

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

EXAMINATION REPORT
OF
COUNTY AUDITOR
UNION COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED

03/04/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Personal Cell Phone – Per Minute Payments	4-5
County Cell Phone – Contracted by Highway Supervisor	5-6
Errors on Claims – Highway Department	6-7
Dual Employment – Records of Hours Worked.....	7
Noncompliant Expenditures From the 911 Fund.....	7-8
Insurance Coverage	8
Exit Conference.....	9
Summary	10
Affidavit	11

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Pat Hensley Gene Sanford	01-01-08 to 12-31-08 01-01-09 to 12-31-14
President of the County Council	Alan Alcorn	01-01-08 to 12-31-10
President of the Board of County Commissioners	Allen Paddock Gary Davis	01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF UNION COUNTY

We have examined the records of the County Auditor for the period from January 1, 2008 to December 31, 2009, 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 Examination Results and Comments. The financial transactions of this office are reflected in the Annual Report of Union County for the years 2008 and 2009.

STATE BOARD OF ACCOUNTS

December 27, 2010

COUNTY AUDITOR
UNION COUNTY
EXAMINATION RESULTS AND COMMENTS

PERSONAL CELL PHONE – PER MINUTE PAYMENTS

Wanda Hartman, County Highway Supervisor, was paid 7.7 cents per minute for minutes used on her personal cell phone. The plan included three phones - one for Wanda and one each for her two sons. The reimbursement claims paid to Wanda Hartman were paid without an original invoice or supporting documentation. Four reimbursement claims covered a billing period from April 4, 2008 through December 5, 2008, totaling \$653.61. There was a list attached to the original claim, prepared by Wanda Hartman, showing a list of phone numbers called and minutes used. There were no original vendor invoices attached.

The amount she received was not included on the salary ordinance and was not reported on her W-2.

One of these claims, paid on December 1, 2008, in the amount of \$453.97 was presented to a State Board of Accounts (SBA) Field Examiner working in the area. Prior to the claim being paid, the accounts payable clerk in the County Auditor's office asked the SBA Field Examiner if the claim complied with law. The Field Examiner informed the accounts payable clerk that the claim did not contain an original detailed invoice and did not meet the "adequately itemized" statute. The Field Examiner also informed the County Auditor, Pat Hensley at that time, that the statute had not been met.

The minutes of The Board of County Commissioners on December 1, 2008, state: "Gulley, (commissioner), said he stopped by the auditor's office to sign it and was told . . . that the SBA said it could not be reimbursed. The bill should be paid if it is itemized and the commissioners all sign it. Hensley clarified that the first deputy is my employee and the commissioners' and I will direct her to pay it. If there's a problem with it then it will be on mine and the commissioners' heads. I would like to suggest that the new phone bill comes directly to the Auditor's office and if Wanda needs a copy we will fax it to her."

The prior Board of County Commissioners SBA Examination Report B33460 contained a comment stating that, "Not all claims were supported by a fully itemized 'original invoice or bill'." The Exit Conference documentation contained in the prior report shows that the date of the exit conference was October 30, 2008, which was prior to the approval of the above mentioned claim by the Board of County Commissioners.

Subsequently, detailed documentation was obtained from Wanda Hartman showing the persons called and the nature of the calls. The detail revealed that Wanda Hartman had been reimbursed for many personal calls. The subsequent documentation contained calls blacked out with permanent black marker for which Wanda Hartman had been previously reimbursed for by the County. Upon inquiry with Wanda Hartman regarding the blacked out calls, she stated, "Those are personal calls."

A review of the calls paid with check 26309 for the period June 4, 2008 to November 3, 2008, showed Wanda Hartman, County Highway Supervisor, was paid 7.7 cents per minute for the following minutes:

1. 1,838 minutes for calls that were Verizon to Verizon for which no costs were incurred;
2. 1,016 minutes for calls to Wanda Hartman's boyfriend and employee;

COUNTY AUDITOR
UNION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. 267 minutes for calls to retrieve her voice mail messages; and
4. 279 minutes for personal calls not included in the above numbers.

