





Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.

Units

- Towns
- Cities
- County Governments
- Townships
- School Corporations
- Special Districts
- Not-For-Profits receiving government funds
- State Agencies





Misfeasance – Not performing a lawful act in a proper manner.

Nonfeasance – An omission to perform a duty or a total neglect to perform a duty.

Malfeasance – Doing an act Wholly wrong.



Special Investigations

- Separate from the audit teams
- Investigate allegations of malfeasance
- 2 Teams (Northern and Southern) 12 investigators
- Coordinate investigations with local/state/federal law enforcement
- Produce charge reports that are enforced by the Indiana Attorney General's Office
- Assist in criminal prosecutions

How we receive complaints

- Government unit referral
- Citizen complaints
- Law enforcement referral
- Audit team referral

Why do we investigate allegations of malfeasance?



Indiana Code 5-11-1-9(a)

The state examiner, personally or through the deputy examiners, field examiners, or private examiners, shall examine all accounts and all financial affairs of every audited entity. . . .

Indiana Code 5-11-1-27(j)

. . . 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 . . .

Internal Steps

Assessments

Investigations

Reports

Possible Outcomes of a Special Investigation

Unfounded – no charge, no report

Compliance Report

Charge Report

Charge Report with Criminal Prosecution

Ghost Employment

Difficult to prove:

- Incomplete Time Records
- Remote work policies
- Unclear job descriptions and duties
- Quantifying any potential loss

Town of Van Buren

- Clerk Treasurer (Michelle Sexton) hired her daughter as the Deputy Clerk.
- Deputy Clerk was almost never in the office.
- Town Marshal kept very detailed records of when the deputy clerk present.
- Deputy Clerk had a second job working at the local school with time records that demonstrated she was being paid for two jobs during the same Hours.

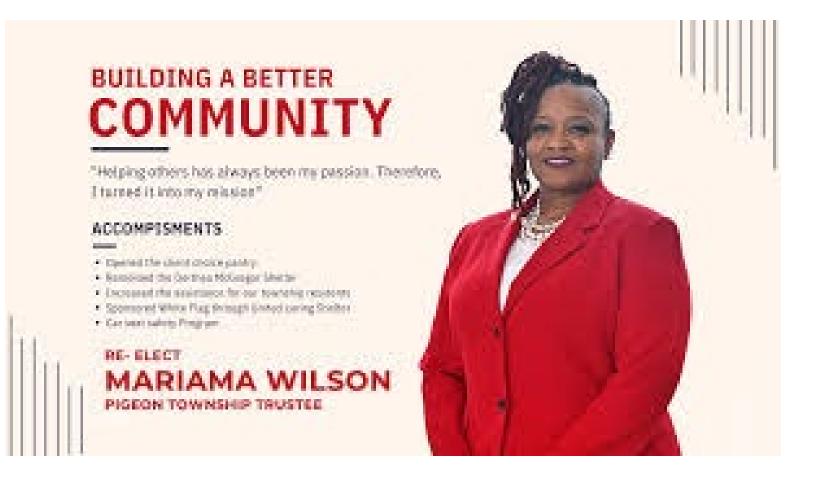
Town of Van Buren

• The investigation determined the Deputy Clerk was paid \$6,398.08 for time she was not in the office.

SBOA's report requested the Clerk and Deputy Clerk to repay the money Jointly.

- SBOA incurred Special Investigation costs of \$6,305, thus the total civil charges to the Clerk and Deputy Clerk were \$12,703.08.
- The Clerk (not the Deputy Clerk) was criminally charged with Theft, Fraud, Counterfeiting, Ghost Employment and Official Misconduct.
- The Clerk Treasurer received 2.5 years of probation.

