



The Indicia of Fraud

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The Indicia of Fraud: High Risk Areas

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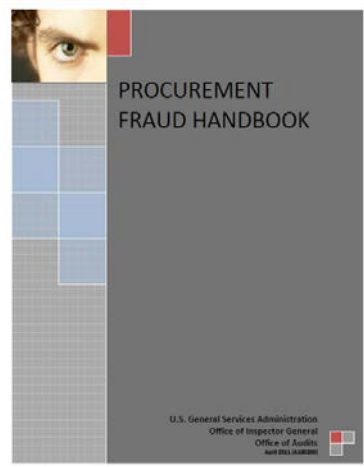
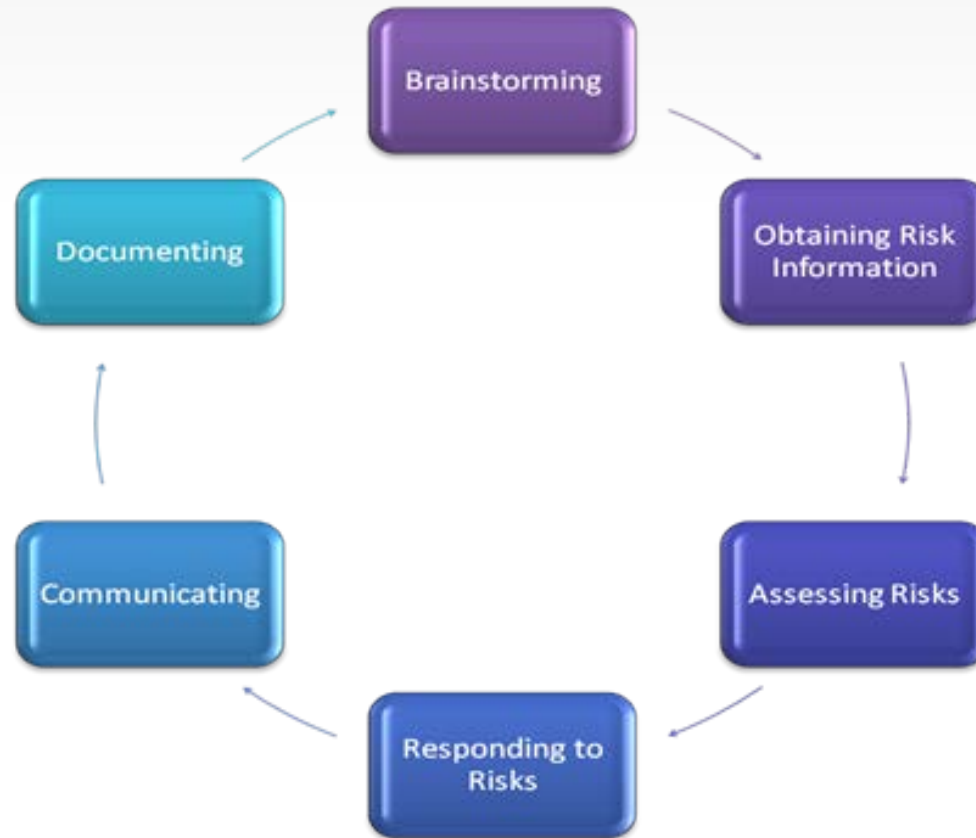
Former Inspector General, Federal Prosecutor, Vice Chair
of the National Procurement Fraud Task Force,
Now Partner at Rogers Joseph O'Donnell,
a Law Firm in San Francisco and Washington, D.C.

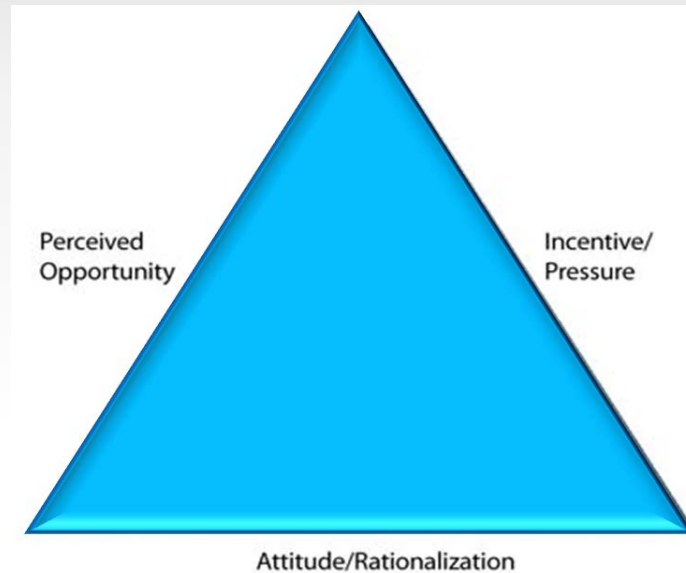
Brian D. Miller

Brian D. Miller, Rogers Joseph O'Donnell

- Former Inspector General, U.S. General Services Administration, Confirmed by the Senate 2005
- Former Assistant United States Attorney, EDVA
- Former Special Counsel on Healthcare Fraud to the Deputy Attorney General of the United States
- Former Senior Counsel to the Deputy Attorney General of the United States
- Former Vice Chair of the National Procurement Fraud Task Force

