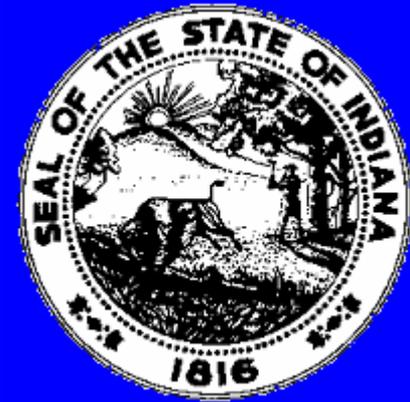


Indiana Utility Regulatory Commission



Financial Rules For Preventing Fraud



Michael E. Gallagher



Director of Accounting & Finance Division

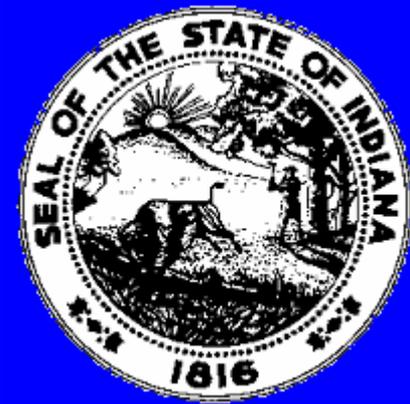


Andrea L. Brandes



Administrative Law Judge

July 29, 2004



Types of Financial Fraud

- Accounting
- Inventory
- Tax
- Insurance
- Stock/Securities





Accounting Fraud

- Recording Transactions
- Control of Cash
- Collusion

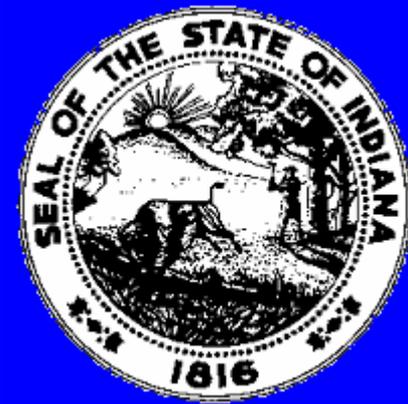




Inventory Fraud

- Valuation/Measurement
- Physical Control
- Purchases/Sales





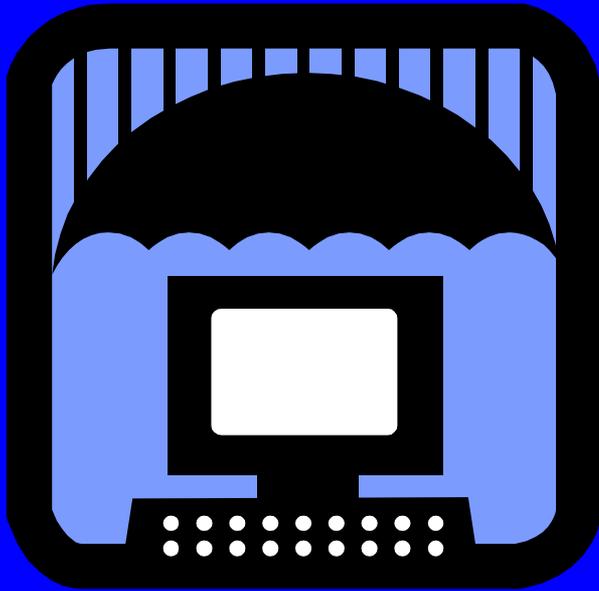
Tax Fraud

- Misleading data, such as under-reporting of income and over-reporting of expenses
- Liberal or mis-interpretation of tax rules and laws
- Tax Evasion





Insurance Fraud



- Improper Claims
- Over-Valuation of Loss
- Intentional Occurrence



Fraud Detection



- External (independent) auditors
- Internal company personnel
- Stockholders and lenders
- Government Regulators: Securities and Exchange Commission, Indiana Attorney General, United States Justice Department





Stock/Securities Fraud



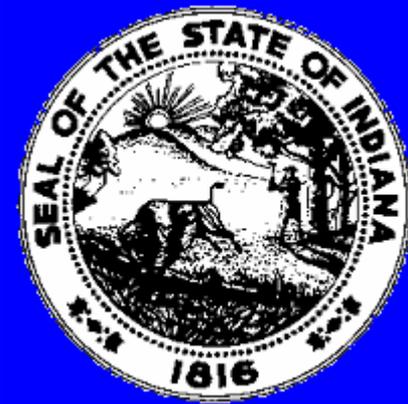
- Misleading Financial Statements
- Insider Trading
- False Public Statements



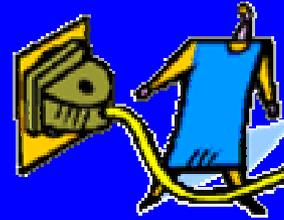
Fraud Prevention and Control

- Outside Auditors
- Internal Auditors
- Accounting Standards/Regulations
- Government Regulations



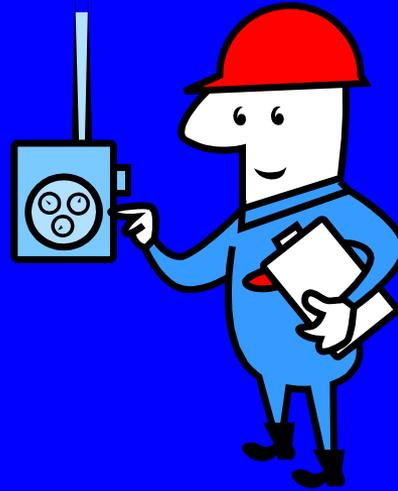


Consumer Fraud



If a utility believes a customer is using or obtaining service fraudulently, IURC rules and regulations permit a utility to disconnect a customer's service without giving notice otherwise required for a disconnection.

