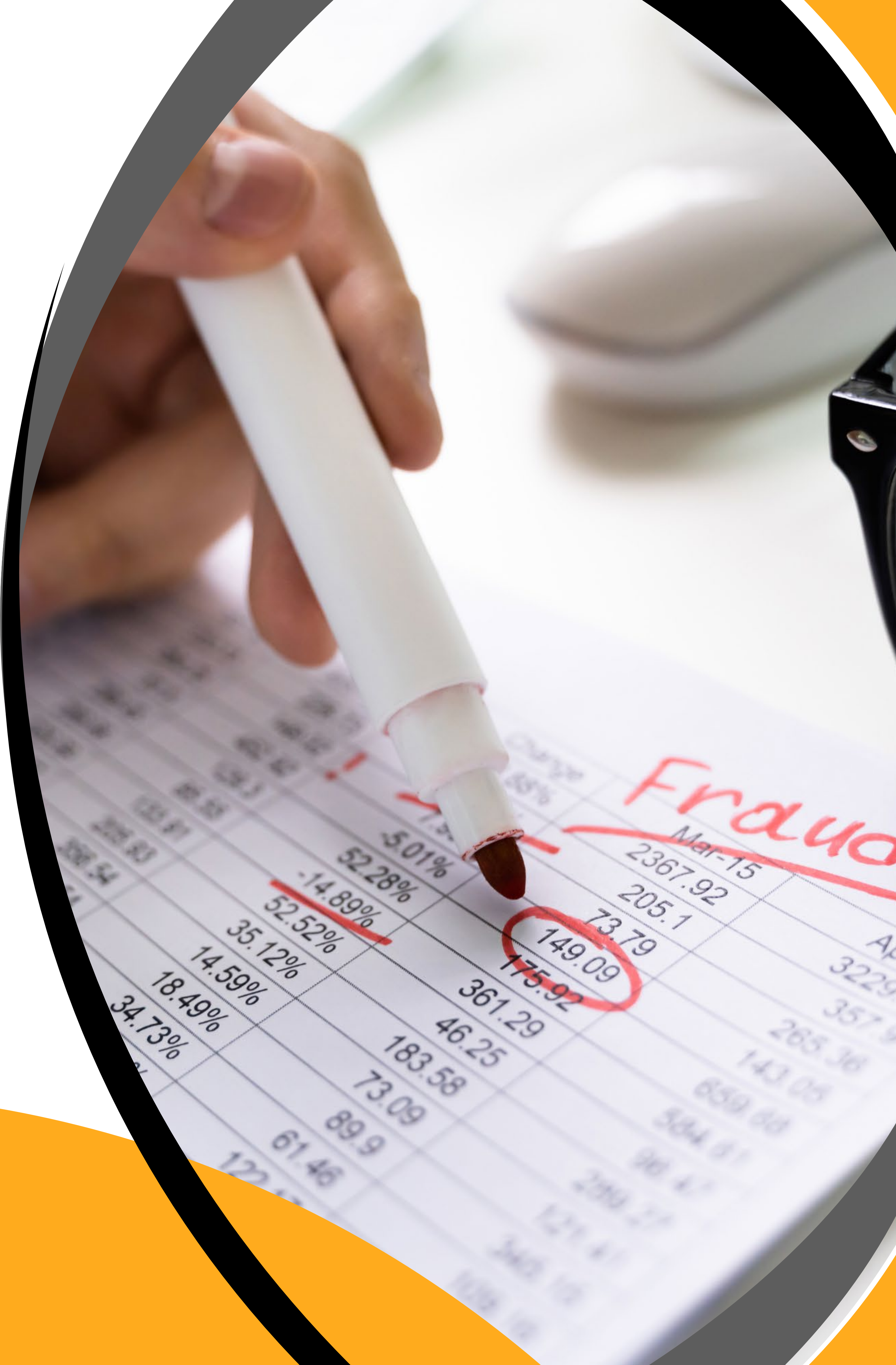
What Went Wrong?
Lessons from Real Fraud Cases



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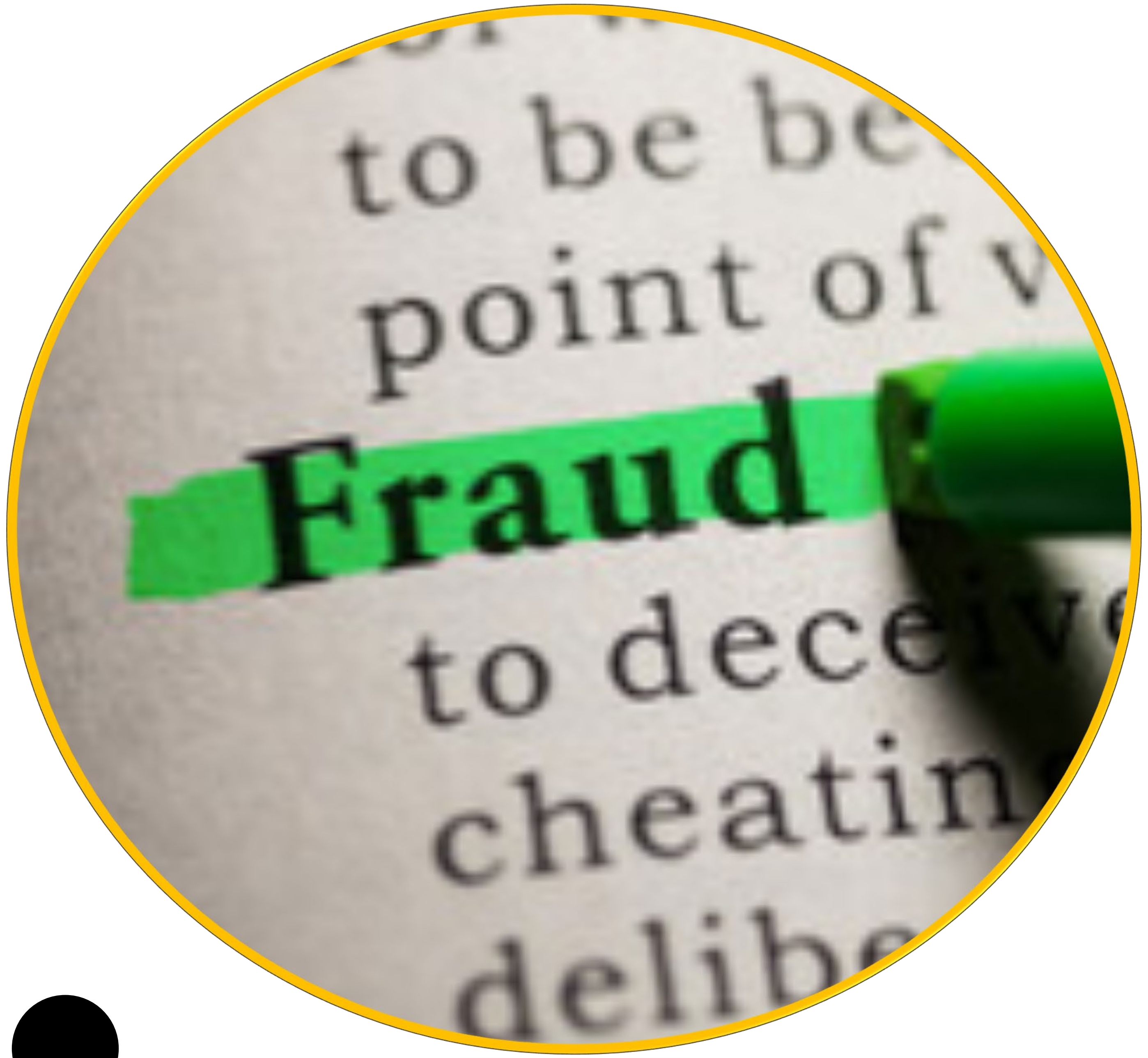
What is Fraud?



