

## Fall 2020 - Internal Control News



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The purpose of this 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 employees, this newsletter seeks to raise awareness across state government on the importance of internal control. We hope that by providing you this array of information, we can keep you informed of internal control related activities, and help you implement and maintain effective controls in your areas of operations.

<https://finance.vermont.gov>

Volume 2 Issue 3

### Helpful Web Links - Internal Control Standards

[A Guide for Managers 2.0](#) is available with other important linked resources:

**IC Standards Guide:**

[https://finance.vermont.gov/sites/finance/files/documents/Pol\\_Proc/IC/FIN-Internal\\_Control\\_Standards\\_Managers\\_Guide\\_Master.pdf](https://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/IC/FIN-Internal_Control_Standards_Managers_Guide_Master.pdf)

**IC Website Resources:**

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

**IC Questions? Contact:**

[jeffrey.montgomery@vermont.gov](mailto:jeffrey.montgomery@vermont.gov)

### New Best Practice Series: BPS #14: Organizational Charting

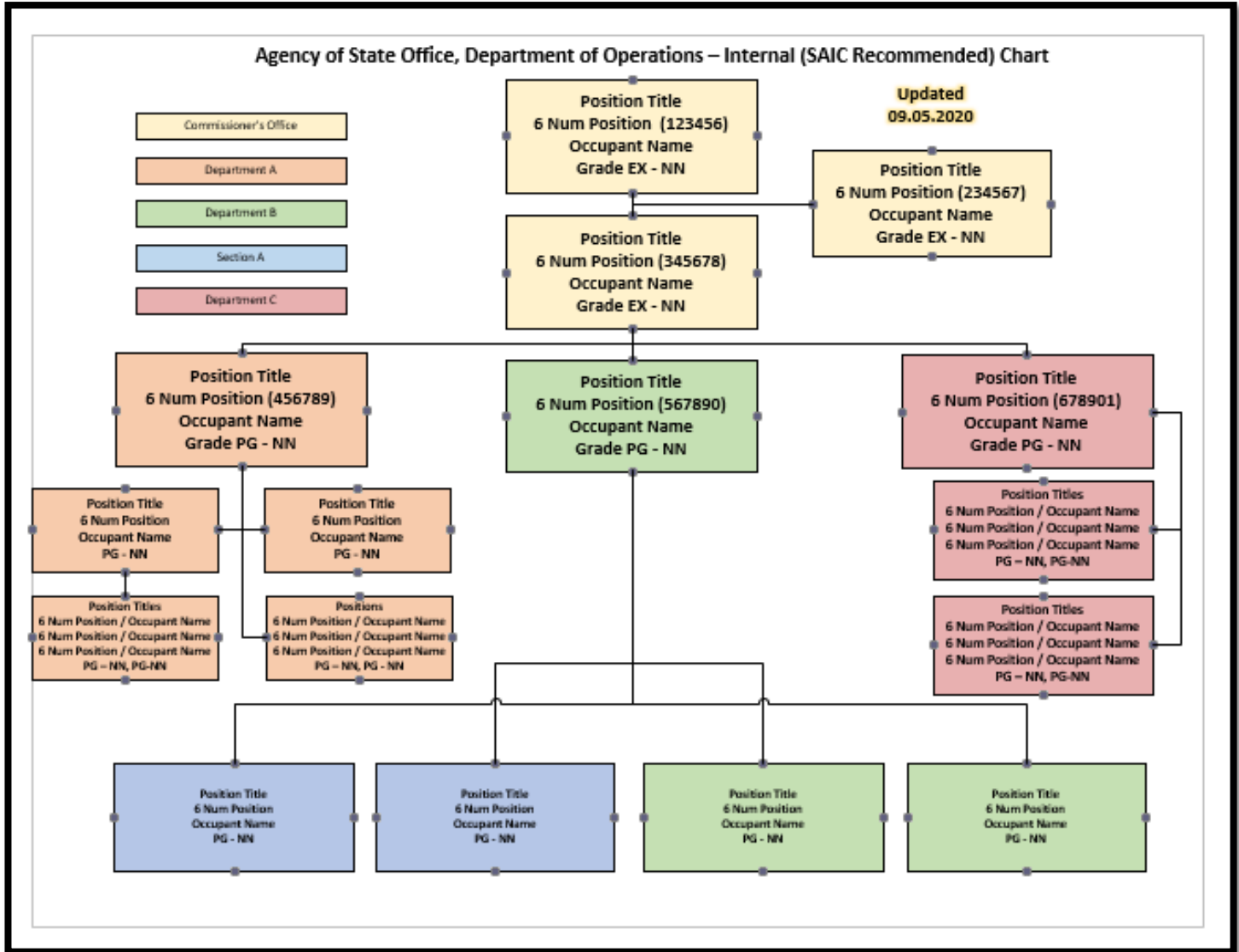
#### ▪ Recommended Internal (**SAIC Review**) & External (**Optional**) Charting

