

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

SPECIAL INVESTIGATION REPORT  
OF THE

REPRESENTATIVE PAYEE PROGRAM  
CENTER TOWNSHIP  
MARION COUNTY, INDIANA

November 13, 2007 to September 26, 2014



**FILED**  
03/15/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Carl Drummer	01-01-07 to 02-13-09
	William Douglas	02-14-09 to 12-31-10
	Eugene Akers	01-01-11 to 12-31-18
Chairman of the Board	Phyllis Carr	01-01-07 to 12-31-07
	Howard Smith	01-01-08 to 12-31-08
	Linda Journey	01-01-09 to 12-31-09
	Phyllis Carr	01-01-10 to 12-31-10
	Linda Journey	01-01-11 to 12-31-11
	Phyllis Carr	01-01-12 to 12-31-12
	Linda Journey	01-01-13 to 12-31-14
Phyllis Carr	01-01-15 to 12-31-15	



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF CENTER TOWNSHIP, MARION COUNTY

We have conducted a special investigation of the records of the Representative Payee Program, Center Township, Marion County, for the period November 13, 2007 to September 26, 2014. Our investigation was limited to records related to payments from the Representative Payee Program. 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 of Charges as listed in the Table of Contents. This report was forwarded to the Office of the Indiana Attorney General and 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

June 29, 2015

REPRESENTATIVE PAYEE PROGRAM  
 CENTER TOWNSHIP  
 MARION COUNTY  
 SPECIAL INVESTIGATION RESULTS AND COMMENTS

**MISAPPROPRIATION OF FUNDS**

Carmen Batts-Porter (Batts-Porter), former Township employee, used Representative Payee Program funds for her personal use. Social Security's Representative Payee Program provides financial management for the Social Security and Supplemental Security Income (SSI) payments of beneficiaries who are incapable of managing their Social Security or SSI payments. Center Township acts as an organizational payee, managing funds for approximately 200 participants. A representative payee's responsibilities include, but are not limited to: using benefits to pay for the current and foreseeable needs of the beneficiaries; appropriately saving any remaining benefits; and keeping good records of how the benefits are spent.

The Township used computerized accounting systems to account for the financial activity of the Township and the Representative Payee Program. As described in the "Accounting Environment - Segregation of Duties" comment, Batts-Porter had access within the Township accounting system to record entries and print checks. Between November 13, 2007 and September 26, 2014, 174 checks totaling \$88,259.91 recorded for the Representative Payee Program were used by Batts-Porter for her personal expenses, including credit card, utility and cell phone expenses. The following schedule details the amount of funds that were misappropriated by year:

	Misappropriation of Funds
	<u>                    </u>
2007	\$ 320.00
2008	1,628.00
2009	5,940.16
2010	8,569.01
2011	13,228.45
2012	17,803.00
2013	31,265.00
2014	<u>9,506.29</u>
Total	<u>\$ 88,259.91</u>

It was further noted that the actual payee on at least one of the printed checks did not agree with the vendor listed in the accounting system. The vendor listed in the accounting system was "Social Security Administration." The check was actually made out to "Target National Bank" as the vendor.

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 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)

REPRESENTATIVE PAYEE PROGRAM  
CENTER TOWNSHIP  
MARION COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

We requested that Batts-Porter reimburse Center Township for misappropriated funds in the amount of \$88,259.91. (See Summary of Charges, page 8)

***INVESTIGATION COSTS - MISAPPROPRIATION OF FUNDS***

The State of Indiana incurred additional costs in the investigation of the misappropriation of funds. The State of Indiana has requested that Batts-Porter reimburse the State of Indiana \$9,442.62 for investigation costs. (See Summary of Charges, page 8)

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)

***INVESTIGATION BY FEDERAL LAW ENFORCEMENT AGENCIES***

An investigation into the misappropriation of funds has also been conducted by federal law enforcement agencies, including the Federal Bureau of Investigation and the Social Security Administration - Office of Inspector General. Criminal Complaint Case Number 1:15-mj-00001 was filed in the United States District Court, Southern District of Indiana, on January 7, 2015. A plea agreement was entered into by Batts-Porter on May 21, 2015. Batts-Porter pleaded guilty to the theft and was ordered to pay restitution in the amount of \$88,259.91.

***ACCOUNTING ENVIRONMENT - SEGREGATION OF DUTIES***

Accounting duties were not adequately segregated. The Representative Payee Program only had at most three employees. The following is a description of some of the accounting activities, all of which Batts-Porter performed, for which compensating controls or adequate oversight were not in place:

- A. Batts-Porter had complete access to the accounting system allowing her to make financial entries and/or adjustments to the accounting records without any prior approval.
- B. Batts-Porter had access to unused blank checks and was also authorized to prepare, print, and sign checks.
- C. Batts-Porter had access to participant case files and was responsible for maintaining the case file documentation and tracking participant fund balances.
- D. Batts-Porter was responsible for preparing case reports, monthly/expenditure budget forms, and other information as needed.

REPRESENTATIVE PAYEE PROGRAM  
 CENTER TOWNSHIP  
 MARION COUNTY  
 SPECIAL INVESTIGATION RESULTS AND COMMENTS  
 (Continued)

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)

**INSURANCE COVERAGE**

The Township had government crime protection coverage which covered employee theft/public employee dishonesty. The policies covering the period November 13, 2007 to September 26, 2014, are shown in the table below.

Company	Insurance Amount	Term of Coverage
Not Provided **	Not Provided **	July 24, 2007 to July 24, 2008
Not Provided **	Not Provided **	July 24, 2008 to July 24, 2009
St. Paul Fire and Marine Insurance Company	\$ 100,000	July 24, 2009 to July 24, 2010
Travelers Property and Casualty Company of America	100,000	July 24, 2010 to July 24, 2011
Travelers Property and Casualty Company of America	100,000	July 24, 2011 to November 3, 2011
U.S. Specialty Insurance Company	100,000	November 3, 2011 to November 3, 2012
Not Provided **	Not Provided **	November 3, 2012 to November 3, 2013
U.S. Specialty Insurance Company	100,000	November 3, 2013 to November 3, 2014

\*\*Not Provided - Multiple attempts were made by the Township to contact the insurance companies and/or local agents to provide appropriate documentation of the amount of coverage for these periods; however, appropriate documentation was not provided for examination.

REPRESENTATIVE PAYEE PROGRAM  
CENTER TOWNSHIP  
MARION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2015, with Eugene Akers, Trustee, and Eric Bailey, Budget Director.

REPRESENTATIVE PAYEE PROGRAM  
 CENTER TOWNSHIP  
 MARION COUNTY  
 SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Carmen Batts-Porter, former Township employee:			
Misappropriation of Funds, pages 4 and 5	\$ 88,259.91	\$ -	\$ 88,259.91
Investigation Costs - Misappropriation of Funds, page 5	<u>9,442.62</u>	<u>-</u>	<u>9,442.62</u>
Totals	<u>\$ 97,702.53</u>	<u>\$ -</u>	<u>\$ 97,702.53</u>

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

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 the Representative Payee Program, Center Township, Marion County, Indiana, for the period from November 13, 2007 to September 26, 2014, is true and correct to the best of my knowledge and belief.

David Bixler  
Field Examiner

Subscribed and sworn to before me this 11 day of MARCH, 2016

Juanita M. Hendrickson  
Notary Public

My Commission Expires: Oct 19, 2023

County of Residence: HENDRICKS

