Investigative Report: Theft of Funds From a Long-Term Savings Plan by a State Employee

Summary

We received an allegation under the Reporting of Improper Governmental Activities Act that an employee at the Department of Personnel Administration (DPA) stole funds held by the State in the Deferred Compensation Plan. This plan is part of a long-term savings program designed to supplement retirement income.

We investigated and substantiated this and other thefts totaling over $381,000. Specifically, we found the employee committed the following illegal and improper activities between 1984 and 1986 to steal funds from the Deferred Compensation Plan:

- She forged one victim's name on a form to steal $230,930.
- She designated her mother as another victim's beneficiary to steal approximately $85,000.
- She falsified a death certificate and declared herself the beneficiary of a third victim, who was not dead, to steal $65,250.
- She obtained a driver's license with a fictitious name and provided false information to a financial institution

to open a bank account. She used the bank account to perpetrate two of the three thefts.

As a result of these thefts, the State is potentially liable for over $500,000 once accrued earnings are included.

The employee left the DPA in February 1985. Since that time, she has worked at four different state agencies. On September 24, 1996, the employee submitted her resignation from state service to the Department of Corrections.

Pending Action

The employee surrendered to law enforcement authorities on September 27, 1996, and was released on bail. The Sacramento County District Attorney's Office is pursuing criminal prosecution of the employee. The employee's next court appearance is scheduled for October 29, 1996.

Since we do not believe the employee declared the stolen funds as income on her tax returns, we have contacted the Internal Revenue Service and the Franchise Tax Board (FTB). On October 4, 1996, the FTB issued an order to the Department of Corrections to withhold personal income tax in the amount of over $71,000. This order prevents the employee from obtaining a lump-sum payment of $9,700 for accrued leave.

Since these thefts occurred, the DPA has strengthened its controls over the funds in the Deferred Compensation Plan. However, because of the previous weaknesses that allowed at least three thefts to occur, we plan to expand our review of the plan's internal controls. Also, we will continue to investigate the possibility of additional thefts.

Agency Response

The department cooperated fully with our investigation and has taken action to prevent similar thefts. The department is determining the precise value of each of the accounts involved and will fully restore those accounts. In addition, the department would like to reemphasize the following points made in our report:

- The thefts occurred over ten years ago;

- The employee has not worked at the department since February 1985; and

- The employee resigned from state service in September 1996, and has been arrested.

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Report of Investigation

Allegation I960030

We received an allegation under the Reporting of Improper Governmental Activities Act (act) that an employee at the Department of Personnel Administration (DPA) stole funds held by the State in the Deferred Compensation Plan.

The Reporting of Improper Governmental Activities Act

The Bureau of State Audits administers the act, which is contained in Section 8547, et seq., of the California Government Code. The act defines an improper governmental activity as any activity by a state agency or state employee undertaken during the performance of the employee's official duties that violates any state or federal law or regulation, that is economically wasteful, or that involves gross misconduct, incompetency, or inefficiency. The Bureau of State Audits receives and investigates complaints of improper governmental activities. To enable state employees and the public to report improper governmental activities, the state auditor maintains a toll-free whistleblower hotline. The hotline number is (800) 952-5665.

Results of Investigation

We investigated and substantiated this and other thefts. Between 1984 and 1986, an office technician at the DPA forged documents to steal at least $381,000 in public funds.[1] The office technician stole the funds from the Savings Plus Program's Deferred Compensation Plan

[1] The office technician worked for the DPA from July 1, 1981, through February 8, 1985. However, she did not receive the stolen funds until after she left the DPA.

(plan) administered by the DPA. These funds, owned by the State, were being held on behalf of three different plan participants.

Scope and Methodology

In February 1996, we were contacted by an appeals officer at the Internal Revenue Service (IRS). The IRS believed that a taxpayer failed to report $230,930 of income from the State of California for the 1986 tax year. However, the taxpayer insisted that he had not received the money. The taxpayer enlisted the assistance of his congressman's local office, which discovered that his money had been sent directly to a joint bank account with the taxpayer's name and the name of another individual. The taxpayer maintained that he did not open the joint bank account and did not know the joint owner of the account. Through her additional investigation, the IRS appeals officer suspected that the name of the other individual was an alias used by a woman who worked for the State of California during 1986. The appeals officer then contacted the Bureau of State Audits to ask for assistance in determining whether the woman who worked for the State of California during 1986 was in a position to perpetrate the theft.

