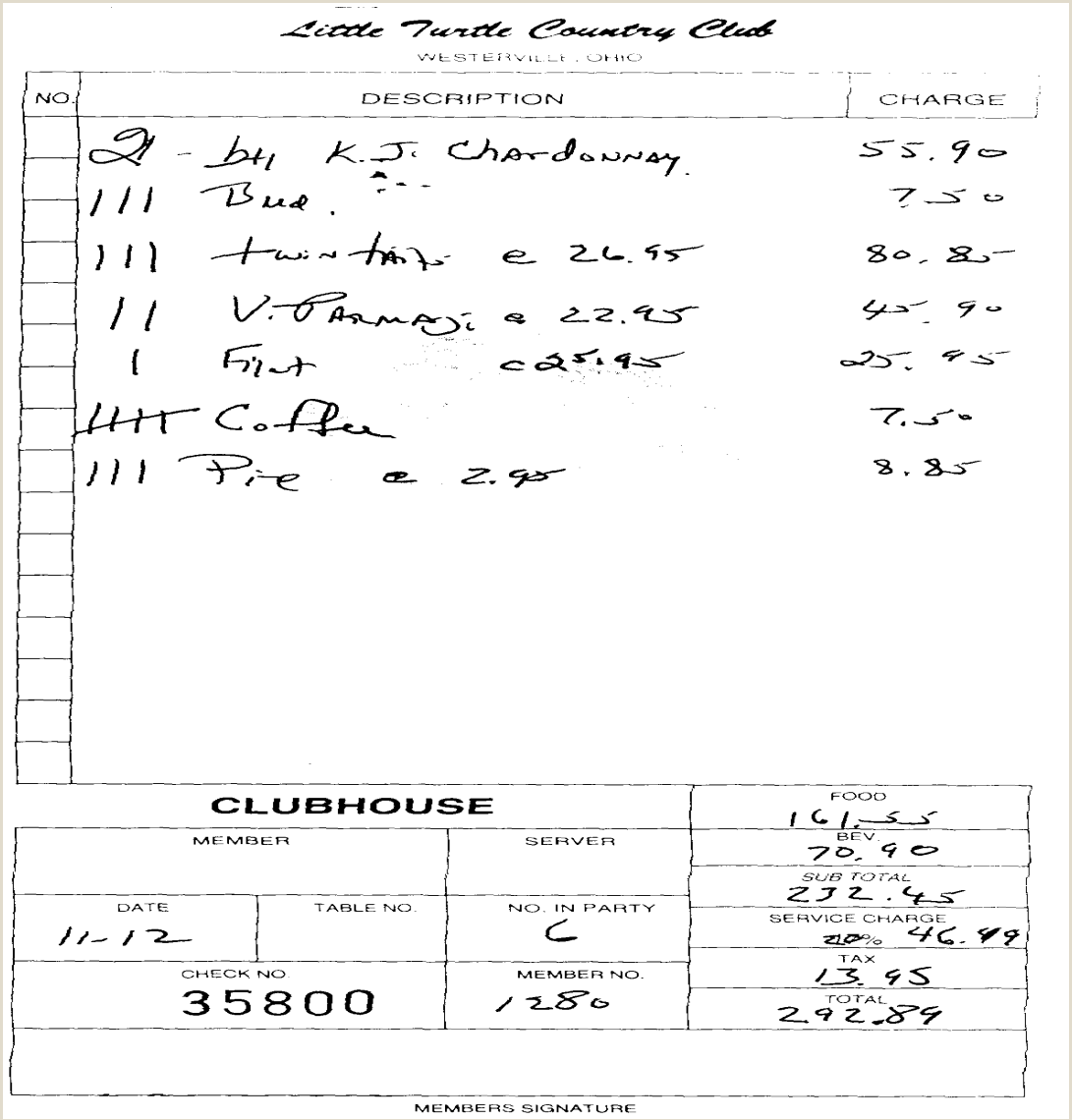
Little Turtle Country Club
WESTERVILLE, OHIO

NO.	DESCRIPTION	CHARGE
	6oz Filet	16.95
	twin tails	24.95
	11 Coffee @ 1.00	

CLUBHOUSE

MEMBER		SERVER 16	FOOD 41.90
			REV. 7.50
DATE 10-31	TABLE NO.	NO. IN PARTY	SUB TOTAL 49.40
			SERVICE CHARGE 20% 9.88
CHECK NO. 63658		MEMBER NO. 1280	TAX 2.97
			TOTAL 62.25

MEMBER'S SIGNATURE



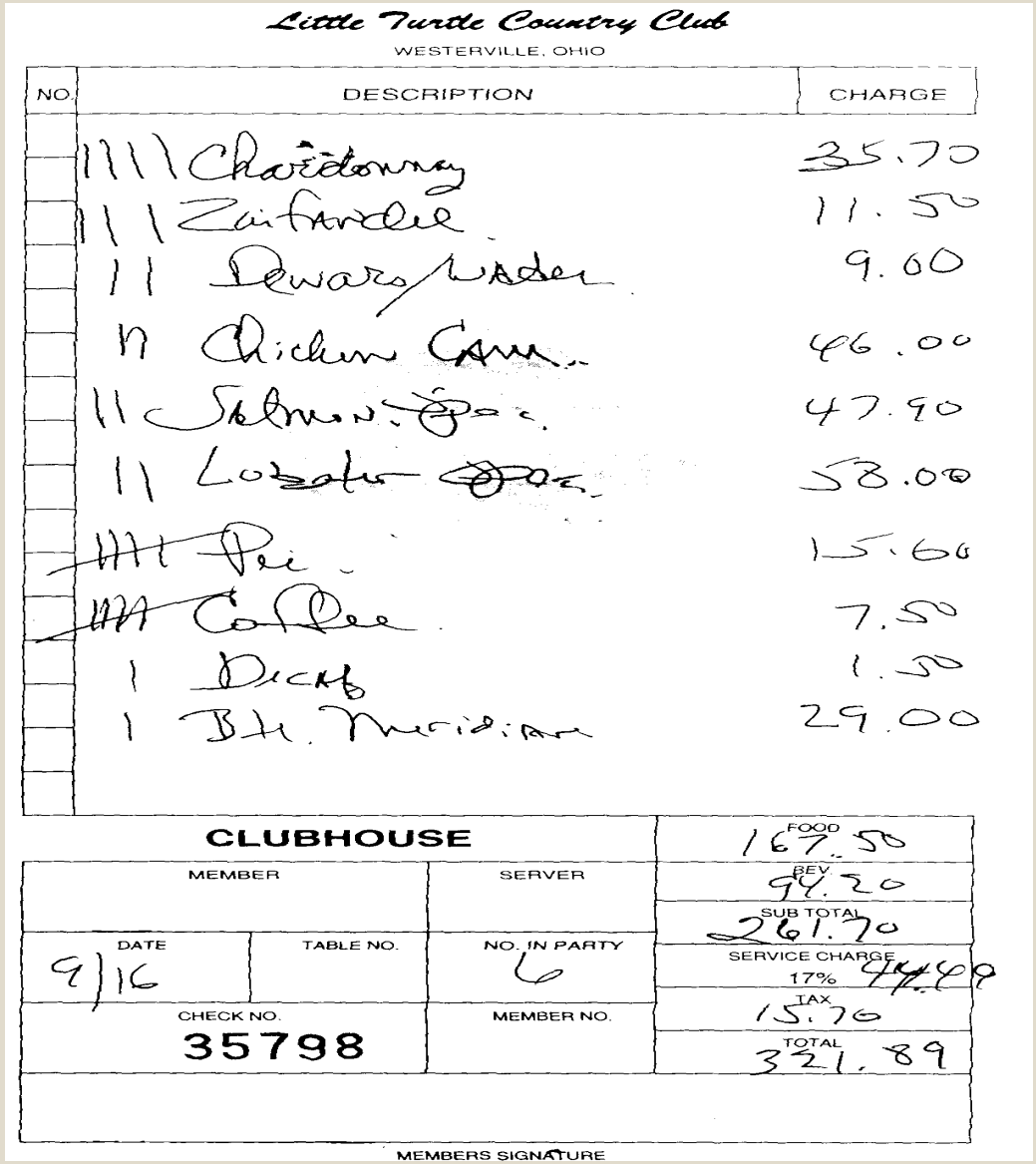
Little Turtle Country Club
WESTERVILLE, OHIO

