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CONFIDENTIAL

F.No.Con.Vig./2(391)/2020-21

Date : 28.04.2021

To
All the DDOs,
Andhra Pradesh & Telangana Region.

Sir,

Sub : Discrepancy noticed in the bill payments on PFMS module in Income Tax office – Regarding

Please refer to the above.

2. With reference to the subject mentioned above, I am directed to inform that a discrepancy was noticed in the bill payments to Vendors on PFMS Module in one of the Income Tax Offices in AP & TS Region. On verification, it was found that the said amounts were diverted to bank accounts of the cashier directly and through the bank accounts of his colleague and his friends. Further, on verification it was found that the bills were deliberately prepared and put up for payment by forging the signatures of Vendor and signature of DDO in PFMS Module. In view of the above, I am directed to forward a copy of synopsis of embezzlement and the precautionary measures to be followed to avoid recurrence of such incidents.

Yours faithfully,

Encl : As above

B. Srinivasa Rao
28/4/21

(B. Srinivasa Rao)
Jt. CIT(OSD)(HQ)(Vig)(i/c),
O/o Pr.CCIT, AP & TS, Hyderabad.

Sub : Synopsis of the Embezzlement - Discrepancy noticed in the Bill Payments to Postal Department , Electricity, Professional Tax and TA Bills and Manipulation of PFMS Module - Fund Diversion for personal use - Regarding.

It is noticed that, an incident of embezzlement by way of diversion of funds to personal account of the Cashier, his colleague and kith and kin by editing the Beneficiary Account numbers in the PFMS Module - Maker Log-in executed by the Cashier in his Maker's Log-in while performing the official duty as Cashier. The Modus-operandi is as under:

Functioning of PFMS Module and DDO's Role:

The PFMS software works in Two set of Login Credentials, One set is used for Salary related Bills and the other set is used for OE(Gen), RRT, DTE and Wages etc. Each set consists of separate login credentials for Maker and Checker. The "Maker" (i.e cashier) deals with data entry part about the bill such as creation of sanction to the bill by duly entering the amount particulars along with Head of expenditure and also mapping of the beneficiary/vendor.

The role of the Maker is described as under:

1. Create sanction
2. Data entry of the bill (sanction number etc)
3. Enter the amount
4. Select the expenditure head
5. Mapping of already added beneficiaries/vendors.
6. Sanction will be created
7. Forward to checker

The role of the Checker (DDO) is described as under:

1. Receive sanction
2. Generate bills with deduction/without deduction or return the sanction
3. After generation PFMS bill number will be generated

As the role of the Checker is usually delegated to maker for executing all the functions of the checker, the Maker does the above mentioned functions of the Checker and

4. Take printout and make it signed by DDO
5. Despatch physical copy to FPU (simultaneously forward the bill in PFMS to FPU)

Adding/Editing the beneficiary or vendor:

As discussed above, the entire data entry can be made by “Maker only”. Adding beneficiaries/ Editing the already existing beneficiaries can be done at the Maker level only i.e by Cashier. It is pertinent to mention here that for doing the same no approval is required by Checker or no approval request is sent to Checker. The PFMS module is designed in such a way that Maker can do any changes whatever he wants even without bringing to the knowledge of the Checker i.e DDO. As the act of adding/editing the beneficiary does not require approval of the Checker, there is no control over manipulation done by the Maker by the Checker. By using this systemic arrangement and this loophole, the then Cashier has changed the Bank Accounts of the beneficiaries without changing the name of the original vendors. Further he has created new beneficiaries with the similar names of already existing beneficiaries with small modification such as leaving “space” in between first name and last name and putting “ - ” etc. The example is as follows:

Banda Hari Krishna : original

APSPDCL-NELLORE : original

BANDA HARIKRISHNA :Newly created(manipulated)

APSPDCL NELLORE : Newly Created(manipulated)

Modus-operandi adopted by the then Cashier:

As discussed in the functioning of the PFMS Module, the mechanism of adding/ modifying the beneficiaries i.e. vendors etc. and their bank account numbers can be done by the “Maker” only by using the credentials of the Maker Login. The cashier, who is the Maker in the subject matter has created the bogus vendors who are his kith and kin along with their bank account particulars in the guise of names of the actual vendors with an intention of diverting the Government Funds for his personal use. The cashier has added the bank accounts in the guise of actual vendors/beneficiaries such as APSPDCL(to divert Electricity Bills), Post Master (Postal Bills), State Government (Professional Tax) and Officers and Officials of the Department (to divert TA Bills). More precisely, the description shows the name particulars of the actual beneficiary/vendors but the bank account details relates to his kith and kin which is modified/manipulated by him with an intention of diverting the Government Funds.

In order to easily understand the method adopted by then Cashier the same is explained as below:

- a. He created two vendors with similar names with minute modification (“-”, “ ”) so that no one will identify the difference. The example being APSPDCL NELLORE ,

APSPDCL-NELLORE. It is pertinent to mention here that the cashier has mapped the bank account of his kith and kin in the name of the modified vendor and conveniently transferred the government fund to that bank account for his personal use.

- b. For few vendors/beneficiaries, he has completely replaced the already added bank account number with the bank account numbers of his kith and kin during the generation of the bill. Once the amount is encashed for his benefit, further he replaces them to the original position.
- c. It is very important to mention here that the cashier had completely made changes in the PFMS in such a way that even the monthly contribution of the employees with respect to professional tax will be credited to the bank accounts of his kith and kin for his personal use by diverting the government funds.
- d. In total he has manipulated the details of the beneficiaries such as vendors, name of the employees in such a way that the total PFMS login pertaining to Range should be "revamped" as the same is technically tampered as discussed above beyond identification.

It is pertinent to mention here that, the checking mechanism of Bank Account Number in the Bill submitted to FPU online having manipulated bank account number with the physical copy having bank account of the original vendor/beneficiary submitted for verification is also missed by oversight at the FPU. The lacuna is due to the name(s) of the vendor/beneficiary in both the bills i.e. submitted through online and physical bill are one and the same and account numbers are manipulated which escaped the eyes of the FPU.

Suggestions for Checking /Alert Mechanism:

It is proposed to have a SMS alert mechanism to the DDO/FPU, whenever there is a addition/change/edit in the beneficiary name/account by the Maker i.e. Cashier likewise in the Net Banking.