



HONOLULU CHAPTER



SITE VISIT

HART STATION



**SEMINAR:
FRAUD SEMINAR**



**CFMA
GOLF TOURNAMENT**



Occupational Fraud Risk Seminar

By: Scott Lee

On Tuesday, April 30th, the CFMA sponsored the Managing Occupational Fraud Risk in Construction presentation at the Pacific Club. We had a full house and the opportunity to gain some helpful insight on the matter from Tim Van Noy, Managing Director of EisnerAmper.

Tim started off his presentation with some recent real-life examples of occupational fraud in the construction industry. He went on to define Occupational Fraud as, “the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of their employer’s assets or resources.” This type of fraud can be manifested through kickbacks, bribes, purchasing schemes, sales schemes, bid rigging, false invoices, etc. For example, a former CFO for the Hawaiian University of Nations was found guilty of embezzling \$3M over a two-year period by convincing a contractor that he needed to be a signatory to the contractor’s bank account and then creating false and/or inflated invoices which he then paid to himself.

Mr. Van Noy also pointed out that small to medium sized construction companies are especially susceptible to occupational fraud due to lack of training, lack of segregation of duties, inadequate organizational structure, undocumented/ignored accounting procedures, limited internal controls, ineffective/non-existent internal audits and lack of senior management oversight. Several of these weaknesses were displayed through another example where an employee who had a history of multiple convictions for fraud, forgery and theft was hired as the Office Manager, given access to the contractor’s bank account and diverted more than \$315,000 of the company’s funds to pay for her personal expenses. Tim pointed out that this could have been avoided had the contractor run a background check on the employee during the hiring process. However, he also pointed out that while the example above involves an employee with a criminal background, studies show that most occupational fraud perpetrators do not have prior fraud convictions or even a history of employment related disciplinary actions.

There have also been changes to the reasons why people commit fraud. It was previously understood that those who committed fraud did so out of external pressure of personal need. But recently, the traditional fraud pyramid (incentive, opportunity and rationalization) has become a diamond due to adding the ability factor. Now, some people are committing fraud just because they can or because they are greedy. In several of the examples provided by Tim, those who were caught committing fraud had no financial need for additional funds, only a desire.

So, what can we do as owners, financial managers and external partners to protect the companies that we represent? Statistics show that more than 50% of occupational fraud is detected as a result of tips, internal audits and management review. Tim made it clear that training is the most effective way to deter and detect fraudulent schemes. He also pointed out that having a documented and consistently enforced set of procedures as well as a policy of checks and balances is extremely important.

The presentation also addressed e-mail fraud schemes using spoofed e-mail address to request funds or banking information. Mr. Van Noy explained that a lot of these types of schemes can be prevented by simply checking the header in the email or speaking directly to the person who supposedly sent the e-mail.

Tim concluded the presentation by discussing various fraud prevention strategies such as fraud risk assessment, establishing a code of business conduct/ethics, setting up a whistleblower hotline and training. With regard to risk assessment, the main questions to focus on are: what types of frauds could be used today; who are the likely perpetrators; can existing controls stop or identify the fraud in a timely manner; and is management willing to accept the risk? It was also emphasized that if a company chooses to establish or revise their code of conduct/ethics, the policy should apply to everyone from the top down with an, “expectation of full compliance within the letter and spirit of the rules presented.”






CFMA

Golf Tournament

Blessed with beautiful weather, the annual CFMA Golf Tournament was held at the Waialeale Country Club on Friday, October 25th. The tournament provided a great opportunity for our members and their guests to get out of the office and enjoy a round of golf and camaraderie. Thank you to all that participated in this year's event and to those member companies that generously donated prizes for those that participated.



HART STATION



FHSG: Farrington Highway Station Group represents 3 of the total 21 stations anticipated along the 20 mile rail line. Hawaiian Dredging is currently building this group of stations: West Loch, Waipahu, and Leeward Community College(LCC). The stations are located on the western portion of the alignment. Construction of stations starting in Waipahu and ending near the Rail Maintenance facility at LCC. Two stations in Waipahu are complete buildouts while the LCC station adds onto a pedestrian tunnel built by others. The station work includes associated structures, platforms, canopies, passenger bridges, and site work. CFMA thanks Hawaiian Dredging's project staff for providing us with the opportunity to tour the facility.





Pau Hana & Chapter Meeting

On November 14, 2019, the Honolulu Chapter of the CFMA hosted a Pau Hana event at Off the Wall at Ward Villages. Approximately 25 members and guests attended our final Pau Hana of the year and partook in sampling a wall of “pour your own” local craft beers and wines, as well as a spread of menu items available at the venue. It was a great opportunity for our members and their guests to reconnect, meet new people, and relax before the holiday season!



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