Fraud Auditing Process





Incentives/Pressure: a reason to commit fraud

Opportunity: a lack of effective controls

Rationalization/Attitude: an attempt to justify fraudulent behavior





Rita Crundwell, City Treasurer for Dixon



- Crundwell's process for stealing city funds was not complicated. She opened a bank account for herself named RSCDA (Reserve Sewer Development Account), making it appear as if it were for the city, and she was the only signatory. She would have money deposited into another account called the Capital Development Fund, create false invoices, and then write checks from the fund payable to "Treasurer", which she would deposit into the RSCDA account.
- Crundwell's theft began in 1990 and continued for 22 years. In 1991, she stole \$181,000. The theft in 2008 alone was \$5.8 million.
- In the fall of 2011, while Crundwell was on vacation, a city employee discovered the account and many checks written on it.

How Dixon's auditors missed the biggest embezzler of all time

Taken from an article in Chicago Business Journal, available at:

<http://www.chicagobusiness.com/article/20130202/ISSUE01/302029978/how-dixons-auditors-missed-the-biggest-embezzler-of-all-time>

CliftonLarsonAllen LLP is the dog that didn't bark.

The accounting firm was the auditor of the city of Dixon, while also performing other financial duties for the north-central Illinois community such as check processing. In addition, its personnel prepared tax returns for then-Dixon Comptroller Rita Crundwell.

Yet CliftonLarson never caught on to the fact that Ms. Crundwell was an embezzler who siphoned away \$53.7 million over 20 years in what is said to be the biggest municipal fraud in U.S. history. Now Dixon is demanding that the firm compensate it for the entire loss, contending in a lawsuit that the bookkeepers failed to connect easily linkable dots.

The suit alleges, for instance, that CliftonLarson overlooked clearly bogus state invoices submitted to City Hall by Ms. Crundwell that resulted in six-figure checks that she steered into her own account at a local bank branch where Dixon kept its funds. In 2005, her city salary was \$56,428.

Ms. Crundwell, a 60-year-old horse breeder who had worked for her hometown since high school, is scheduled to be sentenced next week by a federal judge in Rockford after pleading guilty in November to one count of wire fraud. She faces up to 20 years in prison and a \$250,000 fine. Federal marshals have collected \$8 million by auctioning off some of her ill-gotten goods, which included hundreds of horses and 14 cars.

Litigation against CliftonLarson is only beginning to unfold. Dixon—a farm-country city of 15,700 and one of Ronald Reagan's boyhood homes—hired a high-profile Chicago personal-injury law firm, Power Rogers & Smith P.C., to sue for damages in late December.

