

TYOLOGY – SUSPECTED GOVERNMENT SALARIES FRAUD

EXTRACT FROM THE FIUTT STRATEGIC ANALYSIS CASE COMPILATION 2015 - 2020

Typology

18. Suspected Government Salaries Fraud

The case involves an organised criminal network comprising government employees at government agencies, X1, Y2 and Z3 agency. The criminal network also included persons who were subsequently identified as relatives and close associates of the government employees, as well as, shell structures, which were established by persons within the criminal network. The main subject was a payroll officer at government agency X1.

The typology is characterised by falsification/manipulation of the government agency's payroll (at X1) and the movement of funds from the accounts of X1 government agency to several accounts in the names of the government employees, shell structures and to the accounts controlled by the payroll officer employed at X1 government agency. The movement of funds from X1's account to the beneficiary accounts were disguised as 'salary payments'.

Suspected Offence	Fraud
Customer Type	Individual; Group
Industry	FI's; MVTS
Channel	Physical; Electronic; Cheque
Jurisdiction	Local

Suspicious Indicators

- Fictitious or 'ghost' employees in receipt of a salary;
- One individual receiving numerous salary payments in several bank accounts;
- Several individuals utilising the same bank account number to receive salary;
- Accounts used as a temporary repository for funds;
- Accounts with a high volume of activity and low balances;
- Deposits into accounts are followed by near and/or immediate withdrawals;
- Amount of funds channelled through the accounts does match the occupation;
- Collusion of staff members to circumvent or override payroll systems; and
- Manipulation or altering of cheque signatures to make payments.

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Through the manipulation of payroll information by the payroll officer at X1, unauthorised 'salary payments' were moved from X1 payroll account to: 1) multiple personal accounts, 2) to multiple (personal) loan accounts, and 3) several accounts of 'shell' structures. The affiliates of the criminal network were also listed as 'controllers' of the shell structures. The criminal network beneficiary accounts were held at multiple financial institutions (FIs). The movement of the misappropriated funds were deposited as automated clearing house (ACH) salary credits.

The criminal activity identified in this case were conspiracy to defraud, falsification of accounts and unauthorised payment of salaries. Analysis showed that:

- Unauthorised persons/persons not employed at government agency, X1, were in receipt of fortnightly or weekly salaries from X1;
- At least two years prior to the movement of the unauthorised funds, persons linked to the criminal network registered multiple **shelf or ***front companies and established personal accounts at multiple FIs to facilitate/coordinate the scheme;
- The balances on the payroll officer's accounts, were minimal compared to the amount of funds which passed through the account;
- Loan balances on accounts held by the persons within the criminal network were paid-off long before the expected dates;
- One Subject in the criminal network is suspected to have laundered over TTD 3 million from his account, illicitly obtained from X1; and
- Two Subjects in the criminal network were flagged for remittance of funds to countries high risks for human trafficking.

**Shelf company – incorporated company with inactive shareholders, directors, and secretary and is left dormant for a longer period even if a customer relationship has already been established (Concealment of Beneficial Ownership, FATF, 2018).

***Front company – fully functioning company with the characteristics of a legitimate business, serving to disguise and obscure illicit financial activity (Concealment of Beneficial Ownership, FATF, 2018).

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