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BACKGROUND

• Born and raised in Indy
• ISP beginning in 2001
• Law School Grad
• FBI Task Force Officer beginning in 2009
• State Board of Accounts 2015
• Notable cases with FBI:
  • William Conour
  • Indy Land Bank
  • Daniel Rodden
My Role

• Hold people accountable
• Liaison with law enforcement
  • Local, State, Federal
• Liaison with Prosecutors
  • State
  • Federal
• When criminal conduct is suspected, take SBOA audits from accounting products to criminal convictions

Authority

• IC 5-11-1-27: Requires all local units to report “material” losses, thefts, or shortages directly to SBOA
• What is material?
• Err on the side of caution. If you have a materiality question, be safe and report it
• Check with your general counsel
• We need to know immediately about malice, not mistakes
Requests

- Be honest!
- Expect honesty from everyone you work with
- Require honesty from everyone you work with
- Use your intuition — if something seems strange over and over again...
- Two elements of most successful cases:
  - Honesty
  - Courage to stand up to dishonesty

How to Detect

- No one knows your processes better than you
- Anomalies
  - Things work better when one person is on vacation
  - Deposits are larger on one person’s days off
  - Public bills being sent to someone’s home
- Overly protective of their job responsibilities
- Living beyond their means
  - Gambling
  - Drugs
  - Cars
  - Trips
  - Clothing

A combination of these signals
What to Report

• Thefts
  • Simple
  • Complex
• Pay to Play/Kickbacks/Bribes
  • Contracting
  • Inspections
  • Employees to do their Jobs
  ○ The “old guy” rule

Problems

It isn’t the original scandal that gets people in the most trouble - it’s the attempted cover-up.

Tom Petri
How to Report

- Call/email me!
- Your first instinct may be to tell local law enforcement
  - Not a bad idea, but can be a problem in itself:
    - Small towns/counties: Everyone knows everyone. Element of surprise lost.
    - Larger towns/counties: Law enforcement has more pressing problems. Can get lost in the shuffle.
- By telling SBOA early, we can construct a plan to determine extent of potential fraud

What Can Happen if You Don’t Report

- In violation of statute
- If you are aware and do not report, the perception can be that you are just as guilty
  - Or were involved as a co-conspirator...
  - Or condoned...
  - Or were asleep at the wheel...

None of Which Are Good!

- Always better to confront issues before they explode than clean up mess afterwards
- Joint and Several Liability
Problem Areas

- Credit Cards
- Cash, Cash, Cash
- Anywhere one person has sole responsibility for a duty
  - Adjustments
  - Purchasing
  - Logging Payments
  - Reconciling Accounts
  - Invoicing

How to Prevent

- Cross-train and rotate job functions
- Benefits beyond fraud prevention/detection
- Pay closer attention to potential problem areas
- Monthly random sample of cash transactions
  - Compare incoming to deposits
- Scrutinize credit card statements
  - No lump sum/full balance payments
- Deterrence: Talk to your employees
  - They will be held accountable
- Follow the Rules
The Aftermath

- Hindsight is always 20/20
- Don’t kick yourself
  - The thief was consciously trying to evade detection while you rightfully assumed they were honest
- Learn from your mistakes
- Take it a step further
  - Policies
  - Procedures
  - Look for weaknesses
  - Think like a criminal

What Is Not Criminal

- Mismanagement
- Sloppiness
- Negligence

- All of these things should be avoided, but do not warrant a criminal investigation
- We investigate those enriching themselves, not those who are just bad at their jobs
Case Studies

• Speedway
• Owen County
• Indy Land Bank

External Fraud

- The Approach
  - Phishing Emails
  - Social Engineering
    - Phone
    - Email
- Theft Methods
  - Wire Transfers
  - EFT
- Prevention
  - IT Prevention (email screening, password resets & standards)
  - Verify, verify, verify
Contact Info

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