

Winter 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 4

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

IC Website Resources:

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

IC Questions? Contact:

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Important Upcoming Dates

- December 31st - Issue Comprehensive Annual Financial Report (2020 CAFR)
- January 6th - Legislature Convenes for 2021 Session
- January 21st - Joint Assembly to receive Governor's budget address
- SAIC Related – 2020 Reporting Status:
 - Statewide Results & 55 Agency Custom Reports – Early January
 - Data Validation Review (DVR) 5 Agency Notification – Late January



Delegation of Authority Form – Due Annually

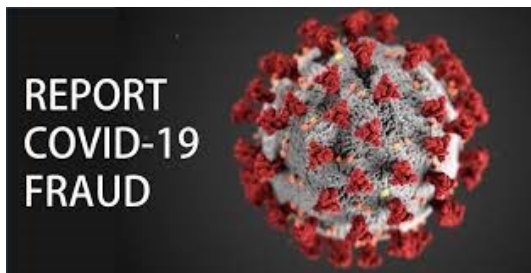
- Per the Secretary of Administration, regarding the “Delegation of Authority for Signing Documents” in **Bulletin 3.3: Delegation of Authority**. The purpose of this bulletin is to provide procedures concerning the delegation of authority for signature authorization. Each year, departments must submit an updated and signed copy of the Delegation of Authority form (located

under VISION Security) <https://finance.vermont.gov/forms/vision> to the Department of Finance and Management between January 1st and January 15th. This annual update is required from every department, even if there has been no change in the Appointing Authority or their designee(s). Throughout the year, departments need to revise and re-submit the form whenever staff changes occur with the Appointing Authority or their designee(s). Should you have any questions, please don't hesitate to contact the VISION Support team at: VISION.FinHelpdesk@vermont.gov. **Please Note:** The ***Delegation of Authority*** is part of the ***SAIC - Data Validation Review (DVR)*** and is randomly verified with the five selected Agencies per year.

COVID 19 - Fraud, Waste and Abuse...

A ***Proactive*** stance rather than a ***Reactive*** cleanup is the ***Best IC Practice!***

What can State Agencies do to prevent and be aware of ***Fraud, Waste, and Abuse*** of State & Federal Funds?



- **Unemployment Fraud from Prisons Has Cost State Millions**

California's employment agency faces hundreds of millions of dollars in unemployment benefit claims fraud as scammers and inmates have filed for and collected jobless pay.

CHASE DIFELICIANTONIO AND MICHAEL CABANATUAN, SAN FRANCISCO

CHRONICLE | NOVEMBER 25, 2020

<https://www.governing.com/work/Unemployment-Fraud-from-Prisons-Has-Cost-State-Millions.html>

(TNS) — Scammers have made off with hundreds of millions of dollars meant for unemployed Californians using the names of jail and prison inmates, according to district attorneys across the state. A letter from a task force of district attorneys asked Gov. Gavin Newsom for his personal involvement and significant resources to fight "what appears to be the most significant fraud on taxpayer funds in California history." The letter pointed to fraud in the federal Pandemic Unemployment Assistance program, created as part of a rescue package in the early days of the coronavirus pandemic. The program was designed for people out of work because of the pandemic who wouldn't normally qualify for unemployment payments, such as gig workers. The officials said the stolen money amounted to hundreds of millions of dollars and that the fraudulent claims were paid out falsely using the names of tens of thousands of local, state and federal inmates.

Documented cases of fraud in jails and prisons in the past have seen inmates file false claims using their own Social Security numbers, with un-incarcerated accomplices receiving the money. Some scammers may also have ripped off Social Security numbers sent through the mail, undisguised, by the state's Employment Development Department. Other schemes may have involved online identity theft, the letter said. The district attorneys cited media reports of criminals obtaining personal information from the internet and using it to file claims under the names of unwitting people. "The word I've used is behemoth. This is massive. There is money going out of this state; there is money going out of this country," said Sacramento County District Attorney Anne Marie Schubert, whose office is part of the investigation, during a news conference Tuesday. Schubert said the scams are ongoing and that attempts to work with top officials at the EDD have been unsuccessful. Schubert said 35 other states have systems that cross-check inmate data with unemployment claims, but California does not. "We need to do what other states are doing," she said. "Unemployment fraud across local jails and state and federal prisons is absolutely unacceptable," Newsom

said in an emailed statement. The governor created a strike team earlier this year to speed up unemployment claims processing and minimize abuse in the system after huge backlogs in the system caused public outcry. The huge increase in claims also created opportunities for fraudsters. "When we saw evidence of fraud in correctional facilities, I directed the Employment Development Department to review its practices and to take immediate actions to prevent fraud and to hold people accountable when fraud is not prevented," Newsom said. Because of that, the EDD, along with the California Department of Corrections and the U.S. Department of Labor, began matching Social Security numbers used in unemployment claims to those of people in state custody. The goal is to determine the size of the issue and take action to hold those responsible accountable, Newsom said. "To expedite and strengthen these efforts, I have directed the Office of Emergency Services to stand up a task force to coordinate state efforts and support investigations by local district attorneys," Newsom said.