- Deliberate Act to Deceive
- For Personal Benefit
- Causes Financial Loss/Harm

Why Fraud Prevention Matters

Once public trust is lost, regaining it can take time, resources and leadership changes.

- **PUBLICLY FUNDED** — Taxpayers expect transparency and responsible stewardship of resources.
- **COMMUNITY SUPPORT** — Essential for passing bonds, securing grants and forming community partnerships.
- **UNDERMINES OUTCOMES** — Mismanagement, corruption and wasteful spending erode morale, student success and public confidence.
- **ENROLLMENT** — Loss of trust can lead to declining enrollment and public calls for leadership changes.
- **STUDENTS** — When funds are lost to fraud, waste and abuse, **it is the students who ultimately lose access to critical resources.**

Examples of Fraud

Fraud risk is present in every organization.

- **VENDOR/ACCTS PAYABLE** — Fictitious vendors ; fictitious invoices ; duplicate invoices ; kickback schemes ; split purchase/threshold avoidance ; false receiving ; ghost contractors
- **PAYROLL** — Ghost employees ; falsified timecards ; pay rate manipulation ; leave abuse ; overtime abuse
- **EXPENSE REIMBURSEMENT** — Duplicate expense reimbursements ; inflation of costs ; fake or altered receipts ; per diem abuse ; cancelled trip reimbursement fraud
- **P- CARD** — Personal purchases ; split transaction to avoid approval limits ; fake or altered receipts ; unauthorized purchases
- **FINANCIAL STATEMENT** — Intentional manipulation of revenue recognition or expenditure deferral ; manipulation of estimates ; intentional misstatements

FRAUD ALERT

Actively Investigated and Prosecuted

April 22nd, 2026 (Updated on April 22nd, 2026)

District of Massachusetts | Former Director of Food Services for Plymouth Public **Schools** Charged with Stealing Food and Equipment for Side Business | United States Department of Justice

May 21st, 2026 (Updated on May 21st, 2026)

Western District of Missouri | Former Summit Pointe Elementary **School** PTA Treasurer Pleads Guilty to Embezzlement | United States Department of Justice

June 2nd, 2026 (Updated on June 2nd, 2026)

Northern District of Mississippi | Three **School** Employees from Mississippi and Missouri Sentenced for Embezzling Nearly $400,000 in Department of Education Funds | United States Department of Justice

January 20th, 2026 (Updated on January 20th, 2026)

Northern District of Mississippi | **School** Superintendents Plead Guilty to Embezzlement | United States Department of Justice

May 21st, 2026 (Updated on May 22nd, 2026)

Western District of Missouri | Former Cooper County R-IV **School** Board Vice-President Pleads Guilty to Wire **Fraud** for Role in Misuse of **School** District Funds | United States Department of Justice

July 9th, 2026 (Updated on July 9th, 2026)

District of Columbia | Guilty Plea Unsealed for Former DC Public **Schools** Administrator Involved in Bribery Scheme | United States Department of Justice

March 17th, 2026 (Updated on March 17th, 2026)

District of South Carolina | Charleston County **School** Board Member Indicted for Bribery and COVID **Fraud** | United States Department of Justice

April 15th, 2026 (Updated on April 16th, 2026)

Northern District of Illinois | Former CEO of Chicago Charter **School** Network Charged With Misappropriating More Than $103,000 | United States Department of Justice

June 3rd, 2026 (Updated on June 3rd, 2026)

District of New Jersey | Former Hillsborough Township **School** District Business Administrator and Co-Worker Indicted in Kickback Scheme | United States Department of Justice

July 3rd, 2026 (Updated on July 3rd, 2026)

Southern District of Texas | Former **school** district financial officer charged in $1M **fraud** scheme | United States Department of Justice

