



FRAUD SCHEMES

Ethics Concepts

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OFFICE OF THE STATE INSPECTOR GENERAL

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FEBRUARY 29, 2024

Current Fraud Schemes in Georgia Government



1

General Fraud
Trends

2

Occupational &
Benefit Fraud

3

Forged Checks

4

General
Fraud
Prevention

ACFE Report to the Nations 2022

Surveys sent to member organizations.

Respondents asked seventy-seven questions about the single largest occupational fraud case they worked.

Survey statistics comprised of responses from 2,110 respondents.

Median Fraud
Duration and Loss

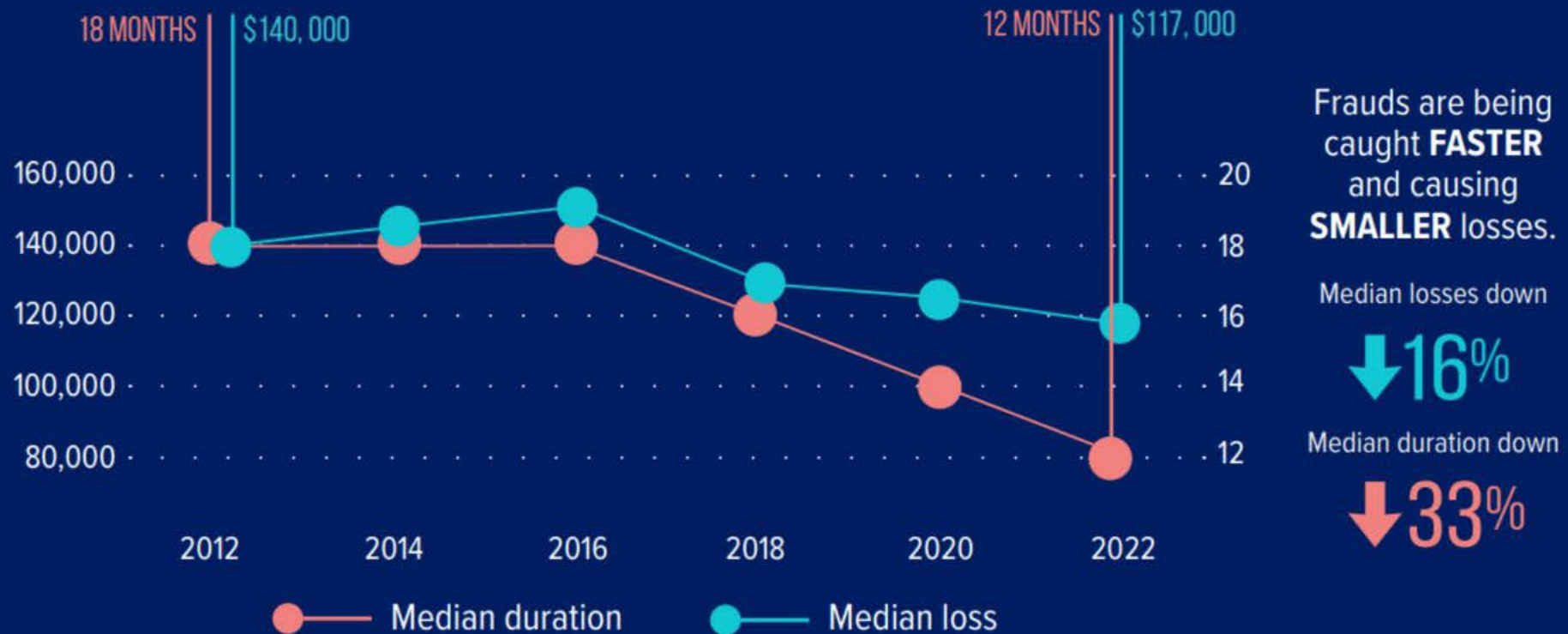
Corruption and
Collaboration

Criminal vs. Civil

Cryptocurrency
&
Reporting

Median Fraud Duration and Loss

A DECADE OF OCCUPATIONAL FRAUD: TRENDS FROM 2012-2022



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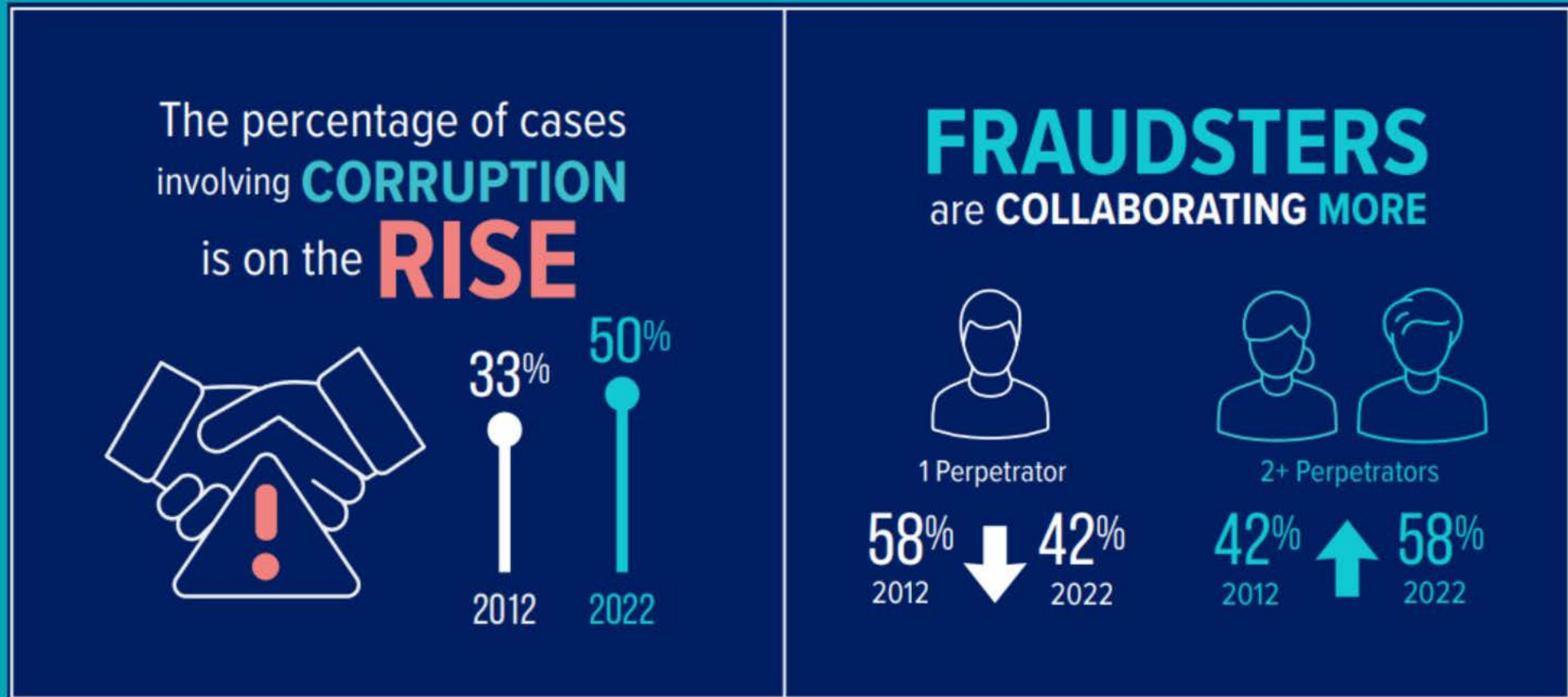
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Corruption and Collaboration



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Criminal vs. Civil

Fewer organizations are pursuing **CRIMINAL PROSECUTION**, but more are taking **CIVIL ACTION** against the perpetrator.



