

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

SPECIAL INVESTIGATION REPORT

OF

HOPE VOLUNTEER FIRE DEPARTMENT, INC.

BARTHOLOMEW COUNTY, INDIANA

January 1, 2015 to July 27, 2016



**FILED**  
12/07/2017



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE HOPE VOLUNTEER FIRE DEPARTMENT, INC.,  
BARTHOLOMEW COUNTY, INDIANA

This is a special investigation report for the Hope Volunteer Fire Department, Inc. (Fire Department), for the period January 1, 2015 to July 27, 2016, and is in addition to any other report for the Fire Department as required under Indiana Code 5-11-1. All reports pertaining to the Fire Department 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 checking and savings accounts bank withdrawals and fundraiser activity. 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 Special Investigation Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 1, 2017

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SPECIAL INVESTIGATION RESULTS AND COMMENTS

**CHECKS ISSUED WITHOUT SUPPORTING DOCUMENTATION**

Five checks totaling \$2,600 were issued to Mathew Mathis (Mathis), former Treasurer, between January 27, 2015 and June 9, 2016. All of the checks were signed by Mathis. No documentation was provided to support the validity of these payments. The following is a schedule of the undocumented payments:

Check Number		Check Date	Check Amount
7171	(2)	01-27-15	\$ 400
(1)	(3)	12-29-15	1,000
7292	(4)	01-22-16	400
7296	(4)	01-26-16	400
(1)		06-09-16	400
Total Checks Issued			\$ 2,600

Notes to Schedule:

1. A non-numbered counter check was issued instead of a prenumbered Fire Department check.
2. The check's memo line stated "Clothing Allowance"; however, Mathis and all other firemen received their 2014 clothing allowance on January 11, 2015.
3. The check's memo line stated "Cash."
4. The check's memo line stated "clothing allowance"; however, Mathis and all other firemen received their 2015 clothing allowance in December 2015.

The Indiana State Board of Accounts 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.

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

- 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. . . ."

Indiana Code 23-17-27-1(b) states: "A corporation shall maintain appropriate accounting records."

We requested that Mathis reimburse the Fire Department \$2,600 for checks issued without supporting documentation. (See Summary of Charges, page 10)

***UNDOCUMENTED CASH WITHDRAWALS***

No documentation was presented to support 44 cash withdrawals from the Fire Department's various checking and savings accounts totaling \$31,905 for the period April 15, 2015 through July 14, 2016. Of the cash withdrawals, 23 were made by issuing checks made payable to "Cash" and 21 withdrawals were made by savings account withdrawal slips. All of the checks and savings account withdrawal slips were signed by Mathis as the maker. None of the cash withdrawals were recorded in the check register or any other financial ledger which was used to account for the Fire Department's financial transactions. The business purposes of the cash withdrawals could not be determined due to a lack of supporting documentation.

Mathis, as Treasurer, was responsible for recording, totaling, and balancing the Fire Department's financial records and reconciling the record balances to the bank account balances.

The Indiana State Board of Accounts 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: . . .

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- 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. . . ."

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 23-17-27-1(b) states: "A corporation shall maintain appropriate accounting records."

We requested that Mathis reimburse the Fire Department \$31,905 for undocumented cash withdrawals. (See Summary of Charges, page 10)

***CASH CHANGE FUND NOT DEPOSITED***

A cash withdrawal of \$1,800 was made on September 25, 2015, from a Fire Department savings account. Fire Department officials indicated that this withdrawal was made to supply a cash change fund for the annual fish fry. There was no deposit of the returned \$1,800 cash change fund made to the Fire Department's bank accounts following the fish fry. Also, no supporting documentation was presented to document the disbursement of the \$1,800.

Mathis, as Treasurer, was responsible for recording, totaling, and balancing the Fire Department's financial records and reconciling the record balances to the bank account balances.

The Indiana State Board of Accounts Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, Section H, states in part the following:

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

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- 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. . . ."

Indiana Code 23-17-27-1(b) states: "A corporation shall maintain appropriate accounting records."

We requested that Mathis reimburse the Fire Department \$1,800 for the unreturned cash change fund. (See Summary of Charges, page 10)

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

**FUNDRAISER PROCEEDS NOT DEPOSITED**

The Fire Department holds its annual fish fry fundraiser on the last weekend in September. Per the October 1, 2015 Board minutes, the Fire Department collected \$7,081 from the 2015 fish fry before paying expenses. Fundraiser expenses were paid by checks issued from the Fire Department's bank account. Collections were not deposited to the Fire Department's bank accounts for the 2015 fish fry fundraiser.