To conduct our investigation, we interviewed employees at the IRS and the DPA and three individuals whose funds were stolen, including one victim's beneficiary. The DPA assisted us in our investigation to determine when each theft occurred and the sources of the stolen funds. Due to the length of time that had passed since the thefts occurred and limited record-retention periods, we were unable to obtain many of the documents used to commit the thefts. However, we reviewed available DPA records, the office technician's available personal bank records, and available records from financial institutions that had maintained the funds prior to the thefts. Because of the criminal nature of the case, we requested the assistance of the Department of Justice and referred the case to the Sacramento County District Attorney's Office. Finally, we interviewed the office technician.

Background

The DPA administers the Savings Plus Program, a long-term savings program designed to supplement retirement income. Within the Savings Plus Program, there is a deferred compensation plan authorized by the Internal Revenue Code, Section 457. During fiscal year 1984-85, the Deferred Compensation Plan Fund (fund) had 22,507 participants and a balance of over $509 million. However, with additional contributions, earnings, and elapsed time, the fund has increased to over 96,000 participants and an estimated $3.1 billion for fiscal year 1996-97. Even though plan participants make the contributions to the plan, these funds are the property of the State, subject to the claims of the general creditors of the State, including plan participants.

Employees of the State of California who participate in this plan have pre-tax deductions (deferrals) taken directly out of their paychecks and deposited into their choice of one or more available investment options.[2] The law classifies these amounts as tax-deferred earnings, and an employee does not pay federal or state tax on them until they are withdrawn, generally at retirement. In addition, these deferrals typically earn interest, capital appreciation, or dividends, depending upon the investment option chosen by the participant. Because the monies remain in the employee's account within the State's plan, but are unavailable to the employee, this deferred income is not reported on federal or state income tax returns. Instead, the funds remain invested in the tax-deferred account until the employee reaches retirement and withdraws his or her money.

Although intended for retirement, employees may request a routine withdrawal immediately upon separation or retirement from state service. They can choose to receive their funds in a lump-sum payment, a partial lump-sum payment, as an annuity, or a combination of these choices. When the employee separates from state service, the employee has 60 days to decide on a method of distribution of his or her monies and the commencement date of distribution. If the employee does not elect a date, he or she may be issued a lump-sum distribution. However, without notification to the Savings Plus Program that the employee has separated from state service, the funds remain in the plan.

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[2] While the DPA administers the plan, participants' deferrals are maintained by various financial institutions.

In addition, the Internal Revenue Code, Section 457, permits early distribution (before age 70½ or upon separation from state service) of deferred compensation monies, but only for unforseeable emergencies beyond an employee's reasonable control. Approval for emergency withdrawal is not automatic. However, if approved by the plan administrator, an employee may receive up to the full amount of the account balance. Under these conditions, the distributions are taxed as ordinary income for federal and state income taxes, and the employee pays no tax penalty for early distribution.

Under Section 457, upon the death of a participant, all monies are payable to the participant's designated beneficiary. In accordance with the IRS requirements, the DPA reports distributions to beneficiaries of deceased employees on a Form 1099 and does not withhold income taxes. If the participant does not designate a beneficiary, the monies are paid to the participant's estate or an established trust. If the monies are paid to the participant's estate, the payment will be issued in a lump sum.

An Office Technician Stole At Least $381,000

An office technician at the DPA forged documents to steal over $381,000 in public funds from the Savings Plus Program's Deferred Compensation Plan, which is administered by the DPA. She stole over $230,930 from Victim A, a former employee of Camarillo State Hospital who left state service in 1983, by forging the victim's signature on documents to convince the DPA they were paying the funds to him. In addition, she stole over $85,000 from Victim B, a former Department of Transportation employee, by having her mother declared as the victim's beneficiary after his death in 1985. Further, she stole $65,250 from Victim C, a Department of Education employee, by notifying the DPA that the victim was dead and using an alias to declare herself as the beneficiary. Because the funds were withdrawn from the plan, they did not continue to grow from interest, capital appreciation, or dividends. As a result of the thefts, the State may be liable for more than $500,000.

The California Penal Code, Section 470, states that every person who, with intent to defraud, signs the name of another person, or a fictitious person, knowing that he or she has no authority to do so, is guilty of forgery. According to Section 473 of the California Penal Code, forgery is punishable by imprisonment in the state prison or the county jail.