NO.	DESCRIPTION	CHARGE
2	- btl K.J. Chardonnay.	55.90
111	Bud.	7.50
111	twin tails @ 26.95	80.85
11	V. Parmaji @ 22.95	45.90
1	Filet @ 25.95	25.95
HHT	Coffee	7.50
111	Pie @ 2.95	8.85

CLUBHOUSE

MEMBER	SERVER	FOOD 161.55
		BEV 70.90
DATE 11-12	TABLE NO.	NO. IN PARTY 6
		SUB TOTAL 232.45
		SERVICE CHARGE 20% 46.49
CHECK NO. 35800	MEMBER NO. 1280	TAX 13.95
		TOTAL 292.89

MEMBERS SIGNATURE



Little Turtle Country Club

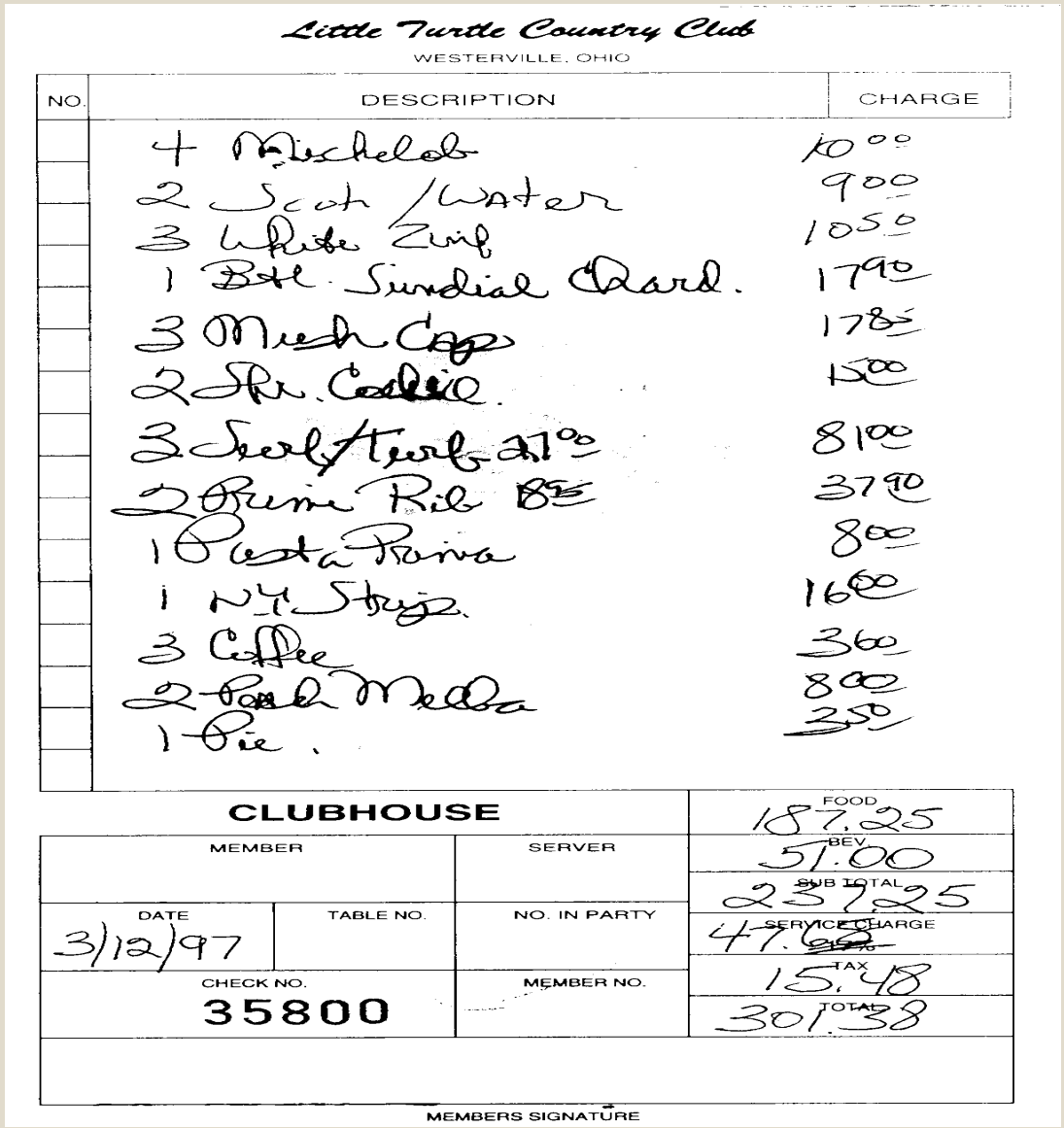
WESTERVILLE, OHIO

NO.	DESCRIPTION	CHARGE
1111	Chardonnay	35.70
111	Zinfandel	11.50
11	Dewars/Bader	9.60
11	Chicken Caesar	46.00
11	Salmon Spec.	47.90
11	Lobster Spec.	58.00
~~IIII~~	Pie	15.66
~~IIII~~	Coffee	7.50
1	Decaf	1.50
1	Bl. Meridian	29.00

CLUBHOUSE

MEMBER		SERVER	FOOD 167.50
			BEV 94.20
			SUB TOTAL 261.70
DATE 9/16	TABLE NO.	NO. IN PARTY 6	SERVICE CHARGE 17% 44.49
CHECK NO. 35798		MEMBER NO.	TAX 15.76
			TOTAL 321.89

MEMBERS SIGNATURE



Little Turtle Country Club
WESTERVILLE, OHIO

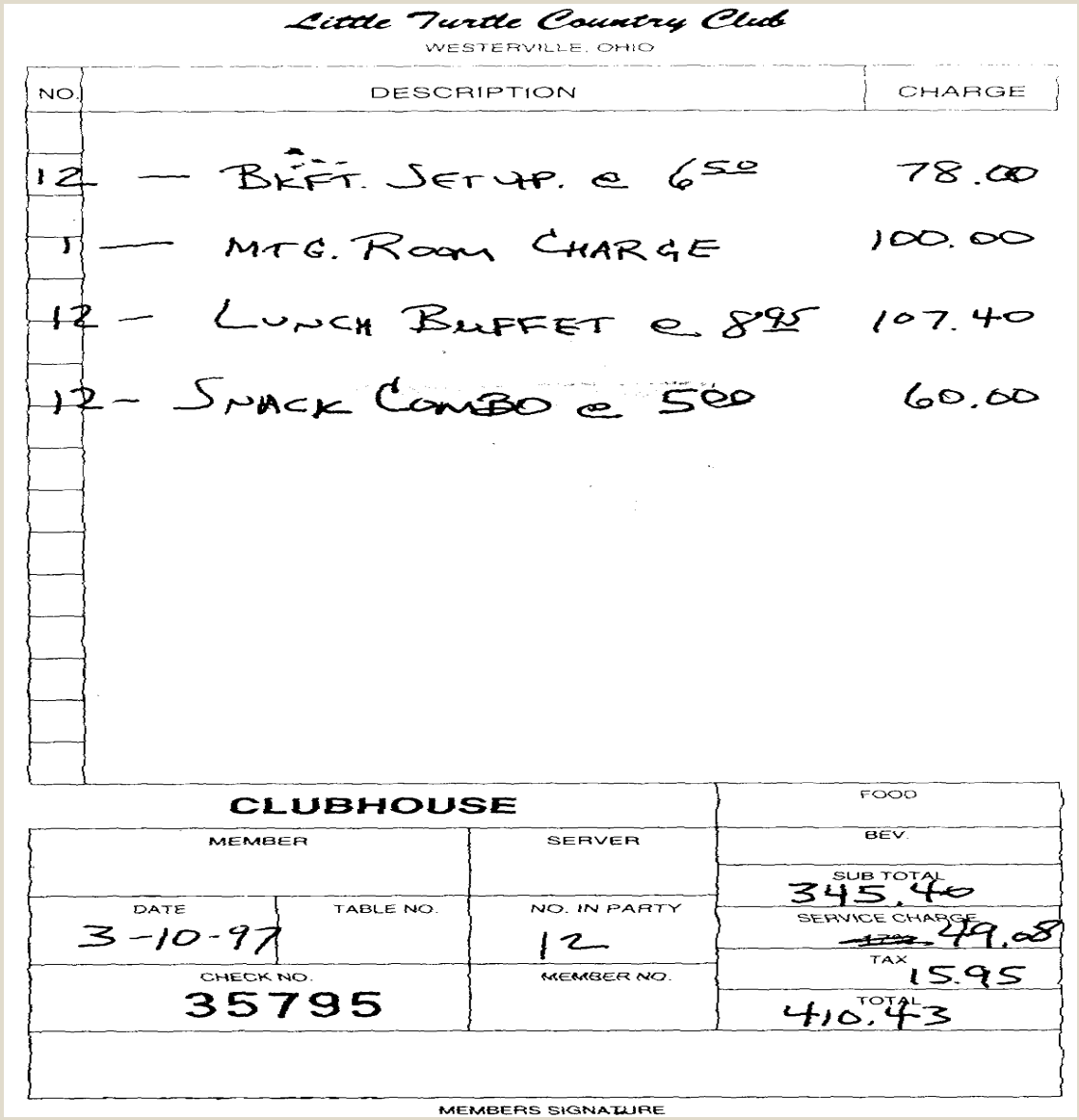
NO.	DESCRIPTION	CHARGE
	4 Michelob	10 00
	2 Scot / Water	9 00
	3 White Zinf	10 50
	1 Btl Sundial Chard.	17 90
	3 Mich Coors	17 85
	2 Rr. Coors	15 00
	3 Sea/Turk 27 95	81 00
	2 Prime Rib 85	37 90
	1 Pasta Prima	8 00
	1 NY Strip	16 00
	3 Coffee	3 60
	2 Pork Medal	8 00
	1 Pie	3 50

