

Employment Development Department

Conspiracy to Commit Mail Fraud (Case I2008-1217)

REPORT NUMBER I2012-1, CHAPTER 2, ISSUED DECEMBER 2012

This report concludes that a former Employment Development Department (EDD) accounting technician and two accomplices committed and were convicted of conspiracy to commit mail fraud for executing a scheme to redirect unemployment insurance (unemployment) benefits from the State to ineligible recipients. Through falsifying a bankrupt company's wage information regarding laid-off employees, the accounting technician enabled her two coconspirators to file unemployment claims for benefits to which they were not entitled. During the duration of the scheme, from August 2008 through October 2010, the two accomplices used the U.S. mail to receive \$92,826 in unemployment claims on wages they did not earn. The accounting technician and one of her accomplices were sentenced to serve time in federal prison. The second accomplice was sentenced to three years of probation.

In the report, the California State Auditor (state auditor) made the following recommendation to EDD. The state auditor's determination regarding the current status of the recommendation is based on EDD's response to the state auditor as of October 2012.

Recommendation 1—See pages 13—15 of the investigative report for information on the related finding.

To minimize the potential for unauthorized changes to employers' wage information, EDD should strengthen its controls surrounding employees' access and authorization to change data for companies reporting employment information used in EDD's unemployment system.

EDD's Action: Fully implemented.

EDD reported that it created a new daily transaction report to alert managers when changes are made to employment records. Most importantly, this report identifies changes made to names, social security numbers, or wage records on the unemployment system by EDD employees when no business need for such changes appears to exist. Finally, this new report provides managers with a tool to monitor transactions performed by accounting technicians.