Further, the California Penal Code, Section 484, states that every person who knowingly defrauds any other person of money is guilty of theft. Moreover, Section 487 states that grand theft includes theft of a value exceeding $400. Section 489 specifies that grand theft is generally punishable by imprisonment in a county jail or in the state prison.

The office technician worked at the DPA from July 1, 1981, through February 8, 1985. She worked in the deferred compensation section from August 1982 until she left the DPA in February 1985. She received a promotion from office assistant to office technician effective January 1, 1984. As an office technician, her responsibilities included applying and interpreting all provisions governing the administration of the Deferred Compensation Plan, answering specific technical questions regarding the administration of deferred compensation in the State of California, and completing all forms required for plan administration.

Victim A

The office technician stole over $230,930 from Victim A by forging documents and establishing a bank account under an alias from which she could draw the funds. Victim A separated from the State in June 1983. However, he did not notify the DPA that he had left state service nor provide instructions for the distribution of the balance in his deferred compensation plan. Because the DPA had no knowledge that the employee had left state service, it did not distribute his funds to him. Over a year and one-half later, in February 1985, the office technician forged Victim A's signature on a form requesting that a lump-sum payment of Victim A's deferred compensation account balance be paid in February 1986. The DPA provided a copy of this forged form to Great Western Bank, the bank that maintained Victim A's deferred compensation account. The form indicated the payment should be sent to a mailbox at a private mailbox company in Sacramento. While the office technician first told us she did not remember obtaining the mailbox, she later said she must have done it.

A document examiner at the Department of Justice and a handwriting examiner at the DPA both concluded independently that Victim A did not sign his name on the form requesting the payment of his deferred compensation funds. The document examiner concluded that the office technician very probably signed Victim A's name on the form, and the handwriting examiner concluded she did sign Victim A's name on the form. When interviewed, the office technician first told us if the examiner said the signature was hers, then maybe it was. Later she told us the examiner was lying or possibly mistaken. Later in the interview, the office technician admitted forging Victim A's name on the form.

On January 8, 1986, the office technician went to the Department of Motor Vehicles (DMV) and changed the last name on her California driver's license to correspond with Victim A's last name. According to the DMV, this is allowable; the DMV does not require an individual to provide proof of a legal name change to change the name on a license.

It is clear that the office technician obtained the driver's license in Victim A's last name to facilitate her theft of his funds. The office technician told us that, in addition to her maiden name and her current married name, sometime in the 1980s she used the same last name as Victim A even though she has been married to her current husband since 1968. When we asked her why, she told us she had planned to marry someone with the same last name as Victim A. We asked the office technician if it would be unusual for her to take another man's name before she married him or divorced her current husband and she said that she did not know. She said that she and her husband had marital problems and she thought she was going to marry the man with the same last name as Victim A. However, she could not remember how she met the man she had planned to marry or what he did for a living. The office technician told us that we caught her off guard and that she was "totally out in Never-Never Land." Moreover, she could not remember the man's first name or even describe what he looked like. Later in the interview, the office technician admitted that she lied about her plans to marry someone with the same last name as Victim A. We also asked the office technician whether she obtained a driver's license in any other names, and she said no, but if she could have figured out how to do it, she would have.

On January 31, 1986, the office technician opened a joint bank account at Home Savings of America and completed a bank signature card. The account was in the names of Victim A and the office technician's alias as shown on her new driver's license. She provided the bank with her correct date of birth, a social security number that was one digit different from her actual number, and a driver's license number that was two digits different from her actual license number. In addition, she provided the correct date of birth and social security number of Victim A, which she could easily have obtained from his file at the DPA.

The document examiner and the handwriting examiner concluded independently that Victim A did not sign his name on the bank signature card. Further, the document examiner concluded the office technician very probably signed her alias on the signature card, and the handwriting examiner concluded she did sign her alias on the signature card. However, the examiners were unable to conclude that the office technician signed the name of Victim A on the signature card. When we interviewed the office technician, she admitted to signing her alias as well as forging the name of Victim A on the bank signature card that established the joint account.

Great Western Bank received a telephone call on February 4, 1986, instructing it to send Victim A's money directly to the account the office technician established at Home Savings of America. According to a handwritten telephone message retained by Great Western Bank, it appears that Victim A, a man, called the bank. However, the bank told us it would not accept such directions from plan participants, only from agents of the account owner—in this case, the State of California. The office technician told us that she must have called the bank because, according to her, no men were involved with the theft of Victim A's funds.