CLUBHOUSE

MEMBER		SERVER	
DATE: 3/12/97	TABLE NO.	NO. IN PARTY	
CHECK NO.: 35800		MEMBER NO.	

FOOD	187.25
BEV	51.00
SUB TOTAL	237.25
SERVICE CHARGE	47.63
TAX	15.48
TOTAL	301.38

MEMBERS SIGNATURE



Little Turtle Country Club
WESTERVILLE, OHIO

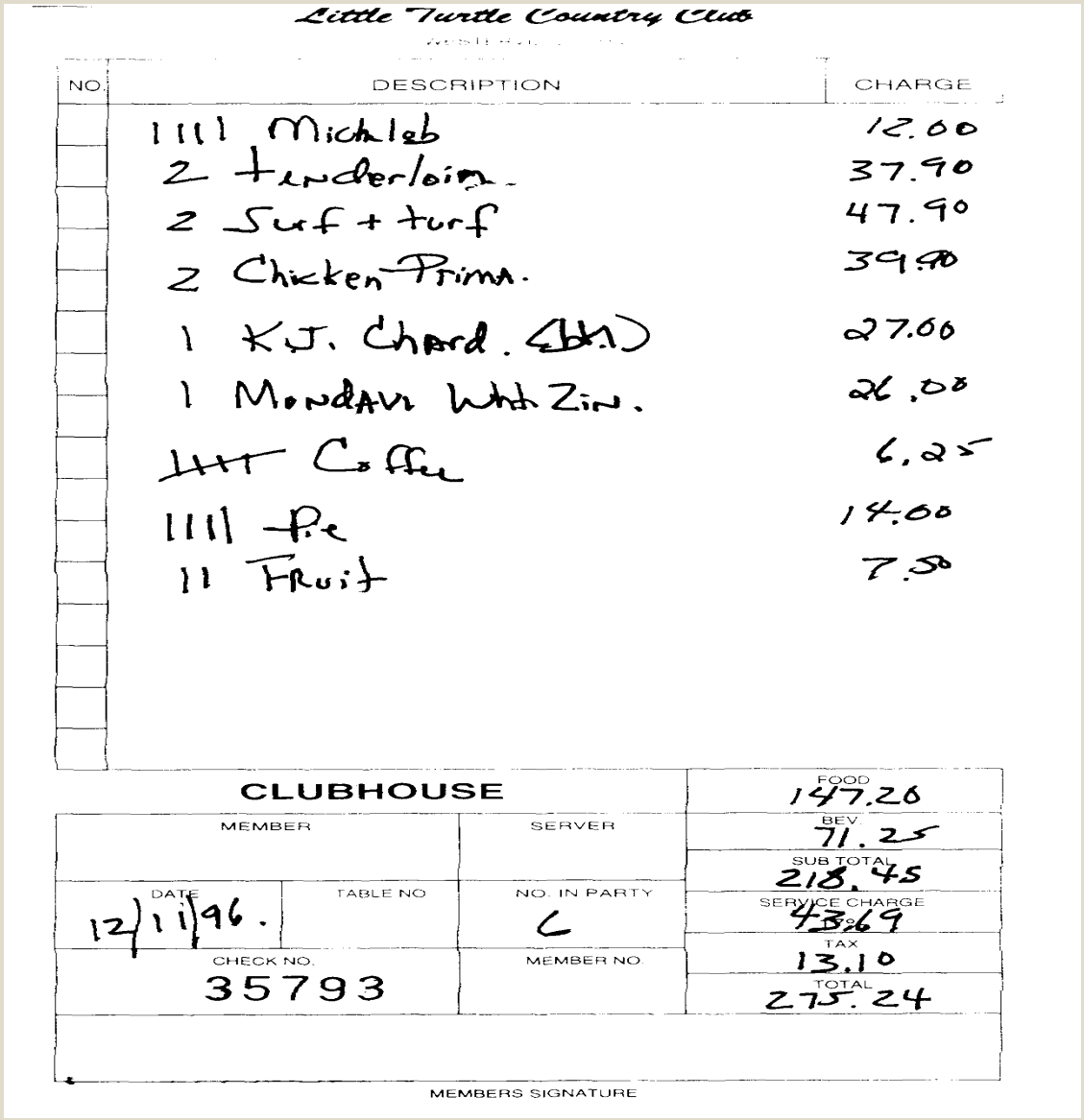
NO.	DESCRIPTION	CHARGE
12	— BKFT. SETUP @ 6.50	78.00
1	— MTG. ROOM CHARGE	100.00
12	— LUNCH BUFFET @ 8.95	107.40
12	— SNACK COMBO @ 5.00	60.00

CLUBHOUSE

MEMBER		SERVER	
DATE: 3-10-97	TABLE NO.	NO. IN PARTY: 12	
CHECK NO.: 35795		MEMBER NO.	

FOOD	
BEV.	
SUB TOTAL	345.40
SERVICE CHARGE ~~12%~~	49.08
TAX	15.95
TOTAL	410.43

MEMBERS SIGNATURE



Little Turtle Country Club

NO.	DESCRIPTION	CHARGE
	1111 Michleb	12.00
	2 tenderloin.	37.90
	2 Surf + turf	47.90
	2 Chicken Prima.	39.90
	1 K.J. Chard. (btl)	27.00
	1 Mondavi White Zin.	26.00
	HHT Coffee	6.25
	1111 Pie	14.00
	11 Fruit	7.50

CLUBHOUSE

MEMBER		SERVER	FOOD 147.20
			BEV. 71.25
DATE 12/11/96.	TABLE NO.	NO. IN PARTY 6	SUB TOTAL 218.45
			SERVICE CHARGE 43.69
CHECK NO. 35793		MEMBER NO.	TAX 13.10
			TOTAL 275.24

