

Dendro Resource Management, Inc.

*provides audit, security and consulting services
designed to raise the theft and fraud prevention stance of the timber industry.*



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Issue: February 2012



About Us

With over 23 years' experience in the forest products industry, Dendro Resource Management, Inc. (DRM) is a leader in timber audit services. DRM is committed to supporting the integrity of the forest industry by providing independent analysis and recommendations regarding internal controls as well as actively detecting and documenting theft and fraud incidents. Customer programs can be tailored with your Company's needs in mind. With DRM you are guaranteed independence and confidentiality.

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The Case for Timberland Security

Recently I was asked to provide a presentation on timberland security for the Appalachian Society of American Foresters Winter meeting. In preparing that discussion I decided to address the question I hear most frequently any time I speak in front of a group of foresters. That question usually goes something like this, "Why do we need timberland security? We trust those we do business with. We have known them for over 20 years and they are just good people." There are other versions, but that's pretty much how things start off.



So I decided to address the question up front. I decided to compile the loss numbers from the last quarter's news stories. A quick Google search resulted in 5 cases in the newspapers in the last quarter of 2011. Those cases resulted in a loss of almost \$1M dollars (\$923,000 to be more precise). That sound to me like someone isn't as trustworthy as you might think. Now, to be fair, each of those cases is simply reported in the last quarter of 2011 since that's when the case was concluded. The cases actually spanned a much longer time frame. Which makes me pretty confident there are others being processed now that will be reported sometime in the future and therefore aren't reflected in the current numbers.

Nonetheless, the numbers make a pretty convincing case for timberland security measures. Just two of the cases accounted for the bulk of the losses. In the coming months we'll use those cases as a springboard to review common timberland security control measures.



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The first case's press release is included in this newsletter for your review.

Warm Regards,

Aaron Gilland, CFE
DRM, Inc.

CANAL WOOD, LLC TO PAY BACK U.S. GOV'T

FOR IMMEDIATE RELEASE
December 15, 2011

(Columbia, SC) United States Attorney William N. Nettles states Canal Wood, LLC has agreed to pay the United States government a total of \$520,064.50.

The settlement is the culmination of a joint investigation involving investigators, attorneys and auditors from the United States Attorney's Office in Columbia, the Department of Interior, the U.S. Fish and Wildlife Service, and the South Carolina Forestry Commission.

The sum resolves allegations that Canal Wood fraudulently failed to include more than 1,000 timber scale tickets in settlement sheets it presented to the United States Fish and Wildlife Service for timber cut on its land.

Each of the 1,000 tickets represents a truck load of timber. The value of the timber tickets fraudulently withheld was \$208,064.50.

Shortly after the government's discovery of Canal Wood's withholding of the timber tickets, Canal Wood paid the amount of the actual loss to the government of \$208,064.50 to the Fish and Wildlife Service.

The investigation involved examining closely an immense amount of records. The South Carolina Forestry Commission's Law Enforcement division provided personnel and facilities essential at various stages of the investigation.

In 2006, a Canal Wood employee, Markus Gaskins pled guilty to a portion of the timber theft.

Canal Wood has agreed to pay an additional \$312,000 to resolve the allegations brought by Gaskin on behalf of the Government in a qui tam action.

Gaskins will receive a reduced share because of his involvement in the scheme.

Canal Wood contracted with the United States Fish and Wildlife Service to cut timber on the federally owned Sandhills Wildlife Refuge, near Cheraw, South Carolina.

This settlement resolves allegations by the United States and the relator that Canal Wood submitted to the government false settlement statements in violation of the False Claims Act (FCA), 31 U.S.C. §§ 3729-3733. The false settlement statements allowed Canal Wood to avoid paying the United States for more than one thousand truck loads of timber taken from federal land.

Mr. Nettles stated, "This is a significant settlement. When taking possession of government property, contractors must insure that the government is properly compensated. A number of attorneys and agents have worked very hard on the investigation and on the negotiations that resulted in this settlement. I commend Assistant U.S. Attorneys Fran Trapp, Jennifer Aldrich and James Leventis for their extraordinary effort in this case. In addition, Darren Brandenburg of the U.S. Fish and Wildlife Service did an excellent job of investigating the case as did Aaron Gilland of Dendro Resource Management."

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News editors: The US Attorney's Office was the lead agency on this case and this is a version of that office's original news release. Further info can be obtained by calling Beth Drake at (803) 929-3000 or Scott Hawkins at (803) 896-8820.