

Department of Labor and Industry

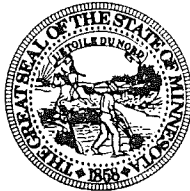
Special Review - Employee Theft

December 1996

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 296-1235.

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

96-46



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Gary Bastian, Commissioner
Department of Labor and Industry

Audit Scope

We conducted a special review of the theft of money from the Department of Labor and Industry (DOLI). On July 1, 1996, the Department of Labor and Industry reported a suspected theft of state funds to the Office of the Legislative Auditor's investigations unit. DOLI had obtained evidence suggesting that Ms. Cynthia Hamblin, a department employee, had diverted and personally endorsed a \$141 check made payable to the state of Minnesota. The check was intended for the Minnesota Pollution Control Agency (PCA). The payer had erroneously routed the PCA payment to DOLI. The alleged check diversion came to light when the payer received a late notice and notified PCA that the company already had paid the fee. PCA contacted the State Treasurer's Office who determined that the check had not been deposited into a state account. PCA notified DOLI, and DOLI notified us of the suspected theft.

Our review addressed the following questions:

- Did Ms. Cynthia Hamblin, a DOLI employee, divert to her personal use a \$141 check payable to the state of Minnesota?
- Did Ms. Cynthia Hamblin divert other checks that were the property of the state of Minnesota?

Audit Techniques

We reviewed Ms. Hamblin's personal bank account records covering the period from September 25, 1995, through July 2, 1996. We subpoenaed and reviewed a sample of checks which Ms. Hamblin deposited into her personal bank account. We obtained from her bank a photograph and a corresponding deposit transaction record which showed Ms. Hamblin depositing a check made payable to DOLI. In addition, DOLI forwarded evidence of stolen checks which the department received from customers responding to past due notices. We took testimony under oath from Ms. Hamblin.

Representative Ann H. Rest, Chair
Members of the Legislative Audit Commission
Mr. Gary Bastian, Commissioner
Page 2

Background

DOLI employed Ms. Hamblin from March 22, 1995, to August 6, 1996. DOLI originally appointed Ms. Hamblin to a temporary clerk typist position. When Ms. Hamblin's temporary appointment ended, DOLI reappointed her to the clerk typist position on an emergency basis. DOLI terminated Ms. Hamblin following the department's investigation into the theft of state funds. DOLI effected Ms. Hamblin's termination by refusing to certify her as a permanent employee. However, DOLI's termination letter to Ms. Hamblin stated that "employee misconduct-theft" was the reason that DOLI declined to certify Ms. Hamblin.

Conclusions

Ms. Hamblin stole money from the state of Minnesota. She endorsed, with her own name, checks payable to the state of Minnesota and either cashed the checks or deposited them into her personal checking account. Ms. Hamblin deposited the majority of the checks into her bank account via automated teller machines. To date, we have obtained 23 checks that were payable to the state of Minnesota that Ms. Hamblin endorsed and diverted for personal use.

We obtained a bank deposit transaction record together with an automated teller photo which shows Ms. Hamblin depositing a check made payable to the Department of Labor and Industry into her personal checking account. A DOLI employee also provided information to indicate that Ms. Hamblin diverted cash payments which a license applicant made to the department.

We conclude that Ms. Hamblin diverted money from DOLI on a continuing basis. Table 1 lists the dates and amounts which we have identified as of December 3, 1996. DOLI currently is sending past due invoice notices to Code Administration and Inspection Services Division customers who have outstanding accounts payable on DOLI's system. We expect the total of stolen checks to increase as customers notify DOLI that they previously paid invoices.

Table 1
State of Minnesota Checks Diverted by Ms. Hamblin


Customer Payment Date	Amount
August 30, 1995	\$ 141
November 13, 1995	108
November 29, 1995	220
December 13, 1995	80
December 21, 1995	120
December 21, 1995	170
January 2, 1996	100
January 12, 1996	60
January 25, 1996	70
February 1, 1996	180
February 15, 1996	60
February 22, 1996	120
February 28, 1996	100
February 29, 1996	25
March 7, 1996	80
March 14, 1995	25
March 15, 1996	60
March 25, 1996	100
April 3, 1996	370
May 6, 1996	20
May 10, 1996	80
May 10, 1996	150
May 10, 1996	100
May 13, 1996	170
May 17, 1996	50
June 21, 1996	390
Total Missing Payments	<u>\$3,149</u>

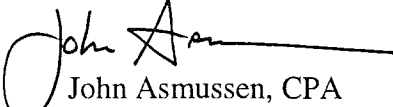
Note: All checks were made payable to the "State of Minnesota" or "Department of Labor and Industry," but endorsed with the signature, "Cynthia Hamblin."

We have reported this information to the Ramsey County Attorney for possible criminal prosecution.

Pursuant to Minn. Stat. Section 3.975, we are referring this report to the Attorney General for civil recovery of funds.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Labor and Industry. This restriction is not intended to limit the distribution of this report, which was released as a public document on December 6, 1996.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

Report Signed On: December 3, 1996