

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

SPECIAL INVESTIGATION REPORT

OF

CENTER TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2010 to January 20, 2011



FILED
11/18/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	William Douglas Eugene Akers	02-14-09 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Phyllis Carr Linda Journey Phyllis Carr Linda Journey	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CENTER TOWNSHIP, MARION COUNTY

We have examined the records of Center Township for the period from January 1, 2010 to January 20, 2011, 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 Investigation Results and Comments.

STATE BOARD OF ACCOUNTS

November 10, 2014

CENTER TOWNSHIP
MARION COUNTY
INVESTIGATION RESULTS AND COMMENTS

MISAPPROPRIATION OF FUNDS

Alan S. Mizen, former Chief Financial Officer, wrote Township check number 35453, dated June 10, 2010, in the amount of \$343,541.08, payable to the order of "Attorney's General Clearing Tr." This check was deposited into a bank account opened by Mr. Mizen and titled "Alan S Mizen DBA Attorney's General Clearing Tr." The funds, once deposited, were transferred to other personal accounts maintained by Mr. Mizen. These funds were then used by Mr. Mizen to purchase a residence, a pickup truck, jewelry, vacations, and to fund his child's education. These purchases were not related to official Township business and were not obligations of the Township or the Township Small Claims Court.

The Township used computerized accounting systems to account for the financial activity of the Township and the Township Small Claims Court. Check number 35453 was recorded in the accounting system of the Township; however, the check was not accounted for in the accounting system of the Township Small Claims Court. We obtained a copy of the cancelled check from the bank. It was noted that the actual payee on the printed check did not agree with the vendor listed in the accounting system. The vendor listed in the accounting system was "Treasurer of State." An invoice was created in the Township's accounting system to match the total amount of the check. The invoice indicated the "Treasurer of State" as the vendor. This invoice had the total dollar amount of the check broken down into several categories of court fees, such as, document storage, judicial salaries, court administration, and other fees. The fee breakdowns were not supported by any actual remittance reports.

The Township's accounting system stored an electronic version of the Trustee's signature which was automatically added to any printed checks. Mr. Mizen, as Chief Financial Officer, had complete access to the accounting system and the blank check stock. This unfettered access to the computer system, the unused check stock, and the Trustee's electronic signature automatically generated by the computer system, enabled Mr. Mizen to print the check without being detected.

We request that Alan S. Mizen, former Chief Financial Officer, reimburse Center Township \$343,541.08 for the misappropriated funds. (See Summary of Charges, page 7)

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 Townships, Chapter 13)

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 unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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 Townships, Chapter 13)

CENTER TOWNSHIP
MARION COUNTY
INVESTIGATION RESULTS AND COMMENTS
(Continued)

INVESTIGATION COSTS - MISAPPROPRIATION OF FUNDS

The State of Indiana incurred additional costs in the investigation of the misappropriation of funds. The State of Indiana requests that Alan S. Mizen, former Chief Financial Officer, reimburse the State of Indiana in the amount of \$54,978.41 for investigation costs. (See Summary of Charges, page 7)

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 Townships, Chapter 13)

ACCOUNTING ENVIRONMENT - SEGREGATION OF DUTIES

Accounting duties were not adequately segregated. The Township Accounting Office had three employees during the period examined. The following is a description of some of the accounting activities, all of which Mr. Mizen performed, for which compensating controls or adequate oversight were not in place:

- Mr. Mizen had complete access to the accounting systems allowing him to make financial entries and/or adjustments to the accounting records without any prior approval.
- Mr. Mizen had access to unused blank check stock and was also authorized to prepare, print and sign checks.
- Mr. Mizen was responsible for preparing month end reconcilements between the record balances of the Township and the respective depository balances.
- Mr. Mizen was responsible for preparing annual financial reports, budgets, and other information as needed.

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 Townships, Chapter 13)

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual has the capability to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Segregation of duties is achieved within information technology systems by appropriate assignment of security profiles that define the data the users can access and the functions that they can perform. Access must be restricted to the minimum required for the user to perform their job function. Access rights must be periodically reviewed and approved by management. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

CENTER TOWNSHIP
MARION COUNTY
INVESTIGATION RESULTS AND COMMENTS
(Continued)

INSURANCE COVERAGE

The Township had government crime protection coverage which covered employee theft during the examination period. The policy covering the period July 24, 2009 to July 24, 2010, was with St. Paul Fire and Marine Insurance Company and provided \$100,000 of coverage per loss with a \$1,000 deductible. The policy covering the period July 24, 2010 to July 24, 2011, was with Travelers Property and Casualty Company of America and provided \$100,000 of coverage per loss with a \$1,000 deductible.

INVESTIGATION BY FEDERAL AND STATE LAW ENFORCEMENT AGENCIES

An investigation of the misappropriation of funds has also been conducted by federal and state law enforcement agencies. Criminal Complaint Cause Number 1:14-cr-217 SEB-DML was filed in the United States District Court, Southern District of Indiana, Indianapolis Division. A plea agreement was entered into by Alan S. Mizen on October 22, 2014. Mr. Mizen pled guilty to the theft and was ordered to pay restitution in the amount of \$343,541.08. Per the plea agreement, on or about July 1, 2014, the government executed seizure warrants for assets owned by Mr. Mizen. Mr. Mizen agreed to use these seized assets to pay the amount of the restitution ordered.

CENTER TOWNSHIP
MARION COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Alan Mizen, former Chief Financial Officer: Misappropriation of Funds, page 4	\$ 343,541.08	\$ -	\$ 343,541.08
Investigation Costs - Misappropriation of Funds, page 5	<u>54,978.41</u>	<u>-</u>	<u>54,978.41</u>
Totals	<u>\$ 398,519.49</u>	<u>\$ -</u>	<u>\$ 398,519.49</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
Marion COUNTY)

I, David Bixler, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Center Township, Marion County, Indiana, for the period from January 1, 2010 to January 20, 2011, is true and correct to the best of my knowledge and belief.

David Bixler
Field Examiner

Subscribed and sworn to before me this 17 day of November, 2014.

Christy M Simpson
Notary Public

My Commission Expires: _____

County of Residence: _____

