

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

SPECIAL INVESTIGATION REPORT

OF

ST. JOSEPH COUNTY MINORITY HEALTH COALITION

ST. JOSEPH COUNTY, INDIANA

July 1, 2014 to January 11, 2019



**FILED**  
08/18/2023

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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY MINORITY  
HEALTH COALITION, ST. JOSEPH COUNTY, INDIANA

This is a special investigation report for the St. Joseph County Minority Health Coalition (Coalition), for the period July 1, 2014 to January 11, 2019, and is in addition to any other report for the Coalition as required under Indiana Code 5-11-1. All reports pertaining to the Coalition may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with collections and disbursements of governmental (public) funds including: credit card statements, bank statements, canceled checks as requested, invoices, calendars and other supporting documentation, contracts, grant agreements, and payroll records. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

August 1, 2023

## ST. JOSEPH COUNTY MINORITY HEALTH COALITION RESULTS AND COMMENTS

### **BACKGROUND**

St. Joseph County Minority Health Coalition (Coalition) doing business as Community Wellness Partners (CWP) is a not-for-profit corporation. The purpose of the Coalition is to "improve the health of the ethnic/racial minority population of St. Joseph County, Indiana. To further this aim, the St. Joseph County Minority Health Coalition will: (1) promote minority health through education, advocacy, services delivery, public relations, research and leadership, (2) provide community representation that will bring about workable solutions for addressing personal, family and community health problems, and (3) to perform any purposes which nonprofit coalitions are authorized under the Nonprofit Corporation Act of 1991." The Coalition is an affiliate of the Indiana Minority Health Coalition (IMHC). The IMHC was responsible for financial oversight, including contracting for audits of the Coalition. The Coalition received public funds in excess of fifty percent (50%) of all funding the Coalition received from funds provided by the IMHC through grants to the Coalition, as well as grants received from the Indiana State Department of Health. The Coalition derived receipts from fundraisers, donations, and a grant from the University of Notre Dame; however, the use of these funds were not within the scope of this investigation.

Karl Nichols (Nichols) served as Executive Director from October 1, 2008, until his termination on January 11, 2019.

As Executive Director, Nichols was responsible for the day-to-day operations, which included, but was not limited to: Supporting the CWP agency; implementing policy decisions and Board directives; supervising and providing leadership and policy guidance to staff; assisting in budget preparation; and approving, hiring, and termination of staff.

Nichols was also responsible for financial processes, which included, but was not limited to: (1) expenditure approvals within the parameters set by the annual budgets as approved by a Board and contract budget requirements; (2) single check signing authority up to and including \$1,000 per vendor transaction, excluding Nichols personal expense reimbursements. All disbursements by check were required to be compared to supporting documentation by Nichols or a Board member with check signing authority.

The IMHC had concerns over the expenses of the Coalition. IMHC notified the Indiana State Board of Accounts. The Indiana State Board of Accounts performed an investigation of the Coalition for the period of July 1, 2014 to January 11, 2019, as per Indiana Code 5-11-1-9(a). The results of our investigation are described in the following comments.

Indiana Code 5-11-1-9(a) states:

"The state examiner, personally or through the deputy examiners, field examiners, or private examiners, shall examine all accounts and all financial affairs of every audited entity. However, an examination of an entity under this subsection shall be limited to matters relevant to the use of the public money received by the entity."

#### *Significant to the Investigation*

Credit cards were issued to various staff of the Coalition, including Nichols. Each staff member who had a Coalition authorized credit card had a unique credit card number, so transactions could be verified to each user. Additionally, a debit card was issued by the bank to Nichols, as confirmed by bank officials.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

For purposes of this investigation, to determine if disbursements were substantiated and for Coalition related purposes, the following documents and tools were used:

- Vendor invoices.
- Travel documents (auditee provided internet travel queries).
- Staff calendars.
- Contracts.
- Federal Forms 1099-Misc Miscellaneous Income.
- Federal Forms W-2, Wage and Tax Statements.
- Interviews with Board Members and Accountant.
- Attempted interview with Nichols.
- Internet searches were also conducted to determine if the expenditure was for a Coalition business-related purpose.