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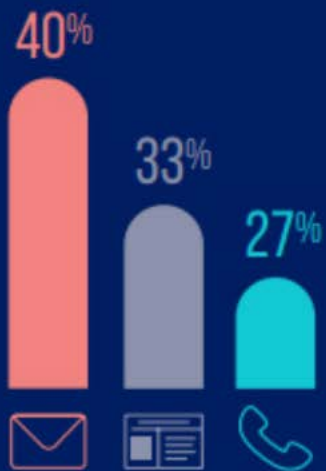
Cryptocurrency
&
Reporting

Cryptocurrency & Reporting

8% of fraud cases involved **THE USE OF CRYPTOCURRENCY**



Among these cases, cryptocurrency was most commonly used for:



- Email
- Web-based/online form
- Telephone hotline



Email and web-based reporting **BOTH** surpassed telephone hotlines

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Benefit Fraud Cases

Case Studies:

- Karen Gregory
- Robin Folsom

Karen Gregory
(Lyke)

Robin Folsom

Unemployment Insurance and Benefit Fraud

Increase in cases involving internal actors.

Currently investigating 280+ instances of UI benefits paid to state employees who were still employed with the state when benefits were received.

- \$6.7 million
- Innocent until proven guilty
- Some cases where employees exonerated/unsubstantiated

Active investigations involving collaboration between external actors and internal actors.

- Cases involve government benefits administered by the state.
- Contract fraud.
- Continuing to work with partner agencies to expand scope and remove the bad apples.

STATE
Georgia audit finds \$6.7 million in pandemic unemployment payments went to full-time state employees

Findings were released by the General's Office to

NEWS | NEWS

Former state workers charged with unemployment insurance fraud

August 5, 2023 8:00 AM

8 former state workers indicted for filing false unemployment claims in Georgia

By FOX's Atlanta Digital Team | Published 8/5/23

4 people charged with RICO, accused of conspiring in DeKalb County

CRIME
DeKalb DA: Georgia men indicted after stealing money from state in fraudulent contract scheme

District Attorney Sherry Boston said they were indicted last Tuesday.

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Karen Gregory
(Lyke)

Robin Folsom

Karen Gregory

Case referred by state agency in December 2019

Two computers were ordered for benefit recipients, neither of the recipients received the computers despite signed acknowledgment forms.

Both recipients shared the same contact at the agency, Karen Gregory.

Computer
Theft

Fictitious
Recipients

Unfortunate End

Computer Theft

A review of the forms suggested signatures were forged and a third benefit recipient who did not receive a computer was identified by OIG.

The total loss for the three computers totaled over \$19,000.

Some computers sold on eBay.

Based on the evidence and forged documentation, OIG believed it was possible other documentation had been fraudulently created.

OIG then conducted a review of 425 other benefit recipients managed by Gregory.

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➤ Any specific attachments to this document apply.

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Fictitious Recipients

425 recipients from 2015-2019 reviewed.

14 fictitious recipients identified who received college tuition assistance based on falsified disabilities.

- Supposedly attended Georgia, Georgia Institute of Technology, Georgia State University.
- OIG confirmed all college-related documents were fraudulent and none of the 14 recipients ever attended the schools.
- Recipients were all friends and relatives of Gregory and all but one actively participated in the scheme.

Over 200 checks sent to P.O. Boxes controlled by Gregory for tuition-related expenses exceeding \$1.3 million from 2016-2020.

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Academic Transcript *Schedule*

This is not an official transcript. Courses which are in progress may also be included on this transcript.

[REDACTED]

Spring 2018 SCHEDULE
[Click here for a printable version](#)

Meeting Time	CRN	Section	Course	Ses	Course Title	HR	Grd	Instructor	Location
N/A	7955	G	IT3661	Full Session	Internet Working	3		Orwig, R	Online
N/A	7994	OLB	BUSA3130	Full Session	Business Information Center	3		Emery, C	Online
N/A	8130	OL1	BUSA3800	Full Session	Srvy of Legal Env of Business	3		Childs, M	Online
N/A	7779	OL2	IT3440	Full Session	Principles of Internet	3		Murlock, M	Online

ACADEMIC INFORMATION

First Term Enrolled: Summer 2016
Last Term Enrolled: Spring 2018
Last Term Accepted: Summer 2016

Hours: 56.00

GPA's UGA Overall Last Term
Graduate 4.00 4.00 Fall 2017 4.00

Cumulative 4.00

Current Major(s): Master's in Technology
Current Minor(s): [REDACTED]

