

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

SPECIAL INVESTIGATION REPORT

OF

ANIMAL SHELTER

PUTNAM COUNTY, INDIANA

June 1, 2014 to March 31, 2015



**FILED**  
11/20/2015



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lorie Hallett	01-01-13 to 12-31-16
County Sheriff	Steve Fenwick Scott Stockton	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Donald K. Walton David E. Berry	01-01-14 to 12-31-14 01-01-15 to 12-31-15



**STATE OF INDIANA**  
**AN EQUAL OPPORTUNITY EMPLOYER**

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TO: THE OFFICIALS OF PUTNAM COUNTY

We have conducted a special investigation of the records of the Putnam County Animal Shelter for the period from June 1, 2014 to March 31, 2015. Our investigation was limited to the following records: minutes of the Commissioner's meetings, ordinances, Animal Shelter claims, claims dockets, and the Animal Shelter ledger. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary as listed in the Table of Contents. This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

Any Official Response included herein this report has not been examined or verified for its accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

September 29, 2015

ANIMAL SHELTER  
PUTNAM COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS

**BACKGROUND INFORMATION**

In June of 2014, Ron Brown, contractor, was approved by the Board of County Commissioners to seek grants for the renovation of the Animal Shelter. Renovations to the Animal Shelter began in October 2014, and have continued through the date of this report. To date, the County has not received any grants for the renovation of the Animal Shelter.

**PUBLIC WORKS PROJECT**

A total of \$83,765.18 was spent on the renovation of the Animal Shelter. There was no evidence that quotes were solicited for the project.

Indiana Code 36-1-12-4.7 states in part:

"(a) . . . whenever a public work project is estimated to cost: . . . (2), at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000) . . .

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter.
- (4) The board may reject all quotes submitted."

**CONTRACTS**

The following payments were made for work performed on the renovation of the Animal Shelter. Contracts were not written or approved by the Board of County Commissioners for these services.

Ron Brown	\$ 34,236.10
O'Hair's Heating and Cooling	22,849.81
Barry Grimes	15,137.09
GT Systems	8,797.68
HOP Security	2,744.50

ANIMAL SHELTER  
PUTNAM COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**CLAIMS**

The following discrepancies were found during the review of claims for the renovation of the Animal Shelter:

1. Four out of thirteen claims were not approved by the Board of County Commissioners.
2. Seven of the eight claims paid to Ron Brown, contractor, were signed by him as the Project Manager/Director. He was not a County employee and had only been approved by the Board of County Commissioners to seek grants.
3. Six out of thirteen claims were paid as emergency claims. Resolution No. 2002-6-17 gives the County Auditor authority to pay certain types of claims without prior approval. These claims did not meet the requirements of an emergency claim.

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid."

Indiana Code 5-11-10(e) states:

"Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law."

One of the most important duties of the county auditor, as the title of the office implies, is to audit all claims and vouchers prior to their allowance and payment. It is not expected that the county auditor personally supervise the performance of all work or the delivery of all goods, but to insure a claim or voucher is proper, the following minimum audit steps should be observed:

1. Determine the claim or voucher is properly itemized and verified and, where required, that it is properly supported by freight bills, delivery tickets, or other supporting documents acknowledging delivery of the goods or services.
2. If for personal services, determine that salaries or rates of wages are in strict accordance with those fixed by the county council or by the board or officer having jurisdiction.
3. Determine that prices charged are in accordance with contracts awarded, where applicable, and that statutory authority exists for payment of the claim or voucher.

ANIMAL SHELTER  
PUTNAM COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

4. Verify the correctness of the extension on each item, where based on quantity and unit price, and add the detail items to see that the total is correct.
5. Be sure the claim or voucher has been approved by the officer or department head receiving the goods or services and allowed by the board of county commissioners, the court, or such other board or officer authorized by law to allow the claim or voucher. . . .

It is the duty of the county auditor after auditing each claim or voucher to certify to the correctness of the claim or voucher in the space provided thereon before such claim or voucher is submitted to the board of county commissioners for its consideration or, in the case of other claims or vouchers, before such claims or vouchers are paid. [IC 5-11-10-2]

Each claim or voucher must be approved by the officer or department head receiving the merchandise or services in the space provided on the claim or voucher. In counties having a purchasing department, where a signed receiving memorandum is furnished the auditor and becomes a part of the claim or voucher, further approval is not required. [IC 5-11-10-2] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

### ***DUPLICATE PAYMENTS***

It was brought to the attention of the County officials that Ron Brown, contractor, subcontracted some of the services to be performed on the renovation of the Animal Shelter. The officials were informed that the subcontractors did not receive payment for the work they performed for Ron Brown, contractor. Criminal charges against Ron Brown, contractor, were filed on September 3, 2015, for theft and deception.

