

DETECTING FRAUD

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WINTER 2013

Erica Mendez Babcock | IRE Journal



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BY MARK HORVIT

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In the age of Twitter...

I hate that phrase, or at least what most people mean when they say it. We've all been conditioned to communicate in bite-size chunks, the prevailing wisdom says, so everything has to be short and fast.

I ran into that phrase again, not long ago, reading an obituary of the great investigative reporter Richard Ben Cramer, who wrote really long articles and really long books. The author of the obit pined for a time long ago when attention spans were longer and wistfully wondered if anyone would ever again do the kind of journalism Cramer did, before the age of Twitter.

Of course, this is what we tend to do. Every new trend or development must have Deep Cultural Significance that speaks to the very soul of who we are as a society. We can't simply have something like Twitter that provides a way to send out concise messages really quickly.

Nope. It must be a sign of our times and a commentary on them, proof that we're becoming shallower and more vapid, tweet by tweet.

It's also a really convenient excuse for media owners and managers who are already looking to cut back and give their audiences less, while pretending that less is what they want.

And yet...

After the bizarre tale of Manti Te'o's imaginary girlfriend broke, I was sent a link to a pretty long article that investigated the incident in-depth.

It was sent to me by my 16-year-old son, who had read every word.

He also tweets.

Lots of people will tell you they don't like to read long articles. Until they find one they like.

Give them something interesting, which reveals information they didn't know about a topic that's important to them, or that fascinates them, or that affects their lives, and they'll dive right in.

As you might expect, in my job I look at a lot of investigative reporting. Many of the projects are long, whether they're written or broadcast. It would take days to tweet them.

And you know what? I don't finish some of them.

But that's not because of Twitter. It's because they weren't very good. Or some of them were good, but they were about topics that just didn't interest me. And you know what else? I didn't read long articles that I didn't find interesting before social media.

When I was a kid, lots of adults told me TV was going to ruin our brains. Those 30-minute sitcoms I loved – "Happy Days," "MASH," "Sanford and Son" – were going to eviscerate everyone's attention span. Books? Magazines? Doomed.

Yet people kept writing them. People like Richard Ben Cramer.

And people kept reading them. People like me. And now, like my son.

Smart journalists use social media services like Twitter to direct people to their work. Some of my favorite tweets are the ones that help me discover great stories done by investigative reporters all over the country and throughout the world. Through Twitter, I've recently discovered in-depth articles exposing police brutality, embezzlement, human trafficking and much more.

It's easy to blame the audience as an excuse to deliver less. But market research recently shared with me by Audience Research and Development LLC (a consulting firm that advises broadcast journalists) specifically shows that the top kind of news that audiences say they want is enterprise reporting that looks out for their interests. Of the top three priorities found in AR&D's surveys, No. 1 was "digs for facts and truth" and No. 2 was "holds the powerful accountable." Both categories had jumped significantly in the past two years, a sign perhaps not only of the audience's interest, but the fact that many news organizations are doing less of that today.

Such audience sentiment is one reason that some news organizations' decisions to scrap enterprise in the name of giving their supposedly attention-starved audience what they want has come back to bite them.

What the public is telling us is that you can, and should, still produce enterprise, in-depth journalism in the age of Twitter.

But just like in the age of the fountain pen, it's got to be good.

Mark Horvit is executive director of IRE and the National Institute for Computer-Assisted Reporting. He can be reached at mhorvit@ire.org or 573-882-2042.

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Eight newsrooms awarded grants for data projects

IRE is pleased to announce that eight newsrooms will be awarded grants thanks to a \$50,000 donation from Google Ideas. The grants will support data-driven investigations by providing journalists with access to data, new tools and necessary training.

The fund's two broad priorities were to support specific investigative projects and to better equip news organizations to do data analysis work in the future.

"IRE has long been a force for new ideas and tools for doing investigative journalism, and the generosity of this grant from Google recognizes that tradition," said Steve Doig, Knight Chair in Journalism at Arizona State University and a judge for the contest.

"The judges were impressed with the wide range of proposals we received from the applicants, and we have high hopes for the outcomes of the projects we awarded."

These are the winning projects:

- Arizona Center for Investigative Reporting will build a public web application to provide background checks for political candidates.
- The Centre for Investigative Journalism (UK) will investigate industrial facilities and emissions in Europe.
- The Chicago Reporter will assess how effectively the Chicago Housing Authority has distributed the Section 8 program's funds.
- El Pais (Spain) will implement a data journalism training program that will focus on the best processes and tools necessary for collecting, scraping, cleaning, analyzing and visualizing data in anticipation of increased transparency in Spain.
- Investigative Newsource will investigate federal, state and local issues that could severely affect disabled people's potential for employment.
- InvestigateWest will map transportation corridors and air quality.
- Tulsa World will investigate improper mortgage servicing practices in Oklahoma.
- WAVE-Louisville will investigate the role of race in the justice system.

In addition to Doig, the judges were Matt Waite, professor at the University of Nebraska-Lincoln and an IRE board member; Rich Gordon, professor at the Northwestern University Medill School of Journalism; Elizabeth Lucas, IRE/NI-CAR Data Library Director; and Jaimi Dowdell, IRE Training Director.

The grants are funded by Google Ideas, which explores how technology can enable people to confront threats in the face of conflict, instability or repression. Google Ideas connects users, experts and engineers to research and seed new technology-driven initiatives.

For more information, contact IRE Executive Director Mark Horvit at (573) 882-2042 or mhorvit@ire.org.

2012 Philip Meyer Award winners announced

Three major investigative reports that used social science research methods respectively to shine a light on Medicare billing errors and abuses, expose how the Medicaid system steered patients to use methadone, and reveal how race and privilege trumped justice in the granting of pardons were named as winners of the 2012 Philip Meyer Journalism Award.

First place was awarded to "Cracking the Codes" by Fred Schulte, Joe Eaton, David Donald, Liz Lucas and Gordon Witkin of The Center for Public Integrity. The series documented how thousands of medical professionals have steadily billed Medicare for more complex and costly health care over the past decade – adding \$11 billion or more to their fees – despite little evidence elderly patients required more treatment.

Second place was awarded to "Methadone and the Politics of Pain" by Michael J. Berens and Ken Armstrong of The Seattle Times. Berens and Armstrong's investigation found that patients on Medicaid in Washington were being steered to use the narcotic methadone as a painkiller because it was cheaper than safer alternatives, while at least 2,173 people had overdosed on the drug since 2003.

Third place was awarded to "Shades of Mercy: Presidential Pardons" by Dafna Linzer, Jennifer LaFleur, Krista Kjellman Schmidt and Liz Day of ProPublica. This project exposed a system in which race, privilege and bureaucracy combined to frustrate justice and, probably unintentionally, institutionalize racism in the 21st century.

Seven members honored with Polk awards

Seven IRE members were among winners of the 64th annual George Polk Awards in Journalism. Long Island University established the awards in 1949 to commemorate George Polk, a CBS correspondent murdered in 1948 while reporting on a civil war in Greece. The following members were honored this year:

- **David Corn** of Mother Jones won the George Polk Award for Political Reporting for his work securing and publishing video of the "47 percent" remarks from 2012 presidential candidate Mitt Romney.
- **David Barboza** of The New York Times won the George Polk Award for Foreign Reporting for "The Princelings," a three-part series examining "how relatives of top Chinese officials have amassed vast wealth through businesses closely entwined with the state."
- **John Hechinger** of Bloomberg News, along with colleague Janet Lorin, won the George Polk Award for National Reporting for a series exposing financial abuses in higher education. Hechinger's reporting revealed how the government hired private debt collectors who misled borrowers about their options and collected more than \$1 billion in commissions.
- **Gina Barton** of the Milwaukee Journal Sentinel won the George Polk Award for Local Reporting for coverage of the death of Derek Williams, a Milwaukee man who died in police custody after repeatedly telling police officers he could not breathe.
- **Sam Dolnick** of The New York Times won the George Polk Award for Justice Reporting for the series "Unlocked," which documented widespread abuse and mismanagement at privatized New Jersey halfway houses that had previously been hailed as innovative.
- **Ryan Gabrielson** of California Watch won the George Polk Award for State Reporting for "Broken Shield," a series documenting how California's Office of Protective Services failed to stop abuse at state clinics.
- **David Barstow** of The New York Times and Alejandra Xanic von Bertrab won the George Polk Award for Business Reporting for exposing the business practices of Walmart de Mexico. Barstow's reporting revealed how the company expanded through bribes and how claims of corruption were ignored by top Walmart executives.

Members win 2013 Alfred I. duPont-Columbia awards

Congratulations to the several IRE members and other recipients of the 2013 duPont-Columbia Awards. Their hard work and dedication to good investigative journalism helps keep the public informed and educated on important topics that affect their daily lives and communities.

- **Heather Catalo**, along with her colleagues at WXYZ-Detroit received a silver baton for their series, "Wayne County Confidential." "A model series of watchdog investigative reports that exposed local government corruption and resulted in criminal charges and an ongoing FBI probe."
- **Greg Phillips, Mikel Schaefer** and **Lee Zurik** along with their team at WVUE-New Orleans were awarded a silver baton for their original stories, "Dirty Deeds" and "Hiding Behind the Badge." With the help of DocumentCloud, Zurik and his team were able to easily expose the corruption and fraud, both past and current, that they uncovered.
- **Chris Amico, Scott Detrow** and colleagues at CAP WITF-Harrisburg, Pa., WHYY-Philadelphia and NPR were honored with an award for their work on "StateImpact Pennsylvania." The project showed the "significant impact" of natural gas drilling on residents of Pennsylvania. The team used DocumentCloud to "reveal previously unreported aspects of a new gas drilling law, including a provision that would require health professionals to sign confidentiality agreements in order to get access to chemical exposure information and developments in the state's efforts to establish a natural gas impact fee."
- **Alison Young, Peter Eisler, John Hillkirk, Blake Morrison, Brad Heath, Anthony DeBarros, Christopher Schnaars** and the team behind "Ghost Factories" won a silver baton for their "interactive investigative report that uncovered hundreds of forgotten lead factories and the health hazards they left behind." Young and her team used DocumentCloud extensively to file and keep track of the thousands of pages acquired through FOIA requests.
- **Karen Foshay**, along with her colleagues of KCET-Southern California, were awarded a silver baton for their original story, "SoCal Connected: Courting Disaster." Their reporting revealed "the consequences of budget cuts to Los Angeles' court system and their devastating impact on families."
- CBS News' **Scott Pelley** along with **Clarissa Ward** received a silver baton for their "gripping series of daily news reports from inside the deadly conflict in Syria," "CBS Evening News with Scott Pelley: Inside Syria."
- And **Andrew Cohen**, along with the entire crew of the documentary "Ai Weiwei: Never Sorry," a "compelling portrait of the internationally recognized artist Ai Weiwei," in which filmmaker Alison Klayman presents "an insightful look at China and its transition in a digital age."

BAYOU BARGAIN

State oil leases
enrich La. governors'
heirs for generations

By Lee Zurik
WVUE-New Orleans

I felt for my photographer and editor Donny Pearce. He's a pro, but I was still worried about his part of the job for our first "Dirty Deeds" story.

Two days before our first story aired I gave him everything I had, electronic files that if printed out would have been a significant stack of paper, most of it 60- to 80-years-old. That was about it. We also had two interviews, but not a lot of video. Most of the characters had been dead for decades. In other words, he had little to work with for a TV story that would last about nine minutes.

How it started

In the early summer of 2010, I got an email from a viewer, Keith Cressionnie. He wrote about a scheme from the 1930s involving oil leases and former Louisiana Gov. Huey Long. Long and his cronies had fraudulently obtained shares in the oil leases. The significance of his concern was that their descendants still benefited to this day. Keith and I had an initial meeting where he brought an easel board and passionately laid out the plan. He left me with a lot of homework – a bin full of documents to back up some of his facts.

Those facts were fascinating, shocking and complex.

In the 1930s, Long, then a senator, and two other Louisiana governors, James A. Noe and O.K. Allen, established the Win or Lose Corporation. It was an oil company that never did any drilling. But Win or Lose ended up profiting off lucrative state of Louisiana oil leases.

For example, in January 1936, Gov. James A. Noe awarded State Lease 340 to businessman W.T. Burton. Later that month, Burton assigned a large portion of the lease to Texaco and kept some of the royalties himself. Within a few more days (and a few days of receiving the lease) Burton again assigned some of the royalties – this time to the Win or Lose Corporation. It just so happened that Noe was a member of the Win or Lose Corporation. So essentially, Noe profited off a deal he handed out. To this day, descendants of Noe and the other governors still make money off this lease.

It took very little time for us to realize this



story would be huge because of both the amount of research needed and the potential reaction from viewers.

Digging into history

This was a labor-intensive and document-heavy investigation. We were fortunate that the state's Department of Natural Resources kept detailed files on every state lease. In fact, many of the documents were kept on a website that we could access. The electronic files were organized by lease, and each had tens of thousands of pages of documents. We reviewed every page that involved these controversial state leases.

