

Office of State Budget & Management
Fraud Busters Conference



State Auditor's Update

November 16, 2022
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**State Auditor's Update
Course Objectives**



- ✓ Discuss Recent Fraud Investigative Findings/Understand How
- ✓ Discuss New/Potential Fraud to State Government
- ✓ Discuss Management's/Our Responsibilities Moving Forward

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State Auditor's Update



Audits/Investigations/Allegations

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State Auditor's Update
Audits/Investigations/Allegations
Case #1



- ✓ **State Agency**
- ✓ **Allegation:**
 - ✓ Employee Did Not Charge Vacation/Sick Leave for Leave taken,
- ✓ **Findings:**
 - ✓ Allegation was Substantiated;
 - ✓ 5 years/728 Hours Taken/Not Charged

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #2



- ✓ **State Hospital**
- ✓ **Allegation:**
 - ✓ Hospital Violated Dual Employment Policy
- ✓ **Policy:**
 - ✓ Dual Pay- 1 Employee works in 2 roles at different agencies
- ✓ **Finding:**
 - ✓ Hospital Management Paid Numerous Staff working in 2 positions at the same facility ⁵

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #2



- ✓ **Finding:**
 - ✓ Hospital Management Paid Numerous Staff working in 2 positions at the same facility
 - ✓ \$323,000 over Paid
 - ✓ 13 Management Employees
- ✓ **Should Have Been Comp Time**
- ✓ **Agency Inappropriately Expanded Dual Employment Policy**

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #2



- ✓ **Impact:**
 - ✓ **Violated State Policy**
 - ✓ **Set Negative Precedence**
 - ✓ Ignored OSC/OSHR Directive
 - ✓ Circumvented Protocol for Timesheet Submission
 - ✓ OSC Unknowingly Cut Checks They Should not have

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State Auditor's Update
Polling Question #1



✓ **The State Auditor has Subpoena Power.**

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #3



Charter School

- ✓ **Allegations:**
 - ✓ School Obtained Funding Based on Falsely Reporting School Attendance
 - ✓ Failed to Report 1099 Earnings
 - ✓ Used Charter School Funding for Unallowable Activities

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State Auditor's Update
Recent Audits/Investigations/Allegations 
Case #3

Charter School

✓ **Findings:**

- 1) School Falsely Reported Student Enrollment
 - a) 180 Students Reported/72 Falsified
 - b) \$405,000 Overpaid to School Yr. 2021
 - c) Enrollment Records Falsified for 8 years

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State Auditor's Update
Recent Audits/Investigations/Allegations 
Case #3

Charter School

✓ **Cause:**

- ✓ Collusion by Director & Finance Officer
- ✓ Kept 2 Sets of Enrollment Records
 - ✓ Power School/Jupiter

✓ **Impact**

- ✓ State Funds Not Available to Other Schools

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State Auditor's Update
Recent Audits/Investigations/Allegations 
Case #3

Charter School

✓ **Findings:**

- 2) School Failed to Prepare & Submit Required 1099s
 - a) 2019 & 2020 School Failed to Report approx. \$490,000 paid to contractors
 - b) Retired Employees

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State Auditor's Update
Recent Audits/Investigations/Allegations 
Case #3

Charter School

✓ **Cause:**

- ✓ Director/Finance Officer Appeasing Retirees
- ✓ Chose Not to Issue 1099s

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Recent Audits/Investigations/Allegations 
Case #3

Charter School

Impact:

- ✓ Penalties/Interest to Charter School
- ✓ Contractors Hit w/ Huge Tax Liability

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Recent Audits/Investigations/Allegations 
Case #3

Charter School

✓ **Findings:**

- 3) Used State Funding Not Intended For Pre-Kindergarten Students
 - a) \$78,576 Charter School Money
 - b) Kindergarten Started
 - c) Budget \$78,576 Short/not balanced

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #3



Charter School

- ✓ **Cause:**
 - ✓ **Comingled Funds – Charter School & Preschool**
 - ✓ **Adopted Unbalanced Budget – Expenditures Exceeded Revenues \$80,000**
 - ✓ **Ignored Acceptable Uses for Charter School Funds**

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #3



Charter School

- ✓ **Impact:**
 - ✓ **Charter School Moneys not used for Intended Purpose**
 - ✓ **Potential Reimbursement to the State**

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State Auditor's Update
Polling Question #2



The National Bureau of Economic Research States That Since 1950 the US Has Experienced an Economic Downturn How Often:

- a. **Every 10 years,**
- b. **Every 5 ½ Years,**
- c. **Every 15 Years,**
- d. **Every 8 ½ Years**

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #4



University

✓ **Allegations:**

- ✓ **University Purchasing Policies Not Followed**
- ✓ **POs Broken Up to Avoid Approvals Required by University Policy**

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #4



✓ **Policy:**

- ✓ **University has authority to approve contracts not exceeding \$100,000. Approvals are required by:**
 - The Vice Chancellor responsible for the division initiating the contract,
 - The University's General Counsel,
 - The University's Purchasing Office, and
 - The Vice Chancellor for Business and Finance.
- ✓ **Contracts between \$100,000 and \$500,000 also require the approval of the President of the UNC System.**
- ✓ **Contracts over \$500,000 require the approval of the State Division of Purchase and Contract.**

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State Auditor's Update
Recent Audits/Investigations/Allegations
Case #4



✓ **Findings:**

- ✓ **Landscaping Contracts:**
 - ✓ **1 Contract Did not get the 3 Approvals Required Under Existing University Purchasing Policy**
 - ✓ **1 Contract Split to Avoid Approvals**

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State Auditor's Update



Corona Virus Relief Funds

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State Auditor's Update Coronavirus Fiscal Recovery Funds

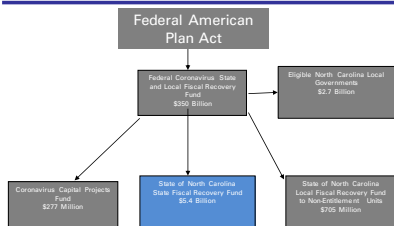


March 11, 2021, the President of the United States signed into law the American Rescue Plan Act (ARPA). ARPA established the federal Coronavirus State and Local Fiscal Recovery Fund

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State Auditor's Update Coronavirus Fiscal Recovery Funds



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State Auditor's Update Coronavirus Fiscal Recovery Funds



The purpose of these funds is to provide financial assistance to be used to:

- Respond to the public health emergency with respect to COVID-19.
- Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers who are performing essential work.
- Provide for government services, including revenue reductions due to the COVID-19 public health emergency.
- Make necessary investments in water, sewer, or broadband infrastructure.

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State Auditor's Update Polling Question #3



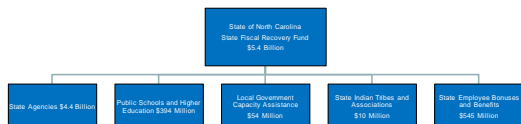
Which Fact Regarding the State Auditor is "not" true?

- Baby sitter was a convicted murderer,
- Has been inducted into "a" NC Shaggers' Hall of Fame,
- Lost Election for Junior Class President,
- Wears a size 10 shoe.

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State Auditor's Update Coronavirus Fiscal Recovery Funds



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