EDD spokesperson Loree Levy confirmed in an email that the department had been working with the state and federal agencies to "identify suspect claims." "We're also pursuing how to integrate such cross-matches moving forward as part of enhanced prevention efforts during this unprecedented time of pandemic-related unemployment fraud across the country. In addition, EDD is working collaboratively with state cybersecurity experts," Levy added. Along with Schubert, the district attorneys for the counties of El Dorado, Lassen, Fresno, Monterey, Marin, Riverside, San Diego and Ventura signed the letter. The district attorneys said payments had been made in the names of death row inmates, including serial killers Cary Stayner and Wayne Ford. Jails and prisons have been a significant source of EDD fraud during the pandemic. In September, San Mateo County District Attorney Steve Wagstaffe charged 21 inmates with running an unemployment fraud ring involving 16 claims and a quarter of a million dollars in stolen payments. That case saw inmates taking out unemployment benefits with their own Social Security numbers.



The Chronicle previously reported that the San Mateo County Sheriff's Office was aware of criminals using the unregulated dark web — a set of websites accessible with special software that are less traceable and more anonymous than regular ones — to obtain Social Security numbers and file false claims. The EDD has also come under fire recently for sending sensitive personal information, including Social Security numbers, through the mail, potentially leading to cases of identity theft. Henry Bleeker, a detective with the San Mateo County Sheriff's Office, previously said he had been in contact with other law enforcement agencies that saw false claims using stolen Social Security numbers that may have been obtained from EDD mail. The state auditor sharply criticized the EDD in a report last week for sending out at least 38 million pieces of mail with undisguised Social Security numbers, despite being warned about the practice.

- **Massachusetts U.S. Attorney to hire prosecutor for unemployment insurance fraud cases.** "There's a tremendous amount of sort of bot-based fraud going on, said " Gov. Charlie Baker".

<https://www.boston.com/news/crime/2020/11/25/massachusetts-prosecutor-unemployment-insurance-fraud>

District of Massachusetts U.S. Attorney Andrew Lelling is bringing on board a prosecutor to focus on unemployment insurance fraud as fraudulent claims have become rampant during the coronavirus pandemic. Lelling announced Tuesday his office received the necessary funding for the new hire, who will be charged with prosecuting the fraud schemes and other offenses related to CARES Act benefits. The prosecutor will work a one-year term, with the potential for serving an additional year. "Unfortunately, there are those who take advantage of national crises to enrich themselves at the expense of American taxpayers," Lelling said in a statement. "From the onset of the pandemic, my office has aggressively investigated, and prosecuted scams and fraud related to this national crisis, including efforts to steal funds intended for the millions of Americans who suddenly find themselves out of work and without an

income. I look forward to doubling down on our prosecutions of unemployment insurance fraud with the welcomed addition of a prosecutor focused solely on these cases.” The CARES Act, the federal pandemic response package passed earlier this year, provided \$270 billion for supplemental unemployment insurance. President Donald Trump also allocated \$44 billion from federal disaster relief funds for expanding the available benefits. In the months since, there has been a “dramatic spike” in related fraud schemes across the country, according to Lelling’s office. The Department of Justice has launched a task force to investigate offenses. On Monday, Gov. Charlie Baker said 31,000 unemployment benefits claims were filed in Massachusetts last week, of which only 1,000 passed the state’s screening process. “There’s a tremendous amount of sort of bot-based fraud going on,” Baker said.

The influx has spurred numerous challenges for officials, including determining an accurate count of how many new claims are actually filed in a given week and creating delays for people legally entitled to benefits, the governor said. “Some of these fraudsters are actually paying people to call unemployment offices around the country and advocate for benefits, pretending to be somebody they’re not,” Baker said. “[They’re] not, in fact, actually unemployed.” Anyone with a credible unemployment insurance claim who is having difficulty with the claims system should contact the state’s Department of Unemployment Assistance as well as the governor’s Office of Constituent Services, according to Baker.