It is unclear why Great Western Bank would have followed instructions provided over the telephone when the form submitted previously requesting the payment of the funds instructed they be sent to the address on the form. However, on February 6, 1986, Great Western Bank processed a lump-sum closeout on Victim A's deferred compensation account. The account balance at the time of the closeout was $230,930. The bank withheld a total of $102,133 for state and federal taxes and a transfer fee. Great Western Bank then issued a check for $128,797 to Home Savings of America to be credited to the joint account established by the office technician under her alias and the name of Victim A. Home Savings of America credited the account on February 10, 1986.

We asked the office technician how she identified Victim A as a potential victim. She claimed that she could not remember. We also asked her how she had used the money she stole from Victim A's deferred compensation plan. The office technician said she has had a problem with money her whole life—that "it leaves [her]." However, she was able to tell us that she used approximately $40,000 to purchase a home. Home Savings of America's records show a number of withdrawals that could have comprised the $40,000.

In addition, on February 11, 1986, the office technician made a withdrawal of $87,213 from the joint account at Home Savings of America. Because the bank no longer had copies of the documentation related to the transaction, we could not determine whether the bank had issued a cashier's check to some specific individual or entity. However, according to the office technician, she used this money to repay money she had stolen from the beneficiary of Victim B.

Victim B

The office technician also stole approximately $85,000 from Victim B in 1985. Victim B died January 5, 1985. According to the office technician, in an attempt to contact the victim's beneficiary regarding the victim's deferred compensation funds, the DPA sent letters to the victim's beneficiary.[3] The office technician told us that when the beneficiary failed to reply, she decided to designate her mother as Victim B's beneficiary. At least $73,000 of the $85,000 was paid out of Victim B's account in August 1985 and sent to the office technician's mother. According to the office technician, her mother then gave the money to her. Due to a lack of available records, we were unable to determine the specific date the additional $12,000 was paid to the office technician's mother; however, we believe it was paid in August 1985.

The office technician told us that after she had stolen Victim B's money, Victim B's beneficiary responded to one of the notifications sent by the DPA and wanted to collect the money. The beneficiary provided us with a copy of the form he submitted to the DPA in November 1985, requesting a lump-sum payment from Victim B's account. The office technician intercepted the beneficiary's response. She said she was panic-stricken because she knew she had done wrong and she did not want to get caught and did not want to go to jail. The office technician did not have enough money to repay the beneficiary, and she was afraid that someone would discover she had stolen Victim B's money. She said she stole from Victim A to repay the beneficiary of Victim B. The office technician told us that, using the money she stole from Victim A, she obtained a cashier's check payable to Victim B's beneficiary and attempted to make the payment appear to be from the State of California.

Several facts show the payment to Victim B's beneficiary was not issued by the DPA. Victim B's beneficiary provided us with a copy of the cashier's check issued by Home Savings of America and a letter on DPA letterhead that accompanied the check. The letter bears the name of and was allegedly signed by another former employee of

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[3] Based on documents provided to us by Victim B's beneficiary, it appears that Victim B's employer notified the DPA of his death.

the DPA.[4] The check shows the number of the account established by the office technician in Victim A's name. The letter states that, due to a computer malfunction, the DPA was unable to have the individual firms in which the funds were invested issue payment checks; therefore, Home Savings of America agreed to process payments to avoid further delay. According to the administrator of the Savings Plus Program who worked as a supervisor in the DPA's deferred compensation unit at that time, there was no computer malfunction that affected the payment process as stated in the letter. Moreover, the DPA never used Home Savings of America to process payments related to the Deferred Compensation Plan. Finally, the DPA is located in Sacramento; however, the cashier's check and letter, allegedly sent by the DPA, were mailed from Citrus Heights, California.

The Office Technician Was Not Completely Truthful

Although the office technician admitted to stealing Victim B's funds, we do not believe she was completely truthful. Specifically, the sequence of events she described is not logical. She told us she decided to steal from Victim B after a "long time" had passed without his beneficiary claiming the money. Then, when Victim B's beneficiary tried to claim the money, she was panic-stricken and decided to steal from Victim A to repay Victim B's beneficiary. According to the DPA, it generally takes 30 to 60 days to process payments to beneficiaries once it receives the required documentation. Victim B died in January 1985 and all or most of his funds were paid out in August 1985. Therefore, the DPA probably received the request for payment in June or July 1985. However, the office technician dated the form requesting Victim A's money in February 1985, which means that she requested Victim A's money prior to requesting Victim B's money. Because we were not aware of Victim B before interviewing the office technician, we did not know the dates each of the events occurred and could not question her about the inconsistencies in her explanation.