Phil Parker, Chief Sheriff Deputy, gathered invoices from the vendors that claimed they had not been paid. The claims were signed by Brien Holsapple, former Shelter Director, and Lorie Hallett, County Auditor. The unpaid invoices were presented to the Commissioners on March 2, 2015, and the Board of County Commissioners approved payment of the claims.

In a joint investigation with the Indiana State Police (ISP), we determined that some payments, totaling \$9,823.59, were for items that the County had already paid. Items, such as a furnace, heat pump, air cleaner, and generator were included in the payments to Ron Brown, contractor, and were paid for again when the County paid the vendors.

We request that Ron Brown, contractor, reimburse the County \$9,823.59 for duplicate payments received. (See Summary of Charges, page 12)

Any payments not made by the contractor or subcontractor may be the personal obligation of the responsible official or employee.



ANIMAL SHELTER  
PUTNAM COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 14)

***SUPPORTING DOCUMENTATION***

During a review of the claims for the renovation of the Animal Shelter, one claim totaling \$3,080 was paid on November 20, 2014, to Ron Brown, contractor, without supporting documentation.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

We request the officials of Putnam County to collect \$3,080 for lack of supporting documentation or provide documentation to support the payments. Any payments not supported or collected may be the personal obligation of the responsible official or employee.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 14)

***INTERNAL CONTROLS OVER ANIMAL SHELTER DISBURSEMENTS***

We noted several deficiencies in the internal control system over disbursements relating to the Animal Shelter that we believe constitute material weaknesses:

Controls were in place over disbursements relating to the Animal Shelter, however, the controls were not effective. Claims were paid outside the normal claims procedure and without verifying the accuracy and validity of the claims.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ANIMAL SHELTER  
PUTNAM COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2015, with Scott Stockton, County Sheriff; Phillip Parker, Chief Sheriff Deputy; Lorie Hallett, County Auditor; J. W. Ensley, County Attorney; David E. Berry, President of the Board of County Commissioners; Donald K. Walton, County Commissioner; and Brien Holsapple, former Shelter Director.

The contents of this report were discussed on September 29, 2015, with Ben T. O'Hair, contractor, and Darrell E. Felling, Attorney.

**James W. Ensley  
Attorney at Law  
P.O. Box 121  
Greencastle, Indiana 46135  
Telephone (765) 720-1209  
jim.ensley@gmail.com**

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October 6, 2015

Indiana State Board of Accounts  
Attn: Lisa David, Report Processing  
302 West Washington St., Room E 418  
Indianapolis, Indiana 46204-2765

Re: OFFICIAL RESPONSE

To Whom It May Concern,

Please accept this correspondence as a written response to the *Special Investigation Results and Comments* presented at the exit interview September 28, 2015, regarding the Putnam County Animal Shelter. The Putnam County Board of Commissioners and the Putnam County Auditor hope this letter answers outstanding questions and alleviates stated concerns.

The animal shelter renovation public works project began in the fall of 2014 as a result of much effort from numerous volunteers and a partnership between Putnam County and the Putnam County Humane Society to re-establish an operable facility. However, the nature of the aforementioned partnership created confusion as to leadership roles of the two entities. The partnership agreement signed in the spring of 2014 affirmatively placed the Putnam County Sheriff's Department in control of the facility, while past ventures were predicated upon control being vested in the Putnam County Humane Society. As a result of this confusion, the renovation itself was never presented to the Putnam County Commissioners as a single, cohesive project until the spring of 2015. By then, work had already been completed on the project without bids and without contracts; the necessity of which are both recognized and appreciated by the Putnam County Board of Commissioners.

As previously mentioned, the Putnam County Board of Commissioners became fully aware of the entire scope of the renovation project in the spring of 2015. At that time, claims were presented by the Sheriff's Department, and authorized to be paid, in order to compensate vendors for services rendered. Inadvertently, this resulted in some duplicate payments. It appears in hindsight that a more prudent position would have been to wait until the Indiana State Board of Accounts released the special investigation results and comments before approving payment of the same. Nonetheless, individuals and businesses had completed work on the project and were owed money; contracts or no

contracts, bids or no bids. As for the duplicate payments, hopes remain optimistic that the money will be recovered as requested restitution stemming from two pending criminal cases against those alleged to have knowingly received inappropriate compensation.

