

**Department of Health**

**Theft and Improper Redemption of Women,  
Infants, and Children (WIC) Vouchers From  
the Southland Mall Clinic in Memphis, Tennessee**

**June 1998**

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Editor

June 23, 1998

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
The Honorable Nancy Menke, Commissioner  
Department of Health  
Nashville, Tennessee 37247

Ladies and Gentlemen:

Transmitted herewith is a special report on our review of allegations regarding the theft of Women, Infants, and Children (WIC) vouchers (also called supplemental food vouchers) by Ms. Bobbie Auston, former Administrative Technician at the Southland Mall Clinic in Memphis, Tennessee, and the improper redemption of these vouchers by Ms. Auston and her friend, Mr. Jeffrey Caraway. The improperly redeemed supplemental food vouchers misappropriated from the clinic totaled \$11,508.10.

Mr. Jeffrey Caraway admitted signing and redeeming approximately ten vouchers at the request of Ms. Auston, although he was not eligible for WIC benefits. Mr. Caraway also stated that after he and Ms. Auston redeemed numerous vouchers using fictitious names for merchandise at WIC-participating food markets, they resold the merchandise at a discount to food markets that were not participating in the WIC program. He further stated that he and Ms. Auston shared the proceeds, with Ms. Auston receiving the majority of the money. We contacted Ms. Auston on several occasions, but she declined to be interviewed.

Effective May 28, 1997, Ms. Auston's employment with the department was terminated for reasons related to the missing vouchers. According to Memphis/Shelby County Health Officials, Ms. Auston was dismissed for falsification of information, acts of misconduct while on duty, unsatisfactory work, and intentional failure to carry out instructions. Ms. Auston did not appeal this decision.

Our review did not disclose any evidence that other clinic staff obtained vouchers for personal use. However, we did determine that some clerical staff, those responsible for issuing vouchers, failed to comply with procedures in accounting for computer-generated vouchers. A proper reconciliation would have indicated missing computer-generated vouchers as early as December 1996. In addition, we determined that the reconciliation process adopted by regional officials to compare manual vouchers, those not recorded on the computer files as issued, to redeemed manual vouchers was inadequate.

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Page Two

On September 30, 1997, we submitted our preliminary findings to the Office of the State Attorney General and the Office of the District Attorney General, Thirtieth Judicial District, Memphis, Tennessee.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/rm

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Special Report

**Department of Health**

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## **REVIEW OBJECTIVES**

The objectives of the review were to determine the nature and extent of any impropriety relating to the disappearance and subsequent redemption of WIC vouchers at the Southland Mall Clinic in Memphis, Tennessee; to examine the clinic's internal controls over the custody and issuance of vouchers; to report our findings to the Tennessee Department of Health and the Memphis/Shelby County Health Department and recommend appropriate actions to correct any deficiencies; and to report our findings to the Office of the State Attorney General, the United States Department of Agriculture, Atlanta, Georgia, and the appropriate Office of the District Attorney General.

## **RESULTS OF THE REVIEW**

We determined that 103 supplemental food vouchers totaling \$11,508.10 were apparently misappropriated by Ms. Auston and inappropriately redeemed by her, a friend, and possibly other individuals during the period October 1996 through May 1997. During an August 5, 1997, interview, Ms. Auston's friend, Mr. Jeffrey Caraway, admitted signing and redeeming approximately ten of the 103 vouchers at the request of Ms. Auston, although he was not eligible for WIC benefits. According to Mr. Caraway, he obtained these vouchers from Ms. Auston. Although Mr. Caraway could not state with certainty that he signed an additional 21 vouchers, the handwriting and fictitious names used were similar to those Mr. Caraway admitted using. Mr. Caraway also stated that after he and Ms. Auston redeemed numerous vouchers using fictitious names for merchandise at WIC-participating food markets, they resold the merchandise at a discount to food markets that were not participating in the WIC program. He further stated that he and Ms. Auston shared the proceeds, with Ms. Auston receiving the majority of the money. We contacted Ms. Auston on several occasions, but she declined to be interviewed.

Of the 103 vouchers misappropriated and improperly redeemed, 43 were manual vouchers issued exclusively by Ms. Auston according to a review of the handwriting and initials of Ms. Auston on all 43 vouchers. The remaining 60 vouchers were computer generated. WIC policies and procedures require clerks issuing supplemental food vouchers to record the issuance or non-issuance (void) of vouchers on control logs. Any missing vouchers are to be investigated and reported to management. From our review of the computer-generated voucher (control) logs, it appears Ms. Auston recorded some of these improperly redeemed computer-generated vouchers as void. Additionally, she instructed another clerk to indicate other missing computer-generated vouchers as void in the logs. Therefore, it appears Ms. Auston manipulated the controls over missing vouchers to avoid detection.

Our review did not disclose any evidence that other clinic staff obtained vouchers for personal use. However, we did determine that some clerical staff, those responsible for issuing vouchers, failed to comply with procedures in accounting for computer-generated vouchers. In addition, we determined that the reconciliation process adopted by regional officials to compare manual vouchers not recorded as issued to redeemed manual vouchers was inadequate.

County health department officials interviewed Ms. Auston on May 5, 1997. Ms. Auston admitted not following proper procedures requiring her to immediately report missing vouchers to management but denied any direct involvement in the disappearance or redemption of the vouchers. Effective May 28, 1997, Ms. Auston's employment with the department was terminated for falsification of information, acts of misconduct while on duty, unsatisfactory work, and intentional failure to carry out instructions. Ms. Auston did not appeal this decision.