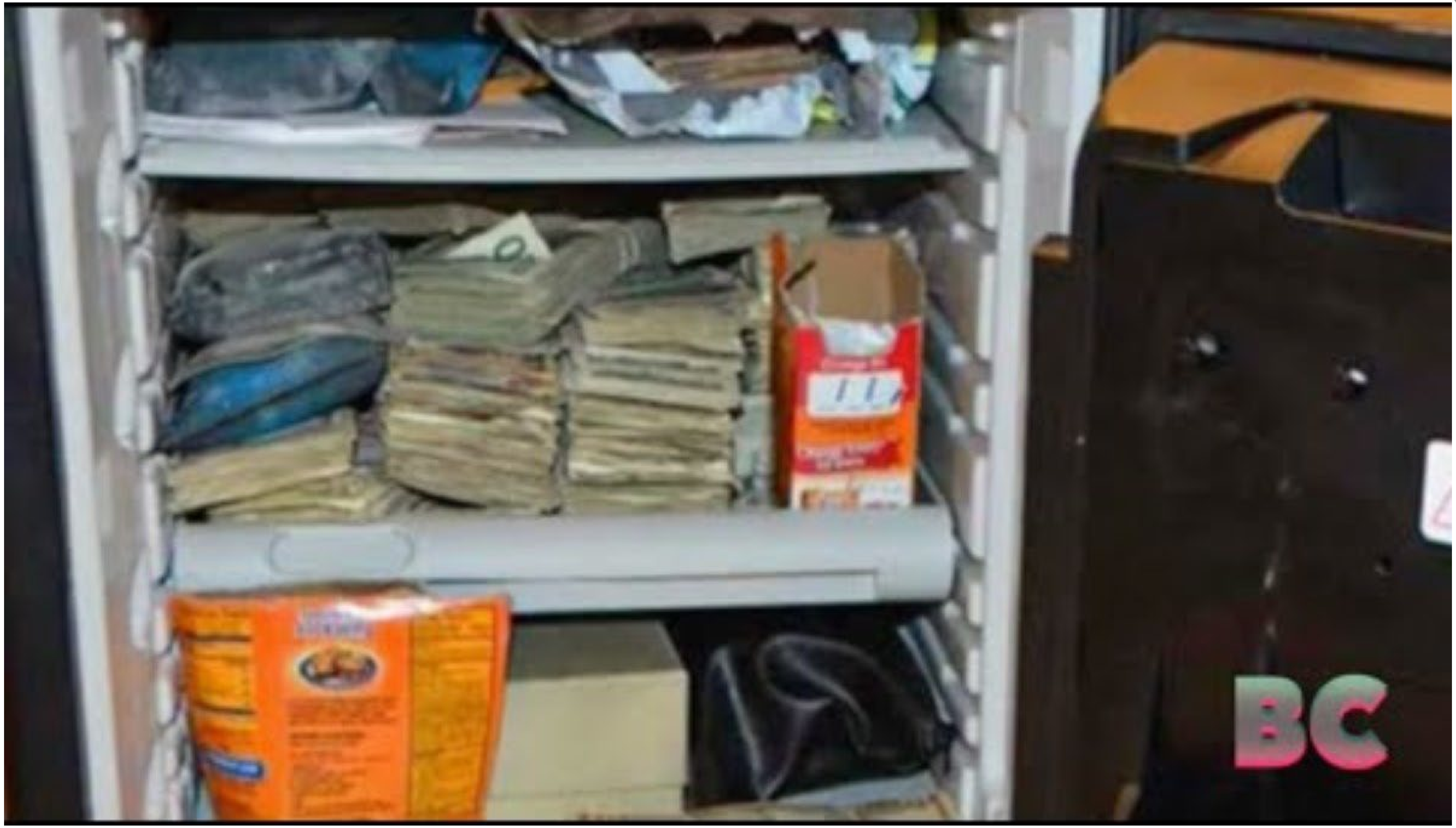
April 15th, 2026 (Updated on April 16th, 2026)

District of Maryland | Former Baltimore Football Coach Sentenced for Overtime **Fraud** Scheme and Tax Evasion | United States Department of Justice

March 3rd, 2026 (Updated on March 3rd, 2026)

Eastern District of California | Former Assistant Superintendent and Former IT Director of Patterson Joint Unified **School** District Sentenced to Prison for Stealing Approximately $1.5 Million in **Embezzlement** Scheme | United States Department of Justice

Embezzlement Scheme



How the Check Fraud Scheme Worked

STEP 1
Checks Made Out to "M S D"
Contreras processed checks and wrote the payee as "M S D" with the letters spaced far apart.

STEP 2
Signed by the Business Officer
The checks were taken to the Chief Business Officer, who signed them while the payee was still "M S D".

STEP 3
Payee Filled In
After signing, Contreras altered the payee to "Maria Socorro Dominguez."

STEP 4
Cashed for Personal Use
Contreras deposited the checks into his personal bank account and spent the funds on personal expenses.

The Cover - Up: Each theft was concealed during the bank reconciliation process — the bank statements and reconciliations were altered so the fraudulent checks would go undetected.

Scheme occurred from August 2016 through July 2023 with over 250 checks used to embezzle approximately $16.7 million.

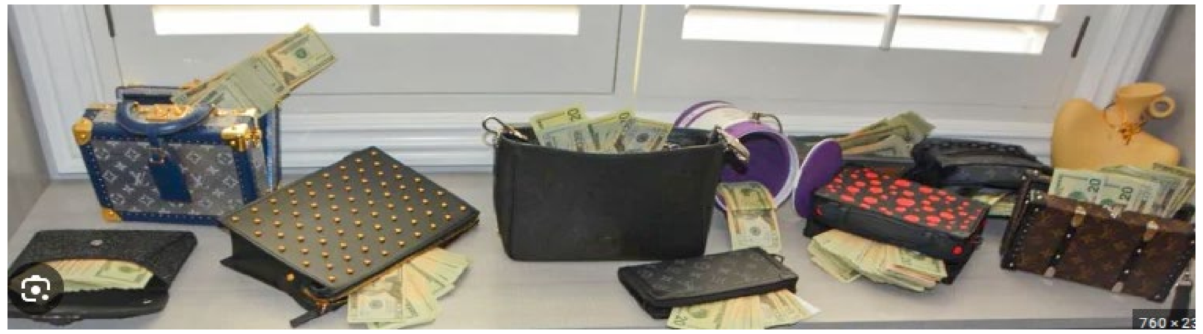
Sentenced to 70 months in federal prison and ordered to pay $16.7 million in restitution.

