

# Fraud reporting avenue enables the detection of fraud

## Background

A five-year fraud that impacted the community's most vulnerable

Alpha Support Centre was a charitable trust providing community-based services for people with disabilities. Two trustees exploited the 'high-trust, low-oversight' model embedded within the disabilities sector, to fraudulently acquire \$500,000 of government funding which they used for their personal benefit.

The purpose of the trust was to provide quality vocational and recreational support services for people with intellectual disabilities. These services were funded by multiple government agencies. The Trust was managed and operated by two of the Trustees who were also husband and wife. The husband was the Operations Manager, while the wife was the Chief Executive Officer.

Trust funds used to support a lavish lifestyle

Both the husband and wife failed to manage the funds in accordance with the purpose of the Trust. They treated Trust funds as their own and were charged with appropriating approximately \$500,000 (intended for service delivery) from the Trust to purchase personal items such as:

- ▶ household groceries
- ▶ travel and accommodation for international trips
- ▶ clothing
- ▶ alcohol, cigarettes and entertainment
- ▶ household appliances for their holiday home

None of these items were used to deliver the services provided by the Trust.

To avoid detection, all expenses were paid using the Trust's credit card. It was the wife's responsibility to record the receipts and code them on the Trust ledger. She intentionally coded the personal expenses ambiguously to make it appear as if the purchases were related

to the delivery of the Trust's services. For example, \$20,000 worth of jewellery was coded as 'staff presents', while new kitchen appliances for her holiday home were coded as 'kitchen'.

### Concerned whistleblower tip off enabled the fraud to be detected

The fraud was detected after a whistleblower made a complaint to the Charities Commission. An audit found that the funding received was not used for the purpose of the Trust. Furthermore, the investigation found that the Trust was understaffed, and the services provided were substandard.

The case was referred to the Serious Fraud Office for investigation. The couple were prosecuted and received sentences of home detention and community service.

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## Fraud Prevention Observations

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### Impacts

- ▶ Years of learning and development opportunities were lost by the intended recipients of the specialist services.
- ▶ The recipients needed the support of specialist personnel who were trained to understand non-verbal communication. As there were not enough specialists to adequately facilitate the service, this left many individuals under-stimulated, under cared for, and stuck in small rooms with little to no social interaction each day.
- ▶ Funding had been diverted to the Alpha Support programme from other disability services that were equally important to the community.
- ▶ As a result of the offending, additional compliance measures were subsequently introduced for all organisations that deliver community participation services. The additional resource needed to meet these requirements has further reduced funding that would otherwise have been used to support and promote the wellbeing of those with intellectual disabilities.

## Case Study

<p>Fraudster Personas</p>	<ul style="list-style-type: none"> <li>▶ <b>The Exploiter</b> – The husband and wife both misused their positions to exploit the high-trust, low-oversight government funding processes for disability programmes.</li> <li>▶ <b>The Deceiver</b> – The wife misrepresented the facts and circumstances of the items purchased on the credit card for her own benefit.</li> </ul>
<p>Red Flags</p>	<ul style="list-style-type: none"> <li>▶ Employees who appear to be living beyond their means - the pair lived a lavish lifestyle beyond their apparent means, including owning a holiday home in Queenstown.</li> <li>▶ Ambiguous accounting practices – the credit card payments were coded ambiguously on the trust ledger.</li> <li>▶ Inconsistent accounting practices -receipts for purchases were torn to remove details of the retailer, or the receipt was missing from claims.</li> </ul>
<p>Effective Countermeasures</p>	<ul style="list-style-type: none"> <li>▶ This case highlights the need for effective countermeasures such as <b>quality assurance checks</b>. Quality assurance checks support programme delivery standards, and improve processes.</li> <li>▶ The fraud was detected because a whistleblower had a clear <b>avenue for reporting fraud</b> to the Charities Commission. Consequently, the government programmes completed an <b>audit</b> of the charity during which it was found that the money was not being spent in accordance with the Trust Deed, and the services provided were substandard.</li> </ul>
<p>Mitigations and Responses</p>	<ul style="list-style-type: none"> <li>▶ The government programmes involved introduced additional compliance measures for organisations providing community-based disability services. This ensures that funding is being used in a way which facilitates the delivery of high-quality services to those who need it.</li> </ul>
<p>Link to sources</p>	<p><a href="#">SFO Media Release</a></p>

## Case Study

Fraud Tags

Not for Profit, Health Care and Social Assistance, Service Delivery and Operations, Abuse of Position of Trust.



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