

*Exploring Fraud  
in  
Technology Projects & Contracting*

ISACA North Texas Chapter

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Provides practical experience based fraud training to managers, auditors, and investigators.

With colleagues, offers courses addressing fraud, construction costs, health benefits, data mining, auditing contracts, audit interviewing, and increasing personal and professional effectiveness.

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# *How would you prefer fraud to surface?*

- Qui Tam Relator
- FBI seizing records
- 60 Minutes & the cameras
- Wall Street Journal & NY Times
- Hotline
- Your own management
- Your own internal auditors
- Your external auditors

# *Best time to address problems?*

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Early

Later

Too

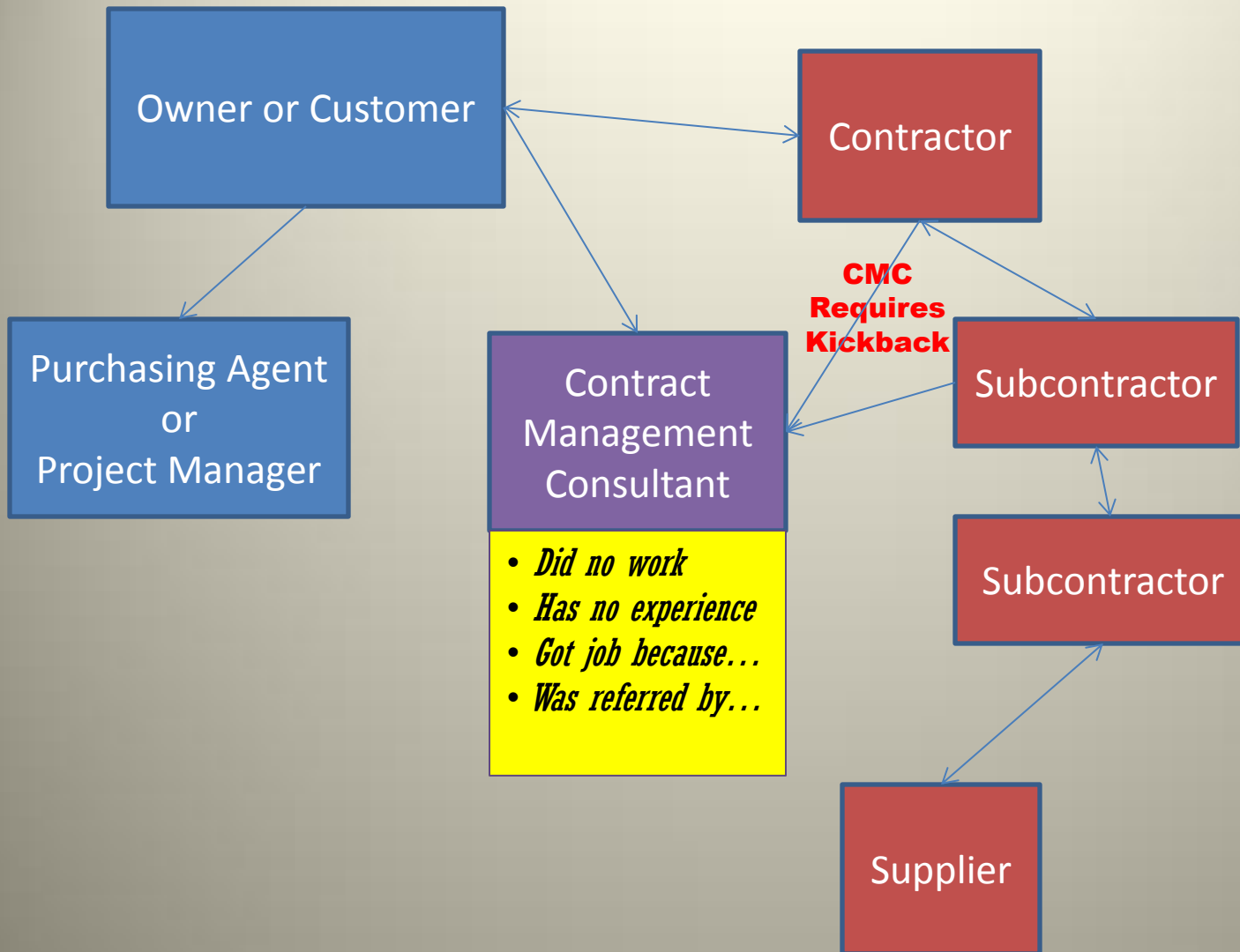
Late

Too Much

Too Long

Not  
Detected

Mishandled



# Problems might be reflected in:

- 1) High price
- 2) Buying in excess of needs
- 3) Cost overruns
- 4) Project failures or delays
- 5) Management siding with the vendor
- 6) Sole source without valid reason