During our Internal Control Audit of the **2019 SAIC - Data Validation Review (DVR)** the subject of how best to properly organize a Hierarchy Chart for State agencies became a topic of conversation. Some of the issues that were discussed were the inconsistency of how individual agencies were presenting their organizational structures to various stakeholders. Another topic of concern raised by an agency was a need to keep staffing information **sensitive and or confidential** when it pertained to publishing to certain audiences. As a result of these issues being elevated to Internal Control, the unit discussed a need for the agencies to have some type of guidance as to how best to present their structures given the multitude of interested audiences. Here we introduce the **Best Practice Series # 14 - State Organizational Charting**. **Important: Beginning with the 2021 SAIC Review**, if an Agency is selected for a random DVR audit (5 agencies per year), and a request is made for their Organizational chart, it is recommended that the "Internal" version be submitted for review. All agencies are encouraged to modify their "External" version as they deem appropriate for their audience.



**Examples of Internal (SAIC) and External (Optional) Hierarchy Chart**

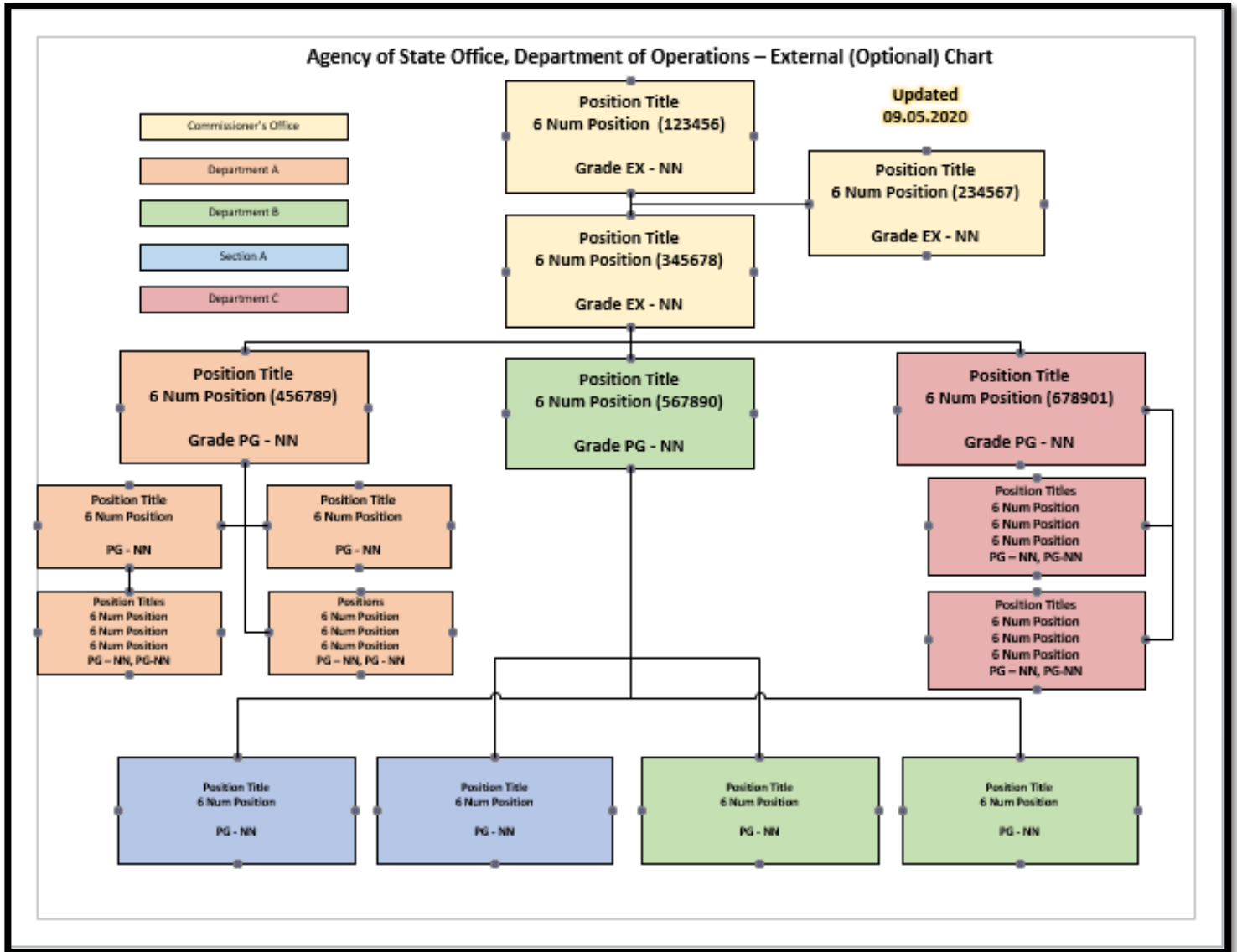
- **Internal (SAIC Recommended) Hierarchy Chart:**



Title of the Organization should be added along with the latest revision date. Legend of the segregation of department(s) if necessary. Any footnotes that would assist the reader with any special component of the Organization. These are the minimum recommended variables for the Internal Chart requirements.