It was fascinating, going through 80-year-old records. While the state put most up on the Web, it had failed even to glance at many. We ended up finding documents the state was not even aware of. One 1941 letter from someone apparently working for the attorney general's office wrote that fraud had been committed by the former governors and that the leases should be recovered by the state.

Getting the number

This series of stories had many challenging aspects. The most labor-intensive involved find-

ing the number. We wanted to know how much the former governors and their descendants had earned from a total of 10 state oil leases. The state had an electronic record of all the earnings from 1970 on. For earnings before that, the state kept the numbers in archived records. Our team locked ourselves in a Baton Rouge office with no windows for about a week. Three of us virtually broke the seal of old state books that detailed every payment made off the leases. We reviewed about two dozen books, all around two inches thick. We went through every page and built Excel spreadsheets for each lease. However, after a week we were able to show that since 1936, in adjusted dollars, all parties had made more than \$1 billion off these questionable leases.

Web component

We spent two years digging through historical documents while researching this story. We stored everything electronically and built folders for each state oil lease. It was obvious most of our information would never make it on TV. It was just too much.

Early on we envisioned an Internet-only component to our story. We wanted to let read-

ers look through the information that would not be aired but was still interesting and at times, important. We also wanted to complement our TV stories with Internet copy.

We created a page exclusively dedicated to “Dirty Deeds.” You can access it at fox8live.com/dirtydeeds. The main part of that page was our TV stories. In addition, we featured Internet-only video and copy stories.

We put together six video stories that could have aired on TV, but we featured them exclusively on our website. In one instance, our computer-assisted reporting showed the leases connected to Win or Lose were significantly larger than all but one other state lease. The former governors had essentially directed the largest and what would become the most profitable leases to themselves.

The next important component was more Internet-only stories. Web editor Tom Wright put together biographies of four of the key players in our series, including Huey Long. Tom also simplified the complicated process of how an oil lease is acquired. In fact, the state says it may use his explanation at an annual conference.

Finally, we featured all of our source documents. We uploaded our files to DocumentCloud and allowed our viewers and readers to see the public records to back up everything we reported. We also received a copy of Huey Long’s FBI files and included that for our Internet viewers to see.

About a month after our investigation began, our web content had received more than 50,000 hits, a significant number for our website. The traffic came from all parts of Louisiana and states as far away as California.

Attorney general investigation

We took our findings to the longest-serving member of Louisiana’s State Mineral and Energy Board, the group that oversees oil leases. He had never heard of the Win or Lose Corporation. He did not know these descendants were still making millions off these leases. He acted quickly and had the Mineral Board vote for the attorney general to launch an investigation.

The state legislature also tried to address our stories. A state lawmaker proposed a resolution also requesting the attorney general investigate. It would basically be a ceremonial vote since the Mineral Board’s action had already launched the investigation. However, that resolution was crushed in a House Committee. Further digging led us to a lobbyist who had urged the committee to vote no. We then figured out a state senator was also working behind the scenes to kill any investigation. The senator happened to be married to Huey Long’s great granddaughter. To this day, her parents are still profiting off the leases.



ABOVE: Former Louisiana Gov. Huey Long and his cronies had fraudulently obtained shares in the oil leases.

BELOW: Viewer Keith Cressionie tipped us off and provided a bin full of documents as evidence to his story.



The most challenging job in this story though belonged to Donny Pearce. Our photographer/editor tracked down old photographs and some video. He created multilayered graphics to help tell the story.

We have now aired 14 reports on the “Dirty Deeds” on our TV station. In May, the attorney general should report to the Mineral Board about the ability of Louisiana to terminate these leases. Some in state government had known about this plan, but they all had basically ignored it. Our stories forced them to pay attention and pushed some to act. If the state can find a way out, it could send tens of millions of dollars back into the state coffers to help care for the sick and elderly, educate our children and repair crumbling streets. Without action, tens of millions of dollars every year will continue to be directed to descendants of three former governors, most of whom now reside and spend their income outside of Louisiana.

Lee Zurik is an evening news anchor and chief investigative reporter at WVUE-New Orleans. Since 2009, Zurik has been honored with a George Foster Peabody Award, two duPont-Columbia Awards, IRE Medal, IRE Certificate, three National Edward R. Murrow Awards, and two Sigma Delta Chi awards.

We ended up finding documents the state was not even aware of. One 1941 letter from someone apparently working for the attorney general’s office wrote that fraud had been committed by the former governors and that the leases should be recovered by the state.



The investigative series prompted high school and college students to organize and storm the Assembly to demand total transparency of all publications and documents.

‘SECRET DIARIES’

Brazilian state legislators kept hidden records, diverted millions in public money

By Gabriel Tabatcheik
RPC-TV

We just wanted to answer a basic question: how many and what were the names of the employees of the state legislature? It’s information which, although legally mandatory to disseminate, had never been made public.

It took four journalists two years to uncover a complex story triggered by that simple question.

My colleague James Alberti and I joined forces with Karlos Kohlbach and Katia Brembatti of the *Gazeta do Povo* newspaper to discover how the Paraná State Legislative Assembly in Brazil was organized.

We expected that by gathering all the official diaries of the Legislature, we would be able to organize them and then decipher who worked there and in which place. The diaries were official paper reports which detailed actions by the

Legislature and how money was being spent.

The first diaries were obtained by Alberti, who was investigating a specific case of a deputy who had ghost employees. He got an edition of an official diary which contained the names of people who, although hired by the Legislature, did not show up at the Assembly to work. Instead, they had other jobs, like tire fitter and secretary.

After Alberti’s report was broadcast by RPC-TV, the deputy alleged she was being politically persecuted, since the same practice, according to her, had been done by many other deputies. “Why just me, then?” she asked. That was just the opportunity we needed. Alberti began searching other diaries in his free time. With the ones he got, he began typing the first Excel table with the names of the employees.

Turning diaries into tables

Legally, the Legislative Assembly is obligated to publicize its acts in official diaries, as well as offer means for the public to have access to them. However, those diaries were kept secret in a small room of the Legislature building. The head of the Legislature always avoided giving any information – by saying that either the diaries had been sent to be bound or that they were being digitized and temporarily unavailable to the public. This strategy was obvious in many reports made by several media organizations in Paraná, which tried, unsuccessfully, to have access to those documents.

We began to set up a private collection of these official diaries, helped by several sources inside and outside the Assembly. It resulted

in more than 200 pounds of paper, separated in several cardboard boxes and locked with padlocks in two cabinets. We entered more than 20,000 rows of data in Excel.

Inside the diaries the thing which most interested us was the hiring and dismissal of employees. Each year the Assembly published about 100 editions of its diaries and each one of them had dozens – or even hundreds – of official acts.

These public employees are known in Brazil as “trustworthy employees.” They’re a kind of civil servant that does not need to be approved through any test or “public contest” (which is used to select people to work in the public service). The hiring is up to the deputy.

At the time of the reports most of the employees were in this category: Of 2,457 civil servants, 1,941 were “trustworthy” ones. This meant that 79% of the Assembly employees had not gone through any kind of objective selection – their employment was just the political decision by a deputy. Although the appointment is legal, this unvetted process allowed people to have their names used to funnel money. Without working, they received salaries – which could be shared by those involved in the fraud.

The first challenge was to get familiarized with the structure of the document. Each diary was divided into employment-related acts. For example: hiring, vacation requests, licenses, bonuses, dismissal. Then we decided to create a column of “classes” of acts to facilitate the search. Thus, we organized the trajectory of each employee.

We had thought that having access to all the numbered diaries of each year would be enough to have the whole history of the Assembly before our eyes; all we had to do was organize them.

However, that was not how the system worked.

The secret and the spare diaries

Among the diaries were versions without a number – known as spare diaries – which were not even filed or distributed. Each had only a date. With spare diaries, it was possible to create a new document at any time, since there was no numerical order to follow.

We discovered them soon after we managed to get all the numbered diaries from 2006 to 2009. In theory, all the acts from the spare diaries should have been published in the official diaries. But they were not.

Spare diaries made it possible to “hire” or “fire” someone using secret acts. That scheme could be used to shield the Assembly from investigative reports or investigations from agencies with statutory powers. Since the Legislature had full control over its documents and nobody could access them, it was

Watch and read, in English, the main reports from the series ‘Secret Diaries’ at bit.ly/ZBsZdv.

Besides the Grande Prêmio Esso de Jornalismo, the series has also been awarded with the Tim Lopes de Jornalismo Investigativo prize. These are the biggest journalism prizes in Brazil. The team was also awarded the Global Shining Light Award, given by the Global Investigative Journalism Network (GIJN), and the Premio Latinoamericano de Periodismo de Investigación 2010-2011, given by the Instituto Prensa y Sociedad (IPYS) y Transparencia Internacional (Transparency International).

entirely possible that in the case of an investigative report on ghost employees, such as the one made by journalist Alberti, the Assembly simply pulled out these unknown spare diaries to defend allegations. Also, it printed a new edition of a diary containing names of the “alleged ghost employees” and accuse journalists of incompetence or political persecution.

Finding the participants

With the aid of the Google website and social networks such as Orkut and Facebook, we were able to find some of the mysterious employees of the Assembly.

Even dead people and children had their names used in the scheme.

We were also able to identify many positions which were occupied by relatives of political leaders from small towns. In some reports, we proved that many of these people acted as campaigners at election times.

On the pretext of appointing a “political agent” of the deputy in a city, deputies paid city leaders with public money to influence voters on the deputies’ behalf. Politicians who were defeated in local elections also had a guaranteed place in the Assembly, under the custody of the deputy’s cabinet, which campaigned for the deputy in that region.

The banks themselves were part of the scheme by their permitting the opening of these accounts. It also showed that political leaders used the office structure to remain in power by making public servants work for their personal interests, not the public’s – preventing new leaders from competing in the elections on equal terms, and thus sabotaging the democratic system.

Consequences

At first, we were going to focus on a week of special reports, but the repercussions made news for more than three months on an almost daily basis. The collaborative effort between our two news outlets was a first in our country.

After our series, the State Public Ministry

put together a task force with more than 10 prosecutors, which opened more than 20 investigations, filing six legal actions, including blocking of the property of those involved. Dozens of people have been arrested. The main directors of the Assembly lost their jobs. The Public Ministry declared that this scheme fraudulently diverted about \$50 million each year.

Several public protests have been organized since the beginning of the series, taking place in 10 cities in Paraná state. In the biggest, organized by the Order of Attorneys of Brazil in conjunction with the student movement and unions, more than 30,000 people took to the streets.

At the Legislative Assembly many things changed. The staff, which at the time of the reports counted 2,457 employees, is currently in the range of 1,400. At least \$2.5 million per month is no longer spent since the staff reduction. A law was created specifying criteria for hiring people. Also, a system to control the employees’ working time was installed. The official diaries can be finally found at the Assembly in digital versions. The court banned the use of spare diaries. It also required the publication of all official acts of the Legislature for the last five years, as a way to provide transparency of information that had previously been withheld.

A law of popular initiative, establishing clear and objective rules for the transparent management of all state agencies, was also approved.

James Alberti, Karlos Kohlbach and Katia Brembatti contributed to this article.

Gabriel Tabatcheik is a producer at RPC-TV and is attending law school at the Federal University of Paraná (UFPR). James Alberti has been a producer at RPC-TV for 13 years, working mainly with national news broadcasting. Karlos Kohlbach has done political coverage as a journalist for the Gazeta do Povo newspaper for more than 10 years. Katia Brembatti covers public health, politics and environment at Gazeta do Povo.

BARLETT AND STEELE BACK WITH NEW BOOK

2012 IRE Investigative Books List

By Steve Weinberg

The relative completeness of a list of every investigative and explanatory book by American journalists becomes ever harder to guarantee in an era of self-published books, e-books and print-on-demand books promoted in places unknown to me or not promoted at all except through on-line social media.

I have read and learned from dozens of the books on the 2012 list. I wish I had enough time and brain cells to read them all. But one of the 2012 books carries special meaning for me because it marked the return to the book marketplace of almost certainly the most talented long-running investigative journalism team in the history of our craft. They are also superb human beings who have shared their wisdom tirelessly through IRE. I read the book, and here is what I wrote on assignment for the newspaper USA Today:

When James B. Steele and Donald L. Barlett met as young reporters at The Philadelphia Inquirer during 1971, nobody, including themselves, would have predicted they would spend the next 41 years (and counting) exposing misbehaviors inside the corporate-government nexus.

Although the reporting duo won acclaim within the Philadelphia metropolitan area and throughout journalism circles, Barlett and Steele achieved little national recognition until 1992. That is when their book "America: What Went Wrong?" became a bestseller and quite likely helped elect Bill Clinton as president of the United States, given the dirty secrets revealed about Republican members of Congress, Republican Presidents Ronald Reagan and George H.W. Bush, and corporate chieftains prominent as large contributors to the Republican Party treasury. (Democrats were not exempt from the bad economic behavior exposed by the book.)

