



INVESTIGATIVE REPORT

Lori Torres, Inspector General

OFFICE: INDIANA AUDITOR OF STATE
TITLE: THEFT; FRAUD
CASE ID: 2018-08-0223
DATE: August 31, 2018

Inspector General Staff Attorney Kelly Elliott, after an investigation by Inspector General Special Agent Michael Lepper, reports as follows:

The Indiana General Assembly charged the Office of Inspector General (OIG) with addressing fraud, waste, abuse, and wrongdoing in the executive branch of state government. IC 4-2-7-2(b). The OIG also investigates criminal activity and ethics violations by state workers. IC 4-2-7-3. The OIG may recommend policies and carry out other activities designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement, and misconduct in state government. IC 4-2-7-3(2).

On August 2, 2018, the OIG received a complaint from the Indiana Auditor of State (AOS) that alleged an attempted theft of state funds. In July 2018, AOS processed an updated Automated Direct Deposit Authorization Agreement and W9 that they received from a state vendor (Vendor). The documentation requested a change to the Vendor's direct deposit bank account and email address. The State attempted to process a payment into the Vendor's updated direct deposit account, but the receiving bank (Bank) contacted the Treasurer of the State to notify them that the State was depositing funds into a personal bank account. The Treasurer of the State notified AOS

of this information, and the Bank stopped payment of the funds into the account. AOS immediately put a hold on further payments to the Vendor.

OIG Special Agent Michael Lepper conducted an investigation into this matter. Through the course of his investigation, Special Agent Lepper interviewed AOS employees and contacted the Vendor and Bank. He also reviewed documentation received from AOS, including the Vendor's updated Automated Direct Deposit Authorization Agreement and W9.

The Vendor confirmed with Special Agent Lepper that the individual who submitted the updated Automated Direct Deposit Authorization Agreement and W9 to AOS was not an employee or listed in their database.

Special Agent Lepper interviewed AOS employees regarding the processing of the Vendor's updated Automated Direct Deposit Authorization Agreement and W9. He found that the AOS employee who processed the Vendor's request followed agency policies and procedures. AOS had no indication that the information they received in the request was fraudulent. AOS informed Special Agent Lepper that they have since modified their policies and procedures to provide for additional securities and safeguards when processing such requests.

Special Agent Lepper contacted the Bank. The Bank informed Special Agent Lepper that the personal bank account in question belonged to an individual located out of the State (Suspect). The Bank provided that the Suspect's account was scheduled to receive a deposit of funds from a different state government. The other state government intended that the funds for this deposit go to the Vendor. The Bank stopped payment on this deposit as well. Special Agent Lepper also notified the Suspect's state law enforcement of the attempted theft.

Special Agent Lepper found no evidence to suggest that the State or Vendor were involved in the attempted theft or fraud. The OIG submitted the results of this investigation to the Federal

Bureau of Investigations. For these reasons, the OIG is closing this case. Should additional information be brought forward, the OIG may reexamine this initial evaluation.

Dated: September 4, 2018

APPROVED BY:

A handwritten signature in black ink that reads "Lori Torres". The signature is written in a cursive style with a long horizontal stroke at the end.

Lori Torres, Inspector General