

# Steps to Take if Fraud or Theft is Discovered

**2015 IASBO Annual Meeting  
Indiana State Board of Accounts**

# Internal Procedures

- School Corporation administrators should develop internal procedures (controls) that are designed to discover errors, omissions, fraud, and theft.
- Enough individuals should be involved in carrying out the procedures that it would discourage/eliminate the possibility of collusion between employees.
- If the procedures involve “reviews” of work, then the Reviewer should document their findings and initial the records reviewed.

# IC 5-11-1-27 (current)

- Sec. 27. (a) As used in this section, "local government" means county, city, town, or township.

(b) In the compliance guidelines authorized under section 24 of this chapter, the state board of accounts shall define the acceptable minimum level of:

- (1) internal control standards; and
- (2) internal control procedures;

for internal control systems of local governments. The internal control standards and procedures shall be developed to promote government accountability and transparency.

(c) All erroneous or irregular variances, losses, shortages, or thefts of local government funds or property shall be reported immediately to the state board of accounts. The state board of accounts shall:

- (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
  - (A) the method of correcting the condition; and
  - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

(d) The legislative body or the appropriate official overseeing the internal control system shall immediately implement the policies and procedures recommended by the state board of accounts under subsection (c)(3)(B).

As added by P.L.117-2011, SEC.2.

# House Enrolled Act 1264

- Effective July 1, 2015, HEA 1264 amends IC 5-11-1-27 to read in part as follows:

(a) As used in this section, "~~local government~~" means county, city, town, or township. "legislative body" has the meaning set forth in IC 36-1-2-9.

(b) As used in this section, "material" means a significant or consequential amount, as determined by the state examiner and approved by the audit committee.

(d) As used in this section, "political subdivision" has the meaning set forth in IC 5-11-10.5-1.

(j) All erroneous or irregular material variances, losses, shortages, or thefts of ~~local government~~ political subdivision funds or property shall be reported immediately to the state board of accounts. For all material variances, losses, shortages, or thefts, the state board of accounts shall:

(1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;

(2) determine the internal control weakness that contributed to or caused the condition; and

(3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:

(A) the method of correcting the condition; and

(B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

(k) The legislative body or the appropriate official overseeing the internal control system shall immediately implement the policies and procedures recommended by the state board of accounts under subsection ~~(c)(3)(B)~~ (j)(3)(B).

(l) A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

(1) information obtained as a result of a police report;

(2) an internal audit finding; or

(3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision

# SBOA Contact Information

- Ryan Preston
  - [rpreston@sboa.in.gov](mailto:rpreston@sboa.in.gov)
- Tyler Michael
  - [wmichael@sboa.in.gov](mailto:wmichael@sboa.in.gov)
- (317) 232-2512