DFM Staff Happenings: New Hires

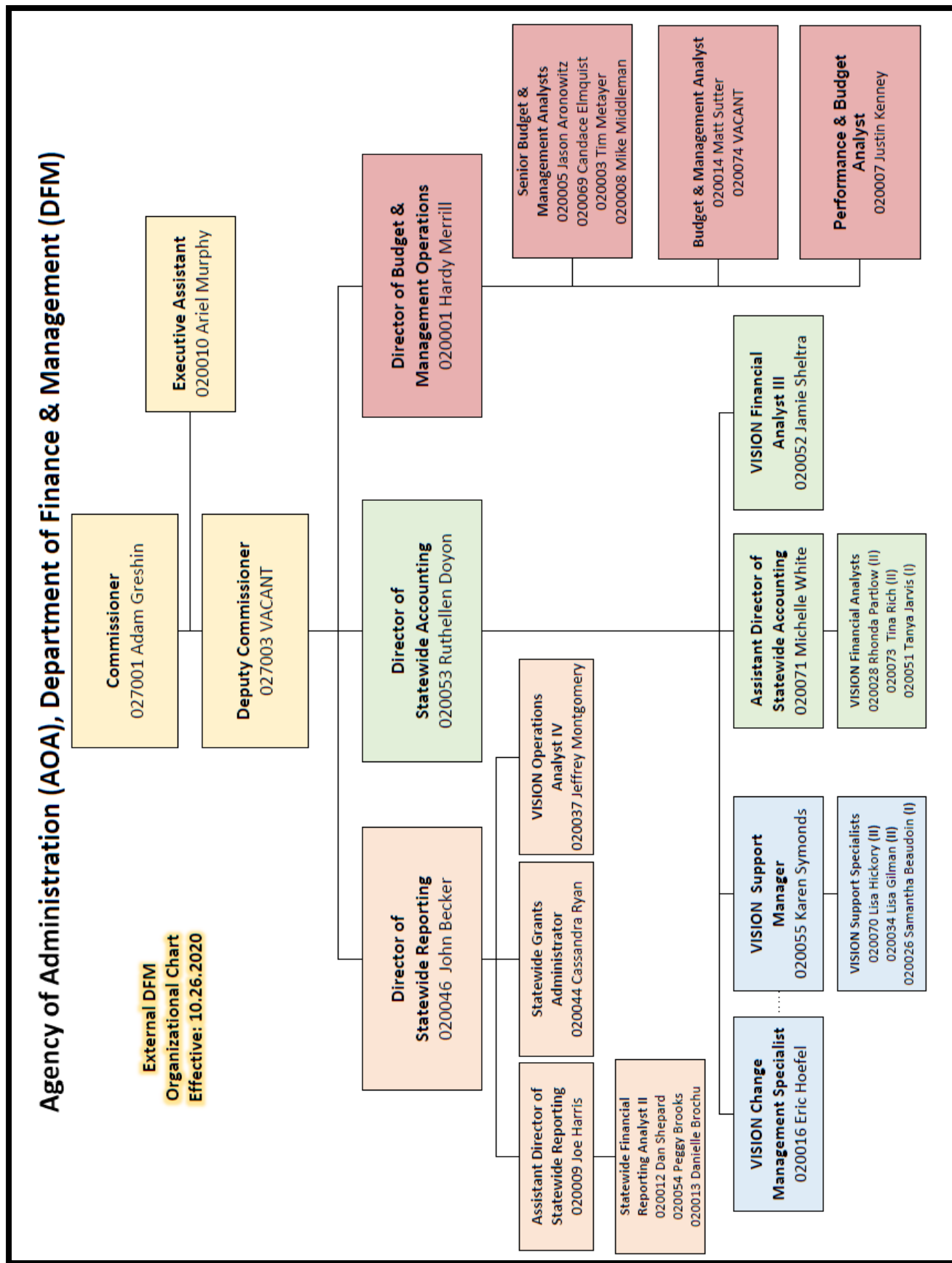
- **Ariel Murphy, Executive Assistant.** Ariel started with the Department of Finance and Management in August 2020. Before joining DFM, she was a paralegal at a nation-wide boutique litigation firm, where she worked on intellectual property and complex civil cases. Murphy graduated from Yale University in 2018 with a degree in mechanical engineering. At school, she was president of the political union, and she worked as a web developer, café manager, and physics tutor.
- **Hardy Merrill, Director of Budget and Management Operations.** Hardy started working in Budget and Management just after the Budget Instructions were emailed to departments in October. Since graduating from Middlebury College in 1994 Hardy has spent most of his career in the mountain resort industry. After starting out as a Financial Analyst at Sugarbush Resort, he held positions in operations management at Sugarbush and at Copper Mountain, Colorado, where he also served as Research Director for Intrawest’s Colorado resorts. Hardy has been back in Vermont since 2004 where he has held senior positions at Sugarbush and Mount Snow, including 8 years as Chief Administrative Officer at Sugarbush, overseeing finance, HR, IT, risk management, and regulatory affairs. Before joining the State, Hardy was most recently working as a project manager in commercial scale renewable energy development.



“I am extremely pleased to have both Ariel and Hardy join our Finance & Management Team. Please give them a warm welcome to the DFM and the State of Vermont.”
Adam Grishin, Commissioner, Department of Finance & Management

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

Our latest DFM – External Organizational Chart



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