MEMBERS SIGNATURE

****
Midland Country Club
1120 W ST ANDREWS
MIDLAND MI 48640
Tel. (517) 832-8866

04/06/00 7:40 PM Order 4842
Table 60 / Guest 2 Server 635 MAURA
****

** Dining Charges *

2	FAMILY NIGHT BU	23.90
2	GLASS HSE CHARD	10.50
1	GLASS WHITE ZIN	3.25

Sub-total: 37.65
Sales Tax: 2.26

Total Due: 39.91

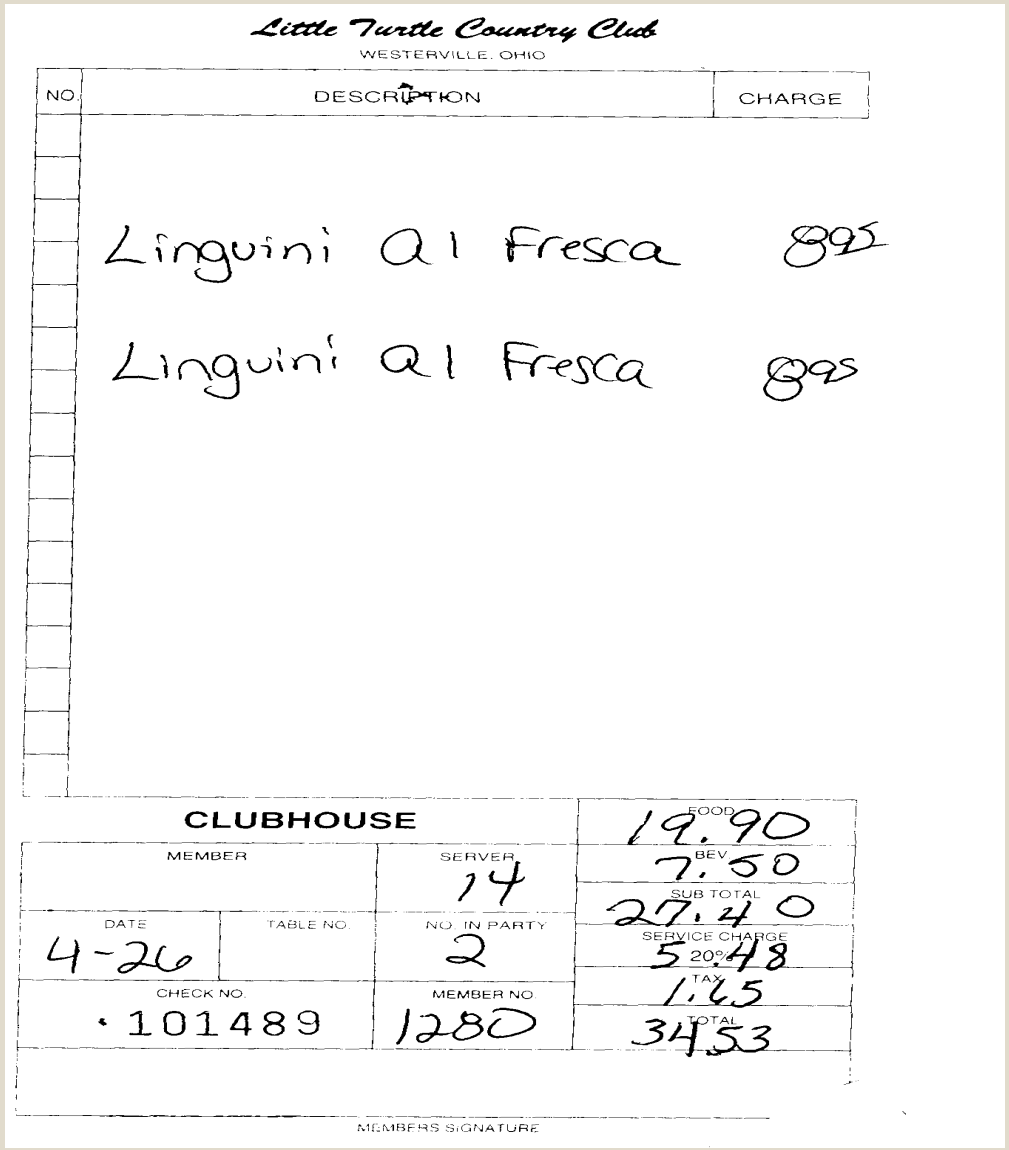
Gratuity: 6.00

Grand Total: 45.91

Room#: _____

Approval: _____
Acct #: 2597

Please retain copy for your records



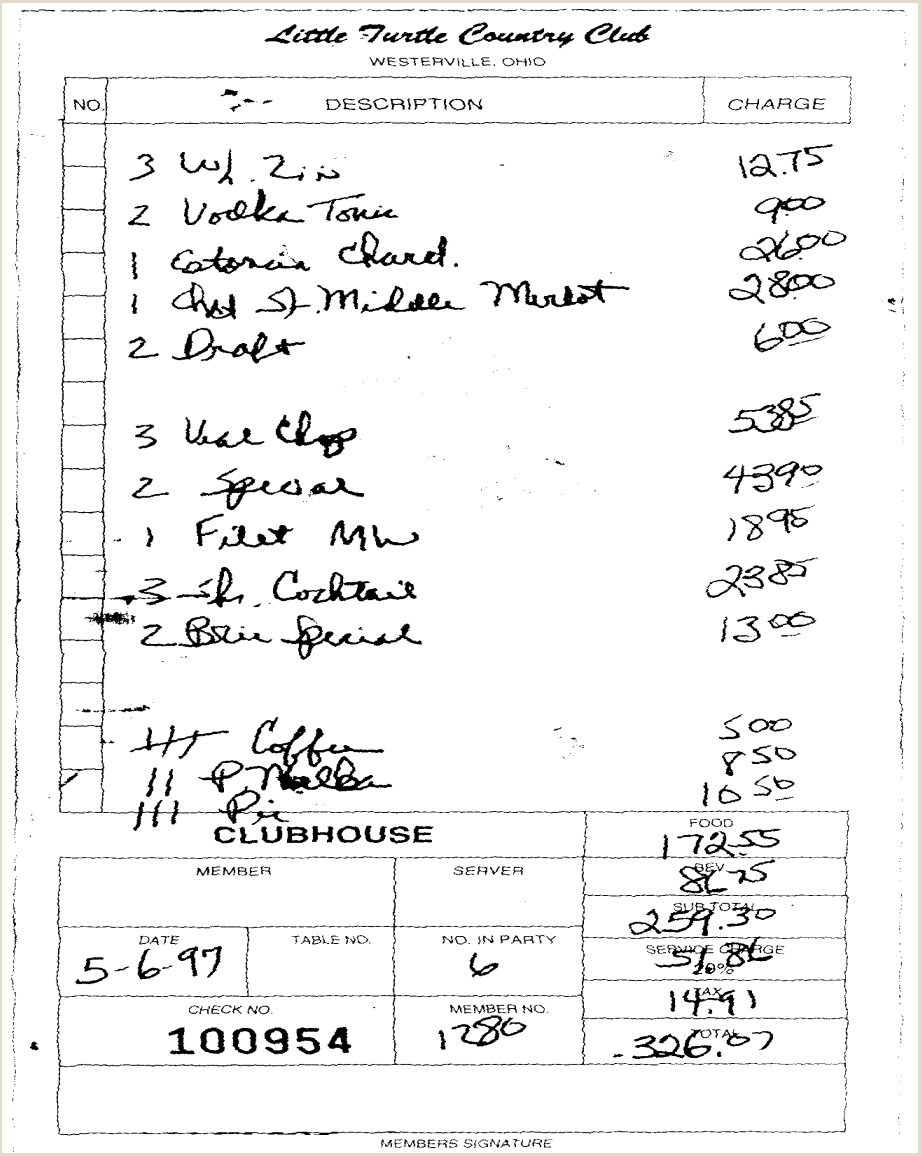
Little Turtle Country Club
WESTERVILLE, OHIO

NO.	DESCRIPTION	CHARGE
	Linguini al Fresca	895
	Linguini al Fresca	895

CLUBHOUSE

MEMBER		SERVER 14	FOOD 19.90
			BEV 7.50
			SUB TOTAL 27.40
DATE 4-26	TABLE NO.	NO. IN PARTY 2	SERVICE CHARGE 20% 5.48
			TAX 1.65
CHECK NO. 101489		MEMBER NO 1280	TOTAL 34.53

