

## ***“Following the Money”***

2/7/2008

### Tonight's Subjects !

- “Milt Johns & His Statistics!”
- “Review of Audits”

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1

### **Milt Johns**

1/18/8 TV 6 Interview

### **Cheryl Walker**

1/21/8 OC Register Article

PCM Statistics!

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2

## ***How Many People Were Included in the Numbers?***

- **MJ When Interviewed by Rob Merritt**
  - 150-200 people, face to face, letters, emails, telephone calls, etc.
- **OC Register Article**
  - 96 people Face to Face
  - 76 people via other means
    - Total of 176 people

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3

## ***Reference to Percentages***

Source	Positive	Neutral	Negative	Total
1 <sup>st</sup> Ref. 3:66 m:ss	40%	25%	20%	85%
2 <sup>nd</sup> Ref. 5:20 m:ss	40%	20%	35%	95%
OC Reg	43%	35%	22%	100%

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4

## ***Reference to Percentages***

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OC Reg	43%	35%	22%	100%

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5

## ***Why the Differences in the Percentages?***

- Nervous speaking in front of TV Audience!
- Didn't have enough time to prepare for TV Interview!
- Who Cares! No one would notice!

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6

## ***Conclusion!***

- Give PCM at least three chances to come up with the right answer.

# Review of Audits

C. Grundke

## ***Type of Audit Overview***

- Yearly audit.
- Operational/Organizational Audit.
- Forensic/Detailed Audit.

## ***Yearly Audit***

- Performed by KPMG to verify that we comply with Government Regulations. It does not verify the input data. Basically verifies the output only.
- Just like verifying that your hand calculator equals 4 when you add  $2 + 2$ .

## ***Operational/Organizational Audit***

- Understand the responsibilities and risks faced by an auditable department, unit or process, i.e.; Maintenance, MIS, etc.
- Assess the level of control exercised by management.
- ***Effectiveness and efficiency of operations .***
- Safeguarding of assets.

## ***Forensic/Detailed Audit***

“Forensic” auditing could be defined as the application of auditing skills to situations that have legal consequences.

For us, we would more appropriately require a “Detailed” audit.

# ***FRAUDULENT CLAIMS***

*Presented by:*

John B. Richardson III, CPA, CFE

PO Box 26

Gibson Island, MD 21056

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Tel: (410) 255-5162

Fax: (410) 360-6296

E-Mail: [jbrcpa3@comcast.net](mailto:jbrcpa3@comcast.net)

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13

# ***FRAUDULENT CLAIMS***

## **Common Types of Fraud Claims**

**What is Fraud?**

**Methods of Prevention**

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14

## ***What is Fraud?***

“... all multifarious means which human ingenuity can devise, and which are resorted to by one individual to get advantage of over another by false suggestions or suppression of the truth. It includes all surprise, trick, cunning or dissembling, and any unfair way by which another is cheated.”

## ***Fraud Categories***

- Misrepresentation of Material Facts
- Concealment of Material Facts
- Bribery
- Conflicts of Interest
- Theft of Money or property
- Theft of Trade Secrets/Intellectual Property
- Breach of Fiduciary Duty

## ***Misrepresentation of Material Facts***

- A Material False Statement
- Knowledge of its Falsity
- Reliance on the False Statement
- Damages Suffered

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17

## ***Difficulty of Determining Fraud***

In every good Fraud there is an:

***-- Element of Truth --***

I.E.; “We are within the Budget!”

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18

## ***Common Types of Fraud Claims***

Left to the Imagination

of the

Actors Involved!

## ***Common Types of Fraud Claims***

- Fictitious costs
- Non-allowable costs
- Non-allocable costs
- False documentation
- Inflated costs
- Duplicate costs

## ***Common Types of Fraud Claims***

- Erroneous methodology
- Conflicts of interest
- Conspiracy
- Bid rigging
- Related party transactions

## ***Detection/Prevention Techniques***

### **Contractual Provisions**

- Cost definitions
- Cost measurement framework
- Access to books and records
- Audit Provision
- Audit as an entitlement

## ***Detection/Prevention Techniques***

### **Project Procedure**

- Timely cost variance reporting and variance resolution.
- Question and resolve issues on a monthly basis.
- Body of knowledge to measure/report costs.
- Adequately staff the job accounting.
- Strong project controls.

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23

## ***Past Audits***

- Yearly audit by KPMG.
- Corbin & Wertz MIS audit in 2000.
- Ernst & Young audit in 1997.
- Science Management Corporation Internal audit in 1991.

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24

**THE END**

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25