

VIGNETTES—Fraud Conducted by Executive Branch State Employees in FY 2014-2015

1. The Internal Audit Department of a state agency identified a supervisory employee who supplied false documentation on behalf of her daughter to continue receiving SNAP benefits. The internal control weakness identified was the employee exceeded her level of authority in supplying the false documentation. The employee was terminated and a referral was made to collect the overpayment from the daughter. Total fraud loss identified: \$2,291.00.
2. An agency board member engaged in an alleged conflict of interest when the member exerted influence on RFP criteria to benefit a private sector business of which the executive maintained an outside consulting agreement. This matter was referred to the State Ethics Commission for further action. Total fraud loss identified: \$0.00.
3. Senior management at a state agency identified a student program administrator (supervisor) who engaged in an embezzlement scheme by submitting false documentation and purchase order requests to pay for the program administrator's childcare expenses, and the over purchase of books and supplies which were then re-sold for personal profit. This scheme was discovered when the program administrator came to senior management and advised the annual budget allocation of federal funds had been depleted within the first four months of the school year. Senior management initiated an internal review of eligible students receiving the program benefits and identified many had in fact not received the benefits, as well as the discovery that many students receiving benefits were ineligible for the program. The program administrator admitted to receiving personal benefit of the child care expenses, as well as the distribution of benefits to ineligible students and was terminated from employment. The subject was charged with embezzlement of more than \$20,000 and the case is ongoing. Internal control weaknesses identified were the lack of segregation of duties, the lack of dual control program features, lack of a higher level of supervisory review, and failure to provide adequate and timely budget oversight. Total fraud loss identified: \$20,000.00.
4. The Internal Audit Department of a state agency identified an employee who provided false documentation in order to receive SNAP benefits. The employee was terminated and a referral was made to collect the overpayment. Internal control weakness identified was the lack of approved documentation for program benefits. Total fraud loss identified: \$2,445.00.
5. The Internal Audit Department of a state agency identified an employee who stole five gift cards valued at \$100 each, which were intended for distribution of Christmas gifts for foster children. The employee admitted to the theft and was terminated. Internal control weakness identified was insufficient controls over incoming receipts (gift cards). Total fraud loss is \$500.00.
6. An employee of a state agency used a blanket purchase order to acquire movies which were bootleg/pirated copies of movies. The employee admitted to giving the seller blank discs to copy the movies. The employee was given a multi-day suspension and the matter was referred to local law enforcement. Internal control weakness identified was insufficient controls over purchase order submissions. Total fraud loss identified: \$540.00.
7. The same employee of the above-mentioned state agency submitted fraudulent time and attendance records while working for a local non-profit agency. The employee was terminated from employment with the state agency. Internal control weakness identified was insufficient supervision of the employee. Total fraud loss identified: \$1,000.00.

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8. An employee of a state agency engaged in a WIC program fraud administered by a separate state agency by reselling the product to a co-worker. The employee was cited for multiple policy violations and terminated from employment. No internal control weakness was identified. Total fraud loss identified: “undetermined.”
9. Internal audit identified two employees suspected of fleet card abuse in the purchase of fuel for personal use. The results of the SIG’s investigation were presented to the state agency and law enforcement for further action. Both employees were terminated from employment, with estimated losses of \$1,000 per employee. Adequate controls were in place which led to catching the employees. Total fraud loss identified: \$2,000.00.
10. Internal audit of a state agency identified the theft of funds (cash payments) by an employee overseeing a training program. It was determined the employee may have engaged in this theft on five separate occasions over a two year period. The employee admitted to taking the cash payments and was terminated from employment. All records and the employee’s computer were turned over to SLED for further investigation and prosecution. Internal control weaknesses identified were insufficient controls over incoming receipts and checks, and failure to reconcile cash receipts in a timely manner. Total fraud loss identified: \$5,000.00.
11. Two employees (supervisor and subordinate) of a state agency submitted fraudulent documentation to support the payment of the subordinate receiving payment for instructing a class which the subordinate had not done. Both employees were subsequently arrested for forgery, conspiracy, and breach of trust. Prosecution is pending in this matter. Internal control weakness identified was the lack of approved documentation for the class instruction. Total fraud loss identified: \$7,000.00.
12. Internal audit at a state agency identified the initial embezzlement of \$30,000 by a finance department supervisor in charge of payroll during a routine review of discretionary spending as part of a budget planning review at the agency. It was determined that overtime payments were concentrated to a small group of employees in facilities and security departments. The former supervisor admitted to the embezzlement, and had engaged in the scheme over a period of 15 years. The former supervisor admitted to accessing the payroll system and altering payroll and accounting records by supplementing his/her payroll by approximately \$1000 - \$1500 each pay period, utilizing discretionary budgets in the facilities and security departments. Internal control weaknesses identified were lack of supervision and segregation of duties, the lack of dual control features, higher level of supervisory review, and antiquated computer system features which provided the ability to override the system. The former supervisor was terminated from employment and is being prosecuted for embezzlement. Total fraud loss estimated: \$256,527.00.
13. A citizen reported being a victim of identity theft to local law enforcement. The matter was referred to the SIG when it was determined that the victim was a beneficiary of a program administered by a state agency. The joint local enforcement/SIG investigation determined that an employee of the state agency accessed personally identifiable information (PII) of the victim beneficiary and engaged in an identity theft scheme. The employee admitted to the unauthorized access of PII and the identity theft scheme. The case has been referred to law enforcement. Internal control weaknesses identified were the lack of supervision and the ability of the employee to gain unauthorized access to PII. Total fraud loss identified: \$1,500.00.