

**INVESTIGATIVE
REPORT BY THE
STATE AUDITOR
OF CALIFORNIA**

**Employees of the University of California, San Diego,
Misappropriated Public Funds for Personal Profit and Falsified
Documents To Make Other Improper Payments**



CALIFORNIA STATE AUDITOR
BUREAU OF STATE AUDITS

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January 11, 1994

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Bureau of State Audits presents its investigative report concerning employees of the University of California, San Diego (UCSD). This report concludes that two employees of the UCSD conspired to file falsified payroll documents. In addition, they misappropriated over \$12,680 in state and local funds for their personal profit and participated in other improper activities such as conspiring to submit false mileage reimbursement claims. Also, one of the employees engaged in conflict-of-interest practices, established a secret, unauthorized bank account, and used money from an outreach program for nonprogram-related expenses. As a result of our investigation, we identified more than \$40,000 in costs associated with these improper activities.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kurt R. Sjoberg".

KURT R. SJOBERG
State Auditor

1930108, January 1994

California State Auditor
Bureau of State Audits

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Summary

Allegation An employee of the University of California, San Diego (UCSD) conspired with other individuals to file falsified payroll documents for personal profit.

Results of Investigation We conducted an investigation and substantiated that the employee cited in the allegation and at least one other employee of the UCSD conspired to file falsified payroll documents. The employees, who served as the director and the administrative assistant of an outreach program for high-risk students, were responsible for the fiscal and administrative control of the program. In addition to conspiring to file falsified payroll documents, the director and the administrative assistant misappropriated over \$12,680 in state and local funds for their personal profit and participated in other improper activities such as conspiring to submit false mileage reimbursement claims. In addition, the director engaged in conflict-of-interest practices, established a secret, unauthorized bank account, and used money from the outreach program for nonprogram related expenses. As a result of our investigation of the allegation, we identified more than \$40,000 in costs associated with these improper activities. Table 1 provides a listing of the improper activities and the identified costs.

During the course of our investigation, both the director and the administrative assistant resigned from the UCSD. We have provided the results of our investigation to the state attorney general, the Internal Revenue Service, and the Franchise Tax Board for use in criminal and civil proceedings.

Table 1 Improper Activities and Identified Costs

<u>Improper Activities</u>	<u>Identified Costs</u>
I. Misappropriation of Funds	
A. Director	\$6,111.25
B. Administrative Assistant	6,586.19
II. Conspiracy to Submit False Payroll Documents	
A. Unearned Pay Received by Seven Student Employees	9,751.74
B. Cashing of Falsified Payroll Checks	831.30
C. Unaccounted Petty Cash	3,233.49
D. Unauthorized Payments	705.82
III. Conspiracy to Submit False Mileage Reimbursement Claims	10,956.34
IV. Establishment of Secret, Unauthorized Bank Account	1,110.59
V. Use of Program Funds for Nonprogram Related Expenses	1,145.00
<u>Total</u>	<u>\$40,431.72</u>

Introduction

The California Student Opportunity and Access Program (Cal-SOAP), as described in Section 69561 of the California Education Code, is designed to increase the accessibility of postsecondary educational opportunities to low-income and ethnic minority elementary and secondary school students. It is also, to the extent possible, designed to assist community college students in transferring to four-year institutions. This program, which the California Student Aid Commission (commission) administers, serves more than 30,000 students statewide. Six Cal-SOAP consortia provide direct services to students that may vary according to individual project resources and local students' needs. These services may include the following:

- tutoring in different subject courses and strategies for academic excellence;
- advising individual students, groups of students, or both;
- arranging meetings and seminars for students on college admissions;
- skill building, career and goal clarification; and
- providing information to parents on student financial aid.

Each Cal-SOAP consortium applies annually for continued state funding, with each state dollar being matched by local agencies with up to one and one-half local dollars.

In fiscal year 1992-93, the commission awarded the San Diego Cal-SOAP consortium (SD SOAP) more than \$168,000 in grant monies. The SD SOAP, which serves the largest number of schools in California with 29 secondary schools and one elementary school in San Diego County, has 19 participants in its consortium, including the University of California, San Diego (UCSD); San Diego State University (SDSU); and the San Diego Community College District. Many of these 19 participants provide financial assistance in the form of student employee salaries. The SD SOAP is governed by an advisory board composed of all the voting members of the consortium. This advisory board sets policy for the SD SOAP project, oversees the activities of the project staff, and provides general direction to the SD SOAP director. The advisory board also selects a fiscal agent for

the program that is responsible for fiscally administering the program and for submitting the required reports to the commission. The UCSD is the fiscal agent for the SD SOAP. In partial fulfillment of this responsibility, the UCSD provides two full-time employees, the director, and an administrative assistant to administer the project. These employees are paid with Cal-SOAP grant funds. To provide the direct services to the outreach students, the SD SOAP hires approximately 40 student employees every year to serve as college peer advisors or tutors.