Pigeon Township



Mariama Wilson – Township Trustee

William Payne – Township Community Relations Director and Shelter Coordinator

Terrance Hardiman – Owner of Hardiman Construction, LLC

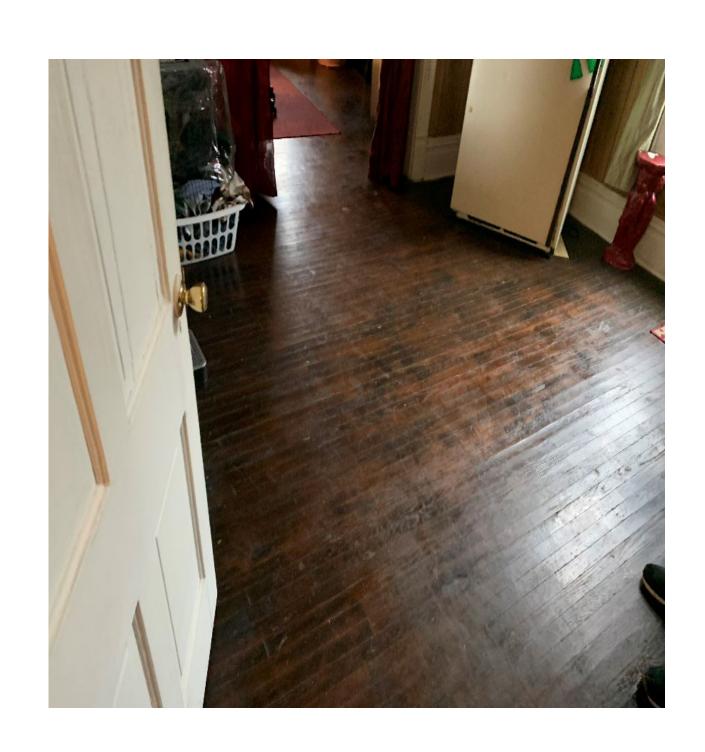
Dorathea MacGregor Family Shelter



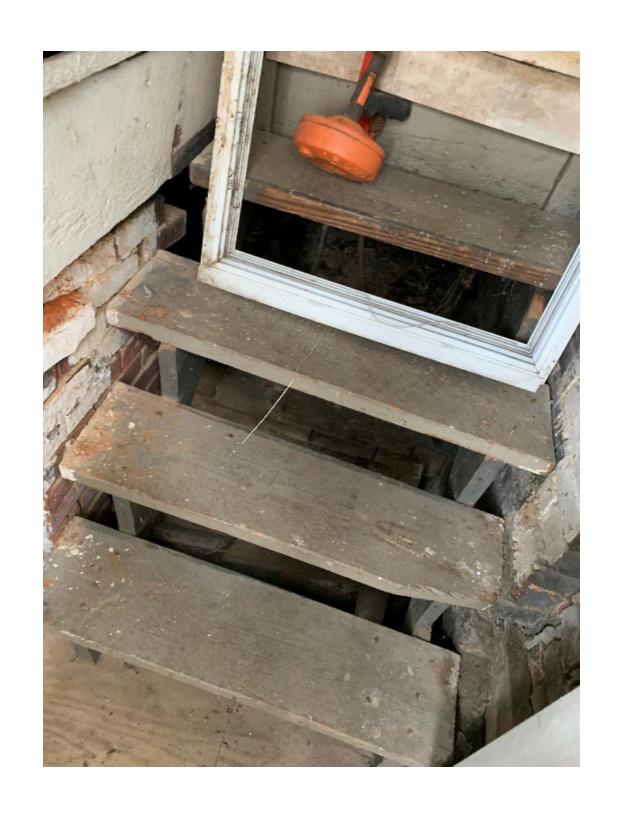
Pigeon Township

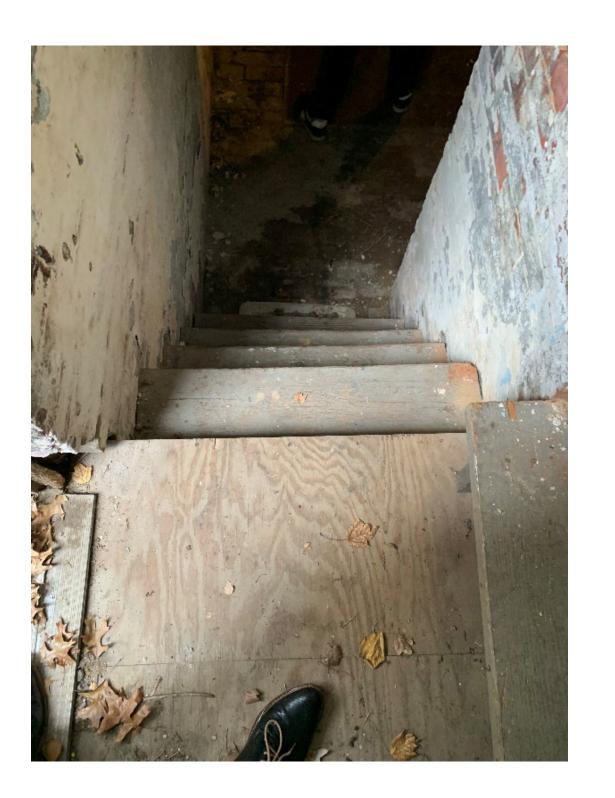
- The Township never entered into any type of work agreement with Hardiman Construction.
- During the review period, the township wrote 39 checks to Hardiman totaling \$215,371 for work to be performed on the homeless shelter, homeless shelter garage and the township food pantry.
- Pigeon Township only provided one quote for work done to the shelter from a rival vendor. The quote was for \$65,110, however the work was awarded to Hardiman. Hardiman billed \$111,846 and the work performed by Hardiman did not include several things the rival vendor's quote did include.