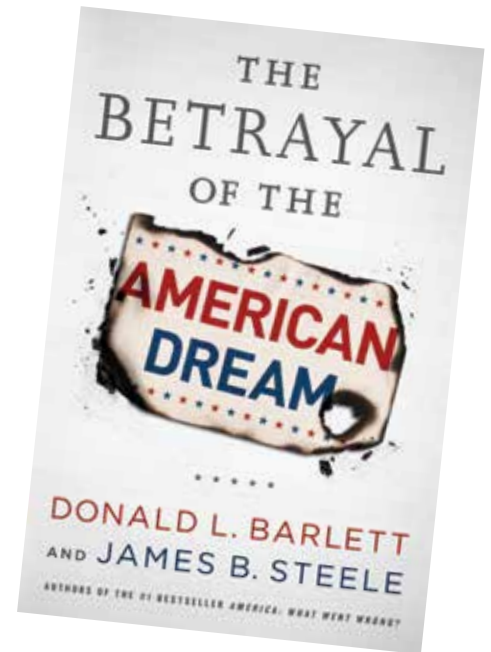
In that 1992 book, Barlett and Steele shared narratives of hard-working, middle-class Americans victimized by corporate takeovers and

buyouts, moves enabled by federal tax policy plus various other government legislation and regulation. (The authors define middle class members, circa 2012, as those reporting incomes between \$35,000 and \$85,000 in 2009.) As the authors recall in "The Betrayal of the American Dream," their just-published book, "We warned that by squeezing the middle class, the nation was heading toward a two-class society dramatically imbalanced in favor of the wealthy. At the time, the plight of middle-class Americans victimized by corporate excess was dismissed by economists as nothing more than the result of a dynamic market economy in which some people lose jobs while others move into new jobs."

Barlett and Steele, on the other hand, shared massive amounts of evidence that the unemployment and underemployment decimating the middle class was a shift "away from policies that had built the American middle class and enabled successive generations to do better than their parents, in favor of politics that catered to Wall Street, corporate chieftains and America's wealthiest citizens."

"The Betrayal of the American Dream" is the fifth Barlett and Steele book-length exposé since "America: What Went Wrong?" It is especially poignant in the wake of the nationwide/worldwide economic recession/depression that tightened the grip in 2008 and has barely abated for countless millions of U.S. residents. Formerly secure laborers have lost their homes and their seemingly guaranteed pension plans.

One of the many touchstones in the new book is the American-based Apple, Inc. There is much to admire in Apple's innovative technology. But, Barlett and Steele demonstrate, as Apple achieved remarkable profitability, it moved huge portions of its operation to China, leaving "most of its American workers behind. If the United States is unable to retain the benefits of a successful company like Apple and its potential to provide huge numbers of good jobs in this country for years to come, what does that



say about our ability to encourage future innovators and provide employment here at home?" the authors wonder.

Using memorable anecdotes gleaned from deep reporting, Barlett and Steele show how the ruling class has instituted policies that mean the near abandonment in the job market of returning military veterans who waged the American wars in Afghanistan and Iraq. Whether military veterans or not, countless college graduates who incurred huge financial debts to earn their degrees find the degrees essentially worthless in terms of career choices.

Barlett and Steele are trying to save a semblance of democracy by doing what the best journalists do – comforting the afflicted and afflicting the comfortable. But too many of the comfortable shun Barlett and Steele as pesky alarmists, and get away with it.

Steve Weinberg is the former executive director of Investigative Reporters & Editors. Weinberg is the author of eight nonfiction books, with number nine under way.

Examine the list at IRE.org. If you know of investigative and explanatory books written in the English language by American journalists and published during calendar year 2012, please contact Weinberg at weinbergs@missouri.edu.

RUN FOR THE IRE BOARD

By Sarah Cohen

It's time to start thinking about running for the IRE board of directors.

If you think you are ready to give back to the organization that has meant so much to your career, consider running for the IRE board this year. IRE is doing well under Mark Horvit's steady hand, but we always need our members to help us improve even more.

What does a board do? It doesn't run IRE. Instead, it makes broad policy decisions and sets priorities, and then trusts the able staff to put them into place. In recent years, the board has set policy on organizations we will solicit for conference sponsorships and how to adapt the annual contest so it reflects the melding of media.

A good IRE board reflects diversity of all kinds – ethnic and gender as well as a mix of specialties from narrative authors to data journalists. We need those in diverse media, from the newest nonprofit online newsroom to broadcasters in local TV markets. We need journalists from smaller and nonprofit news organizations, those working on their own and those in more traditional large newsrooms. And we need reporters, editors, producers and professors. Some experience in raising funds or sitting on another board is useful and many successful candidates have volunteered for IRE committees or as speakers or Journal contributors. But being able to give time and energy as an ambassador for IRE is just as important.

It's not expensive to join the board. Yes, we ask all board members to donate something to IRE – foundations frown on organizations that can't get all of their board members to contribute. But it doesn't have to be a lot. Some boards use this guideline: consider IRE to be one of your top three causes of the year, no matter how much or how little that is. The board has also reduced the out-of-pocket costs, understanding that most of us can't rely on our news organizations to pay for our travel. We meet in person only twice a year: once on the Thursday of the annual conference, and another time in the fall at an inexpensive hotel near the St. Louis airport.

This year, we want you to think about your candidacy earlier. One reason is that we want

Six seats up for election on IRE board

The filing period will begin April 1st for those planning to run for the IRE board of directors. Six seats on the 13-member board are up for election. The election will be held June 22 at the IRE conference in San Antonio.

The IRE board serves as the governing body of IRE and generally meets in person twice a year to discuss and vote on IRE business. One meeting is at the annual conference in June. The board periodically has conference calls. Directors serve on committees and task forces made up of board members and appointed non-board IRE members.

The seats are for two-year terms, and incumbents may seek re-election. A board position is unpaid; board members and their news organizations are expected to pay all, or a substantial amount, of travel expenses to board meetings. IRE will provide limited help in cases of need. Candidates must be IRE members in the professional or academic category. Board members are expected to help raise funds and contribute financial or other resources to the organization. In addition, they lose eligibility to enter the IRE Awards contest for entries in which they have a significant role.

Here is the schedule of this year's elections. Full information about election procedures is available at the board elections page.

2013 BOD Election Timeline

April 1 – Open date for declaration to run for IRE BOD

May 3 – Deadline for candidates to file

May 8 – Online absentee voting begins; candidate statements posted at IRE.org

June 7 – Deadline for candidates to be listed at IRE.org

June 19 – Absentee voting CLOSES

June 21 – Deadline to file – 12 noon CDT

June 22 – Election

to improve turnout among people who can't attend the conference. In an organization of more than 4,000 members, about 900 members attend the conference but only about 75 of the rest vote absentee. To that end, we'll ask every board candidate to answer a standard set of questions and allow emailing ballots to a private mailbox that won't be opened until Election Day during the conference. We may also hold some online candidate forums and publicize the ability to vote absentee more ag-

gressively. This means that getting your message out to all of IRE matters even more.

Call or write me if you'd like to discuss your candidacy or anything else about governance at IRE. And even if you don't want to run or if you can't come to the June conference in San Antonio – please vote.

Sarah Cohen is secretary of the IRE board of directors. She may be reached at sarah.cohen@nytimes.com or (212) 556-8027.



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TRUST YOUR INSTINCTS. KNOW YOUR BEAT.

USE COMMON SENSE TO INVESTIGATE FRAUD

BY MANNY GARCIA

El Nuevo Herald/The Miami Herald

Last August, The Miami Herald's political reporter Marc Caputo blogged about a part-time hotel worker, who, with no previous political experience, was running for United States Congress.

The candidate, Justin Lamar Sternad, had about \$120 in his campaign account yet managed to send about a dozen highly sophisticated political fliers to thousands of voters in Miami-Dade County and the Florida Keys.

Curious, I drove to the mailing house and asked the owner how Sternad – running in the Democratic primary – paid for the political fliers. The owner said they were paid in cash, \$80,000 worth, by a sitting Republican congressman named David Rivera.

We published a story. The FBI launched a criminal investigation, and federal prosecutors began issuing grand jury subpoenas. Our reporting found that Rivera allegedly funneled thousands of dollars into the Sternad campaign in hopes that the straw candidate would beat the Democratic front runner, a Rivera nemesis.

As a result of our reporting, Rivera lost his congressional seat. FBI agents arrested Sternad in a conspiracy to commit election fraud. Rivera remains under federal investigation.

Fraud investigations don't always come together so smoothly. But the takeaway is this: trust your instincts. If a deal does not make sense, the explanation you get does not sound right and an agency violates or bends its own rules, your fraud radar should sound off.

"Use common sense," Caputo said. "If numbers just don't add up, as they did in the Sternad case, you have something."

We know that frauds have become more sophisticated; money is hidden overseas, straw companies created, political committees turn up to hide contributions, documents are concocted.

But even the most sophisticated fraud cannot trump the resiliency and tenacity of investigative reporters – and the power of human capital and knowledge.

I just screened more than 140 award entries for IRE and ASNE, and there is more high-quality investigative work being produced now than ever before. The industry is not dying but rather thriving.

Second, the best projects are coming off beats: city hall, politics, cops, school systems, the military and the coverage of corporations.

The reporters and editors on these projects have total understanding of the beats, how they operate, what is legal, what is illegal, what policies and procedures are violated. As a result, they wrote with authority – and published across multiple platforms.

"Knowledge is power...wisdom more precious than rubies," I tell reporters.

So know your beat: meet people inside the inner circle and those on the outs. Who has the ax to grind? Read the city charter, understand the procurement process, immerse yourself in the protocols and procedures of government agencies.

A discerning reporter quickly figures out who is telling the truth and who is not.

When covering a municipality, a reporter should request its Comprehensive Annual Financial Report, or CAFR for short. We have found that some cities present a much rosier picture of finances to city leaders and the public for political reasons.

But the CAFR – which is usually filed with the secretary of state or comptroller – is a truer picture of a municipality's financial health, which includes its tax base, losses, pension obligations – anything that could affect revenue that

We know that frauds have become more sophisticated; money is hidden overseas, straw companies created, political committees turn up to hide contributions, documents are concocted.

When editing an investigation, I want to know: Where did the document come from? Who is the source? Can we get it independently? • It is better to be pushy ahead of time than to have to write a correction – besides, your lawyer will ask to see the originals.

cities dole out to the state.

Another quick file to obtain is a city's general ledger (electronically) and what fields it includes – with an emphasis on travel and entertainment, what expenditures commissioners' offices make, the mayor, city manager, etc. Look for slush funds – often labeled community outreach that go to organizations that help politicians get elected.

Recently, we published stories on how a local police department supposedly lost as much as \$175,000 from its property room. What does your audience want to know?

Who gets access to property room? How is evidence inventoried? Is there a bar scanner? Are there videotapes? By accident, we stumbled upon how a retired cop – who once ran the property room – was given the keys to the locker by a civilian employee and allowed to enter. The retired cop told us that he went inside to get empty boxes to pack up donations for charity. The video showed otherwise. We found that he carted off CDs, inkjet cartridges and other items. The retired cop is now under criminal investigation; the civilian employee was fired.

Again, common sense reporting. A property room is supposed to be secure. We're still trying to figure out where the cash went.

Even to get this far required a tenacious push by reporters because the police department refused to turn over records. Our lawyers became involved. We wanted copies of policies and procedures – our lawyer always asks for copies of originals, in this case any whistle-blower complaints and previous internal affairs investigations. The reason we want copies of originals is that it has become easy to falsify records on agency or government letterhead.

More than once we have received documents from Venezuela that appear real, only to learn that they're fake. Luck-

ily, we have not published a bogus record. So, again, using common sense, demand to know where the records came from. Where did you get that? Who gave it to you? Where can I get that document myself? Will you go on the record?

When editing an investigation, I want to know: Where did the document come from? Who is the source? Can we get it independently?

It is better to be pushy ahead of time than to have to write a correction – besides, your lawyer will ask to see the originals.

Finally, there is no substitute for investing in human capital. I can give you 10 tips for finding fraud, but nothing beats working your beat, in person, meeting people, schmoozing if you will – and writing stories for any platform. You need to be visible, otherwise it is out of sight, out of mind. Also call sources once a month, at least, to see what is happening that you are missing. The call builds goodwill because a source will not think that you call only when you need help.

Another trick that I especially pass on to younger reporters is to call the targets of the story once it has been published or aired. You want to let them vent, and many will appreciate that you don't hit and run.

Still, don't worry about angering someone on the beat. If you are accurate and fair – that is what counts, and you will gain other sources. It is better to be respected than liked.

Manny Garcia is the executive editor of El Nuevo Herald. He is a former metro editor, special projects editor, courts and cops editor and member of The Miami Herald's I-team. Garcia was a key reporter and writer in The Herald's 1999 and 2002 Pulitzer Prize-winning investigations. He and Jason Grotto shared a 2004 IRE Award for their project "Justice Withheld." Garcia serves on the IRE board of directors.

