

January 20, 2005

Members of the Legislative Audit Committee:

The Public Integrity Unit at the Travis County District Attorney's Office obtained indictments for Thelma Garza, Kema Riley, and Schanda Wallace on November 1, 2004, after the Special Investigations Unit investigated allegations of forged Hinson-Hazelwood loan applications and promissory notes (see text box). The Higher Education Coordinating Board requested the investigation of these three separate offenses. The forged applications and promissory notes led to the fraudulent disbursement of \$15,260 for tuition, fees, and personal expenses for former student Thelma Garza of St. Edwards University, Kema Riley of Texas Tech University, and Schanda Wallace of Stephen F. Austin University.

Thelma Garza faces two counts of forgery. Kema Riley faces one count of theft, one count of forgery, and one count of securing execution of a document by deception. Schanda Wallace faces one count of securing execution of a document by deception. These offenses are state jail felony charges that carry a maximum penalty of two years in a state jail and a \$10,000 fine.

The indictment of Thelma Garza alleges that between November 1994 and December 1994 Ms. Garza forged the signature of her uncle on a Hinson-Hazelwood loan application and a promissory note without her uncle's knowledge. She then submitted the forged loan application and promissory note to the Higher Education Coordinating Board, which resulted in the illegal disbursement of \$3,500.

#### What Is Hinson-Hazelwood?

Hinson-Hazelwood is a college loan program that is a major form of self-help aid for current half-time and full-time students. This program is also referred to as the College Access Loan program. It is administered by the Higher Education Coordinating Board and guaranteed by the Texas Guaranteed Student Loan Corporation. Students apply for this aid through the financial aid offices of the colleges they plan to attend. Promissory notes require a co-signer, and the co-signer's credit worthiness is checked. Due to similar cases that have already been investigated by the Special Investigations Unit of the State Auditor's Office, the Higher Education Coordinating Board now makes contact with co-signers to verify authorization of their signatures and the loan amounts.

The indictment of Kema Riley alleges that between May 1998 and October 1999 Mr. Riley forged the signature of his uncle on Hinson-Hazelwood loan applications and a promissory note without his uncle's knowledge. He then submitted the forged loan applications and promissory note to the Higher Education Coordinating Board, which resulted in the illegal disbursement of \$7,097.

The indictment of Schanda Wallace alleges that between May 2003 and August 2003 Ms. Wallace forged the signature of a friend's grandfather on a Hinson-Hazelwood promissory note without the friend's grandfather's knowledge.

The Special Investigations Unit investigates reports of illegal activity involving state agencies and universities. The Unit refers the results to prosecuting authorities.

Texas Government Code, Section 321.022, requires state agencies and universities to report suspected fraud or unlawful conduct to the State Auditor's Office if there are facts (not just suspicion) that point to fraud or unlawful conduct.

To report suspected illegal activity, call 1-800-TX-AUDIT (1-800-892-8348), send a fax to (512) 936-9400, visit [www.sao.state.tx.us](http://www.sao.state.tx.us), or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, TX 78711.

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She then submitted the forged promissory note to the Higher Education Coordinating Board, which resulted in the illegal disbursement of \$4,663.

If you have any questions, please contact Ralph Disher, Senior Investigator; Pamela Munn, Supervising Investigator; or me at (512) 936-9500.

Sincerely,

John Keel, CPA  
State Auditor

cc: Dr. Don W. Brown, Commissioner, Higher Education Coordinating Board  
The Honorable Ronnie Earle, Travis County District Attorney