



STATE OF NEW YORK  
OFFICE OF THE STATE INSPECTOR GENERAL  
**Final Report**  
**January 22, 2009**

SUMMARY OF FINDINGS/RECOMMENDATIONS

The State Inspector General found that Alan R. West, an employee of the New York State Higher Education Services Corporation (HESC), engaged in a pattern of improper conduct over an extended period involving making personal loans of money to numerous HESC employees at usurious rates of interest. West's activities occurred in the workplace on state time and were facilitated by his misuse of agency resources. West resigned his HESC position during the course of the Inspector General's investigation

ALLEGATION

On January 9, 2008, HESC advised the Inspector General's Office that Customer Service Representative Alan West was suspected of using the HESC e-mail system to disperse loans and collect repayment and interest from other HESC employees.

SUMMARY OF INVESTIGATION

The New York State Higher Education Services Corporation (HESC) provides financial assistance through the guarantee of federal and parent loans, loan management services, college planning guidance and the administration of the Tuition Assistance Program to students attending colleges, universities and other institutions in New York State. HESC's main office is located at 99 Washington Avenue in Albany.

West commenced his employment with HESC in 1991 as a Mail and Supply Clerk. In 1999 West was promoted to Agency Services Representative, and in 2006 his title was reclassified as Customer Service Representative. West's duties included answering telephone calls from individuals with questions and concerns regarding loans guaranteed and administered by HESC.

The Inspector General determined that as early as the late 1990's, while he was working as a clerk in the HESC mailroom, West began making personal loans to fellow employees, and that over time he became known throughout the agency as a grantor of personal loans. Even after West was promoted and assigned elsewhere in the agency, mailroom workers as well as other employees continued to approach West for loans.

The Inspector General identified nine current and former HESC employees who between 1999 and 2008 borrowed a total of approximately \$13,000 from West in loans ranging from \$20

to \$3,000. In most instances, West and the borrower conducted the transactions over the HESC e-mail system, agreeing on a loan amount and repayment schedule. The repayment amounts reflected varying interest rates. In one instance, West loaned a fellow employee \$3,000 with a 7 percent interest rate compounded biweekly, which is equivalent to an annual rate of 182 percent. Another employee who borrowed \$30 agreed to repay West \$40 two weeks later, which equals an annual rate of 865 percent. Yet another employee borrowed \$50 and repaid \$55 two weeks later — a 260 percent annual rate. When interviewed by the Inspector General, West and the borrowers referred to the loan interest as a “gratuity” or an “appreciation” to West for making the loans. West scheduled repayment of loans to coincide with HESC’s biweekly pay day. The payments were made in face-to-face meetings between West and the borrowers during the workday, usually at a secluded location in the HESC offices such as in a stairwell or on the loading dock.

All the borrowers told the Inspector General that their loan requests were voluntary. None of the borrowers were West’s subordinates at HESC. While the borrowers stated that West made no threats to ensure the loans were repaid, several of the borrowers said that West on occasion personally confronted them and reminded them in forceful language of their debt obligations. Most troubling, the Inspector General determined that West victimized one borrower by soliciting sexual favors in lieu of \$150 in interest payments. The investigation also revealed that West received partial loan payments in the form of “burnables,” which appears in context to have been a reference to illegal drugs. At the time of the Inspector General’s investigation, five borrowers still owed money to West.

On May 27, 2008, HESC suspended West after the Inspector General provided HESC with evidence of West’s misconduct. West resigned his position at HESC on May 30, 2008. The Inspector General provided the findings in this case to the Albany County District Attorney’s Office.

## FINDINGS AND RECOMMENDATIONS

The Inspector General determined that HESC employee Alan West engaged in a pattern of improper conduct over a long period involving making personal loans of money to numerous HESC employees. West’s use of the HESC e-mail system to facilitate these activities, and their occurrence in the workplace on state time, violated agency policy prohibiting the use of agency resources for personal business. Moreover, West’s conduct was inconsistent with the performance of his duties as a public employee and detrimental to the proper functioning of a state agency. West resigned his HESC position while the Inspector General’s investigation was ongoing.

Under the New York State Penal Law (Penal Law §§ 190.40, 190.42) a person who charges the equivalent of more than 25 percent annual interest without legal authorization is guilty of the crime of usury, a felony. The Inspector General has provided the findings of this investigation to the Albany County District Attorney’s Office for its review.

The Inspector General recommended that HESC communicate to agency employees that West’s conduct may constitute criminal activity, and, further, that personal financial transactions of this kind, even if legal, are inherently disruptive and unacceptable in the workplace.

HESC advised the Inspector General that it issued an advisory to all agency employees regarding personal financial transactions in the workplace.