

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

SPECIAL INVESTIGATION REPORT
OF

KNOX COUNTY SOLID WASTE
MANAGEMENT DISTRICT
KNOX COUNTY, INDIANA

January 1, 2010 to November 30, 2015



FILED
10/17/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Fiscal Officer	Tracy Clinkenbeard	01-01-10 to 11-24-15
	(Vacant)	11-25-15 to 11-30-15
	Michelle Smith (interim)	12-01-15 to 08-21-16
	Michelle Smith	08-22-16 to 12-31-16
President of the Board	Patrick Clark	01-01-10 to 06-22-14
	Terry Johnson	06-23-14 to 01-25-15
	Don Halter	01-26-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT

We have conducted a special investigation of the records of the Knox County Solid Waste Management District for the period of January 1, 2010 to November 30, 2015. Our investigation was limited to the following records: disbursements, claims, bank statements, ledgers, and board minutes. 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 the Special Appointed Prosecuting Attorney.

Any Official Response to the Special Investigation Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 26, 2016

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT SPECIAL INVESTIGATION RESULTS AND COMMENTS

Tracy Clinkenbeard (Clinkenbeard), former Director, was charged on September 19, 2016, with five counts of theft in the Knox County Superior Court I.

FUNDS PAID TO AN OUTSIDE ORGANIZATION

The Knox County Solid Waste Management District (District) can award grants for recycling programs. Clinkenbeard issued checks totaling \$140,800.02 to a local band booster club from January 25, 2010 to January 28, 2013. A review of the District Board (Board) minutes indicated the Board approved a \$65,000 grant to a local band booster club. Per inquiry of past and current Board members, it was determined Clinkenbeard altered the Board minutes to give the perception the payments to the local band booster club had been approved when, in fact, they had not. Through a joint investigation with the Indiana State Police, records indicated that the money paid to the local band booster club was not spent on a recycling program at the school.

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.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$140,800.02 for funds paid to an outside organization. (See Summary of Charges, page 10)

UNAUTHORIZED PAYMENTS FOR CONTRACTUAL SERVICES

Records presented for investigation indicated Clinkenbeard issued payments totaling \$13,400 to a contractor without a written contract or agreement. There was no documentation that the payments made were related to the operation of the District.

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 Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$13,400 for unauthorized payments for contractual services. (See Summary of Charges, page 10)

UNDOCUMENTED, UNAUTHORIZED, UNREASONABLE, AND PERSONAL PURCHASES

Clinkenbeard made undocumented, unauthorized, unreasonable, and personal purchases from January 1, 2012 to November 20, 2015, totaling \$12,324.42.

These purchases were paid using a store or other credit card, as reimbursements to Clinkenbeard, through the use of petty cash funds, and by accounts payable vouchers. The purchases were categorized as food, diet supplements, meals, gift cards, medicine, clothing, miscellaneous, and no supporting documentation. The following table details the purchases by category, method of payment, and year:

**KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)**

STORE CREDIT CARD PURCHASES

Years	Food	Diet Supplements	Meals	Gift Cards	Medicine	Clothing	Miscellaneous	No Supporting Documentation	Totals
2012	\$ 858.77	\$ 19.96	\$ -	\$ 200.00	\$ 28.34	\$ 14.98	\$ -	\$ -	\$ 1,122.05
2013	1,310.78	283.28	-	120.00	-	-	98.83	75.44	1,888.33
2014	1,270.96	28.92	-	150.00	24.88	-	35.00	60.92	1,570.68
2015	811.56	2.12	-	-	-	-	-	38.55	852.23
	<u>\$ 4,252.07</u>	<u>\$ 334.28</u>	<u>\$ -</u>	<u>\$ 470.00</u>	<u>\$ 53.22</u>	<u>\$ 14.98</u>	<u>\$ 133.83</u>	<u>\$ 174.91</u>	<u>\$ 5,433.29</u>

CREDIT CARD PURCHASES

Years	Food	Diet Supplements	Meals	Gift Cards	Medicine	Clothing	Miscellaneous	No Supporting Documentation	Totals
2014	\$ 86.62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.95	\$ 69.53	\$ 174.10
2015	379.30	-	-	609.01	9.79	-	49.88	267.95	1,315.93
	<u>\$ 465.92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609.01</u>	<u>\$ 9.79</u>	<u>\$ -</u>	<u>\$ 67.83</u>	<u>\$ 337.48</u>	<u>\$ 1,490.03</u>

PETTY CASH PURCHASES

Years	Food	Diet Supplements	Meals	Gift Cards	Medicine	Clothing	Miscellaneous	No Supporting Documentation	Totals
2012	\$ 214.08	\$ -	\$ 314.26	\$ -	\$ -	\$ -	\$ 8.17	\$ 123.71	\$ 660.22
2013	155.04	-	336.70	-	-	-	101.82	330.09	923.65
2014	108.09	-	811.86	-	-	-	7.00	559.82	1,486.77
2015	128.87	-	830.00	-	-	-	-	463.35	1,422.22
	<u>\$ 606.08</u>	<u>\$ -</u>	<u>\$ 2,292.82</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116.99</u>	<u>\$ 1,476.97</u>	<u>\$ 4,492.86</u>

REIMBURSEMENTS TO CLINKENBEARD

Years	Food	Diet Supplements	Meals	Gift Cards	Medicine	Clothing	Miscellaneous	No Supporting Documentation	Totals
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38.97	\$ -	\$ -	\$ 38.97
2013	-	62.97	-	-	-	218.98	42.72	-	324.67
	<u>\$ -</u>	<u>\$ 62.97</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257.95</u>	<u>\$ 42.72</u>	<u>\$ -</u>	<u>\$ 363.64</u>

