

County of Los Angeles Office of County Investigations

April 21, 2016

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Chief, Office of County Investigations



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Learning Objectives

- Know how the Los Angeles County Fraud Hotline operates, and some recent stats
- Understand how we deter, detect, and investigate fraud, waste and abuse in County government
- Take away some useful information from recent fraud cases in LA County



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Topics for Discussion

- **The History of OCI**
- **Mission & Responsibilities**
- **Outcomes & Reporting**
- **How it All Works**
- **Recent Investigations & Fraud Trends**



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OCI – The Early Days

That's
me



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Office of County Investigations

- **1974:** CAO-Special Investigations Division (SID) (created by BOS Motion)
- **1981:** Board designates the LASD, DA and A-C as the only agencies authorized to conduct criminal investigations
- **1988:** Fraud Hotline established by the A-C (Sponsored by Supervisor M. Antonovich); and operated by the Special Investigations Unit, a team within the Audit Division
- **1990:** CAO-SID merged with A-C SIU
- **1998:** First POST class graduates (Law Enforcement Powers under PC 830.13)
- **2004:** SIU becomes a separate Division and is renamed the Office of County Investigations – **OCI is born!**
- **2006:** Fraud Hotline-Investigations Tracking Management System (ITMS) is rolled out, allowing anonymous online submission of fraud complaints and evidence, and providing case management and tracking capabilities



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OCI Today

Rolling out to investigate a report of time abuse



Dropping in to check on internal control compliance



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Our Mission

Promote public trust in County government by:

- Providing a mechanism for reporting and investigating waste, fraud and abuse
- Making impactful recommendations to improve business processes and strengthen internal controls
- Working with prosecutors and management to ensure that appropriate criminal and administrative actions are taken



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Authorities

- **Penal Code § 830.13** – A-C Investigators, law enforcement authority, ability to serve search warrants
- **Government Code § 53087.6** – Establishment of a Fraud Hotline, Confidentiality of Whistleblower Complaints, Informant and Subject identities, and reports of investigations
- **Board Policy 9.040** – Designates A-C, DA and Sheriff as the only County Departments to conduct criminal investigations of employee misconduct; requires cooperation with investigations by the A-C



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Office of County Investigations Responsibilities

- Investigate waste, fraud and abuse allegations received via the Fraud Hotline.
- Investigate and coordinate criminal cases with appropriate law enforcement.
- Maintain the Hotline and a confidential database of fraud complaints and outcomes
- Safeguard the integrity and independence of the investigative function



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Who Performs Investigations in LA County?

- **OCI** – Criminal & Administrative that are related to the duties & responsibilities of the A-C
- **District Attorney** – Criminal
- **Department of Human Resources** – Personnel, Hiring, Whistleblower Retaliation
- **County Equity Oversight Panel** – Harassment, Discrimination
- **Departmental Internal Affairs, Internal Audit, Performance Management**



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OCI – Who do we investigate?

- County employees
 - Permanent, temporary, seasonal
- County contractors and vendors
- Customers, clients, participants
 - Involved with a County employee to defraud the County
- ...and cases referred by the Board of Supervisors.



COUNTY FRAUD HOTLINE

Calendar Year 2015 Stats

1,385 New Cases Opened

1,207 Cases Closed

306 (25%) Substantiated

519 (43%) Not substantiated

**382 (32)% Immaterial,
previously investigated,
not enough information, or
referred outside agencies.**



Visit fraud.lacounty.gov to review semi-annual reports of Fraud Hotline Activity



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Effectiveness of Investigations

Calendar Year 2015

Discharged	7
Arrested/Probation	2
Counseled/Written Warning	132
Criminal Charges Filed by District Attorney	N/A
Notice of Expectation/Instruction	38

Contract Cancelled	1
Procedures changed/ Reinforced	14
Resigned/Retired	37
Reimbursement/Restitution/ Timecard Adjustments	18
Suspended	51
Transferred/Reassigned/Demoted	5

Since 2011, OCI has regularly followed-up to ensure that departments complete disciplinary and/or corrective action(s) for each substantiated case, and has reported a summary of those actions to the Board of Supervisors via public semi-annual reports.



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How to Report Waste, Fraud & Abuse

Fraud Hotline

- In person
- By FAX at (213) 633-0991
- By telephone 1 (800) 544-6861
- <https://fraud.lacounty.gov>
- E-mail at hotline@auditor.lacounty.gov



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How do we proceed?

- Allegation received (call, web, letter, referral).
- Preliminary review including prior cases, HR history, common subject search, etc.
- Investigative plan
- Search warrant needed? Generally for bank records.



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Investigation Details

- Gather background information
 - ERP system, LexisNexis, DMV, Social Media, Google, criminal history, bankruptcy court, etc.
- Consider forensic assessment
- Identify applicable policies and procedures
- Safeguard potential evidence
- Identify witnesses & sequence of interviews



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Investigative Reports

- Fact-based
- Logical sequence
- Recommendations for strengthened policy, strengthened internal controls, etc.
- We do not recommend the level or type of discipline, but do follow-up to ensure action was taken and report out.