The Financial Policies and Procedures, including the Cash Disbursements Policy provided by the Accountant for the Coalition, indicated the policies were revised on June 26, 2017, and any earlier versions could not be located for this investigation. We relied upon these documents as criteria for completion of the investigation.

***IMHC QUESTIONED CREDIT AND DEBIT CARD DISBURSEMENTS***

The IMHC provided two lists of credit and debit card disbursements that they indicated as questionable either because there was not any supporting documentation provided, and/or the disbursements did not meet the purpose of the Coalition. We reviewed the two lists, applying the investigative tools as documented in the *Background* comment. The results follow.

*Credit and Debit Card Disbursements - No Supporting Documentation*

There were 21 credit and debit card disbursements paid from public funds totaling \$2,601.74 that did not have any supporting documentation to identify a business-related purpose. Cash withdrawals made up \$1,737.84 of the \$2,601.74 disbursements, which were not pre-approved as required by the Coalition's policy.

The following schedule details the number of credit and debit card transactions and disbursements from public funds made without supporting documentation by grantor and year.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
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Description	2014-2015	2015-2016	2016-2017	2018-2019	Totals
Number of Transactions	10	8	2	1	21
<u>Grantor Agency Disbursements</u>					
IMHC	\$ 676.91	\$ 877.98	\$ -	\$ 5.00	\$ 1,559.89
Indiana State Department of Health	332.84	575.00	134.01	-	1,041.85
Totals	<u>\$ 1,009.75</u>	<u>\$ 1,452.98</u>	<u>\$ 134.01</u>	<u>\$ 5.00</u>	<u>\$ 2,601.74</u>

*Credit and Debit Card Disbursements - Without Grant or Coalition Purposes*

There were credit and debit card disbursements included on the lists totaling \$8,944.56 for food purchases, clothing, automotive needs, electronics, gift cards, and supplies including religion and marriage books, and a safe and cash box, which were not located by the accountant at the Coalition offices. The items purchased did not have a documented Coalition purpose as required for credit card purchases.

The following schedule details the credit and debit card disbursements made without a grant or Coalition purpose by grantor and year.

Grantor Agency	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Totals
IMHC	\$ 2,244.51	\$ 301.71	\$ 1,514.25	\$ 1,278.61	\$ 57.73	\$ 5,396.81
Indiana State Department of Health	575.86	225.79	2,083.21	594.47	68.42	3,547.75
Totals	<u>\$ 2,820.37</u>	<u>\$ 527.50</u>	<u>\$ 3,597.46</u>	<u>\$ 1,873.08</u>	<u>\$ 126.15</u>	<u>\$ 8,944.56</u>

*Summary Credit and Debit Card Disbursements - No Supporting Documentation and Without Grant or Coalition Purposes*

The following schedule summarizes the credit and debit card disbursements with no supporting documentation, and the credit and debit card disbursements without grant or Coalition purposes by grantor:

Grantor Agency	Credit and Debit Card Disbursements		Totals
	No Supporting Documentation	Without Grant or Coalition Purposes	
IMHC	\$ 1,559.89	\$ 5,396.81	\$ 6,956.70
Indiana State Department of Health	1,041.85	3,547.75	4,589.60
Totals	<u>\$ 2,601.74</u>	<u>\$ 8,944.56</u>	<u>\$ 11,546.30</u>

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

Per the Coalition's Cash Disbursement Policy: ". . . The Executive Director has (a) expenditure approval up to the parameters set by the annual operating budget, approved by the Board and contract budget requirements, and (b) single signature authority up to and including \$1,000, per vendor transaction, with the exception of the Executive Director's personal expense reimbursement items which must be approved by a Board member having check signing authorization."

Per the Coalition's Cash Disbursement Policy: ". . . All disbursements made by check, debit card, pre-approved bank account withdrawals and are accompanied by substantiating documentation."

Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states under the Credit Card Expenditures Section:

"The Treasurer will approve the issuance of a company-issued credit card for employees who travel frequently. Employees must utilize that card only for business travel. Employees must submit substantiating documentation that explains the business reason for items purchased using the credit card. The direct supervisor must approve the voucher, which is then submitted to the Accountant for recording and reconciliation."

