Investigations and Auditing

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Objectives

The best investigations happen when auditors and investigators collaborate and share information. In this session participants will learn:

• How an investigations unit conducts interviews and interrogations
• How to identify critical red flags for fraud, waste, and abuse in local government
• Why it’s important for investigators and auditors to cultivate an interdependent relationship
City Charter Establishes Investigative Function

The city auditor and city auditor's office shall be charged with the following duties and responsibilities:

“To conduct performance and financial audits of all departments, offices, boards, activities, and agencies of the city in order to independently determine whether...indications of fraud, or abuse or illegal acts are present.”
Allegation Received

- Investigative team reviews allegations of fraud, waste, and abuse
- Allegations typically originate from ethics hotline or direct complaints
Allegation Review

• Review allegation
• Conduct a preliminary inquiry to determine whether to close, investigate, or if out-of-jurisdiction, refer to a more appropriate internal or external entity for review
Investigation Plan

If decision is made to investigate, develop and execute an iterative investigative plan tailored to complaint type
Investigations Procedures and Process
Conducting Investigative Interviews

Questions you should ask before the interview:
• What do you have to prove within the statute?
• What makes up the statute?
• Does the predicate offense require knowledge?
• Was the employee’s action a mistake?
• Do you have to prove the employee had intent?
Conducting Investigative Interviews

Remember to...
• Keep an Open Mind
• Ask Open-Ended Questions
• Start With the Easy Questions
• Keep Your Opinions to Yourself
Conducting Investigative Interviews

• Focus on the Facts
• Find Out About Other Witnesses or Evidence
• Ask About Contradictions
• Keep It Confidential
Gather and Evaluate Evidence

- Direct evidence supports the truth of assertion directly.
  - Does the evidence help in my case-in-chief?
  - Does the evidence help prove the facts?
Investigation Summary

Investigative team prepares a summary of findings
Public Report or Management Communication

• If administrative findings, close investigation and either issue an internal management communication or public report if allegation is substantiated;

• If potentially criminal findings, refer to appropriate law enforcement agency
Red Flags of Fraud, Waste, & Abuse

• Changes in behavior
• Changes in lifestyle
• Customer complaints
• Multiple refunds or voids
• Delivery of inventory to employee address
• Excessive demands on materials for projects
• Vendors with employee family members
• Unusual one-time or extra charges from vendor
### Methods For Uncovering Fraud

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Questions?