MEMBERS SIGNATURE



Little Turtle Country Club
WESTERVILLE, OHIO

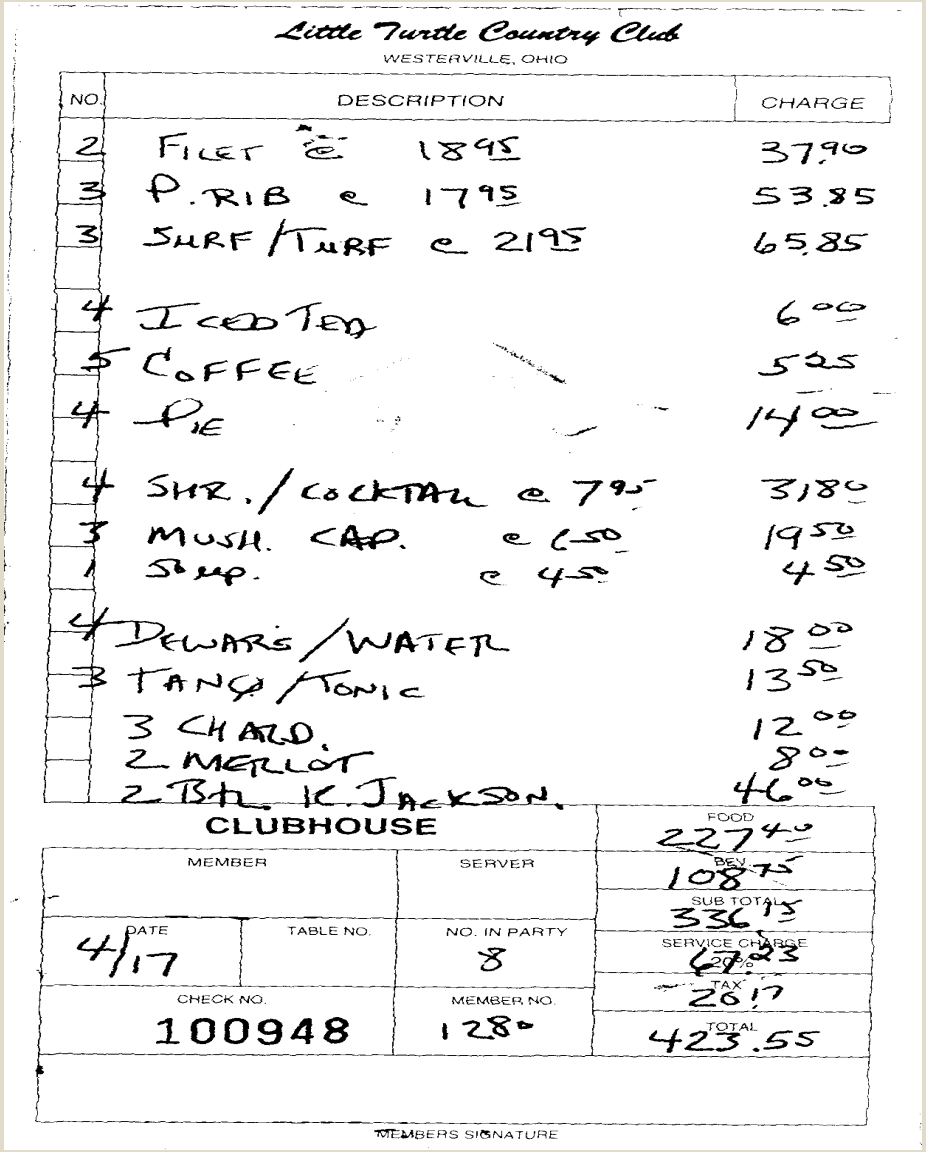
NO.	DESCRIPTION	CHARGE
	3 Wh. Zin	12.75
	2 Vodka Tonic	900
	1 Estancia Chard.	2600
	1 Chat St. Miller Merlot	2800
	2 Draft	600
	3 Veal Chop	5385
	2 Special	4390
	1 Filet Mw	1895
	3 Sh. Cocktail	2385
	2 Pasta Special	1300
	4 Coffee	500
	11 Pepsi	850
	111 Pie	1056

CLUBHOUSE

MEMBER		SERVER	
DATE	TABLE NO.	NO. IN PARTY	
5-6-97		6	
CHECK NO.		MEMBER NO.	
100954		1280	

FOOD	172.55
BEV	85.75
SUBTOTAL	259.30
SERVICE CHARGE 10%	51.86
TAX	14.91
TOTAL	326.07

MEMBERS SIGNATURE



Little Turtle Country Club
WESTERVILLE, OHIO

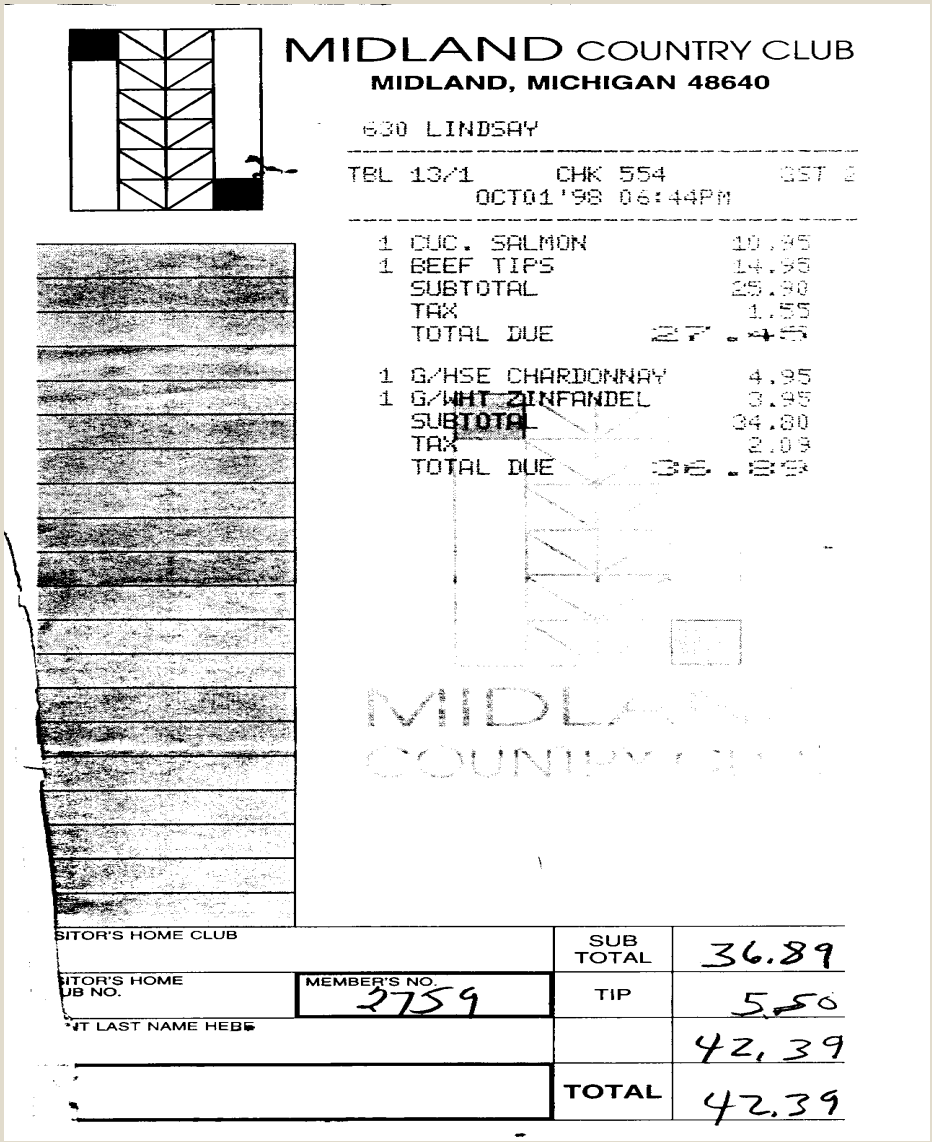
NO.	DESCRIPTION	CHARGE
2	FILET @ 18.95	37.90
3	P. RIB @ 17.95	53.85
3	SURF/TURF @ 21.95	65.85
4	ICED TEA	6.00
5	COFFEE	5.25
4	PIE	14.00
4	SHR./COCKTAIL @ 7.95	31.80
3	MUSH. CAP. @ 6.50	19.50
1	SOUP @ 4.50	4.50
4	DEWARS/WATER	18.00
3	TANQ/TONIC	13.50
	3 CHARD.	12.00
	2 MERLOT	8.00
	2 BTL. K. JACKSON.	46.00

CLUBHOUSE

MEMBER		SERVER	
DATE	TABLE NO.	NO. IN PARTY	
4/17		8	
CHECK NO.		MEMBER NO.	
100948		1280	

FOOD	227.40
BEV.	108.75
SUB TOTAL	336.15
SERVICE CHARGE 20%	67.23
TAX	20.17
TOTAL	423.55

MEMBERS SIGNATURE



MIDLAND COUNTRY CLUB
MIDLAND, MICHIGAN 48640

630 LINDSAY

TBL 13/1 CHK 554 GST 2
OCT01'98 06:44PM

1	CUC. SALMON	10.45
1	BEEF TIPS	14.95
	SUBTOTAL	25.80
	TAX	1.55
	TOTAL DUE	27.45
1	G/HSE CHARDONNAY	4.95
1	G/WHT ZINFANDEL	3.95
	SUBTOTAL	34.80
	TAX	2.09
	TOTAL DUE	36.89