INTERNAL INVESTIGATION

HOW TO PINPOINT FRAUD

BY DAVID CODERRE

Computer Assisted Analysis Techniques and Solutions

The unrelenting advancement of technology is affecting virtually every aspect of our lives. And as technology becomes more pervasive, so do schemes to commit fraud. Fraudsters are taking advantage of users' inexperience with newer technology and weaknesses in the controls to perpetuate these schemes. This is proving to be a challenge for investigators in their efforts to identify and detect fraud. However, technology is also a tool that can help prevent and detect fraud. Data analysis techniques can search for the symptoms of fraud that are buried in the millions of transactions flowing through the business process.

Whether you are investigating to see if a fraud occurred or following up on an allegation of fraud, a good first step is to understand why fraud happens. The Fraud Triangle, created by famed criminologist Donald Cressey, outlines three basic things that must be present in order for fraud to occur: opportunity, pressure or motivation, and rationalization. Without these three things, fraud is unlikely to occur; therefore understanding the fraud triangle can give insights into the who, why and even how of the fraud.

Opportunity

An opportunity is likely to exist when there are weaknesses in the internal control framework or when a person abuses a position of trust. For example:

- organizational expediency – e.g., it was a high profile rush project and we had to cut corners;
- downsizing meant fewer people and no more separation of duties; or
- business re-engineering brought in new application systems that changed the control framework, removing some of the key checks and balances.

Pressure

The pressures are usually financial in nature, but this is not always true. For example, unrealistic corporate targets can encourage a salesperson or production manager to commit fraud. The desire for revenge, to get back at the organization for some perceived wrong; or poor self-esteem, the need to be seen as the top salesman, at any cost; are also examples of non-financial pressures that can lead to fraud. In addition, living a lavish lifestyle, a drug addiction and many other aspects can influence someone to commit fraud.

Rationalization

In the criminals' minds, rationalization usually includes the belief that the activity is not criminal. They often feel that everyone else is doing it, or no one will get hurt, or it's just a temporary loan I'll pay it back, and so on.

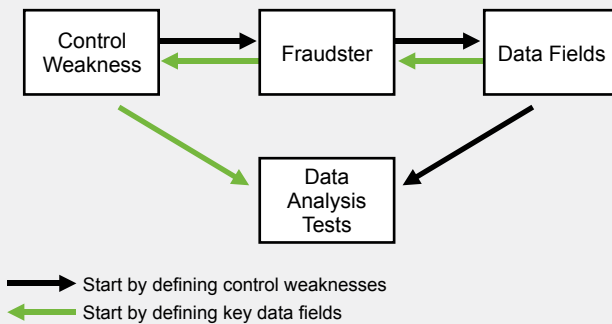
Interviews with persons who committed fraud have shown that most people do not originally set out to commit fraud. Often they simply took advantage of an opportunity; many times the first fraudulent act was an accident – perhaps they mistakenly processed the same invoice twice. But when they realized that it wasn't noticed, the fraudulent acts became deliberate and more frequent.

Interestingly, studies have shown that the removal of the pressure is not sufficient to stop an ongoing fraud. Also, the first act of fraud requires more rationalization than the second act, and so on. But as they become easier to justify, the acts occur more frequently and the amounts increase in value. This means that left alone, fraud will continue and the losses will increase. I have heard it said that "there is no such thing as a fraud that has reached maturity." Fraud, ultimately, is fed by greed, and greed is never satisfied.

Fraud investigators espouse the 10/80/10 rule, which states that 10% of people will never commit fraud; 80% of people would commit fraud under the right circumstances; and 10% will actively seek out opportunities for fraud. Thus, it is important to examine the opportunities – either to prevent fraud, or to determine if and how it occurred. In the book "Computer-Aided Fraud Prevention and Detection: A Step-by-Step Guide," I describe two distinct but related approaches used to identify fraud risks and control exposures. The first looks at weaknesses in existing fraud controls and assesses how these exposures could be exploited. The second starts with the key information or data fields and examines who could modify or manipulate these critical pieces of information; and then assesses the controls that should be in place to prevent this from happening. The essential element of both approaches is examining the business process from the perspective of the fraudster – basically, who can do what and why.

**Fraud, ultimately,
is fed by greed
and greed is
never satisfied.**

Assess the Risk of Fraud and Control Expenses*



*Source: "Computer-Aided Fraud Prevention and Detection: A Step-by-Step Guide"

First approach to identifying fraud risks

The first approach encourages the investigator to think about the possible control weaknesses and to answer four questions:

- Who could benefit from the control weaknesses?
- How could they be involved?
- What can they influence, control or affect to permit the fraud to occur?
- Can they act alone or is collusion required?

By looking at the adequacy and effectiveness of critical controls you can identify the critical opportunities for fraud. The subsequent examination of the data for instances of where the controls failed or were bypassed can quickly identify who committed the fraud.

Quantity received vs. quantity ordered

For example, during the review of controls, you determine that there are no controls over quantity received versus the quantity ordered. This means that the company could be receiving more items than were ordered.

Once the control weakness is identified, the data would tell you if the weakness was being exploited. In particular, the contract and receipt data would provide the quantity ordered and the quantity received and a simple analysis could identify all instances where more items were received than ordered.

The possible fraudsters who could take advantage of this weakness are:

- Contracting officer, in collusion with the vendor, who receives kickbacks for accepting more items than ordered;
- Vendor who independently ships more items than ordered to increase sales and hopes that the extra is not returned;
- Vendor's salesman who ships additional product in order to meet his targets and to obtain an unearned bonus;
- Receiving clerk, in collusion with the vendor, who steals the extra items.

The first step in the follow-up analysis is to isolate the transactions where the received quantity is greater than the ordered quantity. The next step is to see who was involved

in these transactions.

1. Summing the received amounts by contracting officer and vendor will help to determine if it is a particular contracting officer or vendor, or collusion between the contracting officer and a vendor.

2. Summing the amounts by receipt clerk and vendor will determine if one receiving clerk is involved more often than others, maybe in combination with a vendor.

3. Summing the amounts by vendor will identify instances where a vendor is acting alone.

If one contracting officer, receipt clerk or vendor has a higher total on the transactions where the receipt quantity was greater than the ordered quantity, then this person or company becomes the focus of further investigation.

Second approach

The second approach starts with the key fields and identifies the key controls that should be in place. The investigator is encouraged to consider the key pieces of information required by the business process and to ask five questions:

- Who can create, modify or delete this information?
- Why might they do this?
- What are the key controls to prevent this from happening?
- What tests can be performed to see if someone is committing a fraud?
- What is the source of the data and does it have integrity?

An investigator can often determine what has been altered by examining the key fields; and this often leads to who committed the fraud.

Accounts Payable

The first step is to examine the process and determine the key fields/information required. The key fields on a standard invoice are: vendor name, number and address; invoice number; product number; quantity; unit price; amount; and invoice date. The next steps are to consider who can manipulate the data in each of the fields, what controls should be in place, and how to test for fraud:

- The receipt clerk can enter or modify the vendor name and number and might pay duplicate invoices or create a fictitious vendor. The key controls would be in the vendor table – restricting who can create and modify vendors. The tests would include looking for duplicate vendor names and verifying the authority of users who are creating and modifying vendor records.
- The clerk can also change the vendor address or bank account number to misdirect a payment. A good test is to look at changes of addresses and bank accounts in the vendor table. Vendor fields with multiple address or bank account changes in a single year should be examined more closely to determine who is changing the address and why.
- But a vendor can also affect the vendor number. The vendor can use slightly different names or mailing addresses to obtain multiple vendor numbers. The motivation would be to obtain duplicate payments and the possible tests would be to check for duplicate invoices (paid to different vendors) and to look for duplicate vendors in the vendor table.

Symptoms of fraud in the data

Once the investigator has identified a control weakness or key fields that could be altered in order to commit a fraud, the next step is to examine the actual data. Two types of symptoms of fraud may occur in the data – known and unknown. The ideal situation is one where the risks are measurable and the symptoms known. In these cases, it is possible to develop specific tests to look for symptoms. However, sometimes the symptoms are not well known or understood. Another approach looks for anomalies or patterns in the data to detect symptoms of fraud – unknown symptoms. Fraud in particular often looks different from a normal transaction – but is hidden by the volume of transactions. Data analysis is not concerned about the volume of transactions, and, in fact, the more transactions, the more the fraudulent transaction may stand out – because it is different.

The fraudulent transactions often follow an unusual pattern or trend, such as an excessive use of management override to bypass key controls. By filtering, sorting, summing and performing other manipulations on the data, the fraud transactions often stand out. A filter can easily identify instances where contracting authority was exceeded (e.g., contracts over the contracting limit for the individual) or avoided (e.g., split contracts). A simple sort on credit card number, insurance policy number, invoice number, vendor name and employee number will quickly reveal transactions that are not within the normal pattern (e.g., insurance policies that start with “9” where all others start with the year 2013). Examining key dates can find fraud – for example, reviewing the date the contract bid was submitted can show bids submitted after the bid close date; or identifying patterns in the contracts such as the “last bid wins.” A review of the completeness and integrity of the data can also highlight fraudulent transactions – for example, examining mandatory fields to identify instances where there is no employee number, or an invalid employee number, but the employee is still being paid; or negative receipt quantities where the receiving clerk is entering negative “receipts” to lower the inventory levels in the inventory system and then stealing the “excess” items. And comparisons of data in different systems can identify frauds such as persons on the payroll who are not in the employee database or can highlight unusual rates of pay.

In many cases, data analysis will be a direct pointer to the critical evidence – the forged check, the serial number of the stolen item or the evidence of collusion.

It does not “take one to know one,” but if you want to find fraud, you need to know what it looks like. By understanding the critical controls and the key data elements, and using data analysis techniques to examine the actual data, investigators can find the transactions that will bring the fraud to light.

David Coderre is the CEO of Computer Assisted Analysis Techniques and Solutions (CAATS). He is the author of two recent books on fraud: “Computer-Aided Fraud Prevention and Detection: A Step-by-Step Guide” (2009), and “Fraud Analysis Techniques Using ACL” (2009). Coderre is also the author of the Institute of Internal Auditors (IIA) “Global Technology Audit Guide – Continuous Auditing: Implications for Assurance, Monitoring and Risk Assessment.”

Examples Of Fraud Tests: Identifying symptoms in the data

ACCOUNTS PAYABLE

- On the vendor table: P.O. Box addresses, duplicate addresses or vendors with no phone number
- Match the vendor list with a list of employees and look for matches of addresses or phone numbers
- Sort invoices by vendor and look for unusual sequencing or amount and unusual pricing and volume trends
- Invoices without a valid purchase order number
- Invoices from vendors not in vendor file
- Invoices for more than purchase order amount
- Multiple invoices for same item description
- Vendors with different invoice sequences
- Duplicate invoice numbers, date and amount

ACCOUNTS RECEIVABLE

- Match the accounts receivable data to find customers with an outstanding balance greater than their credit limit on the customer database
- Duplicate employee numbers or direct deposit numbers

PURCHASING/CONTRACTING

- Rapidly increasing or inconsistent unit prices
- Unit prices for same items inconsistent among different vendors
- Matches of item numbers/description being purchased and sold for scrap
- Use of management override
- Inventory fluctuations inconsistent with production or sales
- Invoice for quantity greater than received

PAYROLL

- No valid Social Security number or direct deposit account
- Same direct deposit account used by unrelated employees
- Same pay date and employee number but more than one check
- Employee with no time, attendance or leave
- Employee not in employee directory
- Employee on list of terminated employees
- Employee without pension or other deductions
- Employee with no or scarce personnel data

BILKING FOR BILLIONS

SHELL COMPANIES SWINDLE MEDICARE IN 'VIRTUALLY UNINTERRUPTED' SCAMS

BY BRIAN GROW
Reuters

Medicare fraud is one of the epic crimes of our time. So-called improper payments—a bundle of swindles and paperwork errors – cost the taxpayer-funded health care program for the elderly \$48 billion in losses in 2010, nearly 10 percent of the \$526 billion in payments the Medicare program made that year, according to the Government Accountability Office.

Indeed, the size, diversity and ongoing nature of Medicare fraud are so vast that there are many more opportunities for reporters to dig deep into data, piece together disparate information, and uncover more schemes which may be stealing money from the U.S. taxpayer.

The sheer size of Medicare's losses is staggering. In 2010, it was an amount greater than the gross domestic product of 103 countries, according to data from the World Bank. And the number of con artists who allegedly ripped off Medicare, then escaped capture, is so large that the inspector general's office of the Department of Health and Human Services publishes its own "Most Wanted" list.

It was against the backdrop of those giant numbers and fraudsters on the lam that Reuters launched an investigation into one aspect of the Medicare fraud industry: how American shell companies – easy to form, easy to use and easy to abuse – are a crucial tool in many of Medicare's biggest scams. What became the story "Shell Games: Mediscam" was a component of a six-part series by Reuters in 2011 that explored the extent and impact of corporate secrecy in the U.S.

