



NEWS RELEASE

From New York State Inspector General
Catherine Leahy Scott

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STATE OFFICE OF CHILDREN AND FAMILY SERVICES' FAILED OVERSIGHT ALLOWED FOR SYSTEMIC THEFT FROM NATIVE AMERICAN MINORS' TRUST FUNDS

*Agency Implemented New Procedures for Managing Native American Trust Funds for Minors
and Will Conduct Full Audit of Fund Management*

ALBANY – New York State Inspector General Catherine Leahy Scott today released her findings and recommendations from an investigation into the State Office of Children and Family Services' ("OCFS") Native American Services Bureau's management of trust funds for minors of the Cayuga Nation.

The investigation found that a lack of control procedures and adequate oversight at the OCFS's Native American Services Bureau allowed for the systemic theft of nearly \$20,000 from Cayuga Nation minors' trust fund accounts during a seven-year period. It further found that OCFS failed to take any reasonable measures to monitor or audit the accounts and instead left their administration to the sole discretion of the Bureau's director who was since convicted of grand larceny for stealing from the accounts.

The investigation led to the arrest and conviction early last year of the former director of Native American Services at OCFS who, between 2007 and 2014, stole a total of \$19,993.63 from 14 trust funds she oversaw holding proceeds meant for Cayuga Nation minors. That former director, Kim Thomas-Muffoletto, 57, of Getzville, pleaded guilty to felony grand larceny in early 2015 and was ordered to pay full restitution.

"This corrupt State employee was able to steal nearly \$20,000 meant for children's futures because of lax oversight at the agency charged with safeguarding those funds," said Inspector General Leahy Scott. "As a result of my investigation, the Office of Children and Family Services acted swiftly to implement new safeguards for the funds under its control and the defendant is paying restitution for all the money stolen by her. I will continue using the resources of my office to root out any abuse by State employees and protect the integrity of the State's programs and obligations."

OCFS, through its Buffalo-based Native American Services Bureau, administers treaty obligations and a variety of programs for Native American tribes recognized by New York State. Pursuant to treaties and specific to the Cayuga Nation, OCFS makes annuity and interest payments to individual tribal members. Payments to Cayuga Nation minors not residing with their parents were held in trust accounts that were administered by Thomas-Muffoletto before her arrest. She was the only person with authority to deposit or withdraw money from the 14 trust fund accounts.

Inspector General Leahy Scott's investigation found OCFS failed to take any measures to safeguard these trust

accounts. There were no internal controls, no audits and no supervision of Thomas-Muffoletto's management of the trust funds. Through her investigation, Inspector General Leahy Scott made the following recommendations for OCFS:

- Develop policies and procedures regarding the operation of trust fund accounts that include adequate internal controls and audits to ensure the funds' security.
- Conduct a complete review of the policies and practices of the Native American Services Bureau.
- Thoroughly audit all funds handled by the Native American Services Bureau during Thomas-Muffoletto's tenure.

Subsequent to the investigation, administration of the trust accounts was transferred to the Cayuga Nation. While OCFS currently manages no such trust funds, pursuant to treaties and State law, it retains the duty to operate them if so requested. In response to the Inspector General's investigative report, OCFS has indicated that in the event it is requested to manage trust fund accounts, such accounts would be the responsibility of a financial management team at OCFS's central offices, and any disbursements would require at least two executive-level approvals.

Inspector General Scott thanked OCFS for its assistance in the investigation and the Erie County District Attorney's office for prosecuting the case against Thomas-Muffoletto.

A copy of Inspector General Leahy Scott's report may be obtained by clicking [HERE](#).

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