SITOR'S HOME CLUB

SUB TOTAL 36.89

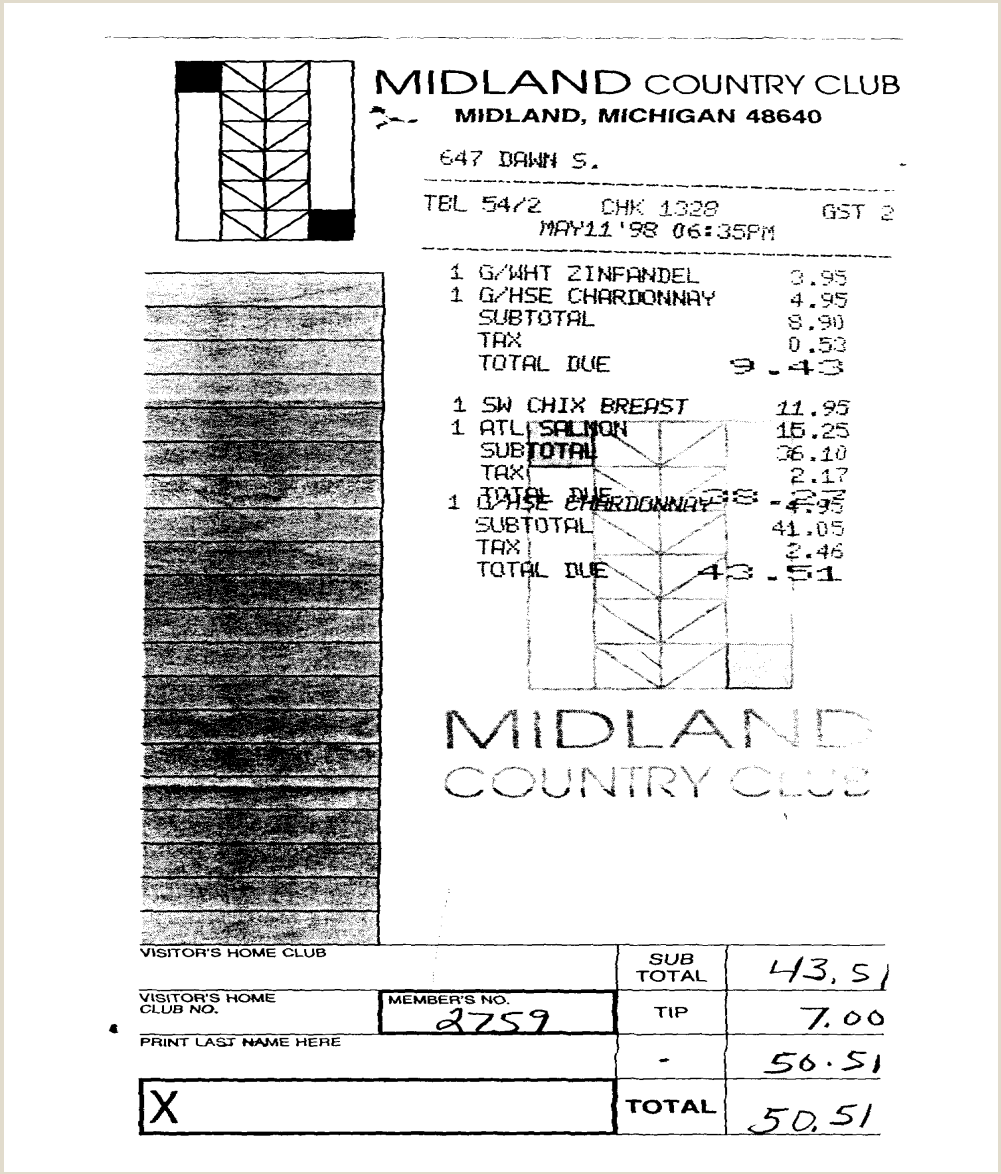
ITOR'S HOME UB NO. MEMBER'S NO. 2759

TIP 5.50

T LAST NAME HEBB

42.39

TOTAL 42.39



MIDLAND COUNTRY CLUB
MIDLAND, MICHIGAN 48640

647 DAWN S.

TBL 54/2 CHK 1328 GST 2
MAY11'98 06:35PM

1	G/WHT ZINFANDEL	3.95
1	G/HSE CHARDONNAY	4.95
	SUBTOTAL	8.90
	TAX	0.53
	TOTAL DUE	9.43

1	SW CHIX BREAST	11.95
1	ATL SALMON	15.25
	SUBTOTAL	36.10
	TAX	2.17
	TOTAL DUE	38.27
1	G/HSE CHARDONNAY	4.95
	SUBTOTAL	41.05
	TAX	2.46
	TOTAL DUE	43.51

MIDLAND
COUNTRY CLUB

VISITOR'S HOME CLUB

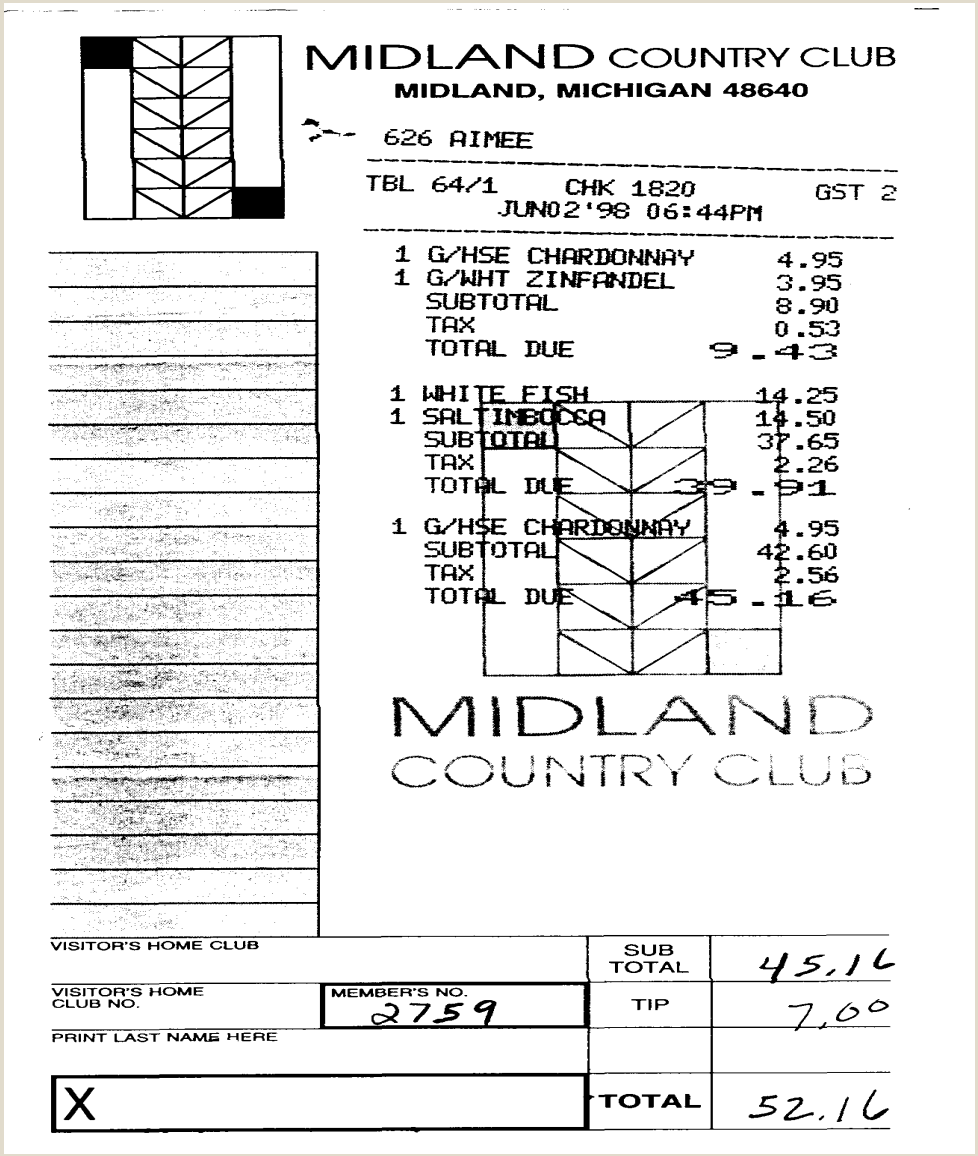
VISITOR'S HOME CLUB NO.