Mathis, as Treasurer, was responsible for recording, totaling and balancing the Fire Department's financial records and reconciling the record balances to the bank account balances.

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

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- 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. . . ."

Indiana Code 23-17-27-1(b) states: "A corporation shall maintain appropriate accounting records."

We requested that Mathis reimburse the Fire Department \$7,081 for fundraiser proceeds not deposited. (See Summary of Charges, page 10)

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

**PENALTIES AND SERVICE CHARGES**

The Fire Department paid penalties, interest, and other service charges totaling \$255 to the Fire Department's depository for the period April 2015 to July 2016. These charges were due to not maintaining a required minimum account balance, deficit balances, and late fees on loan payments. The following schedule shows the penalties and service charges by year:

<u>Years</u>	<u>Amount</u>
2015	\$ 68
2016	<u>187</u>
Total	<u>\$ 255</u>

Mathis, as Treasurer, was responsible for recording, totaling, and balancing the Fire Department's financial records and reconciling the record balances to the bank account balances.

The Indiana State Board of Accounts 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: . . .

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- 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. . . ."

Indiana Code 23-17-27-1(b) states: "A corporation shall maintain appropriate accounting records."

We requested that Mathis reimburse the Fire Department \$255 for penalties and service charges incurred by the Fire Department. (See Summary of Charges, page 10)

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs in the investigation of the Fire Department.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee.

We requested Mathis to reimburse the State of Indiana \$4,611.21 for special investigation costs. (See Summary of Charges, page 10)

**INTERNAL CONTROL DEFICIENCIES**

Mathis, as Treasurer, was responsible for all aspects of Fire Department financial activity. This included preparing checks, depositing receipts, recording financial transactions, and reconciling the bank accounts.

There was no required oversight of Fire Department activity on an ongoing basis by another individual nor separation of duties between individuals. Due to this lack of monitoring and segregation of duties, checks issued without supporting documentation, undocumented cash withdrawals, failure to deposit the cash change fund, failure to deposit fundraiser proceeds, and payment of penalties and service charges, were able to occur and not be identified timely.

The Indiana State Board of Accounts Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, Section H, states in part the following:

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

Maintaining a financial management system that provides: . . .

- c. Effective control over and accountability for all funds, property and other assets. . . ."

**CRIME INSURANCE COVERAGE**

The following is information regarding crime insurance obtained by the Fire Department:

<u>Period</u>	<u>Amount</u>
08-01-14 to 08-01-15	\$ 100,000
08-01-15 to 08-01-16	100,000
08-01-16 to 08-01-17	100,000

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2017, with Mathew Mathis, former Treasurer.

In a separate exit conference, the contents of this report were discussed on November 1, 2017, with Jason Mack, President of the Fire Board; Bruce Neal, Treasurer; and Kenneth Chandler, Fire Department member.

HOPE VOLUNTEER FIRE DEPARTMENT, INC.  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Mathew Mathis, former Treasurer:			
Checks Issued Without Supporting Documentation, pages 3 and 4	\$ 2,600.00	\$ -	\$ 2,600.00
Undocumented Cash Withdrawals, pages 4 and 5	31,905.00	-	31,905.00
Cash Change Fund Not Deposited, page 5	1,800.00	-	1,800.00
Fundrasier Proceeds Not Deposited, page 6	7,081.00	-	7,081.00
Penalties and Service Charges, page 7	255.00	-	255.00
Special Investigation Costs, page 8	<u>4,611.21</u>	-	<u>4,611.21</u>
Totals	<u>\$ 48,252.21</u>	<u>\$ -</u>	<u>\$ 48,252.21</u>

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

AFFIDAVIT

STATE OF INDIANA            )  
                                          )  
Fayette COUNTY)

We, Richard Ahlrich and Tammy Baker, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Hope Volunteer Fire Department, Inc., Bartholomew County, Indiana, for the period from January 1, 2015 to July 27, 2016, is true and correct to the best of our knowledge and belief.

Richard Ahlrich  
Tammy L Baker  
Field Examiners

Subscribed and sworn to before me this 28<sup>th</sup> day of November, 2017.

Jane E. Dourand  
Notary Public

My Commission Expires: 06/12/2025

County of Residence: Fayette