Mark Mahon
Director of Special Investigations
Indiana State Board of Accounts

Mark’s Background

• U.S. Army veteran
• Retired from the FBI after 20 years of service (Violent Crimes, Terrorism, Cyber, Public Corruption and Fraud Cases)
• Joined the State Board of Accounts in 2016
Tammy Baker
Special Investigations Coordinator
Southern District

Tammy’s Background

• Joined the State Board of Accounts in 1992
• Served as Field Examiner
• Served as Supervisor over Not-For-Profits; License Branches; Schools and Townships; and Special Investigations Coordinator

Dean Gerlach
Special Investigations Coordinator
Northern District

Dean’s Background

• Joined the State Board of Accounts in 1980
• Served as Field Examiner; Field Supervisor; and Special Investigations Coordinator
Dave Bixler
Senior Special Investigator Southern District

DAVE’S BACKGROUND

- Joined the State Board of Accounts in 1987
- Served as Field Examiner; Auditor in Charge; and Special Investigations Examiner

Map of Special Investigations Districts
April 2018

Northern District:
- Dean Gerlach, Coordinator
- Stan Willmert
- Mary Jo Small
- Jeff Paul
- Steve Poor
- Kristin Campbell
- Bill Vinson

Southern District:
- Tammy Baker, Coordinator
- Gina Gambaiani
- Annette Ladson
- Sandy Gerlach
- David Bixler
- Lynne Spencer
- Jon Bennington
- Eugene West
- Sam Wilson
SBOA Special Investigations Role

• Assess situations where there is an indication of fraud or other criminal activity involved
• Where appropriate, conduct a focused audit/investigation on the activities related to the potential criminal activity
• Coordinate with law enforcement, prosecutors, and the Indiana Attorney General to resolve the matter through the judicial system
• Prevent the misuse of public resources through education and outreach

What to expect from Special Investigations

Assessment Phase
• In initial call, we will notate the who, what, when, where, and how much
• Obtain contact information
• Assess the situation to determine if it is within the SBOA’s jurisdiction
• Perform an initial review of documents
• Determine the priority in relation to other engagements
• When appropriate, conduct focused audit/investigation
What to expect from Special Investigations

Audit/Investigation Phase

- Basic steps during the investigation
  - Collect and analyze pertinent data
  - This may involve on-site and off-site work
  - Identify the activity
  - Determine accountability
  - Determine intent
- Coordinate with appropriate law enforcement or Prosecutor

Coordination with Law Enforcement/Prosecutor

- We may work with local law enforcement, IRS, IDOR, etc.
- Coordinate on who is doing what work
  - SBOA may do the accounting work and review of financial records
  - Law enforcement may do interviews and consult with Prosecutor regarding criminal charges
  - Issuance of subpoenas when necessary
- Determine the necessary documentation required to support criminal case
- Coordinate with the State Attorney General for collection of civil amounts
What to expect from Special Investigations

Reporting/Prevention/Outreach

• How is this accomplished:
  • Reporting
    • Special Investigation Report
    • Special Compliance Report
    • Management Letter
  • Potential solutions for compliance related items
  • Recommendations for strengthening internal controls
    • Discussions during the audit/investigation
    • Manuals, County Bulletins, SBOA website (www.in.gov/sboa/), Associations

Prevention Equals Good Internal Controls

• Ensure no one person has control over all parts of a transaction.

• Restrict use of agency credit cards and verify all charges made

• Protect checks against fraudulent use.

• Protect cash and check collections.

• Think about these items in relation to your specific situation. Do you have two employees or twenty? Do you operate in more than one physical location?
Need For Internal Controls

• Susceptibility to Fraud – Governments at all levels are at risk.
Internal Controls

- Review In Relation To Your Offices – Consider adding some different items based on your circumstances.

Issues To Look Out For

- Skimming schemes
- Use of position to waive fees/not charge/not collect for services
- Use of unit’s credit card to pay for personal purchases
- Fraudulent reimbursement schemes
- Overpayment of Salary
- Kickbacks/Bribery/Pay to Play
- Red Flags
Issues To Look Out For

Red Flags – Various situations that have been consistently shown to be contributing factors to fraud.