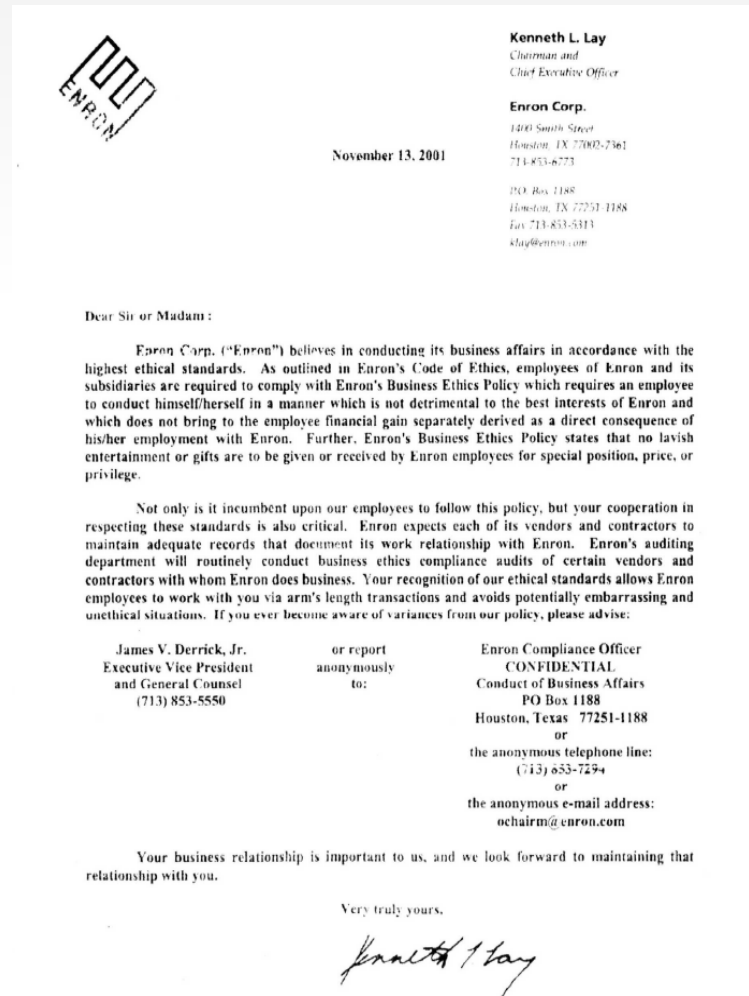
Accounting Firm Settle for \$35M

Minneapolis accounting firm CliftonLarsonAllen will pay Illinois city \$35M

Dixon, Ill., had sued CliftonLarsonAllen for not discovering a long-running embezzlement scam by the city's former comptroller.

- “It’s shocking. It’s negligence,” said Devon Bruce, the attorney for the city. He added, “After 20 years, the irony is that it wasn’t college-trained accountants that caught this \$53 million embezzlement, it was the city clerk.”
- Taken from Minneapolis Star Tribune: <http://www.startribune.com/minneapolis-accounting-firm-cliftonlarsonallen-will-pay-illinois-city-35m/226068071/>

It's Not Just What You Have on Paper



Las Vegas Conference

- GSA Western Regions Conference
 - Interim Report
 - Unusual but necessary in light of the seriousness.
 - Stopping the spending
 - Stopping the travel
- Meeting with RA
- Telling the Deputy Administrator

Western Regions Conference

OIG found:

- Excessive, wasteful, and impermissible expenditures.
- GSA followed neither federal procurement laws nor its own policy on conference spending in many instances.



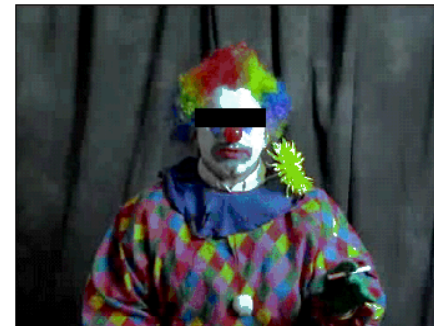
Office of Investigations
Office of Inspector General
U.S. General Services Administration

Management Deficiency Report:
General Services Administration
Public Buildings Service

2010 WESTERN REGIONS CONFERENCE

April 2, 2012

Phase	Description	Costs
Pre-Conference	Travel, Catering, Vendors, and Other Hotel Costs	\$136,504
Conference	Travel, Catering, and Vendors	\$686,247
TOTAL		\$822,751



Conference Planning



CAESARS
PALACE
LAS VEGAS




Marriott

March '09	Five GSA employees conducted a “scouting trip” to visit nine Las Vegas-area hotels.
March '09	Fifteen GSA employees returned to visit two of the nine hotels again, staying at the M Resort and the Ritz-Carlton.
August '09	Seven GSA employees stayed at the M Resort for a planning meeting.
November '09	A second WRC planning meeting, attended by 11 GSA employees, was held at the M Resort following Region 9’s leadership council meeting.
March '10	Sixteen GSA employees stayed at the M Resort again for a planning meeting.
June '10	Nine GSA employees attended another planning meeting, this one at a Marriott Hotel in Denver, Colorado.
August '10	Twenty-one GSA employees attended a conference planning meeting at the M Resort.
October '10	Thirty-one GSA employees traveled to the M Resort for a “dry run” of the conference to be held later that month.



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LAS VEGAS

- **\$130,000 to plan the conference**
 - **\$100,405 in employee travel costs**
 - **\$30,000 for “scouting trip” pre planning meetings, and dry run**
- **\$57.72 lunches and \$48.80 breakfasts**

Improper Contracting



GSA has several event planners,
2 for this event



GSA told vendor how much
contract would be, GSA's
maximum price



GSA shared bid information

Excessive Spending on Food

Food and Beverage Catering	Costs
Light Refreshments and Breakfast Buffets	\$ 79,511
In-Room Parties	\$ 5,600
Networking Reception	\$ 31,208
Cocktail Reception and Award Dinner	\$ 30,208
TOTAL	\$146,527