Where the Money Went

Date	Amount	Merchant
11/18/2022	$28,247.15	LOUIS VUITTON #142
12/29/2022	$28,497.22	LOUIS VUITTON #142

Date	Amount	Merchant
6/3/2023	$72,946.75	DAVID YURMAN RETAIL
6/17/2023	$112,146.20	DAVID YURMAN RETAIL

$127,000 BMW

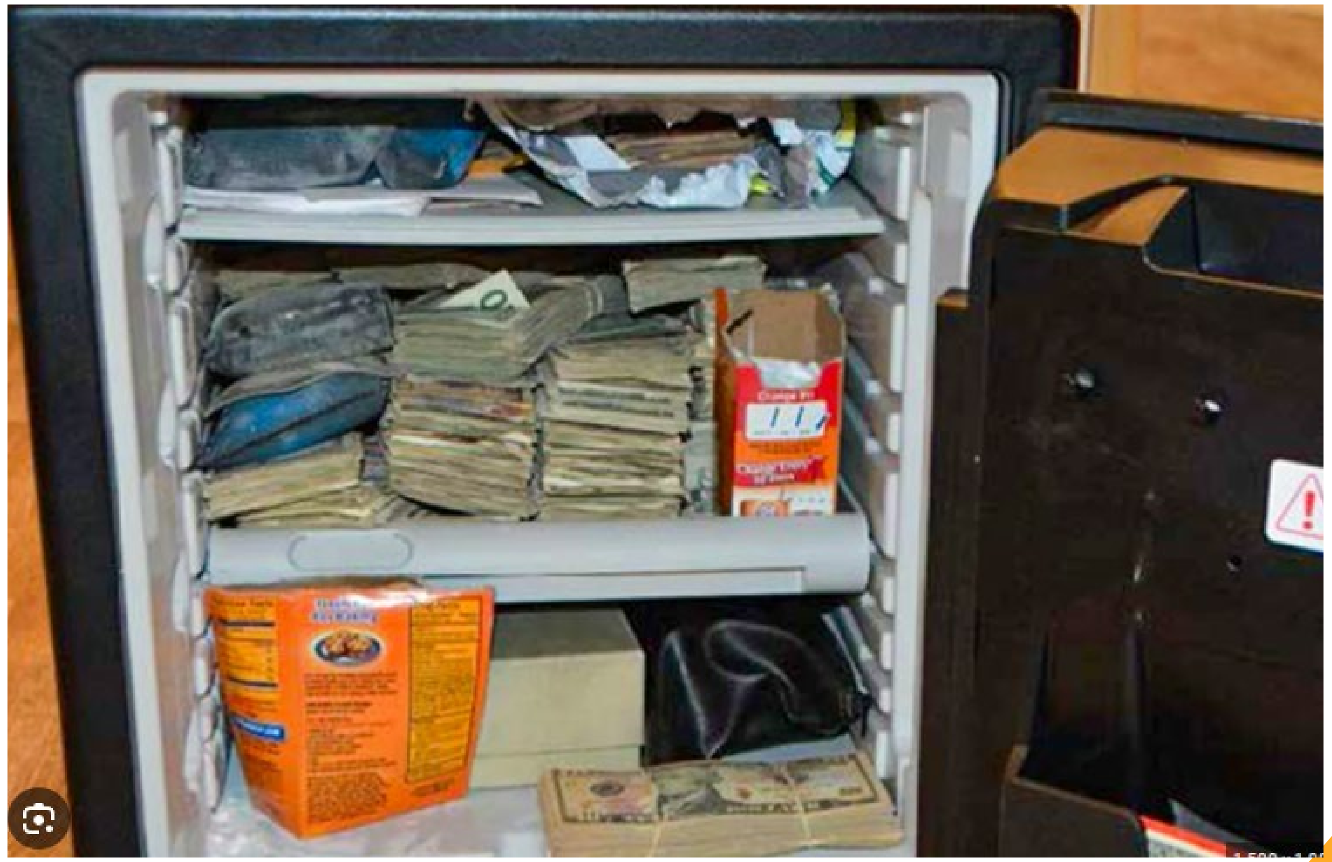


Date	Amount	Merchant
8/26/2022	$36,764.31	GIANNI VERSACE BOUTIQUE -
9/16/2022	$29,194.87	GIANNI VERSACE BOUTIQUE -
9/30/2022	$30,350.28	GIANNI VERSACE BOUTIQUE -
10/16/2022	$26,230.78	GIANNI VERSACE BOUTIQUE -
11/13/2022	$38,967.80	GIANNI VERSACE BOUTIQUE -
12/10/2022	$49,713.17	GIANNI VERSACE BOUTIQUE -
2/26/2023	$50,803.07	GIANNI VERSACE BOUTIQUE -
3/18/2023	$15,503.41	GIANNI VERSACE BOUTIQUE -
4/1/2023	$11,525.00	GIANNI VERSACE BOUTIQUE -
4/16/2023	$18,694.64	GIANNI VERSACE BOUTIQUE -
4/29/2023	$36,925.95	GIANNI VERSACE BOUTIQUE -
5/28/2023	$15,462.14	GIANNI VERSACE BOUTIQUE -

$1.5 million property – As part of this purchase, Contreras applied for a $350,000 loan and altered his personal bank statements submitted during the application process. The altered bank statements showed fewer deposits than there actually were.

$1.9 million paid to American Express

$350,000 ATM withdrawals



Controls That Could Have Prevented Fraud

1

Segregation of Duties

Split check preparation, custody, reconciliation, and ledger duties across different staff.

2

Independent Bank Reconciliations

Reconcile using statements obtained directly from the bank, reviewed by someone independent.