Our Mediscam story was, in my opinion, the most shocking story in the "Shell Games" series. Why? Because of the audacious way some of the con artists deployed dummy companies to execute Medicare

fraud, and because of the ease with which state and federal officials could have uncovered the frauds with just a little checking.

In one instance, we found that a Tennessee clinic called Gainesboro Ultimate, which billed Medicare purportedly for treating patients with a rare ailment called severe combined immunodeficiency disease, or Bubble Boy disease, turned out to be a sagging barn in the woods on the banks of the Cumberland River. Multiple patients who allegedly received treatment from Gainesboro Ultimate reported to Medicare that they lived at 140 Lonesome Point – a half-built house up a dirt road from the barn.

But officials from Medicare and the Tennessee Secretary of State's office never checked the validity of Gainesboro Ultimate's incorporation records before it started billing; and Medicare didn't check why multiple patients needing Bubble Boy disease treatment purportedly lived at the same address until many payments had already been made.

By plugging the address of the clinic and the half-built house – both available in state and federal records – into Google Maps, then visiting the locations, Reuters was able to show that this Medicare fraud could have been detected almost instantly.

Indeed, the size, diversity and ongoing nature of Medicare fraud are so vast that there are many more opportunities for reporters to dig deep into data, piece together disparate information, and uncover more schemes which may be stealing money from the U.S. taxpayer.

Dissecting the swindles

Here is how Reuters executed "Shell Games: Mediscam." After the first installments of the "Shell Games" series were published in 2011, Reuters received a flurry of new tips from sources and law enforcement officials on other ways that shell companies were proving handy.

One came from a former assistant U.S. attorney in Miami and Medicare fraud expert named Ryan Stumphauer. He laid out how Medicare was bedeviled by schemes in which shell companies posed as legitimate medical providers to bill hundreds of millions of dollars for treatments that were never provided – and how Medicare struggled to pull back the veil on sham entities.

Indeed, one of the largest cases of Medicare fraud ever charged was enabled by shell companies. In October 2010, federal prosecutors indicted 44 members of an Armenian



organized crime ring. Their network, which stretched from Los Angeles to Savannah, Ga., used 118 shell companies in 25 states to pose as Medicare providers, billing more than \$100 million.

To examine exactly how these schemes could be carried out on such a scale, and sometimes for years, Reuters decided to dissect one particularly audacious case: the Huarte gang.

Using a combination of federal court documents, state incorporation records, Medicare provider identification records, Google Maps, site visits and interviews with individuals named in the state documents, Reuters showed how the Huarte gang – led by a 40-year-old Cuban-American named Miguel De Jesus Huarte – stayed one step ahead of Medicare and federal investigators for more than four years, billing more than \$100 million for treatments along the way.

Federal prosecutors had struggled for years to spot, let alone stop, Huarte's shell game. In court documents, they describe his operation as "remarkable for its geographic breadth, organization, sophistication, and size." From 2005 until early 2009, Huarte and at least seven co-conspirators operated at least 35 fake Medicare clinics in Florida, Georgia, Louisiana, North Carolina and South Carolina, the court records showed.

During that time, his scams operated "virtually uninterrupted," according to a September 2009 superseding indictment. Of the more than \$100 million they billed Medicare for, they received at least \$34 million for nonexistent HIV and AIDS treatments and varicose vein care and pain management therapy that never occurred.

The key: Huarte stayed ahead of authorities by setting up new companies before the government could sniff out the fraud from his old ones.

Straw owners, stolen identities

It began like this: In 2005, Huarte and his co-conspirators formed or acquired control of six medical clinics in Florida, each with its own office. Patients were then recruited and paid kickbacks to periodically appear at the clinics or allow use of their Medicare numbers, according to a plea agreement signed by Huarte in October 2009. The clinics were shams – patients weren't receiving legitimate treatment there.

Later, when authorities caught on, Huarte created shell companies consisting of entirely fictional clinics – those that corresponded with mailbox stores, for instance.

To disguise Huarte's role, straw owners were paid as much as \$200,000 to put their names on Florida incorporation records and bank accounts. In return, some straw

TOP PHOTOS: Up the road from the barn, a half-built house at 140 Lonesome Point purported to be the home to some of the clinic's patients. They were supposedly being treated for Severe Combined Immunodeficiency Disease, or "Bubble Boy disease."

BOTTOM PHOTOS: This abandoned tobacco barn in Gainesboro, Tenn., posed as a Medicare clinic called Gainesboro Ultimate, as seen Oct. 31, 2011.

Medicare was bedeviled by schemes in which shell companies posed as legitimate medical providers to bill hundreds of millions of dollars for treatments that were never provided.

owners agreed to “flee to Cuba to avoid law enforcement detection or capture,” according to the indictment.

For instance, Madelin Machado is listed as president of Zigma Medical Care, a fake Miami clinic that collected \$4.5 million from Medicare. In January 2008, after authorities figured out the scam, Machado was indicted for healthcare fraud in Florida. She subsequently disappeared, although she’s still listed as Zigma’s president in state records.

Huarte’s cover-ups proved successful for years, even as he secretly directed his fake companies. He later replaced Zigma and the other Florida clinics with shell clinics in Atlanta such as New Age Family Institute and Elusive Quality, according to federal court records. Although each was registered in state incorporation records, neither Medicare nor state officials checked the validity of the corporate documents, a review that may have uncovered the fraud.

To understand what the Huarte gang had filed in state incorporation records – and what could have been discovered had officials checked – Reuters reporters built a spreadsheet of the 35 purported Medicare clinics. We listed the entities’ names and addresses and the names of all officers, directors and registered agents contained in the documents.

Then, Reuters entered the addresses into Google Maps, ran Google cross-references of the named officers, directors and registered agents, and conducted site visits to physically explore the locations. Almost all of Huarte’s corporate data – available to Medicare and the public – proved a lie.

For example, the purported representative of New Age Family Institute was a deaf retiree whose identity had been stolen. Though

the clinic was purportedly located in Atlanta at 205 South 49th St., according to state incorporation records, a Google Maps search shows the address doesn’t exist. Elusive Quality’s address – 925B Peachtree St. N.E., Suite 131 – was actually a UPS store in Atlanta’s Midtown district.

In interviews, some of the people listed as officers in the incorporation papers said they didn’t know their names had been used until they were contacted for that article. Jimmie Dominic Dancer, for example, is an instructor at the Emory University School of Medicine in Atlanta. State incorporation records name him as the chief executive and chief financial officer of S.T.R. of Georgia, a purported HIV and AIDS clinic in Atlanta that was part of the Huarte fraud network.

A specialist in internal medicine, Dancer said he had not practiced medicine since 2002. “I’ve never been a CEO or CFO,” he said. “I’ve never heard of S.T.R. of Georgia.” After being contacted by Reuters, Dancer informed the Georgia Medicare and Medicaid hotline that he believed his identity had been stolen.

Massive, ongoing fraud

To provide readers a sense of the pervasiveness of shell-perpetrated Medicare fraud, Reuters also examined indictments issued since 2007 by federal Medicare fraud task forces in eight states. The examination found that shell companies were involved in more than a third of the fraudulent Medicare claims identified by the task forces – \$1 billion of the \$2.9 billion uncovered at the time.

The indictments and other cases indicate that at least 300 shell companies posed as legitimate Medicare providers and billing firms, or laundered payments from Medicare. The court records showed shells purported to provide services ranging from treating varicose veins to supplying prosthetic limbs. To show how Medicare fraud involving shell companies continues, Reuters scrutinized incorporation documents for firms located in two buildings near the Miami International Airport. Based on a tip from law enforcement, Reuters walked the two buildings, which have dimly lit corridors, a rickety elevator and almost no one in sight.

Reuters noted the names of more than 40 companies and then cross-referenced them in publicly available databases listing firms with National Provider Identifier numbers. An NPI is a unique 10-digit identifier for entities authorized to provide Medicare-funded medical services. It means, in other words, that firms had at some point been approved to bill Medicare.

But telltale signs of fraud abounded.

Florida state incorporation records for 26 of the companies in the two buildings showed many had replaced corporate officers at least once in the previous four years. Some had changed ownership, or their corporate executives represented more than one medical-related company. Law enforcement officials consider such activities to be red flags for fraud.

Reuters subsequently asked analysts from the Recovery Accountability and Transparency Board to use its software programs to examine the companies. The board monitors \$787 billion in stimulus funds for fraudulent activity using sophisticated computer systems; last year, it had worked with Medicare officials to look for patterns of fraud.

After reviewing the Reuters analysis, board head Earl Devaney said the companies Reuters identified represented “a pretty big case.” In fact, the board’s review led its investigators to another 15 Medicare entities associated with those providers. Devaney said the findings could prompt a “serious criminal investigation” and “have the distinct look of the kinds of scams we’ve seen before.” The results of the board’s analysis were sent to the inspector general of the Department of Health and Human Services for further investigation. It is unclear what the investigation uncovered.

Brian Grow is an enterprise correspondent based in Atlanta. Prior to Reuters, Brian was the project director for business and financial investigations at The Center for Public Integrity in Washington, where he investigated FHA mortgage lending with The Washington Post, and litigation finance with The New York Times. Before becoming a reporter, Grow spent nearly a decade as a corporate executive for multinational firms in Switzerland, Moscow, Vienna and London.

money that candidly, I think the bad guys just stayed away from it and continued to commit Medicare fraud, which is a lot easier to do.

LUTHER: *What were some of the techniques you used in both prevention and detection of fraud in the stimulus program?*

DEVANEY: We created something called the CAP Recovery Operation Center. It's got TV screens and analysts and all sorts of technology that we pulled together. We ended up with a conglomerate of technologies that sort of worked together that provided, almost instantaneously, a view of particular companies that are associated, who were the owners of the companies, who are their friends. More frequently, it's fraud being committed by associates of bad guys, who don't have criminal records. All of the technology enabled us to see those relationships before the money went out. We also had a rather active hotline to have citizens to tell us about fraud.

LUTHER: *Are there any trends or common threads that you have seen with government fraud cases?*

DEVANEY: I've seen government fix loopholes only to have the bad guys find new ones. When I first started in law enforcement, the crooks weren't too bright. Nowadays, these folks are normally organized groups who have sophisticated techniques. They will expose a loophole as long as they can. The Medicare world is filled with folks who steal money from Medicare and by the time the inspector general and the FBI comes along they have boarded up and moved on to another city.

With the technology, we can crunch big data in nanoseconds instead of days of investigating. It used to take them about five days to work up a case that they could then refer to the IG and FBI, but along came the last three years, four years, very sophisticated big data crunchers that allow five days to go down to five hours, which means you need less people. As technology becomes more powerful, I think the need for auditors and investigators would be less and less.

LUTHER: *Have you seen any major differences between government and private sector fraud?*

DEVANEY: No. I don't think the bad guys really care who they steal from. I used to think particularly in credit card

fraud and some of the computer fraud that the private industry had a bit of an edge on the government. Probably in the 90s, we got our act together and we started actually kind of working with private industry because we were both experiencing the same type of bad guys.

LUTHER: *Any advice for journalists looking into fraud?*

DEVANEY: You all have to make the shift as well from writing stories about a big arrest that was made last night to talking about the trends and talking about technology that helps prevent fraud. More the bad guys see that in print, is a good thing from my perspective.

It was not surprising to me that journalists brought fraud cases to us. A lot of journalists used the website as an investigative tool, found and brought to our attention some strange uses of the money that turned into cases.

There doesn't have to be the animosity that sometimes exist between law enforcement and journalists. I viewed journalists as part of the citizen army that's out there to protect this money.

LUTHER: *What would you tell them to look for?*

DEVANEY: It's still a matter of seeing things that just don't look right. We didn't have capacity to monitor every dollar that's being spent. I think journalists, if they want to put the time in, they can find money that just doesn't look right. Recovery is the best example, where journalists can see where money is being spent where they work. If they are on the beat in Ohio, journalists might know, that company that just got the money is owned by the mayor's brother. We in Washington wouldn't know that, the local journalist would know that.

I think the big thing here is the movement from protection to prevention. The IG community has recognized that's really the name of the game and the future. We have to use technology. We are never going to eliminate fraud. It's not going to go away totally. Technology is our ace in the hole.

Earl Devaney is president of The Devaney Group, having retired from the federal government with over 41 years of service at the end of 2011. He now provides strategic advice to a wide variety of companies seeking to work with the federal government. In 2011, Devaney received the Donald L. Scantlebury Memorial Award, which recognizes a senior government executive who demonstrates outstanding leadership and significant improvements in financial management in the public sector.

FRAUD IN THE CLASSROOM

COOKING THE BOOKS TO MAKE GRADES BETTER

BY JOHN PERRY

The Atlanta Journal-Constitution

There are many ways that educators have devised to manipulate achievement test results. The most blatant, and probably the easiest to discover, is simply taking an eraser and correcting student answer sheets. But there are also ways that are subtle and more difficult to detect.

Teachers have walked the room, signaling students who mark a wrong answer. Test administrators have gained early access to test questions and used them to make practice worksheets. They can seat struggling students next to proficient students, and as one principal told his staff, if students copy off each other, “there’s nothing we can do.”

