

**Fred Olivares, CPA/CFF, CFE,  
CAMS, PI**

**Talon Investigations**

**Fred Olivares, CPA/CFF, PLLC**

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**Fraud in the  
Workplace**

# Introduction

This presentation will  
cover:

- Background
- Payroll Fraud Case Studies
- Questions

# What are you up against? Who commits Fraud?

- Employed by organization: 65%
- Over 6 years at organization: 38%
- Acted in collusion: 62%
- Used weak internal controls to exploit: 61%

# How is Fraud Detected?

- Tips – 43%
- Internal Audit – 15%
- Management review – 12%
- By Accident – 5%
- Account Reconciliation – 4%
- Document Examination – 3%
- Notified by Law Enforcement – 2%
- Surveillance/Monitoring – 3%

# Types of Payroll Fraud

- Time Sheet Fraud
- Pay Rate Fraud
- Commission Fraud
- Ghost Employees
- Workers Compensation Fraud

# Enemies of Internal Controls

- Collusion
- Inadequate Supervision and Training
- Tone from the Top
- Lack/Non-support of Reporting Process
- Deviations from Implemented Controls
- Lack of Consistency in Addressing Violations of Internal Control

**“I found that the auditors of our accounting firm did not know how to ask the right questions, they did not know how to formulate the proper follow up questions and were often too trusting of the answers they received.”**

Sam Antar, former CFO of Crazy Eddie, Inc.

# Collusion/Commission Fraud

From: R [REDACTED]

To: k [REDACTED]

Sent: Wednesday, July 24, 2013 1:16 PM

Subject: Lease sales

k [REDACTED]

you wanted 365k for this next round of leases. i have them sold for 450k. You keep 385k. thats 20k over your asking price and then you write me the 65k extra as my commission. please let me know if this is ok

i am looking to finalize and wire, pending data from [REDACTED] to [REDACTED], tues/wed next week. i look forward to completing this deal and moving forward. As always, it is a pleasure doing business with you.

thank you

R [REDACTED]

you wanted 365k for this next round of leases. i have them sold for 450k. You keep 385k. thats 20k over your asking price and then you write me the 65k extra as my commission. please let me know if this is ok

# Ghost Employees

- CPS Solar Panel Farm
  - Project Manager for solar panel construction company
  - Solar Farm located in South San Antonio
  - Employees clocked-in using fingerprints
- Fraud
  - Project Manager created ghost employees using spare digits
  - Also employed his son in the scheme

# Ghost Employees (Cont.)

- Employees paid through Direct Deposit or debit cards
  - Project Manager created false identities for numerous Ghost Employees
  - Obtained debit cards which he used at various retail stores
  - Pled Guilty and Sentenced to Four years Probation

# Inadequate Supervision and Training

- Does employee supervision have these phrases?
  - “Don’t worry about it.”
  - “There’s a right way and my way.”
  - “You can get there faster doing this.”
  - “Nobody ever looks at this.”
- How is training viewed?
  - Are employees open to new procedures?

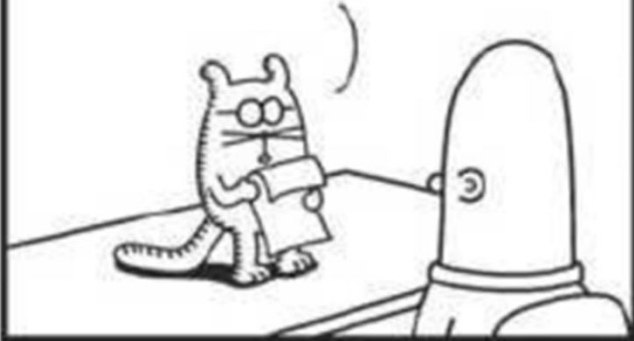
# Tone at the Top

- Is the Mission Statement hollow or supported?
  - Does the company culture support the Mission Statement?
  - What do employees think of the Mission Statement?
- Warning signs
  - Violations of the Mission Statement are overlooked
  - Adherence to the Mission Statement is ignored to achieve a goal(s)

# Tone at the Top

## DILBERT

I FINALLY WORKED THROUGH THE BACK-LOG OF EMPLOYEE BACKGROUND CHECKS.



DILBERT.COM @SCOTTADAMSAYS

IT TURNS OUT THAT ONE-THIRD OF OUR EMPLOYEES ARE CRIMINALS USING THE IDENTITIES OF THEIR VICTIMS.



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AND YET, PROFITS ARE AT AN ALL-TIME HIGH.

PHEW! I THOUGHT YOU WERE GOING TO SAY IT WAS A PROBLEM.