On July 14, 1997, the Memphis/Shelby County Health Department implemented a decentralized voucher printing system. The implementation of the new voucher printing system and other control procedures should provide better controls over the issuance of WIC vouchers if properly adhered to and monitored.

On September 30, 1997, we submitted our preliminary findings to the Office of the State Attorney General and the Office of the District Attorney General, Thirtieth Judicial District, Memphis, Tennessee.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Department of Health  
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**INTRODUCTION**

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**ORIGIN OF REVIEW**

On June 30, 1997, the Division of State Audit received information from the Department of Health, Internal Audit, that Ms. Bobbie Auston, former Administrative Technician for the Shelby County Women, Infants, and Children (WIC) Program at the Southland Mall Clinic in Memphis, Tennessee, was suspected of taking supplemental food vouchers for personal use. They requested that our office review the matter further. Ms. Auston's responsibilities as an administrative technician included overseeing the clerical functions of the clinic and issuing vouchers to program participants.

This matter was identified on April 25, 1997, when vouchers were noted missing by a clerk, Ms. Christine Edwards. Ms. Edwards was trained by Ms. Auston and had previously noted computer-generated vouchers missing from the clinic's inventory of pre-printed vouchers assigned for distribution to specific participants. She did not report these computer-generated vouchers missing because Ms. Auston had instructed her to issue manual vouchers to participants if computer-generated vouchers were missing. Additionally, Ms. Auston had instructed her to write "void" in the computer-generated voucher log if vouchers could not be located. After following this procedure on several occasions when computer-generated vouchers could not be located, Ms. Edwards was informed by another clerk, Ms. Acqua Banks, that computer-generated vouchers should not be missing and that it was against WIC policy to indicate missing vouchers had been voided. On April 25, 1997, Ms. Banks reported the matter to the clinic director, Ms. Rita Johnson, who informed regional officials on April 28, 1997.

On May 2, 1997, Ms. Cynthia Tharp, Regional Supervisor, Clerical Program Administration, conducted an inventory of computer-generated vouchers maintained at the Southland Mall Clinic. At that time, she determined that 72 vouchers were in fact missing and that the corresponding voucher logs were incomplete or improperly documented "void." The subsequent review by Department of Health internal audit staff and Memphis/Shelby County Health Department officials determined that vouchers totaling approximately \$11,000 had been inappropriately redeemed for merchandise since the clinic opened in October 1995 and that several vouchers valid for the months of May and June 1997 were missing. The department stopped payment of these May and June vouchers. The department also determined that ten cases of infant formula valued at \$420 were missing from the Southland Mall Clinic's emergency inventory.

County Health officials interviewed Ms. Auston on May 5, 1997. Ms. Auston admitted not following proper procedures requiring her to immediately report missing vouchers to management but denied any direct involvement in the disappearance or redemption of the vouchers. Effective May 28, 1997, Ms. Auston's employment with the department was terminated for falsification of information, acts of misconduct while on duty, unsatisfactory work, and intentional failure to carry out instructions. Ms. Auston did not appeal this decision.

The department did not immediately report this malfeasance to our office as required by statute. Department officials in the Nutritional Program were notified on May 2, 1997, and the internal auditors were notified on May 6, 1997, but this matter was not reported to the Comptroller of the Treasury until June 30, 1997. Section 8-19-501, *Tennessee Code Annotated*, states:

It shall be the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in the office of any state employee, to report the same immediately to the comptroller of the treasury.

Internal Audit staff acknowledged they had neglected to notify our office immediately and stated that after being notified of this matter by department officials, they conducted a preliminary review of the missing vouchers to determine the extent of the alleged theft before reporting to our office.

## **OBJECTIVES OF THE REVIEW**

The objectives of the review were

- to determine the nature and extent of any impropriety relating to the disappearance and subsequent redemption of WIC vouchers at the Southland Mall Clinic in Memphis, Tennessee;
- to examine the department's internal controls over the custody and issuance of vouchers;
- to report our findings to the state Department of Health and the Memphis/Shelby County Health Department and recommend appropriate actions to correct any deficiencies; and
- to report our findings to the Office of the State Attorney General; the United States Department of Agriculture in Atlanta, Georgia; and the appropriate Office of the District Attorney General.

## **SCOPE OF THE REVIEW**

Our review included interviews with relevant staff of the Southland Mall Clinic, the Tennessee Department of Health, and the Memphis/Shelby County Health Department. We

interviewed Mr. Jeffrey Caraway, a friend of Ms. Auston, on August 5, 1997. We also interviewed 22 cashiers from seven different food markets where some of the vouchers were redeemed.

We made several attempts to contact Ms. Auston, including leaving messages at her home on August 5 and 13, 1997. We spoke with her by phone on August 6 and 7, 1997. On August 7, 1997, after agreeing to meet with us, she canceled the meeting citing a scheduling conflict. We also sent a certified letter dated August 18, 1997, to Ms. Auston at her home address requesting that she contact our office. As of the date of this report, Ms. Auston has not responded to our requests to discuss this matter.