3

Positive Pay & Bank Controls

Use Positive Pay and ACH filters to flag altered checks, payees, and amounts before payment.

4

Dual Authorization for Payments

Require two approvals and payee verification for checks above set dollar thresholds.

5

Review of Cancelled Checks

Have the board periodically review check images, payee listings, and unusual vendors.

6

Independent Internal Audit

Run surprise audits and cash - disbursement testing to increase early detection.

7

Data Analytics & Exceptions

Automatically flag unknown vendors, employee payments, and sub - threshold transactions.

8

Mandatory Vacations & Rotation

Rotate duties and require uninterrupted leave so others perform sensitive tasks.

9

Board & Audit Oversight

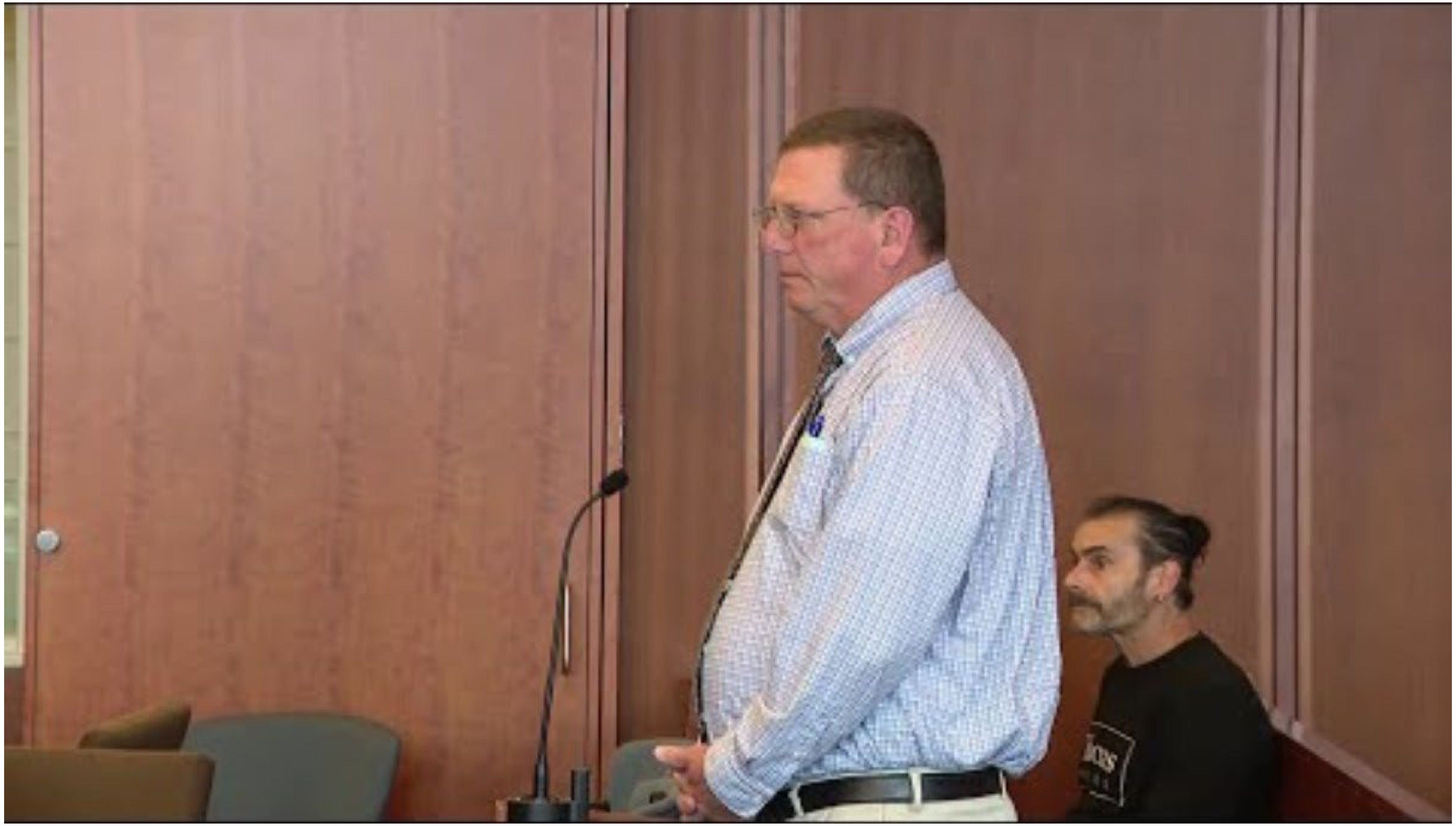
Deliver monthly budget - to - actual and reconciliation reports to an active board.

10

Fraud Hotline & Whistleblower

Offer anonymous reporting —most fraud is uncovered through tips, not audits.

Larceny



How the Fraud Occurred

Procuring Premium Food Items

As the sole individual authorized to place food orders for the cafeteria, he ordered food items that he used in his business such as angus beef patties, lobster and hot dogs, lobster meat, coffee (items not served in school).