<b>Internal Chart</b>	<i>Position Title</i>	<i>Position 6 Num ID</i>	<i>Occupant Name</i>	<i>Paygrade EX # / PG #</i>
<b>External Chart</b>	<i>Position Title</i> <i>Optional</i>	<i>Position 6 Num</i> <i>Optional</i>	<i>Occupant Name</i> <i>Optional</i>	<i>Paygrade EX PG</i> <i>Optional</i>

- **External (Optional) Hierarchy Chart:**



A special “**Thank You**” goes out to **The Department of Public Safety, specifically Richard Hallenbeck, Director of Finance & Administration, and Brenda Buker, Operations & Internal Controls Manager** for their assistance in helping produce this Best Practice Series with the Department of Finance and Management. Any questions please contact DFM, Internal Control.

## More COVID 19 Fraud, Waste and Abuse

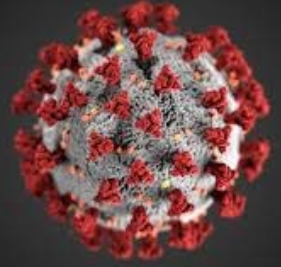
What Vermont Agencies can do to be **aware of and prevent** State Fraud.

- **New Jersey Attorney Charged with Fraudulently Obtaining \$9 Million in Loans Meant to Help Small Businesses During COVID-19 Pandemic, September 3<sup>rd</sup>, 2020 – Immediate Press Release**  
<https://www.justice.gov/coronavirus/news>

A New Jersey attorney was arrested today and charged with fraudulently obtaining approximately \$9 million in Paycheck Protection Program (PPP) loans, announced Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department’s Criminal Division and U.S. Attorney Craig Carpenito of the District of New Jersey.

Jae H. Choi, 48, a licensed attorney of Cliffside Park, New Jersey, was charged by criminal complaint, unsealed today upon his arrest, in the District of New Jersey with three counts of bank fraud and one count of money laundering. The complaint alleges that Choi submitted three fraudulent PPP loan applications to three different lenders on behalf of three different businesses that purportedly provided educational services. The complaint also alleges that Choi fabricated the existence of hundreds of employees, manipulated bank and tax records, and falsified a driver's license on the applications. Choi allegedly falsely represented to the lenders that the companies controlled by him had hundreds of employees and paid over \$3 million in monthly wages. Based on Choi's alleged misrepresentations, each lender funded each of the three businesses with an approximately \$3 million PPP loan. As a result, the complaint alleges that Choi received a total of nearly \$9 million in federal COVID-19 emergency relief funds meant for distressed small businesses. Choi allegedly used the fraudulently-obtained PPP loan proceeds to pay for numerous personal expenses, including to buy, among other things, a nearly one million-dollar residential home in Cresskill, New Jersey, to fund approximately \$30,000 in remodeling and other improvements, and to invest millions more in the stock market through an account held in the name of his spouse.

**REPORT  
COVID-19  
FRAUD**



The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding. The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of one percent. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within a set time period and use at least a certain percentage of the loan towards payroll expenses. A criminal complaint is merely an allegation and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law. This case was investigated by IRS – Criminal Investigation, the U.S. Postal Inspection Service, the Small Business Administration Office of the Inspector General, and the Social Security Administration – Office of the Inspector General. Trial Attorney Andrew Tyler and Assistant U.S. Attorney Andrew Macurdy of the District of New Jersey are prosecuting the case. Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice's National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

## DFM Staff Happenings: **Staff – Promotions**

- **Candace Elmquist**, Budget and Management Analyst to Senior Budget & Management Analyst.
- **Tim Metayer**, Budget and Management Analyst to Senior Budget & Management Analyst.
- **Mike Middleman**, Budget and Management Analyst to Senior Budget & Management Analyst.

***"I am pleased to announce the promotion of Candace, Tim, and Mike to their new Senior Analysts roles. Please congratulate the three of them for their outstanding performance."***

***- Adam Grishin***, Commissioner of the Department of Finance & Management.

***Internal Control News*** is published quarterly in the ***Spring, Summer, Fall,***  
***and Winter*** by The Department of Finance and Management, Internal Control Unit.  
Please contact [jeffrey.montgomery@vermont.gov](mailto:jeffrey.montgomery@vermont.gov) with comments or suggestions.

Our latest DFM – External Organizational Chart

<https://finance.vermont.gov/about-department>

Agency of Administration (AOA), Department of Finance & Management (DFM)

External DFM  
Organizational Chart  
Effective: 09.01.2020

