

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF VAN BUREN

GRANT COUNTY, INDIANA

January 1, 2019 to September 12, 2022



FILED

05/01/2024

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF VAN BUREN, GRANT COUNTY, INDIANA

This is a special investigation report for the Town of Van Buren (Town), for the period January 1, 2019 to September 12, 2022, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town 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 disbursements made by the Town. 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

December 20, 2023

TOWN OF VAN BUREN
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts (SBOA) was notified, in accordance with Indiana Code 5-11-1-27, that Michelle Sexton (Sexton), Clerk-Treasurer, had paid Selena Ramos (Ramos), Deputy Clerk-Treasurer, for hours that had not been worked. Sexton began her first term as Clerk-Treasurer of the Town on January 1, 1995, and her current term is ending on December 31, 2023.

The SBOA conducted a special investigation into payments made to Sexton and the Clerk-Treasurer's office employees for the entirety of the period of January 1, 2019 to September 12, 2022. On September 12, 2022, Sexton was ordered by the Town Council that she was no longer allowed to come into the Town Hall or the Clerk-Treasurer's office. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

PAYMENTS MADE TO RAMOS FOR HOURS NOT WORKED

The SBOA was contacted by the Indiana State Police (ISP) and were notified that the ISP had investigated an allegation of ghost employment at the Town. The ISP requested the SBOA's assistance to determine the loss to the Town. The complaint the SBOA received contained information that Sexton had hired her daughter, Ramos, to be her Deputy Clerk, and that Ramos was paid for hours for which she had not been performing duties of the Deputy Clerk for the Town.

The SBOA obtained the ISP Incident Report and the supporting documents from the ISP detective. The supporting documents included Ramos' timesheets from August of 2019 through July of 2022, Ramos' paystubs from August of 2019 through July of 2022, and a surveillance report recorded by the Town Police Department that contained in and out times for Ramos.

The surveillance began when a Town employee reported to the Town Police Department that Ramos was not working all hours she was being paid for. The Town Police Department then set up security cameras to document the time worked by Ramos. The SBOA viewed the surveillance report that included the dates from February 28, 2022 to August 2, 2022. The surveillance report states that Ramos' last day was August 1, 2022.

The following chart details the surveillance results:

PayStub Period	Hours Worked	Amount of Hours Paid	Difference
02-26-22 - 03-11-22	14.083	40	25.917
03-12-22 - 03-25-22	0.300	40	39.700
03-26-22 - 04-08-22	12.217	40	27.783
04-09-22 - 04-22-22	17.267	40	22.733
04-23-22 - 05-06-22	12.733	40	27.267
05-07-22 - 05-20-22	3.633	40	36.367
05-21-22 - 06-03-22	16.333	40	23.667
06-04-22 - 06-17-22	14.183	40	25.817
06-18-22 - 07-01-22	31.250	40	8.750
07-02-22 - 07-15-22	16.450	40	23.550
07-16-22 - 07-29-22	34.483	40	5.517
		Total Hours Not Worked	267.067

TOWN OF VAN BUREN
RESULTS AND COMMENTS
(Continued)

The surveillance work indicated a total of 267.067 hours that Ramos was paid for that she did not work. Ramos' rate of pay was \$15.50 per hour, resulting in a loss of \$4,139.53 to the Town.

The ISP Incident Report #22ISP007534 contained the following information regarding the surveillance footage in comparison with the surveillance report:

"On or about September 9th [2022], I [ISP Detective- I & me] met with [Former Town Marshal] after receiving a call during which he informed that he had completed the process of transferring security footage to hard drives. We then met and the drives were transferred to me. I then reviewed the content and observed a large amount of files on three separate 500 Gb internal hard drives. In observation of the files, I directed my attention to certain dates and times which contained some of the more egregious violations of the reported offense. I reviewed [Former Town Marshal's] notes while viewing the selected files and observed they were accurate."

The SBOA relied on the work of the former Town Marshal and the ISP and did not obtain or review the footage from the security cameras that recorded Ramos' time.

On July 10, 2023, the SBOA met with Town officials and the ISP detective. During this meeting, we obtained Ramos' official timecards. These timecards had been provided by the current Deputy Clerk, to the former Town Marshal, who then provided them to the ISP detective. After the official timecards were provided to ISP, the detective then requested Ramos's timecards from Sexton. Sexton provided timecards for Ramos that differed from the original timecards obtained by the ISP. The SBOA compared both sets of timecards and noted six weeks contained different hours worked between the official timecards and the timecards provided by Sexton.

Also, during the July 10, 2023 meeting, we learned that Ramos also held a position as a cafeteria aid at a local elementary school. Upon the conclusion of the meeting, the SBOA investigators visited the School Corporation office and requested timecards for the entirety of the period Ramos had held both positions, August 6, 2019 through August 1, 2022. The following day the School Corporation provided the timecards and the SBOA compared the official timecards from the Town to the timecards from the School Corporation.

During the period from August 6, 2019 to August 1, 2022, the SBOA documented an overlap of 179.16 hours where time was recorded working at the school and for the Town. The amount of overlap was consistent in the time she worked at the school and for the Town for this period.

Additionally, the SBOA reviewed the footage from the September 12, 2022 ISP interview with Sexton. During the interview, while discussing when Ramos had started being paid for hours not worked, at the 32:30 mark of the interview footage, Sexton states: "since she [Ramos] started working at the school." Sexton then wrote a letter to include in the police incident report and stated that it only began when she had hired the new Deputy Clerk.