MEMBER'S NO. 2759

PRINT LAST NAME HERE

X

SUB TOTAL	43.51
TIP	7.00
-	50.51
TOTAL	50.51



MIDLAND COUNTRY CLUB
MIDLAND, MICHIGAN 48640

626 AIMEE

TBL 64/1 CHK 1820 GST 2
JUN02'98 06:44PM

1	G/HSE CHARDONNAY	4.95
1	G/WHT ZINFANDEL	3.95
	SUBTOTAL	8.90
	TAX	0.53
	TOTAL DUE	9.43
1	WHITE FISH	14.25
1	SALTIMBOCCA	14.50
	SUBTOTAL	37.65
	TAX	2.26
	TOTAL DUE	39.91
1	G/HSE CHARDONNAY	4.95
	SUBTOTAL	42.60
	TAX	2.56
	TOTAL DUE	45.16

MIDLAND
COUNTRY CLUB

VISITOR'S HOME CLUB

SUB TOTAL 45.16

VISITOR'S HOME CLUB NO.

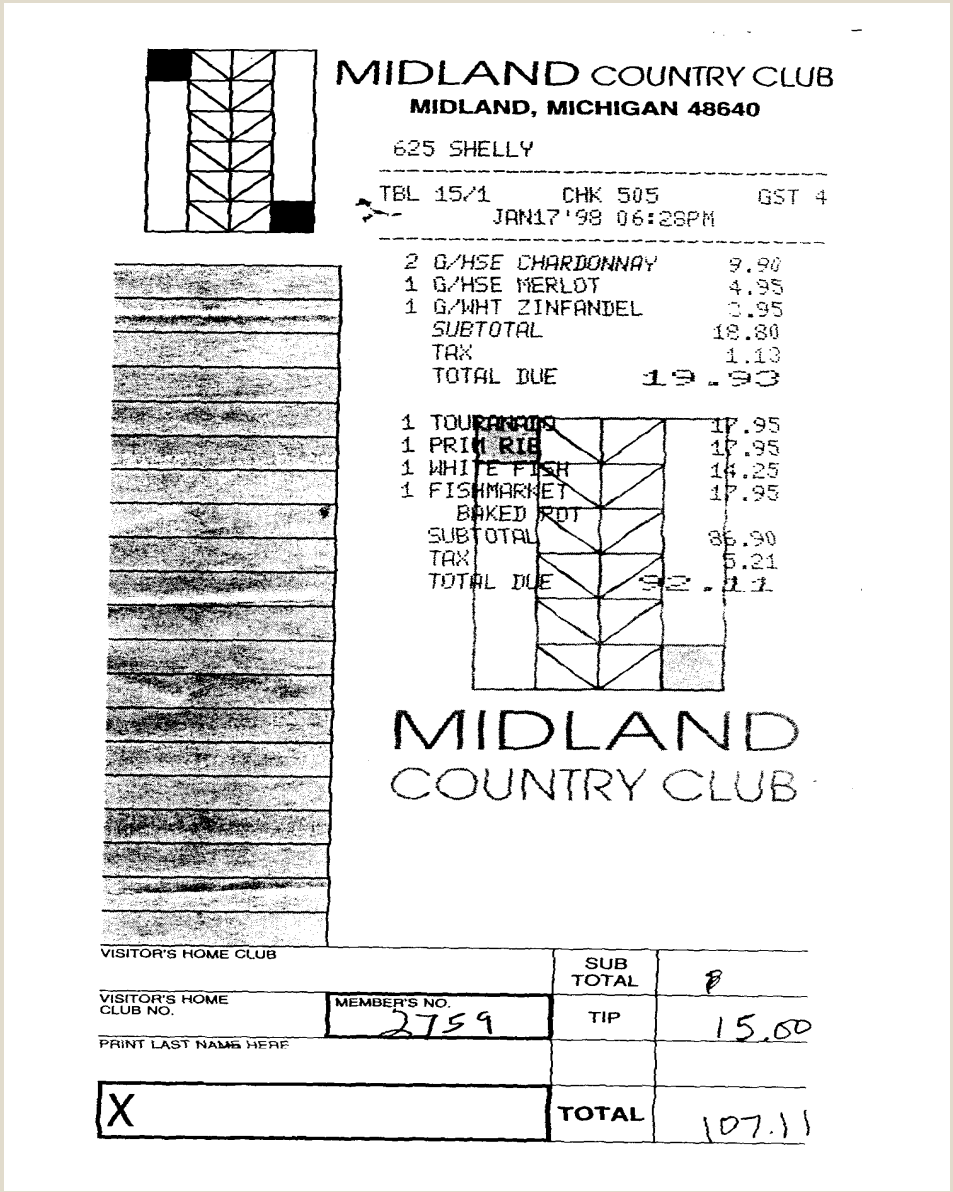
MEMBER'S NO. 2759

TIP 7.00

PRINT LAST NAME HERE

X

TOTAL 52.16



MIDLAND COUNTRY CLUB
MIDLAND, MICHIGAN 48640

625 SHELLY

TBL 15/1 CHK 505 GST 4
JAN17'98 06:28PM

2	G/HSE CHARDONNAY	9.90
1	G/HSE MERLOT	4.95
1	G/WHT ZINFANDEL	3.95
	SUBTOTAL	18.80
	TAX	1.13
	TOTAL DUE	19.93

1	TOURNADOS	17.95
1	PRIME RIB	17.95
1	WHITE FISH	14.25
1	FISHMARKET	17.95
	BAKED POT	
	SUBTOTAL	86.90
	TAX	5.21
	TOTAL DUE	92.11

MIDLAND
COUNTRY CLUB

VISITOR'S HOME CLUB

SUB TOTAL 8

VISITOR'S HOME CLUB NO.