We reviewed preliminary work completed by Department of Health internal audit staff and Memphis/Shelby County Health Department officials and incorporated their findings into our review. We reviewed vouchers questioned by the department, corresponding computer-generated voucher logs and manual voucher receipt books, and files of participants who were allegedly issued the vouchers. We also obtained handwriting samples from the Southland Mall Clinic clerical staff and compared them to signatures on the questioned vouchers. Furthermore, we reviewed Manual Voucher Unmatched Redemption Reports (reports which list manual vouchers that were not entered into the clinic's network computer as being issued but appeared on bank records as being redeemed) completed by staff of the Southland Mall Clinic during the period January through July 1997.

## **BACKGROUND**

Congress funded the Special Supplemental Food Program for Women, Infants, and Children (WIC) in 1974. The WIC program was established by a grant from the United States Department of Agriculture to the state and in Tennessee is administered by county health departments. Various WIC clinics throughout the state provide eligible participants basic health care, nutrition education, and supplemental food vouchers which can be redeemed for certain food products at area WIC-participating markets. These food products primarily consist of infant formula but also include other nutritious foods to supplement the diets of low-income pregnant and breast-feeding women, as well as infants and children.

To become eligible for WIC benefits, an individual must be a woman who is pregnant, a woman who is less than six months postpartum and not breast-feeding, a woman who is breast-feeding an infant less than one year of age, an infant under one year of age, or a child between one and five years of age. Participants must also be examined and certified to be at nutritional risk by a competent professional authority (physician, registered nurse, nutritionist) and meet certain income eligibility guidelines established by the United States Department of Agriculture.

After individuals are certified as eligible WIC participants, they are scheduled for clinic appointments to receive health care exams, nutrition education, and supplemental food vouchers if needed. These vouchers are either manual vouchers or computer-generated vouchers and are

signed by the participants or guardians upon receipt at the clinic and again upon redemption at the food market.

### *Manual Vouchers*

First State Marketing Corporation, located in Lake Lillian, Minnesota, is the bank under contract with the Tennessee Department of Finance and Administration to produce and distribute manual vouchers to the various WIC clinics in Tennessee. These vouchers are pre-numbered and come in triplicate form bound in books. Clinic clerks have access to these manual voucher books and are authorized to issue the vouchers in two situations: when program participants have immediate nutritional needs that cannot wait until the first of the month (when computer-generated vouchers are issued), and when a WIC program participant has his or her vouchers damaged, destroyed, or stolen.

The manual voucher contains a pre-printed maximum amount of redemption. However, the period for which the voucher is valid, the four-digit participant file number of the participant or guardian authorized to redeem the voucher, the date issued, and the issuing clerk's initials are handwritten by the clinic clerk issuing the voucher. After issuing manual vouchers, clinic clerks are required to enter the issuance of the vouchers into the clinic's network computer system.

### *Computer-Generated Vouchers*

Computer-generated vouchers are prepared after the initial certification and entry of the participant's file information into the clinic's network computer system. The Bureau of Information Services in the Tennessee Department of Health prints, issues, and mails to the clinic these pre-numbered computer-generated vouchers and computer-generated voucher logs which list each voucher. Each pre-printed computer-generated voucher contains the participant's name, the four-digit participant file number, and the maximum amount for which the voucher can be redeemed. Computer-generated vouchers are usually issued in three-month installments unless special circumstances arise. All vouchers assigned to an individual participant for the three-month period are grouped together and consecutively numbered before they are sent to the clinic. These vouchers are stored in lock-boxes at the clinic until claimed by participants. The clerks have access to the lock-boxes during operating hours.

According to WIC policies and procedures, when a participant arrives at the clinic to receive health care benefits, nutrition education, and obtain vouchers, clerks are required to (1) obtain the participant's file and examine the most recent data screen to confirm that vouchers were ordered, (2) check the computer-generated voucher log to ensure that computer-generated vouchers are on file, (3) obtain the participant's computer-generated vouchers from lock-box, (4) initial and date the log, (5) have the participant or guardian sign the log, (6) have the individual who will be redeeming the vouchers sign each voucher (the same individual must sign the voucher again upon redemption at the food market), and (7) record the month the vouchers are issued on the clinic's network computer system.

At the beginning of each month, the clinic staff perform a reconciliation of computer-generated claimed and unclaimed vouchers to the voucher log. Each voucher printed for participants is to be matched to the participant's signature on the log or be accounted for as unclaimed. Clinic staff are required to immediately report missing vouchers to the Bureau of Information Resources and regional officials. A detailed flowchart of WIC procedures is shown as Exhibit 1.

#### *“Void” and “Unclaimed” Vouchers*

WIC policies and procedures provide two methods for clerks to invalidate computer-generated vouchers. Unclaimed vouchers must be stamped “unclaimed” at the end of each month and documented as being voided in the log. This documentation includes writing “void” or “unclaimed,” the date the vouchers were voided, and the initials of the person voiding the vouchers in the log.

The “void” stamp is used for all voiding circumstances other than when vouchers are unclaimed (revised nutritional plan, clerical errors, returned, damaged), and is documented in the log in the same manner as unclaimed vouchers. These voided vouchers are batched together monthly and sent to the Bureau of Information Resources to be entered into the data system.

Manual vouchers are voided by writing “void” in the vendor stamp area of the voucher along with the initials of the person who voided the vouchers. These manual voided vouchers are batched together weekly and sent to the Bureau of Information Resources to be entered into the data system.

