

CALIFORNIA MILITARY DEPARTMENT

Investigations of Improper Activities by State Employees, January 2005 Through June 2005

INVESTIGATION I2004-0710 (REPORT I2005-2),
SEPTEMBER 2005

California Military Department's response as of November 2005

Investigative Highlight . . .

A supervisor with the California Military Department embezzled at least \$132,523 in state funds over an eight-year period.

We investigated and substantiated an allegation that a supervisor with the California Military Department (Military Department) embezzled public funds.

Finding: The supervisor fraudulently appropriated state funds under his control and failed to stop payments to a retired service member who had died and then stole the deceased individual's retirement checks.

Over an eight-year period, the supervisor embezzled at least \$132,523 as follows: \$111,507 from the Military Department's system for processing emergency state active duty payroll; \$12,393 from the department's revolving fund; and \$8,623 from the retired state active duty system used to process retirement payments (retirement payments). The supervisor fraudulently initiated at least 60 checks in the names of his family members totaling a gross amount of \$123,900. At least 43 of these payments, totaling \$87,483, were deposited into his bank accounts. In addition, the supervisor stole at least four retirement payments totaling \$8,623 that were payable to a former service member who had died.

Military Department's Action: Corrective action taken.

The Military Department asked the California Highway Patrol (Highway Patrol) to investigate the criminal aspects of this case. The Highway Patrol interviewed the supervisor who admitted to the embezzlement and thefts. After completing its investigation, the Highway Patrol referred the case to the Sacramento County District Attorney for prosecution. The Military Department also enacted internal control practices requiring additional levels of approval for the payroll and payment systems the supervisor manipulated in order to embezzle state funds.

