

*Fighting & Finding Fraud....*

*...A 24 hour Responsibility!!*

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# Petaluma Man Sentenced for Airline Fraud

A 73-year-old Petaluma man who received more than \$1 million dollars in free tickets by convincing several airlines he was covertly booking secret government agents on their flights was sentenced yesterday to a year in San Mateo County jail.

Prosecutors estimate that [REDACTED] defrauded six airlines out of \$1.53 million over 10 years with an elaborate tale that by design could not be verified.

"I know what the airlines wanted to hear," [REDACTED] told investigators after his scheme was uncovered. "I was in need of services and had no money."

So [REDACTED] concocted a story in which he told American, Hawaiian, Continental, Northwest and other airlines that his company booked secret government agencies on commercial flights.

Beginning in 1987, [REDACTED] told airlines that covert operatives from the Central Intelligence Agency, Navy and other government agencies were flying on

tickets paid for with cash. For arranging the travel for himself and relatives and for "people to whom he owed money, such as his dentist, repairmen and cosmetologist," court records show.

As early as 1998, the FBI looked into [REDACTED]'s dealings with the airlines, but they found no firm evidence of fraud. None of the airlines then involved wanted to end the relationship with [REDACTED]'s bogus firm, which was allegedly based at San Francisco International Airport, according to court records.

The scheme unraveled when officials from several airlines questioned the dealings in 1996.

[REDACTED] pleaded no contest to one felony count of obtaining money, labor or property under false pretenses and one felony count of grand theft.

San Mateo County Superior Court Judge Robert Foiles sentenced [REDACTED] to a year in jail, followed by five years of supervised probation and to pay \$507,170 in restitution. He remains free on \$50,000 bond but was ordered to surrender Oct. 14.

# *Agenda*

**Fraud Paradigm**

**Fraud Examples**

**Investigations**

**Education & Training**

**Questions and Answers**

# Fraud Paradigm



**“Fraud and falsehood only dread examination. Truth invites it.”—*Samuel Johnson*  
(English Author)**

# Employee Fraud

Increased Exposures

Increased Uncertainty

Increased Anxiety

Expense  
Reports

Payroll

Company  
Assets

Benefits  
Abuse



# Payroll Abuse



Overtime Verification



Compensation/Bonuses



Stolen time (running businesses from the office)