#### *New Voucher Issuance System*

On July 14, 1997, the Department of Health implemented on-site issuance of computer-generated vouchers at the Southland Mall Clinic. Thus, the use of manual vouchers and computer-generated vouchers printed by the Bureau of Information Resources was discontinued.

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## **DETAILS OF THE REVIEW**

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### Summary of the Preliminary Review Conducted by Department Officials

Memphis/Shelby County Health Department officials reported this matter to the Department of Health on May 2, 1997. Department of Health internal audit staff compared vouchers recorded as “void” or “missing” on the computer-generated voucher logs to vouchers on the redeemed voucher listing. Computer-generated vouchers that were recorded “void” or “missing” in the log but actually redeemed were obtained, analyzed, and compared to participant

files. Vouchers containing inappropriate authorized signatures and/or suspicious signatures were questioned. Department internal audit staff identified 67 computer-generated vouchers that were apparently redeemed inappropriately.

Manual vouchers issued by Ms. Auston were also obtained, analyzed, and compared to participant files to determine the propriety of the voucher issuances. Manual vouchers issued by Ms. Auston but not recorded in the participant file and/or containing suspicious signatures were also questioned. Department internal audit staff identified 37 manual vouchers that were apparently redeemed inappropriately. Thus, their preliminary review determined that 104 vouchers totaling \$11,151.88 had been inappropriately redeemed since the clinic opened in October 1995.

On May 5, 1995, regional officials from the Memphis/Shelby County Health Department met with Ms. Auston to discuss the matter. During this meeting, Ms. Auston acknowledged that she had not followed proper procedures for reporting missing vouchers, but she denied any direct involvement in the disappearance of the vouchers.

Effective May 28, 1997, Ms. Auston's employment with the department was terminated for reasons related to the missing vouchers. According to Memphis/Shelby County Health officials, Ms. Auston was dismissed for falsification of information, acts of misconduct while on duty, unsatisfactory work, and intentional failure to carry out instructions. Ms. Auston did not appeal this decision.

### Summary of Our Review of Vouchers

After reviewing all available information, we determined that 103 supplemental food vouchers totaling \$11,508.10 were apparently misappropriated by Ms. Auston and inappropriately redeemed by her or a friend during the eight-month period October 1996 through May 1997. No vouchers were inappropriately obtained and redeemed during the period October 1995 (when the clinic opened) through September 1996. These 103 vouchers consisted of 43 manual vouchers apparently falsified by Ms. Auston and 60 computer-generated vouchers apparently misappropriated through Ms. Auston's manipulation of department procedures to account for missing or stolen vouchers.

During an August 5, 1997, interview, Ms. Auston's friend, Mr. Jeffrey Caraway, admitted signing and redeeming approximately ten vouchers for which he was not eligible at the request of Ms. Auston. According to Mr. Caraway, he obtained these vouchers from Ms. Auston. Mr. Caraway further stated that after he and Ms. Auston redeemed numerous vouchers using various fictitious names for merchandise at various WIC-participating food markets, they resold the merchandise at a discount to various food markets that were not participating in the WIC program. According to Mr. Caraway, the majority of the proceeds from the improper redemption of these vouchers was retained by Ms. Auston. We contacted Ms. Auston on several occasions, but she declined to be interviewed.

## Review of Manual Vouchers

It appears that Ms. Auston falsified 43 manual vouchers totaling \$4,743.63 from manual voucher books in her custody to inappropriately obtain them and have them redeemed during the period October 21, 1996, through April 22, 1997. The vouchers bore Ms. Auston's initials, indicating they had been issued by her, and written participant file numbers, falsely indicating they were issued to legitimate WIC participants. However, the names signed on the vouchers as endorsements at the time of issuance and at the time of negotiation did not match the names for whom these vouchers supposedly were issued or the names of any participants or guardians legitimately in the WIC program. The names on the manual vouchers appeared to be fabricated and did not correlate with any information in participant files.

To verify that the names on these 43 vouchers were in fact unauthorized, we reviewed the files of the 43 participant numbers and found no evidence to support the issuance of the vouchers. We determined that the 43 participants were only eligible for medical benefits, had already received supplemental food vouchers, or were eligible for vouchers but had not visited the clinic to receive benefits. We also found no evidence that any of the participants had visited the clinic on the day the vouchers were issued. In addition, we verified that none of the 43 vouchers were ever entered into the clinic's network computer system. With the lack of documentation in the files to support these vouchers and the apparent failure of Ms. Auston to record these transactions in the computer, it appears that Ms. Auston deliberately attempted to conceal the fact that the vouchers were falsely issued.

Furthermore, the handwriting for the participant's name on 24 of these 43 vouchers was identified by Ms. Auston's supervisor as Ms. Auston's. Thus, it appears that Ms. Auston also redeemed the vouchers. Of the remaining 19 manual vouchers whose handwriting the supervisor could not identify, 16 appear to contain men's names and signatures, and three appear to contain women's names and signatures.