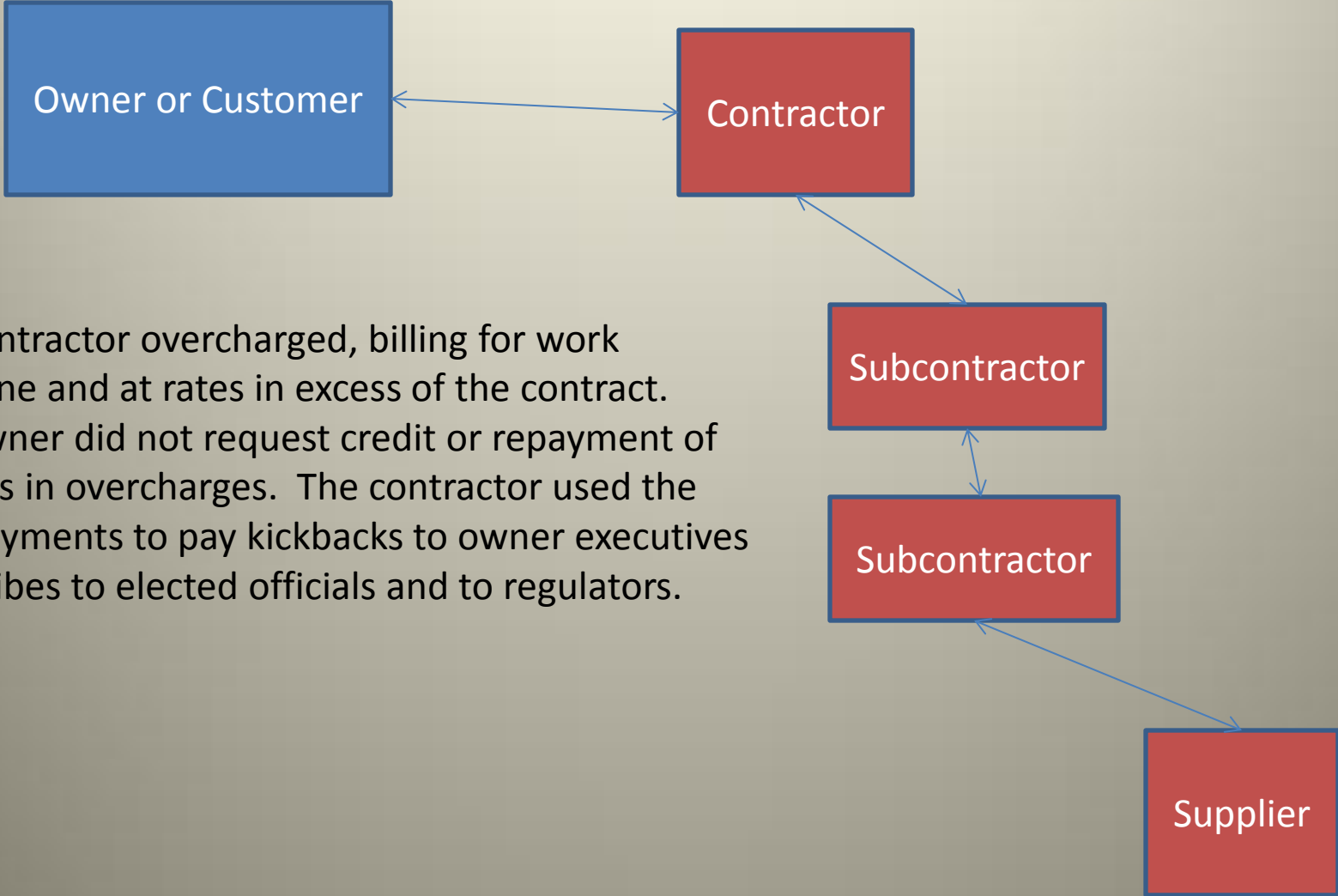
# Expect to hear...

- 1) We had a bad estimate
- 2) Scope changed due to poor design
- 3) The owner/customer changed scope
- 4) Unforeseen conditions
- 5) There are always some overruns

*We had a bad contractor, sub, or supplier and had to redo their work.*



# *What could be going on...?*



The contractor overcharged, billing for work not done and at rates in excess of the contract. The owner did not request credit or repayment of millions in overcharges. The contractor used the overpayments to pay kickbacks to owner executives and bribes to elected officials and to regulators.

# Cases worth knowing:

- New York CityTime – SAIC
- Pennsylvania Turnpike Commission
- Queensland Health Payroll System
- Marin County ERP
- 21 CT Texas State Auditor Report

*Spend it or lose it...*

# New York CityTime Project

- Consultants who were hired to oversee putting the project into effect have been paid nearly \$50 million which was \$46 million more than they were initially supposed to receive.
- Mr. Denault, a former executive with Science Applications International Corporation, the company overseeing CityTime, was charged with receiving over \$5 million in kickbacks for his work as the project's senior manager

# New York CityTime Project

*\$63  
Million*

*\$700  
Million*

*3 years? 5 years? 7 years?*

*When should someone notice?*

# New York CityTime Project

In March 2012 SAIC settled with NYC for

*\$500.4 million*

## Pennsylvania Turnpike

Dennis Miller also secured work for his daughter on the Turnpike project through Ciber, Inc. During Phase 1 of the project, Miller's daughter was billed out at \$17.00 per hour and paid a total of \$1,343. Based upon the invoices submitted to the Grand Jury from both Ciber and the Turnpike, it is unclear how much Ciber paid Miller's daughter for Phase 2 of the project. During Phase 3 of the project, she was billed out between \$100.00 and \$105.00 per hour for a total of

\$496,082.50.

