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Special Investigations Unit Report Regarding Associates Health, Inc.

February 7, 2000

Members of the Legislative Audit Committee:

An investigation by the State Auditor's Special Investigations Unit led to the Travis County Grand Jury's indictment of Micah Calvin Douglas, Director of Administrative Services for Associates Health, Inc. The indictment was for one count of theft by a government contractor and one count of securing execution of a document by deception. Micah Calvin Douglas faces up to 20 years in prison and a \$10,000 fine for the Second Degree felony theft charge. He faces up to 10 years in prison and a \$10,000 fine for the Third Degree felony securing charge.

The investigation was prompted by allegations from the Department of Economic Development (Department) that Associates Health, Inc., a Smart Jobs contractor, altered an invoice. The invoice was altered so that reimbursement from the State would exceed actual expenses by more than \$22,000.

On September 26 and 30, 1997 Micah Calvin Douglas allegedly:

- Submitted an altered invoice to the Department and certified it as correct on the Department's expenditure report
- Signed the State of Texas purchase voucher containing the altered expense
- Submitted the invoice, expenditure report, and purchase voucher to the Department, which resulted in the disbursement of funds to which Associates Health, Inc., was not entitled

The Department of Economic Development's Internal Audit Department was very helpful during this investigation. If you have any questions, contact Frank Coleman or John Friou, Special Investigations Unit, at (512) 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cc: Mr. Jeff Moseley, Executive Director
Department of Economic Development
The Honorable Ronnie Earle, Travis County District Attorney

What is Smart Jobs?

The Smart Jobs program is funded from a portion of the federal unemployment tax administered by the Texas Workforce Commission. The Department of Economic Development uses these funds to reimburse employers for certain costs of employee training so that employees can perform at a higher level and thus receive higher wages.

Special Investigations Unit

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

To report suspected illegal activity, call 1-800-TX-AUDIT (1-800-892-8348), visit www.sao.state.tx.us, or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, Texas 78711.

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