Although it could not be determined who signed the three women's signatures, all of the 16 men's signatures appeared similar. It appeared likely that Ms. Auston had assistance in redeeming these vouchers. Therefore, all clerical staff were interviewed regarding any visitors Ms. Auston had while employed at the clinic. Several staff members recalled that a male friend visited her on occasion. We determined that her friend was Mr. Jeffrey Caraway and that he was at the time of our review incarcerated in the Shelby County Correctional Facility. During an August 5, 1997, interview, Mr. Caraway admitted Ms. Auston had obtained a manual voucher for which he signed as "Joe Tate" and redeemed at a local market. Mr. Caraway also admitted similar activities involving computer-generated vouchers. However, because the signatures on the vouchers appeared to contain noticeable differences, it is possible that one or more other individuals were involved in redeeming the vouchers taken from the clinic. One of the manual vouchers in question is shown as Exhibit 2.

## Review of Computer-Generated Vouchers

The remaining 60 vouchers totaling \$6,764.47 were computer-generated vouchers inappropriately redeemed during the period October 17, 1996, through May 4, 1997. They were prepared by the Tennessee Department of Health in Nashville and sent to the clinic to be distributed to specific participants. We determined that someone other than the authorized participant had redeemed them. In many cases, the actual authorized participants were issued manual vouchers at the clinic because their computer-generated vouchers were missing. Ms. Auston's initials in the computer-generated voucher logs indicate she recorded that some of the improperly redeemed computer-generated vouchers had been voided. Additionally, she instructed another clerk to record other missing computer-generated vouchers "void" in the logs. Therefore, it appears Ms. Auston manipulated the controls over missing vouchers to avoid detection.

Furthermore, the handwriting for the names on 19 of these 60 vouchers were identified by Ms. Auston's supervisor as Ms. Auston's. Of the remaining 41 vouchers, 33 appear to contain men's names and signatures, and eight appear to contain women's names and signatures. As noted below, Mr. Jeffrey Caraway admitted redeeming both manual and computer-generated vouchers at the request of Ms. Auston. One of the computer-generated vouchers in question is shown as Exhibit 3.

The actions of Ms. Auston and Mr. Caraway appear to violate *Tennessee Code Annotated*, Section 39-14-103, "Theft of Property," and *Tennessee Code Annotated*, Section 39-14-114, "Forgery."

Of these 60 redeemed vouchers, 27 were improperly recorded "void" in the computer-generated voucher log, and 33 were identified and documented as "missing" by Southland Mall Clinic clerks during a routine reconciliation of unclaimed vouchers to the log on May 1, 1997. Of the 27 vouchers improperly recorded "void" in the log, five were recorded "void" by Ms. Auston, eight were recorded "void" by Ms. Edwards, one was recorded "void" by another Southland Mall Clinic Clerk, Ms. Rose Sumrell, who acknowledged making the error, and four were recorded "void" by clerical staff who failed to initial the log and whose writing could not be identified. These vouchers were apparently missing at the time the clerk processed the participant and should have been recorded as missing. The nine remaining missing vouchers were incorrectly recorded as "void" on the log by various clerks performing a routine monthly reconciliation of unclaimed vouchers to the log rather than being identified as missing. The clerks reconciled groups of vouchers for a participant to the log rather than reconciling individual vouchers. The clerks apparently failed to note individual missing vouchers from these groups.

## Other Missing Vouchers

The department also stopped payment on an additional 94 missing computer-generated vouchers that were issued for the months of May and June 1997 and which had not been redeemed. The amounts pre-printed on these vouchers were not to exceed a total of \$7,382.

However, it appears that no attempts were made to redeem these vouchers, and the vouchers are no longer valid.

Of these 94 vouchers reported missing by regional officials, 39 were identified and documented missing by Southland Mall Clinic clerical staff during the routine reconciliation of unclaimed vouchers to the computer-generated voucher log on May 1, 1997. The remaining 55 vouchers were improperly recorded "void" in the log. It appears that seven were recorded "void" by Ms. Auston; 35 were recorded "void" by Ms. Edwards, apparently at Ms. Auston's direction; three were recorded "void" by Ms. Banks, apparently in error; and ten were recorded "void" by clerical staff who failed to initial the log and whose writing could not be identified.

#### Interview With Mr. Jeffrey Caraway on August 5, 1997

During an August 5, 1997, interview, Mr. Jeffrey Caraway, a friend of Ms. Auston, admitted signing and redeeming approximately ten vouchers for which he was not eligible at the request of Ms. Auston. Mr. Caraway stated that Ms. Auston approached him sometime in late 1996 and asked him to redeem some WIC vouchers for her and that he agreed. He stated that he knew the vouchers did not belong to Ms. Auston and presumed that she had obtained them from the Southland Mall Clinic. Mr. Caraway specifically stated that he had signed and redeemed four vouchers (computer-generated vouchers #26810822, #26808050, #26808912, and manual voucher #96167251). Mr. Caraway was shown the other vouchers in question but could not state with certainty that he had signed any of the additional 21 vouchers which appeared to be signed in his handwriting.

According to Mr. Caraway, he and Ms. Auston redeemed numerous other vouchers for merchandise at WIC-participating food markets in Memphis using fictitious names, and then they resold the merchandise at a discount to various food markets that were not participating in the WIC program. Mr. Caraway stated that after redeeming a voucher for approximately \$100 in food products, they would sell the merchandise to other local food markets for \$50.

According to Mr. Caraway, he only received a few packs of cigarettes and a small amount of money for helping Ms. Auston redeem the vouchers. He stated that the total compensation he received was less than \$100. Mr. Caraway signed an affidavit, dated August 5, 1997, regarding his actions.