The following chart breaks down the loss to the Town for hours not worked by Ramos at the Town because she was working at the School Corporation by year:

TOWN OF VAN BUREN
RESULTS AND COMMENTS
(Continued)

Years	Overlapped Hours	Hourly Rate	Loss
2019	16.75	\$ 13.68	\$ 229.14
2020	86.41	14.09	1,217.52
2021	37.25	14.93	556.14
2022	16.50	15.50	255.75

TOTAL	\$ 2,258.55
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*This chart does not include 22.25 of overlapping hours that occurred during the surveillance period.

Indiana Code 5-11-9-4 states:

"(a) The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter.

(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Cities and Towns, Chapter 1)

An employee who works for more than one (1) governmental unit should not be paid by more than one (1) governmental unit for the same period of time worked. Such employee should use his/her accumulated leave time from one (1) governmental unit while serving the other governmental unit when there is an overlap in a work schedule. For example, a city police officer, who is also a member of a school board, attends a school board meeting during his/her normal police work shift. The police officer would be expected to use his/her leave time accumulated at the city while attending such meeting.

Another alternative is to add a statement on each affected Employee's Service Record, General Form 99A (1985) and/or Employee's Earning's Record, General Form 99B (1993) indicating the specific hours to be worked daily by that employee or official. (Example: 8 a.m. to 4 p.m.) . . .

In cities and towns where time cards are used, each elected officer or head of each department should be approving the time cards of each of the employees that they are responsible for.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2019)

We requested that Sexton and Ramos, jointly and severally, reimburse the Town for payments made to Ramos for hours not worked in the amount of \$6,398.08. (See Summary of Charges, page 9)

TOWN OF VAN BUREN
RESULTS AND COMMENTS
(Continued)

MILEAGE PAYMENTS TO SEXTON NOT SUPPORTED BY TRAVEL LOG

While reviewing disbursements made by the Town, the SBOA documented the following mileage checks paid to Sexton that did not contain supporting documentation, or the amount paid was not supported by the mileage log:

- Check# 10550: March 2019 Travel: Overcalculated by \$11.73
- Check# 10713: September 2019 Travel: No Supporting Mileage Log - \$34.20
- Check# 1810: May 2022 Travel: No Supporting Mileage Log or Accounts Payable Voucher - \$94.77

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 Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Cities and Towns, Chapter 1)

We requested that Sexton reimburse the Town for mileage not supported by travel log in the amount of \$140.70. (See Summary of Charges, page 9)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Town's disbursements in accordance with payments to Ramos and Sexton.

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 poor records, nonexistent records or any other inadequate book-keeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Sexton and Ramos, jointly and severally, reimburse the State of Indiana for special investigation costs in the amount of \$6,305. (See Summary of Charges, page 9)

TOWN OF VAN BUREN
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The Town failed to put internal controls in place to prevent the hiring of relatives, which lead to Sexton being in direct line of supervision of Ramos. This allowed for hours not worked to be paid by the Town. Prior to the new Deputy Clerk being hired in 2021, payroll was processed by either Sexton or Ramos. When the new Deputy Clerk was hired, and questioned Sexton about Ramos being paid for hours not worked, she was instructed that Ramos was to be paid for 40 hours a week.

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:

"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. . . ."

OFFICIAL BONDS COVERAGE

The following chart represents separate bonds purchased by the Town for Sexton and Ramos. Both Sexton and Ramos have the same coverage and policy periods as displayed in the following chart:

<u>Coverage Period</u>	<u>Coverage Amount</u>
01-01-19 to 12-31-19	\$ 30,000
01-01-20 to 12-31-20	30,000
01-01-21 to 12-31-21	30,000
01-01-22 to 12-31-22	30,000

INVESTIGATION BY LAW ENFORCEMENT AGENCY

The ISP has also conducted an investigation into the Town in regard to ghost employment allegations. Please see the ISP Incident Report # 22ISPC007534 for further information regarding the ISP investigation.

TOWN OF VAN BUREN
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2023, with Jerry Caudill, President of the Town Council; Mark Towery, Town Council member; and Skylar Beard, Town Marshal.

TOWN OF VAN BUREN
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Michelle Sexton, Clerk-Treasurer, and Selena Ramos, Deputy Clerk, jointly and severally:			
Payments Made to Ramos for Hours Not Worked, pages 3 through 5	\$ 6,398.08	\$ -	\$ 6,398.08
Michelle Sexton, Clerk Treasurer:			
Mileage Payments to Sexton Not Supported by Travel Log, page 6	140.70	-	140.70
Michelle Sexton, Clerk-Treasurer, and Selena Ramos, Deputy Clerk, jointly and severally:			
Special Investigation Costs, page 6	<u>6,305.00</u>	<u>-</u>	<u>6,305.00</u>
Totals	<u>\$ 12,843.78</u>	<u>\$ -</u>	<u>\$ 12,843.78</u>

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)
Madison COUNTY)

I, Cole Wesley, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Van Buren, Grant County, Indiana, for the period from January 1, 2019 to September 12, 2022, is true and correct to the best of my knowledge and belief.

Cole Wesley
Field Examiner

Subscribed and sworn to before me this 25 day of April, 2024

Stephanie Beckley
Notary Public

My Commission Expires: 12/29/29
County of Residence: BOONE

