



Inspector General
Jeffrey E. Schanz

FRAUD ALERT
08-01-JS

TO: Executive Directors

FROM: Jeffrey Schanz
Inspector General 

DATE: July 30, 2008

SUBJ: Employee Theft of Fees Paid by Clients

The purpose of this Alert is to inform you about an instance of fraud that was identified in an investigation at an LSC-funded program. The scheme involved an employee who assisted legal aliens in filing for Employment Authorization Documents (EAD) with the United States Citizenship and Immigration Service (USCIS). An EAD allows noncitizens to legally seek employment in the United States. During the period covered by this scam, USCIS EAD processing fees ranged from \$120 to \$340. USCIS could grant a fee waiver for clients who had incomes below the poverty guidelines established by United States Department of Health and Human Services.

In this case, over a period of several years, the program employee requested clients to provide cash or money orders to pay the EAD fees. When the clients paid cash, the employee kept the cash; when clients gave money orders the employee asked the client to leave the payee section of the money order blank and then cashed the money order. The employee then completed the EAD process by either having the program pay the fee or requesting a fee waiver from USCIS.

As in many embezzlement cases, the fraud was uncovered when the employee was not at work and several clients made inquiries on the status of their EAD filing. When the clients told the program that they gave the employee cash for the EAD filing fee, the program checked case files but could not find any files for the clients because the employee had not opened new cases and instead used case numbers from pre-existing clients when requesting checks from the program for USCIS. When the program uncovered the fraud, it properly informed the Office of Inspector General (OIG) and took prompt corrective action to avoid further losses by removing the employee and placing signage in their lobbies to inform clients that they should be given receipts for any cash payments.

With properly functioning internal controls, a spot check of the case file against the check request would have revealed a case that was closed with no activity or a case that required no EAD filing. The program also could have inserted questions in post-service satisfaction surveys asking clients whether they had incurred any out-of-pocket expenses and the purpose of those expenses.

In addition to reducing the opportunity to commit fraud, programs should be aware what motivates otherwise trusted employees to engage in misconduct. Understanding the factors that can lead to fraud will assist employers in its prevention and detection. In this case, after the theft was uncovered, coworkers reported they thought the employee was living beyond their means, had high medical bills, and also a potential gambling problem. Employers need to be watchful about employee circumstances and also should take advantage of Employee Assistance Programs to reduce employee motivation to commit fraud.

Pursuant to LSC Grant Assurances, grantees must promptly contact the OIG about embezzlements and other thefts.¹ OIG has investigators and auditors on staff with considerable expertise in preventing, detecting, and investigating fraud.

Please remind your employees about the OIG Hotline at (800) 678-8868 or (202) 295-1670, email hotline@oig.lsc.gov or mail to P.O. Box 3699, Washington, DC 20027-0199. Complainants' names will remain confidential, if desired. You may also contact Chief Investigator Mike Shiohama at (202) 295-1655, or by email at ms@oig.lsc.gov. Please feel free to call me directly at (202) 295-1677 if you have any questions.

¹ Paragraph 15 provides that the grantee "will notify the LSC OIG by telephone within two (2) work days of the discovery of any information that gives it reason to believe it has been the victim of misappropriation, embezzlement or other theft or loss of \$200 or more of LSC funds, non-LSC funds used for the provision of legal assistance, client funds, or property. Such notice shall be followed by written notice by mail, e-mail or facsimile within ten (10) calendar days of the discovery of the theft or loss. The required notice shall be provided regardless of whether the funds or property are recovered. Once it has determined that a reportable event has occurred, it agrees it will contact the OIG before conducting its own investigation into the loss."