



INVESTIGATIVE REPORT

Lori Torres, Inspector General

OFFICE: INDIANA AUDITOR OF STATE (AOS)
TITLE: THEFT; FRAUD
CASE ID: 2019-04-0101
DATE: July 26, 2019

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

The Indiana General Assembly charged the Office of the Indiana Inspector General (OIG) with addressing fraud, waste, abuse, and wrongdoing in executive branch agencies of state government. IC 4-2-7-2(b). The OIG also investigates allegations of criminal activity and Code of Ethics violations within state government. IC 4-2-7-3.

On April 5, 2019, the OIG received a complaint alleging that an unknown individual (Suspect) fraudulently obtained a direct deposit paycheck issued to a state employee (Employee). OIG Special Agent Mark Mitchell assisted Indiana State Police (ISP) Detective Charles Meneely with the investigation. Through the course of their investigation, Special Agent Mitchell and Detective Meneely conducted interviews and reviewed bank records and documentation received from the Auditor of the State (AOS) relating to the theft.

Special Agent Mitchell and Detective Meneely learned that the Suspect submitted a request to the Employee's agency (Agency) for a change in direct deposit by using an email account that appeared to belong to the Employee. The Suspect also provided the Agency a fraudulent AOS Payroll Direct Deposit form and voided check along with his or her request. The Agency submitted the fraudulent documentation to AOS, and AOS processed the request. The Employee notified

AOS and ISP when he did not receive his paycheck. AOS attempted to have the transaction reversed, but the bank account in which the State deposited the paycheck had insufficient funds. AOS issued the Employee a replacement paycheck.

Special Agent Mitchell obtained records from the bank account in which the State deposited the Employee's paycheck. The records provided the identity and location of the account owner, which is outside of the State. Special Agent Mitchell also identified paychecks issued to two other individuals deposited in the account. The two individuals are located outside of the State. Special Agent Mitchell obtained further information regarding cash withdrawals from the bank account and the Internet Protocol address used by the Suspect in the email to the Agency. Further details are being withheld due to an ongoing criminal investigation.

AOS informed OIG Special Agent Mitchell of current and pending changes the agency is implementing to prevent future incidents of this nature. AOS now requires verification from an individual requesting a change in direct deposit prior to AOS processing the request. AOS is also in the process of requiring each agency's payroll administrator to submit all changes to Payroll Direct Deposit forms. Additionally, if an individual requests a change in direct deposit, AOS is seeking to require the Payroll Direct Deposit form to include information regarding the individual's existing financial institution.

Special Agent Mitchell and Detective Meneely found no evidence to suggest that the Employee or any other state employee were involved in the fraud or theft. ISP and the OIG submitted the results of this investigation to the U.S. Department of Homeland Security. For these

reasons, the OIG is closing this case. Should additional information be brought forward, the OIG may reexamine this initial evaluation.

Dated: July 26, 2019

APPROVED BY:

A handwritten signature in black ink, appearing to read "Lori Torres", written in a cursive style.

Lori A. Torres, Inspector General