Exploiting Cafeteria Labor

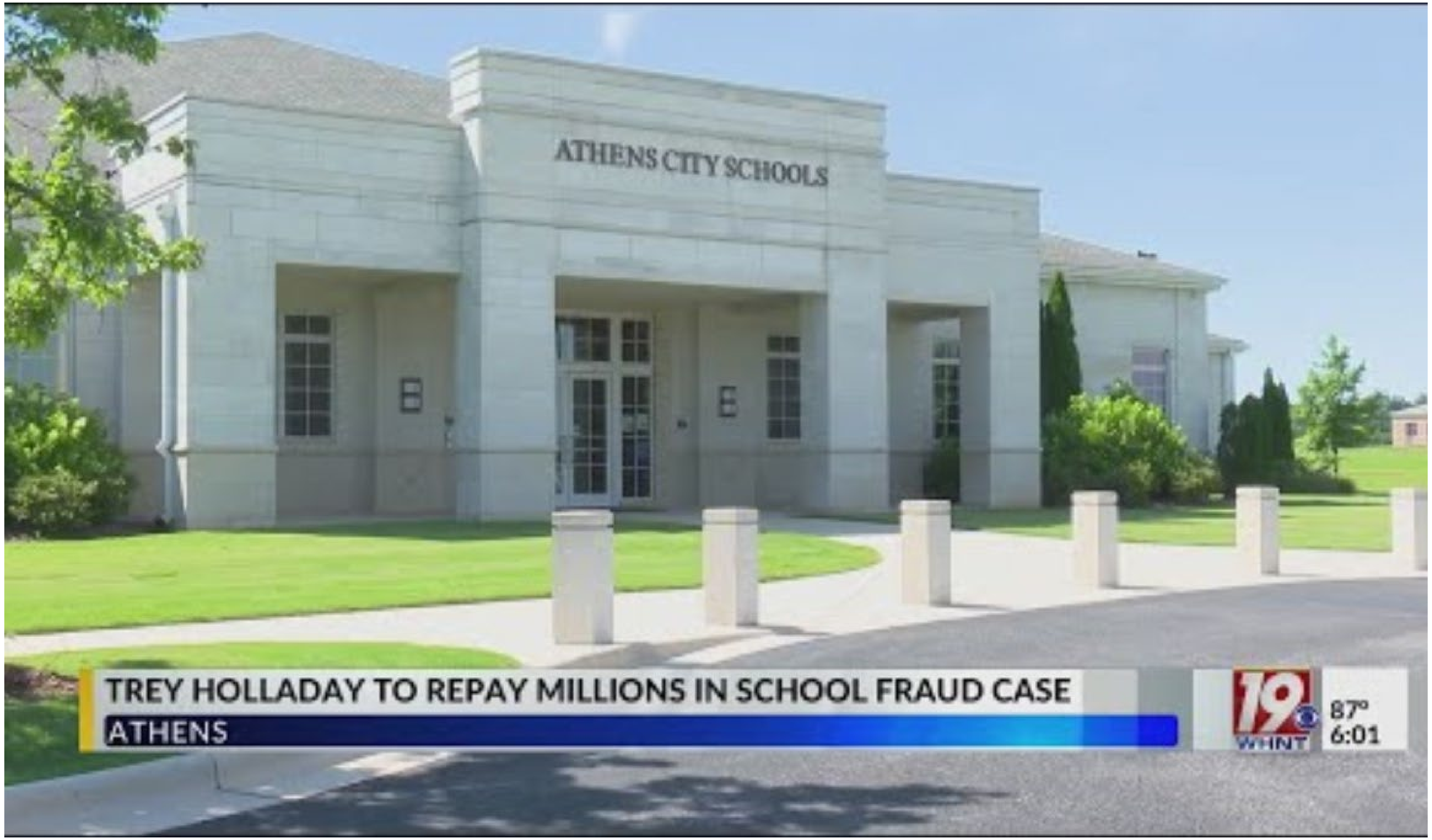
Once a week during the summer season (between Memorial Day and Labor Day), Van Cott ordered school cafeteria employees to slice, prep, and pack bulk deli turkey and ham.

Ordered Commercial Kitchen Equipment

He bought industrial kitchen equipment on the school's account that never made it into district storage. Stolen items included two $2,200 undercounter refrigerators, a $3,950 freezer, commercial griddles, a fryolator, a chargrill, a convection oven, and a sandwich prep table.

What internal controls could have prevented this?

Enrollment Fraud



How the Fraud Scheme Worked

STEP 1
Padded Enrollment
Alabama Virtual Schools obtained student data from private school employees and used it to inflate enrollment numbers for the virtual schools.

STEP 2
Claimed State Funds
Inflated enrollment let the virtual schools draw additional State funding, claiming students received virtual instruction while they stayed enrolled in their home districts.

STEP 3
Benefits for Data
In exchange for student data, the private schools received laptops, access to online curriculum, standardized testing, and monetary payments.

STEP 4
Personal Use of Funds
Virtual school administrators diverted the money given to the schools for their own personal use.

The Scheme: Student data fueled inflated enrollment that triggered State payments, private schools were paid in cash and equipment, and virtual school administrators pocketed the proceeds for personal use.

State education leaders first questioned enrollment methods and established new guidelines that only allowed virtual enrollment of students who lived within 100 miles of ACS schools. ACS Schools found a workaround to this requirement by opening a satellite campus near the private schools.

E-Mail Phishing Scam

How E- Mail Phishing Scams Work

STEP 1

Legitima te Invoice Process

Contractor for new High School Project submitted a legitimate payment application (invoice) through the normal process.

STEP 2

E- mail Compromised

School employee's e - mail is compromised. Fraudster monitors communication regarding construction payments and finds an opportunity.

STEP 3

Fraudulent Wire Instructions

Fraudster inserts themselves in the conversation and inserts new wire payment instructions. Often manipulates e- mail or creates e - mail address closely resembling contractor's real e - mail addresses.

