

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

SPECIAL INVESTIGATION REPORT

OF

BLACK TOWNSHIP

POSEY COUNTY, INDIANA

June 30, 2011 to December 31, 2015



FILED
03/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lindsay Suits (deceased)	01-01-11 to 08-29-16
	(Vacant)	08-30-16 to 08-31-16
	Cindy Middleton	09-01-16 to 12-31-18
Chairman of the Township Board	Bud Funkhouser	01-01-11 to 12-31-11
	Ann Fischer	01-01-12 to 12-31-12
	Brandyn Mohr	01-01-13 to 12-31-13
	Bud Funkhouser	01-01-14 to 12-31-14
	Don Oeth	01-01-15 to 12-31-16



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF BLACK TOWNSHIP, POSEY COUNTY

We have conducted a special investigation of the records of the Township Trustee for the period from June 30, 2011 to December 31, 2015. Our investigation was limited to the following records: Township assistance applications, purchases orders, ledger, bank statements, canceled checks, and supporting documentation, if any. 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 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 22, 2016

BLACK TOWNSHIP, POSEY COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

TOWNSHIP ASSISTANCE BENEFITS PAID FOR RELATIVE

Township assistance benefits were paid on behalf of a relative of Lindsay Suits (Suits), former Trustee, from June 30, 2011 to October 23, 2015, totaling \$18,187.74. Applications were filed by the relative annually instead of every 180 days as required; except for 2015, where two applications were filed. Only one instance did an application filed by the relative show that she was related to Suits and there were no affidavits on file requesting extended, additional, or continuing aid. Benefits were paid for utilities, rent and mortgage, food, dental, and medical as follows:

Assistance Type	2011	2012	2013	2014	2015	Totals
Electric Utilities	\$ 350.00	\$ 799.21	\$ 977.26	\$ 667.09	\$ 500.00	\$ 3,293.56
Water Utilities	-	181.43	686.95	-	-	868.38
Rent	-	1,800.00	4,200.00	-	-	6,000.00
Food	-	-	101.04	-	-	101.04
Medical	-	-	-	109.61	-	109.61
Dental	-	-	-	131.00	-	131.00
Mortgage	-	-	-	3,989.15	3,695.00	7,684.15
Totals	<u>\$ 350.00</u>	<u>\$ 2,780.64</u>	<u>\$ 5,965.25</u>	<u>\$ 4,896.85</u>	<u>\$ 4,195.00</u>	<u>\$ 18,187.74</u>

During June 30, 2011 to October 23, 2015, thirty-one payments of benefits were made on behalf of the relative. In twenty-six instances, the amounts paid exceeded the maximum amount of benefits allowed and in all thirty-one instances the relative had income in excess of the amount eligible for assistance as stated in the Township Assistance Guidelines. For twenty-two of the payments no Township assistance application was presented specifically requesting assistance by the relative. Twenty-four of the payments did not have supporting documentation or invoices presented to identify the service provided.

Indiana Code 12-20-6-1 states in part:

"(a) A township trustee may not extend aid to an individual or a household unless an application and affidavit setting forth the personal condition of the individual or household has been filed with the trustee within one hundred eighty (180) days before the date aid is extended.

...

(d) The township trustee may not extend additional or continuing aid to an individual or a household unless the individual or household files an affidavit with the request for assistance affirming how, if at all, the personal condition of the individual or the household has changed from that set forth in the individual's or household's most recent application."

Indiana Code 5-11-10-1(b) states in part: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized . . ."

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 Townships, Chapter 13)

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)

BLACK TOWNSHIP, POSEY COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

The Estate of Suits, former Trustee, may be requested to reimburse \$18,187.74 for Township assistance benefits paid for relative. (See Summary of Charges, page 10)

PERSONAL MORTGAGE PAYMENTS

Four payments were made from the Township Assistance Fund during the period July 28, 2014 to December 1, 2014, totaling \$5,313.88. No detailed invoices or other supporting documentation was presented to identify the purpose of these payments or if the payments were for township business. All four payments were made payable to a financial institution which was not the Township's depository.

