



Inspector General Insights

Background: On December 21, 2018, the Office of Inspector General (OIG) received a complaint alleging fraud committed by an unknown person who represented themselves as a contact person of a Collier County (BCC) established construction vendor. The perpetrator contacted the Clerk's staff by responding to an ACH remittance email sent by the Clerk's Accounts Payable (AP) staff to the valid vendor contact. The perpetrator requested to update the vendor's bank information for ACH payments, to a bank account under their control.

The perpetrator provided via email:

- A signed ACH Authorization form with an authorized signature that matched the one on the vendor's file
- A starter check for the new account
- Prior vendor banking details, which agreed with those on file for the vendor
- Other information that was consistent with the vendor's file.

The AP staff then forwarded this information to BCC's Procurement Office, who creates and maintains the vendor master files. After the Procurement Office made the vendor banking changes, the AP staff submitted two ACH payments to the vendor via the new/updated bank account number totaling \$184,534.85. A few days after the actual vendor received ACH remittance emails detailing the payments, they contacted AP, advising that no funds had posted to the vendor's bank account. Further, the vendor stated they had experienced fraudulent activity on their bank account.

As a result, the AP staff determined the request to update the vendor's bank account was fraudulent, and they immediately notified the Clerk's Finance Director and the Clerk's bank on record. The Finance Director reported the incident to the Federal Bureau of Investigation and the Collier County Sheriff's Office.

Subsequently, the OIG was notified of five more unsuccessful emailed fraudulent ACH attempts:

- There were attempts to change the direct deposit banking information for one BCC employee and two senior staff members from the Clerk's Office.
- AP was repeatedly contacted in February and March of 2020 by an unknown person who alleged that they represented one of the BCC's construction vendors, attempting to change the banking information when the amount owed to the vendor was \$330,381.09.

Objective: Our objective was to determine if there were any commonalities between these instances, and if there were improvements that could be made to the ACH processes to reduce the risk of fraudulent attempts to access Clerk, BCC, vendor or employee funds.

Scope: We reviewed the ACH processes related to changes and maintenance of vendor and employee banking information, for the Clerk and the BCC.

Observations: Collier County received a full reimbursement (\$184,534.85) from their insurance carrier in April 2019 for the initial ACH fraud case. Thereafter, the vendor was paid this sum in satisfaction of the two invoices originally paid to the fraudster.

Recommendations & Actions:

- The BCC and the Clerk’s Office jointly updated their respective internal procedures and augmented their verification process when a County vendor requests to change or update their assigned ACH banking information.
- Both entities augmented their verification process when an employee submits a request to change their direct deposit information.
- The Clerk and the BCC’s Risk Management department performed a comprehensive review of the cyber insurance coverage.

Conclusion: The OIG was not able to establish any relationship between the different events.

The Collier County Sheriff’s Office investigated the successful incident of fraud; however, the investigation was administratively suspended due to lack of information about the suspect(s). The OIG received the copy of the Sheriff’s case file in December 2020, and we completed our review shortly thereafter.

All actions described above were designed and implemented by the BCC and the Clerk. The OIG has no open recommendations at this time.

| Total # Transactions | Amounts Audited or Reviewed | Questioned Costs | Taxpayer Savings | # Observations of Fraud |
|----------------------|-----------------------------|------------------|------------------|-------------------------|
| 6 | \$ 514,924.94 | \$ 184,543.85 | N/A | 1 |