

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL INVESTIGATIVE REPORT  
OF THE

FORMER MAYOR  
CITY OF CONNERSVILLE  
FAYETTE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**  
08/15/2008



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Max A. Ellison, Jr. Leonard Urban	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Clerk-Treasurer	Julie A. Greeson	01-01-04 to 12-31-11
President of the Common Council	Mark Brockman David Jobe	01-01-07 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the records of the Former Mayor for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office will be reflected in the Annual Report of the City of Connersville, Fayette County, Indiana for the year 2007.

STATE BOARD OF ACCOUNTS

June 5, 2008

FORMER MAYOR  
CITY OF CONNERSVILLE  
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS AND SUPPLIES NOT AVAILABLE FOR CITY USE

Notification of Capital Asset and Supply Irregularities:

On January 24, 2008, we met with City Officials to instruct them on how to electronically file the 2007 City and Town Annual Report (CTAR). On that day, our field staff was informed there were numerous capital assets and recently purchased supplies missing from the Mayor 's office. We were also informed that the former Mayor, after losing the primary election on May 8, 2007, had made an unusual amount of purchases from the "Promotion of Business Account" appropriation. There was a change in administration in the City effective January 1, 2008.

The former Mayor is Max A. Ellison, Jr. The current Mayor is Leonard Urban. We instructed the City Officials to file a police report itemizing the missing items they could identify. We determined the best course of action was to obtain the capital asset records for the Mayor 's office maintained by the Clerk-Treasurer, and to prepare a list of the items purchased by the former Mayor from official claims. We would compare the list of items we expected to find with those items that were currently in the possession of the City.

Procedures Performed and Other Relevant Information:

1. All items listed in the detail summary were purchased by Max A. Ellison, Jr., former Mayor. The Clerk-Treasurer has documentation signed by him for all listed items.
2. Item 1, a GRT260 Notebook computer w/UX50, was valued at December 31, 2007, using straight-line depreciation for five years on computer equipment. We assumed no disposal value. The book value of this computer at December 31, 2007, using this method would be \$698.93.
3. The one year service plan for Item 15 is in the name of Max A. Ellison, Jr., former Mayor and the address is his home address. The plan should have been in the name of the City as it was acquired with City funds.
4. For the period May 8, 2007 to December 31, 2007, Max A. Ellison, Jr., former Mayor personally purchased thirty-five items (Items 18-49) totaling \$3,548.98 and presented the claims to the City for payment.
5. Eight of the items listed were purchased by Max A. Ellison, Jr., former Mayor using his personal credit card and the costs were subsequently reimbursed to him by the City.
6. On March 18, 2008, Max A. Ellison, Jr., former Mayor returned to the City thirteen of the missing items, totaling \$1,449.49.
7. Max A. Ellison, Jr., former Mayor filed a loss claim on the City-owned Apple laptop computer (Item 2) with his personal insurance company, State Farm Insurance Company stating in part that: ". . . he was carrying items into the home from the car and he left the Apple laptop in the rain . . ." The claim was filed on February 22, 2008, with an asset value of \$3,177. The insurance company remitted a check to Max A. Ellison, Jr., former Mayor in his name on February 22, 2008, in the amount of \$2,677 (\$3,177 less \$500 deductible). As of June 5, 2008, Max A. Ellison, Jr., former Mayor has not remitted those funds to the City.

FORMER MAYOR  
CITY OF CONNERSVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

8. In a letter submitted to the Board of Public Works by Max A. Ellison, Jr., former Mayor dated January 30, 2008, he states in part: ". . . an Earthmate LT20 was a small portable GPS unit used by my office when traveling to conferences and meetings in other cities and was last seen in the storage/kitchen area closet when I left office December 28, 2007 and had not been used for several months prior to my leaving . . . an Expresscard 8gb was used to transfer information to and from computers within City Hall and I left that item in the upper left hand desk drawer of the mayor 's desk and last accounted for prior to my leaving . . . a CG6 camcorder was a replacement for a defective item . . . This was also left in the storage/kitchen area and last used only a few days prior to my leaving office and returned to the storage/kitchen area for use by staff . . ."

The Earthmate GPS LT20 (Item 20), the Expresscard 8gb (Item 19), and the Sanyo CG6 camcorder (Item 37) were all returned to the City on March 18, 2008, by Max A. Ellison, Jr., former Mayor along with 10 other City owned items referred to in the preceding statement number 6.