ACCOUNTS PAYABLE VOUCHERS

Years	Food	Diet Supplements	Meals	Gift Cards	Medicine	Clothing	Miscellaneous	No Supporting Documentation	Totals
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418.98	\$ 418.98
2013	-	-	-	-	-	-	-	125.62	125.62
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 544.60</u>	<u>\$ 544.60</u>

SUMMARY BY CATEGORY

Store credit card purchases	\$ 5,433.29
Credit card purchases	1,490.03
Petty cash purchases	4,492.86
Reimbursements to Clinkenbeard	363.64
Accounts payable purchases	544.60
Total	<u>\$ 12,324.42</u>

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Purchases for food, diet supplements, gift cards, medicine, clothing, and miscellaneous items were considered not to be valid expenses and were unrelated to the operation of the district. Purchases of meals were at local restaurants with no documentation that District business was conducted.

There was not a policy in place to allow these types of purchases and the Board did not authorize the purchase of these items.

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 Special Districts, Chapter 10)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Guideline Manual for Special Districts, Chapter 10)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$12,324.42 for undocumented, unauthorized, unreasonable, and personal purchases. (See Summary of Charges, page 10)

UNAUTHORIZED PAYMENTS FOR PERSONAL INTERNET

The District paid \$2,272.90 for Clinkenbeard's personal internet from January 1, 2010 to October 31, 2015. There was not a policy for reimbursement of personal internet and the Board did not authorize the purchase of Clinkenbeard's personal internet.

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 Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$2,272.90 for unauthorized payments for personal internet. (See Summary of Charges, page 10)

UNAUTHORIZED TRAVEL AND EXPENSES

Clinkenbeard traveled to Canada in May and September of 2013 and incurred \$1,426.56 in expenses, which were paid by the District. There was no Board approval for her out-of-country travel. Expenses included hotel, gas, meals, roaming cell phone charges, and miscellaneous items. There was no evidence that a conference registration was paid for or that any conference was attended.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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.

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 Guideline Manual for Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$1,426.56 for unauthorized travel and expenses. (See Summary of Charges, page 10)

PENALTIES, INTEREST, AND OTHER CHARGES

The District paid penalties, interest, and other charges to various vendors in the amount of \$1,084.13 because Clinkenbeard did not remit payments for supplies, gas, and utilities on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$1,084.13 for penalties, interest, and other charges. (See Summary of Charges, page 10)

OVERPAYMENT OF REIMBURSEMENTS TO TRACY CLINKENBEARD

Clinkenbeard overpaid reimbursements to herself in the amount of \$141.50. She reimbursed herself for meals and clothing on January 10, 2013, and again on January 28, 2013, and overpaid a reimbursement for a hotel on June 10, 2013.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the District \$141.50 for overpayment of reimbursements. (See Summary of Charges, page 10)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs, in the amount of \$39,837.83, due to the special investigation of Clinkenbeard.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

We requested that Clinkenbeard reimburse the State of Indiana \$39,837.83 for additional special investigation costs. (See Summary of Charges, page 10)

OFFICIAL BONDS

Clinkenbeard was covered by the following official bonds:

<u>Bond Period</u>	<u>Amount</u>
09-05-09 to 09-05-10	\$ 15,000
09-05-11 to 12-31-10	15,000
01-01-11 to 12-31-11	15,000
01-01-12 to 12-31-12	15,000
01-01-13 to 12-31-13	15,000
01-01-14 to 12-31-14	15,000
01-01-15 to 12-31-15	15,000

INTERNAL CONTROLS

The District did have controls over disbursements. Each disbursement required two signatures and all claims were submitted to the Board for approval. However, the controls in place were ineffective and did not properly prevent, or detect, and correct misstatements in a timely manner. Once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness.

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 Special Districts, Chapter 10)

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2016, with Michelle Smith, Director; Don Halter, President of the Board; Larry Holscher, Board member; Joe Yochum, Board member; Kellie Streeter, Board member; Thomas Estabrook, Board member; and Jon Flickinger, former Board member.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Tracy Clinkenbeard, former Director:			
Funds Paid to an Outside Organization, page 4	\$ 140,800.02	\$ -	\$ 140,800.02
Unauthorized Payments for Contractual Services, page 4	13,400.00	-	13,400.00
Undocumented, Unauthorized, Unreasonable, and Personal Purchases, pages 4 through 6	12,324.42	-	12,324.42
Unauthorized Payments for Personal Internet, page 6	2,272.90	-	2,272.90
Unauthorized Travel and Expenses, pages 6 and 7	1,426.56	-	1,426.56
Penalties, Interest, and Other Charges, page 7	1,084.13	-	1,084.13
Overpayment of Reimbursements to Tracy Clinkenbeard, page 7	<u>141.50</u>	<u>-</u>	<u>141.50</u>
Totals	171,449.53	-	171,449.53
Special Investigation Costs, pages 7 and 8	<u>39,837.83</u>	<u>-</u>	<u>39,837.83</u>
Totals	<u>\$ 211,287.36</u>	<u>\$ -</u>	<u>\$ 211,287.36</u>

This report was forwarded to the Office of the Indiana Attorney General and Special Appointed Prosecuting Attorney.

AFFIDAVIT

STATE OF INDIANA)
VIGO)
COUNTY)

I, Lynne Spencer, Field Examiner, 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 Knox County Solid Waste Management District, Knox County, Indiana, for the period from January 1, 2010 to November 30, 2015, is true and correct to the best of my knowledge and belief.

Lynne Spencer
Field Examiner

Subscribed and sworn to before me this 12th day of October, 2016

Michelle Edwards
Notary Public

My Commission Expires: September 13, 2020

County of Residence: VIGO