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 Counties of Indiana, Chapter 14)

There was no documented evidence presented for examination that shows Wanda Hartman, County Highway Supervisor, was entitled to the \$653.61 reimbursement she received. We are requesting Wanda Hartman, County Highway Supervisor; Pat Hensley, former Auditor; Allan Paddock, former President of the Board of County Commissioners; Gary Davis, President of the Board of County Commissioners; and Larry Gulley, former Commissioner; jointly and severally refund to the County the amount of \$653.61. (See Summary, page 10)

COUNTY CELL PHONE – CONTRACTED BY HIGHWAY SUPERVISOR

Wanda Hartman, County Highway Supervisor, also contracted for a cell phone in the name of the Union County Highway Department with Verizon Wireless. The County paid the entire bill for this cell phone. The billing included a wireless card (which allowed internet access from a laptop in any location) which was also paid for by the County. There were 12 claims paid covering a billing period from December 4, 2007 through March 3, 2009, totaling \$1,157.87. All but one claim included late fees and one of the claims included a reconnect fee of \$15. The County Auditor, Gene Sanford, tried to obtain detailed billing from Verizon for this cell phone, but was unable to get it because the account was in the name of Wanda Hartman. The claims for this account were paid from copies of only the first page of the Verizon bill and contained no detail.

The cell phone bills referred to in the first paragraph of this comment for which Wanda Hartman, County Highway Supervisor, was reimbursed had a billing period which overlapped with the cell phone bills that the County paid for in the preceding comment for eight months during the year 2008.

Subsequently acquired documentation of the billing detail showed that many of the calls were personal calls. The detailed billings subsequently submitted for examination had pages blanked out and many calls were blacked out with permanent black marker, even though the entire bill had been paid for with County funds. Upon inquiry with Wanda Hartman regarding the blacked out calls and the blank pages she stated, "Those are personal calls."

In reviewing the subsequent detail we noted that some of the cell phone bills had been paid by electronic funds transfer. Upon inquiry we learned that the Auditor's Office, under the administration of Pat Hensley, had written the checks and given them to Wanda Hartman, County Highway Supervisor. Instead of mailing the check, Wanda Hartman made electronic funds transfers from the County's bank account to Verizon Wireless. There was no resolution or ordinance authorizing this transaction as required by law.

The fiscal body may by ordinance or resolution authorize the transaction of business with a financial institution through the use of electronic funds transfer. The ordinance or resolution must:

COUNTY AUDITOR
UNION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. Specify the types of transactions that may be conducted by electronic funds transfer; and
2. Require the proper officers to maintain adequate documentation of the transactions so that they may be audited as provided by law. [IC 5-13-5-5]

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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 Counties of Indiana, Chapter 7)

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 Counties of Indiana, Chapter 14)

The evidence of the examination found that Wanda Hartman, County Highway Supervisor, purchased and used for personal purposes a cell phone which she obtained in the name of the Union County Highway Department. Since County property was used for personal purposes, we are requesting Wanda Hartman, County Highway Supervisor; Pat Hensley, former Auditor; Allan Paddock, former President of the Board of County Commissioners; Gary Davis, President of the Board of County Commissioners; Larry Gulley, former Commissioner, Paul Wiwi, County Commissioner; and David Woeste, County Commissioner; jointly and severally refund to the county the amount of \$1,157.87. (See Summary, page 10)

ERRORS ON CLAIMS – HIGHWAY DEPARTMENT

The following deficiencies were noted on the twenty-six Highway Department claims reviewed during the examination period:

- (1) Four claims were paid with no invoice at all.
- (2) Ten claims were paid from copies of incomplete invoices.
- (3) Sixteen claims contained no itemization.
- (4) Fourteen claims contained late fees.
- (5) Four claims included sales tax totaling \$89.
- (6) One claim included a finance charge of \$6 for untimely remittance.

IC 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies

COUNTY AUDITOR
UNION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

DUAL EMPLOYMENT - RECORDS OF HOURS WORKED

In the current examination, as well as in the prior Report B33460, an employee, Kirk Bryson, who is the part-time Emergency Management Director as well as a full-time employee of the Sheriff's Department, did not provide a record of hours worked for the part-time position during 2008 and 2009.

IC 5-11-9-4(b) states in part:

". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

NONCOMPLIANT EXPENDITURES FROM THE E911 FUND

The County has established a separate fund to account for the financial activity of E911 fees. Indiana Codes 36-8-16 and 36-8-16.5 establish guidelines for the expenditure of these fees. During our examination of these funds we found certain expenditures that did not comply with the E911 statutes as summarized in the following categories.