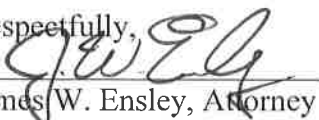
Continuing on, the results and comments of the investigation noted specific issues related to claims. The Putnam County Auditor addresses said issues as follows:

- 1) 4 out of 13 claims were not approved by the Commissioners.
  - *Without additional information as to the specific claims, the Putnam County Auditor does not have sufficient knowledge to give an adequate response.*
- 2) 7 of the 8 claims paid to Ron Brown were signed by him as the Project Manager/Director. He was not a County employee and had only been approved by the Commissioners to seek grants.
  - *The Putnam County Auditor has addressed this issue by reiterating to office personnel that only appointed department heads and elected officials can sign-off on claims. Further, only the elected Auditor and Chief Deputy will process claims.*
- 3) 6 out of 13 claims were paid as emergency claims. Resolution 2002-6-17 gives the Auditor authority to pay certain types of claims without prior approval. These claims did not meet the requirements of an emergency claim.
  - *When the claims were submitted, the Putnam County Auditor incorrectly characterized the reimbursements as emergency claims. The Auditor has since clarified her misconception with office personnel and a newer, more stringent, emergency claims policy, passed on July 6, 2015 as Resolution 2015-7-6-2, is now in effect.*

Lastly, some questions of supporting documentation for claims were presented at the exit interview. Internal efforts to determine justification for payment of \$3,080.00 to Ron Brown are ongoing. Another claim inquiry involves a \$22,849.81 payment made for \$19,206.85 of receipts. While no disagreement exists as to the sum total of receipts equaling \$19,206.85, an invoice presented by the vendor clearly indicates a material/labor total of ALL expenses as \$22,849.81. If the vendor in question is unable to explain this discrepancy with adequate documentation, Putnam County will pursue the \$3,642.96 inconsistency through a civil action.

In closing, we hope this response has adequately addressed the results and comments of the special investigation. If your agency requires further information, please don't hesitate to contact me.

Respectfully,



James W. Ensley, Attorney  
Putnam County Board of Commissioners

# PUTNAM COUNTY SHERIFF'S DEPARTMENT

Scott Stockton, Sheriff

13 Keightly Road • PO. Box 495 • Greencastle, Indiana 46135

Office: 765-653-3211  
Office Fax: 765-655-2131

Jail Division: 765-653-1810  
Jail Fax: 765-653-9337

October 8, 2015

Indiana State Board of Accounts  
Attn: Lisa David  
302 West Washington Street  
Room E418  
Indianapolis, Indiana 46204-2769

RE: Exit Interview Response

## **Putnam County Animal Shelter**

The Putnam County Sheriff's Department would like to take this opportunity to thank the Indiana State Board of Accounts and the Indiana State Police for honoring our request for an audit and investigation regarding the Putnam County Animal Shelter funds. The request for the investigation surrounded our concerns that some Shelter funds may have been unlawfully obtained prior to my taking office. We understand the investigation resulted in the criminal charges of a contractor and a subcontractor who were involved with shelter improvement projects.

The Putnam County Sheriff's Department also understands that the State Board of Accounts is seeking additional supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, or other public records for a portion of the funds paid. The Putnam County Sheriff's Department will work with the County Commissioners, the County Auditor and the County Attorney in an effort to collect any additional documentation needed. Additionally, the Putnam County Sheriff's Department will work with the County Attorney to collect any funds owed to Putnam County pursuant to procedures authorized by statute.



Sheriff Scott D. Stockton



Chief Deputy Phillip A. Parker 621

ANIMAL SHELTER  
PUTNAM COUNTY  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ron Brown, contractor:			
Duplicate Payments, pages 6-7	\$ <u>9,823.59</u>	\$ <u>-</u>	\$ <u>9,823.59</u>

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

# AFFIDAVIT

STATE OF INDIANA )  
 )  
 VIGO COUNTY)

I, Lynne Spencer, Auditor-In-Charge, being duly sworn on my oath, state that the foregoing report based on the official records as described in our letter to the officials of the, Putnam County, Indiana, for the period from June 1, 2014 to March 31, 2015, is true and correct to the best of my knowledge and belief.

Lynne Spencer  
Auditor-In-Charge

Subscribed and sworn to before me this 18<sup>th</sup> day of November, 2015

Michelle Edwards  
Notary Public

My Commission Expires: September 13, 2020

County of Residence: VIGO