Academic Standing: Good Standing

Current Status: Enrolled

Campus: Athens Campus

Department: Internet Technology
Advisor Location: Nesbitt 5118

ACADEMIC HISTORY

Course	Term	Course Title	Credit Hours	Grade
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Concise Student Schedule

Name: [REDACTED]
Classification: Graduate
Level: Graduate semester
College: College of Arts and Sciences
Major and Department: Masters of Industrial Psychology
Major Concentration: Psychology

CRN	Course Title	Campus	Credits	Level	Start Date	End Date	Days	Time	Location	Instructor
91156	CRC 1110 INDUSTRIAL TECHNOLOGY	Atlanta	3.000	US	May 16 2017	Jul 28 2017	WW	10:00 am - 10:50 am	College of Arts & Sciences 210	Gilbert
60056	3220 000 PSYCHOLOGY IN BUSINESS	Atlanta	3.000	US	May 16 2017	Jul 28 2017	1R	2:30 pm - 5:20 pm	College of Arts & Sciences 311	Tyson
1008	1211 000 PSYCHOLOGY METHOD RESEARCH	Atlanta	3.000	US	May 19 2017	Jul 28 2017	MTWTF	8:50 am - 9:15 am	College of Arts & Sciences 204	Walthers
Total Credits:			9.00							

RELEASE: 8.4

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<https://www.gonzia.gsu.edu/prod/bes/course.L00P>

Course Title Credit Hours Grade 1/1

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Concise Student Schedule

Georgia Institute of Technology

Concise Student Schedule

This page lists the classes for which you are registered for the term. All of the detail information about the class is included.

Name: [REDACTED] Address: North Ave NW
Classification: Graduate Atlanta
Level: Graduate Semester Atlanta, Georgia 30332
United States of America

College: College of Business
Major and Department: Masters in Business Administration
Major Concentration: Strategic Business

CRN	Course	Title	Campus	Credits	Level	Start Date	End Date	Days	Time	Location	Instructor
83656	CSC 1010 000	COMPUTERS & APPLICATIONS	Atlanta	3.000	US	Aug 22, 2016	Dec 13, 2016	NRW	1:30 pm - 2:45 pm	Langdale Hall 200	Herry
80356	IS 3030 002	INFORMATION TECH	Atlanta	3.000	US	Aug 22, 2016	Dec 13, 2016	TR	2:30 pm - 5:20 pm	Arts & Humanities 365	Trugman
88881	IS 3900 002	LEGAL ASPECTS OF BUSINESS	Atlanta	6.000	US	Aug 22, 2016	Dec 13, 2016	TR	11:00 am - 1:50 pm	Arts & Humanities 338	Crooks
82374	IS 3910 003	HISTORY OF TECHNOLOGY	Atlanta	3.000	US	Aug 22, 2016	Dec 13, 2016	TR	9:00 am - 10:15 am	Arts & Humanities 395	White
82577	IS 3910 003	FINANCIAL MANAGEMENT	Atlanta	3.000	US	Aug 22, 2016	Dec 13, 2016	TR	5:30 pm - 7:30 pm	Admin Office 335	Herry
				Total Credits:	18.000						

RELEASE: 8.4
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Gregory and her husband pled guilty to Conspiracy to Commit Federal Program Theft.

Gregory was sentenced to 5 years in prison, 3 years supervised release, restitution of \$1.3 million.

Her husband was sentenced to over 4 years in prison.

Before surrendering to start her sentence, Gregory passed away.

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Robin Folsom

External Affairs Director of state agency

Took leave and FMLA based on the birth of multiple children

Alleged to have falsified statements and documentation

The Investigation

The Result

The Investigation

OIG investigation revealed no evidence of the birth of Folsom's children

- No change in insurance deductions for pay
- Medical records and vital records showed no evidence of childbirth
- Employees observed Folsom's pregnant midsection "come away" from her body
- Surveillance footage suggested Folsom wore a prosthetic pregnancy belly
- Virtual interview background appeared to be staged when speaking with OIG investigators
- Created email account to converse with superiors as non-existent husband