A list of those food markets where the merchandise was apparently resold was sent to regional officials by the Division of State Audit on August 13, 1997. According to regional officials, none of the four food markets have applied to participate in the program.

#### Interviews With Food Market Cashiers

We interviewed 22 cashiers from seven different area food markets in which 36 of the 103 vouchers were redeemed in an effort to obtain further evidence that Ms. Auston and Mr. Caraway

were responsible for redeeming the misappropriated vouchers. Each clerk was shown pictures of six women (one of whom was Ms. Auston) and pictures of six men (one of whom was Mr. Caraway) and asked if they could identify any of the individuals as having redeemed WIC vouchers in the store. None of the clerks could identify any of the individuals pictured as having redeemed WIC vouchers.

### Missing Infant Formula

Interviews with Southland Mall Clinic clerical staff and regional officials revealed that ten cases of infant formula totaling \$420 were missing from the clinic's emergency inventory. According to a statement made by Ms. Rosemary Tucker, a clerk at the Bisson Clinic in Shelby County, Ms. Auston picked up two cases of Enfamil and Prosobee formula on several occasions to be delivered to the Southland Mall Clinic. Ms. Tucker also stated that Mr. Jeffrey Caraway, without Ms. Auston, picked up two cases on one occasion. According to regional officials and clinic staff, a total of ten cases was not delivered to the clinic. The inventory control logs at the clinic for which Ms. Auston was responsible, did not indicate that the ten cases had ever been received.

### Non-Compliance With WIC Policies and Procedures

Our review did not disclose any evidence that other clinic staff obtained vouchers for personal use. However, the failure of some clerical staff to properly comply with procedures to account for computer-generated vouchers allowed the disappearance and subsequent inappropriate redemption of vouchers to go undetected. In addition, we determined that the reconciliation process adopted by regional officials to compare manual vouchers not recorded as issued to redeemed manual vouchers was inadequate because it did not require clerical staff to confirm the validity of issuances with supporting documentation in the participant files. Instead, the process required only verification that a carbon copy of the manual voucher existed.

### *Review of Redeemed Manual Vouchers to Manual Vouchers Issued*

Our review of the 43 manual vouchers issued by Ms. Auston and redeemed inappropriately during the period October 1996 through April 1997 revealed that 25 vouchers were redeemed during the period October 1996 through February 1997 and 18 vouchers were redeemed during the month of April 1997. None of these vouchers were redeemed in March 1997. None of these 43 manual vouchers were entered into the computer system at the time of issuance as required. The 18 vouchers redeemed in April 1997 were reported as stolen on the Manual Unmatched Redemption Report received by the clinic in July and returned to the department in August 1997.

Our review of the Manual Unmatched Redemption Reports (reports which list manual vouchers that were not entered into the clinic's network computer as being issued but appeared

on bank records as being redeemed) for these vouchers indicated that all 25 vouchers previously redeemed were indicated on the reports by clerical staff as being valid issuances and were supported with copies of the clinic's manual voucher receipt book. However, according to participant files, these vouchers were not valid issuances. Furthermore, the names signed on the vouchers did not match the names of participants legitimately in the WIC program for whom these vouchers were issued.

According to WIC policies and procedures, proof of issuance or an explanation as to why these manual vouchers were not entered into the clinic's network computer system must be provided. These reports are to be signed by the local WIC Director certifying that vouchers listed, except for those indicated otherwise, were issued "in accordance with WIC program rules, policies, and regulations." Therefore, it appears that WIC policies and procedures require verification of the issuance or explanation and validation of compliance.

The Manual Unmatched Redemption Report contains space for each clinic to answer if the reported unmatched vouchers were (1) "Never Received By Program"; (2) "Received, Still In Inventory"; (3) "Received But Missing, Never Logged As Issued"; or (4) "Valid Issuance, Date Of Issue." The report also contains space for the manual voucher number, the date cleared, and the amount paid.

Ms. Angela Quarles, Administrative Technician at the Gallaway WIC Office/Food Distribution Center in Memphis, stated that she receives the reports monthly from the Bureau of Information Resources for the various clinics in the Memphis region and sends a copy to each clinic's administrative technician. The reports are generated after the vouchers clear the bank and generally arrive 90 days after each month's end. For example, the report for vouchers redeemed in April would be received in July. Ms. Quarles stated that each clinic must then account for the manual unmatched vouchers listed on the report. Ms. Quarles stated that according to WIC requirements, each clinic must validate issuance of these manual vouchers. She explained that clerical staff conduct a review of their manual voucher receipt books, copy the vouchers in question, record the dates the vouchers were issued on the report, and forward the report and supporting information to her within 30 to 40 days. Ms. Quarles stated that she then signs the name of the Regional Director, Ms. Jackie Stone, makes a copy of the completed report and supporting documentation, and forwards the original report and voucher copies to the Bureau of Information Resources in Nashville by the end of the next month.

Ms. Quarles stated that clinic clerical staff do not verify that the vouchers were appropriately issued because WIC policies and procedures only required the verification of issuance, and the effort involved in this type of comparison would be too burdensome on clerical staff. Therefore, in her opinion, the staff was in compliance with policies and procedures.

However, copying the manual voucher receipt book does not appear to provide sufficient documentation that manual vouchers were issued in accordance with WIC policies and procedures. Moreover, the only procedure that could be conducted by clerical staff to ensure that manual vouchers not entered into the computer system were valid would be to verify that the issuance was proper by reviewing the participant's file.