According to SD SOAP office procedures, student employees are required to maintain a time sheet to accurately reflect all hours worked during the week. The student employees turn in these time sheets to the SD SOAP administrative assistant every Friday. After receiving the time sheet, the administrative assistant prepares the official payroll document for each student employee and submits it either to the UCSD or another participating college. For UCSD students paid by the UCSD, the administrative assistant reports the student employee hours to the UCSD every other week. For the other students, the administrative assistant may report the hours bi-weekly or monthly. According to SD SOAP procedures, the student employees cannot receive a payroll check until after the administrative assistant receives the time sheets.

Scope and Methodology

The scope of our investigation was limited to identifying instances of alleged misappropriations of state funds and other improper or questionable activities at the SD SOAP. During the course of our investigation, we identified weaknesses in the SD SOAP's system of internal controls that enabled the misappropriations to occur and remain undetected.

For our investigation, we reviewed the payroll and personnel records for a judgmentally selected sample of seven student employees for the period from June 7, 1992, to June 30, 1993. The payroll records included the time sheets the student employees completed, the official payroll documents the SD SOAP administrative staff completed, and UCSD accounting records. We compared the number of hours the students worked as reported on time sheets to the number of hours the SD SOAP reported they worked and for which they were paid. (Appendix A shows the discrepant hours for each student and the amount of unearned pay each received.)

In addition, we conducted a review of selected personnel and payroll documents of the director and administrative assistant. We also reviewed summary reports listing some of the office expenses for 1991,

1992, and 1993 and bank documents related to three checking accounts, one of which the director secretly established for the SD SOAP but of which the UCSD was not aware. We did not attempt to review all records for all student employees because we were able to substantiate the allegations based on the above review.

Finally, for our investigation, we interviewed the director, the administrative assistant, the former administrative assistant, a counselor for the SD SOAP, and six of the seven student employees. The seventh student employee refused all attempts to be interviewed. After we determined employees of the UCSD had engaged in improper and possibly illegal activity, we notified officials of the UCSD, the state attorney general, the Internal Revenue Service, and the Franchise Tax Board. After we notified the UCSD, the UCSD performed additional testing at the SD SOAP. We also reviewed many of the documents that the UCSD's internal auditors collected in cooperation with our investigation.

Chapter 1

Misappropriation of Funds for Personal Profit

Chapter Summary

Based on our investigation of available documents and interviews with SD SOAP personnel, we found that both the director and the administrative assistant misappropriated state funds for their own personal use and profit. The total amount of misappropriations by these two employees was in excess of \$12,680. The director misappropriated more than \$6,000 for her personal profit by writing checks to herself and her spouse from a secret, unauthorized bank account and by falsifying expense reimbursement claims. In addition, after the director resigned from the University of California, San Diego (UCSD), she failed to turn over a check written to the SD SOAP by another organization. The administrative assistant misappropriated more than \$6,585 by falsifying payroll documents, forging signatures on payroll checks, and forging the SD SOAP endorsement on checks from other organizations.

Misappropriation by the Director

We found evidence the director misappropriated over \$6,000 from the SD SOAP for her own personal profit. Based on a review of checking account documents, we determined the director falsified a checking account register to conceal the total amount of cash she paid to herself. For example, the director recorded that she cashed a check for \$400; however, when we reviewed the canceled check, we discovered the director had cashed the check for \$600. Based on a review of all of the canceled checks, we determined the director personally cashed six checks for a total of \$2,159.50, including the one we mention in the example above. We could not find any documentation or receipts to justify the checks other than notations on two checks. For one check, in the amount of \$100, the director noted it was for petty cash. However, there were no receipts to prove the petty cash was spent for legitimate SD SOAP purposes.

For the other check, in the amount of \$679.50, the director noted it was for a locksmith and desk keys. However, we could not find any evidence this expense was legitimately related to the SD SOAP. To determine whether \$679.50 was a reasonable cost for a locksmith and desk keys, we obtained estimates from three locksmiths for the average cost of an office visit to change the locks of desk drawers and to provide a duplicate set of desk keys. The three estimates ranged from \$50 to \$85.

In addition to the six checks for cash, we found the director had written a check for \$700 to her credit union for payment towards her personal account. All of these checks, the cashed checks and the credit union check, were written against a checking account the director had secretly established and over which she had sole control. (See Chapter 4 for a more detailed discussion of this account.)

We also found the director misappropriated funds by using SD SOAP monies to move personal belongings. According to statements made by both the director and the administrative assistant and according to a receipt from a moving company and other documents, the director used SD SOAP monies to move desks. The first desk, which the director's husband purchased from an outside vendor, was for the director's personal use. A moving company moved this desk at the director's request from the vendor's location to her home. In addition, the administrative assistant stated under penalty of perjury that the director had sold her a desk belonging to the SD SOAP. The administrative assistant paid the director \$100 in cash for this desk. The administrative assistant stated that she did not know how the director disposed of the cash. Moreover, we were unable to determine what the director did with the \$100. However, the director had the moving company transport this desk from the SD SOAP office to the administrative assistant's house.