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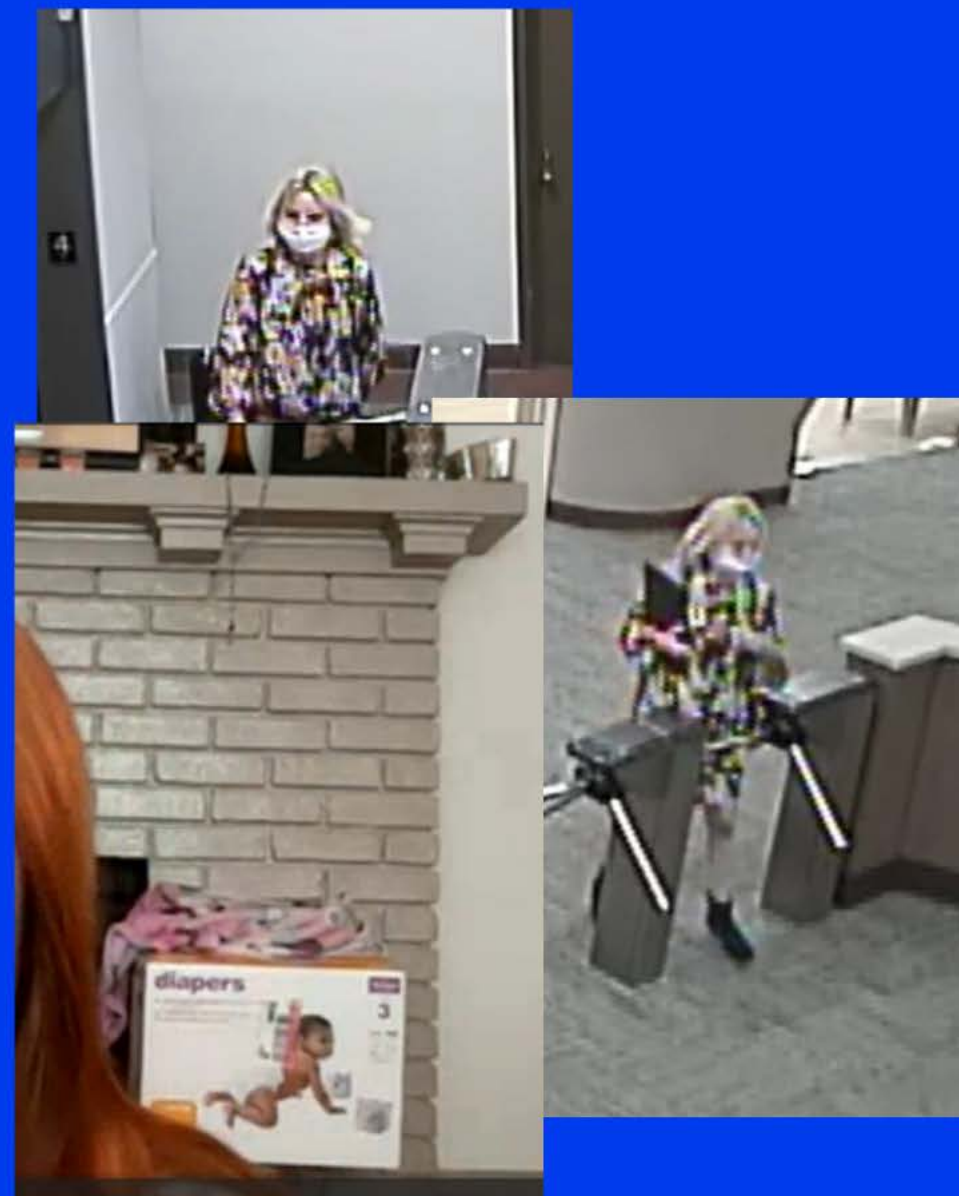
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Robin Folsom

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The Investigation

The Result

The Result

Folsom's actions resulted in leave at a cost to the state of \$12,307.00.

On February 10, 2022, Folsom was indicted by a grand jury for one count of identity fraud and three counts of false statements.

Subsequently, on April 4, 2022, Folsom pled guilty to one count of identity fraud and three counts of false statements.

Folsom was sentenced to five years probation and full restitution among other conditions.

