

What internal controls might have prevented the \$1.4 million kickback fraud scheme at Utz?

Utz Quality Foods Inc., a snack food company based in Hanover, Pennsylvania, was recently the victim of a \$1.4 million fraud scheme. Utz's former director of purchasing acting together with an Utz vendor allegedly ran a false invoice kickback scheme.

During the several years over which the fraud allegedly occurred, Jonathan Haas was the owner of Haas Packaging and Design Inc. Haas was hired to supply shelving and packaging products to Utz.

Kevin Myers was the director of purchasing at Utz. Haas would submit false invoices to Meyers at Utz for items that were never purchased or received by Utz. Myers would then approve these false invoices for payment and would receive a portion of the invoice amount from Haas after payment was made to Haas.

The false invoices paid by Utz to Haas reportedly total more than \$1.4 million; of this total, Haas paid about \$651,000 to Myers. The false invoice scheme was conducted from 2010 through 2014. More than 80 false invoices were submitted during this time period, along with more than 40 false purchase orders.

The FBI office in Harrisburg, Pennsylvania, investigated the case. The government has filed plea agreements for both men. The plea agreements need to be approved by the court before they are official. The government is seeking full restitution of the embezzled funds. The charges faced by the two men carry a maximum penalty of 20 years and a \$250,000 fine under federal law.

Questions

1. What is an internal control that could have prevented this fraud scheme?
2. Why do you think the government filed plea agreements for the two men?