

ANDREW R. SHANK

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INDIANA STATE BOARD OF ACCOUNTS
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BACKGROUND

- **BORN AND RAISED IN INDY**
- **ISP BEGINNING IN 2001**
- **LAW SCHOOL GRAD**
- **FBI TASK FORCE OFFICER BEGINNING IN 2009**
- **STATE BOARD OF ACCOUNTS 2015**
- **NOTABLE CASES WITH FBI:**
 - **WILLIAM CONOUR**
 - **INDY LAND BANK**
 - **DANIEL RODDEN**

MY ROLE

- **HOLD PEOPLE ACCOUNTABLE**
- **LIAISON WITH LAW ENFORCEMENT**
 - **LOCAL, STATE, FEDERAL**
- **LIAISON WITH PROSECUTORS**
 - **STATE**
 - **FEDERAL**
- **WHEN CRIMINAL CONDUCT IS SUSPECTED, TAKE SBOA AUDITS FROM ACCOUNTING PRODUCTS TO CRIMINAL CONVICTIONS**

AUTHORITY

- **IC 5-11-1-27: REQUIRES ALL LOCAL UNITS TO REPORT “MATERIAL” LOSSES, THEFTS, OR SHORTAGES DIRECTLY TO SBOA**
- **WHAT IS MATERIAL?**
- **ERR ON THE SIDE OF CAUTION. IF YOU HAVE A MATERIALITY QUESTION, BE SAFE AND REPORT IT**
- **CHECK WITH YOUR GENERAL COUNSEL**
- **WE NEED TO KNOW IMMEDIATELY ABOUT MALICE, NOT MISTAKES**

REQUESTS

- **BE HONEST!**
- **EXPECT HONESTY FROM EVERYONE YOU WORK WITH**
- **REQUIRE HONESTY FROM EVERYONE YOU WORK WITH**
- **USE YOUR INTUITION – IF SOMETHING SEEMS STRANGE OVER AND OVER AGAIN...**
- **TWO ELEMENTS OF MOST SUCCESSFUL CASES:**
 - **HONESTY**
 - **COURAGE TO STAND UP TO DISHONESTY**

HOW TO DETECT

- **NO ONE KNOWS YOUR PROCESSES BETTER THAN YOU**
- **ANOMALIES**
 - **THINGS WORK BETTER WHEN ONE PERSON IS ON VACATION**
 - **DEPOSITS ARE LARGER ON ONE PERSON'S DAYS OFF**
 - **PUBLIC BILLS BEING SENT TO SOMEONE'S HOME**
- **OVERLY PROTECTIVE OF THEIR JOB RESPONSIBILITIES**
- **LIVING BEYOND THEIR MEANS**
 - **GAMBLING**
 - **DRUGS**
 - **CARS**
 - **TRIPS**
 - **CLOTHING**

**A COMBINATION OF
THESE SIGNALS**

WHAT TO REPORT

- THEFTS
 - SIMPLE
 - COMPLEX
- PAY TO PLAY/KICKBACKS/BRIBES
 - CONTRACTING
 - INSPECTIONS
 - EMPLOYEES TO DO THEIR JOBS
- ◉ THE “OLD GUY” RULE

PROBLEMS

It isn't the original scandal that gets people in the most trouble - it's the attempted cover-up.

Tom Petri



HOW TO REPORT

- **CALL/EMAIL ME!**
- **YOUR FIRST INSTINCT MAY BE TO TELL LOCAL LAW ENFORCEMENT**
 - **NOT A BAD IDEA, BUT CAN BE A PROBLEM IN ITSELF:**
 - **SMALL TOWNS/COUNTIES: EVERYONE KNOWS EVERYONE. ELEMENT OF SURPRISE LOST.**
 - **LARGER TOWNS/COUNTIES: LAW ENFORCEMENT HAS MORE PRESSING PROBLEMS. CAN GET LOST IN THE SHUFFLE.**
- **BY TELLING SBOA EARLY, WE CAN CONSTRUCT A PLAN TO DETERMINE EXTENT OF POTENTIAL FRAUD**

WHAT CAN HAPPEN IF YOU DON'T REPORT

- IN VIOLATION OF STATUTE
- IF YOU ARE AWARE AND DO NOT REPORT, THE PERCEPTION CAN BE THAT YOU ARE JUST AS GUILTY
 - OR WERE INVOLVED AS A CO-CONSPIRATOR...
 - OR CONDONED...
 - OR WERE ASLEEP AT THE WHEEL...

None of Which Are Good!

- ALWAYS BETTER TO CONFRONT ISSUES BEFORE THEY EXPLODE THAN CLEAN UP MESS AFTERWARDS
- JOINT AND SEVERAL LIABILITY

PROBLEM AREAS

- CREDIT CARDS
- CASH, CASH, CASH
- ANYWHERE ONE PERSON HAS SOLE RESPONSIBILITY FOR A DUTY
 - ADJUSTMENTS
 - PURCHASING
 - LOGGING PAYMENTS
 - RECONCILING ACCOUNTS
 - INVOICING

HOW TO PREVENT

- ⦿ CROSS-TRAIN AND ROTATE JOB FUNCTIONS
 - BENEFITS BEYOND FRAUD PREVENTION/DETECTION
- ⦿ PAY CLOSER ATTENTION TO POTENTIAL PROBLEM AREAS
- ⦿ MONTHLY RANDOM SAMPLE OF CASH TRANSACTIONS
 - COMPARE INCOMING TO DEPOSITS
- ⦿ SCRUTINIZE CREDIT CARD STATEMENTS
 - NO LUMP SUM/FULL BALANCE PAYMENTS
- ⦿ DETERRENCE: TALK TO YOUR EMPLOYEES
 - THEY WILL BE HELD ACCOUNTABLE
- ⦿ FOLLOW THE RULES

THE AFTERMATH

- **HINDSIGHT IS ALWAYS 20/20**
- **DON'T KICK YOURSELF**
 - **THE THIEF WAS CONSCIOUSLY TRYING TO EVADE DETECTION WHILE YOU RIGHTFULLY ASSUMED THEY WERE HONEST**
- **LEARN FROM YOUR MISTAKES**
- **TAKE IT A STEP FURTHER**
 - **POLICIES**
 - **PROCEDURES**
 - **LOOK FOR WEAKNESSES**
 - **THINK LIKE A CRIMINAL**

WHAT IS NOT CRIMINAL

- **MISMANAGEMENT**
- **SLOPPINESS**
- **NEGLIGENCE**

- **ALL OF THESE THINGS SHOULD BE AVOIDED, BUT DO NOT WARRANT A CRIMINAL INVESTIGATION**
- **WE INVESTIGATE THOSE ENRICHING THEMSELVES, NOT THOSE WHO ARE JUST BAD AT THEIR JOBS**

CASE STUDIES

- SPEEDWAY
- OWEN COUNTY
- INDY LAND BANK

EXTERNAL FRAUD

- ◎ THE APPROACH
 - PHISHING EMAILS
 - SOCIAL ENGINEERING
 - PHONE
 - EMAIL
- ◎ THEFT METHODS
 - WIRE TRANSFERS
 - EFT
- ◎ PREVENTION
 - IT PREVENTION (EMAIL SCREENING, PASSWORD RESETS & STANDARDS)
 - VERIFY, VERIFY, VERIFY

CONTACT INFO

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