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Forged Checks

Recent increase in reports of forged checks.

Unsophisticated scheme that is preventable using Positive Pay.

Losses generally relegated to the financial institution who "floats" a portion of the total. Also referred to as Check Kiting.

Modus Operandi

Prevention
&
Response

Modus Operandi

Obtain source or donor check

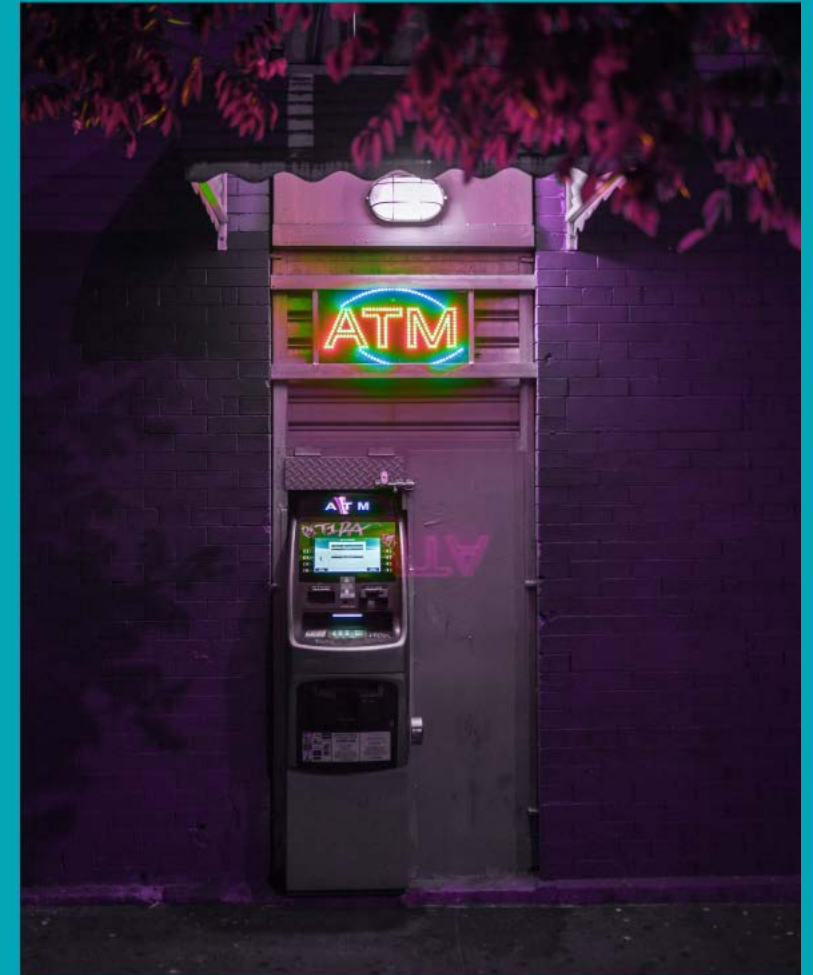
Generate forged check with routing and account number

Deposit in-person or via mobile deposit (popular, no surveillance footage)

Conduct immediate withdrawals to access "floated" balance

Losses generally limited, little profit for suspects.

Hard to identify suspects due to use of masks, "runners", and identity fraud.



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Modus Operandi

Prevention
&
Response

Prevention and Response

Utilize Positive Pay and monitor regularly.

Avoid use of paper checks when possible.

If a loss is incurred, contact your bank immediately and attempt stop payment.

Contact OIG so we may utilize our resources to attempt a hold on funds at receiving financial institution.

Gather copies of negotiated checks and provide to OIG.

We will work to gather relevant information (surveillance, mobile device identifiers) from the receiving financial institution in an attempt to identify suspects.



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Fraud Prevention Ideas

- Regular anti-fraud training and awareness
- Reporting mechanism in place?
- Ensure proper "tone at the top"
- Fraud risk assessments and internal audit?
- Employee assistance programs?
- Rigorous background procedure for new hires
- Strong internal controls
- Anonymous employee surveys?