# Company Assets

## Travel Related Items

Tickets  
Certificates



## Operational Items



Parts  
Supplies  
Vehicles



## Administrative Items



Computers  
Cell  
Phones  
IPads



# *Benefits Abuse*



Medical Claims



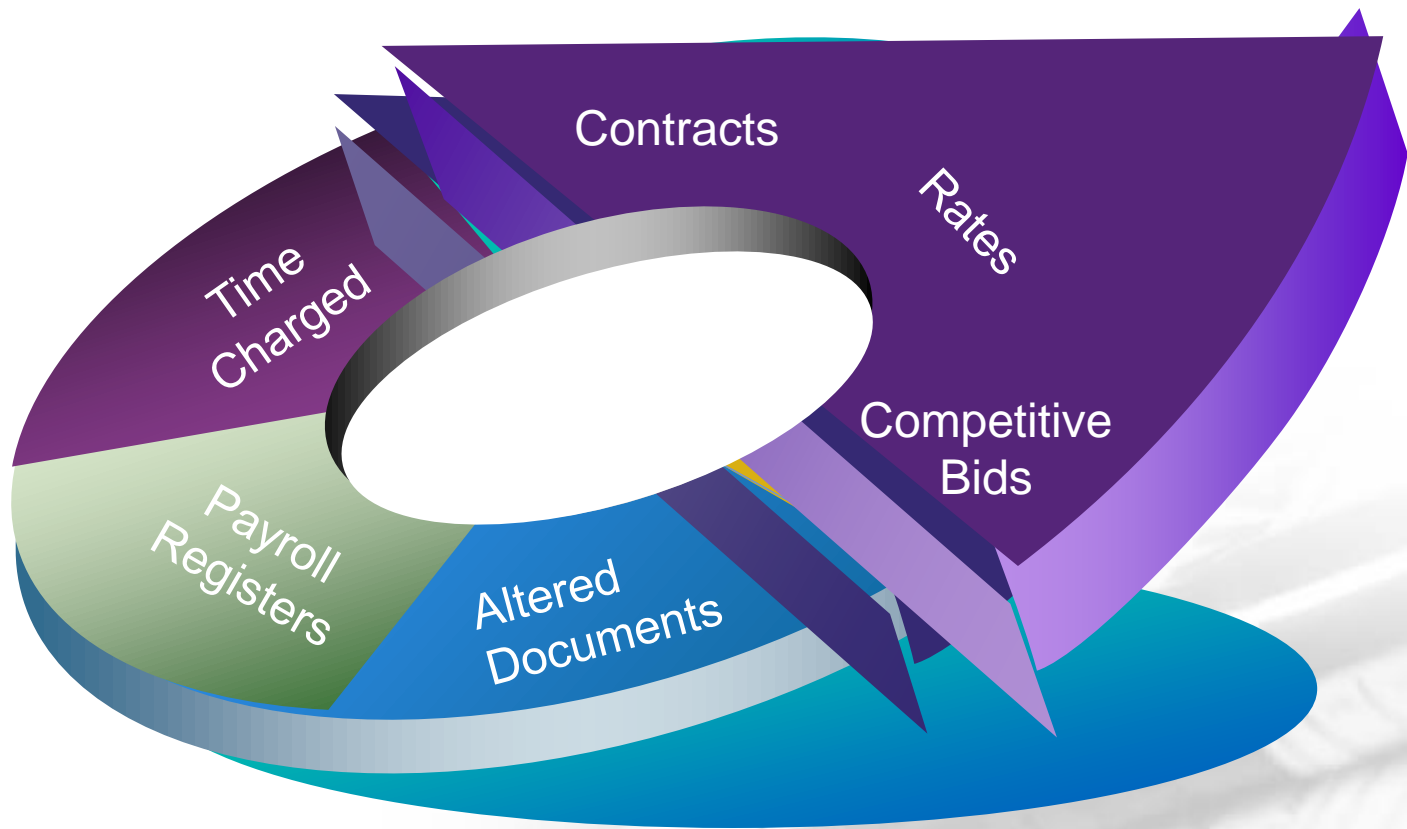
Pension Benefits



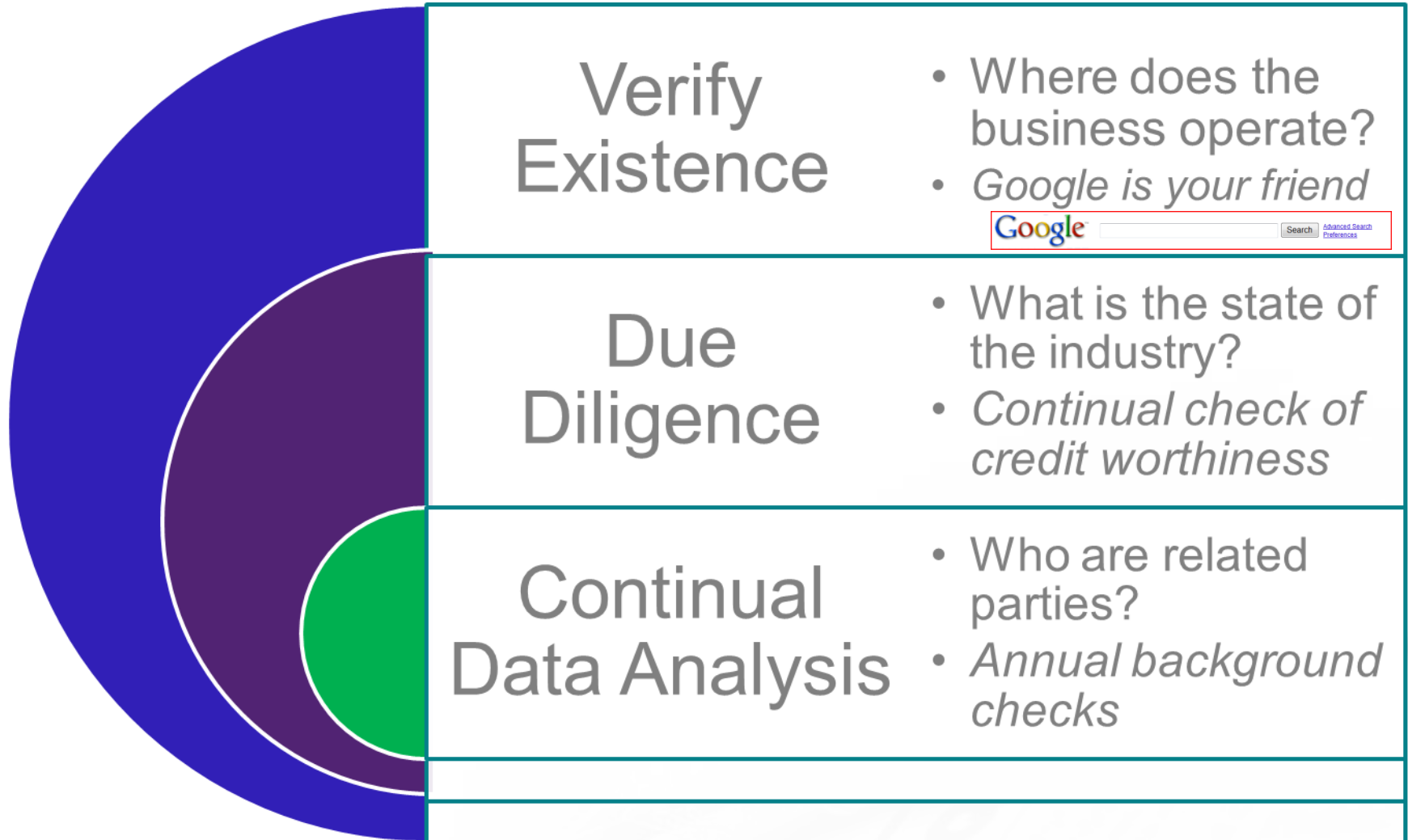
Dependent  
Eligibility



# *Contractor/ Vendor/Supplier Fraud*



# Contractor/Vendor/Supplier Fraud



# *Fraud Indicators*

- Executive received first class international travel for sponsorship activities with the company
- Government official received first class international travel for economic mission trip
- Employee mother received first class domestic trip for winning raffle drawing
- Which is most likely fraud indicator... and why?

# *Fraud Indicators*

- Customer receives compensation for lost bag for 9<sup>th</sup> time this quarter.
- Customer received compensation for complaint for poor customer service for 6<sup>th</sup> time this quarter
- Customer receives compensation for oversold flight for 7<sup>th</sup> time this quarter

