

Proving Consultant Overbilling Using Technology to Supplement Traditional Audit and Investigation Tools

Presented by:

Tracy Smith, Inspector General, Illinois Tollway
Ariana Jaupi, Auditor, Illinois Tollway

Overview

Technology is becoming a powerful tool in the investigation and audit tool box. This case review will look at how in conjunction with a standard vendor audit, data was mined from several sources and then used by investigators in subject interviews to make the case for vendor overbilling.

Learning Objectives

- Understand how to develop an audit scope in potential fraud cases
- Improve your ability to analyze and address counter-arguments
- Explore how the increase in electronically available data can be used to supplement the audit
- Gain insight into how investigators use audit work in the interview process

Tollway's IG Office

■ Investigations

- Not sworn officers
- No subpoena power

■ Audit

- Internal Audit
- Contract Compliance Audit

■ Loss Prevention

- Revenue Audit
- Security Cameras

The Tip

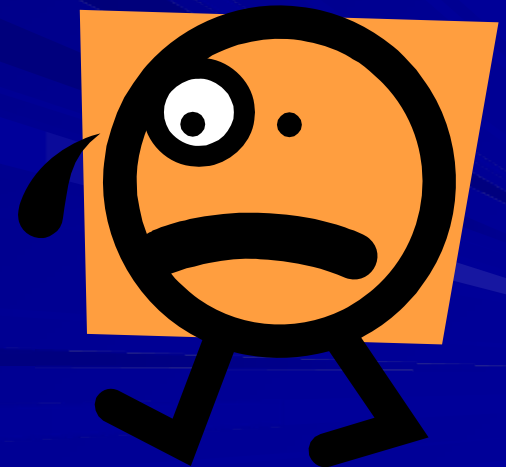
- The Inspector General's Office received a tip that an individual working as the resident engineer for a construction management firm was padding his hours.
- IG auditors initiated a routine vendor audit.

Background

- The individual worked for a vendor that had three contracts in the same geographic area.
- The individual worked on all three contracts.
- The individual was working for a different vendor at the time of the audit.
- The Tollway employee who oversaw the contract and approved the invoices was terminated in a separate IG investigation.

Developing the Audit Scope

- Review the contract requirements
- Review invoices
- Review the field records



Invoice Review

- Reviewed the invoices on file internally
- Entered detailed labor billing information into an Excel spreadsheet
- Produced pivot tables to identify duplicate hours and to compare the number of hours billed by individuals on the project
- Anomalies were noted
 - Subject appeared to be working a significant number of hours compared to others on the project
 - The number of hours the subject was billing daily remained high at times when worked should have slowed down due to weather or project status.
 - Subject often worked Saturdays and Sundays

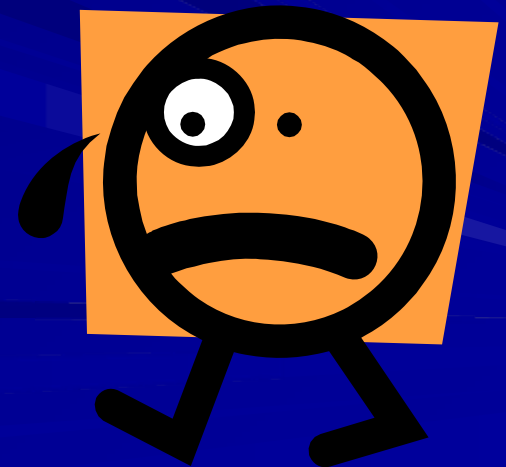
Construction Project Review

- Weekly progress reports must be submitted by construction managers. These reports indicate from a high level what type of work was taking place.
- Auditors developed a sense of project progress in comparison with the number of hours being billed.

Audit Initiation

A Notice of Intent was sent to the vendor requesting documents

- Payroll records
- Tax records (W-2 forms; quarterly payments)
- Timesheets
- Backup documentation for vehicles billed to the contract
- IPASS records for vehicles billed to the contract



Site Visit

- Payroll records and timesheets were turned over.
- Vendor was unable to provide vehicle logs for vehicles billed to the contract.
 - There were no records indicating which individual used vehicles although invoices billed vehicles based on individual usage.