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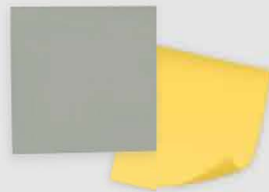
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General
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ETHICS INVESTIGATIONS IN GOV'T

Inspector General - Nigel Lange
Deputy I.G. - Richard Schneider

INTRO



GEORGIA OIG

ETHICS



THE STANDARDS

WHY TALK ABOUT ETHICS?



GEORGIA - OIG

Office of the State Inspector General

Originally established via Executive Order in 2003 (Gov. Purdue)

Total staff: 11

OIG MISSION

SB59

AUTHORITY

OIG MISSION

Our mission is to *promote transparency and accountability in state government. OIG diligently investigates fraud, waste, abuse, and corruption in the executive branch. We work to promote effective controls, improve agency policies and procedures, and identify opportunities for efficiency. We also provide statewide oversight of sexual harassment investigations.*

AUTHORITY

Investigate fraud, waste, abuse, and corruption in the executive branch.

- Includes administrative investigations of ethics complaints, audits, and evaluations.
- When appropriate, reports of investigation are forwarded for prosecutor review to determine if the underlying facts give rise to criminal prosecution.

Conduct impartial sexual harassment investigations and audit compliance with the Statewide Sexual Harassment Prevention Policy.

Conduct fraud awareness and ethics training.

SENATE BILL 59

Passed and signed March 29, 2023.

1

Establishes GA OIG in statute (O.C.G.A. §§ 45-12-210 - 45-12-216).

2

Expands authority.

3

Allows for employment of peace officers.

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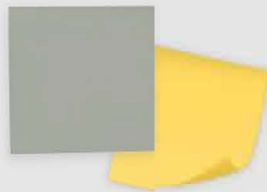
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WHY TALK ABOUT ETHICS?



ETHICS

Greek "Ethos" - customs, conduct, character.

Values and morals an individual or society find desirable or appropriate.



WASTE

FRAUD

ABUSE

FRAUD

An intentionally deceptive act designed to provide the perpetrator with an unlawful gain, or to deny a right to a victim.

Ex. Falsified documents submitted in support of grant application.

WASTE

A reckless or grossly negligent act that causes funds to be spent in a manner that was not authorized or represents significant inefficiency and needless expense.

Ex. A program fails to implement common internal controls and allows payments to be sent to unqualified recipient(s) or incorrect vendor(s).

ABUSE

The intentional, wrongful, or improper use or destruction of resources.

Ex. Use of institution vehicles for extensive personal travel.

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WASTE

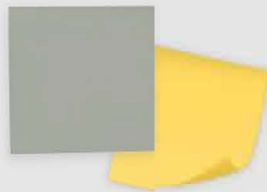
FRAUD

ABUSE

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ETHICS



THE STANDARDS

WHY TALK ABOUT ETHICS?



WHAT IS ETHICAL?

By what standard do we judge facts and circumstances?

GOVERNOR'S EXECUTIVE ORDER

THE STANDARD

O.C.G.A § 45-10-1

O.C.G.A § 45-10-3

Governor's Executive Order on Ethics

FACTORS FOR UNETHICAL BEHAVIOR

HIGHLIGHTS

- Creates Ethics Officer
- Recusal and Disclosure of Conflicts
- Gifts
- Judicial Appointments
- Political Activities
- Personal Use of Telephone/Internet
- Outside Employment



RECUSAL AND DISCLOSURE



GIFTS



OUTSIDE EMPLOYMENT

RECUSAL & DISCLOSURE

Employees **shall** recuse themselves from any situation in which the employee has a **conflict of interest** or where an employee's impartiality might reasonably be questioned due to the employee's **personal for financial relationship** with a participant in the proceeding.

Discuss with ethics officer.

GIFTS

Gifts related to tradition, ceremony, or inter-governmental relations are permitted when accepted on behalf of the agency.

Any gift or expenditure that could not be received directly may not be received indirectly.

Offering, paying, solicitation, or acceptance of bribes shall be strictly prohibited as it is by state criminal law.

Actual and reasonable expenses for travel, transportation, or lodging in excess of \$75 must be reported within 30 days to ethics officer.