*The Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining the reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

We request Nichols reimburse the IMHC for credit and debit card disbursements in the amount of \$6,956.70. (See Summary of Charges, page 18)

We request Nichols reimburse the Indiana State Department of Health for credit and debit card disbursements in the amount of \$4,589.60. (See Summary of Charges, page 18)

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

**ADDITIONAL CASH DISBURSEMENTS**

The bank provided Nichols with a debit card, which could be used to make withdrawals of cash from Automatic Teller Machines (ATM). Based upon interviews, Nichols was the only check signer who also withdrew cash from the bank at local bank branches. The Coalition's Cash Disbursements Policy allowed for pre-approved bank account withdrawals as long as they were accompanied by substantiating documentation.

There were 58 cash withdrawals, either taken as direct cash withdrawals from the bank account or via ATM transactions totaling \$8,910 posted as disbursements from public funds. The cash withdrawals were not pre-approved in accordance with the Coalition's Cash Disbursements Policy, and there was not any supporting documentation (using the investigative tools noted in the *Background* comment) to determine a Coalition purpose.

The following schedule details the additional cash disbursements with no documentation and without evidence of approval by the Board by grantor and year.

<u>Grantor Agency</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>Totals</u>
IMHC	\$ 1,458.00	\$ 1,650.00	\$ 1,988.00	\$ 5,096.00
Indiana State Department of Health	<u>832.50</u>	<u>180.00</u>	<u>2,801.50</u>	<u>3,814.00</u>
Totals	<u>\$ 2,290.50</u>	<u>\$ 1,830.00</u>	<u>\$ 4,789.50</u>	<u>\$ 8,910.00</u>

Per the Coalition's Cash Disbursement Policy: ". . . The Executive Director has (a) expenditure approval up to the parameters set by the annual operating budget, approved by the Board and contract budget requirements, and (b) single signature authority up to and including \$1,000, per vendor transaction, with the exception of the Executive Director's personal expense reimbursement items which must be approved by a Board member having check signing authorization."

Per the Coalition's Cash Disbursement Policy: ". . . All disbursements made by check, debit card, pre-approved bank account withdrawals and are accompanied by substantiating documentation."

Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states under the Signature Policy Section:

"The Agency Executive Director and the Treasurer (two signatures) shall, unless otherwise decided by the Board, sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Agency. In the absence of either individual, the signature of the Chair of the Board must be obtained.

Should any misappropriation occur as a result of not adopting this recommendations, all parties will be held accountable for the misappropriated funds."

*The Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining the reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

We request Nichols reimburse the IMHC for cash disbursements in the amount of \$5,096. (See Summary of Charges, page 18)

We request Nichols reimburse the Indiana State Department of Health for cash disbursements in the amount of \$3,814. (See Summary of Charges, page 18)

**CONTRACTUAL SERVICES - NICHOLS**

In addition to Nichols salary, the ledger indicated there were 21 payments made to Nichols totaling \$5,313.19 for contracted services; however, one of the checks in the amount of \$140 was payable and endorsed by "Revival Center." Per an internet search, the Revival Center was a ministry center.

No contracts, Board approvals, or supporting documentation, such as invoices or time records, were provided; therefore, we could not verify these payments were related to services provided to the Coalition for publicly fund activities, above and beyond the salaried services Nichols provided. All the checks were signed only by Nichols. The following schedule details the contractual services payments to Nichols or on behalf of Nichols by grantor and year.

<u>Grantor Agency</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>Total</u>
IMHC	<u>\$ 4,680.43</u>	<u>\$ 632.76</u>	<u>\$ 5,313.19</u>

Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states in part under the Compensation and Payroll Section: ". . . The compensation of the Agency's Executive Director shall be determined by the Board of Directors or their designees. . . ."

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
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Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states in part under the Leases and Other Contractual Agreements Section:

". . . The Agency Executive Director and the Treasurer are authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of ensuring the Agency's general operations. The Finance Committee shall review such agreements and make recommendations when necessary."

Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states under the Signature Policy Section:

"The Agency Executive Director and the Treasurer (two signatures) shall, unless otherwise decided by the Board, sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Agency. In the absence of either individual, the signature of the Chair of the Board must be obtained.

Should any misappropriation occur as a result of not adopting this recommendations, all parties will be held accountable for the misappropriated funds."

*The Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining the reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

We request Nichols reimburse the IMHC for contractual service disbursements in the amount of \$5,313.19. (See Summary of Charges, page 18)

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

**SUPPORTING DOCUMENTATION**

*Travel*

Per the Community Wellness Partners Job Description for the Executive Director, the responsibilities and essential functions include: "Some travel to local, state and regional meetings with pre-approval from Board." Furthermore, regarding local travel and expense reimbursements, employees were to prepare and receive supervisor approval for their travel and expense reports.

From July 1, 2014 to January 11, 2019, there were 21 checks totaling \$2,980.82 paid to Nichols for travel, which lacked supporting documentation inclusive of travel and expense reports, Nichols' work calendar noted events, or other documents noted in the investigative tools used as part of the *Background* comment in this report. In addition, Board minutes for 2018 to January 2019 were reviewed, but we did not find any of Nichols' travel being approved. Prior to 2017, no Board minutes were provided.

All of the reimbursement checks payable to Nichols were only signed by Nichols; none of the checks were signed by a Board member as required for reimbursements to Nichols.

The following schedule details the breakdown of travel payments made to Nichols without supporting documentation by grantor and year.

<u>Grantor Agency</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>Totals</u>
IMHC	\$ 297.01	\$ -	\$ 158.00	\$ 34.00	\$ 184.00	\$ 673.01
Indiana State Department of Health	1,322.90	467.27	154.04	305.88	57.72	2,307.81
Totals	<u>\$ 1,619.91</u>	<u>\$ 467.27</u>	<u>\$ 312.04</u>	<u>\$ 339.88</u>	<u>\$ 241.72</u>	<u>\$ 2,980.82</u>

*Dues and Subscriptions, Other Payments*

There were two payments made to Nichols totaling \$145 without supporting documentation. These payments were noted in the ledger as rentals and parking; however, based upon reviews of calendars and internet queries, we were unable to determine either a Coalition or grantor agency purpose for these disbursements. Furthermore, the checks were only signed by Nichols, which violated the Coalition's policy related to reimbursement of expenses for Nichols.

The following schedule details the breakdown of payments for dues and subscriptions and other payments made to Nichols without supporting documentation by grantor and year.

<u>Grantor Agency</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>Total</u>
IMHC	<u>\$ 45</u>	<u>\$ 100</u>	<u>\$ 145</u>

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(Continued)

*Materials and Building Supplies*

On April 30, 2018, a check was made payable to Nichols totaling \$34.94 without supporting documentation. The payment in the ledger was noted as paid from Coalition unrestricted funds for \$20 "vacuum repair," and from restricted IMHC funds for \$14.94 for "tiles." We were unable to determine the IMHC grantor agency purpose for the \$14.94 portion of the disbursement. Furthermore, the check was only signed by Nichols, which violated the Coalition's policy related to reimbursement of expenses for Nichols.

The following details the breakdown of material and building supplies payments to Nichols without supporting documentation by grantor and year.

<u>Grantor Agency</u>	<u>2017-2018</u>
IMHC	<u>\$ 14.94</u>

*Summary of Supporting Documentation*

The following schedule details the breakdown of travel, dues and subscriptions, other payments, and materials and building supplies payments to Nichols without supporting documentation by grantor and year.

<u>Grantor Agency</u>	<u>Travel</u>	<u>Dues and Subscriptions, Other Payments</u>	<u>Materials and Building Supplies</u>	<u>Totals</u>
IMHC	\$ 673.01	\$ 145.00	\$ 14.94	\$ 832.95
Indiana State Department of Health	<u>2,307.81</u>	<u>-</u>	<u>-</u>	<u>2,307.81</u>
Totals	<u>\$ 2,980.82</u>	<u>\$ 145.00</u>	<u>\$ 14.94</u>	<u>\$ 3,140.76</u>

Per the Financial Management Policies and Procedures, Section 14, Local Travel and Expense Reimbursements, states in part: ". . . Employees must abide by the Agency's Travel and Expense Policy. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the supervisor for approval and payment on a weekly basis by the Accountant. . . ."

