

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

SPECIAL INVESTIGATION REPORT

OF

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT

POSEY COUNTY, INDIANA

June 20, 2022 to April 16, 2024



FILED
10/23/2024

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE POSEY COUNTY SOLID WASTE
MANAGEMENT DISTRICT, POSEY COUNTY, INDIANA

This is a special investigation report for the Posey County Solid Waste Management District (District), Posey County, for the period June 20, 2022 to April 16, 2024, and is in addition to any other report for the District as required under Indiana Code 5-11-1. All reports pertaining to the District may be found at 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 receipts and disbursements. 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

September 17, 2024

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS

BACKGROUND

During the regularly scheduled Indiana State Board of Accounts (SBOA) audit of the District, checks indicated as payable to vendors were found to have been issued to and cashed by Jennifer Tinsley (Tinsley), former Bookkeeper of the District. As a result, the SBOA began an investigation of the disbursement and receipt records of the District for the period of June 20, 2022 to April 16, 2024, the time period Tinsley was employed by the District. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines for Special Districts of Indiana*.

UNAUTHORIZED CHECKS TO TINSLEY

All District checks that cleared the bank during Tinsley's employment were reviewed to determine checks that were issued to Tinsley and were endorsed and/or cleared to Tinsley. We then reviewed documentation to determine if these checks were supported and valid. During the review, we found 34 checks totaling \$21,274.52 written to Tinsley that did not have supporting documentation and were not authorized by the District Board.

Of the 34 unauthorized checks:

- There were 5 checks that were posted as payroll payments to Tinsley, voided from the system, and cleared the bank to Tinsley in 2023. The payroll checks were not listed individually on the accounts payable voucher registers for the District Board to approve. Tinsley received her full pay for 2023, and these were in addition and not due to her.
- There were 8 checks that were posted as payments to vendors then posted a second time as payments to Tinsley. The entries to Tinsley were voided from the system, but the checks that cleared the bank were written to Tinsley. Out of the 8 checks, 5 were listed on the accounts payable voucher register as a payment to a vendor, but 4 were removed from the register that the District Board signed.
- There were 21 checks that were posted as payments to Tinsley, voided from the system, and cleared the bank to Tinsley. Of these 21 checks, 16 were not listed on the accounts payable voucher registers for the District Board to approve.

In an interview with the Indiana State Police (ISP), observed by SBOA investigators, Tinsley admitted to issuing checks to herself that were not for the purpose of the District, and not pursuant to a duly authorized resolution of the District Board. The table below summarizes the unauthorized checks to Tinsley:

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS
(Continued)

Date	Check Number	Amount	Check Description
04-11-23	5794	\$ 1,430.03	Voided Payroll Check
05-09-23	5833	739.19	Voided Payroll Check
06-05-23	5890	739.19	Voided Payroll Check
06-07-23	5893	266.94	Voided Check to Tinsley
06-08-23	5896	739.19	Voided Payroll Check
06-13-23	5897	250.00	Voided Check to Tinsley
06-21-23	5925	202.35	Voided Check to Tinsley
07-14-23	5974	404.70	Voided Check to Tinsley
07-27-23	5985	252.70	Voided Check to Tinsley
08-09-23	6014	739.19	Voided Payroll Check
08-11-23	6024	219.98	Voided Check to Tinsley
08-15-23	6037	128.47	Voided Check to Tinsley
08-22-23	6040	505.40	Voided Check to Tinsley
08-25-23	6041	843.75	Voided Check to Tinsley
08-30-23	6061	452.83	Voided Check to Tinsley
09-07-23	6081	1,135.46	Voided Check to Tinsley
09-12-23	6083	505.40	Voided Check to Tinsley
09-14-23	6084	250.00	Voided Check to Tinsley
09-25-23	6098	843.75	Voided Check to Tinsley
09-27-23	6099	356.24	Voided Check to Tinsley
10-06-23	6140	1,322.89	Voided Vendor Check
10-12-23	6142	1,430.03	Voided Check to Tinsley
10-24-23	6154	334.56	Voided Vendor Check
10-25-23	6155	738.46	Voided Vendor Check
11-07-23	6190	923.06	Voided Vendor Check
11-14-23	6191	505.40	Voided Vendor Check
11-21-23	6215	550.00	Voided Vendor Check
11-30-23	6216	464.23	Voided Vendor Check
12-07-23	6245	901.14	Voided Vendor Check
12-13-23	6246	682.17	Voided Check to Tinsley
01-02-24	6295	229.00	Voided Check to Tinsley
01-30-24	6309	225.00	Voided Check to Tinsley
01-30-24	6310	1,458.42	Voided Check to Tinsley
02-29-24	6361	505.40	Voided Check to Tinsley
Total		<u>\$ 21,274.52</u>	

The aforementioned 34 checks did not go through the required claims procedure set forth at Indiana Code 13-21-3-10, which requires presentation of the itemized claim by the Controller of the District to the District Board for review and approval.

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS
(Continued)

Indiana Code 13-21-3-10 states in part:

"(a) A controller selected under section 9 of this chapter shall do the following; . . .

(4) Subject to subsection (c), issue warrants approved by the board after a properly itemized and verified claim has been presented to the board on a claim docket. . . .