Much of this happens behind the closed door of a school classroom. Without a whistleblower, this kind of cheating is hard to uncover. And as reporters at The Atlanta Journal-Constitution have learned in four years of covering cheating in Atlanta and nationwide, teachers who turn in their colleagues often risk their own careers.

But we’ve also learned that test scores for groups of students behave predictably, with little change between years or grades. If average scores show large jumps or dives, something other than education may be going on.

We began to suspect that Georgia achievement test results might not be what they appeared in 2008. About 40 percent of eighth graders failed spring math test that year, after a new curriculum was introduced. But in the fall, the state Education Department announced that more Georgia schools than ever before had met their Adequate Yearly Progress goals set by the No Child Left Behind Act.

AYP data showed that many schools had met their goals only because of extraordinary gains on math retests after a few weeks of summer school. Thus began our four-year adventure in the power, and the limitations, of using statistical analysis to uncover cheating by educators on state achievement tests.

For our first cheating story, we had the best possible information – student-level data with both the spring score and the summer retest score. Browsing through the data, it was easy for Heather Vogell, the education reporter on our investigative team, to find unlikely results. At a school where more than 30 kids failed the spring test, summer school brought all of them up to passing level, and half of them to the highest “exceeds expectation” level.

To take a broader view, we used a simple statistical tech-



Hyosub Shin | AJC

nique. We converted the average score changes at each school and grade to a z-score, which expresses the change in standard deviations, or the typical score change. In our story, we focused on the most unbelievable gains, ranging from 4 to 9 standard deviations.

That first story, suggesting that educators were cheating based only on a statistical analysis, was nerve-wracking, but it established a pattern we would repeat several times over the next four years. Statistical analysis cracked the door, allowing traditional reporting techniques to throw it open.

As a result of that first story, the state conducted its first erasure analysis, focusing on schools with large summer-school gains. The results confirmed our reports, and a principal and assistant principal at one school named in our story plead guilty to altering state documents.

The story also sparked calls from teachers who said they knew of cheating. None would go on the record and most remained anonymous. But it led us to suspect that Atlanta Public Schools might have a particular problem with cheating. Vogell followed up with a story showing that Atlanta treated cheating reports much differently from other districts, rarely finding substance in any allegation.

ABOVE: Test scores rocketed and plunged over several years at Annette Officer Elementary School in East St. Louis, Ill., often a telltale sign of tampering. The school district determined that cheating was “accepted practice.”

The next spring, we conducted a statewide analysis of test results. This time, we could not get data tracking of individual students from test to test. We were forced to use averages by school, grade and test subject. We used linear regression to calculate an expected average for each school, grade and subject – what we call a class – based on the result for the previous grade in the previous year.

In effect, we were using regression as a descriptive statistic to tell us the probability that a gain or loss was random chance. If the change was improbable, it was likely something unique had occurred. We believed principals and the superintendent should be able to explain that unique event.

The statewide analysis pointed dramatically at Atlanta, and that became our focus. Shortly after our report, the state released its first statewide erasure analysis, largely confirming our findings. Vogell convinced a few teachers to speak on the record. This all led to the governor's appointment of a special investigator to look into Atlanta cheating. In 2011, that investigation implicated around 180 Atlanta teachers and administrators in cheating. The investigators with subpoena power were able to reveal details of the cheating, such as pizza parties where teachers and administrators changed test answers.

In the fall of 2011, we decided to answer the next logical question: was Atlanta unique? We had been asking if cheating occurred at individual schools. Now we were looking for districts where the pattern resembled Atlanta and suggested cheating was systemic. After talking with statistics and testing experts, we came up with a two-tiered method of identifying problem districts. First, we used linear re-

gression as we had before to identify unusual score changes at the class level.

Then we looked at the distribution of flagged classes among districts. Given the percentage of classes flagged statewide in a given year, we calculated the probability that a district would have some number of classes flagged by random chance. When we found districts with a highly improbable concentration of flagged classes, we took that as an indication of a district that might have a cheating problem.

We knew that collecting data from 50 states would be a massive undertaking. It actually took seven months, and the efforts of a lawyer in several instances. So before we undertook that chore, we conducted two pilot studies to test whether our methodology would work.

We had Georgia testing data, as well as erasure analysis results and findings from cheating investigations. We also found that Texas posted extensive data online, and we had the results of The Dallas Morning News statewide cheating investigation. With this data, we could test whether our methodology could identify districts that we knew had cheated.

We then extended our pilot study, with the help of data that had been collected by the American Institutes for Research for their work equating state test score results to a national test. And again, our methodology was able to identify schools and districts where Nexus and Google searches had turned up confirmed cheating scandals.

These pilot studies gave us confidence that collecting the data would be worth the effort. Our first story, which ran March 20, 2012, identified about 200 districts nationwide where unusual concentrations of unlikely test results should warrant investigation. We followed up with open record requests to selected districts for complaints about cheating and found reluctance among district administrators to investigate these reports deeply.

We also found many National Blue Ribbon Award winning schools with a series of unusual gains leading up to the award, followed by big score drops afterwards. And a survey of state education departments found that few states use statistical analysis to test results to find cheating, or even simple security measures such as barring teachers from testing their own students.

It's too soon to know if our national analysis will have results. Historically, federal education officials and local districts have been reluctant to standardize best practices for testing or look for cheating. But with scandals spreading beyond Atlanta to other districts, we believe it is essential to return integrity to the process of school testing. As we've noted in our coverage: it is the kids who are cheated when testing integrity is not assured.

See the "Cheating our Children" stories at bit.ly/O2NMnv.

John Perry wrote his first major CAR project in 1995, a series using census data to show how downtown Oklahoma City had been encircled by a ring of increasingly concentrated poverty. He was database editor at The Oklahoman from 2000 to 2006. He was a senior CAR fellow at The Center for Public Integrity and since 2008 has been the data specialist on The Atlanta Journal-Constitution's investigative team.

School test score data now available at NICAR Database Library

By LIZ LUCAS
NICAR Database Library Director

The Atlanta Journal-Constitution, after releasing its "Cheating Our Children" series that identified suspicious test scores around the country, provided the NICAR Database Library with test scores data gathered from state education departments.

From the AJC: "The data include state testing data paired in approximate cohorts by school, test subject and grade. An approximate cohort would pair, for example, average third-grade math scores at a school in year 1 with fourth-grade math scores at that school in year 2."

The data are currently available for free to all IRE members and can be downloaded from ire.org/nicar/database-library/databases/school-test-score-data/.

For more information, please contact NICAR at datalib@ire.org or 573-884-7711.

IRE RESOURCES

Tipsheets

No. 3564: “Uncovering Waste and Fraud in Local Government and Public Authorities.” Andrew Donohue reveals seven easy step-by-step tips for you to uncover the truth. He encourages journalists to get creative and break down relationships.

No. 3336: “Forensic Accounting.” This tipsheet discusses forensic accounting with definitions and examples of how it can be used in investigative reporting – by clarifying issues (such as Ponzi schemes), providing insights into what to investigate (such as various cases of misused funds), and many others.

No. 3311: “Fraud: Uncovering Scandals.” Mark Maremont discusses how to approach investigations into fraud – from “archaeological stories,” where the reporter digs in to find out what happens, to new investigations. He touches upon how to generate story ideas, determining the best story in the information you have, and he offers several detailed example stories.

Stories

No. 25565: “Stamping Out Fraud.” A Scripps Howard News Service investigation found records indicating that dozens of individuals who had been caught engaging in food stamp fraud and banned as vendors in the \$75-billion-a-year program nonetheless remained in business across the country.

No. 25331: “Home Health Care Fraud.” CNBC exposed how the health care company Maxim Healthcare over-billed its patients, costing U.S. taxpayers thousands of dollars. Through a whistleblower, prosecutors were able to build a case against the firm, resulting in the largest home health care fraud fine ever.

Extra! Extra!

“Are power wheelchair companies ripping off the government?” Medicare fraud costs taxpayers an estimated \$60 billion annually. One problem area is power wheelchairs, which cost the program hundreds of millions of dollars a year. Over the course of a several-month investigation, numerous people who had sold and prescribed these wheelchairs told CBS News that the industry bullies doctors and that Medicare is writing checks that should never be cashed. (2013)

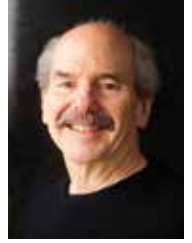
“Fraud, little oversight in Lifeline ‘free cell phone’ program in Oklahoma.” KWTV in Oklahoma City and KOTV in Tulsa, Okla., found rampant fraud in the Lifeline “free cell phone” program in Oklahoma. The investigation showed little oversight of the federal program, and showed how companies are flocking to Oklahoma because much of the state is eligible to receive an extra subsidy owing to its history as former tribal land. A reporter was able to obtain a phone without proving she was eligible, in violation of the program’s rules. (2012)

“National tutoring program rampant with fraud.” In a three-part series, the Star Tribune found that a billion-dollar federal tutoring program was rife with fraud and mismanagement. The program, officially known as Supplemental Educational Services, was one of the lesser-known and little-scrutinized parts of No Child Left Behind. The investigation found that it had been lightly regulated by the feds and most states, which allowed predatory and incompetent vendors to victimize the poorest students at America’s worst schools. (2012)

The IRE Resource Center is a major research library containing more than 25,000 investigative stories – both print and broadcast – and more than 3,500 tipsheets available at ire.org/resource-center or by contacting the Resource Center directly, 573-882-3364 or rescntr@ire.org.

Eliciting vivid stories

Kainaz Amaria/NPR



BY DANIEL ZWERDLING
NPR

When I joined National Public Radio (omg, that was a long time ago, back in December 1980), I'd been writing investigative stories for newspapers and magazines from The Washington Post to Mother Jones. And when I sat down with my new NPR editor for our first edits, I discovered that the transition from print to audio was going to be painful.

But over the decades, I've been converted – and I've learned to love the challenge of bringing investigative projects alive with sound. Even if you don't work in radio, I hope what I've learned might be potentially useful anyway, since so many "print" reporters are spinning off versions in web videos and podcasts.

You can do the greatest investigation of all time and dig up a gazillion important facts – but if you don't tell a great story, nobody will listen.

I had prided myself, in my print incarnation, on quoting at length from the obscure and complex documents that I used to build my case – the unnoticed government reports and SEC filings, the leaked memos and impenetrable medical journals. I felt that it was crucial to quote all those documents, to prove to readers that I really did know what I was talking about. So

I would enthusiastically write, "According to the statistical tables in the EPA's new report, 'Toward a Meta-understanding of Toxic Parameters in Pesticide Residue Gas Chroma –'" Well, I'm making that sentence up, but you get the idea. And my newspaper and magazine editors would dutifully preserve my dry quotes and statistics in the text.

But the week I arrived at NPR, my editor started slashing and burning those details out of my scripts. "This is radio," he kept saying, like a mantra. "I don't care how good your investigation is, our listeners don't care about the boring title of that report." My editor always ended with the same mantra. "Just tell them a great story."

And gradually, at first reluctantly, I agreed. You can do the greatest investigation of all time and dig up a gazillion important facts – but if you don't tell a great story, nobody will listen. Of course, I still dig up as many obscure documents and facts as I ever did during my print days. But my editor and I keep most of them to ourselves. Instead

of quoting them and citing tons of facts and figures on the air, I focus on telling stories.

Storytelling with humor

Here are some of the elements that bring those stories to life:

You need a strong character, or characters. And all the other elements of storytelling that make great novels and films. Was it Mrs. Miller who taught us that in junior high school? We need a great beginning. Vivid scenes, a sense of place. Plot. An arc with a beginning, middle and end. Conflict. An "aha!" moment. A turning point. Surprise. Resolution.

And, when I'm lucky, humor. Yes, humor in investigative pieces about grim topics.

When I started traveling years ago across Africa to cover famines and starvation, I was struck that even in the grimmest settings – a refugee camp where some people were dying – I always heard somebody somewhere laugh. Humor in those situations not only isn't insulting, it's a vital way that people try to survive. It's like that uncomfortable moment in the social hall after a funeral, when people are afraid to laugh – but soon so many people are laughing that it sounds like a wedding. Humor puts a sharper edge on trauma, if – and this is a crucial "if" – the humorous moment bubbles up spontaneously in your reporting.

Bringing out anecdotes

You need your characters to tell their own compelling mini-stories. When I interview subjects to get "sound bites," I don't want to record them telling me boring facts – I try to learn the five classic W's during a background phone call before I ever turn on my recorder. Instead, when I push record, I focus on getting the "characters" in my pieces to tell me a gripping and detailed anecdote – the incident that best illustrates the conflict, or a turning point, or an aha moment in the larger story.