Per the Coalition's Cash Disbursement Policy: ". . . The Executive Director has (a) expenditure approval up to the parameters set by the annual operating budget, approved by the Board and contract budget requirements, and (b) single signature authority up to and including \$1,000, per vendor transaction, with the exception of the Executive Director's personal expense reimbursement items which must be approved by a Board member having check signing authorization."

Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states under the Signature Policy Section:

"The Agency Executive Director and the Treasurer (two signatures) shall, unless otherwise decided by the Board, sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Agency. In the absence of either individual, the signature of the Chair of the Board must be obtained.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

Should any misappropriation occur as a result of not adopting this recommendations, all parties will be held accountable for the misappropriated funds."

*The Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining the reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

We request Nichols reimburse the IMHC for lack of supporting documentation in the amount of \$832.95. (See Summary of Charges, page 18)

We request Nichols reimburse the Indiana State Department of Health for lack of supporting documentation in the amount of \$2,307.81. (See Summary of Charges, page 18)

**INSURANCE**

The Coalition obtained Combined Liability Insurance coverage on nonprofit Directors, Officers, and the entity, as follows:

<u>Term</u>	<u>Coverage</u>
06-01-17 to 06-01-18	\$ 1,000,000
06-01-18 to 06-01-19	1,000,000

No additional insurance policies were found prior to June 1, 2017.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

Per the Financial Management Policies and Procedures, Section 26, Insurances, states in part: ". . . Reasonable and adequate coverage will be maintained to protect the Agency's interests as well as the Board of Directors and the Agency's employees. The following insurance policies shall be kept on a yearly basis: . . . General and Professional Liability Insurance, Directors and Officers Liability Insurance, Employee's Dishonesty Bond Insurance, . . ."

Per the Financial Management Policies and Procedures, Section 27, Bonding, states in part: ". . . All Agency employees shall be bonded through an Employee's dishonesty bond policy. In addition, the Chairman, Secretary, Treasurer and all Board of Directors shall be bonded by a reputable bonding company."

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs, in the amount of \$51,729.15, due to the special investigation of the Coalition.

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

We request Nichols reimburse the State of Indiana for special investigation costs in the amount of \$51,729.15. (See Summary of Charges, page 18)

**BANK LOANS**

Loans in the form of lines of credit were initiated by the Coalition to assist with cash flow issues.

*First Loan/Line of Credit*

The first loan or line of credit in the amount of \$15,000 was executed on September 30, 2009, with a maturity date of September 30, 2010. The loan agreement was signed by Nichols and Mark Smith, who was the President of the Coalition Board at that time. There were three annual amendments applied for and approved, each signed by Nichols and Tyrone Armstead, who was the Treasurer of the Coalition Board at that time. Each of the three amendments extended the repayment due dates by one year. No additional amendments or revisions of loan terms were provided; however, no payments had been made on this loan since September 3, 2013. As of July 31, 2022, the accumulated unpaid balance of \$17,129.67 consists of principal \$11,000, interest \$5,577.38, and late fees \$552.29.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

*Second and Third Loan/Line of Credit*

The second loan or line of credit (Loan Number 10001) was executed on August 2, 2013, with a maturity date of August 1, 2019. The loan agreement was signed only by Nichols. The Coalition made principal and interest payments until May 30, 2018. These payments were automatically withdrawn from the Coalition's bank account each month. On May 30, 2018, via phone authorizations, Nichols entered into a new loan agreement (Loan Number 21001), which rolled the unpaid balance of \$3,829.43 from the August 2, 2013 loan into this new loan. Furthermore, two additional draws totaling \$18,550 were made by Nichols via phone authorizations. As of July 31, 2022, the accumulated unpaid balance of \$22,529.43 consists of principal \$22,379.43, and an unpaid annual administrative fee of \$150.

Minutes of the Coalition Board meeting were provided for the period of January 23, 2017 to July 22, 2019. A review of the minutes did not indicate discussion or approval of the loans, amendments, or drawdowns of funds.