The director paid the moving company \$321.75 for moving the desks. She then sought and received reimbursement for this expense by submitting a false mileage reimbursement claim and a receipt for office supplies to the UCSD. Investigators found various documents related to this transaction, including an informal memorandum from the director to the administrative assistant instructing her to file a false mileage reimbursement claim to cover the moving expense. Subsequently, on the director's behalf, the administrative assistant prepared a false mileage reimbursement claim and a false reimbursement claim supported by a receipt for office supplies. According to the administrative assistant, she purchased the office supplies for her personal use and gave the receipt to the director to use to obtain cash to help cover the cost of the moving service. We confirmed that the receipt used was for supplies the administrative assistant purchased.

Furthermore, the director improperly paid her husband more than \$2,500. According to the director, she paid her husband these monies for programming work he had done on the office computers. However, the director hired her husband against the explicit directions of her supervisor at the UCSD, who told her that it was inappropriate and

would appear to be a conflict-of-interest arrangement. The director paid her husband by writing three checks from the secret bank account. The checks were in the amounts of \$2,000, \$500, and \$30. We also found that the director wrote her husband a check for \$75 from a checking account belonging to the African American Empowerment Committee, a community organization with which she was involved and whose checking account she controlled.

According to members of the SD SOAP advisory board, they were aware the director's husband had done some computer work for the project, but all of the members assumed his work was voluntary. The board members reported they did not know that he had been hired or paid to work for SD SOAP and they indicated that they would not have approved this situation. During our investigation, we were unable to find any contracts or evidence that the director's husband had performed any computer services for the SD SOAP.

Additionally, the administrative assistant stated the director instructed her to falsify the inventory sheet the UCSD sent to the SD SOAP to verify its equipment. According to the administrative assistant, the director kept a SD SOAP laser printer at her home for her spouse's use. The administrative assistant agreed to sign the 1992 inventory sheet although the laser printer on the inventory was not at the SD SOAP office. However, the administrative assistant stated under penalty of perjury that she refused to sign the 1993 inventory sheet and that, consequently, the director had to sign and attest that all the equipment was accounted for. After the director resigned and her supervisor at the UCSD directed her to return all SD SOAP equipment, she returned a laser printer to the SD SOAP office. Her supervisor at the UCSD subsequently confirmed that all of the equipment appearing on the equipment inventory was present at the SD SOAP.

Finally, the director had unauthorized possession of a check made payable to the SD SOAP. After the director resigned from the UCSD and the day before she was to leave the State, agents from the state attorney general's office and the Bureau of State Audits obtained a warrant to search the director's possessions. During the search, we confiscated from her possessions a \$400 check made payable to the SD SOAP. This search took place after the director had allegedly turned over all SD SOAP properties to the UCSD. Because the director was supposed to have already returned office property, because the check had been issued three weeks before the search, and because the director had resigned and was leaving the State the next day, we concluded the director would have misappropriated this amount if the investigators had not confiscated the check.

**Misappropriation
by the
Administrative
Assistant**

We determined that, between May 1993 and August 1993, the administrative assistant misappropriated at least \$6,586.19 from the SD SOAP by falsifying payroll records, forging signatures on payroll checks, and forging the SD SOAP endorsement on checks from other organizations.

Specifically, during our investigation, the administrative assistant admitted, under penalty of perjury, forging some payroll documents for personal profit. We confirmed that, beginning in June 1993, the administrative assistant filed false payroll documents for four student employees who were no longer working for the SD SOAP. Because the administrative assistant had never removed these student employees' names from the UCSD payroll, she was able to continue submitting these payroll documents without raising any suspicions. The administrative assistant was able to conceal the fact that she was misappropriating the payroll checks from the UCSD because she was also the person responsible for delivering the checks to employees after the checks had been received at the SD SOAP office from the UCSD accounting office. This lack of separation of duties represents a significant breakdown in internal accounting controls. After obtaining the payroll checks for these four student employees, the administrative assistant forged the student employees' names on the checks and deposited the monies into her personal bank account.

In addition to the four student employees she told investigators about, we found that the administrative assistant falsified payroll documents and forged a check for a fifth student employee. Table 2 illustrates the monies the administrative assistant gained from filing falsified payroll documents. Based on our review of the false payroll documents and the canceled payroll checks, we determined the administrative assistant misappropriated at least \$3,246 in this manner.

Table 2 Administrative Assistant's Misappropriations by Falsifying Payroll Time Records and Forging Signatures

Date of Check (1993)	Student	Gross Amount	Net Amount Received
June	Student A	\$714.47	\$577.36
	Student B	350.00	308.61
	Student C	<u>280.00</u>	<u>252.55</u>
	Subtotal	1,344.47	1,138.52
July	Student D	240.75	219.20
	Student E	<u>1,184.06</u>	<u>926.36</u>
	Subtotal	1,424.81	1,145.56
August	Student E	<u>1,232.72</u>	<u>962.11</u>
	Subtotal	1,232.72	962.11
Total		\$4,002.00	\$3,246.19

During our investigation, we also discovered the administrative assistant misappropriated an additional amount totaling at least \$3,340 that she did not tell the investigators about. She misappropriated these monies by depositing checks made payable to the SD SOAP into her personal account. According to the SD SOAP procedures, the administrative assistant is responsible for opening the mail that comes into the SD SOAP office. In performing this task, the administrative assistant opened mail containing checks made payable to the SD SOAP for the payment of informational folders. Because the SD SOAP office does not maintain a log for recording the sale of these folders or the receipt of the payments, the administrative assistant was able to take the checks without fear of immediate exposure. With the assistance of the paying organizations and the UCSD, we obtained two canceled checks for \$1,540 and \$1,800, respectively, on which the administrative assistant forged the SD SOAP endorsement. She then deposited the money into her personal bank account.