In response to a subpoena issued on March 22, 2016, the bank receiving the Township payments identified them as mortgage payments on property at 1210 Tanglewood Drive, Mt. Vernon, IN. Based on deed records in the Posey County Recorder's office and the Posey County assessment records the property at this address is owned by Suits and her spouse. These mortgage payments were personal expenses for Suits and not related to Township business.

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)

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)

The Estate of Suits, former Trustee, may be requested to reimburse \$5,313.88 for personal mortgage payments. (See Summary of Charges, page 10)

PERSONAL CELL PHONE EXPENSES

During the period of February 28, 2013 to June 2, 2015, the Township made payments for cell phone services for Suits totaling \$3,256.45. Payments were made by a Township check for the period February 28, 2013 through October 29, 2013 and, then, automatic withdraws from the Township's depository account from December 10, 2013 through June 2, 2015. Only one fully itemized invoice was presented which showed that the cell phone service was not in the name of the Township, but instead in the name of Suits' spouse and included services for Suits and her spouse. The invoice also included a \$27 monthly charge for the purchase of an Apple I Phone 5. An itemized invoice of the cell phone services or other supporting documentation was not presented to substantiate all other cell phone payments or to show that the phone number was used or listed for Township business.

Indiana Code 12-20-5.5-3(a) states: "The township trustee shall ensure adequate access to township assistance services, including a published telephone number in the name of the township."

For telephone, cell phone, and internet services that are restricted to Township use, then Township funds should be used to pay for the entire cost of the services.

For telephone, cell phone, and internet services that are not restricted to Township use, then Township funds may be used to pay for up to 50 percent of the cost of the base service.

BLACK TOWNSHIP, POSEY COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Documentation should be retained to provide evidence that the telephone/cell phone number has been provided to the public as the contact number for the Township office. Common examples of acceptable documentation would include: a copy of the listing in a telephone directory, signage at the township office or a public building, listing on a governmental unit's website, etc. Using Township funds to pay for personal use of telephone, cell phone, or internet services may be the personal obligation of the responsible official or employee. (Township Bulletin and Uniform Compliance Guidelines, December 2015)

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)

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)

The Estate of Suits, former Trustee, may be requested to reimburse \$3,256.45 for personal cell phone expenses. (See Summary of Charges, page 10)

LACK OF SUPPORTING DOCUMENTATION ON DISBURSEMENTS

Disbursements totaling \$3,965.81 made from the Township Assistance Fund from June 30, 2013 to November 9, 2014, for prescriptions, food, and dental benefits did not have proper supporting documentation. No supporting invoices, Township assistance orders or claims documenting benefits paid, or notices of township action (Form TA-1) were provided. The payments could not be traced to any applicant's applications on file qualifying them for assistance. Without an application, detailed invoice, or other supporting documentation, we were unable to determine the validity of these payments in accordance with applicable statutes.

Indiana Code 5-11-10-1(b) states in part: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized . . ."

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 Townships, Chapter 13)

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)

The Estate of Suits, former Trustee, may be requested to reimburse \$3,965.81 for lack of supporting documentation or disbursements. (See Summary of Charges, page 10)

BLACK TOWNSHIP, POSEY COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

TOWNSHIP FUND - CASH WITHDRAWAL

On September 23, 2015, a hand written check, number 10600, which was made payable to "Cash" was issued and endorsed by Suits in the amount of \$300. There was no detailed invoice or other supporting documentation substantiating this disbursement other than a note in the ledger stating that the cash was to pay for the costs of attending an ITA meeting. Although a meeting was held for Townships during that period and Suits attended, without supporting documentation, we were unable to verify that any or all of the \$300 cash was used for Township purposes while attending the meeting.

Indiana Code 5-11-10-1(b) states in part: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized . . ."

