

ETHICS AND CONTROLS

**Understanding and mitigating Risk and Preventing
Fraud**

**A Team Effort: Audit/OC/Law Enforcement
The Galveston district team
AUGUST 2017**

USACE- Galveston

Speakers:

**Office of Counsel- Clark Bartee, Attorney, CFE
CESWG-IR- Bert Hervey, CPA, CFE**

With Special Guests



BUILDING STRONG®

WHAT IS YOUR NUMBER?

- HOW MUCH OVER THE SPEED LIMIT DO YOU GO?
- SPEED LIMITS ARE SET FOR SAFETY OR FOR FUEL ECONOMY?

Risk assessment: HOW FAST WILL YOU GO AND NOT BE TICKETED OR HOW MUCH RISK WILL YOU TAKE?

- ▶ 5 MPH OVER OR 9 MPH OVER?
- ▶ IS IT STRICTLY BREAKING THE LAW?
- ▶ OR IS IT WHAT WE BELIEVE we can get away with?



FRAUD

■ Definition

- Any intentional deception designed to deprive the United States unlawfully of something of value or to secure from the United States for an individual a benefit, privilege, allowance, or consideration to which he or she is not entitled.
- Such practices include, but are not limited to:
 - the offer, payment, or acceptance of bribes or gratuities
 - making false statements
 - submitting false claims
 - falsifying records and books of accounts
 - arranging for secret profits, kickbacks, or commissions
 - conflicts of interest
 - unauthorized disclosure of official information relating to procurement



– Effective Internal Controls-

- Effective controls that are in place and working
 - ▶ **Strong control environment – Proactive tone at the top**
 - IR/DCAA/CID/AAA auditor on the ground
 - CID referrals – potential fraud
 - Limiting total coverage – to high risk areas
 - ▷ Requiring internal control tests
 - ▷ using before and after pictures plus other evidence
 - Questioning contractor labor – Department of Labor Investigation
 - Billing reviews with testing – correction and criminal referrals
 - Resolving billing errors before processing contractor payments
 - Changing district risk culture – status quo no longer acceptable



FRAUD CAUSES:

- Lost resources
- Decreased productivity
- Lowered morale
- Decreased trust
- Investments of time and money into investigations
- Damaged Reputation



Overcharging Blue Roof During Hurricane Ike Disasters Assistance Operations

Examples from Blue Roof Operations Hurricane Ike

- ROEs signed by QC & QA certifying final quantity installed vs audit results



ROE 1110293 Final Qty 3263 SF **Audit Qty 0 SF**



ROE 1124933 Final Qty 2543 SF **Audit Qty 455 SF**



ROE 1102324 Final Qty 2203 SF **Audit Qty 270 SF**



ROE 1113592 Final Qty 1857 SF **Audit Qty 544 SF**



Overcharging Debris Issues Alabama Tornadoes Disasters Assistance Operations

Examples from Debris Operations Alabama Tornadoes Spring 2011

- Ineligible debris from logging/land clearing being collected by contractor on ROW

17 July 2011 – Ineligible Debris Being Removed by the the Corp's Contractor off ROW HWY 117, Jackson County



17 July 2011 – HWY 117 ROW After Debris Had Been Cleared from ROW



IR/DCAA researched the Automated Debris Management System (ADMS) identifying 75 loads of ineligible debris, totaling 1828 cubic yards, that had been removed from the site. Details of this issue and estimated questioned costs were reported to the Debris Mission Manager and Contracting Officer for resolution with the contractor.



ACTIONS- what to do...

Maintain situational awareness of risk and ethics violations leading to Fraud

Final Note: GAO has Special authority to issue “Cease and Desist” orders

email us if you have questions later:

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Special thanks to our Guests

