

## The CAD files

# SIA scandal: how \$35m was stolen over 13 years

Teo Cheng Kiat was in charge of processing SIA cabin crew allowances. He used the names of crew members who did not fly on various flights to make false claims and channelled the payments to his own bank accounts. In all, he siphoned off almost \$35 million over 13 years. Teo was caught and sentenced to 24 years in prison.

By Wong Wei Kong

**W**HAT is now known as the SIA case of 2000 needs little introduction. It involves, after all, still the largest sum of money ever taken by an employee from a company. But the lessons from the case remains highly relevant today with the threat of fraud still posing a significant risk to companies.

The SIA case had all the hallmarks of a typical corporate fraud: a trusted, long-serving employee; superiors who failed to carry out proper checks; loopholes in the system; and accidental discovery. In all, Teo Cheng Kiat, or Henry as he was also known, siphoned almost \$35 million, a staggering amount. "No matter how much you trust your employees, it is always important that internal control systems are implemented in the company to prevent and detect such fraudulent activities," said James Teo, who led the Commercial Affairs Department (CAD) probe into the case.

#### SIA COMPLAINT SENT TO CAD

In January 2000, the CAD received a complaint from Singapore Airlines (SIA) that Teo Cheng Kiat, then 47, had misappropriated funds from the company. Teo had joined SIA as a clerk in 1975. He was promoted to supervisor of the cabin crew division in 1988. As supervisor, he oversaw the processing of cabin crew allowances.

The discovery of Teo's fraud was later described as "purely fortuitous" in court. Had he quit while he was ahead, his crime may never have been discovered.

Just on Jan 18, 2000, one staff member in SIA's internal audit department did an ad-hoc review of the data on the daily allowance payment for crew. Sorting the data for Jan 15, 1999, the employee discovered that three Overseas Union Bank (OUB) bank accounts had received 10 payments each on the same day. That was unusual, as there should only be one payment of allowance to any crew member on a particular day. And the three OUB accounts belonged to Teo. That prompted the SIA complaint to CAD.

Initially, it was not known how much money Teo had misappropriated when SIA first lodged a report at CAD on Jan 19, 2000. In the report, SIA complained that one of its staff may have committed criminal breach of trust (CBT) of about \$2 million between December 1999 and Jan 15, 2000.

On that same day, a team of CAD officers raided and apprehended Teo at his Bristol Road home. Incriminating records recovered then showed that he could have been misappropriating funds from SIA even before December 1999. At the time, SIA crew members had their meal and transport allowances credited to their OUB accounts from SIA's account with the bank. Teo was authorised to determine the name of the crew member who was to be paid, the amount payable and the receiving bank account number. Only he had the access code to make adjustments in the cabin crew allowance system (CCAS).

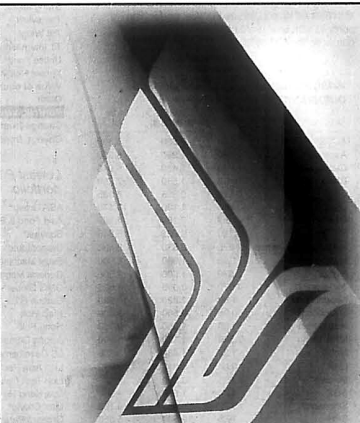
#### HOW HE AVOIDED SUSPICION

Teo abused his position of trust by creating fictitious adjustments for extra payments of allowances. He would add entries in the CCAS by inserting extra names of crew members on a particular flight by picking the extra names at random from the central crew database. He would then change the bank account number of the crew members to the number of a bank account opened in his name or controlled by him.

The bank accounts under Teo's control were joint accounts in his and his wife's name, one in the name of his wife and her young sister and one account in the name of his wife.

To avoid detection, Teo doctored the daily adjustment report by not reflecting the fictitious adjustments made. He also did not show the reports as supporting documents to his superiors whenever he approached them to seek authorisation for the payments. And since all the crew who actually flew on these flights received their allowances, no one made any complaints.

From time to time, Teo would transfer the money in his personal bank accounts and accounts under his control to various other bank accounts, including foreign bank accounts, to avoid accumulating too large a balance in any single account which would raise suspicions. Why didn't Teo's superiors demand sup-



### Lessons from SIA case

- Companies should put in place proper internal control systems such as verification procedures to approve the disbursement of funds.
- Companies should also conduct regular random audit checks to prevent and deter experienced employees from exploring loop holes and outsmarting the processes and systems in place.
- Spot warning signs: an employee whose lifestyle cannot be supported by his or her known income, or a sudden change in lifestyle

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— CAD lead investigating officer James Teo

porting documents when he asked for approval to make payments? All told the CAD that they believed Teo was reliable and trustworthy as he had been on the job for many years. Their opinion of him was that he was hardworking and efficient. They also said they relied on "safeguards in the system", referring to the internal audit carried out once every two or three years, the standing instruction to OUB that payment to any one account must not exceed \$500 at any one time, and that sufficient checks and controls were in place at both SIA and OUB. Their confidence turned out to be misplaced.

CAD investigations revealed that Teo made the first fictitious allowance payment to the bank accounts under his control in 1987. Prior to the computerisation of the system, he made the adjustments manually by typing out a list of adjustments to be paid to the cabin crew.

With the switch to the computerised system in 1996, Teo became bolder and the amount he misappropriated increased exponentially from a few hundred thousand dollars to millions of dollars. For a period of 13 years, between Feb 9, 1987 and Jan 18, 2002, he siphoned off \$34.96 million.

#### LIVING THE HIGH LIFE

Teo lived the high life. He had seven private properties for which he paid about \$6.5 million; a Mercedes-Benz C200 and BMW 728; jewellery and branded watches worth \$1.85 million; an array of designer goods; and five-star hotel accommodation in Kuala Lumpur at least once a month.

CAD officers conducted numerous raids during the first three weeks of investigations and managed to recover about \$14 million from various bank accounts, cash of about \$700,000, the two cars, jewellery worth about \$250,000, and the seven properties with an estimated value of about \$10 million.

About \$15 million was restituted to SIA by CAD. SIA subsequently went to

court to challenge Teo's possession of the remaining assets acquired with the stolen proceeds, and he voluntarily gave up the properties and transferred their legal ownership to SIA.

Teo was charged in court on 25 counts of CBT and one count of money laundering. On June 30, 2000, he was convicted on 10 counts of CBT in the High Court. He was sentenced to serve a total of 24 years imprisonment.

#### MOTIVATED BY SHEER GREED

Then Judicial Commissioner Tay Yong Kwang noted that Teo's offences were aggravated by several factors.

First, he was motivated not by need but by sheer greed. Second, his offences, which took place almost daily for more than a decade, were systematic and sophisticated. Third, he abused the high degree of trust placed in him.

"Any weakness in the payment system exploited by the accused could not constitute a mitigating factor in his favour. If it were otherwise, the Courts would have to entertain pleas from burglars who blame house-owners for keeping their gates open or for using inferior locks," the judge said.

"It must offend all notions of justice if perpetrators of financial crime like the present accused are allowed to spend a short stint in prison and then emerge to live many more years as multi-millionaires living off money that was never theirs."

Said lead investigating officer James Teo: "The magnitude of Teo's crime is summed up by the sheer amount of money which he misappropriated from his employer. Taking advantage of his employer's trust in him, Teo amassed a great fortune with the stolen money and led a life of luxury and extravagance during his years of crime."

*This is the last of a series produced in collaboration with the Commercial Affairs Department and the Legal Division of the Subordinate Courts*