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Specialized Training

During their initial training period, OCI Investigators complete nearly 100 hours of specialized training to prepare them for this type of work, including:

- Penal Code Section 832-compliant training on the elements of probable cause
- Advanced Interview and Interrogation Techniques for Law Enforcement
- Preparing & Serving Search Warrants
- Rules for Testifying to Hearsay Evidence (Prop 115)
 - Other subject-specific training as needed



Computer Forensics

- Countywide IT Policies
- E-mail Monitoring & Analysis
- Internet Monitoring & Filtering
- Hardware Recovery & Analysis
- Remote Monitoring & Acquisition

Computer forensics have become a critical part of most investigations conducted by OCI.



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When Do We Use Forensics?

- Personal (Non-County) use of IT resources
 - Sexually explicit and/or illegal material (e.g., child porn)
 - Pirated music/videos, intellectual property theft, torrents/streaming
 - Personal businesses/profit making ventures/stock trading
- E-mail abuse
 - Distributing Confidential Information
 - Malicious Code / Content
 - Inappropriate Attachments / Links
 - Harassment / Threats
- Network / Intranet Abuse
 - Unauthorized Access, particularly to PHI and PII
 - Personal use of Servers and Bandwidth, Hacking
 - Data Theft / Misuse



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Prevention & Deterrence

OCI Axiom:

Detection is grand, but prevention is divine!

We provide specialized training to managers and employees throughout the County, to help them be the first line of defense in preventing and detecting fraud.



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Fraud Landscape

We have recently seen fraud cases involving:

- **Stolen County Warrants**
- **Embezzlement by Social & Human Services Providers**
- **Bid Rigging & Conflicts of Interest**
- **Collusion between Contractors and County Employees**



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Warrant Case

- High dollar value (4- to 6-figure) warrants were stolen, altered, and fraudulently negotiated into various bank accounts throughout the Western US, primarily in Southern California & Nevada
- Initial concern was that A-C employee(s) may have been involved



Warrant Case

- High Quality Alterations
- No obvious links between runners
- Difficult surveillance environment in the production facility

Face value of stolen warrants > \$4.4M

Unreimbursed losses > \$440,000



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NEWS RELEASE

Eileen M. Decker

United States Attorney
Central District of California

For Immediate Distribution

February 11, 2016

Thom Mrozek, Public Affairs Officer

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www.justice.gov/usao-cdca

@CDCANews

Federal Inmate who Orchestrated Stolen Check Scheme from Prison Sentenced to Another 9+ Years in Multi-Million Dollar Fraud Case

Postal Worker who Stole Warrants Issued by L.A. County also Pleads Guilty

LOS ANGELES – A former Las Vegas resident who was incarcerated in the federal prison in Victorville while he oversaw a scheme to obtain and cash stolen checks has been sentenced to another 110 months in prison for conspiring to commit bank fraud.



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Kingsley Osemwengie, 30, was sentenced Monday by United States District Judge R. Gary Klausner for orchestrating a fraud ring that attempted to negotiate millions of dollars in Los Angeles County warrants – which are essentially checks issued by the municipality – that had been stolen by a corrupt postal employee.

Members of the conspiracy recruited dozens of bank customers who were willing to provide their ATM cards and access to their accounts in exchange for a share of the proceeds. The warrants were altered to change the name of payees to the names of the recruited account holders. The warrants were deposited into the bank accounts, and members of the conspiracy withdrew as much money as they could before the banks learned the warrants had been fraudulently deposited.

The investigation in this case also revealed that co-conspirators attempted to use a drone to smuggle a cell phone into the prison yard at the Federal Correctional Institute in Victorville. The attempt was unsuccessful.

While incarcerated at FCI Victorville, Osemwengie was serving a 17½-year sentence for trafficking in prescription narcotics.



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Social Services Provider Case

- Discovered by Contract Monitoring Staff
- Billings for ineligible and/or fictitious clients
- Billings for services not provided
- Altered client identity documents
- Gross misuse of County contract funds for personal expenditures
- Related Party Transactions



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Chicana Service Action Center executives charged in \$8.5-million fraud case

JULY 8, 2015, 4:00 AM

“Dist. Atty. Jackie Lacey's office alleges that...the Chicana center's chief executive officer, used public funds to pay for expensive cars, homes, meals and even a political campaign fundraiser. Roughly \$1.8 million went toward... 'lavish' lifestyle, prosecutors say, including season tickets to the Dodgers and Clippers and rent on a home in affluent San Marino....”

“...improperly used \$35,000 in taxpayer funds to charter a yacht in Seattle; \$81,873 to purchase a 2010 Jaguar in Pasadena; and \$145,653 to cover five years' of rent at the Visconti, an apartment complex in downtown Los Angeles. Prosecutors also allege the three defendants created 'fraudulent records and/or client files' to support the monthly invoices that were sent to the county's Department of Public Social Services.”



<http://www.latimes.com/local/cityhall/la-me-chicana-services-charges-20150708-story.html>

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Contracts Involving Specialized Knowledge & Expertise

- Increased fraud risk if the expertise is critical to contracting and procurement decisions and resides with only one or a few employees
- Difficult to prevent/detect without an expert to analyze decisions and contract criteria independently
- Evaluation of contract specifications and technical requirements is critical before the bid is published



Questions? Contact Me!



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