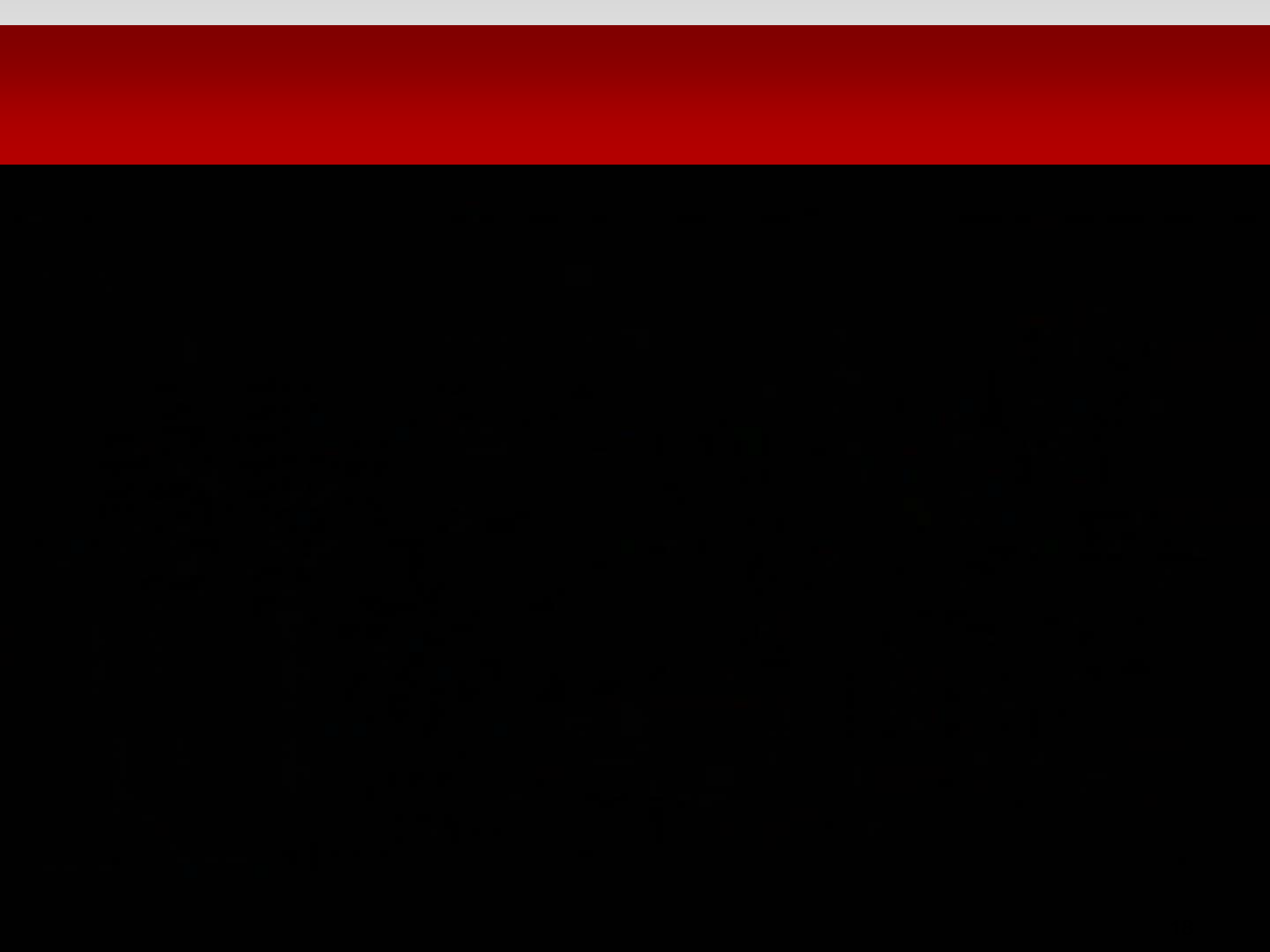
Other Impermissible and Questionable Expenses



