



Lawrence F. Alwin, CPA
State Auditor

A Special Investigations Unit Report Regarding
ServCorp

April 19, 2004

Members of the Legislative Audit Committee:

The Public Integrity Unit of the Travis County District Attorney's Office obtained two indictments on March 9, 2004, after the State Auditor's Office Special Investigations Unit investigated allegations that Francisco Briones, Chief Operating Officer of ServCorp, submitted falsified documents to the Smart Jobs division of the Texas Department of Economic Development (Department). The Department requested the investigation of these alleged offenses. The falsified documents led to the fraudulent distribution of \$11,250 to ServCorp.

The SmartJobs program was established as a workforce development incentive program. The program was created to increase the job skills of the existing workforce and enhance employment opportunities for Texans. The SmartJobs program ended on December 31, 2001.

ServCorp, a Texas company, contracted with the Department to "provide health-related skills training to assist medical facilities employers in obtaining a well qualified and competent medical workforce in the Rio Grande Valley." The contract term was July 1, 1998, to December 31, 1999.

On behalf of ServCorp, Mr. Briones allegedly submitted two purchase vouchers in April and July 1999 to the Department that contained claims for the cost of training six employees who did not receive any training under the SmartJobs program. The Department subsequently paid ServCorp \$11,250 for training these individuals.

ServCorp was indicted for two counts of Securing Execution of a Document by Deception and two counts of Theft. Mr. Briones was indicted for two counts of Securing Execution of a Document by Deception. These offenses are all third-degree felonies, which carry a maximum penalty of 10 years in prison and a \$10,000 fine. The maximum penalty for a corporation committing a third-degree felony is a \$20,000 fine.

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

Texas Government Code §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 Matthew Samuelson or John Weber, Special Investigations Unit, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cc: Ms. Susan Roberts, Asst. District Attorney, Travis County District Attorney's Office
Mr. Jeff Moseley, Director, Division of Economic Development and Tourism