Chapter 2

Conspiracy To Submit Falsified Payroll Documents

Chapter Summary

In addition to the administrative assistant submitting false payroll documents for personal profit, the director and the administrative assistant conspired to submit falsified payroll documents for the purposes of issuing improper payroll advances, generating monies for the petty cash fund, making unauthorized payments to student employees, and other unknown motives. Specifically, we found the director often instructed the administrative assistant to report more hours worked on certain student employees' payroll documents than the students had actually worked. In addition, on at least some documents for each of seven students in our judgmental sample, the students' signatures were either missing or had been forged. Further, the administrative assistant forged the director's signature on numerous official documents. The San Diego California Student Opportunity and Access Program (SD SOAP) then submitted these falsified payroll documents to the University of California, San Diego (UCSD), and other participating colleges. This conspiracy resulted in the UCSD and other SD SOAP consortium members paying at least \$7,740 for unearned pay and other questionable costs that benefited the SD SOAP staff. (Appendix A lists the unearned pay for the seven student employees. It also lists the differences between the hours recorded on their time sheets and the hours for which they were paid.)

Student Employees Cashed False Payroll Checks and Gave Cash to the Director

According to the original allegation, the director of the SD SOAP directed the administrative assistant to submit falsified payroll documents to generate payroll checks for at least six individuals who did not earn the pay. These individuals allegedly would cash the checks, retain \$20 to \$25, and turn the remaining cash over to the director. During our investigation, we interviewed two student employees and the administrative assistant, who stated under penalty of perjury, that the director had asked student employees to cash falsified payroll checks and to give her the cash. In some cases, the student employees who cashed the checks were given a nominal amount, \$20, for performing this task.

In one case, a student received \$3,600.03 in pay for 443.9 hours worked. However, investigators could not find time sheets or other evidence to substantiate he had worked these hours. This student employee allegedly turned at least some of the cash from checks he

received over to the director. When we asked the administrative assistant about this individual, she stated that he reported to the director. When we asked the director about this individual, she stated that this student employee did computer programming work for the SD SOAP at home and that she maintained a log of his hours at her home. The director initially told us that she would provide the log for our inspection. However, a few days later, the director told us that she had been mistaken and that she could not, in fact, provide a log of the hours he allegedly worked. In addition, we asked the director for any evidence of the individual's work. However, the director did not provide any evidence that the individual had worked any of the 443.9 hours that the SD SOAP reported to the UCSD.

When asked about the need for the SD SOAP to hire someone to work on the SD SOAP computers, the SD SOAP advisory board members recalled a conversation with the director in which she discussed an interest in automating various aspects of the SD SOAP office. However, they told her to consult the UCSD for assistance that would not cost the project anything. In recalling the kinds of reports and materials that were produced, the advisory board members did not think they had seen anything that would require such a large commitment of SD SOAP resources. According to payroll documents, this student employee received payroll checks from the UCSD from 1990 through June 1993.¹ However, the administrative assistant stated under penalty of perjury that the student employee had not worked for SD SOAP since September 1992.

We made several attempts to talk to the student employee to determine whether he gave the cash from his paychecks to the director. However, he refused to speak with us regarding this issue. In addition, after the director and administrative assistant resigned on September 2, 1993, the director's supervisor at the UCSD assumed responsibility for delivering paychecks to student employees. As of October 29, 1993, this student employee had not contacted the SD SOAP office for the status of his employment, unlike other student employees of the SD SOAP.

In another check-cashing case, the director improperly arranged for another participating college to make payroll payments with a gross amount totaling \$2,649 to three student employees. The consortium member from the other participating college stated that she was not aware these were improper payments and that the SD SOAP director led her to believe the hours had been worked. In fact, we found the

¹The UCSD issued additional paychecks in this student's name in July and August 1993. However, the administrative assistant forged the student's name on these checks and deposited them to her personal account.

SD SOAP submitted time sheets, signed by the director, to the other college showing the students had worked the hours for which they were paid. However, we also found evidence showing the students had not worked the hours reported.

One of the student employees, who received a net payment of \$899.94, stated under penalty of perjury that, on the instructions of the director, she cashed the check and brought the cash to the SD SOAP office and placed the cash, in an envelope, on a desk. According to the student employee, the cash disappeared from the SD SOAP office sometime that same day. There were only three people in the office the entire day: the director and two student employees. Upon discovering the cash was missing, the director did not call the police to report the loss; rather, she issued a warning that, in the future, employees should not leave valuables in unsecured areas.