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[4] We are continuing to investigate the possibility that another employee may have been involved with the thefts.

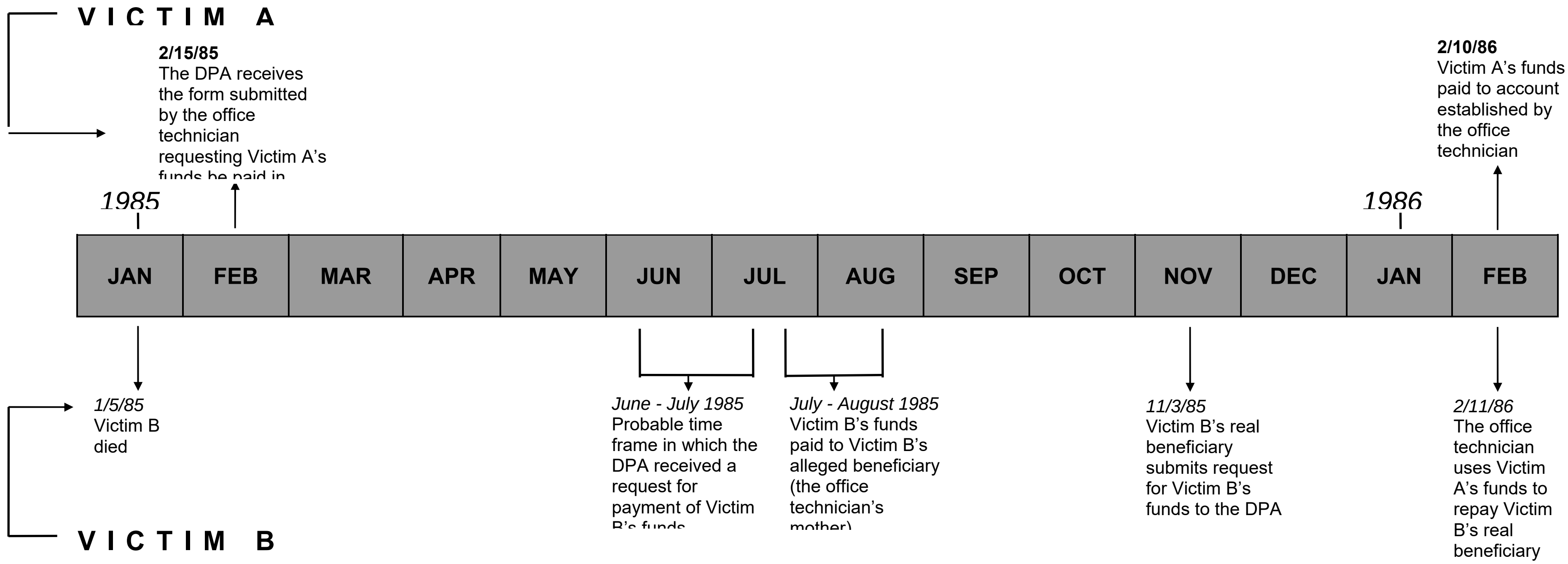
Figure 1 on page 10 illustrates the timing of the transactions related to the thefts of the funds from Victims A and B.

Victim C

The office technician also stole $65,250 from Victim C. On July 7, 1986, three payments totaling this amount were credited to the same Home Savings of America account as the funds stolen from Victim A. Because Home Savings of America no longer had the detailed records to indicate the source of those funds, we asked the DPA whether it could identify any

Figure 1

Time Line of Transactions Related to the Thefts of Funds From Victims A and B[a] (January 1985 Through February 1986)



[a]Although the office technician told us that she stole from Victim A to repay the real beneficiary of Victim B, that statement is not logical. As this time line shows, the office technician requested Victim A's funds prior to requesting Victim B's funds.

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payments that corresponded with the date and amount indicated by Home Savings of America. The DPA discovered the funds had been paid out of Victim C's account as a death beneficiary payment. Moreover, the funds were paid to a beneficiary with the same name as the alias used by the office technician to steal the funds from Victim A. The beneficiary's address was the same mailbox indicated as Victim A's on the form falsified by the office technician. Further, the social security number of Victim C's beneficiary actually belonged to Victim B's real beneficiary.