\$6,325

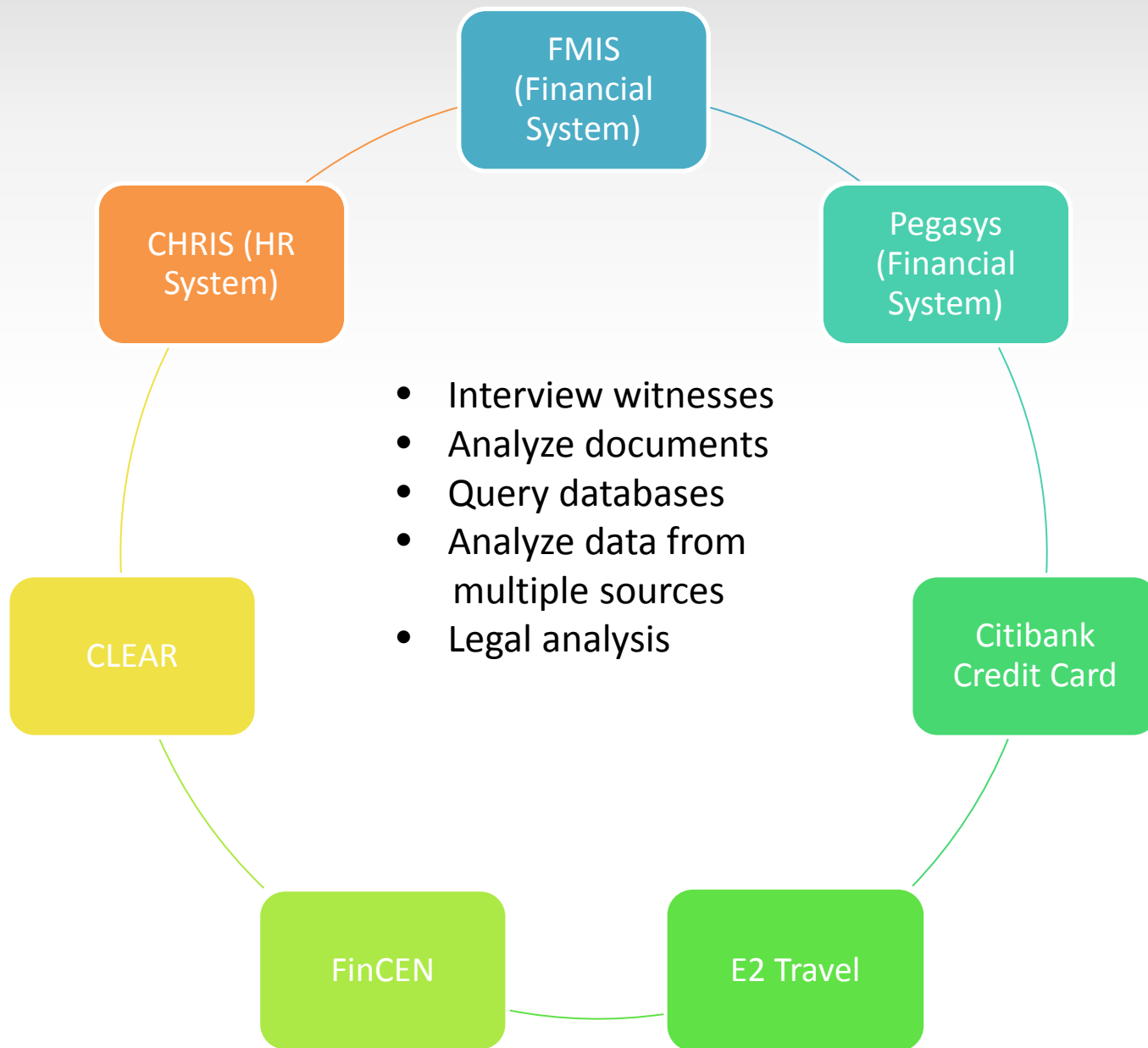












On Nov 29, 2011, at 11:11 AM, [REDACTED] wrote:

"Its yo birfday We gonna pawty like iz yo birfday!"

All sounds good. Need to check date line. . . . Do we gain or lose a day going to Guam? If so we will have to adjust sked. ●

On Nov 29, 2011 9:43 AM, "Jeffrey Neely (9P)" [REDACTED] wrote:

rough schedule per our conversation. guess this'll be your birfdy present?

----- Forwarded message -----

From: Jeffrey Neely (9P)

Date: Tue, Nov 29, 2011 at 9:41 AM

Subject: Guam and Saipan Visit

To:

Here's a rough idea of what I'm thinking. We've now heard from the judge who is available in Feb (except for week of Feb 12).

So we head to Hawaii. I'll probably go over on Saturday Feb 4. I will work in Honolulu on Monday Feb 5.

Head to Guam on Tues.

Wednesday in Guam.

Thursday to Saipan.

Friday Feb 10 leave saipan.

That gives us a couple of days each on Guam and Saipan.

I hope this allow you to better target your trip and we'll also have some options as to when we see the judge in Saipan.

Are you both good with this tentative schedule?

