



Fall 2024 - Internal Control News

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The purpose of this **DFM Internal Control Quarterly Newsletter** is to provide agencies and departments with articles on good business practices, fraud prevention, and internal control responsibilities. Through articles intended to promote educational and professional development opportunities for state employees, this newsletter seeks to raise awareness across state government on the importance of internal control. We hope that by providing you with this array of information, we can keep you informed of internal control related activities, and help your staff and division implement and maintain effective internal controls. <https://finance.vermont.gov> Volume 6, Issue 17

DFM Standard Internal Control - Helpful Web Hyperlinks:

Website Resources: <https://finance.vermont.gov/policies-and-procedures/internal-controls>

Standard Internal Control Manager's Guide: [Purpose of Guide \(vermont.gov\)](#)

Quick Hyperlink Reference Guide: [ITC IC P&P Guideline.pdf \(vermont.gov\)](#)

State Auditor's Fraud, Waste, and Abuse Hotline: 1-877-290-1400 or [Reporting Fraud, Waste or Abuse](#)
DFM, IC Questions? Contact: fin.internalcontrol@vermont.gov

• VT Buys, the State's New Procurement System, and VISION Impact Update

VTBuys, the State's new procurement system, is scheduled to go live in the Fall of 2024 and will have a significant impact on how you interact with VISION.

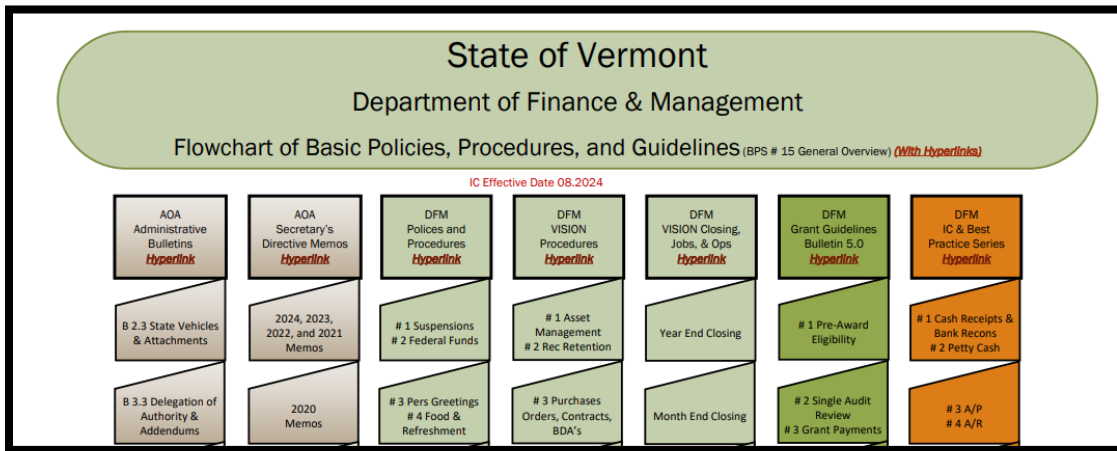
Procurement-related suppliers will manage their own accounts in VTBuys, with information imported into VISION for payments, 1099s, etc. All contracts, requisitions and procurement-related purchase orders will be managed in VT Buys as well. Watch the [Finance & Management](#) and the [VTBuys](#) web sites for more information as we get closer to implementation.



- **IC Quick Reference Web Hyperlink Guide - Updated**

Download & Save this PDF to your Desktop to use the IC Hyperlinks....

[ITC IC P&P Guideline.pdf \(vermont.gov\)](#)



- **Fraud & Internal Control – Isn't Just a National Crime**

Barre dealership's ex-auto parts director admits to \$575K fraud scheme

VT Digger ® By Alan J. Keays June 19, 2024

Name withdrawn for Privacy Reasons.

Prosecutors charged #, 36, with ordering parts through Formula Nissan and then selling them on Facebook and pocketing the money. A Vermont man has pleaded guilty to defrauding the Barre



auto dealership where he worked by selling parts on Facebook that he had ordered on the company's account, resulting in losses to his employer of more than \$500,000, according to federal prosecutors. The Federal Building in Burlington houses the U.S. District Courthouse and the U.S. Postal Service. Photo by Bob LoCicero / VT Digger.

#, 36, entered his guilty plea Tuesday in U.S. District Court in Burlington to a single charge of mail fraud as part of a plea deal with the U.S. Attorney' Office in Vermont, court records show. He remains free on conditions pending his sentencing Oct. 31. He faces up to 20 years in prison. The actual sentence handed down by Judge Christina Reiss will likely be less after considering the advisory federal

sentencing guidelines in the case. #, according to charging documents, carried out the scheme between March 2019 and Sept. 23, 2022, when he was employed by Formula Nissan in Barre as the parts manager and then director of parts and service. In his job, the filing stated, #, ordered many parts, including vehicle suspension lift kits which cost Formula Nissan between \$2,300 to \$2,900 apiece. In a press release, federal prosecutors said # **did not use the dealership's parts ordering system to purchase the materials, a "bypass" that meant the parts "were not entered into Formula Nissan's inventory of parts-on-hand."** Then, according to the release, he advertised the parts for sale on Facebook and sold them to purchasers across the country using Formula Nissan's Federal Express account to ship the parts to his own customers. In total, charging documents alleged, #, scheme resulted in the dealership and its insurance company suffering an "out-of-pocket loss" of at least \$575,000. Steven Barth, a federal public defender representing #, could not be reached Wednesday for comment.

