Theft case has OSU checking accounts

By Tim Doolin
Dispatch Higher Education Reporter

The embezzlement conviction of an Ohio State University employee has university officials paying more attention to the money in its more than 37,000 accounts.

Nancy E. Graham, a former administrative assistant in the Department of Educational Theory and Practice, was sentenced Thursday to four to 15 years in prison after pleading guilty in Franklin County Common Pleas Court to theft and theft in office.

- Graham, 44, of 1295 Dennison Ave., stole $38,268 from OSU. The amount is the largest amount reported stolen from the university.
- "We have done some things to prevent this type of thing from happening again, but sometimes, no matter what you do, people will find a way around the system," said Mark A. Hilligoss, OSU's director of internal auditing.

"We have placed more emphasis on an education program for administrators and fiscal officers."

Mark A. Hilligoss
OSU director of internal auditing

Graham was arrested last May and subsequently resigned her position.

In the fall, the university replaced the department's chairman, Frank J. Zilinio, to re-establish the fiscal integrity of the department, Hilligoss said.

Zilinio remains on the faculty.

"A department chairperson needs to balance job duties of teaching, research and service to the public with day-to-day administration of the department," Hilligoss said.

OSU is trying to make department heads and administrators more aware of accounting procedures, to guard against embezzlement.

"We have placed more emphasis on an education program for administrators and fiscal officers. We have classes on what are the proper procedures for university accounting, how to maintain accounts," Hilligoss said.

The university has about 500 departments, with more than 37,000 income and expense accounts.

Administrative assistants and other fiscal officers oversee accounts, which can be opened to handle money from travel to research.

Cash in the accounts goes to the OSU treasurer's office to be deposited in the university's central bank account. The university authorizes spending money from the accounts.

An accounting of how money is spent goes through the controller's office, where it is consolidated into the university's financial statement.

Graham, who handled the administrative books in the department, bypassed this by diverting OSU money to a secret account outside the university.

"It was all off the books, so the financial statements did not go through the university," Hilligoss said.

The secret account Graham set up contained money from a variety of sources, including the Reading Recovery program, seminars and a testing program sponsored by the College of Education.

That money typically would have gone through the university's accounting system. Graham's account also included payroll checks and travel reimbursement checks that should have gone to employees.

The disappearing funds should have been noticed if there was adequate supervision," Hilligoss said.

The university was tipped off when two part-time lecturers noticed W-2 tax statements that reported too much income for the year.

"What happened was Graham kept these people on the payroll a couple of quarters after they had been terminated and was collecting their checks. The money showed up on their W-2 statement and they said 'Hey, I didn't make that much money; where did it go?'" Hilligoss said.

Internal auditing is responsible for auditing the university's accounts. About 20 to 30 departments are audited each year. It takes about eight years to complete an audit cycle.

Academic departments are not audited as often as offices and departments that generate large amounts of revenue, Hilligoss said.

"You would not think this department to be a high-risk unit," he added.
Former OSU worker gets four to 15 years for embezzling funds

By John Campanelli
Lantern Staff writer

The former OSU employee who embezzled more than $300,000 from the university might have used some of the funds to pay room and board for a number of students, said Mark A. Hilligoss, OSU director of internal auditing.

From 1986 until she was arrested in March of 1992, Nancy Graham, then an administrative assistant in the Department of Educational Theory and Practice, embezzled $338,268 by depositing university funds into a private account, Hilligoss said.

Graham was sentenced Thursday to a four to 15 year prison sentence.

Graham opened a private account, a practice which is not uncommon for faculty and staff, Hilligoss said, but she used her own social security number and transferred university funds into the account.

An examination of all the checks written on Graham’s account revealed that several checks had students’ names on the memo lines, Hilligoss said.

“I think she was in the habit of giving gifts to lots of people,” Hilligoss said.

“We know that on some of the checks she had written a student’s name and then ‘room and board for winter quarter’ or ‘room and board for spring quarter,’” Hilligoss said.

“Whether she just wrote that to make the checks look legitimate — we don’t know.”

A complete investigation of all the names is planned, he said.

As part of her scheme, Graham, who had access to employee and payroll records, made sure former university employees remained on the payroll. She then collected their checks, forged their names and deposited the funds, Hilligoss said.

Graham kept her account secret by not getting the university treasurer's approval, which is required for university-related outside bank accounts, Hilligoss said.

Graham eventually was caught after two part-time lecturers noticed on their W-2 forms they were being taxed on income they had never received, Hilligoss said.

As part of her sentence, Graham, who started working at Ohio State in 1968, will have to give up an estimated $80,000 in retirement funds, Hilligoss said.

The rest of the money, minus a $50,000 deductible, is covered by the university’s crime insurance policy, he said.

Hilligoss said the university is now working on ways to prevent this type of crime from happening again.

“We are going to re-emphasize to all the administration management on campus that their responsibility is to ensure that employees are following proper university procedures,” he said.

Hilligoss said the university will be strengthening controls to provide a “greater segregation on duties so that one person doesn’t have access to revenue, cash and records.”
Internal Audit: Offers training

Internal Audit is pleased to offer a 2-1/2 hour seminar on Fraud Detection and Prevention. The seminar is without cost and may be arranged for college or department administrators. The course addresses what can go wrong, what situations may be conducive to fraud and what to do if you suspect fraud.

Internal Audit provides services to the University in the areas of internal control; financial, operational and electronic data processing; and consultive and special reviews. Internal Audit can help to set up controls to prevent loss of data and assets, to minimize opportunities for improprieties and also will investigate suspicion of white-collar crime.

Requests for training, assistance or information can be addressed to Mark Hilligoss, director of Internal Audit at 2-9680.