One of the other two student employees who received these payments from the other college stated under penalty of perjury that the director wanted him to turn the cash over to her, but he had already spent the cash himself. His net cash advance was for \$933.69. The third student employee, who received a net payment of \$424.72, initially told us that he had never received pay for hours he had not worked. However, when we contacted him after discovering he had received this payment from the other college, the student employee refused to discuss it.

In yet another case, a student endorsed his paycheck for \$899.94 from the San Diego Community College District over to the SD SOAP. The director deposited this student employee's paycheck into the secret, unauthorized bank account discussed in Chapter 4.

In addition, we found additional evidence of this check-cashing activity. Specifically, investigators found an SD SOAP summary document listing the names of several student employees who cashed checks and the amount they retained for doing so. This document shows that, on one day, three students gave \$831.30 in cash from UCSD payroll checks to the SD SOAP. According to the SD SOAP document, each of these three students retained \$20 for cashing these checks.

Based on the above, we concluded that the original allegation was substantiated. Consequently, we did not attempt to review all payments made to all student employees to determine the total amount of checks student employees had cashed and turned over to the director. However, we found evidence the SD SOAP used this check-cashing scheme as far back as February 1991.

How Cash Turned Over by Student Employees Was Used

According to an SD SOAP summary document, the SD SOAP sometimes used the cash turned over by students to replenish the petty cash fund. However, there were no controls over the SD SOAP's petty cash fund. Specifically, although the SD SOAP had a register to account for the petty cash from February 1991 to January 1992, the register was incomplete. Based on a reconciliation of that register, we determined the SD SOAP could not account for at least \$2,924.31 over the one-year period. In addition, between January 1992 and May 1993, the SD SOAP did not keep a register to account for the petty cash. However, in June 1993, the administrative assistant began a new register for petty cash. Nevertheless, according to the administrative assistant and the person who previously served as administrative assistant, both of whom were responsible for the petty cash fund, there were no controls over the account and money was missing from the fund. Because of the lack of documentation, investigators were unable to determine the amount of monies missing from the current petty cash fund. However, a review of the available receipts supporting the petty cash fund revealed several questionable expenditures such as \$125 for pizzas, \$95.47 for a bill from a restaurant and sports bar, \$44 for lunch, \$32 for a parking ticket, and \$12.71 for See's Candies.

It appears that the SD SOAP also used the cash generated through the falsified payroll check-cashing scheme for unauthorized payments to other student employees. According to statements from student employees who cashed some of these checks and the recently resigned administrative assistant, some of the cash was given to other students as payment for hours worked. These individuals stated that this method of compensating the other students was necessary because the students had not yet been added to the payroll system or because the number of hours they worked exceeded authorized amounts. Based on a limited review of available receipts and registers, we found the SD SOAP gave unauthorized payments totaling \$705.82 to at least two student employees. However, we could find no documentation or justification to show these two student employees had worked any hours to warrant the payments.

Although the UCSD and the other participating colleges withheld taxes from the pay issued to students through their payroll systems, we found no evidence that the SD SOAP reported the informal payments made to individuals to the Internal Revenue Service or the Franchise Tax Board.

We did not attempt to determine whether the individuals themselves reported the income on their tax returns.

**Documents
Falsified To
Provide Payroll
Advances**

On at least five occasions, the director falsified payroll documents to give certain student employees payroll advances. Specifically, the director attested that the student employees had worked hours they had not worked. According to the director, this practice of advancing monies to student employees had existed for several years. Although the director claimed student employees were required to work off the hours, we found evidence the director would sometimes waive this requirement. For example, we found evidence the director waived more than 200 hours for one student employee. Although the student did not work the hours, she was paid more than \$1,200. In this particular case, the student employee had a close personal relationship with the director.

**Documents
Falsified To
Change the
Effective Rate of
Pay**

During the investigation, we found the SD SOAP administrative assistant, at the director's instructions, would routinely report an inflated or deflated number of hours to UCSD to change the effective hourly wage rate paid to selected student employees. Rather than submit the necessary paperwork to UCSD to change a student's rate of pay, the director had her administrative assistant report that the student employee had worked more or fewer hours than the student employee actually did to get a higher or lower rate. For example, one of the seven student employees we reviewed was shown on the official UCSD payroll records as earning \$7 an hour. However, the director and the student employee agreed the student would receive \$8 an hour. Consequently, the administrative assistant would consistently report that this student employee had worked more hours than she actually did. As a result, the UCSD paid this student employee \$163.10 more than she should have been paid. As of June 1993, 17 of the 24 UCSD student employees received a different effective wage rate than they were authorized to receive. Thirteen student employees were paid less than was authorized by the UCSD; four were paid more.

Chapter 3

Conspiracy To Submit False Mileage Reimbursement Claims

Chapter Summary

The director submitted and instructed her staff to submit false mileage reimbursement claims with a total value of at least \$10,956 for the purpose of obtaining monies for nonmileage uses such as unauthorized payments to students, petty cash, and food. These false claims represent 89 percent of \$12,369 in mileage reimbursement claims submitted to the University of California, San Diego (UCSD), from January 1991 through June 1993.