On site visit on February 7, 2023



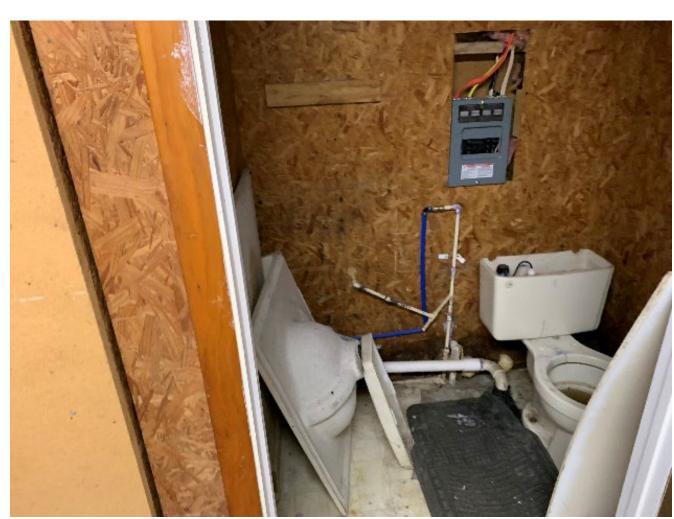
On site visit on February 7, 2023





On site visit on February 7, 2023







Pigeon Township

•	Invoiced	work	not	completed	\$30,400
---	----------	------	-----	-----------	----------

•	Overpayment of invoices	\$5,100
---	-------------------------	---------

Payments without documentation \$20,475

• Total \$55,975

• Special Investigation costs \$31,383

Pigeon Township

 Wilson, Hardiman and Payne were charged with the following counts on April 26, 2023:

Count 1

18 US Code 1349
Conspiracy to Commit Wire Fraud

Count 2-5

18 US Code 1343 and 2
Wire Fraud

Hardiman was charged with an additional count
 18 US Code 1956(a)(1)(B)(i), Mondy Laundering

Fairfield Township Trustee

Malfeasance included:

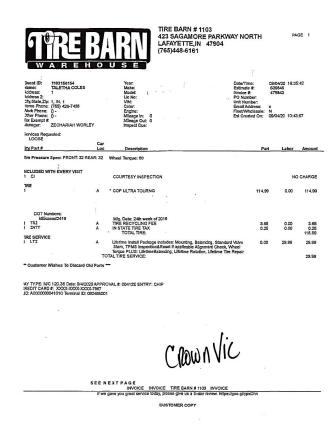
Personal expenditures

Salary overpayment

 Selling personal property to the township without filing a conflict-of-interest statement

Fraudulent Receipt

FAIRFIELD TOWNSHIP, TIPPECANOE COUNTY RESULTS AND COMMENTS (Continued)



In looking at the invoice, we observed much of the information at the top was missing, such as the year and the make and model of the vehicle, so we contacted Tire Barn. Tire Barn provided us with their store copy of the invoice. The Tire Barn store copy of the invoice indicated it was for a 2016 Honda Civic as pictured below:



RealReceipt

FAIRFIELD TOWNSHIP, TIPPECANOE COUNTY RESULTS AND COMMENTS (Continued)

TRE	BA	TIRE BARN # 1103 423 SAGAMORE PARK LAFAYETTE,IN 47904 (765)448-6161	WAY NOR	гн	PAG	9E 1
Guest ID: 1103150154 Name: TALETHA COLES Address: 1 Address 2: City State Zip: 1, IN, 1 Home Phone: (765) 426-7438		Year: 2018 Make: HONDA Model: CMIC EX-L LUM: NO.	Date/Time: Estimate #: Invoice # PO Number Unit Numbe Email Addre	639 475 : r. ss: x		4 2
Wark Phone: () - Other Phone: () - Tax Exempt # ZECHARIAH WCRI Services Requested: LOOSE	LEY	Engine: L4 1.5L 16V DOHC TBO ID-L1667 Mileage In: 0 Mileage Out: 0 Inspect Due:	Reet/Whole Est Created	sale: N On: D2:D	420 10:43.0	07
Oty.Part#	Car Loc	Description		Part	Labor	Amou
Tire Pressure Spec: FRONT: 32 R						
TIRE 1 90000020210C	A	COP ULTRA TOURING CS5 Tre Size: 21555R16 Speed Rating: H Ply, 04 Losd Range: 8 Sciental: ELK Load Index: 93 Mistope Warranty: 7000		114.99	0.00	114
DOT Numbers: k85casad2419		Mfg. Date: 24th week of 2019				
1 TR2 1 ENTT	Â	TIRE RECYCLING FEE IN STATE TIRE TAX		3.65 0.25	0.00 0.00	3
TIRE SERVICE	A TO	TOTAL TIRE: Lifetime Install Package Includes: Mounting, Balanding, Standa TPMS Inspection&Reset if applicable Alignment Check, Wheel LifetimeBalanding, Lifetime Rotation, Lifetime Tire Repair TAL TIRE SERVICE:	rd Valve Stern, Torque PLUS:	0.00	29.99	118 29 29
*** Customer Wishes To Discard						
PAY TYPE: MC 100 36 Date: 94401 CREDIT CARD =: MOXCASOCA-XX AID: ACCOCCOCO410 10 Terminal ID:	CXX-7987	VAL #: 00412E ENTRY: CHIP				
		NEXT PAGE PRINT OF AN INVOICE, DO NOT PAY THIS INVOICE TWICE!	(Reprinted: 02/09	9/22 10:16:5	1)	