Jeffrey E. Neely
Regional Commissioner, PBS, GSA
Pacific Rim Region (9A)

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THE STEVEN SEAGAL SHOW



Top GSA official tried to hide report on Vegas bash

Wanted to avoid 'muffin' scandal


COMMENTS (85)  SIZE: + / -  PRINT



By Jim McElhatton - The Washington Times

Tuesday, June 5, 2012



Enlarge Photo 

Some of the hundreds of snapshots posted on an internal GSA website ... [more >](#)

A top administrator at the [General Services Administration](#) who worked on President Obama's presidential transition team sought to keep secret the agency report that uncovered massive waste at a lavish taxpayer-funded [GSA](#) conference in Las Vegas, records show.

The 2010 conference, which cost \$823,000 and featured a mind-reader, clowns, magicians and a red-carpet party, forced the ouster of several top [GSA](#) officials after the agency's [Office of Inspector General](#) released its findings in April.

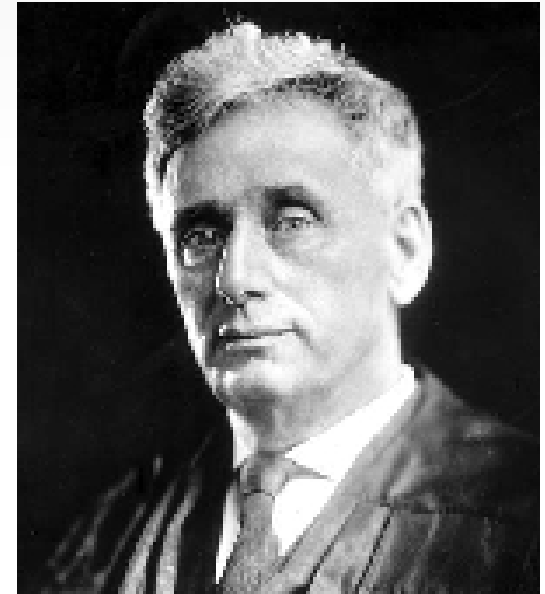


Is there something we can do to prevent another potentially embarrassing episode from unfolding, and keep this report from being made public?



“Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.”

- Justice Louis D. Brandeis



GSA chief resigns amid reports of excessive spending

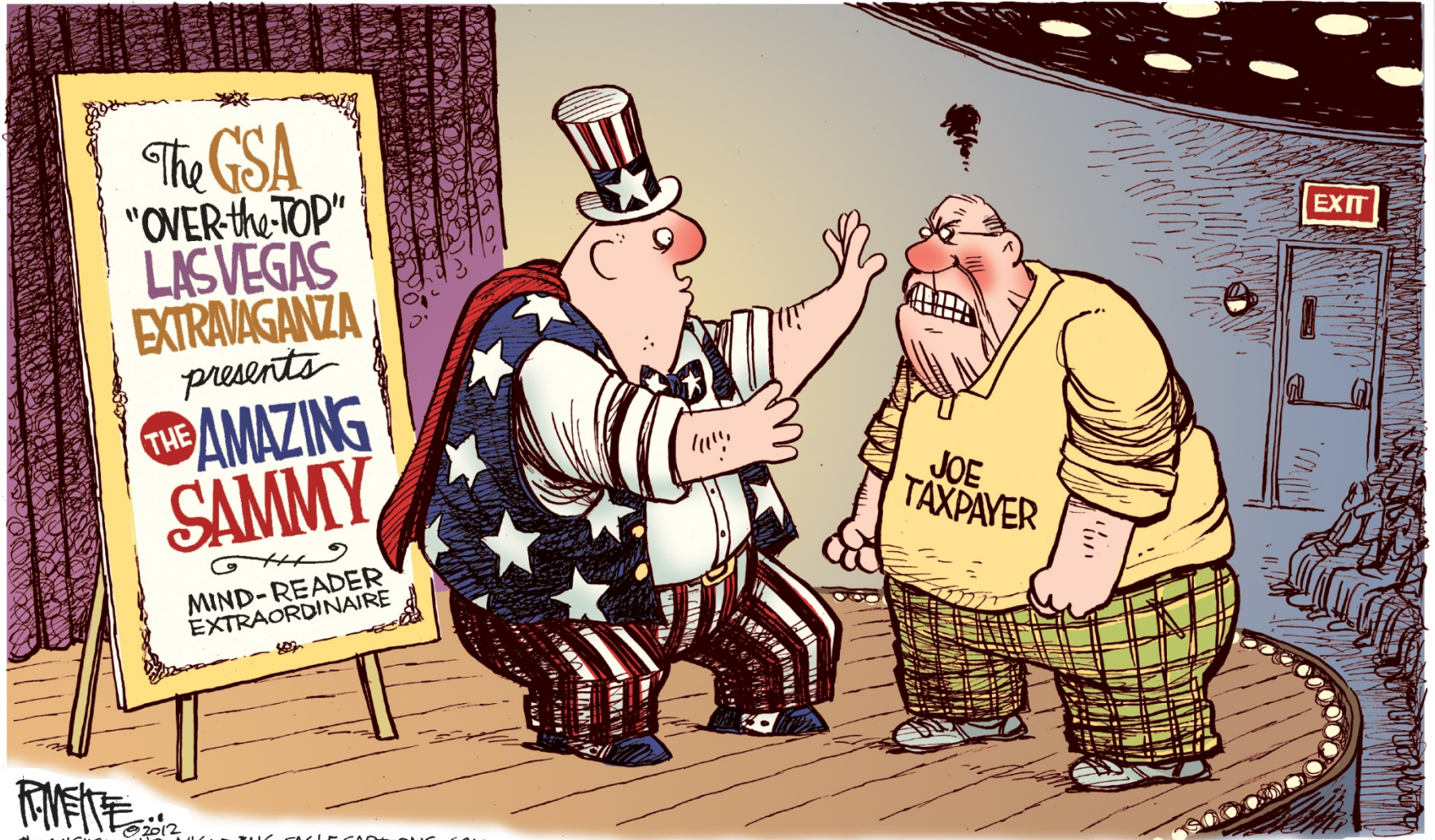
By [Lisa Rein](#) and [Joe Davidson](#), Published: April 2

