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

- Andy Shank
- Director of Special Investigations
- Indiana State Board of Accounts
- 317-234-9573
- Ashank@SBOA.IN.gov