The failure of regional officials to ensure that manual vouchers redeemed but never entered into the computer system were valid issuances apparently allowed the misappropriation of manual vouchers from the clinic to go undetected.

### *Improper Accounting for Missing Computer-Generated Vouchers*

Ms. Christine Edwards, a Southland Mall Clinic Clerk being trained by Ms. Auston, stated that on approximately four different occasions she had determined that a few of the computer-generated vouchers were missing from the lock-box. Ms. Edwards said that each time she identified vouchers missing, she would report the matter to her supervisor, Ms. Auston. According to Ms. Edwards, Ms. Auston told her to write “void” in the log, initial and date the log, and issue manual vouchers. Ms. Edwards stated that she did not consider this practice inappropriate because she was a new employee and still unfamiliar with voucher issuance procedures and that she relied on Ms. Auston to convey to her proper instructions. Ms. Edwards told us that she never questioned Ms. Auston’s instructions because she trusted that Ms. Auston knew and followed standard voucher issuance procedures.

Ms. Edwards further stated that Ms. Auston often “pulled” (searching the lock-box contents until finding applicable vouchers and physically removing the vouchers from the lock-box to deliver to a participant) computer-generated vouchers from the lock-box for her participants and occasionally told her that vouchers were missing. Again, Ms. Edwards stated that on those occasions, Ms. Auston told her to write “void” in the log, initial and date the log, and issue manual vouchers. Ms. Edwards said that she complied with Ms. Auston’s instructions. Ms. Edwards made notations in the log indicating that vouchers had been voided on seven occasions representing eight vouchers that were subsequently improperly redeemed.

Ms. Edwards’ actions violated WIC policies and procedures to account for missing vouchers. Ms. Edwards told us she received a WIC manual and completed a one-day training session with regional officials when her employment with the clinic began in February 1997. Thus, it appears that Ms. Edwards should have been familiar and complied with policies and procedures to account for missing vouchers and should have promptly reported Ms. Auston’s inconsistent instructions to regional officials.

Also, Ms. Rose Sumrell, a Southland Mall Clinic clerk, admitted that on two occasions she improperly wrote “void” in the log when she could not locate computer-generated vouchers. Ms. Sumrell also admitted she did not notify her supervisor. She stated that her failures to properly account for these computer-generated vouchers were isolated mistakes and that after issuing manual vouchers to the participants, she simply forgot to report the vouchers missing. One of the two vouchers was subsequently redeemed improperly and the other voucher was mistakenly issued to the wrong participant.

We also determined that Ms. Auston made notations in the log indicating that computer-generated vouchers had been voided on five occasions which corresponded to five vouchers that were subsequently redeemed improperly. These notations recorded the voucher as “void”

followed by Ms. Auston's initials. As noted above, Ms. Auston acknowledged to department officials that she had not followed proper procedure for reporting missing vouchers.

### *Improper Accounting for Unclaimed Computer-Generated Vouchers*

Our review determined that clerical staff failed to adequately account for computer-generated vouchers which were not claimed by participants. Unclaimed vouchers are required to be voided at the end of the month during a reconciliation of vouchers to the log. Our review determined that rather than accounting for each individual unclaimed voucher, clerical staff voided unclaimed vouchers by groupings (all vouchers assigned to one individual participant) and thereby overlooked nine vouchers which were actually missing. The failure of clinic clerks to properly account for each voucher allowed the misappropriation of vouchers by Ms. Auston to go undetected. A proper reconciliation would have indicated missing computer-generated vouchers as early as December 1996.

Department officials relied upon the clinical staff to perform routine reconciliations of claimed and unclaimed vouchers to the control logs. Department officials also relied upon periodic comparisons of vouchers to logs by regional monitors and internal auditors. Department officials also had compensating controls including the comparison of voided vouchers to redeemed vouchers. This control did not detect the theft, however, because the list of voided vouchers used in the department's comparison was prepared by the processing bank from the actual returned vouchers marked "void." Therefore, the vouchers which were misappropriated were not included in the department's comparison. Comparisons of the logs on which the stolen vouchers were indicated as "void" to redeemed vouchers would have detected this theft. However, management had not established this essential control procedure.

Two Southland Mall Clinic clerks, Ms. Acqua Banks and Ms. Rose Sumrell, acknowledged failing to properly conduct monthly reconciliations of unclaimed vouchers to the log. They stated that unclaimed vouchers were usually pulled in groupings by participant name and not by individual voucher numbers appearing in the log. Thus, according to Ms. Banks and Ms. Sumrell, unclaimed vouchers were apparently recorded as "void" in the log without the vouchers being physically voided. In one case, four computer-generated vouchers had been received by the Southland Mall Clinic. The participant never claimed these four vouchers. At the end of February 1997, apparently only three of the vouchers remained. During the reconciliation for that month, all four vouchers were recorded as voided. Because the unclaimed vouchers were reconciled in groupings and the vouchers constituting a grouping were not counted, the missing voucher was not detected.

As noted above, the remaining four of the 27 vouchers improperly recorded "void" in the log were recorded by clerical staff who failed to initial the log and whose writing could not be identified.

Ms. Sumrell, Ms. Banks, and Ms. Edwards, all denied taking vouchers for personal use or having any prior knowledge of the involvement of other staff members.

