The Kickback Mine: Vendor Fraud with a Kickback Twist

J. Aaron Christopher, CFE CPA – www.christophercpa.com
Objectives

- Tipoff
- Interview
- Investigation
- Evidence
- Prosecution
- Lessons Learned
Introduction

- My Background

J. Aaron Christopher, CFE CPA – www.christophercpa.com
The Tipoff

- Anonymous Call to Corporate HQ

“Your Vendor is overbilling you!”

J. Aaron Christopher, CFE CPA – www.christophercpa.com
The Internal Audit Investigation

Richardson Construction
Payroll Records

Paid by Crimson Mine

J. Aaron Christopher, CFE CPA – www.christophercpa.com
Subject Interview

- Setting
- Step 1 – Get him talking
- Step 2 – Make accusation
- Step 3 – Get details
- Step 4 – Get continued cooperation
- Step 5 – Anything else????

Keith Richardson – Owner of Richardson Construction
The Criminal Investigation

- Interview Subject(s)
- Review Internal Audit Findings
- Bank Statements
- Interview Witnesses
Other Evidence

- Interview of Rich Bowden
- Richardson Bank Statements
  - Regular Cash Withdraws
  - Payment to a strange Credit Union…
- Net Worth Analysis of Subjects
Prosecution

- Over $500,000 in Restitution Ordered, Jointly
- 3 defendants received jail time
  - 2 – 12 months in minimum security federal prison camp
  - 1 – 36 months in federal penitentiary
- Richardson Closed his Business
  - 30 Employees lost their jobs
  - Sold business building to pay restitution in full
Lessons Learned

- Blanket PO Oversight
  - Dual Approvals

- Behavioral Indicators
  - Living beyond means
  - Close relationship with vendor

- Fraud Tipline

- Random Internal Audits at Small Subsidiaries

- Early Interview

- Investigative Myopia
Questions