# Lack/Non-Support of Reporting Process

- Does the entity have a formal complaint process?
  - How are complaints handled?
  - Do employee's view the complaint process as empty?
- Warning signs
  - Complaints are ignored
  - Complaints about certain employees or departments are overlooked

# Payroll Fraud

- Manager of Trucking Company
  - Responsible for front office including payroll
  - Enlisted daughter, fiancé, and friends in scheme
  - 2017-2020 paid employees who she enlisted in the scheme and received a cut of the pay in return
  - Paid false employees total amounts from \$424,000 to \$30,000
  - Loss estimate \$1.4 million
  - Pled guilty and Sentenced to five years in prison

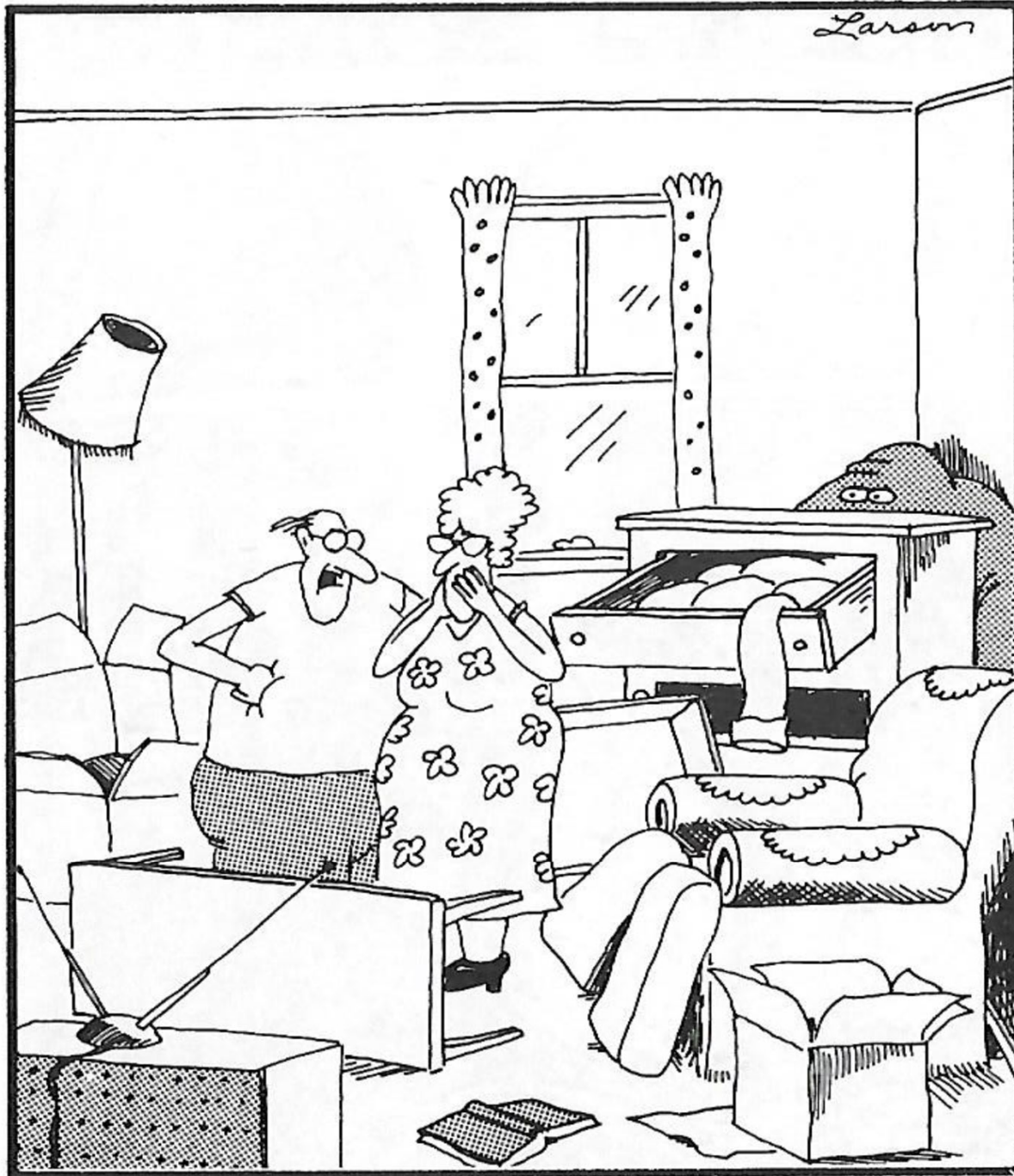
# Lack of Consistency in Addressing Violations of Internal Controls

- Does the person, or who they know, factor into how they are treated for a violation of internal controls?
- Does policy apply to management as it does to employees?
- Are policy violations communicated to employees?
- Do employees view enforcement policies as fair?

# Detecting Payroll Fraud

- Envision how you could bypass internal controls
- Ask questions
- Professional Skepticism

Larson



**"Now calm down, Barbara . . . We haven't looked everywhere yet, and an elephant can't hide forever."**

# References and Reading Material

- ACFE
  - Report to the Nations 2024
  - Antifraud Playbook
  - Why don't auditors find fraud?
  - Who's more susceptible to fraud?
- Journal of Accountancy
  - Answer Please: Fraud-Based Interviewing
- [Whitecollarfraud.com](http://Whitecollarfraud.com)
- KPMG
  - Global Profiles of the Fraudster
- AmegyBank website
- Gary Larson
- Scott Adams

# Questions?

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