According to Ms. Jackie Stone, Regional Director, a letter of warning was issued to all clerks at the Southland Mall Clinic emphasizing the need to properly follow procedures.

### Summary of Current Voucher Issuance System

During our review, the clinic's method for issuing vouchers changed. On July 14, 1997, the clinic started printing vouchers on-site rather than using manual vouchers and computer-generated vouchers received from Nashville.

To obtain an overview of the new system for issuing vouchers, we interviewed Mr. Chuck Wortman, Information Resource System Specialist 3, Bureau of Information Resources in Nashville, Tennessee. According to Mr. Wortman, a decentralized "on-site" voucher printing system was implemented throughout the state. Mr. Wortman stated that as of September 1997, all counties except Hamilton and Madison have been printing and issuing on-site vouchers to eligible participants. Mr. Wortman explained that this decentralized voucher printing system not only abolishes the need for manual vouchers but also provides more effective controls over vouchers since clinics are no longer required to maintain custody of pre-printed vouchers and dispose of unclaimed vouchers.

Mr. Wortman explained that each WIC regional office maintains an AS 400 computer system which runs the Department of Health's "Patient Tracking Billing Management Information System" (PTBMIS) software package. He said that various screens available through this software allow clinic clerks to register participants, update participant information, track participant visits, and print participant vouchers.

Mr. Wortman stated that the "WIC Q" screen allows clerks to print vouchers. He stated that the clerk's personal user identification number is printed on each voucher and that a voucher receipt (containing the voucher numbers issued to the participant and the user identification number of the clerk who printed the vouchers) is printed with the vouchers and maintained by the clinic.

Mr. Wortman said that situations can occur which would necessitate the issuance of extra vouchers to participants (disaster situations in which food or vouchers are destroyed, lost or stolen vouchers, or misprinted vouchers due to clerical error). He stated that clerks are required to document the unusual circumstances in which replacement vouchers are issued in the PTBMIS "note" field. He further stated that vouchers must be voided in the system (recorded as void, lost, stolen, or destroyed) before replacement vouchers can be issued.

Mr. Wortman acknowledged that smaller clinics did not have sufficient personnel or computer equipment to properly segregate participant certification and voucher issuance responsibilities and that it would be possible for clerks to create bogus participant files and issue vouchers for non-existent individuals. However, he stated that it would be difficult for clerks to properly enter nutritional and medical information required before vouchers could be printed and that paper files would also have to be falsified to conceal bogus participants. He further stated

that monitoring and internal control procedures have been established by the department to deter and detect such activity. The most important of these procedures are discussed below.

#### *Daily Reconciliations by Clinic Clerical Staff*

According to Mr. Wortman, the PTBMIS enables clinic clerical staff to print required daily activity reports. These reports consist of the “Voucher Daily Control Report” listing vouchers printed and issued during the day and vouchers voided due to clerical errors; the “Replacement Voucher Report” listing all replacement vouchers printed during the day; and the “Lost, Stolen, Destroyed Report” listing all vouchers that were lost, stolen, or destroyed during the day.

According to Ms. Jane Baxter, State Supplemental Nutrition Program Director, these reports are to be reconciled daily to voucher receipts and voided vouchers by clerical staff issuing the vouchers. Documentation of these reconciliations is also to be maintained by the clinic.

#### *Monitoring Activity by Regional Officials*

According to Ms. Baxter, regional officials review voucher record-keeping procedures for each clinic every month. Ms. Baxter stated that this review consists of verifying compliance with 18 internal control procedures including proper issuance of vouchers, proper accounting for voided vouchers, and proper reconciliation of daily activity reports to voucher receipts and voided vouchers. Ms. Baxter further stated that regional monitors are also required to verify that 40-45 random participant files contain appropriate certification documents.

#### *Bureau of Information Resources Review*

Mr. Wortman stated that the First State Marketing Corporation (the bank used for the WIC program) electronically transfers redeemed voucher information to the Bureau of Information Resources monthly and that regional AS 400 systems electronically transfer information relative to all voucher issuances and voided vouchers daily. According to Mr. Wortman, a monthly reconciliation program is run by the Bureau of Information Resources to detect vouchers which have been voided but subsequently redeemed. Mr. Wortman said that the issuance of these vouchers is investigated by regional officials.

Furthermore, Mr. Wortman stated that a private computer software design company has been contracted by the department to develop an “Extra Food Report” which would list any unusually high number of voucher issuances to a single participant during a given period. He stated that this report could be used to investigate the propriety of extra voucher issuances. However, as of the date of this report, the “Extra Food Report” had not been implemented.

The implementation of these procedures and the new voucher printing system should provide better controls over the issuance of WIC vouchers if properly adhered to and monitored.

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## **RECOMMENDATIONS**

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Our review resulted in the following recommendations:

1. Although the new system of on-site voucher issuance apparently addresses internal control problems relating the receipt, custody, issuance, and disposal of manual and off-site computer-generated vouchers, the department should monitor the internal control procedures discussed above and adapt other monitoring procedures as necessary to ensure the safeguarding of assets.
2. Bureau of Information Resources officials should actively pursue the development of the “Extra Food Report” and implement procedures by which listings on the report are investigated.
3. Management should immediately report all discoveries of fraud to the Comptroller of the Treasury.