False Mileage Claims

Based on a summary document prepared by employees of the San Diego California Student Opportunity and Access Program (SD SOAP), we found that, from January 1991 to April 1992, employees of the SD SOAP filed mileage reimbursement claims totaling at least \$6,647. Of that amount, SD SOAP used \$4,574 (69 percent) of the reimbursed monies for nonmileage expenses. Table 3 shows the amounts of the mileage reimbursement claims and the uses of each claim. For example, during March 1992, employees of SD SOAP submitted mileage reimbursement claims for \$1,598.16, with \$1,155.36 (72 percent) of the reimbursed monies allocated for unauthorized payments to students. Although summary documents indicated these payments were for time worked, we could find no timekeeping records to document these students had worked any of the hours. Further, we determined that the SD SOAP staff submitted an additional \$5,031.98 in false mileage reimbursement claims during this same period based on a memorandum that the UCSD's internal auditors discovered.

In addition, we reviewed the office's travel expenses from July 1992 to June 1993, including mileage reimbursement claims. Based on this review, we found several questionable and excessively high mileage reimbursement claims totaling more than \$1,175. For example, we found one student employee who received \$481.44 for mileage that he purportedly drove on ten days, including one Saturday and one Sunday. In fact, we found evidence that the SD SOAP wanted to pay the student \$480.85 for some other, undocumented purpose. The evidence shows that the administrative assistant simply fabricated a number of trips to out-of-town locations and campuses in San Diego to justify a sufficient number of miles to provide mileage reimbursement to cover the amount the SD SOAP wanted to pay the student.

Table 3 Amount and Percentage of Mileage Reimbursement Claims Used for Nonmileage Purposes During 1991 and 1992

Date	Mileage Reimbursement Claims Used for:	Amount of Claims	Nonmileage Purposes
01/17/91	Payment to Student	\$149.04	\$149.04
03/12/91	Cash	114.90	114.90
10/08/91	Mileage	43.92	
10/08/91	Mileage	41.76	
10/09/91	Mileage	36.72	
10/09/91	Mileage	45.84	
10/09/91	Mileage	80.88	
10/28/91	Mileage	80.88	
10/30/91	Mileage	43.20	
10/30/91	Mileage	96.48	
11/08/91	Mileage	25.36	
11/19/91	Mileage	75.20	
11/25/91	Mileage	49.20	
12/03/91	Mileage	25.68	
12/05/91	Payment to Student	84.00	84.00
12/09/91	Mileage	51.60	
12/13/91	Mileage	84.00	
12/20/91	Mileage	81.60	
01/15/92	Payment to Student	74.88	74.88
01/17/92	Payment to Student	100.32	100.32
01/17/92	Payment to Student	133.92	133.92
01/17/92	Payment to Student	199.68	199.68
01/22/92	Mileage	55.20	
01/22/92	Mileage	52.32	
01/22/92	Registration & food	254.40	254.40
01/22/92	Mileage	31.68	
01/22/92	Mileage	55.20	
01/31/92	Payment to Student	105.60	105.60
01/31/92	Payment to Student	120.96	120.96
01/31/92	Payment to Student	158.40	158.40
01/31/92	Payment to Student	176.64	176.64
02/03/92	Payment to Student	100.80	100.80
02/03/92	Payment to Student	164.16	164.16
02/06/92	Payment to Student	287.76	287.76
02/07/92	Mileage	32.40	
02/07/92	Mileage	56.64	
02/07/92	Payment to Student	287.76	287.76
02/07/92	Mileage	32.40	
02/07/92	Mileage	56.64	
02/19/92	Payment to Student	204.48	204.48
02/20/92	Mileage	82.08	
02/23/92	Mileage	160.28	
03/04/92	Mileage	48.00	
03/04/92	Mileage	48.00	
03/09/92	Payment to Student	168.00	168.00
03/12/92	Mileage	63.60	
03/12/92	Payment to Student	49.92	49.92
03/18/92	Payment to Student	186.48	186.48
03/18/92	Mileage	249.60	
03/18/92	Payment to Student	483.36	483.36
03/18/92	Payment to Student	267.60	267.60
03/20/92	Mileage	33.60	
04/01/92	Mileage	39.60	
04/01/92	Payment to Student	129.60	129.60
04/03/92	Payment to Student	216.00	216.00
04/09/92	Payment to Student	78.00	78.00
04/10/92	Mileage	58.08	
04/10/92	Mileage	55.92	
04/10/92	Payment to Student	277.68	277.68
Total Mileage Claims		\$6,647.90	\$4,574.34
Percentage of Mileage Claims		100%	69%

Further, we found examples where SD SOAP employees filed mileage reimbursement claims for an individual who was not employed by the SD SOAP. This individual received approximately \$175 in mileage reimbursements and claimed to have driven 540 miles to attend training seminars at a university, CSU El Centro, on three different dates. No university by the name of CSU El Centro exists in California. Moreover, we found that the signatures on the mileage reimbursement claims appeared to have been signed by two different people. Further, the spelling of the first name in the signatures was not the same. We noted that the individual's address on one of the claims was the same as the administrative assistant's address. Finally, members of the SD SOAP's advisory board have stated that they could not think of any situation in which travel reimbursements for non-SD SOAP employees would be appropriate.