# Customers

Questionable  
Travel

Improper  
Claims

Credit  
Worthy

Technology  
Intrusions

# *Investigations*

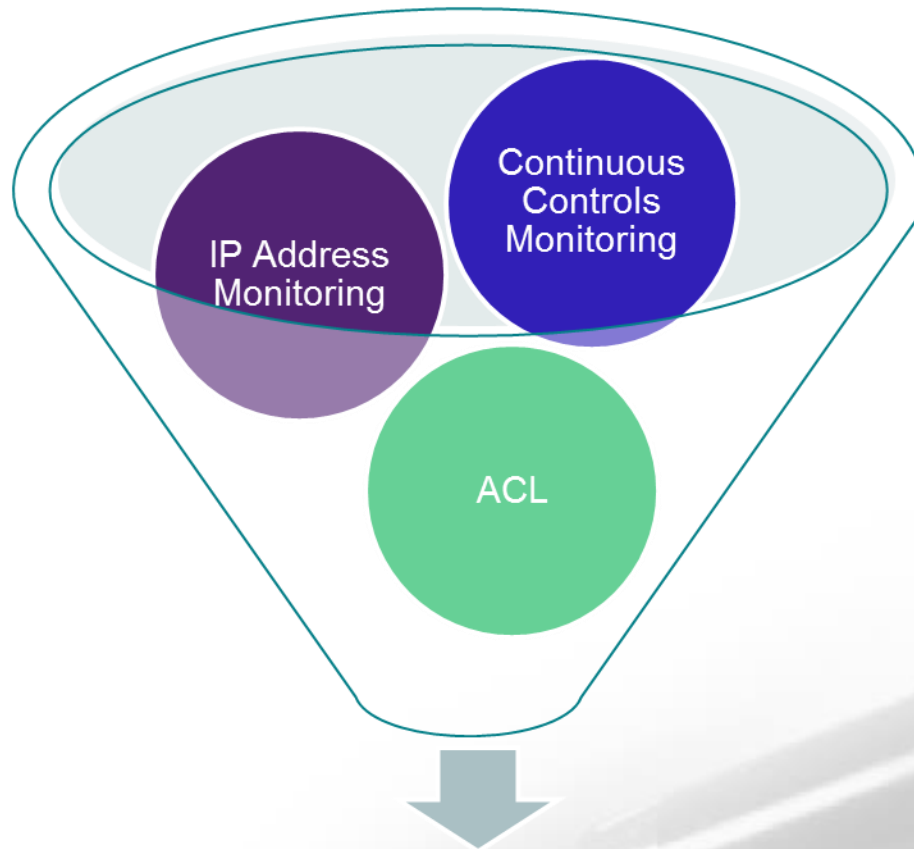
Data Mining

Monitoring

Interviewing



# *Data Mining*



Perform Detail Analysis—Look for Anomalies

# Monitor Electronic Data

*Physical  
Presence*

*Virtual  
Presence*

Office Building  
Access

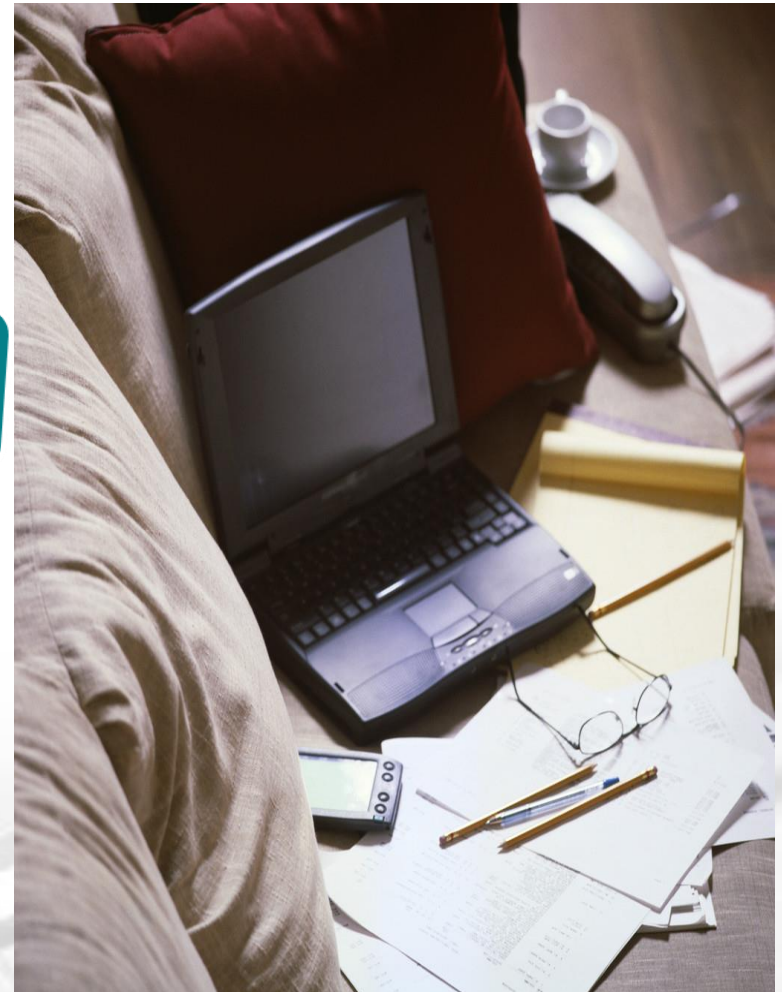
Parking  
Garage Access

Computer  
Logins

Phone Usage

Text  
Messages

Is the “evidence” in balance with the “story”?



# *Interview Techniques*

**Do Your Homework**

Always try to  
know the

answer to  
the interview  
question  
before you  
enter the

interview  
room.

**Have A Witness**

To protect  
yourself and  
the accused,  
have an  
independent  
party to  
corroborate  
what is said  
and ensure

objectivity is  
maintained.

**Use Tools Allowed by Law**

Use tape  
recorders/  
camcorders,  
etc., when  
permitted by  
interviewee,  
or permitted  
by law.

# Interview Don'ts

DO NOT

Even if you know the right answer, do not tell the interviewer that you know the right answer. You must let them build their story until they have no where to hide. You are an auditor not law enforcement!

An honest person will always get to the right answer; a dishonest person "knows" the real answer, but will try to conceal the story.

Accuse

Let them build their story until they have no where to hide. You are an auditor not law enforcement!

Lose Your Cool

This is a business and objectivity is the key.

As an auditor, you are after the facts; deals are for other parties to do.

# *Continual Education & Training*



# *Fraud cases*

- Grandma never lies...
- Absence makes the heart grow fonder..
- In Texas, we call that “grand larceny”
- Bank accounts in heaven?
- I just called to say “hello”
- And a boy named “Sue”





# Questions & Answers

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