

# Preventing Fraud with a Controls Audit

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# Agenda

- Introduction
- Case Study of 2017 fraud
- Outline need for control audit
- Separation of duties
- Periodic audits

## Introduction:

I have been a member of PayO since 1995. I am co-chair of the National Higher Education Strategic Committee. I also run the Big 12 payroll forum group. I have taught the summer CPP class for 7 years. Payroll is my passion.



**Neatha Snyder, CPP**

Director Of Payroll at University of  
Kansas Medical Center



Fun facts:

Married my first date and only boyfriend.

Blessed by Voodoo Priestess when I was born.

Have run 2 full marathons and rowed 3.

Learned a new sport each decade of my life

Rowing

Distance Running

Ice Hockey

Indoor Soccer

Trail biking





# The United States v Patricia Webb

Charged with wire fraud, tax fraud, and embezzlement against Garmin International and Black & Veatch

<https://caselaw.findlaw.com/court/us-8th-circuit/1967594.html>

<https://www.kmbc.com/article/lees-summit-woman-gets-8-years-in-prison-in-embezzlement-scheme/9593622>

# Case Study: some background

- I was the Senior Payroll Manager at Black & Veatch, a global engineering firm in Kansas City. Operating in all 50 states, the territories and approx. 36 countries.
- We were hiring a new global payroll manager to work with the Expat team as well as our overseas aggregate payroll provider.
- We hired Patricia Webb from Garmin where her job had changed.
- She was excellent at her job and created an environment of trust and teamwork.

# Patricia Webb: Embezzler

- Webb was hired by Black & Veatch as the global payroll manager
  - She had been in global payroll at Garmin. She said she was leaving because they changed her job out of payroll.
- She ran the global side with one direct report. Due to being short handed she was given greater authority and control.
- A professional in accounting departed, she offered to take the payroll reconciliation on to help out. While opposed to this change, the shortage of headcount won out.
  - Prior to this, the accounting team did all the payroll reconciliations.
  - She did an outstanding job of taking on the extra work while taking greater authority on the global processing.
- She now had the authority to create payments through payroll and do the audit and reconciliation on the transaction.

# Patricia Webb: Embezzler

- She executed her first fraud transaction 6 months into her employment. While it was processed to payment, it was not working on the accounting side for the managing department. Each time she was questioned she would answer verbally, and move the expense around. Fixing one department and causing an issue with another.
- She then found a 'nontaxable reimbursement' which does not hit the W2 and does not hit most audits. She began to use this process to move roughly \$300k to her personal accounts.
- In Dec 2017 the first transaction was still causing issues, when approached, she told us that she had stage 3 colon cancer. Everyone backed off and moved the expense for now.
  - Note: She was faking the cancer!
- In early spring, with there still being an accounting issue, she told everyone that she was going into surgery, would be out of touch for a few months, and could not have visitors at the hospital.



# Quick note on the controls in place

- B&V utilized job costing, every expense including payroll was allocated back to specific jobs or departments.
- It was not uncommon for US Expats to receive very large equalization payments, even after retirement.
- Patricia used the retired or deceased Expats to create the 'fake' payments.
- In this case, it created accounting issues with 'jobs' and/or departments.
- Since the expense was 'unexpected' project accountants were looking for the source documents.
- This caused her to have to keep moving the expense in accounting until the next accountant found the issue.

# Patricia Webb: Getting Caught

- It was our bank that found the issue, the true cause of our accounting issue.
- Patricia had a small nonprofit bank account for a fake charity. This was the same bank utilized by both Garmin and B&V. When this bank did an audit of the nonprofit account, they found only deposits from the two companies.
- The bank contacted B&V leadership to share their findings.
- B&V removed her prior to her departure and secured her from our systems. We advised Garmin, who had lost 1.2 Million, and realized they were unaware. We also contacted local police and the FBI.
- She was charged with multiple offenses; she pleaded guilty and was sentenced to 8 years in Federal prison.
- She is also required to make full restitution and cannot work in payroll or finance again.
- B&V has received their 300K back through the sale of her property and some payments from her prison wages. (Her prison wages were garnished)

# Executing a Controls Audit

Step one to finding our gaps

# Controls Audit

Both companies contracted with the same consulting firm to execute the controls audit.

Of the few findings at B&V all were implemented.

Payroll also took additional steps in further covering gaps with separation of duties.

At that time, Garmin choose not make any significant control changes.

# Process Flows and Gaps



Meet with process owners to completely map out every step in a process.

Creating process flows is very helpful in this review.

Identify gaps where no control is in place

Identify processes that are at risk of being exploited

# Some Essential Controls



- Can a professional that creates a payment, change a bank account?
- Do you have professionals that all have the same bank account?
- If a professional can transmit the bank file, do they have the ability to change that file?
- Can they change direct deposit information?
- Do you have someone outside payroll performing the reconciliations?

# Separation of duties



This can be difficult on smaller teams.

General basis, is that no one person should have the ability to do everything.

Historically if you are payroll, you just get access to everything in payroll. If that is true, time to rethink.

Creating controls protects payroll employees, protects PID of employees, and protects the company.

It is NOT punishment!

# Periodic Audits

Spot checking along the way



# Periodic Audits

## Some examples of audits

- Duplicate bank accounts
  - This audit looks for different employees with the same bank account.
    - Patricia would change a termed, deceased and some active employee's bank account to her nonprofit bank account.
    - Some employees do share bank accounts, like spouses. But this is easy to filter once you go through it the first time.
- Audit Trails
  - Run the audit trails for specific transactions and who executed them
    - Changed hours
    - Changed banking information
    - Manual payroll input outside the normal process

# Final Fails and Takeaways

- Patricia earned the trust of those around her, allowing for too much leeway.
- Patricia was very good at her job and very personable.
- Our trust and belief that she could manage her business gave her too much grace.
- Have personnel change jobs or processes if possible. If “A” always does the bank file, train “C” to do it periodically. This not only creates a training tool, but it also creates a backup to the process.
  - Then make the change on a last-minute situation. Don’t always just allow C to do the process when A is out, wait until payroll is complete then advise A and C that C will perform this function today. This means A did not have a chance to hide or change anything.
- Patricia’s direct report was not a strong performer, while she suspected that some of the changes, she was being asked to make seemed odd to her; she did not have the courage to speak up against her manager.

# Keeping Business separate



In the film The Godfather, the saying is “it’s not personal, it’s just business.”



This is a mantra to have at work. We can be friends and trust our co workers, but it is our JOB to protect the PID of employees and the funds of our employers.



It is not punitive to tell someone that you cannot have access to a part of the system, or data. It is not personal to outline how the control protects both you and the company.



As much as possible, keep duties separate!

# Questions?



Thank  
you

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