Per an interview with Coles on August 10, 2022, Coles stated that she wrote "Crown Vic" on the invoice she provided to us for the investigation. When presented with the invoice we obtained from Tire Barn, Coles confirmed that she had a Honda Civic. Coles stated that she could not explain the invoice discrepancies, but stated if the Tire Barn invoice was correct, she would repay the money to the Township.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

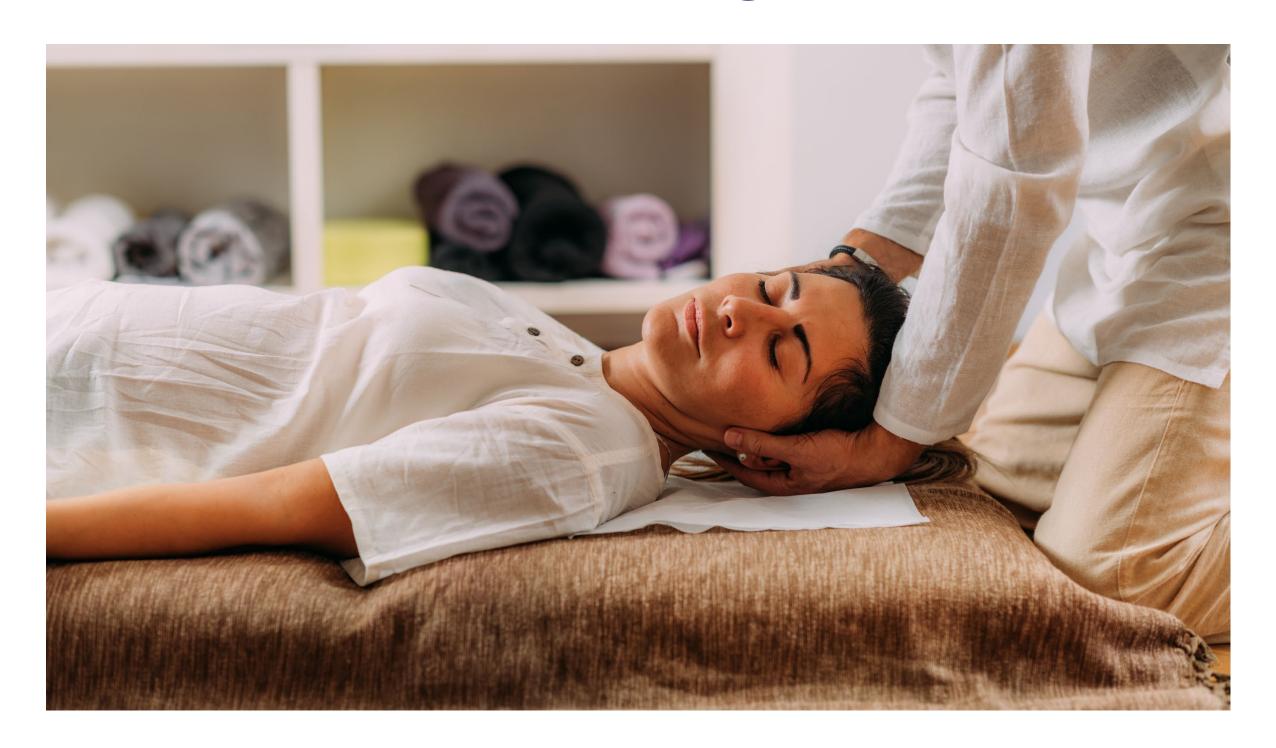
Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested Coles reimburse the Township for the altered invoice in the amount of \$120.36. Coles reimbursed \$121 to the Township on August 31, 2022. (See Summary of Charges, page 46)

\$17,787 of Self-Help Materials



Took her entire staff to a "team building event"



Total loss to the unit was \$53,827.51



Coles was sentenced to four years

Anderson School Corporation Bookkeeper



Carla Burke

- One of Burke's duties was to pay school vendors.
- Burke would submit vouchers for payment and once approved, she would send the payment to the vendor.



Carla Burke

- Burke began submitting fraudulent voucher claims.
- Once Burke received the check electronically, she had the ability to change the vendor's name to her name, cash the check, then change it back.
- Burke did this 312 times over a five-year period and was successful in stealing \$976,773.29.
- Federally indicted on multiple counts of wire fraud and was sentenced to 28 months incarceration.
- The Crime Victims Relief Act allowed for the Attorney General's Office to seek three times the loss, \$2,946,871.84.

Reasons a good person may resort to theft

- 1. Expenses related to an accident or illness involving a family member
- 2. Spouse's loss of job
- 3. Debt
- 4. Passed up for a truly deserved raise
- 5. Just "borrowing" with intent to pay back the amount taken
- 6. Child college expenses



Darker Reasons often unknown to co-workers

- Drugs
- Gambling debts or Other uncontrollable habits
- Blackmail
- Greed
- Irrational desire to provide everything possible for grandchildren or family



What's the number one reason people steal?

