Navigating an Investigation

Tips and Techniques for Conducting a Thorough Investigation

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Introduction

Timothy Ball, CFE
• Principal, Bonadio Fraud & Forensic Accounting Services
• Specializes in:
  ➢ Forensic Accounting/Litigation Support – All Industries
  ➢ Healthcare Fraud and Claim Support
  ➢ Human Service Agency Consulting/Efficiency Studies
  ➢ Government Program Consulting
  ➢ Internal Control/Risk Assessment Consulting for Local Governments and Healthcare Agencies
Overview

I. Performing an Investigation
II. What is an Interview?
III. Preparing for an Interview
IV. Conducting the Interview
V. Preparing Your Report
VI. Red Flags of Fraud
Performing an Investigation

• Have a Plan
  ➢ Create a written investigation plan
    o Identify the internal and external resources
    o Identify the areas of inquiry
    o Identify the individuals involved
  ➢ Identify the documents to review
    o Gather preliminary evidence
    o Familiarize yourself with pertinent information
Performing an Investigation

• Determine the Interview Sequence
  ➢ Start with individuals who are likely to be the most forthcoming (i.e., those with the least to lose)
  ➢ Work your way towards the individuals with the most to lose. By the time you make it to them:
    o You’ll have a solid understanding of their job duties
    o You’ll have reviewed any pertinent documents
    o You’ll be prepared to provide the incentive needed to uncover the truth
Performing an Investigation

- Staffing your Investigation
  - For large investigations, decide whether it would be helpful to split up the interviews
  - Use advantageous relationships with interviewees to get the most out of each interview
  - Determine if outside counsel is needed for certain interviews (depending on data gathered and circumstance)
What is an Interview?

• A meeting at which information is obtained from a person

• Types of Interviews:
  - Traditional Interview
  - Phone Interview
  - Group Interview
  - The “Firing Squad”
Preparation For Interview

• Yes, you should prepare!
• Know your subject
  ➢ No matter the interviewee, gain some background knowledge and understand their position and their longevity in the position
  ➢ Be prepared with some basic questions about their position and what you are interested in speaking about
  ➢ If you’ve completed some interviews or testing within their department, be prepared to compare some answers to questions to evidence gathered during testing
Preparation For Interview

- Familiarize yourself with any changes in laws, regulations, and guidelines for your industry
- Research recent cases in which federal, state, and local government entities, and prosecutors, are especially eager to enforce the law
- Review notes from last time you conducted interviews, and be ready to identify changes in processes and procedures, consider new risks, get full understanding of department policies
- Prepare to fully understand, and poke holes in, the policies, procedures, internal controls, and internal review of the department/employee and the tasks they handle
Setting up the Interview

• Private Space if possible – neutral sites are best
• Sitting 45 degrees – view of full body
• Interviewer should obtain a relaxed but professional physical position
  ➢ No slouching/leaning back
  ➢ No crossed arms
  ➢ Keep shoulders broad
  ➢ USE EYE CONTACT
  ➢ Friendly facial disposition
  ➢ Prepare to take notes – but not furiously!
Conducting the Interview

- Have a conversation with the interviewee. Ask them to describe their roles and responsibilities. Have them walk through a typical day / week / month.
- Ask them to thoroughly describe important processes that they are a part of.
- Ask them for ways in which you can test the processes. What data is recorded and available?
- What worries them the most? What keeps them up at night? Do they feel their work is adequately reviewed?
Performing the Interview

• Remember your set-up!!!
  ➢ Neutral site, sitting arrangements, confidentiality
  ➢ Think of Cop shows on TV – interview room
    o Can see entire body of interviewee
    o No distracting wall art

• Be Prepared!
  ➢ Have some questions ready if you get stuck
  ➢ Be able to write notes without disrupting the flow of the interview
Types of Questions

Use the following tips and lines of questioning to strengthen your interviews for an **Unknown Fraud**:  

- Converse about an interviewee’s daily responsibilities using open-ended questions regarding atypical situations that might occur, and brainstorm with the interviewee about weaknesses in the process and how a fraud or scheme could occur.

- Identify specific interviewee responsibilities that are prone to fraud and ask about instances in which they struggled to complete their tasks or had issues related to abnormalities within the process.
Types of Questions

• Ask about areas that the interviewee used to be responsible for in the past that have since been taken away from them, and understand the reasoning behind the change.

• Ask what changes the interviewee would make to the process if they were in charge, and why.

• Ask the interviewee the main thing about their job that “keeps them up at night”. Typically, areas that concern or worry an employee the most may have levels of uncertainty that are indicative of risk, misstatement, or fraud.
Types of Questions

- Begin asking whether they have seen fraud or unusual behavior within any of the areas they work in, or in other departments.
- Ask who in their department has the most access to systems or processes in which fraud could be possible.

You’ve now empowered the interviewee throughout the interview, developed a trusted rapport, and initiated a thought process which is more likely to help them remember and report anomalies from the past.
Types of Questions

Use the following tips and lines of questioning to strengthen your interviews for a **Known/Suspected Perpetrator**:

- Converse about the interviewee’s daily responsibilities using open-ended questions regarding atypical situations that might occur, and brainstorm with the interviewee about weaknesses in the process and how a fraud or scheme could occur.