9. On July 16, 2008, Max A. Ellison, Jr., former Mayor returned to the City additional missing items totaling \$447.26.

Detail Summary of Results:

Item	Date of Purchase	Item Purchased	Cost	Value of Item on December 31, 2007	Items Returned To City By Max A. Ellison, Jr.	Value Of Missing Items
1	01-11-04	GRT260G Notebook W/UX50 and Warranty	\$ 3,496.61	\$ 698.93	\$ -	\$ 698.93
2	04-08-06	Apple Computer Laptop	3,177.00	3,177.00	-	3,177.00
3	01-11-07	119 Piece Socket Set	79.99	79.99	-	79.99
4	01-11-07	115 Piece Tool Set	49.99	49.99	-	49.99
5	01-11-07	32 inch ILO HD LCD Television	558.40	558.40	-	558.40
6	01-11-07	2 Year Service Plan for 32 Inch TV	58.88	58.88	-	58.88
7	01-11-07	26 Inch ILO HD LCD Television	437.60	437.60	-	437.60
8	01-11-07	Large LCD TV Swing Mount	158.77	158.77	-	158.77
9	01-11-07	Large LCD TV Mount	68.44	68.44	-	68.44
10	01-31-07	(2) 160 GB Hard Drives	229.76	229.76	-	229.76
11	04-24-07	TOS DVD Player	49.99	49.99	-	49.99
12	03-29-07	Ladder Platform 4.5 Foot	56.39	56.39	-	56.39
13	04-25-07	NTBF Mouse for Laptop	27.74	27.74	27.74	-
14	04-28-07	(2) 2 GB Flash Drives	59.98	59.98	59.98	-
15	04-29-07	Moto S9 Bluetooth Headset	129.99	129.99	129.99	-
16	04-29-07	1 Year Replacement Plan	17.99	17.99	17.99	-
17	05-02-07	2007 Microsoft Office XP and Small Business Software	224.05	224.05	224.05	-
18	05-11-07	(2) Photobank USB Digital Drives	198.00	198.00	-	198.00
19	05-11-07	Express Card SSD 8 GB	199.99	199.99	199.99	-
20	05-11-07	Earthmate GPS LT-20	99.99	99.99	99.99	-
21	05-11-07	DataPilot Universal ESS	59.99	59.99	59.99	-
22	05-11-07	LW400 Labelwriter Turbo	129.99	129.99	-	129.99
23	05-11-07	Premium Stereo Digital Headphones	49.99	49.99	-	49.99
24	05-19-07	Olympus DS-30 Digital Voice Recorder	151.99	151.99	151.99	-

FORMER MAYOR  
CITY OF CONNERSVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Item	Date of Purchase	Item Purchased	Cost	Value of Item on December 31, 2007	Items Returned To City By Max A. Ellison, Jr.	Value Of Missing Items
25	05-22-07	(2) Sony 2 GB MS	99.76	99.76	-	99.76
26	06-08-07	320 GB Drive	119.88	119.88	-	119.88
27	06-08-07	(2) SD Mediacards	125.14	125.14	125.14	-
28	06-08-07	SD Mediacard	37.77	37.77	37.77	-
29	06-25-07	Sanyo CG6 Camcorder	299.97	299.97	-	299.97
30	06-25-07	2 Year Service Plan	17.88	17.88	-	17.88
31	06-25-07	SD Mediacard	62.57	62.57	62.57	-
32	07-16-07	V-Moda Vibe Duo Wired Hdset-Blk	99.95	99.95	99.95	-
33	07-16-07	Incase Neoprene Sleeve 15" - Tan	34.95	34.95	-	34.95
34	07-16-07	Blackberry Case	14.99	14.99	-	14.99
35	07-16-07	Incase Neoprene Sleeve MCB	29.99	29.99	-	29.99
36	07-16-07	Sony 2GB Memory Stick	49.68	49.68	49.68	-
37	09-10-07	Sanyo CG6 Camcorder	299.97	299.97	299.97	-
38	09-10-07	2 Year Service Plan	17.88	17.88	17.88	-
39	09-10-07	(4) SD Mediacards	111.36	111.36	111.36	-
40	09-18-07	Hand Recorder	209.99	209.99	-	209.99
41	10-16-07	MP3 Player	397.88	397.88	-	397.88
42	11-16-07	SD Mediacards	55.74	55.74	55.74	-
43	11-21-07	MX Revolution	99.00	99.00	-	99.00
44	11-21-07	(2) Powersquid	29.98	29.98	14.99	14.99
45	11-21-07	7 Port USB Hub	49.99	49.99	49.99	-
46	11-21-07	BX1300LCD APC Back-Ups	159.99	159.99	-	159.99
47	11-21-07	2 Year Service Plan	39.99	39.99	-	39.99
48	12-20-07	(2) SM LCD Motion Mount	159.86	159.86	-	159.86
49	12-20-07	PH 6 Foot Gold HDMI Cable	34.88	34.88	-	34.88
Totals			<u>\$ 12,430.55</u>	<u>\$ 9,632.87</u>	<u>\$ 1,896.75</u>	<u>\$ 7,736.12</u>