OUTSIDE EMPLOYMENT

Employees may serve on boards or commissions of gov't entities with agency approval.

In general, should not serve as officer or director of a non-governmental business entity or non-profit corporation. Unless:

- Subject to agency approval, business or non-profit does not seek funding from the state;

- Subject to approval from Gov. Executive Council, business or non-profit seeks funding from state, but:

 - is directly related to employee's employment, or

 - employee has been requested to do so by Gov., agency, or is required by rule or law.

HIGHLIGHTS

- Creates Ethics Officer
- Recusal and Disclosure of Conflicts
- Gifts
- Judicial Appointments
- Political Activities
- Personal Use of Telephone/Internet
- Outside Employment



RECUSAL AND DISCLOSURE



GIFTS



OUTSIDE EMPLOYMENT

WHAT IS ETHICAL?

By what standard do we judge facts and circumstances?

THE STANDARD

O.C.G.A § 45-10-1

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Governor's Executive Order on Ethics

GOVERNOR'S EXECUTIVE ORDER

FACTORS FOR UNETHICAL BEHAVIOR

KEY FACTORS LEADING TO UNETHICAL BEHAVIOR

- Culture of misplaced trust
- Internal control weaknesses
- Improper segregation of duties
- Lack of oversight
- Supervisors delegate their approval authority
- Reconciliation and approval responsibilities are not adequate

WHAT IS ETHICAL?

By what standard do we judge facts and circumstances?

GOVERNOR'S EXECUTIVE ORDER

THE STANDARD

O.C.G.A § 45-10-1

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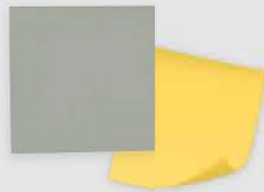
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THE STANDARDS

WHY TALK ABOUT ETHICS?



ETHICS

Your bread and butter

10-80-10 rule

Doing what's right

EMPLOYEE ETHICS
EXECUTIVE ORDER

EMPLOYEE ETHICS
O.C.G.A. 45-10-1

EMPLOYEE ETHICS - EXECUTIVE ORDER

Employees shall use their positions to further the public interest and *not for any financial or personal benefit*.

Employees shall *avoid conflicts of interest* and shall make every effort to avoid the appearance of a conflict of interest.

No employee shall take any action in his or her official capacity which he or she knows or should know *could result in a financial benefit to themselves* or a relative at any present or future time.

EMPLOYEE ETHICS - O.C.G.A. 45-10-1

Any person in government service should:

- I. Put loyalty to the highest moral principles and to country above loyalty to persons, party, or government department.
- II. Uphold the Constitution, laws, and legal regulations of the United States and the State of Georgia and of all governments therein and never be a party to their evasion.
- III. **Give a full day's labor for a full day's pay** and give to the performance of his duties his earnest effort and best thought.
- IV. Seek to find and employ more efficient and economical ways of getting tasks accomplished.
- V. Never discriminate unfairly by the dispensing of **special favors** or privileges to anyone, whether for remuneration or not, and **never accept, for himself or his family, favors** or benefits under circumstances which might be construed by reasonable persons as influencing the performance of his governmental duties.
- VI. Make no private promises of any kind binding upon the duties of office, since a government employee has no private word which can be binding on public duty.
- VII. Engage in no business with the government, either directly or indirectly, which is inconsistent with the conscientious performance of his governmental duties.
- VIII. Never use any information coming to him confidentially in the performance of governmental duties as a means for **making private profit**.
- IX. Expose corruption wherever discovered.
- X. Uphold these principles, ever conscious that public office is a public trust.

ETHICS

Your bread and butter

10-80-10 rule

Doing what's right

EMPLOYEE ETHICS
EXECUTIVE ORDER

EMPLOYEE ETHICS
O.C.G.A. 45-10-1

ETHICS INVESTIGATIONS IN GOV'T

Interim I.G. - Nigel Lange
Deputy I.G. - Richard Schneider

INTRO



GEORGIA OIG

ETHICS



THE STANDARDS

WHY TALK ABOUT ETHICS?





THE END