- Identify specific interviewee responsibilities that are prone to fraud and ask about instances in which they struggled to complete their tasks or had issues related to abnormalities within the process.
Types of Questions

• Monitor their comfort level during first phase of questioning – are they defensive? Over-explaining? Distant?

• Ask about areas that the interviewee is responsible for, and identify the known weaknesses that exist allowing them to potentially perpetrate fraud.

• Armed with all the information from your previous interviews, you can potentially walk your interviewee right into admittance of guilt or wrong doing.

• Don’t let on what you know and don’t know about whether they did or witnessed any wrongdoing.
Body Language

It’s important to keep an eye on the interviewee to assist in your interview techniques. If you begin to see visual queues that someone is:

- Becoming uncomfortable with a specific piece of questioning
- Lying
- Disinterested

You should think about changing your direction or technique to increase productivity of the interview.
Signs To Look For

• Quick changes to head position
  ➢ Retracting, jerking back, bowing, tilting to extreme position

• Heavy or labored breathing
  ➢ Don’t confuse with anxiousness or nervousness, look for changes right before/after specific questions

• Sitting perfectly still
  ➢ Controlled effort to not fidget or make body movements in any way
Signs To Look For

- Repeating words or phrases
  - Buying themselves time to gather their thoughts

- Excess of information
  - Someone goes on and on and provides information that is in excess of details or that wasn’t even requested

- Touching or covering their mouth
  - A natural reaction to covering up what you are saying or lying about
Signs To Look For

- Covering up vulnerable body parts
  - “Hugging” their own body
  - Covering neck or shoulders
- Shuffling their feet
  - Remember interview positioning?
- Becomes increasingly difficult for them to speak
  - Begins stuttering, whispering, or physically unable to speak from dry mouth
DON’T GIVE IN!!!!

• This is the hardest part about being a skilled interviewer
• Many inexperienced interviewers begin to sense that the interviewee is lying or holding back, but are afraid of upsetting the interviewee by pushing too hard
• Be professionally persistent, using the following tips
DON’T GIVE IN!!!!

When you identify an area that the interviewee is avoiding, or possibly lying about, use the following tips:

• Continue to pour back through details of certain procedures, and ask for specific examples, again and again if needed. Gain a full understanding.

• Search for discrepancies in current descriptions of processes compared to the beginning of the interview, or previously described procedures. If you set the interview up correctly, they may have described the perfect world to you. Did they exaggerate? You may notice short cuts, procedures that aren’t actually reviewed, break downs in internal control/processes, etc.
DON’T GIVE IN!!!!

• Ask for details about other employees' responsibilities, and their involvement in their processes.
• Ask them questions in which you already know the answer from documentation review, but ask anyway. Compare answers and work out the differences.
• Finally – ask direct questions, and call them out on hesitation or evasion
  ➢ “I see that you are hesitant to answer that question, or that something is right on the tip of your tongue.”
  ➢ “What exactly is holding you back from answering my question?”

This reroutes the question, and may give you a new answer, such as “I don’t want to get Sally in trouble” or “I don’t want to go to jail”.

DON’T GIVE IN!!!!
Things to Think About

• Be persistent but remain professional at all times
• Stay calm, even if interviewee becomes heated
• Don’t mistake nervousness or uncertainty in the interviewee with concealment
• Don’t be afraid to bring documentation with you into meeting, and reference it if needed
• Never attack - keep the purpose of the interview as a simple fact finding mission
• You can interview someone more than once!
Uncovering Misconduct

• Document, Document, Document!!!
  ➢ Be sure to document each interview, each deviation from your original investigation plan, and each finding from interviews

• Know when to call in specialists
  ➢ Use your instincts to know when outside counsel, forensic examiners, or law enforcement needs to be called in

• Know who you are reporting to
  ➢ When you have findings, they should be reported to the CEO, BOD, and/or compliance committee, according to your compliance program protocols
Red Flags of Fraud

Conditions and symptoms that exist creating an increase in the risk of fraud.
Red Flags of Fraud

- Environmental
- Internal Control
- Financial Statement
- Personal
Environmental Red Flags

- Type of Management
- Poor Tone at the Top
- Financial Conditions at Company
- Opportunities for Advancement
- Political Environment
Internal Control Red Flags

- Poor Segregation of Duties
- Weak Management Oversight
- No Job Descriptions
- Management Override
- Lack of Enforcement of Policies
Financial Statement Red Flags

• Unexplained Changes in Revenue
• Changes in Gross Profit
• Changes in Expenses
• Inventory Shortages
Personal Red Flags

- Financial
- Habits
- Feelings
- Others
Financial Red Flags

Need for Money

- Health Problems/Expenses
- Life Event
- Support of Ex-Spouse and Children
- Maintenance of Life Style
Habit Red Flags

- Drugs
- Alcohol
- Gambling
- Investing (Day Trader)
- Life Style
Feeling Red Flags

Perception of Unfair Treatment By Employer
- Raise
- Promotion
- Perks
- Responsibility
- Discrimination

Resentment of Supervisors
- Inappropriate Treatment
- Greater Competence Than Supervisor
- “Member of Family”

Job Frustration
Depression
Other Red Flags

Abruptly Changed Behavior

• Work Hours
• Resists taking vacation
• Displays of Wealth
• Attitude Toward Work/Coworkers
• Secrecy
• Possessiveness
Questions?
Thank You!