

Video: *Adams County: Exposing a Culture of Corruption* (35:04 total video length. Suggested stopping points at 4:30, 7:23, or 14:00) <https://www.youtube.com/watch?v=63cDxjYPbaU>

Produced by KMGH-TV, Denver, Co

Video Synopsis:

A local news channel in Adams County, Colorado reported a series of frauds occurring in the county government. The frauds involved the leadership of the Department of Public Works and a business called Quality Paving. They conspired to award Quality Paving contracts with the local government in exchange for work done on their homes and other gifts.

Background and Fraud Theory:

Fraud is a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment (Black's Law Dictionary).

There are three types of fraud (The Green Book <http://www.gao.gov/assets/670/665712.pdf>):

1. **Fraudulent financial reporting** - the intentional misstatement or omission of amounts or disclosures in financial statements to deceive financial statement users.
2. **Misappropriation of assets** - theft of an entity's assets.
3. **Corruption** - bribery and other illegal acts.

There are three conditions that are present when every fraud occurs (Fraud Prevention Quick Reference Guide <http://mn.gov/mmb/images/Fraud%2520Prevention%2520Quick%2520Reference%2520Guide.docx>):

1. **Opportunity** - The chance to commit fraud
2. **Pressure** - The motivation for a person to commit fraud
3. **Rationalization** - What a person tells themselves to justify their crime

These conditions are often referred to as "The Fraud Triangle." The highest risk of fraud occurs when all three conditions are present.

Organizations try to stop fraud through prevention, detection, and deterrence. Prevention is best accomplished through an effective system of internal control. Studies show that tips from employees and external whistle-blowers are the best way to detect fraud. Increasing the perception of detection, having proactive audit procedures, and employee anti-fraud education are three examples of ways organizations try to deter people from committing fraud.

Potential Discussion Questions:

Content related:

- What types of fraud did we see in this video?
- What effect would a fraud like this have on public perception of government if it were to happen in Minnesota?
- Was it wrong for the public employees in this video to accept gifts from Quality Paving? Why?
- Do you know what the policy is for public employees accepting gifts in MN?
- Do you think Minnesota has more or fewer instances of fraud than other states? Why?

Theory related:

- What part of the fraud triangle can we control?

- What are the damages caused by a fraud?
- What is the difference between fraud and errors?
- Could good business practices help with the difficulty between distinguishing fraud from error? In this way, could we think of internal controls which prevent fraud as protection for employees?
- Do you think most people are uncomfortable or even offended by talking about prospect of fraud in their area?
- Would you be comfortable coming forward to report potential fraud in your workplace?

Add additional discussion questions here:

Closing Remarks:

Globally, fraud costs organizations up to five percent of their annual revenue. The government sector is the second most victimized by fraud. It is an expensive burden on taxpaying citizens. It results in losses of public funds. It increases the cost of government services. It also decreases confidence in public officials and government. It affects each of us.

Each agency needs a policy for worker conduct under the statewide code of conduct policy. Statewide policy requires agencies to have designated channels for reporting misconduct. This policy also requires employees to report suspected fraud. Do you know your agency specific reporting channel?

An employee must also report certain cases of suspected fraud to the Office of the Legislative Auditor. The law protects any employee from retaliation who reports suspected wrongdoing in good faith. You can reference statute, policy, OLA contact information, and whistle-blower protections below.

- Minnesota Statute §43A.38, Code of Ethics for Employees in the Executive Branch – <https://www.revisor.mn.gov/statutes/?id=43A.38>
- Statewide Code of Conduct Policy – <http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0103-01-code-of-conduct-policy.pdf>
- Reporting to the OLA – <http://www.auditor.leg.state.mn.us/reporting.htm>
- Whistle-blower Protections – <https://www.revisor.mn.gov/statutes/?id=181.932>