Malfeasance, Misfeasance, or Nonfeasance:

Max A. Ellison, Jr., former Mayor from the results of evidence found during the investigation, purchased with City funds certain capital assets and supplies, then retained the items listed after his elected term as Mayor had ended. As a result, he has exerted unauthorized control over property purchased with public funds by the City of Connersville.

We are requesting that Max A. Ellison, Jr., former Mayor refund to the City of Connersville the value of the assets and supplies that are missing as of the date of this report, totaling \$7,736.12. (See Summary, page 12)

On June 5, 2008, Max A. Ellison, Jr., former Mayor paid \$2,680 to the City of Connersville for a portion of these items. (See Summary, page 12)

On August 5, 2008, Max A. Ellison, Jr., former Mayor paid \$5,056.12 to the City of Connersville for the remainder of these items. (See Summary, page 12)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FORMER MAYOR  
CITY OF CONNERSVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS OVER COMPUTERS AND ELECTRONIC EQUIPMENT

Controls over the accounting for the laptop computers and other electronic equipment are not sufficient to provide reasonable assurance that the items are in the location reflected in the capital assets records maintained by the Clerk-Treasurer.

Max A. Ellison, Jr., former Mayor removed assets from the City such as computers, GPS units, digital voice recorders, camcorders and various other forms of electronic equipment. No documentation was maintained identifying the location of these items. A log or some other form of documentation should be maintained showing what assets have been removed from the City, when the asset was removed, who had the asset and when it was subsequently returned.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management 's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES

Max A. Ellison, Jr., former Mayor and two other City Officials traveled to Indianapolis to attend an arbitration hearing for an employee on April 24, 2007. After the hearing, Max A. Ellison, Jr., former Mayor purchased dinner at St Elmo 's Steak House for himself and the two other City Officials. The cost of the meals was \$196.99 and Max A. Ellison, Jr., former Mayor paid the bill with his personal credit card. On April 26, 2007, Max A. Ellison, Jr., former Mayor remitted a claim to the Clerk-Treasurer for reimbursement of the meal in the amount of \$182.40 (\$196.99 less \$14.59 Sales Tax). On May 14, 2007, he received a check from the City for reimbursement of the meal in the amount of \$182.40.

City Ordinance 4934 states: "Whenever attending meetings for the City of Connersville, mileage, per diem and parking fees can be paid to public officials (elected and appointed) members of all municipality boards, council and all departmental employees of the City of Connersville. The mileage and per diem allowance each year shall be determined by the mileage and per diem granted to State employees and State officials annually, but shall be effective January 1 of each year thereafter."

The State 's policy requires an officer or employee to be away on business for 12 hours before reimbursement for subsistence is claimed. Furthermore, the reimbursement should be claimed by the individual person in travel status, not by one person representing the group.

There was no evidence presented for examination that shows Max A. Ellison, Jr., former Mayor was entitled to the \$182.40 reimbursement he received. We are requesting Max A. Ellison, Jr., former Mayor refund to the City the amount of \$182.40. (See Summary, page 12)

On August 5, 2008, Max A. Ellison, Jr., former Mayor paid \$182.40 to the City of Connersville. (See Summary, page 12)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FORMER MAYOR  
CITY OF CONNERSVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

AUDIT COSTS – INVESTIGATION

Additional audit costs in the amount of \$5,965 were incurred by the State of Indiana in the investigation of missing capital assets and supplies.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INFORMATIONAL COMMENT - INSURANCE COVERAGE

The City purchased an official bond for the Mayor's position with Max A. Ellison, Jr., former Mayor as the principal. The bond was purchased from Auto-Owners Insurance Company for a coverage period beginning January 1, 2007 and ending on January 1, 2008. The amount of coverage for the bond is \$10,000.