It takes a lot of work to get most people to be good raconteurs, even when they're telling something that should be inherently dramatic. For instance, one of my investigations revealed that the Department of Homeland Security was "detaining" immigrants, whom they wanted to deport, in harsh and dangerous conditions in hundreds of

prisons and jails. One immigrant, Rosendo Lewis, told me about the day that seemingly sadistic guards had sicced an attack dog on him for no apparent reason. When I asked Lewis to describe what happened, he answered something like, “I couldn’t believe it. One moment I’m standing there, and next thing I knew, there was a dog biting me.” Not a great storyteller.

Mapping, hypnosis and dreams

So I pushed and prodded him to recount the incident in vivid detail. Bill Marimow, the legendary investigative reporter and editor, had taught me his great map technique. I used it with Lewis. “Draw me a map of what happened,” I told him. “Where were you sitting? Show me on the map, where were the other immigrants? Where were the guards?” When you get people to draw a map of what happened, it helps spark the long-dormant neurons that store detailed memories deep in the recesses of their brains – and suddenly, rich details come flooding back. (Warning: my theory about the neurons is not a scientifically approved explanation.)

And if it doesn’t, I try other ways to get my characters into the “zone,” where they’ll remember and recount the anecdote in a compelling way that brings the story to life in audio. Our colleague Eric Nalder calls this process “hypnotizing” the interview subject. I start with the basics: What month was it? What day? What time of day? What was the weather like? Like Marimow’s maps, these mundane details help show me whether my character is truly remembering the incident or making it up – and you’ll know it, too, by their body language, their voice and their eyes.

Getting the character to remember those details also helps jiggle loose other more dramatic details. When characters seem stuck, I might ask, “Do you have a wife/

husband? What’d you tell her/him about what happened, when you went home that night? Tell me about the conversation.” And when subjects seem really stuck in telling a dry, lifeless version of the incident, I’ll try this: “Have you dreamed about this incident? Tell me about it.” And sometimes, the most closed, guarded interviewees have suddenly come alive, telling their recurring nightmare.

A chilling imitation

Rosendo Lewis came alive, too. He finally painted the scene in a cinematic way that stills grips me when I hear it. “The dog was hysterical, the dog was on drugs.” Here, Lewis actually imitates a German shepherd straining to attack – because I ask, “I don’t get it, Rosendo, what does a hysterical dog sound like?” And Lewis does a chilling imitation. “I mean, he bit me one time and didn’t let go,” Lewis says. “I screamed. I screamed really, really loud, like – ‘AHHHHHHHHH!’”

That’s a story. Of course, I tracked down all the documents I needed to corroborate the immigrants’ accounts, including guards’ incident reports and medical records. But it was the audio stories that brought the investigation to life.

The day after our broadcast, DHS leaders banned most uses of dogs around immigrant detainees. They disputed some of the details Lewis gave me and said their new policy didn’t have anything to do with NPR’s broadcast. It was a coincidence.

Daniel Zwerdling is a NPR Investigations Unit correspondent. He has served as host of NPR’s “Weekend All Things Considered,” NPR’s roving Africa correspondent and a correspondent on PBS television.

Getting the character to remember those details also helps jiggle loose other more dramatic details.

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Democracy challenges Nigerian investigative journalism

BY DAPO OLORUNYOMI
PREMIUM TIMES

In late November, the police chief for Lagos State, Nigeria, angrily asked a reporter to leave the confines of a press conference. His crime was that he sought responses on the accountability of officers allegedly implicated in the murder of a Lagos doctor.

Livid, the police chief rained abuses on the hapless reporter and followed this up with a marching order for his staff to physically abuse other journalists. As the year drew to an end, media watchdogs in the country believed that at least half a dozen instances had been recorded of state abuse against journalists, mostly photographers.

Objectionable as these were, they paled in significance to the norm just over a decade ago when the military held power in the country and freedom of expression was a desecrated principle.

Martial order in aid of corruption

To ensure a brutal dominance of the country, the soldiers had launched a roaring attack on the civic culture of the nation, all in a bid to guarantee their reign on its oil resources. The military defined the conquest of our media space as one of its major objectives. It succeeded.

Many of my colleagues and I made constant trips to jail, all, of course, without trials. Some remain missing to date. Many spouses and children of journalists became collateral damage in the fury of military assertion, and dozens upon dozens of families' lives were broken. While many survived it at very high personal and psychological costs, not all were so lucky.

Many media houses, print and broadcast, were arbitrarily shut, and this random culture of "justice" added to the tense definition of the media-military confrontation. From the mid-80s to the mid-90s, this confrontation produced some of the most fascinating and intriguing episodes of Nigeria's cultural and political history since independence in 1960.

The 1984 passage of the notorious Decree 2 enabled the then-vice president of the military to detain, without formal charges, those deemed to be security risks. The decree allowed the then-draconian regime to carry out a large-scale hunt to arrest and detain journalists and close down media houses. But our media did not yield in its challenge of the

martial order. One of the results was a hardening of positions that resulted in the killing, by a parcel bomb, of Dele Giwa, the charismatic editor-in-chief of the now-defunct Newswatch magazine, in October 1986.

Almost a decade after this tragedy, the era of political repression had only escalated, evidenced, for example, in a 1995 sentencing of four journalists, Christine Anyanwu, Ben Charles Obi, Kunle Ajibade and George Mbah, to life in jail by a secret military trial, for alleged treason.

The people and the press

The question is often asked how it was possible to practice investigative reporting under the kind of martial order we had in those years. By waging battles against many sections of the civil order, the military not only alienated the organized segments of the community, like the academia, youths, labour, and the clergy, but an environment of trust and support was created for institutions that had the courage to stand up to it. This was a huge shield that helped the sections of the press determined to confront military dictatorship retain a safe corridor in spite of the climate of fear and secrecy.

To ensure credible investigative stories, especially because official comments were rarely offered, reporters working in this environment came to realize that a cocktail of multiple sourcing, documentary evidence and a verification process that went beyond the pale were required to support any reporting.

This was one true moment in history when our press came closest to the ideal of a readers' press, because the reporter and his audience forged a bond that allowed the press and the public to reach the same goal. The readers understood that if they or close associates were in a whistleblower situation they had to talk to the press, and the press knew it had to bring a sensitive perspective to the report so that the readers would see a democratic alternative to military autocracy as worthy and realizable.

With the restoration of civil rule in 1999, however, the country witnessed a dramatic turnaround in physical assaults of journalists. The jailhouse became empty. Random arrests, closure of media houses and even strict censorship eased. A new era had truly arrived.

What really changed?

Today talk radio is thriving in Nigeria, the talking heads on television are as argumentative as they are abusive, and print journalism can be as downright acerbic and mordant in its criticism of power as anyone can imagine.

This is not altogether strange. The Nigerian media that we saw as a heroic presence during the years of military dictatorship was born in the crucible of contention – the much hated colonial system. It was a major engine in the struggle for independence and the defeat of the British colonial system.

Yet even with a decade of democratic rule today, our nation's story of corruption leaves one's jaw virtually dropping. Nigeria is consistently ranked among the most corrupt nation in the world by Transparency International, and one likely reason is that investigative reporting is in sharp retreat in the country.

Retreat of investigative reporting

The media industry is expanding quickly across all formats, but investigative reporting, the presumed soul of its operation, appears to be fossilized.

The argument has been made about how expensive a good investigative report can be. It is also argued that our media is facing a revenue crisis in the wake of tumbling advertising and audience/readership patronage. All true. The tragedy of our media today, however, is that the pro-

fessional will among many media owners to invest in investigative reporting is sadly lacking. Indeed, a rough head count of thriving media houses in the country indicates a disturbing romance between ownership and government, and the irony is that when corruption occurs in our country, government is usually involved.

We see statistically growing evidence of reporting on corruption, but in execution the reports remain superficial and hysterical. They end up numbing citizens, who walk away believing the depth of this problem cannot be understood and that corruption has defied all control.

Sadly, the perception is growing that in terms of media freedom and the anti-corruption campaign, a democracy has not offered any vast improvement for the industry compared to the days of military reign. While the soldiers put a gun to your head to remain silent when they plunder the till, their civilian twins stay quiet even with the constitution!

The amazing scale of corruption in the land today and the failure of investigative journalism to map its intricate contours make the call valid for those screaming for greater training and deeper ethical practice in the profession.

Dapo Olorunyomi, a Nigerian investigative reporter, works with the online newspaper Premium Times (Premiumtimesng.com), based in Abuja, Nigeria. He is also affiliated with the Wole Soyinka Centre for Investigative Journalism (wscij.org). He can be reached at dapo@premiumtimesng.com or dapo@wscij.org.

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Policymaking by emotion

BY CHARLES N. DAVIS
MISSOURI SCHOOL OF JOURNALISM

The saga of The Journal News' now-infamous decision to post a map of the names and addresses of gun permit holders in Westchester and Rockland Counties in New York continues to reverberate.

Certainly no one could have predicted the horrific events in Newtown, Conn., which unleashed a torrent of emotion in us all, but looking back it's safe to say that the legislative reaction in New York was quite predictable, and access to information is the victim, permit data the low-hanging fruit.

This is a pattern of behavior that those of us working in FOI circles see repeated annually, and it goes something like this:

1. A controversial data set, or record, is released to a requester and published.
2. Those affected by the disclosure respond loudly, typically claiming that some privacy right exists, or should be newly created, to recognize their interest in closing that record.
3. The legislative body, with little or no dispassionate policy analysis of the costs and benefits of openness, moves as fast as it can to acquiesce, silencing alternative voices and demonizing those who dare oppose secrecy.

It's the worst possible way to make law, and yet in the realm of FOI law, it's almost exclusively the way exemptions are created. In the heat of the moment, when emotions are at their peak, the easiest legislative fix always will be closure. Draft an exemption, garner the votes, and voila – another record fades to black. Policymaking by emotion.

Almost as soon as The Journal News map hit the Internet, the threats began. The newspaper had to hire armed guards to protect its staff. A local gun group organized its members to contact advertisers, pressuring them to pull advertising from the paper. The louder the voices, the more threatening the messages, the easier it became for the legislature to react.

And act it did: New York's new gun law, passed on Jan. 15, requires that for the next 120 days, no information about gun permit holders in a new statewide gun registration database be made available publicly. After that, gun permit holders will have the right to have their names and addresses removed from the database by contacting their

local county clerks or police departments.

The speed with which New York legislators moved to make a major shift in FOI law should give us all pause. Remember that the map was published on Dec. 23, so with no substantive hearings, no legislative study, no examination of the public interest in access to the information and certainly no discussion of the policy benefits of access, lawmakers have decided that we're better off knowing less about guns.

A rational exemption process would have featured testimony from the users of the gun permit data to explore the many benefits of access, as well as from those opposed to access. The arguments of each would be weighed thoughtfully, and would have included, at the least, these factors:

- use of gun permit data by academic researchers to study issues of mental illness and guns, of the incidence of crime and gun ownership, of the possible links between gun ownership and other physiological and sociological variables
- journalistic uses of gun permits data, such as CAR stories examining permit data
- examination of how well the government's permit system is working
- the validity of arguments that criminals target residences of gun owners based on public data
- the argument that gun owners have a right of privacy as to their gun ownership

Each of these is a serious argument deserving of sober legislative analysis. Instead, what we see, time and time again, is knee-jerk reaction and legislative opportunism. The loudest, angriest constituency wins the day, serving as a telling lesson for the next group aggrieved by a public record to repeat the same process. It has worked on gun records in New York this year, but New York simply borrowed from Florida, Virginia and several other states that already had blazed the path.

Given the events of the past month, access to gun data is an issue that merits public debate, not the mixture of mob rule and legislative pandering New Yorkers just got.

Charles N. Davis is an associate professor at the Missouri School of Journalism. He is co-author, with David Cuillier, of "The Art of Access."

Probing pipeline leak detection

BY LISA SONG
INSIDECLIMATE NEWS

I became interested in pipeline data after reporting on the Keystone XL oil pipeline. There was (and still is) a lot of debate about the pipeline's projected spill rate and safety. TransCanada, the Canadian company behind the project, already had one U.S. pipeline, which leaked 14 times within its first year of operation. I didn't know if that was unusual, so I wanted to compare TransCanada's record to the leak rates from other companies.

That story eventually proved too much to tackle, but it led me to another story about leak detection. As it turns out, the leak detection technology installed on the nation's pipelines detected just 5 percent of all oil spills in the past 10 years.

There are two sources for the data I needed: the pipeline industry and the federal government. The industry database was private and proprietary. But the Pipeline and Hazardous Materials Safety Administration (PHMSA) — the agency that regulates interstate pipelines — keeps its data on a public website (<http://1.usa.gov/gDxCMw>). The database is posted as Microsoft Excel spreadsheets and regularly updated as new leaks are recorded. The database is quite detailed, with information on the name of the pipeline operator, the leak location, spill size, cost of cleanup and environmental damage, plus a list of technical specifications on the cause of the failure, the age of the section that failed and its maintenance history. The database is also fairly clean and includes instructions on how to choose the right delimiters for data import.

That's the good news. The downside is that the records are split into four spreadsheets: pipeline spills 2010-2012, 2002-2009, 1986-2002 and pre-1986. All the spills are self-reported by the responsible parties, and every time PHMSA updates the incident reporting form to ask for new or different information, the agency has to start a new file.