The loans were not recorded in the general ledger as payable from any one specific fund; therefore, we could not determine if the loans are a debt solely of the Coalition and payable from the unrestricted funds of the Coalition.

Community Wellness Partners, Inc. Bylaws, Section 9.1 states: "No Loan shall be made or contracted on behalf of the Coalition."

Community Wellness Partner's Financial Management Policies and Procedures noted with date of last revision June 26, 2017, states under the Notes, Loans, Etc. Section:

"All notes, loans and other indebtedness to be contracted in the name of the Agency (except open accounts and all other routine banking transactions), shall require the signature of the Agency Executive Director, unless otherwise specified by the Board or established in the present management policies and procedures. All indebtedness must be approved by the Agency's Executive Director and Board Chair."

**RECORD RETENTION**

The following records, if they existed, were not presented for investigation:

- Grant agreements
- Contracts
- Cancelled checks (Cancelled checks were subsequently requested from the bank)
- Board minutes from July 1, 2014 through December 31, 2016
- The Original Financial Management Policies and Procedures
- Any Employee Handbooks
- Any Travel Policies

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

*The Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, Section H, states in part:*

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining the reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

**INTERNAL CONTROLS**

We noted deficiencies in the internal controls system relating to the disbursements and financial conditions of the Coalition.

- There was a lack of segregation of duties over disbursements. Based upon interviews, one or two individuals were responsible for:
  - ensuring documentation was retained for all disbursements,
  - writing and issuing checks,
  - and posting the disbursements to the ledger

without any documented review or oversight. Furthermore, one individual was signing checks payable to himself for his own travel and expense reimbursements, which was prohibited by the Coalition, but undetected.

- Bank reconciliations, ledgers and bank statements were not documented as reviewed and monitored by any board members, which allowed unapproved cash withdrawals, and bank loans and lines of credit to go unnoticed.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
RESULTS AND COMMENTS  
(Continued)

- There was not any monitoring of compliance with the Financial Policies and Procedures, as well as monitoring of budgets and grant compliance by either the Coalition Board or the IHMC as the oversight agency. The IHMC required the Coalition to submit monthly claims for reimbursement with copies of invoices and payroll reports to support reimbursement requests; however, the IHMC was not validating the supporting documents to the claims for reimbursement.
- There was no oversight of the Coalition's financial activity on an ongoing basis by another individual or entity.

The lack of monitoring and segregation of duties allowed checks to be issued, cash to be withdrawn, and debit and credit cards to be used without being properly supported and approved, and allowed for noncompliance with the Coalition's own policies and procedures.

*The Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

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ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2023, with Carl Ellison, Indiana Minority Health Coalition CEO; Debra M. Stanley, President of the Board; and Angela M. Cavalieri, Vice President/Secretary of the Board.

ST. JOSEPH COUNTY MINORITY HEALTH COALITION  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Karl Nichols, former Executive Director:			
IMHC Questioned Credit and Debit Card Disbursements, pages 4 through 6	\$ 11,546.30	\$ -	\$ 11,546.30
Additional Cash Disbursements, pages 7 and 8	8,910.00	-	8,910.00
Contractual Services - Nichols, pages 8 and 9	5,313.19	-	5,313.19
Supporting Documentation, pages 10 through 12	3,140.76	-	3,140.76
Special Investigation Costs, page 13	<u>51,729.15</u>	<u>-</u>	<u>51,729.15</u>
Totals	<u>\$ 80,639.40</u>	<u>\$ -</u>	<u>\$ 80,639.40</u>

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

AFFIDAVIT

STATE OF INDIANA            )  
  )  
PORTER COUNTY)

I, Kristin Campbell, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the St. Joseph County Minority Health Coalition, St. Joseph County, Indiana, for the period from July 1, 2014 to January 11, 2019, is true and correct to the best of my knowledge and belief.

Kristin Campbell  
Field Examiner

Subscribed and sworn to before me this 10<sup>th</sup> day of August, 2023.

Kathryn A. Hrapchak  
Notary Public

My Commission Expires: January 24, 2026  
County of Residence: PORTER