Because they can!

0000

THANK YOU

OFFICE



Indianapolis, In



(317) 694-0721



Ewheele@sboa.in.gov





How to Create a Anti-Fraud Program



Paul D. Joyce, CPA State Examiner

0000

Anti-Fraud Playbook

 The Anti-Fraud Playbook: The Best Defense is a Good Offense

 Published by: The Association of Certified Fraud Examiners (ACFE) in partnership with Grant Thorton

Monitor the fraud risk management process, report results, and improve the process

reporting process and coordinated approach to investigation and corrective action, including analyzing and remediating root causes

risk management policy as part of organizational governance

> Perform comprehensive fraud risk assessments

Select, develop, and deploy preventive and detective fraud control activities

Fraud Risk Governance

Understand Where You Are and Where You Want to Be

2. Create a Culture

Understand Where You Are and Where You Want to Be

- Tailored to unique needs of agency.
- Consider the level of maturity in your fraud risk framework.

- If nothing in place?
 - Where do your <u>fraud risks lie</u>?
 - What controls are currently in place?

Understand Where You Are and Where You Want to Be



- No need to be time-consuming or rigorous.
- Resources should be effectively utilized.
 - Areas of High Impact + High Priority
- Create a RoadMap!
 - Consider conducting a Maturity Assessment

- Is the agency aware of the need of a formal fraud risk management program?
- Are fraud risk management processes organized, reviewed periodically, and updated to reflect updates in processes?
- Are internal controls developed and documented specific to both external and internal fraud?
 - Are fraud controls monitored for effectiveness?
- Is information about prior known fraud instances aggregated and analyzed to improve procedures?

- Is ongoing anti-fraud training provided to all employees?
 - Do employees understand what fraud is?
 - Have the consequences of fraud been made clear?
 - Do employees know where to seek advice on potential unethical situations?
 - Has a zero-tolerance policy been communicated through words/actions?
- Is an effective fraud reporting mechanism in place?
 - Do employees know how to use it?
 - Is there more than one reporting channel?
 - Do employees trust reports are confidential?
 - Has it been made clear that reports will be acted upon promptly?
 - Do reporting policies extend to external parties?

- To increase employees' perception of detection, are these measures being taken?
 - Is fraud sought out rather than dealt with passively?
 - Are internal surprise audits performed?
 - Are data analytics used to identify variances?
 - Are controls reviewed and monitored?
- Is management's tone at the top one of honesty and integrity?
 - Are employees surveyed to determine if management acts with integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been identified?
 - Have internal control policies been implemented and tested?
- Are fraud risk assessments performed to proactively identify and mitigate the agency's vulnerabilities to fraud?

- Are strong anti-fraud controls in place and operating effectively? This could include:
 - Proper Segregation of Duties
 - Use of Authorizations
 - Physical Safeguards
 - Job Rotations
 - Mandatory Vacations
- Does the internal audit department, if one exists, have adequate resources and authority?
 - Does the internal audit department operate without undue influence from management?
- Is an open-door policy in place that allows employees to speak freely about pressures?
- Are regular, anonymous surveys conducted to assess employee morale?

Fraud Risk Governance

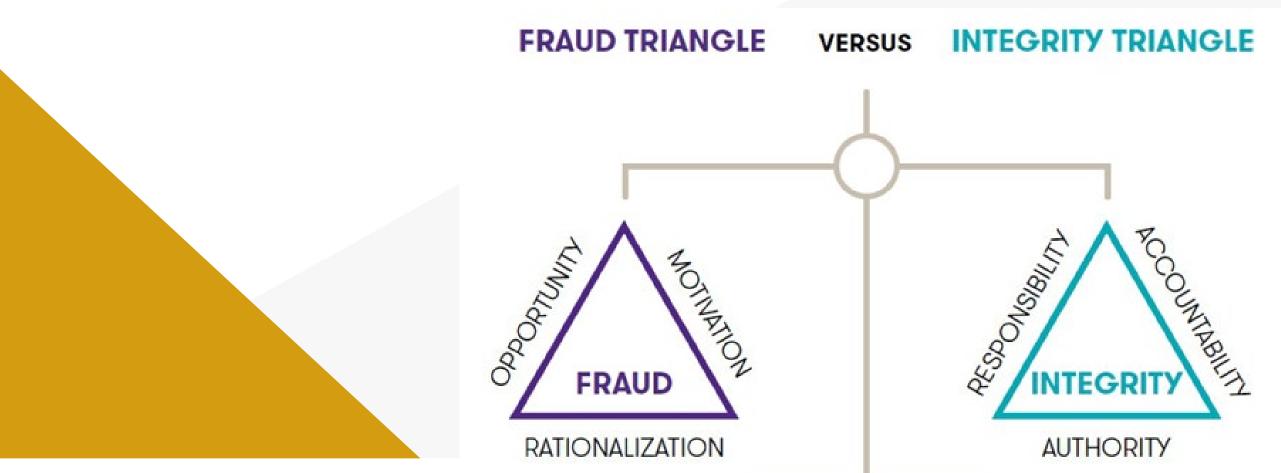
Understand Where You Are and Where You Want to Be

2. Create a Culture

Create a Culture

- Fraud Awareness is critical.
 - From Top Down

Fraud Integrity Triangle



Create a Culture



- How to promote fraud awareness?
 - Develop a fraud risk governance policy.
 - Develop anti-fraud training.
 - Host fraud awareness events.
 - Communicating roles related to fraud risk management.