• Tips – Sources of information for initiation of investigations.

FIG. 38: How often do perpetrators exhibit behavioral red flags?

<table>
<thead>
<tr>
<th>Red Flags</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using beyond means</td>
<td>4%</td>
</tr>
<tr>
<td>Financial difficulties</td>
<td>29%</td>
</tr>
<tr>
<td>Unusual close association with vendor/customer</td>
<td>30%</td>
</tr>
<tr>
<td>No behavioral red flags</td>
<td>15%</td>
</tr>
<tr>
<td>Central issue, unfitness to share duties</td>
<td>15%</td>
</tr>
<tr>
<td>Service/fitness problem</td>
<td>14%</td>
</tr>
<tr>
<td>&quot;Whistle-blower&quot; attitude</td>
<td>13%</td>
</tr>
<tr>
<td>Instability, suspiciousness, or defensiveness</td>
<td>12%</td>
</tr>
<tr>
<td>Addiction problems</td>
<td>10%</td>
</tr>
<tr>
<td>Complained about inadequate pay</td>
<td>9%</td>
</tr>
<tr>
<td>Excessive pressure from within organization</td>
<td>7%</td>
</tr>
<tr>
<td>Social isolation</td>
<td>7%</td>
</tr>
<tr>
<td>Poor legal problems</td>
<td>6%</td>
</tr>
<tr>
<td>Refusal to take vacations</td>
<td>6%</td>
</tr>
<tr>
<td>Past employment-related problems</td>
<td>6%</td>
</tr>
<tr>
<td>Complained about lack of authority</td>
<td>5%</td>
</tr>
<tr>
<td>Excessive family/poor pressure for success</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
<tr>
<td>Instability in life circumstances</td>
<td>2%</td>
</tr>
</tbody>
</table>

FIG. 9: How is occupational fraud initially detected?

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit</td>
<td>40%</td>
</tr>
<tr>
<td>Management review</td>
<td>19%</td>
</tr>
<tr>
<td>By accident</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td>Account reconciliation</td>
<td>6%</td>
</tr>
<tr>
<td>Document examination</td>
<td>5%</td>
</tr>
<tr>
<td>External audit</td>
<td>4%</td>
</tr>
<tr>
<td>Surveillance/monitoring</td>
<td>4%</td>
</tr>
<tr>
<td>Notified by law enforcement</td>
<td>2%</td>
</tr>
<tr>
<td>IT controls</td>
<td>2%</td>
</tr>
<tr>
<td>Confession</td>
<td>1%</td>
</tr>
</tbody>
</table>

FIG. 10: Who reports occupational fraud?

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>55%</td>
</tr>
<tr>
<td>Customer</td>
<td>21%</td>
</tr>
<tr>
<td>Competitor</td>
<td>18%</td>
</tr>
<tr>
<td>Vendor</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>

But this data suggests organizations should also consider promoting reporting mechanisms to outside parties, especially customers and vendors. Additionally, more than 10% of the reported frauds were reported by outside parties, demonstrating that a significant portion of those who reported fraud did not know their identities known. Whistleblowers often have a fear of being identified or retaliated against, which is why it is important that they be able to make reports anonymously where such practice is legally permissible.
What to do if you suspect criminal activity

• IC 5-11-1-27: Requires all local units to report losses, thefts, or shortages directly to SBOA

• Contact SBOA as soon as possible
  • SBOA Director for your unit (Counties are Lori Rogers and Stephanie Heath)
  • SBOA website (www.in.gov/sboa/)
  • Mark Mahon, Tammy Baker or Dean Gerlach
  • Regular SBOA audit team if they are on-site

• Often officials will also contact ISP, local law enforcement, Prosecutor and/or FBI. They are still required to contact the SBOA.

CONSIDERATIONS

• The matter will take time to resolve
• Emotions can run high
• Investigations are conducted with the highest level of professionalism
• Mismanagement, sloppiness, political differences and ethical lapses are not criminal
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