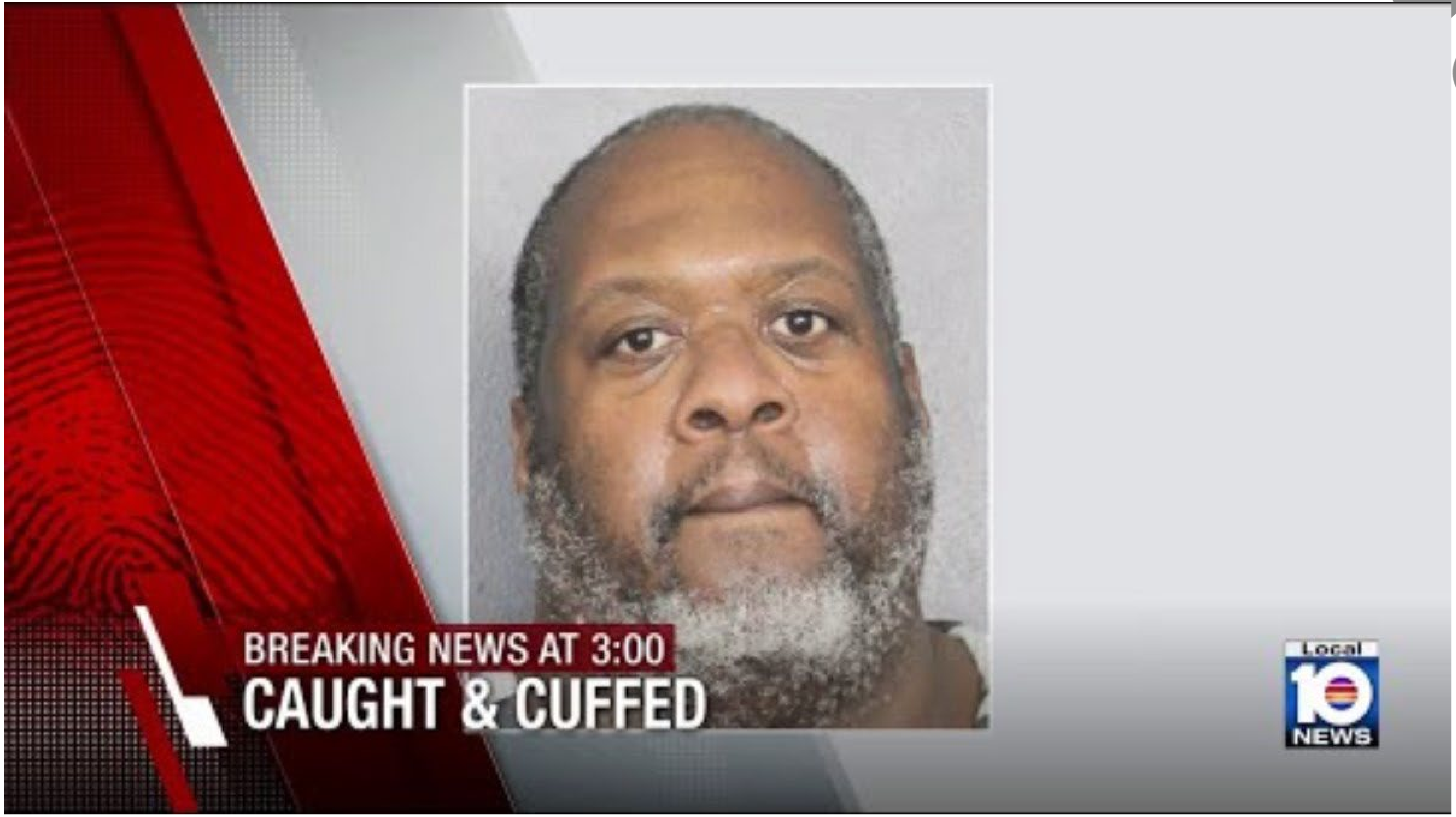
STEP 4

Invoice is Paid

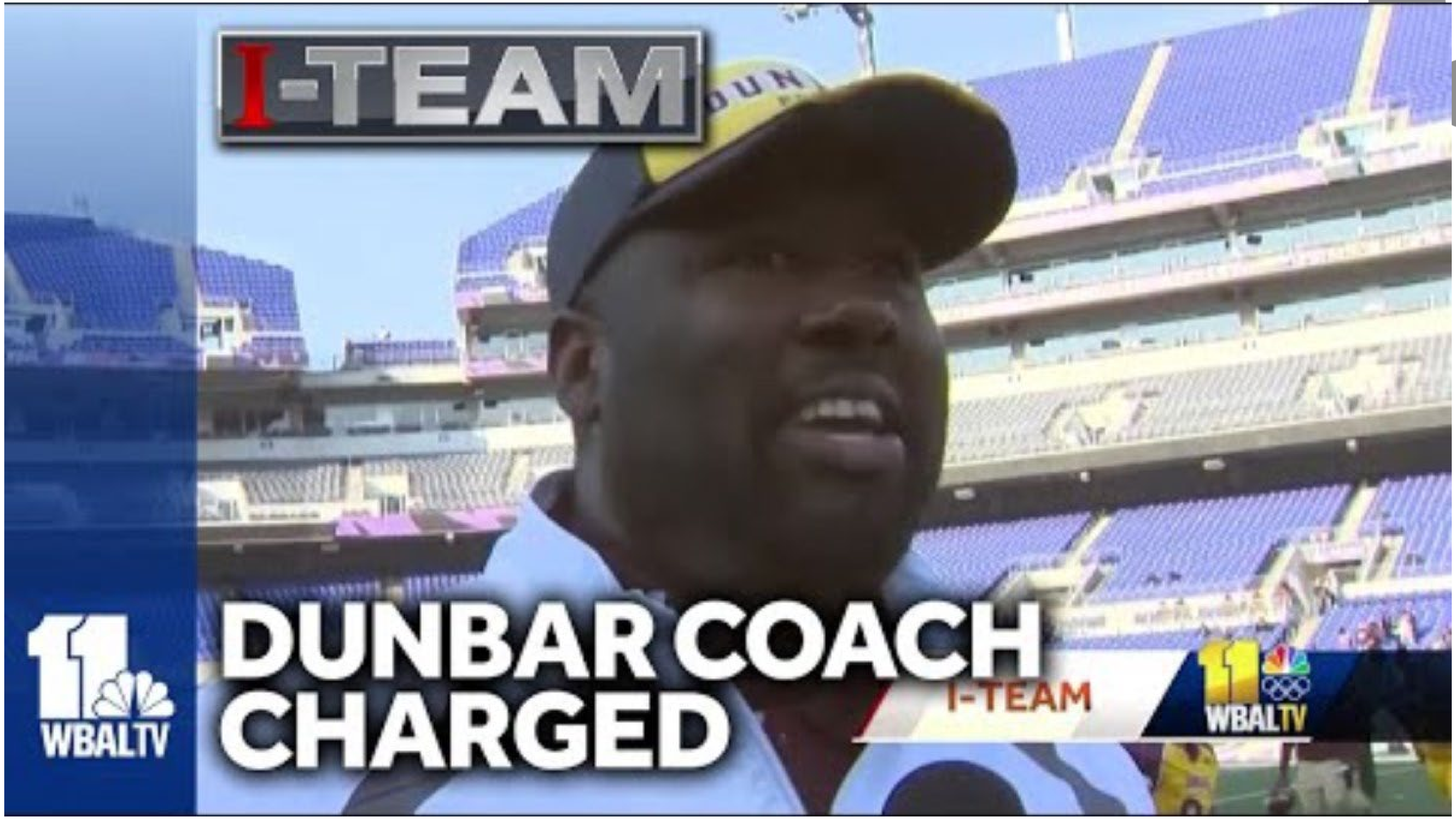
Payment wire instructions are followed and payment is made on the pay application (invoice) to the fraudster pretending to be the contractor.