Payments for legitimate mileage reimbursement are not generally reported as taxable income to taxation authorities. However, because these payments appear to be for purposes other than legitimate mileage reimbursement, they should have been reported to the taxation authorities. Nevertheless, we found no evidence that the SD SOAP reported these payments to the Internal Revenue Service or the Franchise Tax Board. We did not attempt to determine whether the individuals themselves reported the payments as income on their tax returns.

The UCSD's internal auditors found additional evidence of the administrative assistant and director conspiring to submit false mileage reimbursement claims. This evidence is a memorandum from the administrative assistant to the director dated June 18, 1992, in which the administrative assistant discussed the SD SOAP's attempt to obtain a vehicle from the UCSD. In discussing the SD SOAP's justification for getting a vehicle from the UCSD, the administrative assistant stated, "I would think that if you added up all the mileage reimbursement and the rentals of UC vehicles for the past year the university car would look like a real bargain, however, I realize that some of those charges are not really transportation costs, they don't know that though (it can be our little secret)."

Chapter 4

Establishment of a Secret, Unauthorized Bank Account

Chapter Summary

The director established a secret, unauthorized bank account for the San Diego California Student Opportunity and Access Program (SD SOAP) in violation of policies of the University of California, San Diego (UCSD), and without informing her supervisor at the UCSD or the SD SOAP advisory board. Moreover, the director had sole authority over and access to this account, through which she distributed \$11,122.75. Because funds deposited to the account were outside any of the normal systems of accounting controls, the director could, and did, make questionable and, in some cases, improper expenditures of public funds.

Secret, Unauthorized Bank Account

According to UCSD accounting policies, the UCSD accounting office must approve all external UCSD checking accounts. The director, however, established a checking account without obtaining this approval. Furthermore, when asked about this account, both the SD SOAP advisory board and the director's supervisor at the UCSD stated they were not aware of any external checking accounts. Moreover, the director's supervisor at the UCSD informed us that she had explicitly instructed the director not to set up such an account.

During the investigation, the director provided many different answers to questions we asked regarding this checking account. For example, when we first asked about the existence of any SD SOAP bank accounts outside the UCSD, the director said that there were no such accounts. However, during a review of office expenses, we found a notation on an invoice that appeared to be related to a checking account. When asked what the notation was in reference to, the director said that she did not know, but that it was probably related to a UCSD form number. Yet, when we asked the administrative assistant about the notation on the invoice, she confirmed that the notation referred to an external SD SOAP checking account. The administrative assistant stated that only the director had access to the account and the account statements. In addition, the administrative assistant told us the director had instructed her not to open any of the bank statements and to give the statements to the director. According to the administrative assistant, the director implemented these procedures in an attempt to protect her (the administrative assistant).

Shortly after the administrative assistant confirmed the existence of an external SD SOAP checking account, the director changed her initial response to inquiries about accounts and told us that there was an external SD SOAP checking account, which she had established for a grant that the SD SOAP had received from the San Diego Community Foundation. When asked to produce the account's bank statements and canceled checks, the director provided bank statements covering three months, five canceled checks, and a check register that did not contain the majority of the check entries. The director said that these were the only documents she had and that she would have to order copies of the missing statements from the bank. However, approximately two weeks later and after the director resigned, the UCSD found in the former director's desk, all the bank statements related to the checking account since its establishment in June 1992 and copies of all the account's canceled checks. Based on a review of the bank statements, we determined the director distributed \$11,112.75 in monies from this account over which the UCSD had no control. After the director resigned and after the investigators discovered the documents related to the checking account, the director refused to sign over signature authority and access to the bank account to anyone, including her supervisor at the UCSD.

Sources of Funds Deposited to the Secret, Unauthorized Bank Account

From June 9, 1992, through June 2, 1993, the director deposited \$12,223.34 to the secret, unauthorized account. Of the total amount deposited to the account, \$5,001.08 (41 percent) came from public secondary schools or school districts, including San Diego Unified School District, Sweetwater Unified School District, Grossmont Union High School District, and Vista Unified School District. In addition, Santa Barbara City College and Solano County Community College District provided \$2,212 (18 percent) of the total deposited to the account. Three other organizations also provided funds that the director deposited to the account. Specifically, another Cal-SOAP project--Cal-SOAP Whittier--was the source of \$1,650; Associated Students of Valhalla High School was the source of \$55; and the San Diego Community Foundation was the source of \$2,000. Further, one individual's check for \$55 was deposited in the account. Furthermore, one student employee's paycheck for \$899.94 from the San Diego Community College District was deposited into the account. Finally, an expense reimbursement warrant for \$360.32 from the UCSD to the director was endorsed by the director and deposited to the account.

