



# Working Hard for the Money: The Endless Fight against Fraud

Auditor of State Tera Klutz  
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# Background

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- BA in Accounting from Indiana University- Fort Wayne (Now Purdue FW)
- Former Senior Accountant at Crowe & PWC
- Chief Deputy Auditor for Allen County, 2003-2010
- Elected Allen County Auditor, 2010 & 2014
- Appointed State Auditor, January 2017
- Elected State Auditor, November 2018
- First CPA to serve as Indiana's Chief Financial Officer



# What I do NOT do ...

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- Audit the State
- Audit individuals
- Audit private corporations
- Audit local units of government



These duties are handled by the Indiana Department of Revenue and the State Board of Accounts.



# Role of the Auditor of State (AOS)

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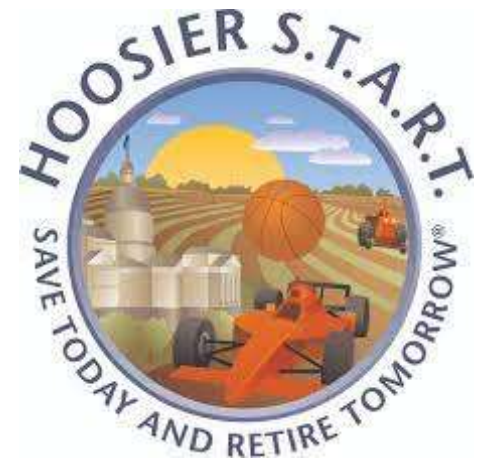
- Serves as the Chief Financial Officer of the State
- Responsible for Accounting & Reporting for the State
- Pay all State Employees & Vendors
- Constitutional Check & Balance with the State Treasurer



# Role of the Auditor of State, cont.

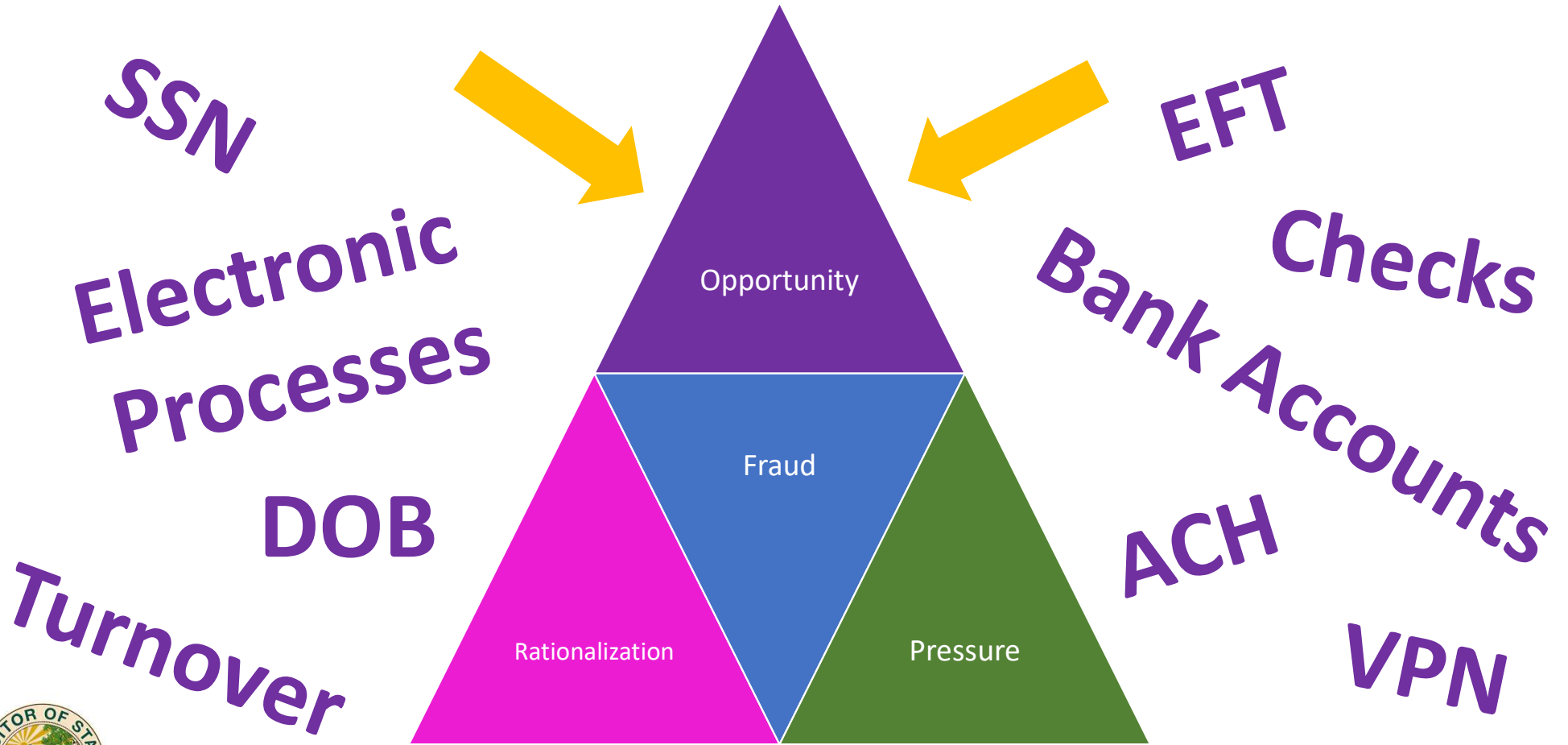
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- Serve on several State Boards & Commissions:
  - Indiana Board of Finance
  - Indiana Deferred Compensation Committee
    - Administrator for Hoosier S.T.A.R.T 457/401 plans
  - Indiana Board for Depositories
  - Indiana Public Retirement System (INPRS)





