

METROPOLITAN STATE UNIVERSITY

SPECIAL REVIEW: EMPLOYEE THEFT OF FUNDS

MARCH 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-08

STATE UNIVERSITY SYSTEM METROPOLITAN STATE UNIVERSITY

SPECIAL REVIEW: EMPLOYEE THEFT OF FUNDS

Public Release Date: March 11, 1994

No. 94-08

OBJECTIVE:

We conducted a special review of allegations that a former employee of Metropolitan State University fraudulently prepared an invoice, forged a supervisor's signature and submitted it for payment. We initiated our review into the allegation based on information received from the State University System's internal audit function. Our review addressed the following question:

- Did the employee fraudulently prepare an invoice for services not rendered and forge her supervisor's signature on the invoice in order to receive additional compensation?

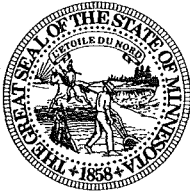
CONCLUSIONS:

We found that Colleen Erdes, a former employee of Metropolitan State University, submitted a false invoice to the university for payment. We found that Colleen Erdes did not perform 196 hours of service and that she acted alone in preparing and submitting the false invoice. As a result, Metropolitan State University paid \$5,096 for services it did not receive.

On January 6, 1994, we provided copies of our documentation and conclusions to the Hennepin County Attorney's Office for their review and possible prosecution.

Contact the Financial Audit Division for additional information.
296-1730

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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State University System

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Dr. Susan Cole, President
Metropolitan State University

Audit Scope

We conducted a special review of an allegation that Ms. Colleen Erdes, while an employee of Metropolitan State University (MSU), stole \$5,096 from the university. According to the allegation, Ms. Erdes prepared a false claim and forged her supervisor's signature in order to obtain the payment. This incident was discovered initially by two university employees in June, 1993, after Ms. Erdes had resigned from MSU. The State University System's internal auditor then conducted a preliminary investigation and referred the case to the Office of the Legislative Auditor. Our review addressed the following question:

- Did Ms. Erdes steal \$5,096 from MSU by fraudulently preparing an invoice for services not rendered, and forging her supervisor's signature on the invoice?

Audit Techniques

We reviewed the invoice prepared and submitted by Ms. Erdes and the canceled check for \$5,096 paid out of a Metropolitan State University's Activity Fund. We took testimony under oath from Ms. Erdes. We spoke with employees of Metropolitan State University who questioned the invoice and brought it to the attention of the State University System's internal auditor. We discussed with the internal auditor the extent of his review. We also spoke with Ms. Dorothy Marcic, whose name was the authorizing signature on the invoice in question.

Background

Two employees of Metropolitan State University discovered the questionable invoice in Ms. Erdes' desk after she had resigned on June 25, 1993. They noticed that the invoice was in

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Page 2

Ms. Erdes' handwriting and that the vendor was identified as Ms. Erdes' mother. The invoice, signed by Ms. Erdes' mother, stated that it was for services provided for the 1991 Midwest Business Teaching Conference. Ms. Marcic's name was signed as the authorizing signature on the invoice and dated June 3, 1991. Based on that invoice, MSU paid Ms. Erdes' mother \$5,096. Ms. Erdes' mother deposited the check to her account on August 21, 1991.

The two MSU employees were not aware of this payment prior to discovering the questionable invoice nearly two years later. They were surprised by the payment because normally it was their responsibility to review and approve these payments. They were also suspicious because they knew Ms. Erdes' mother and did not believe she was physically able to perform the tasks listed on the invoice.

Ms. Erdes appeared at our office on October 29, 1993, and admitted under oath, that she signed Ms. Marcic's name to the invoice. She claimed, however, that Ms. Marcic had granted permission to use her signature. The invoice indicated a total of 196 hours of service during the period from September 1990 through May 1991. Ms. Erdes testified that her mother endorsed the check and deposited it to her own account. Ms. Erdes also testified that she withdrew the money from her mother's account for her own personal use. She testified that her mother was not involved. She said she told her mother that this was for extra work that she was doing at MSU, and that she had to be paid separately for it because it was over and above her regular job.

We contacted Ms. Dorothy Marcic, who is now working in the Czech Republic, and asked her about this incident. Ms. Marcic sharply contradicted Ms. Erdes' explanation. Ms. Marcic told us that Ms. Erdes had not provided the services as specified on the invoice for the 1991 Midwest Business Teaching Conference. Furthermore, Ms. Marcic told us that she had not given Ms. Erdes permission to approve the payment on her behalf.

Finally, we reviewed MSU files concerning the 1991 Midwest Business Teaching Conference. We could find no evidence, documents, memos, references or internal files linking Ms. Erdes to performing any of the tasks identified in the invoice in question. The names that appeared within the files concerning the 1991 Midwest Business Teaching Conference did not include Ms. Erdes.

Conclusions


We found sufficient evidence indicating that Ms. Colleen Erdes, stole \$5,096 from Metropolitan State University in August 1991. The evidence shows that Ms. Erdes obtained the money by

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Page 3

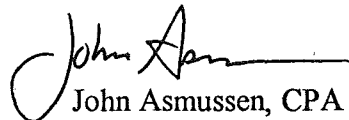
filing a false claim on which she had forged her supervisor's signature. Furthermore, we found no evidence to support Ms. Erdes contention that she was entitled to the money because of services provided from September 1990 through May 1991.

On January 6, 1994, we provided copies of our documentation and conclusions to the Hennepin County Attorney's Office for review and possible prosecution. Also, pursuant to Minn. Stat. Section 3.975, we have filed a copy of this report with the Attorney General and the Legislative Audit Commission. The Attorney General is responsible for pursuing repayment or negotiating a settlement.

This report is intended for the information of the Legislative Audit Commission, Metropolitan State University and the State University System. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 11, 1994.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

Report Signed On: March 8, 1994