A Boss’s Nightmare: $6 M Stolen In Plain Sight

Part 1
A Really Bad Day

My Star Employee Stole Millions
P-Card Fraud is Rare

• RPMG 2017 Benchmark study findings:
  - .016% P-Card rate of fraud/misuse as a payment method.
  - 78% of Fraud was associated with only 1% of the respondents.
• No way to become a one-percenter 😊
Association of Certified Fraud Examiners (ACFE) Relevant Statistics

• 2018 ACFE Report to the Nations
• Internal Control Weaknesses were responsible for nearly half of frauds (2,690 cases total)
• Tips are the most common detection method (46%). Over half of tips come from employees
• 85% of fraudsters displayed at least one red flag
Fraud Triangle
What’s the Story?

• Background
• What Happened and How
• Outcomes
Western Water

• 1,100 Employees
• Purchasing in Services Division (400+)
• 15 +/- in Purchasing
• My tenure and role
Purchasing Team

- 1 Manager
- 2 Supervisors (My role 2003-2011)
- 4 Purchasing Analysts & 1 Systems Analyst
- 3 Purchasing Technicians
- 3 Purchasing Assistants
Success Stories – Work Hard

1 Supervisory Award
3 Employee Excellence Awards

6 Promotions
Community Recognition
Play Hard

- Monthly Team Lunches
- Monday “Weekend” recap
- Celebrations
- Shared losses
Rose’s Story

• Hired in 2001
• Promotion 2004 – Purchasing
• Gained trust and responsibility
  - Team Player, High Productivity
  - Funny, Engaging, Smart
  - Mentored, Well Liked, Trusted
Opportunity – A Perfect Storm

- Promoted again in 2007
- Warehouse Buyer
  - Frequent meetings/visits
- Assigned to manage Office Supplies
  - Access to various accounts
  - Desktop Delivery
- P-Card implementation team
Lifestyle Changes - Excess

- Designer Bags
- Restaurant Meals
- New House, Pool
- Boat, Jet Skis
- RV, Quads
- Vacations/Trips
- Using Furlough
Red Flags and Rationalization

- Two Incomes, No Kids
- Probably in Debt
- Husband’s business
- Furlough is encouraged
Behind the Scenes – Act One

Employee placed Orders for Toner Cartridges

Arranged for Desktop delivery to her office

Relabeled with Partner’s Information

Dropped Off at Agency Warehouse
Behind the Scenes – Act Two

Goods Sold on aftermarket
Cash went into Rose’s Paypal Accounts
Used G/L Accounts from terminated employees
Finance Authorized P-Card Increases via Email
Discovery – December 2015

Colleague Noticed a Discrepancy
• Rose Resigns
• Internal Investigation begins
• Rose is hired at another agency
Investigation Escalates

• FBI Findings:
  - Est. $6.7 M Stolen
  - Est. $2.3 M Personal Gain
  - Mail Fraud

• IRS
  - Tax Evasion
Outcomes

• Top Management Changes
• Investigation Concludes:
  - Indictment July 2016
  - Sentencing January 2019
  - Rose reported to Federal Prison April 2019
Updated Controls

- Faster Deactivation of Accounts
- Transparent expenditure reports
  - Purchasing, Intranet, Managers
- Centralized Delivery to Warehouse
- Financial review of statements
  - New A/P report comparing orders to invoices
  - Review of charging accounts
Suggested Controls

• Require more than one level of approval for spend or P-Card authorization increases
• Don’t allow personal mail/packages
• Monitor Budget to line item level
• Require receipts for remote deliveries
• Category Spend Analysis
Revamp Culture

- Create a Culture Where It’s Ok to Question
- Add Fraud Training and internal audit
- Provide a safe zone or hotline
- Empower but stay involved
- Repeat training
Self Awareness

• Trust your instincts
• Seek objectivity
• Recognize your bias
And Remember

“When you look at someone through rose colored glasses, the red flags just look like flags”

Wanda Pierce (Lisa Kudrow) BoJack Horseman, Season 2
Part 1 – Q & A

- Please post your questions in the Chat Box.
- 3 Minute Pause
Part 2 – Finding Confidence and Leading Through Crisis
Overview

• How to Regain Confidence after a Setback
• From the Ground Up
• Hurricane Irma Response
• Covid Challenges and Successes
Poll

• How many of you have had a professional setback – something that caused you to lose confidence or momentum?

• Yes/No
Rebuild Your Confidence

• PAST
• Revisit Successes
• Listen to Mentors
• Acceptance, Forgiveness, Analysis
• Find a Confidante – Let it Out, Let it Go
Rebuild Your Confidence

• PRESENT -
• Back to Basics – Dig In
• Take Breaks
• Seek Guidance
• Have a Word, Mantra, or a Song
• Create Positive Connections
• Fake it till you Make It – Keep Showing Up!
Rebuild Your Confidence

• FUTURE
• Learn Something New
• Always have something to look forward to
• Gratitude
• Pay it Forward
Tampa Bay Water Purchasing—From the Ground UP

- Policies, Procedures, Goals
- Train and Develop Staff
- Advertise and Measure
- Road Show
- Be Fearless – Speak Truth to Power
From the Ground UP UP UP UP
-
Look at Us Now

- 3 Years to 100% Certification
- Over 3.5 Million in Cost Savings
- Successful Business cases for 2 new hires
- Successful CIP case for a new warehouse
- 2 Promotions
- One Employee of the Year
- One NIGP Leader – Mentorship Article
Hurricane Irma Sep. 2017
- Response and Lessons Learned

• P-Card Distribution
• Agreements, Training
• MCC Codes and Open Group
• PO Workbooks
• Warehouse Prep
• Lessons Learned - FEMA Updates to Manual
Covid Challenges and Success
- Doing the Job

• Poll
• How many were/are teleworking?
Poll
• How many found it harder to do our jobs during Covid-19?
Covid Challenges and Success - Doing the Job

- Seamless Transition to Telework **
- Equipment
- Policy and Forms
- Structure
Covid Challenges and Success
- Doing the Job

• Creative Procurement
• Flexibility not Chaos
• Availability
• Communication
• Continue to Advertise

Let’s see in the chat some creative procurements during Covid. Pause 30 sec.
Covid Challenges and Success
- Team Cohesion and Morale

- Daily Check In and Topics
- Relevant Conversations
- Safe Space
- Structure and Expectations
- Lunch for Essentials On-Site weekly
Covid Challenges and Success
- Leaders in Adaptation and New Processes

- Purchase Order Signatures **
- Doc Origin Software/PO Form Upgrade **
- Granicus – New Board Agenda Software **
- Electronic Bid and RFP Submittals *
- Electronic Distribution of Contracts *
- Sole Source Routing and Approval **
Covid Challenges and Success
- New Processes

• Selection Committee Meetings
• Proponent Presentations
• P-Card Remote Training and Delivery **
• P-Card Exceptions/Limits and Addresses
• 4 Different Director/Staff Compliments
  “Purchasing is getting it done remotely”
Covid Challenges and Success - Final Thoughts?

- Any Questions?
- Does anyone want to share a big challenge they faced?
- Or share an innovation or a tip?
THANK YOU!

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