Key Questions – To Establish Anti-Fraud Governance

- Do you have a comprehensive FRM policy in place?
- Have you established, documented, and communicated roles and responsibilities related to FRM across all levels of your agency, including reporting mechanisms?
- Is messaging about fraud risk management communicated throughout your organization, from leadership down to employees at all levels? How do you assess the effectiveness of these efforts?
- Do you have fraud awareness initiatives in place? How often are fraud topics discussed throughout all levels of your organization and across key stakeholders?
- Do you periodically assess the effectiveness of your organization's fraud awareness efforts and track progress or gaps over time?

Fraud Risk Assessment

3. Think Like a Fraudster

4. Discover What You Don't Know

Think Like a Fraudster

- Brainstorm possible schemes!
- i. "If I can get my supervisor in on it, I could add overtime to my pay and split the extra with them."
- ii. "There is one employee who always leaves their computer unlocked. When they are away, I could download account information to sell on the dark web or change payee information to my bank account."
- "I am underpaid, and the state has been working me too hard. It won't hurt anyone if I take one small check,"

Think Like a Fraudster



- What is your agency vulnerable to?
 - Internal + External
- Start with known fraud events + existing risks.
- Utilize a Fraud Risk Map!
 - Helps identify potential scenarios.

Business Unit	Internal or	General Fraud Category	Fraud Scheme Type	Fraud Scheme	"Sub Fraud Scheme"	<u>Actor</u>	<u>Fraud</u> <u>Risk</u>	Underlying Fraud Risk	Related Control
	External						Entry Point		Activities
Payroll	Internal	Asset Misappropriation	Fraudulent Disbursements	Payroll - Falsified Raise	Overpayment	Payroll Employee	Payroll records	A payroll employee submits an unauthorized pay rate increase	Any change to an employee's salary requires more than one level of approval

Key Questions – To Develop a Fraud Risk Map

- How will you break down your fraud risk map to include your entire agency (i.e., departments, divisions, operating units, etc.)?
- What types of information do you want your fraud risk map to include? How can you translate that into an effective template?
- How might a fraud perpetrator exploit any weaknesses in the system of controls?
 - What internal fraud schemes is your agency vulnerable to?
 - How could a perpetrator override or circumvent controls?
 - Who might have a motive or incentive to commit fraud?
 - What type of external fraud schemes is your agency vulnerable to?
 - What types of fraud are most prevalent based on known fraud occurrences? What other internal data can you leverage to identify potential fraud schemes?
 - Have you considered non-financial fraud risks and schemes?

Fraud Risk Assessment

3. Think Like a Fraudster

4. Discover What You Don't Know

Discover What You Don't Know

Increase the Perception of Detection

- Be Proactive
 - Visible at all levels of the agency
 - Promote + Broadly Communicate



- Risk Assessment is an Art, not a Science
 - Consider unique/strategic agency goals

Steps of a Fraud Risk Assessment

- 1. Establish the fraud risk assessment team
- 2. Determine your starting point
- 3. Identify all fraud schemes
- 4. Estimate the likelihood and significant of each fraud scheme
- 5. Identify existing controls and assess effectiveness
- 6. Prioritize fraud schemes
- 7. Assess and respond to high-priority or significant fraud schemes
- 8. Document the risk assessment
- 9. Reassess periodically

Key Questions – Fraud Risk Assessment

- Who will be on your fraud risk assessment team? What are their roles and responsibilities?
- Where do you want to start your fraud risk assessment?
- Does your agency leverage a likelihood and impact scale for other risk assessment efforts that you can leverage for assessing fraud risk? If not, how do you plan to develop those scales?
- How will you educate stakeholders on the fraud risk assessment process to ensure understanding of key terms and procedures?
- How will you document and evaluate existing fraud controls throughout the assessment process?
- What factors should you consider when prioritizing fraud risks? Will this be based solely on likelihood and impact scores, or will other information be considered?
- How will you respond to high-priority risks identified? How can you leverage your roadmap and strategy to inform this process?
- How often will you perform a fraud risk assessment? What changes will initiate a reassessment.