Total Loss: $3.2 Million

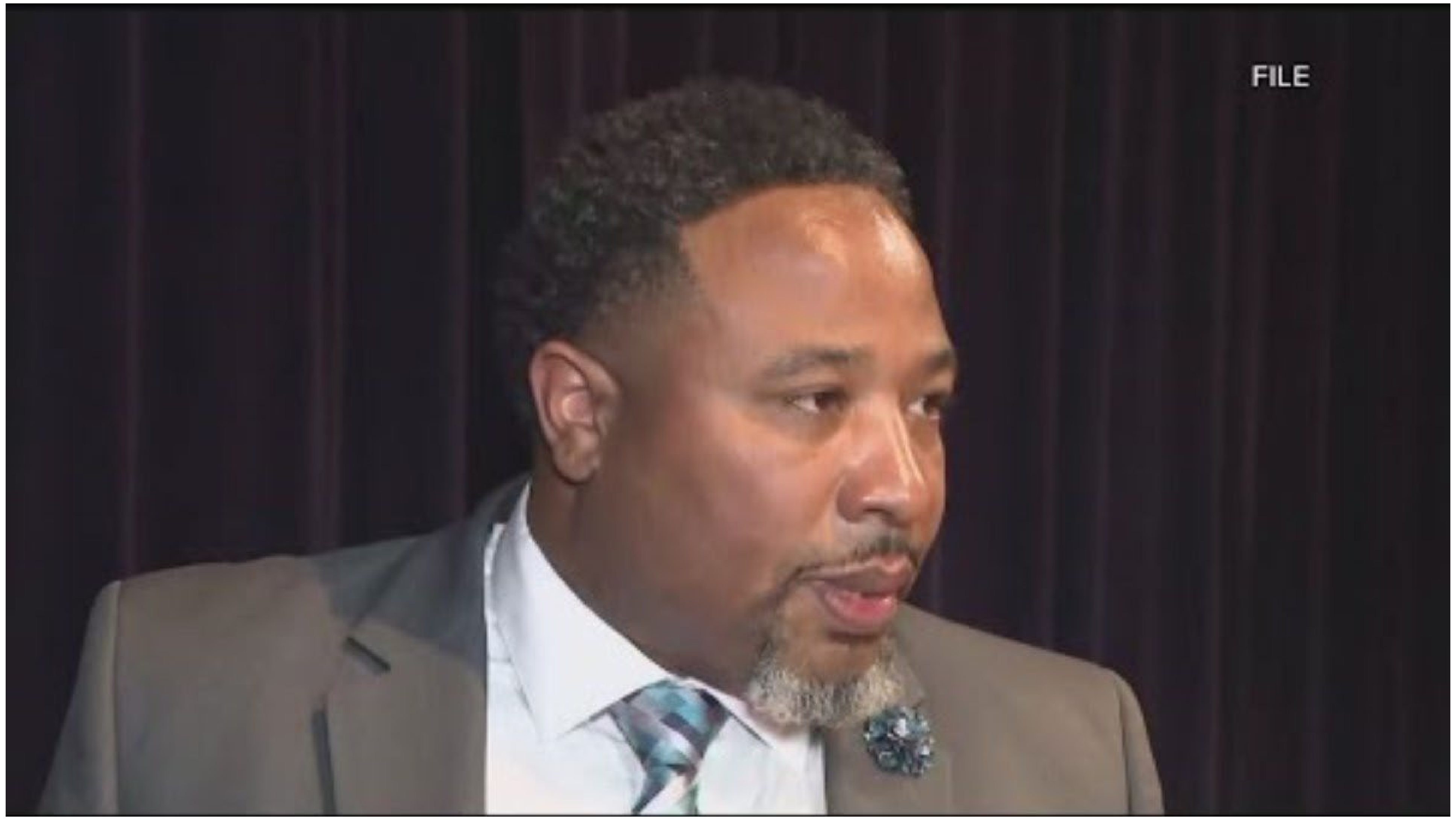
Unauthorized Use Of District Facilities



Overtime Abuse



Kickbacks & P -Card Abuse



- Indicted for running a kickback scheme and stealing from a previous employer .
- Devon Horton faced 17 counts, including wire fraud, embezzlement, and tax evasion .
- Steered over $280,000 in contracts to friends for more than $80,000 in kickbacks .
- Also charged with stealing over $30,000 via his district purchasing card — personal meals, gift cards, and his own vehicle .

Red Flags

Public Corruption

- Irregularities in contract awards or undue influence by people in decision - making positions
- Suspicious bidding trends and patterns
- Overriding internal controls
- Conflicts of interest
- Duplicate claims for the same service
- Transactions lacking business purpose

K- 12

- No segregation of duties
- Missing school funds or property
- Inventory and financial records not reconciled
- Suspicious or non - verifiable existence of vendor
- Unauthorized or related - party transactions
- Altered, inadequate, or missing documentation
- Grant award money runs out too quickly
- Poor grant performance/objectives not met

THANK YOU

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Global in Reach - Local in Touch

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