However, Victim C has not died. According to Victim C, she is working for the Department of Education and has since 1973. In 1977, she enrolled in the Deferred Compensation Plan; however, she stopped her contributions to the plan by 1981. When we interviewed Victim C on July 25, 1996, she told us she did not know the office technician. In addition, Victim C said she never withdrew any of her deferred compensation funds for any reason.

When we interviewed the office technician, she admitted to stealing the funds from Victim C. When we asked the office technician how she identified Victim C's funds as a target, she was unable to explain. However, the office technician asked us whether Victim C was in fact dead. When we informed her that Victim C was not dead, she replied that she may have forged a death certificate or obtained one from the bureau of records.[5] Through her job with the DPA, the office technician knew the necessary steps to get the DPA to release deferred compensation funds. She also had easy access to participant files, which contained death certificates she could have used to falsify a death certificate for Victim C. Figure 2 on page 12 depicts the flow of funds to the office technician.

As mentioned previously, Victim A's and Victim C's funds were deposited into the Home Savings of America account opened by the office technician. Although the office technician told us she used approximately $85,000 to repay Victim B's real beneficiary and approximately $40,000 to purchase her home, she was unable to explain how she spent the rest of the money. However, based on information provided by Home Savings of America, the office technician used automatic teller machines (ATMs) to withdraw $14,600 (over $1,000 per month) in cash between February 27, 1986, and April 27, 1987. In one ten-day period from April 8, 1986, through April 17, 1986, the office technician made five ATM withdrawals of $300 each day for a total of $1,500.

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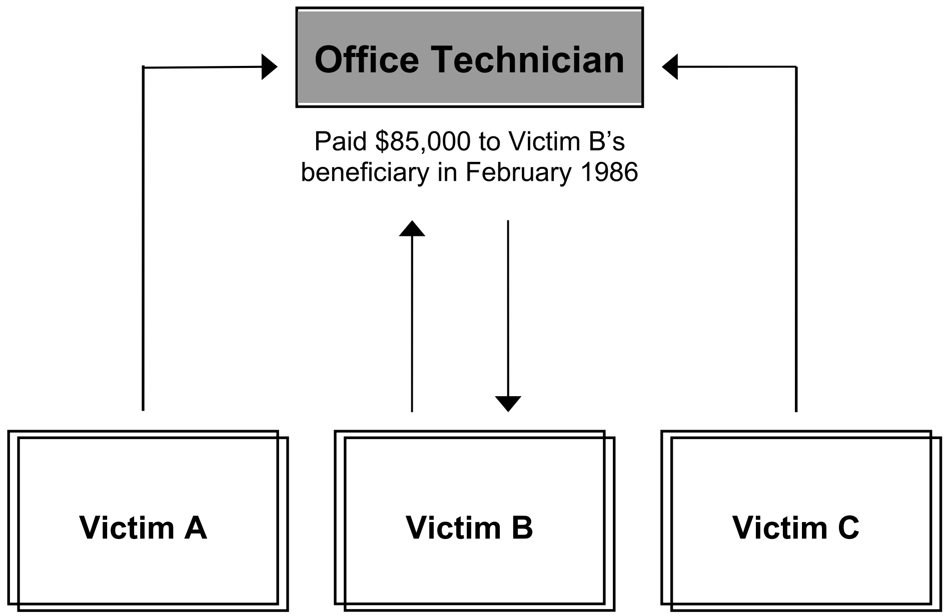
[5] At the time the theft occurred, the DPA required only a photocopy of a death certificate, not a certified copy.

Figure 2

Flow of Stolen Funds Totaling Over $381,000 [a]



- ***$230,930***
- Paid February 1986
- Separated from state service June 30, 1983

- ***$85,000***
- Paid August 1985
- Deceased January 5, 1985

- ***$65,250***
- Paid July 1986
- Currently employed

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[a]Included in this total is $102,133 in state and federal taxes that was withheld from Victim A's funds.

The State May Be Ultimately Liable for Over $500,000

Although the office technician paid Victim B's beneficiary the funds due from the Deferred Compensation Plan, neither Victim A nor Victim C ever received their deferred compensation funds, and the funds did not remain in the plan. Therefore, we believe the State may be liable to Victim A and Victim C for the funds stolen by the office technician and for the income those funds would have produced had they remained invested in the Deferred Compensation Plan.

