

## Coast Guard Learns About Segregation of Duties

Written by Nick Sanders

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Segregation of duties is low-hanging fruit. It's blocking and tackling. It's fundamental and, for an entity of more than a couple of people, it's easy to implement. One would think that the United States Coast Guard would have figured out the concept long ago. One would be wrong.

The concept of "segregation of duties" is basically having more than one person involved in a complete task. Wikipedia explains, "Companies in all sizes understand not to combine roles such as receiving checks (payment on account) and approving write-offs, depositing cash and reconciling bank statements, approving time cards and have custody of pay checks, etc." In the procurement realm, it is axiomatic that the person who selects suppliers and/or monitors technical performance should not also approve supplier payments. Having the same person involved in all aspects of supplier management violates the principle of segregation of duties and invites fraud and abuse.

Surprisingly, the Norfolk, Virginia, Coast Guard station failed to implement appropriate segregation of duties. Unsurprisingly, a Coast Guard Officer took advantage of the control failure and tried to pocket some cash. Happily, she was caught, charged, convicted and sentenced to prison.

Would you like to know more?

According to this Department of Justice [press release](#), Coast Guard Lieutenant Danielle Ferreira (age 36) was responsible for "recommending contractors for maintenance and repairs onboard Coast Guard cutters ... and overseeing those repairs to their completion." One supplier that Lt. Ferreira recommended for ship repairs was Strategy One, LLC—a "small corporation in Connecticut that had no expertise in ship repairs." No problem! Lt. Ferreira "recommended Wallace Haggins, an active duty Coast Guard recruiter, to assist [Strategy One] in obtaining workers to fulfill the repair contracts. Ferreira also recruited former Coast Guard members to complete the ship repairs awarded." That was very nice of Lt. Ferreira to assist Strategy One with performance of its contractual duties. Very nice, but perhaps a bit puzzling. Normally, government personnel do not take such a close interest in contractor activities.

That close interest might be explained by the fact that Strategy One was owned by Ferreira's cousin, Tracia Christian-Young. The DOJ press release reported that—

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Once the ship repairs were completed and the U.S. Treasury paid Strategy One, Christian-Young and Haggins deposited approximately \$83,000 into two business accounts owned by Ferreira and her spouse, Henry Ferreira. These two business accounts bore the names Black Kai Boxing Academy and TEDD Electric, and therefore had no apparent relation to Ferreira and her spouse.

That's not all. The DOJ also reported that—

Ferreira also obtained \$15,000 from another Coast Guard contractor by adding \$15,000 to the contractor's final payment. Ferreira told the contractor that a subcontractor on another of her Coast Guard contracts had not been paid, and the additional \$15,000 was to pay that sub-contractor. Ferreira asked the contractor to make the \$15,000 check payable to TEDD Electric, which was the name of her spouse's company and bank account. In total, Lieutenant Ferreira and her co-defendants fraudulently obtained approximately \$150,000 in less than six months.

You know, Lt. Ferreira wasn't dumb. Those were fairly sophisticated schemes. We would love to know how she was caught. Perhaps it was the second, unnamed subcontractor, who became suspicious when Ferreira told it to make a check out to an unknown company and invoice it as if the company was a lower-tier subcontractor. Hopefully, such a request would ring the alarm bells at any reputable Federal contractor.

Regardless, it seems that Lt. Ferreira had too much authority and not enough supervision. She should not have been performing so many parts of the supplier selection, management, and payment approval process. We hope the Coast Guard learned its lesson.

You might want to consider if there are any lessons here for you to learn, as well.