Fraud Control Activities

5. Use Data to Uncover Fraud

6. Knowledge is Power

Fraud Investigation and Corrective Action

7. Lay the Groundwork for Investigations

8. Conduct Investigations

Fraud Risk Management Activities

9. Monitor Your Progress

10. Report on Your Progress

0000

Previous SBOA Bulletin Articles

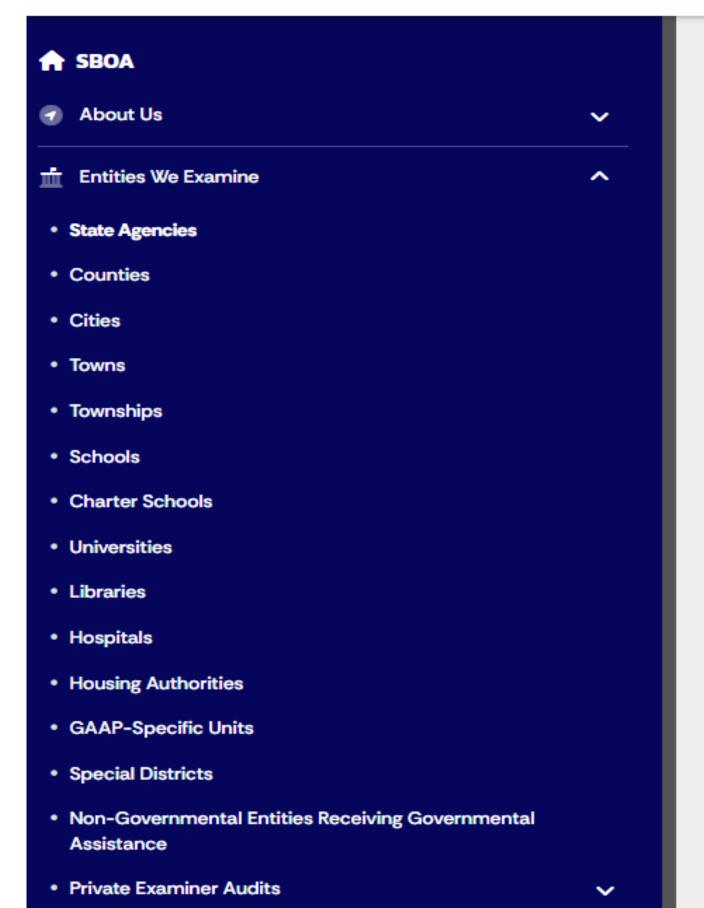
- Fraud Series Part 1 (Fraud Risk Governance) January 2025
- Fraud Series Part 2 (Fraud Risk Governance) April 2025
- Fraud Series Part 3 (Fraud Risk Assessment) July 2025
- Fraud Series Part 4 (Fraud Risk Assessment) October 2025

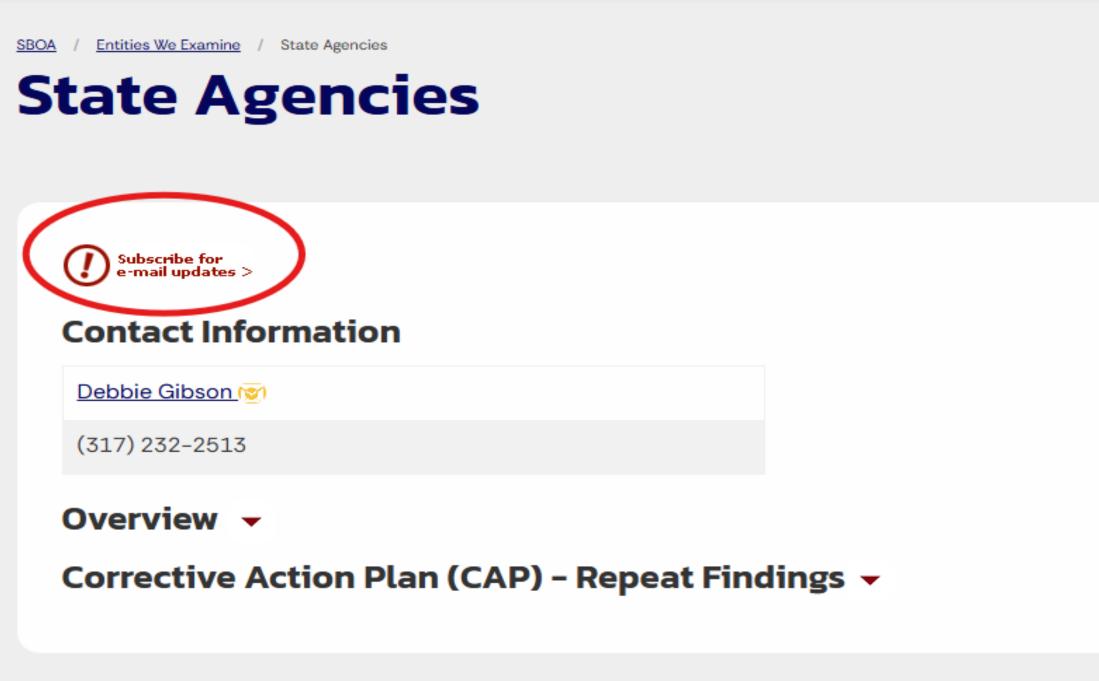
https://www.in.gov/sboa/political-subdivisions/state-agencies/

IN. 90V An official website of the Indiana State Government



Indiana State Board of Accounts





Uniform Compliance Guidelines (Manuals) -

State Examiner Directives -

Bulletins -



SBOA State Advisory Services

Who are we?