(c) The board may, by resolution, authorize the controller to make claim payments for:

(1) payroll;

(2) the state solid waste management fee imposed by [IC 13-20-22-1](#); and

(3) certain specific vendors identified in the resolution;

without the claims being first approved by the board if before payment the claims are approved in writing by the chairperson of the board or in the absence of the chairperson another member of the board by the chairperson. The claims shall be reviewed and allowed by the board at the board's next regular or special meeting."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Special Districts, Chapter 1)

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 unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

We request that Tinsley reimburse the District \$21,274.52 for unauthorized checks received which were not authorized by the District Board. (See Summary of Charges, page 11)

PAYROLL GARNISHMENTS NOT WITHHELD

Tinsley was subject to an order of garnishment regarding her wages from the District as a result of litigation unrelated to her employment. Tinsley withheld \$202.35 from four payroll checks totaling \$809.40 during her employment at the District. However, the District remitted \$5,359.90 directly to the creditor for Tinsley's garnishment. The difference, \$4,550.50, was not withheld from Tinsley's payroll but paid by the District. The amount paid directly to Tinsley's creditor did not go through the required claims procedure set forth at Indiana Code 13-21-3-10, which requires presentation of the itemized claim by the Controller of the District to the District Board for review and approval.

Indiana Code 13-21-3-10 states in part:

"(a) A controller selected under section 9 of this chapter shall do the following; . . .

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS
(Continued)

- (4) Subject to subsection (c), issue warrants approved by the board after a properly itemized and verified claim has been presented to the board on a claim docket.
- (c) The board may, by resolution, authorize the controller to make claim payments for:
- (1) payroll;
 - (2) the state solid waste management fee imposed by [IC 13-20-22-1](#); and
 - (3) certain specific vendors identified in the resolution;

without the claims being first approved by the board if before payment the claims are approved in writing by the chairperson of the board or in the absence of the chairperson another member of the board by the chairperson. The claims shall be reviewed and allowed by the board at the board's next regular or special meeting."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

We request that Tinsley reimburse the District \$4,550.50 for payroll garnishments not withheld and not authorized by the District Board. (See Summary of Charges, page 11)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of Tinsley.

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

"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 . . ."

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. 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 Special Districts, Chapter 1)

We request that Tinsley reimburse the State of Indiana \$13,366.07 for special investigation costs. (See Summary of Charges, page 11)

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

The District's job description for the Bookkeeper states Tinsley was responsible for the implementation of all payroll, accounts payable, and accounts receivable. To segregate duties, Indiana Code 13-21-3-10 states in part, a "controller" of a District shall:

- "(1) Be the official custodian of all district money and, subject to the terms of any resolution or trust indenture under which bonds are issued under [IC 13-21](#), deposit and invest all district money in the same manner as other county money is deposited and invested under [IC 5-13](#).
- (2) Be responsible to the board for the fiscal management of the district.
- (3) Be responsible for the proper safeguarding and accounting of the district's money.
- (4) . . . issue warrants approved by the board after a properly itemized and verified claim has been presented to the board on a claim docket.
- (5) Make financial reports of district money and present the reports to the board for the board's approval. . . ."

However, a lack of internal controls and oversight allowed the following deficiencies to occur during the investigation period:

- The District Board did not meet regularly to review claims prior to them being paid. As of April 16, 2024, none of the 2024 claims had been approved by the District Board.
- There were not accounts payable vouchers for every check written, and, therefore, every check was not included on the accounts payable voucher register for the District Board to review.
- The District's checks are designed to have two signatures; however, all 34 unauthorized checks to Tinsley only contained one signature. Only 1 of the 34 checks had the Controller's signature.
- Internal controls were not in place to ensure voided items in the system were supported by the voided check.
- Internal controls were not in place to ensure that the checks that cleared the bank agreed with the checks posted in the system.
- Internal controls were not in place to ensure items remitted for payroll deductions were being properly withheld.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. These standards include adequate control activities. According to this manual:

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

"All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts. For all material variances, losses, shortages, or thefts, the state board of accounts shall:

- (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
 - (A) the method of correcting the condition; and
 - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition."

Here, the SBOA discovered the loss to the District while conducting its regularly scheduled audit and did not learn of the issue from a report from the District. Had the required claims process set forth at Indiana Code 13-21-3-10 been followed by the Controller of the District, it is reasonable to assume that Tinsley's actions would have been discovered, and the SBOA would have been alerted earlier.

INVESTIGATION BY LAW ENFORCEMENT AGENCY

It is our understanding that an investigation has also been conducted by the Indiana State Police.

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
RESULTS AND COMMENTS
(Continued)

INSURANCE COVERAGE

The District had insurance coverage as shown in the table below:

<u>Period</u>	<u>Amount of Coverage</u>	
	<u>Employee Theft</u>	<u>Forgery or Alteration</u>
07-07-22 to 07-07-23	\$ 5,000	\$ 5,000
07-07-23 to 07-07-24	5,000	5,000

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2024, with Patricia Colbert, Executive Director; Ron Bennett, Controller; Bill Collins, President of the District Board; Greg Newman, Vice President of the District Board; Heather Allyn, District Board member; and Rodney Clark, District Board member.

POSEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Jennifer Tinsley, former Bookkeeper:			
Unauthorized Checks To Tinsley, pages 3 through 5	\$ 21,274.52	\$ -	\$ 21,274.52
Payroll Garnishments Not Withheld, pages 5 and 6	4,550.50	-	4,550.50
Special Investigation Costs, page 6	13,366.07	-	13,366.07
Totals for Jennifer Tinsley	\$ 39,191.09	\$ -	\$ 39,191.09

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

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AFFIDAVIT

STATE OF INDIANA)
)
 Vigo COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Posey County Solid Waste Management District, Posey County, Indiana, for the period from June 20, 2022 to April 16, 2024, is true and correct to the best of my knowledge and belief.

 Gina Gambaiani
Field Examiner

Subscribed and sworn to before me this 3 day of October , 20 24

 Jeanette Bouchie
Notary Public

My Commission Expires: 1-17-2030

County of Residence: Vigo