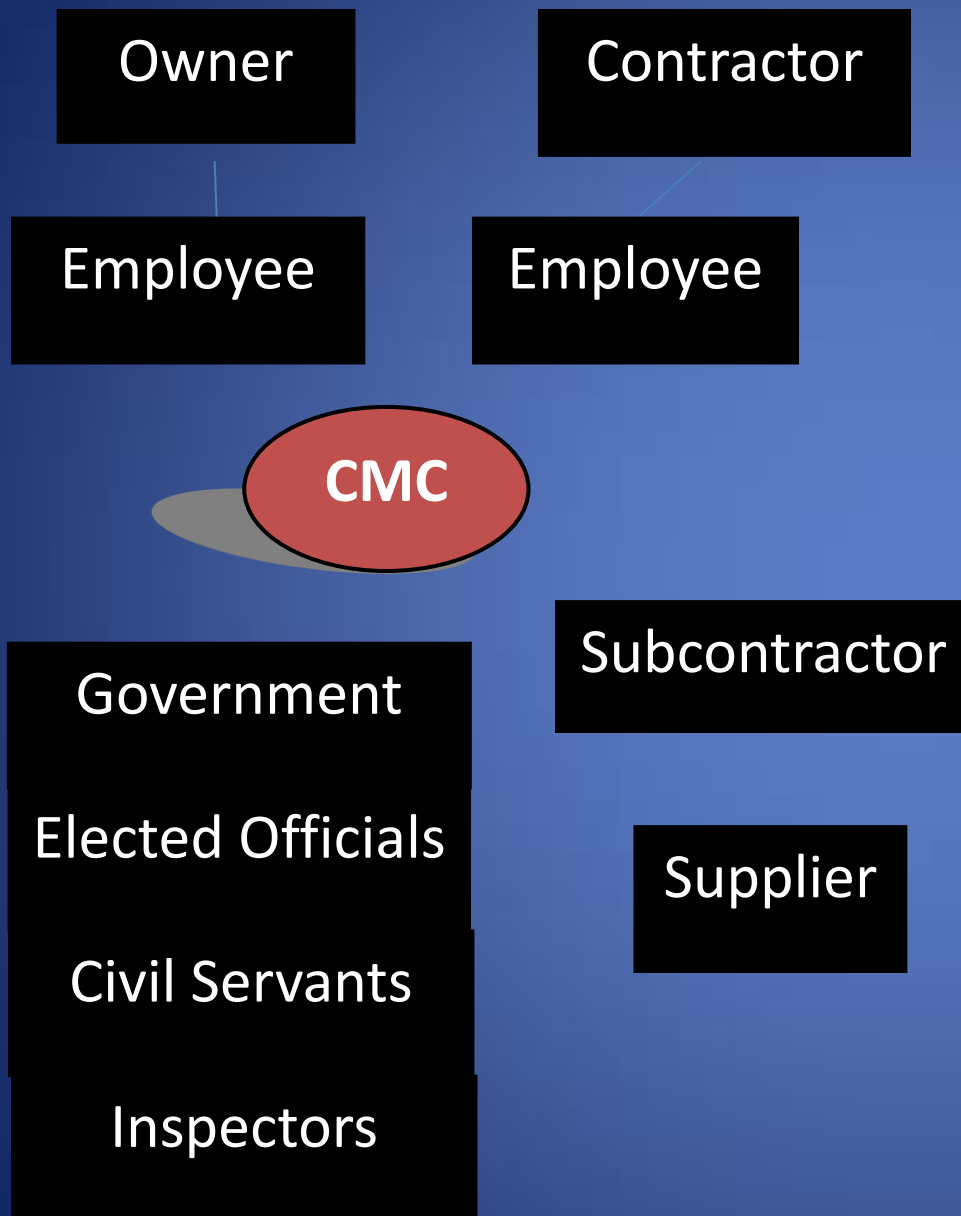
A witness appearing before the Grand Jury describes her work as follows,

“She spent a lot of time on the phone. Her cubicle was right across from me. We know why she was hired, because she was Dennis’s daughter. But then subsequent to my leaving, I understood that she was hired as a full-time consultant for Ciber working at the Turnpike with - - at a fairly high rate over \$100 an hour, I believe or 125 or something like that. And she basically had no experience whatsoever.”

A Turnpike project manager instructed others that they were going to have to find something for her to do.

Pay to Play





## Beyond Books & Records

- Personal relationships
- Business relationships – prior and promised
- Entertainment practices
- Donations and contributions
- Currying favor

Is data

*Immortal?*