The chief of the General Services Administration resigned, two of her top deputies were fired and four managers were placed on leave Monday amid reports of lavish spending at a conference off the Las Vegas Strip that featured a clown, a mind reader and a \$31,208 reception.

Administrator [Martha N. Johnson](#), in her resignation letter, acknowledged a “significant misstep” at the agency that manages real estate for the federal government. “Taxpayer dollars were squandered,” she wrote. At the start of her tenure in February 2010 she called ethics “a big issue for me.”

Public Buildings Service chief [Robert A. Peck](#), a fixture in the Washington area real estate community on his second stint running the department, was forced out, along with Johnson’s top adviser, Stephen Leeds. Four GSA managers who organized the four-day conference in October 2010 have been placed on administrative leave, officials said.

The leadership collapse came hours before [GSA Inspector General Brian D. Miller released a scathing report](#) on the \$823,000 training conference, held for 300 West Coast employees at the M Resort and Casino, an opulent hotel in Henderson, Nev., just south of Las Vegas. From \$130,000 in travel expenses for six scouting trips to a \$2,000 party in Peck’s loft suite, event planners violated federal limits on conference spending.



"YOU ARE FEELING VERY, VERY...UM...DON'T TELL ME...I CAN GET THIS..."

R. JOE

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GSA is achieving greater efficiencies and more savings as a result of GSA OIG's work.

GSA Saves More Than \$11 Million in Initial Travel and Conference Reforms

August 27, 2012

WASHINGTON — Today, the U.S. General Services Administration announced that the agency is projected to save more than \$11 million in taxpayer dollars through an initial set of policies implemented in April 2012 by the new head of the agency, Dan Tangherlini, to cut travel and conference costs. A financial audit showed that since April 2012 and through the rest of the fiscal year, more than \$11 million has been saved in meetings, conferences, trainings and travel costs. This is just one step in the ongoing top to bottom review of all agency operations.

"Four months ago we began a rigorous top to bottom review of all agency operations. We've made significant cuts in travel and conference spending and these savings are just the beginning," said GSA Acting Administrator Tangherlini. "We are deepening our commitment to promoting efficiency, driving steeper bargains, delivering better value, and creating greater opportunities for savings here at GSA and across the government."

To date, GSA has cancelled 47 conferences and implemented strong oversight to ensure that all travel and events are limited to necessary and essential functions. Tangherlini has consolidated oversight of conference and travel expenses in the new Office of Administrative Services.

Recently, Tangherlini also cut \$500,000 in executive bonuses and instituted a hiring freeze across the agency through the end of the fiscal year while his review of all agency operations is underway.

The new leadership at GSA will continue to make changes to make the agency more accountable, transparent, and efficient as part of the ongoing top to bottom review.