Additional Documents Requested

- All back up documentation for company vehicles (owned or leased)
- IPASS records for company vehicles
- Employee reimbursement submissions for vehicle usage and IPASS
- Copies of vendor's policies on employee vehicle usage and reimbursement
- Copies of vendor's policies on reimbursing employees for travel time



Vendor's Payroll Records Review

- Payroll records showed that the individual was in fact paid all of the hours billed
- It did not appear from the payroll records that the hours billed were hidden overhead hours (e.g., sick, holiday or vacation time)

Vendor's Vehicle Records Review

- Reviewed several employees reimbursement records in detail.
- Determined that :
 - the vendor was billing for vehicle usage for each day an employee worked six hours or more and not based on whether or not vendor incurred vehicle expenses
 - subject used his own car on the project
 - while other employees attached IPASS records to their travel reimbursement requests, subject did not
 - on two occasions subject billed Tollway for days he was at vendor's main office for administrative duties

IPASS Records

- Using the subject's home address, auditors identified subjects personal IPASS accounts
- A year's worth of IPASS records on two personal accounts were reviewed
- It was determined that subject was billing Tollway for significantly more hours than he was in the field

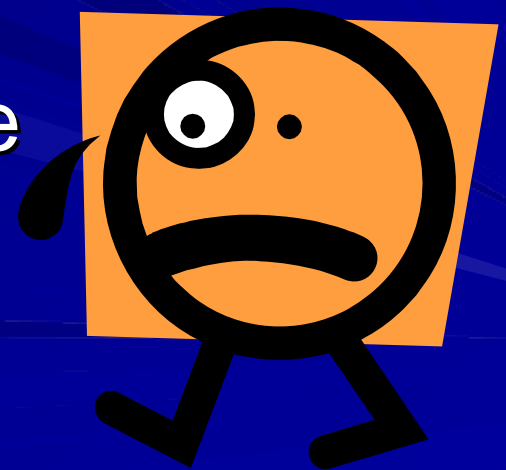
The Theory

Subject was fraudulently billing the Tollway for more hours than he actually spent on the project

Testing the Theory

Auditors looked for something that might explain the anomalies

- Subject was working from another field office
- Subject was working at the Tollway's main office
- Subject was working from home



Working from Another Field Office

- Using a map and the IPASS records, auditors were able to determine subject's route.
- No other vendor field offices were on or near the route.
- Investigators would have to explore this issue in the interview.

Subject was Working at the Tollway's Main Office

- Subject did not live far from the Tollway's main offices.
- Subject did not exit the Tollway at the exit closest to the main offices but it was relatively nearby.
- It was possible that subject was exiting the Tollway and driving local roads to the Tollway.

Subject was Working at the Tollway's Main Office

- In order to access the Tollway's main building, an individual must either swipe an assigned badge or sign in at the front desk.
- Electronic door access records from badge usage were accessed.
 - Subject did not have a badge during the audit period
- Sign in sheets
 - Sign in sheets are kept manually. It was decided that a detailed review would be too time consuming and would not add enough value.
- Investigators would have to explore this issue in the interview.

Subject Was Working at Home

- The Tollway uses a Web-Based Project Management (WBPM) System
- Construction Management firms are required to maintain project records on the WBPM
- Individuals have unique user names and passwords
- Audit generated reports showing when the subject was using or logged onto the system
- Audit compared the times when the subject used or was logged on to the times when the subject was billing but not in the field.
 - There was minimal usage of the system during this time.
 - Subject was logged onto the system at times when he was traveling and at times was logged on at two different locations.
- Investigators would have to explore this issue in the interview.

Field Records

- Resident Engineer's Daily Diary (REDD)
 - Subject was required to maintain a REDD on a daily basis.
 - REDD was reviewed to determine if subject had documented reasons for the anomalies.
 - REDD did not explain the anomalies.
- Contractor's field records
 - Contractor's field records were reviewed on a sample basis to determine the reliability of vendor's records.
 - Contractor records were consistent with vendor's records.

One More Test

- Auditors identified three additional individuals on the same contract and analyzed compared their field time to IPASS records.
- No significant variances were noted.