Office equipment and supplies	\$ 124
Director's cell phone	<u>232</u>
Total	<u>\$ 356</u>

We also found expenditures that did not comply with IC 5-11-10-1. The following exceptions were found that do not comply with the disbursing of public funds:

1. Two claims included sales tax;
2. One vendor was paid a contractual rate but there was no contract presented for examination;
3. Two claims had no invoices and were paid from statements; and
4. Three claims were not signed by the department head.

IC 36-8-16-14(a) states:

"The emergency telephone system fees shall be used only to pay for:

COUNTY AUDITOR
UNION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) the lease, purchase, or maintenance of enhanced emergency telephone equipment, including necessary computer hardware, software, and data base provisioning;
- (2) the rates associated with the service suppliers' enhanced emergency telephone system network services;
- (3) the personnel expenses of the emergency telephone system;
- (4) the lease, purchase, construction, or maintenance of voice and data communications equipment, communications infrastructure, or other information technology necessary to provide emergency response services under authority of the unit imposing the fee; and
- (5) an emergency telephone notification system under IC 36-8-21.

The legislative body of the unit may appropriate money in the fund only for such expenditure."

We recommended that the Director review the statute and expenditures being made from the fee-based funds to determine compatibility. Expenditures determined necessary for the functioning of the E911 program but outside the guidelines for the use of E911 fees should be made from the General Fund or other appropriate funds.

IC 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

INSURANCE COVERAGE

Wanda Hartman, County Highway Supervisor was covered by a Surety Bond with American States Insurance Company for \$8,500 for the period of January 1, 2003 until December 31, 2008. Wanda Hartman was covered under a separate bond Surety Bond with American States Insurance Company for \$8,500 for the period January 1, 2009 until December 31, 2009.

Pat Hensley former Auditor, was covered by an official bond with American States Insurance Company for \$15,000 for the period of January 1 2008 to December 31, 2008.

Commissioners Allan Paddock, Gary Davis, and Larry Gulley, were covered by Public Officials Liability Insurance with HCC Insurance Company for an annual aggregate amount of \$1,000,000 for the period January 1, 2008 until January 5, 2009.

Commissioners Gary Davis, Paul Wiwi, and David Woeste were covered by a Public Officials Liability Insurance Policy with EMC Insurance Companies for an annual aggregate amount of \$2,000,000 for the period January 5, 2009 until January 5, 2010.

COUNTY AUDITOR
UNION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2010, at 9 AM, with David Woeste, Commissioner; Allen Paddock, former Commissioner; Gene Sanford, Auditor; Larry Gulley, former Commissioner; Alan Alcorn, President of the County Council; Tom Thompson, County Attorney; and Wanda Hartman, County Highway Supervisor.

The contents of this report were discussed on December 27, 2010, at 11:00 AM with Paul Wiwi, Commissioner.

Pat Hensley, Auditor during the year 2008, did not appear at the exit conference. A copy of this report was mailed to her on December 28, 2010.

The contents of this report were discussed on December 27, 2010, with Gene Sanford, Auditor.

COUNTY AUDITOR
UNION COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
<p>Wanda Hartman, County Highway Supervisor; Pat Hensley, former Auditor; Allan Paddock, former Commissioner; Gary Davis, Commissioner; and Larry Gulley, former Commissioner; jointly and severally: Personal Cell Phone - Per Minute Payments, pages 4 and 5</p>	\$ 653.61	-	\$ 653.61
<p>Wanda Hartman, County Highway Supervisor; Pat Hensley, former Auditor; Allan Paddock, former Commissioner; Gary Davis, Commissioner; Larry Gulley, former Commissioner; Paul Wiwi, Commissioner; and David Woeste, Commissioner; jointly and severally: Personal Cell Phone - Cell Phone Contracted by Highway Supervisor, pages 5 and 6</p>	<u>1,157.87</u>	<u>-</u>	<u>1,157.87</u>
<p>Totals</p>	<u>\$ 1,811.48</u>	<u>\$ -</u>	<u>\$ 1,811.48</u>

AFFIDAVIT

STATE OF INDIANA)
Henry COUNTY)

I, Karen L. Weaver, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the County Auditor, Union County, Indiana, for the period from January 1, 2008 to December 31, 2008, is true and correct to the best of my knowledge and belief.

Karen L. Weaver
Field Examiner

Subscribed and sworn to before me this 17th day of February, 2011.

Jayne M. Dwyer
Notary Public

My Commission Expires: 7-13-2017

County of Residence: Henry