



# **Agricultural Marketing Service**

Creating Opportunities for American Farmers and Businesses

## **Welcome!**

**Preventing Fraud, Establishing Internal  
Controls, and Addressing Compliance  
Recommendations**

**Marketing Order and Agreement Division  
Compliance and Enforcement Branch**

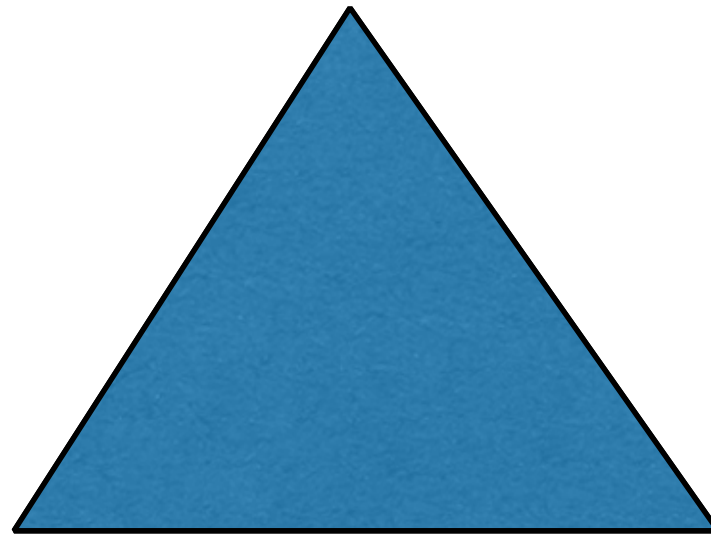


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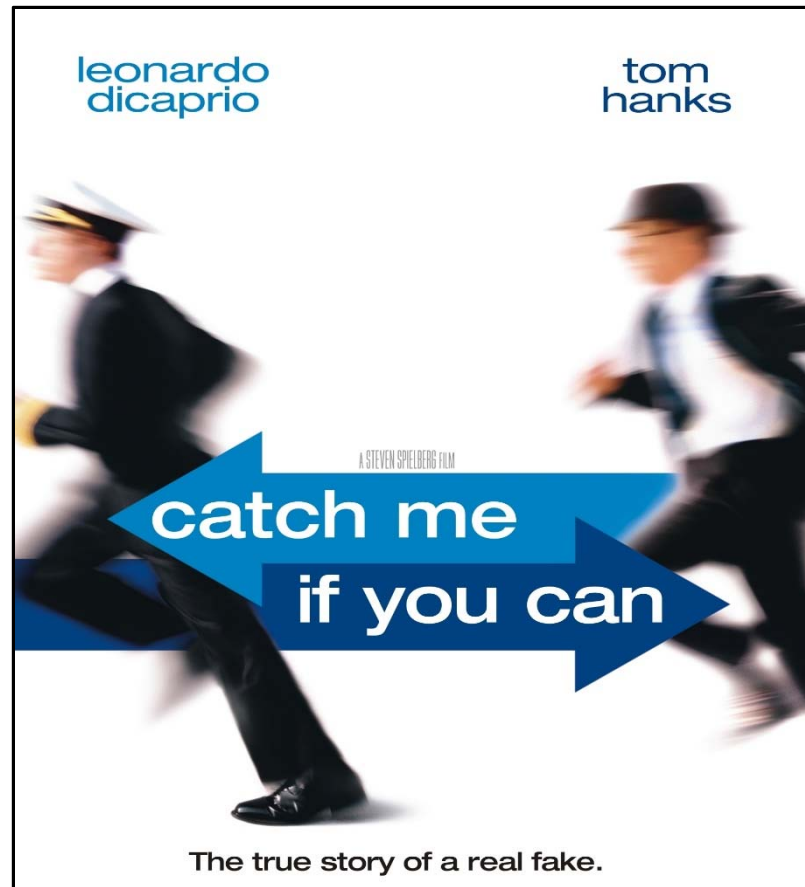
## The Fraud Triangle

- Incentive/Motive
- Rationalization
- Opportunity



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## Examples of Marketing Order Fraud

### Vidalia Onion Committee

- On August 29, 2005, a consent judgment was issued ordering a former Executive Director of the Vidalia Onion Committee, to pay \$460,106.27 plus accrued interest.
- 255 counts of forgery in the first degree and 95 counts of theft by taking, for embezzlement during a 5 ½ years period.
- Sentenced to a minimum of 10 years probation – 21 months in a probation detention center – and ordered to pay a \$1,500.00 fine.

## Examples of Marketing Order Fraud

### Idaho-Eastern Oregon Potato Committee

- Summer of 2016, Committee manager contacted MOAD with suspicion that a staff member had committed embezzlement.
- On January 31, 2017, the former employee was convicted of forgery, and sentenced to serve 5 days in jail, serve 5 years on probation, perform 100 hours of community service, and pay the court \$1,000.00. She will also pay the agreed upon restitution to the Committee.



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## **TAKING STEPS TO MINIMIZE RISK AND PREVENT FRAUD**

**Frank Woods**

Chief, Internal Audits Branch

Management and Analysis Program, AMS

## Red Flags to Watch For

- Policies and procedures are not documented or enforced
- Lack of segregation of duties
- Employee lifestyle changes: expensive car(s), jewelry, clothes, etc.
- Employee faces significant hardship(s): personal debt, family stability, security
- Employee never seems to take vacation or sick leave
- Management decisions are dominated by one individual.

## What are Internal Controls?

- A process meant to provide *reasonable* assurance that an organization is meeting its goals and objectives which typically includes:
  - Hiring qualified, trustworthy people
  - Segregate critical duties (Authorization, Recording, Custody)
  - Having adequate Policies and Procedures
  - Appropriate Delegation of Authority and Accountability
  - Periodic Independent Reviews / Annual Audits



# Communicating Review Results

## Elements of a Well Developed Finding:

- Condition: What is the problem / issue identified?
- Criteria: Why is this a problem; what *criteria* is the “problem / issue” evaluated against (i.e. Policy / Law etc.)?
- Cause: Why did this (problem / issue) happen?
- Effect: What is the impact if left unaddressed; why should the reader care?
- Recommendation: How can the Condition be solved? (Not always one answer)

Example: Bank Reconciliation

## **Requirements of an ICP for Marketing Orders**

- Credit Card Policy
- Policies for Travel, Meals and Entertainment
- Reimbursement Policies (Receipts, Documentation)
- Records Security
- Disbursements, including Accounts Payable
- Checking Accounts and Scheduled Reconciliation

# Additional ICP Topics

- Policy to Prevent Commingling of Funds
- Online Checking
- Accounts Receivable
- Petty Cash
- Postage Meter
- Committee Officer reviews and approves monthly bank statements and reconciliations
- Fidelity Bond/Employee Dishonesty Insurance
- Collateralization

# Addressing Compliance Findings/Recommendations

- MOAD Issues a Recommendation Letter after all Compliance Reviews
- The Board, Committee or council has 30 days to respond with their plan/outline to implement corrective actions in response to all recommendations
- If an extension is needed to respond, the board, committee or council should submit a request for an extension in writing

**Questions?**

**Thank you**