 We are a department within the State Board of Accounts that offers cost-free professional consulting services and audit guidance to State agencies

What do we do?

- We work with State agencies to resolve audit findings
- We give State agencies audit positions and recommendations
- We perform special projects and compliance audits at the authority of the State Examiner
- We offer trainings for Internal Control Officers and publish the quarterly State Agency Bulletin

State Advisory Services Projects

- Recently Completed Projects
 - Receipting Project
 - We helped agencies map out their receipting process and offered recommendations
 - Food and Beverage Tax Review
 - Reviewed food and beverage taxes for each local unit that imposes a food and beverage tax
 - Governor's Residence Inventory
 - Performed inventory of the Residence and worked with the Residence to update their inventory processes

- On-Going Projects
 - Reconcilement Project
 - Gain assurance that all State-wide financial activity is being recorded in PeopleSoft Financials and reported on the State ACFR
 - We are also reviewing SDO accounts to ensure those accounts are being reconciled and compliance requirements are being met
 - Contracting Project

Reconcilement Project Common Issues

- Standard Operating Procedures
 - No SOP, SOP not on a formal SOP template, or SOP has not been reviewed or updated annually
- Documenting Controls over Reconcilements
 - No evidence that there was a preparer and reviewer
- Reconcilements to PeopleSoft Financials
 - For agencies who utilizes financial systems, databases, or software outside of PeopleSoft Financials:
 - Reconcilements should occur between the two to ensure they agree

Contracting Project

Phase 1 (On-Going)

- All executive branch agencies were contacted to obtain their policies and procedures over contracts
- Actual testing focused on contracts over \$5 million in FY25
 - Was the contract approved by the appropriate party?
 - Were the spending terms of the contract being met?

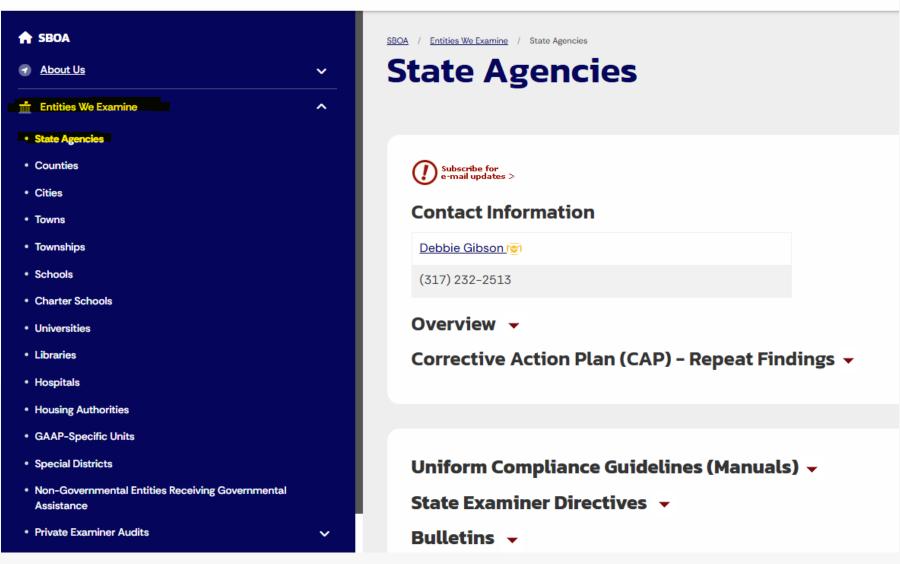
Phase 2

- Continuation of Phase 1 for executive branch agencies who had contracts over \$5 million in FY25
- Phase 2 will focus on the bidding process
 - We will ask those agencies to complete a Contracts Risk Questionnaire and to submit supporting documentation for the supplier selection process

Resources

SBOA Website





Resources (cont'd)

- Monthly training videos (10-15 minutes)
 - Posted to the State Board of Accounts YouTube channel
 - Past Training Topics
 - Standard Operating Procedures
 - FFATA Reporting
 - Internal vs External Audit
 - Fraud Awareness
 - E-1 Reporting
- SBOA State Internal Control Officers Teams Channel

Contact Us Anytime!

Teams Channel: Send us a chat

Email: stateagencyadvisory@sboa.in.gov

Call: 317-232-2513

Schedule an Appointment



State Advisory Services

Debbie Gibson, CPA, CFE Executive Director

Susan Gordon, CPA
Director

Chase Lenon, CPA, CIA, CGFM, CFE Director