# Opportunities for Fraud



# Proactive AOS Approach

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In 2017 AOS began documenting all policy and procedures

- First Step – Identify Procedures Performed
  - 201 procedures were initially identified & approximately 300 procedures by 2020
- Second Step – Create Standard Operating Procedures (SOP)
- Third Step – Review SOP for the following areas:
  - Management Awareness
  - Compliance with Federal & State Law
  - Opportunities for Fraud/Internal Controls



# Proactive AOS Approach, cont.

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- Indiana Transparency Portal (ITP) Upgrade
  - New Website Interface, searchable by agency, vendor & fund
  - State Cash Balances by fund
  - Local Government Debt, Revenue by city, town & county





# AOS Case Example 1 involving IG

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## 2018 – Theft & Fraud, CASE ID: 2018-08-0223

- AOS received fraudulent AP Direct Deposit Change Form requesting change to bank account & email
- AOS processed change & attempted to make payment a month later
- Receiving bank contacted State Treasurer due to funds being deposited into a personal banking account
- Fraud stopped without any financial loss
- AOS reviewed and changed policy and procedures



# AOS Case Example 2 involving IG

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## 2019 – Theft & Fraud, CASE ID: 2019-04-0101

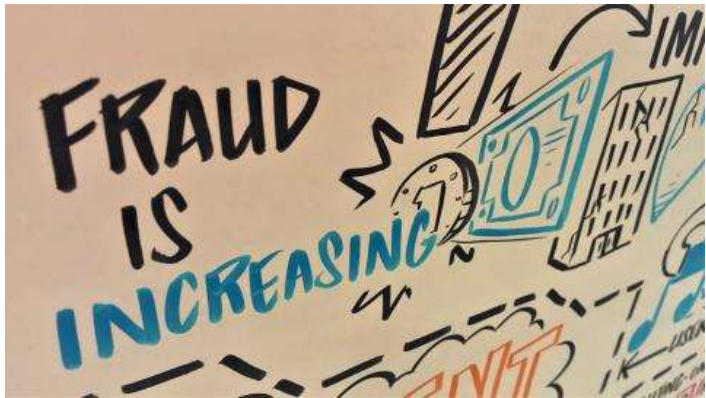
- AOS received fraudulent Payroll Direct Deposit Change Form from Agency Payroll Staff requesting change to bank account
- AOS processed change & deposited EE's paycheck into new account
- Employee contacted AOS inquiring about his paycheck
- Funds were unrecoverable resulting in financial loss to State
- AOS reviewed and changed policy and procedures



# AOS Continued Improvement

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AOS has experienced a significant increase in fraudulent direct deposit change forms over the past few years attempting to divert state funds.



- Current policy is to receive affirmative confirmation from each vendor/employee who submits a change to their deposit information.
- Continue to always adapt, review & scrutinize our procedures & trends.



# Questions & Contact Information

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**THANK YOU**