Records Analysis

Date	Day of Week	Time	Time in the Field per IPASS Records	Contractor Hrs (Progress Report)	Hours Billed by Subject*	Difference - Amt Overbilled	Vehicle Day	Toll Plaza Direction	Toll Plaza Location	Proliance Notes (source: Proliance\Notes\Project Notes Module)	Field Book Notes (Souce: Vendor. Projects No. 1234 & 5678)
8/21/06	Monday	6:26 AM						S	355 Butterfield Rd.		
		6:39 AM						W	88 Aurora		
		7:02 AM						W	88 DeKalb Mainline		
		7:23 AM						W	88 Dixon Mainline		
		2:02 PM						E	88 Dixon Mainline		
		2:24 PM	7:01	11.00	11.50	4.5	1	E	88 DeKalb Mainline	Viewed 1 correspondence	
		2:47 PM						E	88 Aurora	@ 14:18	
		3:02 PM						N	355 Butterfield Rd.		
8/22/06	Tuesday	6:38 AM						S	355 Butterfield Rd.		
		6:51 AM						W	88 Aurora		
		7:15 AM						W	88 DeKalb Mainline		
		7:35 AM						W	88 Dixon Mainline	created corr, 11:52 p.m.	
		1:43 PM						E	88 Dixon Mainline	Created corr, 9:08 a.m.	
		2:05 PM	6:30	11.00	11.50	5	1	E	88 DeKalb Mainline	All proliance notices	
		2:29 PM						E	88 Aurora	sent by or to Subject are	
		2:44 PM						N	355 Butterfield Rd.	during time in field	

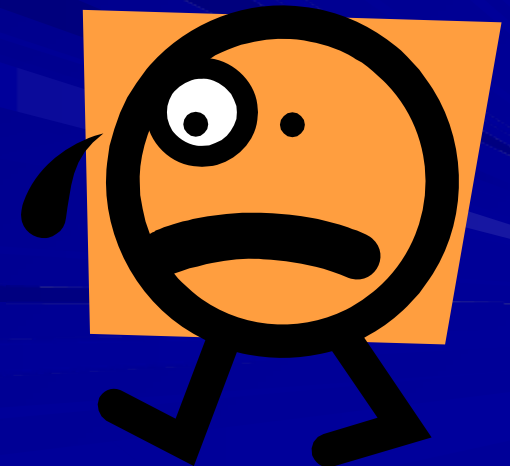
The Investigators Join In

- Auditors turned over their findings to investigators
- Investigators interviewed the subject in the IG's offices

The Interview

Establishing Credibility of the Electronic Records

- Established subject's method of transportation and use of IPASS
- Established subject's use of the WBPM System
- Established the purpose and content of the REDD
- Established the basic job responsibilities



The Interview

Establishing Use And Purpose of the Daily Diary

Q: Did you keep daily work journals?

A: Yeah. I maintained a daily diary.

Q: What type of information goes into the daily diary?

A: Basically what work the contractor performed. That's the detail we are to maintain in there...other information and whatever information pertaining to the contract as well.

Q: In the daily diary in addition to the work that was being done by the contractor, would the RE put in the type of work that he himself was doing?

A: Not in detail but if I'm doing documentation paperwork I mention "documentation."

Q: What type of documentation are we talking about?

A: Like daily paper work, like putting information in Proliance, we had to put all the documents in Proliance, then checking the IDR [inspector's daily report], checking the quantity book, checking any correspondence, letters prepared or day to day activity. That's documentation.

The Interview

Establishing Use of His IPASS

Q: Did you use the company car for the duration of both projects?

A: I rented a car and then they gave me a leased car, and all that. After December or so they gave me a leased car.

Q: They gave you an I-PASS for tolls, correct?

A: In the beginning they didn't give me an I-PASS, they gave me one later in the leased car.

Q: About how long had you been working there before they gave you this I-PASS?

A: I don't remember that either, but from the start I used my own I-PASS.

Q: You mean your personal I-PASS?

A: Yeah.

The Interview

Addressing Counter-Arguments

- Subject stated that he rarely billed for travel time and then only after he had begun work at a location (e.g. if he went out in the field and then came in to the Tollway he would bill for the time)
- Subject stated that his firm did not allow people to work at home. Subject stated that because the records were in the field it was difficult to work at home.
- Subject stated that he only worked at home 2-3 hours once a week at the maximum.

The Interview

Establishing Billing Practices

Q: Did any VENDOR employees work from home?

A: No, no not at all.

Q: Was that allowed?

A: No. I don't think so. Only in my case, only a few times.

Q: Would you agree that it would be unusual for you to be doing work at home?

A: Yes. Basically, I'm not supposed to work at home. But if something has to be done, if my project manager asked me, then I do it. So it depends.

Q: But even in those cases it would be rare, correct?

A: Very rare.

Q: When it came to documentation, did you find yourself doing any of it at home, working on Proliance or anything like that, or did it pretty much have to be done in the field office?

A: It should be done in the field office more often.

Q: Because most of the documents are there anyway.