Uses of Funds Deposited to the Secret, Unauthorized Bank Account

As stated in Chapter 1, the director used this secret, unauthorized bank account to make unauthorized payments to her spouse and herself. These unauthorized payments totaled \$5,389.50 (44.1 percent) of the \$12,223.34 deposited in the account. Other beneficiaries of unauthorized payments included student employees, other SD SOAP employees, and two community organizations for which the director served as a committee member and as the president of the board of directors. In addition, the director made unauthorized payments to various individuals and groups. We were unable to establish the purpose of these payments because of a lack of adequate documentation. Table 4 provides a detailed account of the amounts of unauthorized payments made from the secret, unauthorized bank account.²

²In addition to the unauthorized payments from the secret, unauthorized account, the director arranged to have the UCSD pay \$500 for an airplane ticket for an individual from one of the community organizations for which the director served as a member. The ticket was for a trip between Michigan and California in July 1993. In November 1993, the individual provided a statement of purpose which indicated that he traveled to Michigan to discuss grant funding with the Kellogg Foundation. Although the advisory board believed that this was a legitimate purpose, they would have preferred to have been consulted by the director as to whether the SD SOAP should fund such a joint endeavor.

Table 4 Uses of Funds Deposited to the Secret, Unauthorized Bank Account

Use of Funds	Amount	Percent of Total Funds Deposited	Amount Discussed Elsewhere in Report	Reference
Payments to director and her spouse	\$5,389.50	44.1%	\$5,389.50	Chapter 1
Payments to student employees	2,661.36	21.8%	840.21	Appendix
Payments to other SD SOAP employees	191.57	1.6%	0.00	
Payments to community organizations	645.00	5.3%	0.00	
Payments to miscellaneous payees	2,225.32	18.2%	0.00	
Bank Service Charges	223.64	1.8%	0.00	
Unrecoverable amount remaining in account	886.95	7.2%	0.00	
Total	\$12,223.34	100%	\$6,229.71	

Conclusion

Two employees of the UCSD misappropriated more than \$12,680 in state and local funds. In addition, these two employees conspired to submit falsified payroll documents and mileage reimbursement claims to public institutions. Further, one of the two employees also established a secret, unauthorized bank account, used funds allocated for an outreach program for nonprogram expenses, and engaged in conflict-of-interest practices. In total, these improper activities resulted in expenditures of more than \$40,000 in state and local funds.

We conducted this investigation under the authority vested in the state auditor by Section 8547 of the California Government Code and in compliance with applicable investigative and auditing standards. We limited our review to those areas specified in the scope of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kurt Sjöberg", written in a cursive style.

KURT R. SJÖBERG
State Auditor

Date: January 11, 1994

Staff: Ann K. Campbell, Manager of Investigations
Mavis L. Yee, Investigator

University Response

The two employees resigned from the UCSD during the course of our investigation. The UCSD has reassigned their duties and placed the activities of the SD SOAP under closer scrutiny. In addition, the UCSD internal auditors have conducted an internal audit and plan to issue their report in early January 1994. Finally, the UCSD plans to consult with the General Counsel of the UC Regents to determine what legal action should be pursued and will work with the Bureau of State Audits and the attorney general to ensure a coordinated approach to any future prosecution.

Appendix

Unearned Payments to Seven Student Employees from June 7, 1992, to June 30, 1993

As a result of the submission of false payroll documents and false mileage reimbursements, state and local funds were used to make unearned payments to a sample of seven student employees. After comparing the number of hours the students worked as reported on time sheets to the number the SD SOAP reported they worked and for which they were paid, we found the number of discrepant hours reported for each student ranged from 10 hours underreported for one student to 443.9 hours overreported for another student. For 13 months, the UCSD made unsupported payments to these seven students totaling at least \$4,013. The improper payments ranged from underpayments of \$81.10 to one student, to overpayments of \$3,600.03 to another student. However, we were unable to determine in all cases who ultimately benefited from the improper overpayments. The following table summarizes these unearned payments.

Unearned Payments to Seven Student Employees from June 7, 1992, to June 30, 1993

	Hours			Unearned Pay		Total
	Worked	Reported	Difference	From UCSD Payroll	From Other Sources ³	
Student A	713.05	716.90	3.85	\$26.95	390.96	\$417.91
Student B	645.80	654.30	8.50	77.13	1,078.88	1,156.01
Student C	471.80	495.10	23.30	163.10	677.20	840.30
Student D	335.25	325.25	(10.00)	(81.10)	1,156.88	1,075.78
Student E	131.80	575.70	443.90	3,600.03	402.60	4,002.63
Student F	238.25	269.75	31.50	255.47	705.40	960.87
Student G	579.30	575.80	(3.50)	(28.39) ⁴	1,326.63 ⁵	1,298.24
Total	3,115.25	3,612.80	497.55	\$4,013.19	\$5,738.55	\$9,751.74

³Unearned pay from other sources includes false mileage reimbursement claims, payroll advances from other SD SOAP participating colleges, and unjustified checks from the secret, unauthorized checking account.

⁴A review of canceled checks revealed that Student G endorsed a payroll check in the net amount of \$518.32 to the director, who then deposited the monies into her personal account.

⁵ This student employee received a payroll advance for 210 hours that she never repaid. The value of this payroll advance, which occurred before June 7, 1992, is \$1,287.30.

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