- **BURLINGTON, Vt. (WCAX) - A Burlington Man was sentenced Tuesday to nearly four years in federal prison in a pandemic-related fraud scheme.**

Published: Jun. 26, 2024

Authorities say #, 35, had previously pleaded guilty to wire fraud and false statements in two cases -- one involving a false application in 2021 for COVID relief funds, and another for his possession of a firearm as a convicted felon.



According to court records, #, devised a scheme to obtain \$17,833 from the Paycheck Protection Program and Economic Injury Disaster Loans from the SBA. They say he then spent the money on consumer goods, life expenses, and other non-business items.

Then, in 2022, they say # - who had previously been convicted on drug charges -- shot a stolen handgun as he walked along North Avenue in Burlington. In addition to prison, # must pay over \$20,000 in restitution to the SBA. Copyright 2024 WCAX. All rights reserved.

- **# Sentenced to Prison for Pandemic Fraud**

Monday, March 13, 2023 - U.S. Attorney's Office, District of Vermont

Burlington, Vermont - The District of Vermont announced that #, 40, of South Burlington, was sentenced today in United States District Court in Burlington to 12 months and one day of imprisonment following his guilty plea to loan fraud and money laundering. U.S. District Judge William K. Sessions III also ordered that # serve two years of supervised release following completion of his prison term, pay restitution in the amount of \$191,000 and forfeit a Ford truck that he purchased with fraud proceeds. The court ordered that # surrender to the Federal Bureau of Prisons on May 16, 2023, to begin serving his sentence.

On July 8, 2021, a federal grand jury returned a three-count indictment that charged # with fraud and money laundering. The first fraud charge accused # of making false statements and providing forged documents to North Country Federal Credit Union in the summer of 2020 in connection with #'s application for a \$416,000 Paycheck Protection Plan (PPP) loan for his commercial cleaning business, #, Inc. The Coronavirus Aid, Relief, and Economic Security (CARES) Act contained many

provisions that were intended to address the medical, economic, and social impacts of the COVID-19 pandemic, including the PPP loan program established by Congress in the spring of 2020. The PPP loan program was an economic stimulus program intended to help small businesses keep employees on payroll during the pandemic.

It provided billions of dollars in low-interest, unsecured loans that were to be administered through and guaranteed by the U.S. Small Business Administration. Applicants had to certify that the loan proceeds would be used to maintain payroll and pay other business-related expenses. If applicants were able to demonstrate that proceeds were used to keep workers employed, some or all a loan could be forgiven. Applicants had to provide the lending financial institution with certain documentation demonstrating their entitlement to and qualifications for a PPP loan. According to the indictment, in late June 2020, # applied for and received a \$416,000 loan for # from North Country Federal Credit Union. As part of the application process, # gave NCFCU tax records, rent invoices and utility bills that purported to be for #. For example, # gave the credit union what purported to be a federal corporate tax return for 2019 that indicated # had gross revenues that year that exceeded \$7.3 million and had taxable income of about \$382,000. In fact, the actual returns # filed with the IRS that year reported gross revenues of \$79,000 and taxable income of only \$15,700. According to the indictment, other # financial information that # submitted to North Country in support of the loan application was similarly fraudulent. In early July 2020, NCFCU funded the PPP loan by depositing the \$416,000 into a # account. Instead of using those funds for # payroll, however, # used more than \$390,000 to buy a house in Milton. In connection with the PPP loan fraud, # pled guilty to credit union fraud and money laundering. The indictment accused # of committing an unrelated fraud against American Express in 2017. In April 2017, # applied for and obtained an American Express credit card for #.

Between May and August 2017, # used the AMEX card to make three fraudulent purchases, totaling \$125,000, from a business purportedly named #. In fact, the transactions were fraudulent transfers of AMEX funds to another company # owned named #. Immediately after the AMEX funds were deposited into the # account, # retransferred the money to a # account, then used those monies for his own benefit. Among other things, # purchased a truck with proceeds of the AMEX fraud. Although the charge of wire fraud was dismissed as part of #'s plea agreement, # agreed to forfeit the truck, to pay full restitution to American Express, and that the fraud against AMEX would be included in the loss calculation under the Federal Sentencing Guidelines. #'s case was the first pandemic-related fraud prosecution to be filed in Vermont federal court. This case was investigated by the Burlington office of the Federal Bureau of Investigation. # is represented by Mark Kaplan, Esq. The prosecutor is Assistant U.S. Attorney Gregory Waples.

- **DFM Staff Happenings**

There were no new announcements @ DFM.

Our Internal Control News is published quarterly in the **Spring, Summer, Fall,** and **Winter** by The Department of Finance and Management (DFM). Please contact fin.internalcontrol@vermont.gov with comments or future article suggestions.