I brought the database to the March 2012 IRE and NICAR boot camp in Columbia, Mo., and spent the open lab hours trying to append the spreadsheets. I didn't get far before stopping — some of the spreadsheets had hundreds of fields, and there were many that either didn't match up or described technical details I didn't understand. I wasn't sure which fields were important, and I didn't want to waste time with data I would never actually use. I decided



National Transportation Safety Board

A console in an oil control room. The screens show simulations of typical operations for pipelines.

that I would run separate queries on the individual spreadsheets and join them later if needed.

There was a bigger problem. I soon realized it would take much longer than I had thought to compare leak rates across different companies. There were dozens - if not hundreds — of pipeline operators and subsidiaries, and pipelines often switched operators over time, or merged and assumed joint ownership. Plus, some of the crucial information (like the name of the pipeline or line segment where a leak had occurred) was missing. I called PHMSA and asked if the missing info was available in some other form. It wasn't. If I wanted to fill in the gaps, I'd have to call the companies individually.

By this time — months after the boot camp — I was getting frustrated and afraid of losing all those boot camp skills. I decided to run some queries using MySQL database manager with the Navicat interface just for fun. InsideClimate

Boot camper strikes oil

I went to the March 2012 CAR boot camp with four databases on a USB drive and no idea how to use them. The databases were Excel spreadsheets from a Department of Transportation website, and they had every reported U.S. oil pipeline spill since 1968.

A couple of weeks before the boot camp, I tried to go through the data to count the number of spills caused by a particular company. I didn't know how to sort or filter in Excel, so I used Command-F for the company name and highlighted those results. Then I scrolled through the spreadsheet to count up the number of highlighted rows. It was mind-numbing, eyesight-crushing work (one of the databases had 3,000 rows — luckily, the company only turned up about 50 times). I knew there were better solutions out there.

So it was a relief to learn about sorting and filtering on day two of the boot camp. I was a bit nervous about the Access portion — I had taken a programming class in college and retained nothing but a hearty dislike of MATLAB. The boot camp couldn't have been more different. David Herzog, Jaimi Dowdell and Mark Horvit are great teachers, and it was inspiring to learn by exploring databases used for published articles and to hear how those reporters got their stories. It also helped to be immersed in SQL 24/7 (one boot camper dreamed her hotel room door could be opened only by typing the correct query. My dreams were blissfully code-free).

I appreciated learning not just the technical skills for using Excel and Access, but a different way of thinking. Now I know that anytime I see a table, chart or anything that resembles a database, I can display any subset of the data in any order I want, and use that to find stories I'd never find otherwise.

That's exactly how I discovered the leak-detection story. I wrote a random query, not expecting to find anything. When the data showed that only a few percent of the nation's oil pipeline spills were detected by the operators' leak-detection technology, I knew I had something. The data led me to several stories on pipeline safety (one published and others in progress), but I would never have found them without the boot camp training.

- Lisa Song

News was reporting extensively on the aftermath of the July 2010 Kalamazoo River oil spill, caused by a ruptured pipeline that spewed more than a million gallons of tar sands oil in 17 hours. That's how long it took the company to realize it had a spill, so it made me curious about leak detection.

Pipeline companies use a variety of ways to look for leaks. They conduct regular inspections, and members of the public can call an emergency number to report a spill. But many pipelines are hundreds of miles long, so the only method that works 24/7 along the entire length of the line is remote-sensing technology. These sensors measure pressure and flow rates and alert the pipeline control center when they sense something that could be a leak.

I found a field in the 2010-2012 database that described how each leak was detected. Operators could choose from a number of categories, including company employee on the scene, member of the public, aerial patrols or their remote leak detection systems. I used GROUP BY and COUNT(*) query on the leak identification field. I also needed a WHERE line, because the database contains info on all hazardous liquid spills (i.e., crude oil, gasoline, liquid carbon dioxide), and I wanted to filter for just the crude oil data.

About a third of the entries came up as nulls, but that was OK, because they were for the small spills (less than 5 barrels, or 210 gallons) that required only partial reporting.

Of the remaining 202 leaks, less than 10 percent were discovered by remote leak detection technology. It was much lower than I'd expected. I ran the same query on the 2002-2009 spills and got similar results. That's when I knew I had a story. I decided not to analyze any spills from before 2002, because leak detection systems are constantly evolving and I didn't want the results skewed by outdated technology.

I sent my results, plus the SQL, to PHMSA for verification. In the meantime, I started interviewing pipeline experts to learn about leak detection technology. I found that it's hard for remote sensors to detect small leaks, and even when the technology works well, there's a lot of room for human error.

PHMSA responded with a meticulous fact check. I'd made a couple of minor mistakes. For example, I downloaded the 2010-2012 Excel file in March, which included pipeline leaks through Feb. 2012. By the time I ran the analysis, it was August, so PHMSA suggested I download the updated file to add the spills from March through July. That increased the total number of spills but it had little effect on the breakdown of how leaks were detected.

When I combined the results and calculated the percentages for oil spills 2002-July 2012, I found that remote sensors only detected 5 percent of all spills. The general public detected four times as many leaks as the remote sensors, and most of the spills (62 percent) were

found by company employees at the scenes of the accidents.

With these numbers in hand, I called the Association of Oil Pipelines, an industry group that represents pipeline companies. They told me the technology works better for larger spills—the ones with the greatest effect on people, property and the environment.

So I took the SQL and added an extra parameter on the WHERE line for all spills larger than 1,000 barrels (42,000 gallons). I chose that number because PHMSA considers all leaks larger than 50 barrels to be “significant,” and I wanted to go far above and beyond that standard.

There were 71 spills of that magnitude between 2002-July 2012. Twenty percent were detected by technology – a big improvement over the results for all spills – but the general public still found 17 percent of the large spills.

For added context, I ran the queries again, this time limiting my search to small spills. As it turns out, 76 percent of

the spills from that time period were less than 30 barrels (1,260 gallons), and that helped explain why so few were detected by the remote sensors.

This was definitely a data-driven story, and great for a first venture post-boot camp. The analysis was straightforward because the database was publicly available and the fields I used were all clean. It gave me a chance to get comfortable with MySQL and Navicat (I couldn't use Microsoft Access because my work computer is a Macbook). And it inspired me to write additional stories on pipeline safety that are currently in progress. Someday I'd love to get my hands on that secret industry database. I hear it's more detailed and probably has fewer blanks. Until that miracle occurs, I'm quite happy with the PHMSA data, and I'm sure it will lead to more ideas.

**As it turns out,
the leak-detection
technology installed
on the nation's
pipelines detected
just 5 percent of all
oil spills from the
past 10 years.**

Lisa Song, a reporter for InsideClimate News, may be reached at lisa.song@insideclimatenews.org. Read her story about oil spill detection at <http://bit.ly/PZD6Fj>.

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Behind The Story: Star Tribune tackles ‘contract for deed’ housing deals

BY SARAH HARKINS

Jeffrey Meitrodt, investigations editor at the Star Tribune in Minneapolis, reported in January on problematic contract-for-deed sales of homes in the Twin Cities. The sales are frequently used to sell homes to low-income buyers who have been unable to secure financing from a bank. Since 2007, Minneapolis and St. Paul have seen a more than 50 percent increase in the number of contract-for-deed sales of property. These homes may have existing debts and code violations, and many buyers don't know their rights. The sales happen with little or no oversight.

The Star Tribune began covering one-off contract-for-deed stories three years ago, but after a tip from a legal aid attorney, Meitrodt wanted to cover the issue from a different angle. The attorney suggested to Meitrodt that fraudulent sales could be widespread. At least one seller had a number of complaints filed against him. Meitrodt left the attorney's office with a list of sellers' names, which he used to retrieve PDFs of five years of contract-for-deed sales records.

"I took the PDF, cleaned it up, put it in Excel and sorted it by sellers," he said.

The forms contained only legal descriptions of properties, which lacked street addresses. Meitrodt had to read through these descriptions to find familiar subdivisions in Minneapolis and St. Paul. Over three days, he entered the data into county property search engines to find the city names and confirm locations. "I sorted their sales by property and address and just knocked on doors after that," he said.

During the first round of interviews, Meitrodt spoke with 25 buyers, several of whom had purchased homes from investor Ron Folger. Folger had previously rented properties, but he sold 16 after losing his rental license in 2011. In 11 of these sales, Folger did not provide home inspections. Meitrodt had planned to interview sellers after speaking with buyers, but on the first day of interviews, he noticed a man following him.

"I walked up to him and said, 'You must be Mr. Folger,'" Meitrodt said. Folger was angry, but he agreed to be interviewed the next day. According to Meitrodt, Folger had not cooled down by then.

"It served me well," Meitrodt said. "Some of the best quotes came from the first interview."

Folger's surprising statements were followed by equally surprising statements from another seller, Leslie Reynolds, who admitted to engaging in bait-and-switch tactics to sell properties. Meitrodt believes he was able to get such honesty from his sources because he had the data and the buyers' interviews to back up his questioning. He says he hasn't heard a complaint from Folger or Reynolds since the piece was published.

His reporting caught the attention of city building and housing department officials after he interviewed them in October.

"I think immediately after this interview, they started their own investigation," he said. They were concerned that sellers like Folger had found a way around losing their rental licenses. State officials have also begun an investigation, and legal aid attorneys have drafted legislation to change existing laws.

Meitrodt says if he has learned one thing from the experience, it's never to shy away from an investigation if there's a lack of digitized data. Although he started with nearly 4,000 cases, he was able to narrow down his analysis to around 1,300. He recommends finding a good middle ground when building your own spreadsheets from files: "Let's do this for an hour and figure out the rate," he said. Then you know what you can reasonably take on when you present your story to editors.

Jeffrey Meitrodt can be reached via email at jeff.meitrodt@startribune.com.

Behind The Story: How the Milwaukee Journal Sentinel learned about an ATF sting gone wrong

BY SARAH HARKINS

John Diedrich and Raquel Rutledge of the Milwaukee Journal Sentinel had an opportunity to gain rare insight into an undercover government operation in 2012. Their watchdog reporting on the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives' sting operation in Milwaukee revealed the operation may have done more harm than good in the neighborhood it was intended to help. The operation's problems raise further questions about the agency's competency in light of complications with the Fast and Furious operation, in which agents sold guns to gun traffickers in Arizona and failed to keep track of the firearms.

The reporting process began with tips from readers.

Residents in the area contacted the Journal Sentinel after an ATF agent had guns stolen during an SUV break-in in September. In December, the landlord of the Milwaukee building the ATF agents had rented, contacted Diedrich. The landlord said the ATF owed him \$15,000 for damage to his property. He also had documents left behind by the agency, including a list of agents' real names. Diedrich and Rutledge said they were surprised they hadn't heard about

the ATF operation prior to these contacts. The bureau had previously held news conferences for successful stings. No information had been released about the Milwaukee operation.

Contacting federal authorities gave little insight into the sting. No one could comment because court cases and searches for suspects were ongoing. To determine whether the operation had led to any arrests or convictions, Diedrich and Rutledge compiled arrest records from state police and federal agencies. They compared federal cases from the 10-month duration of the operation with local police reports and court transcripts. They were then able to connect suspect names, charges and case agents to determine the number of arrests made by ATF agents. The state district attorney's office and the federal prosecutor confirmed that charges were filed against 33 people. Three cases have since been dismissed.

The court documents they pulled raised further questions about the operation. The documents revealed that agents were paying high prices for firearms, and it seemed possible that some sellers may have been purchasing guns to resell to agents. ATF operations are intended to catch serious criminals in high-crime and at-risk areas, but it was unclear from court documents whether any suspects were serious criminals. Journal Sentinel Watchdog team member Allan J. Vestal and others analyzed five years of crime data within a one-mile radius of the storefront. They found that crime had already been in decline in the area.

Although current ATF employees could not comment on the operation, Diedrich and Rutledge spoke on the record with former agents to determine if these oversights were common in ATF sting operations. The former agents stated they were concerned by the errors and confirmed these problems were unusual.

"Our job at this point is to shed light on this whole situation and what the government decides to do with the information is up to their decision-making process," Diedrich said. Rutledge agreed. "You don't ever get a look into something like this," she said. She believes gaining insight into an undercover operation has been the rarest aspect of their reporting. Since the investigation, members of the U.S. Congress have sent letters to the ATF demanding more information about the operation, and the ATF has launched an internal investigation. Diedrich and Rutledge released an additional report on Feb. 9 on the burglary of the ATF's Milwaukee storefront, which resulted in the loss of at least \$40,000 worth of merchandise. In the report, the agency also said it was willing to expedite processing of the landlord's damages claim.

John Diedrich can be reached by email at jdiedric@jrn.com or Twitter @John_Diedrich. Raquel Rutledge may be reached by email at rrutledg@jrn.com or Twitter @RaquelRutledge. You can also follow the Journal Sentinel's Watchdog team by Twitter @JS_Watchdog.

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