According to the DPA's estimated calculations, if the $230,930 stolen from Victim A and the $65,250 stolen from Victim C had remained in the deferred compensation plan, the combined current value of the two accounts would be over $500,000.[6] Therefore, the office technician is responsible for creating a potential liability for the State of over $500,000.

The DPA Had Inadequate Controls Over Deferred Compensation Funds at the Time of the Thefts

State law requires each state agency to establish and maintain an adequate system of internal controls to prevent errors, irregularities, or illegal acts. The maintenance of a strong system of internal controls is critical when large amounts of money are involved, as is the case with the Deferred Compensation Plan.

At the time the office technician committed the thefts, the DPA had obvious weaknesses in its internal controls over the Deferred Compensation Plan. For example, in order to steal Victim C's funds, the office technician claimed that Victim C was dead and she was Victim C's beneficiary. At that time, the DPA required only a photocopy of a death certificate, not a certified copy. As mentioned earlier, the

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[6] The DPA's estimate is based on the full amount of $230,930 stolen from Victim A's account, even though over $102,133 was withheld for state and federal taxes. We have been unable to determine whether the IRS and the Franchise Tax Board will repay the amounts withheld to Victim A.

office technician had access to various death certificates that she could have altered and submitted to the DPA. The DPA now requires a certified death certificate and a copy of the beneficiary's photo identification.

In addition, the DPA did not confirm Victim C's separation from state service with the State Controller's Office (SCO). When a state employee dies or otherwise separates from state service, the employing department is responsible for notifying the SCO so the employee is removed from the state payroll.
If the DPA had contacted the SCO to confirm the employee's separation, it would have discovered that Victim C was still alive and working for the Department of Education. The DPA now has on-line access to the SCO records to verify an employee's employment status.

Further, during the 1980s, the DPA did not notify plan participants of their beneficiaries of record. As a result, plan participants would not be aware if someone falsely changed their beneficiary designation. The DPA now notifies plan participants every 18 months of their beneficiaries of record.

The Office Technician Had Broad Access to Information

At the time the office technician worked for the DPA, the participant files were maintained in the Savings Plus Program offices. Because her job duties included assisting plan participants, the office technician had full access to these files, which included personal information about the participants, such as their social security numbers, as well as correspondence and information about their deferred compensation account and beneficiaries. The office technician also answered telephones and opened correspondence. Her knowledge about the Deferred Compensation Plan, coupled with her access to participant files and ability to intercept mail and telephone calls from participants who might question her actions, allowed her to commit and conceal her thefts. The DPA has since made several changes in its system of internal controls, including separating various duties to ensure that one person's work serves as a check on another's.

Continuing Investigation

We did not conduct a complete review of the DPA's system of internal controls over the Deferred Compensation Plan. However, because previous weaknesses in the system allowed at least three thefts to occur, we plan to expand our review of these controls. Further, as mentioned previously, we do not believe the office technician was completely truthful in her responses to our inquiries; therefore, we will investigate the possibility of additional thefts.

On September 24, 1996, the employee submitted her resignation from state service to the Department of Corrections. The employee surrendered to law enforcement authorities on September 27, 1996, and was released on bail. The Sacramento County District Attorney's Office is pursuing criminal prosecution of the employee. In addition, we have contacted the IRS and the Franchise Tax Board so they can determine the amount owed by the employee for unreported income, penalties, and interest.

Conclusion

A former office technician at the DPA admitted to forging documents and stealing a total of at least $381,000 in public funds maintained by the DPA for three separate individuals. As a result, the State may be liable for over $500,000 when the amounts stolen and the earnings that would have been generated are totaled.

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,

KURT R. SJOBERG
State Auditor

Date: October 16, 1996

Investigative Staff: Ann K. Campbell, Manager, CFE
Cynthia A. Sanford, CPA

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Agency Response

The department cooperated fully with our investigation. As soon as we brought our preliminary findings to the department's attention, it reviewed its payment process to determine whether similar thefts could occur today. The department has made numerous changes to its system of internal controls to prevent this type of theft, including those discussed in the body of the report. The department also reported that it is in the process of determining the precise value of the accounts involved and will fully restore those accounts. In addition, the department will further cooperate with our continuing investigation and assessment of its controls over the Savings Plus Program. Finally, the department would like to reemphasize the following points made in our report:

- The thefts occurred over ten years ago;
- The employee has not worked at the department since February 1985; and
- The employee resigned from state service effective September 1996, and has been arrested.

October 1996
I960030