Last Reviewed 08/27/2012

Three Ways to Avoid a Scandal

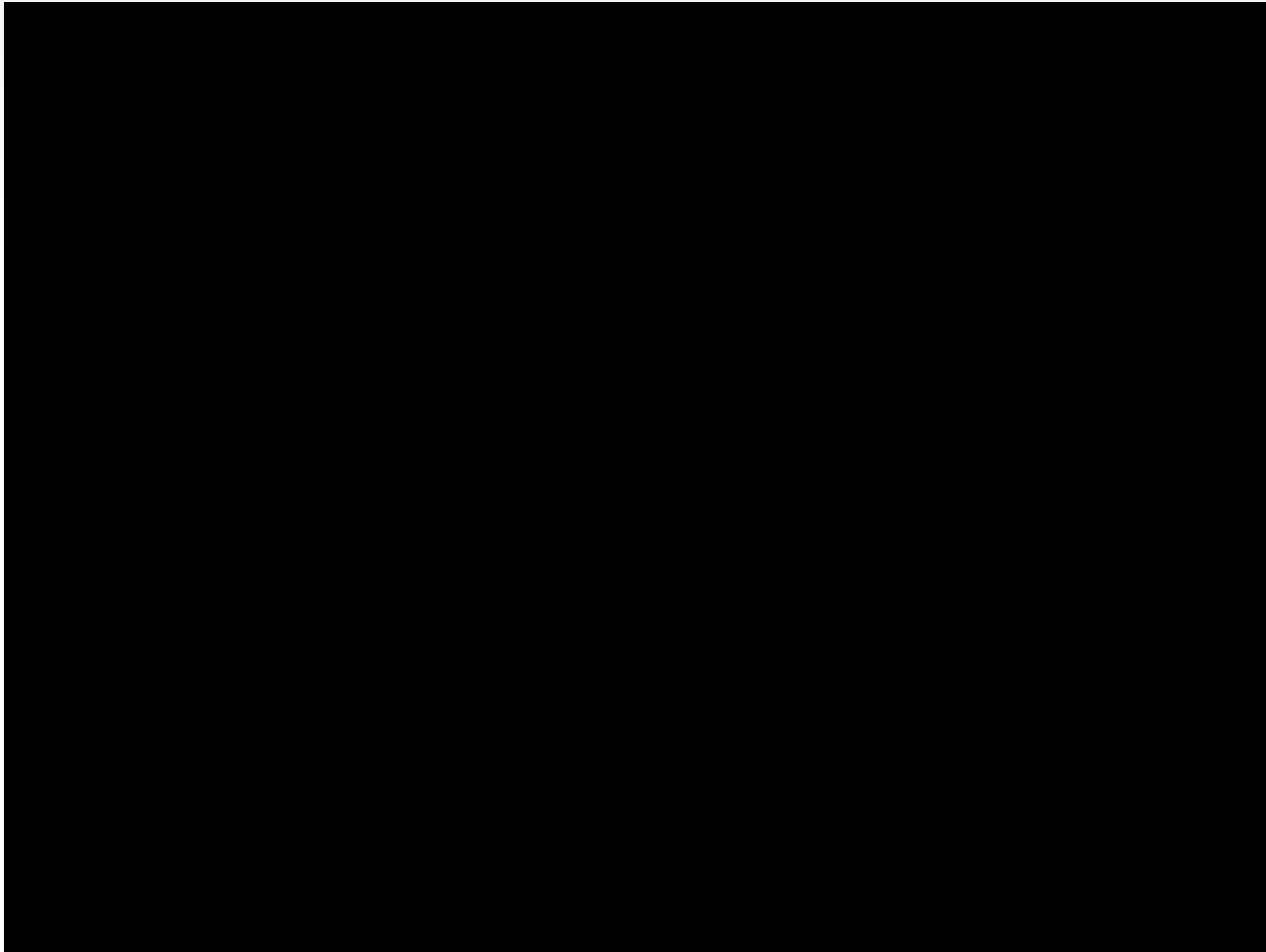
- Create a culture of integrity and adherence to the rules.
 - Don't cut corners.
- Acknowledge problems and admit mistakes.
 - Don't make excuses.
- Support oversight and accountability.
 - Don't rap about never being under OIG investigation.



"I'll never be under OIG investigation."

Federal IGs

- Find issues and hold agency officials accountable.
- Rules and regulations do matter.
- Sometimes agency officials do not agree and have difficulty admitting mistakes and accepting responsibility.
- “Sense of legal culpability.”



Alert Report on Bannister

- Letter from the (Missouri) Dept. of Natural Resources (DNR) warning of serious environmental risks---not produced.
- Not produced to local media in FOIA docs.
- Environmental engineers in charge of managing environment risks referred for 1001 & obstruction.
- Town hall meetings.

A woman with short brown hair, wearing a black turtleneck and a dark blazer, is speaking at a podium. A microphone is in front of her. To her left is a bottle of water and a glass. In the background, other people are visible but out of focus. A red bar is at the top of the image.

Homeland Security and
Governmental Affairs Subcmte.
SD-342

MARY RU

Fraud



“There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.”

-Benjamin Franklin



"..I can only be as unhelpful as time permits..."



Thank You!

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