A: They're there anyway, only some spreadsheets we prepare. Like we have to send a report or we have to send some logs or something. Then in that case, probably I would do that at home, not go all the way to the job site.

Q: Did this happen once a week?

A: Probably. I remember most of the time weekends. Because if you have some work to be taken care of and during the weekday I don't have time because of the long hours we worked. I don't think I should drive over there for 2 ½ hours one way and 2 hours back, by that time I can finish my work at home.

Q: So once a week you would work from home?

A: Two or three hours max.

The Interview: Confronting the Subject with the Evidence

Q: Let's look at Friday, Sep. 15, 06. Your IPASS records show you worked 2 1/2 hours in the field. You billed 10 hours. As you look to your right, it shows you went Aurora W to the job site, that you were done there at 1:21 pm, then you're Aurora E and you exit at Butterfield Rd., which is where you said earlier you get off to go home, at 1:58 pm. You overbilled 7.25 hours.

A: It cannot be overbilled because, even though I remember it...on so many occasions...If I came to the Tollway early and I spent some time here because the Tollway is very close to my home and I may come back again and, and, and, and, and, and I must have come back over and gone back home. I-PASS will not show that.

Q: But you told me earlier when I asked you specifically, how many days on average did you come to the Tollway and did you come in the morning or the afternoon? And your response to me was that most of the time you came to the Tollway in the morning, very seldom in the afternoon.

A: This is one of the seldom cases I was talking about.

Q: No, this is not seldom cases. I've shown you at least 4 occasions where...

A: Occasions...probably this is seldom, because you know 4 or 5 occasions...basically that's what I am telling you. I would not do anything wrong, anything

Q: When you came over here on those dates how did you get in the building?

A: Maybe some, some, some work that in the front desk that maybe some, something, or, or, or sometimes you may have that record or sometimes uh uh PROJECT MANAGER would would even even that's what I said uh ask me to go to Aurora plaza or or he asked me sometimes even 1 hour or half an hour, sometimes we talk here in the parking lot, sitting outside. This happened many times, I brought all the plans and things and we talked outside.

Q: Why wouldn't you come into the building? He has an office.

A: He has an office. I cannot say why he said hey let's meet outside, hey let's talk outside. I don't know.

The Interview: Confronting the Subject with the Evidence

Q: Let's look at Oct. 10th, 2006. You submitted an expense report with a parking receipt for downtown Chicago time stamped at 7:09 am and you left at 10:05 am. Your IPASS records show you going through Butterfield Toll Plaza at 6:39 am arriving Meyers toll 6:41 am. Your time sheet doesn't indicate any administrative time. No Proliance items are sent by you on that date and of the 7 items you received, you viewed none, yet you billed the Tollway 11 hours that day.

A: Again I will have to look into if I went to the Chicago office and then I came back around...

Q: You went downtown and I'm going based on your expense report, your parking receipt shows you got a time stamp at 7:09 am. That receipt also shows you leaving at 10:05 am. So, after you left there, where did you go?

A: I might have come back in the office after I left the parking lot. I must have gone back to the downtown office, and worked over there, because many times when you come out of the parking lot there is uh, uh, uh, uh parking space uh, uh, uh on the other side which you can put a coin in...there also...and so many times...I didn't charge for the coins.

Q: Let me get this straight, you went downtown for a meeting. You got there at 7:09, at 10:05 you exit the parking lot looking for a parking space, is that?

A: No no. I might have come back, I might have come out and gone back. I might not have come back to the parking garage, I might have got a spot out in the, in, in, in the a, a, that road and I never charged that.

Interview

Confronting the Subject with the Evidence

- Subject claimed that he billed for the time he traveled because he was on the phone.
- Subject claimed that he used side roads to get to the Tollway to meet the PM.
 - The investigator asked subject how he accessed building and subject claimed that he met the PM in the parking lot.
- Subject claimed to have put in a lot of hours at home on the project.
- Subject claimed that parking records didn't reflect his time accurately because he left the parking garage and parked on the street.

The Outcome

- Subject was removed from Tollway projects and ultimately terminated.
- The vendor reimbursed the Tollway \$135,000 for overbilling both the employee's time and company vehicles.

Questions?

- Ask them now

- Call us later

 - Tracy Smith

 - tmsmith@getipass.com

 - (630) 241-6800, x. 1301

 - Ariana Jaupi

 - ajaupi@getipass.com

 - (630) 241-6800, x. 1305