MEMBER'S NO. 2759

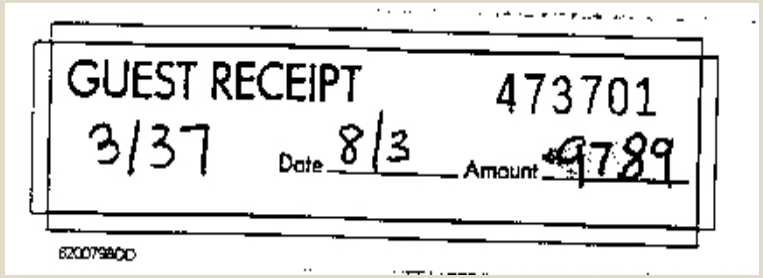
TIP 15.00

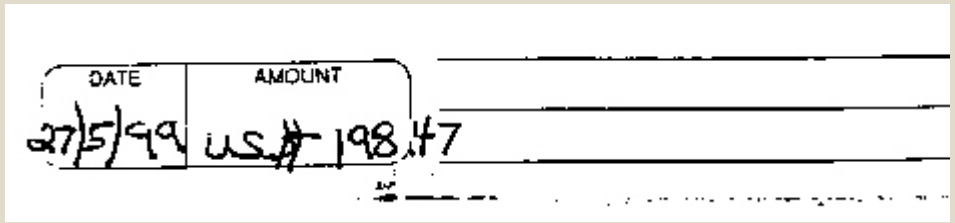
PRINT LAST NAME HERE

X

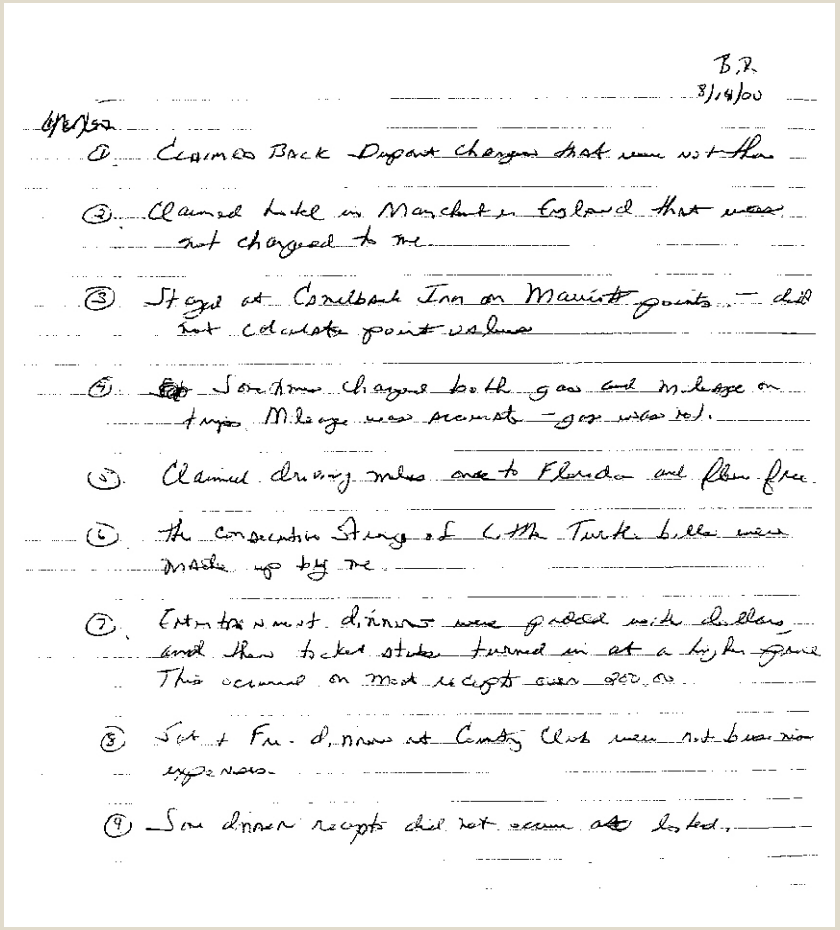
TOTAL 107.11

Examples of Stub Receipts Used





Copy of Written Admission



B.R.
8/14/00

6/6/02

① Claimed Back Depart charges that were not there

② Claimed hotel in Manchester England that was not charged to me

③ Stayed at Coachman Inn on Marriott points — did not calculate point values

④ Sometimes charged both gas and mileage on trips. Mileage was accurate — gas was not.

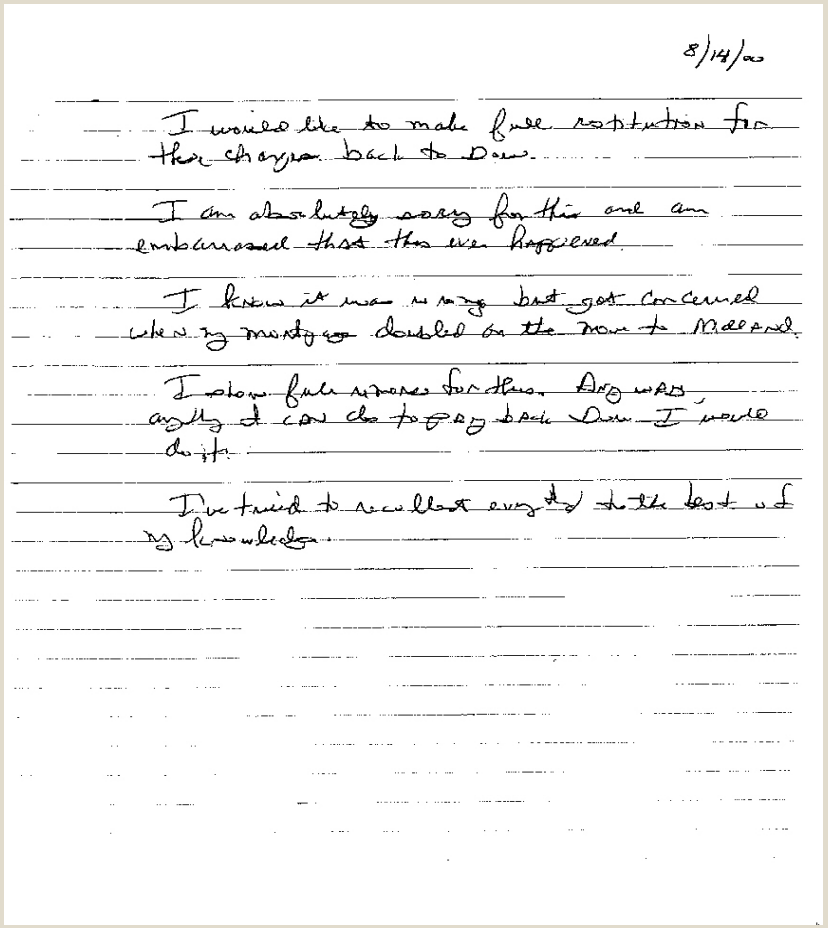
⑤ Claimed driving miles one to Florida and then free

⑥ The conversion strings of the Turk bills were made up by me

⑦ Entertainment dinners were padded with dollars and then ticket stubs turned in at a higher figure. This occurred on most receipts over $50.00

⑧ Sat + Fri. dinners at Country Club were not business expenses

⑨ Some dinner receipts did not occur as listed.



8/14/00

I would like to make full restitution for the charges back to Dow.

I am absolutely sorry for this and am embarrassed that this ever happened.

I know it was wrong but got concerned when my money doubled on the move to Midland.

I also full intended for this drug was legally it can be to pay back Dow. I would do it.

I've tried to recollect everything to the best of my knowledge.

To Prosecute or Not To Prosecute?

- This decision must be a reasoned and equitable one.
- You must act consistently.
- Do not pursue bad cases.
- There is a cost benefit analysis that needs to be made.
- Full consideration needs to be given to this decision in global organizations.
- It is good to have a standardized set of criteria against which to gauge each case.

What Does Law Enforcement Want?

- When you refer something to law enforcement provide the following:
  - Summary of the case (who, what, where, why, and when).
  - Copies of credit card statements.
  - The expense report and all supporting documentation.
  - A detailed analysis of all the items that are considered fraudulent and why.
  - Interview notes and transcripts of all information gathered.
  - Loss calculations.

Index of the Case

Reference Number	Description
1	Case Summary, Incident Report, Dow Chemical TER Process
2	Interviews with Mr. Russell
	A. August 4th
	B. August 12th
	C. August 12th
	D. August 12th
	E. August 14th
	F. August 14th
	G. August 15th
	H. August 17th
3	Hand written confession of Mr. Russell
4	Personal Data
5	Total Loss assessment
6	Guest Stubs
7	Little Turtle Country Club
8	Midland Country Club
9	Fraudulent and Personal Claims
10	Gelco cash meals
11	Miscellaneous Visa Charges
12	Mileage claims and gas charges
13	Monthly Gelco Report Totals (Less than $25.00 per transaction)
14	Visa Meals and Entertainment (No Business Purpose)
15	Avis Charges
16	Visa Transactions > $25.00 / No Receipt provided
17	Expense Reports
18	Visa Statements
19	Gelco Reconciliation

Loss Assessment

Reference	Description	Amount in Question	Amount Proven Fraudulent
6	Stubs	$9,619.57	$9,619.57
7	Little Turtle Country Club	$3,975.24	$3,975.24
8	Midland Country Club	$1,542.93	$1,542.93
9	Fraudulent and Personal Claims	$10,082.95	$10,082.95
10	Gelco Entertainment - Receipt Provided	$3,444.88	$1,348.48
11	Miscellaneous Visa Charges	$707.02	$707.02
12	Gelco Transportation, Meals, One Day Meals and Miscellaneous < $25.00	$30,648.80	$13,791.96
13	Mileage claims and Gas charges	$17,075.98	$10,000.00
14	Visa Meals with a receipt - No business purpose	$2,933.53	$1,026.39
15	Avis	$106.22	$106.22
16	Visa Transactions > $25.00 / No Receipt Provided	$16,887.20	$0.00
	Total	$81,886.58	$52,200.76

Man sentenced to community service

A Midland man was sentenced in Midland County Circuit Court to jail for embezzlement.

Robert John Russell, 49, 5411 Pondview Court, was sentenced by Judge Paul J. Clulo to serve 120 hours of community service in lieu of 90 days in jail. The jail sentence was suspended until the end of probation unless probation completed successfully.

Russell must pay $400 in fines and costs and $40,000 in restitution.

Court records indicate that between Jan. 1, 1996, and Aug. 1, Russell embezzled money from The Dow Chemical Co.

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Court records indicate that between Jan. 1, 1996, and Aug. 1, Russell embezzled money for The Dow Chemical Company.

Keep Control of your Investigation

- A TER investigation is a fraud investigation, not an HR issue or an issue where the direct supervisor can be relied on to act independently.
- Once an investigation is commenced it must be followed through in a professional, independent manner.

Conclusion

- An ounce of prevention is worth a pound of cure.
- A well designed system or process can save you millions.
- Don’t think it won’t happen in your company because it will. Your job is to have systems to mitigate, prevent and investigate.
- Conduct investigations promptly and professionally.
- Learn from each investigation and pass this knowledge on throughout your organization.
- Always expect the unexpected.

Questions?

Presenter's contact details

Guido van Drunen

KPMG LLP

206-913-4208

gvandrunen@kpmg.com

www.us.kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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