



Lawrence F. Alwin, CPA
State Auditor

A Special Investigations Unit Report Regarding the Cosmetology Commission

September 15, 2003

Members of the Legislative Audit Committee:

The State Auditor's Office Special Investigations Unit (SIU) investigated allegations of fraud reported by the Cosmetology Commission (Commission). The SIU's investigation obtained evidence that led to the indictment of Genie O. Diaz by a Travis County Grand Jury on August 20, 2003. The indictment charged Ms. Diaz with 16 counts of forgery, each classified as a state jail felony, with a combined loss to the Commission of \$1,091.

The investigation was prompted by allegations that Ms. Diaz removed checks and money orders from the Commission's mailroom. The Commission employed Ms. Diaz as a temporary employee for a total of about five months in 1999 and 2000 to help process payments of fees and orders for the purchase of materials. The investigation established that Ms. Diaz altered checks and money orders intended for the Commission by changing the payee name to her own name or by endorsing them with her signature followed by "not for intended purpose." Ms. Diaz cashed or deposited the checks and money orders at her bank, The Greater Texas Federal Credit Union.

The SIU's investigation identified that the Commission's total loss was greater than the \$1,091 covered by the indictment. However, several individuals whose money orders were altered could not be identified because they had not completed the payer information on their money orders. Without this information, these money orders could not be included in the indictment. In addition to the loss of funds to the Commission, the individuals whose checks and money orders were altered by Ms. Diaz did not receive the materials they requested.

The Special Investigations Unit investigates reports of illegal activity involving state agencies and universities.

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 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, or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, Texas 78711.

If you have any questions, please contact Linda Newsom or John Weber of the State Auditor's Office Special Investigations Unit at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cc: Ms. Marianne Powers, Assistant District Attorney, Public Integrity Unit,
Travis County District Attorney's Office
Ms. Antoinette Fontenot Humphrey, Executive Director, Texas Cosmetology Commission
Ms. Patricia A. Aldridge, Executive Vice President, Greater Texas Federal Credit Union

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