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 Townships, Chapter 13)

The Estate of Suits, former Trustee, may be requested to reimburse \$300 for Township fund – cash withdrawal. (See Summary of Charges, page 10)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs totaling \$20,064.92 in the investigation of Township assistance benefits paid, personal cell phone expenses, personal mortgage payments, and lack of supporting documentation on disbursements.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Estate of Suits, former Trustee, may be requested to reimburse \$20,064.92 special investigation costs. (See Summary of Charges, page 10)

OFFICIAL BONDS

The Township obtained the following official bonds:

<u>Period</u>	<u>Amount</u>
01-01-11 to 12-31-11	\$ 30,000
01-01-12 to 12-31-12	30,000
01-01-13 to 12-31-13	30,000
01-01-14 to 12-31-14	30,000
01-01-15 to 12-31-15	30,000

BLACK TOWNSHIP, POSEY COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

The Township Trustee was responsible for all aspects of the Township's financial activity. Duties related to the application, approval and payment of Township assistance benefits were not in place allowing assistance to be paid for unqualified Township residents. Also duties related to the payment of Township expenses were not in place allowing payment of expenses without adequate supporting documentation. These control deficiencies occurred due to the size of the unit and a lack of segregation of duties.

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 Townships, Chapter 13)

TRANSFER TO RAINY DAY FUND

On June 30, 2015, the Township made a transfer of \$75,363 from the Firefighting fund to the Rainy Day fund. Indiana Code 3-6-8-13-3 restricts the use of the Firefighting fund to costs attributable to providing fire protection or emergency services and for no other purposes.

Indiana Code 36-8-13-4(a) states in part:

"Each township shall annually establish a township firefighting fund which is to be the exclusive fund used by the township for the payment of costs attributable to providing fire protection or emergency services under the methods prescribed in section 3 of this chapter and for no other purposes. . . ."

BLACK TOWNSHIP, POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2016, with Cindy Middleton, Trustee, and Kay Kilgore, Secretary to the Board.

BLACK TOWNSHIP, POSEY COUNTY
SUMMARY OF CHARGES

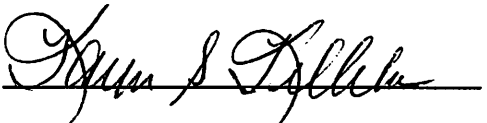

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Estate of Lindsay Suits, former Trustee (deceased):			
Township Assistance Benefits Paid for Relative, pages 4 and 5	\$ 18,187.74	\$ -	\$ 18,187.74
Personal Mortgage Payments, page 5	5,313.88	-	5,313.88
Personal Cell Phone Expenses, pages 5 and 6	3,256.45	-	3,256.45
Lack of Supporting Documentation on Disbursements, page 6	3,965.81	-	3,965.81
Township Fund - Cash Withdrawal, page 7	<u>300.00</u>	<u>-</u>	<u>300.00</u>
Totals	<u>31,023.88</u>	<u>-</u>	<u>31,023.88</u>
Due State of Indiana:			
Special Investigation Costs, page 7	<u>20,064.92</u>	<u>-</u>	<u>20,064.92</u>
Total Due State of Indiana	<u>20,064.92</u>	<u>-</u>	<u>20,064.92</u>
Total Due From Estate of Lindsay Suits, former Trustee (deceased)	<u>\$ 51,088.80</u>	<u>\$ -</u>	<u>\$ 51,088.80</u>

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

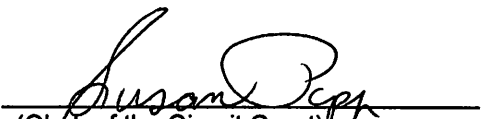
AFFIDAVIT

STATE OF INDIANA)
CLARK COUNTY)

We, Jonathan H. Bennington and Karen S. Kelleher, Special Investigators, being duly sworn on our oaths, state that the foregoing report based on the official records as described in our letter to the officials of the Black Township, Posey County, Indiana, for the period from June 30, 2011, to December 31, 2015, is true and correct to the best of our knowledge and belief.



Special Investigators

Subscribed and sworn to before me this 9th day of March, 2017.


(Clerk of the Circuit Court)

SEAL