170 IAC 4-1-16



“A utility may disconnect service without request by the customer of the service and without prior notice only . . . if fraudulent or unauthorized use of electricity is detected and the utility has reasonable grounds to believe the affected customer is responsible for such use; or if the utility’s regulating or measuring equipment has been tampered with and the utility has reasonable grounds to believe that the affected customer is responsible for such tampering.”





Criminal Liability

- Criminal Mischief
- Deception
- Theft
- Interference with Billing



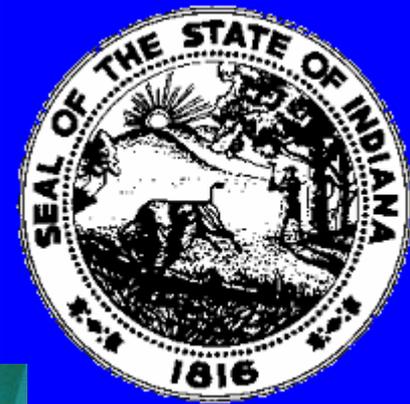


Criminal Mischief

Indiana Code 35-43-1-2

A person who recklessly, knowingly, or intentionally damages or defaces property of another person commits criminal mischief, a class “B” misdemeanor, punishable by up to 180 days in prison and \$1,000 in fines.





Criminal Mischief

- HOWEVER, the offense is a class “D” felony if the damage causes substantial interruption or impairment of utility service rendered to the public. This offense is punishable by a maximum of 3 years in prison and \$10,000 in fines.



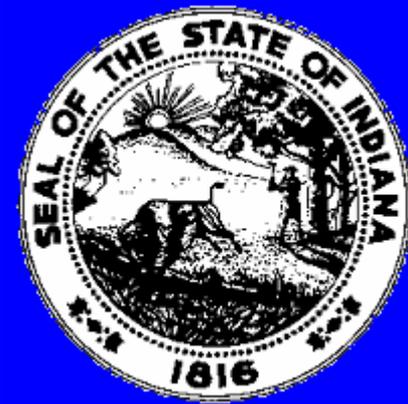


Deception

Indiana Code 35-43-5-3

A person who, with intent to defraud another person furnishing electricity, gas, water, telecommunication, or any other utility service, avoids a lawful charge for that service by scheme or device or by tampering with facilities or equipment of the person furnishing the service, commits deception, a class “A” misdemeanor (up to 1 year prison, \$5,000 fine)



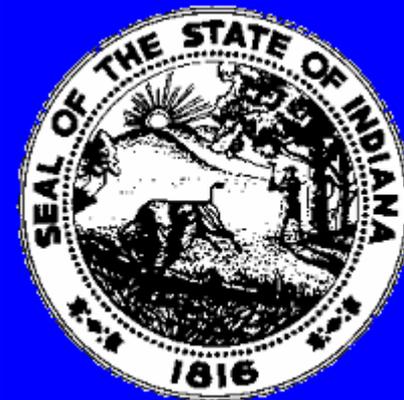


Theft

Indiana Code 35-43-4-2

A person who knowingly or intentionally exerts unauthorized control of property of another person, with intent to deprive the other person of any part of its value or use, commits theft, a class “D” felony (up to 1.5 years, \$10,000 fine)

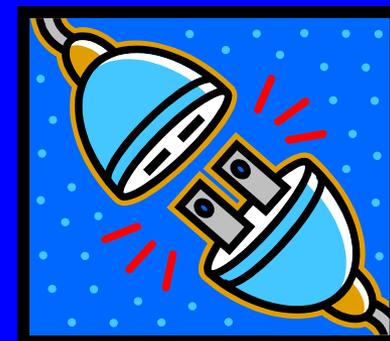
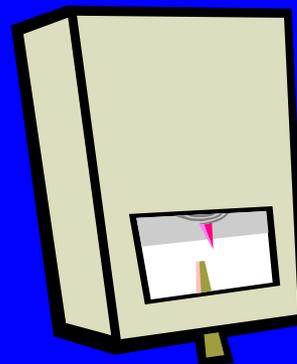


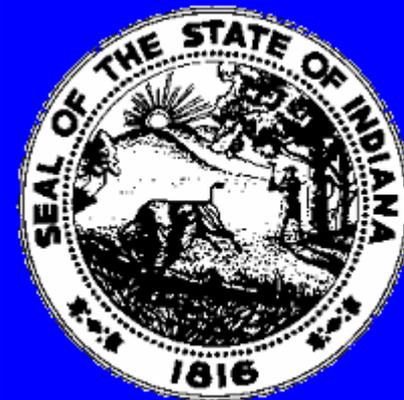


Utility Fraud

Indiana Code 35-43-5-6

A customer who utilizes any device or scheme to avoid being assessed for the full amount of services received from a utility commits a class “B” infraction, punishable by fines up to \$1,000. This offense could include alteration, removal, or bypass of a metering device.





Fraud and Liability

Any type of fraud or theft involving a utility, whether internal to the company or committed by customers, is illegal and results in higher costs for honest customers.





Role of Regulators

Regulators can effectively encourage utilities to manage their financial operations responsibly and to pursue abuses of utility services by customers.





Falemnderit!

Rrugë e mbarë!