FORMER MAYOR  
CITY OF CONNERSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2008, with Julie Greeson, Clerk-Treasurer.

The contents of this report were discussed on June 5, 2008, with Max A. Ellison, Jr., former Mayor. The official response has been made a part of this report and may be found on pages 10 and 11.

**Max A. Ellison Jr.**  
**Former Connorsville, Indiana Mayor**  
**June 11, 2008**

**OFFICIAL RESPONSE**  
**to the Special Exit Conference**  
**Held June 5, 2008**

**Response Option #4**

A handwritten signature in black ink, appearing to read "Max A. Ellison". The signature is written in a cursive, flowing style with some loops and flourishes.

OFFICIAL RESPONSE

On or about the last week of January or first week of February I was contacted regarding nine (9) items used by the Mayors Office that the current city administration was unable to locate. As per the request by the City Attorney, I submitted a letter to the Board of Public Works & Safety, detailing to the best of my recollection where the items were or last seen. After a meeting with Field Examiner Karen Weaver, a number of these items were in fact located and accounted for and currently being used by city employees. Two (2) items of major concern was an obsolete laptop (GRT260) that had I placed in the city hall basement holding area for the annual city auction and a 14-month-old Apple laptop that had been water damaged.

During approximately 5-6 subsequent meetings with the Field Examiner and/or Connersville Clerk Treasurer I was informed that several other items of lesser value were listed as missing and *some* of those items have in fact also been located in city hall. I was never given a complete or accurate accounting or up to date listing of those items. In the interim a number of those items listed on the Exit Conference June 5, 2008 were located by John Pause (CTV3 director) and myself, but not removed from the final report. This makes it particularly difficult to answer for the items in the report and (*in my view*) inaccurate.

All claims submitted by me for reimbursement were properly filed with the Clerk-Treasurers office. In 4 years of holding public office, I do not ever recall being questioned about the legitimacy or was I denied any of those claims by Clerk-Treasurer. I have full confidence that if any of those claims submitted were in error or of questionable nature, the Clerk-Treasurer would have notified me.

Reimbursement of \$2677.00 for the Apple laptop was offered and witnessed by the Clerk-Treasurer during at least one (1) prior meeting to the Exit Conference. The Field Examiner said she and/or the Clerk Treasurer were unable to be accepted the reimbursement at that time. I did give the Clerk-Treasurer the total amount of \$2677.00 immediately after the Exit Conference.

There was NO method of inventory management or control in place prior to or during my four years of service as Mayor. I acknowledge mistakes may have been made. Looking back in hindsight, I further acknowledge that my office accounting and inventory tracking practices were imperfect and at times fatally flawed. I used poor judgment and am responsible for many naive and inexperienced decisions. But at no time were my actions willfully malicious or done with intent to intentionally deceive or defraud the taxpayer. I have fully cooperated to the fullest of my ability during these past 5 stressful months.

I would respectfully ask that the accounting fee of \$5965.00 be waived and that all the additional located items that are still listed as *missing* in the Exit Conference be corrected and updated on the inventory sheet list. I further respectfully request that the report show that the amount of \$2677.00 (Apple laptop) reflect in the report as having been paid and accepted by the Clerk-Treasurers 11:35AM June 5, 2008.

Respectfully submitted,

Max A. Ellison Jr. - Former Mayor Connersville.



FORMER MAYOR  
CITY OF CONNERSVILLE  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Max A. Ellison, Jr., former Mayor:			
Capital Assets and Supplies Not Available for City Use, pages 4 through 6	\$ 9,632.87	\$	\$
Personal Expenses, page 7	182.40		
Credits:			
City assets returned by Max A. Ellison, Jr.		1,896.75	
Repaid by Max A. Ellison, Jr.:			
June 5, 2008, Receipt 784		2,680.00	
Repaid by Max A. Ellison, Jr.:			
August 5, 2008, Receipt 1315		5,238.52	-
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 9,815.27</u>	<u>\$ 9,815.27</u>	<u>\$ -</u>