

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

SPECIAL INVESTIGATION REPORT

OF

HIGHWAY DEPARTMENT

OWEN COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
08/24/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter .....	2
Results and Comments:	
Investigation by Law Enforcement Agency .....	3
Conflict of Interest.....	3-5
Personal Use of County Owned Equipment.....	5
Special Investigation Costs .....	6
Internal Controls .....	6
Employee Dishonesty Coverage .....	6
Exit Conference.....	7
Summary of Charges .....	8
Affidavit .....	9



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF OWEN COUNTY, INDIANA

This is a special investigation report for Owen County (County), for the period January 1, 2017 to December 31, 2017, and is in addition to any other report for the County as required under Indiana Code 5-11-1. All reports pertaining to the County 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 an equipment purchase by the Highway Department. 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 29, 2018

HIGHWAY DEPARTMENT  
OWEN COUNTY  
RESULTS AND COMMENTS

**INVESTIGATION BY LAW ENFORCEMENT AGENCY**

An investigation into the equipment purchase and personal use of County owned equipment by Joe Pettijohn (Pettijohn), former Highway Superintendent, has also been conducted by the Indiana State Police. Case number 60C01-1709-F6-000705 was filed in the Owen Circuit Court, Owen County, Indiana, on September 11, 2017. Pettijohn was criminally charged with conflict of interest, official misconduct, and two counts of theft.

**CONFLICT OF INTEREST**

According to a probable cause affidavit from Thomas B. Egler of the Indiana State Police, Pettijohn derived a profit from the purchase of a Gradall GDW3 X0138312. The equipment was purchased by Pettijohn for \$9,503 at an auction held by the City of Martinsville on April 15, 2017. Subpoenaed bank records confirmed a check to the City of Martinsville for \$9,503 cleared Pettijohn's bank account in April 2017. On May 15, 2017, Pettijohn gave the Owen County Auditor an invoice payable to Mike Parsons (Parsons), for a Gradall GDW3 X0138312 in the amount of \$14,500. Subpoenaed bank records show on May 24, 2017, the \$14,500 County check was deposited in Parson's account. The same day, Parsons wrote a check to Pettijohn for \$14,200, which was deposited in Pettijohn's account and cleared Parson's account on May 26, 2017.

It was noted that the Gradall purchased by Pettijohn at the auction was the same model and serial number as the one purchased by Owen County.

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply:

- (1) The public servant or the public servant's dependent receives compensation through salary or an employment contract for:
  - (A) services provided as a public servant; or
  - (B) expenses incurred by the public servant as provided by law.
- (2) The public servant's interest in the contract or purchase and all other contracts and purchases made by the governmental entity during the twelve (12) months before the date of the contract or purchase was two hundred fifty dollars (\$250) or less.
- (3) The contract or purchase involves utility services from a utility whose rate structure is regulated by the state or federal government.

HIGHWAY DEPARTMENT  
OWEN COUNTY  
RESULTS AND COMMENTS  
(Continued)

- (4) The public servant:
- (A) acts in only an advisory capacity for a state supported college or university; and
  - (B) does not have authority to act on behalf of the college or university in a matter involving a contract or purchase.
- (5) A public servant under the jurisdiction of the state ethics commission (as provided in IC 4-2-6-2.5) obtains from the state ethics commission, following full and truthful disclosure, written approval that the public servant will not or does not have a conflict of interest in connection with the contract or purchase under IC 4-2-6 and this section. The approval required under this subdivision must be:
- (A) granted to the public servant before action is taken in connection with the contract or purchase by the governmental entity served; or
  - (B) sought by the public servant as soon as possible after the contract is executed or the purchase is made and the public servant becomes aware of the facts that give rise to a question of conflict of interest.
- (6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is:
- (A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase;
  - (B) appointed by an elected public servant;
  - (C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;
  - (D) elected; or
  - (E) a member of, or a person appointed by, the board of trustees of a state supported college or university.
- (7) The public servant is a member of the governing board of, or is a physician employed or contracted by, a hospital organized or operated under IC 16-22-1 through IC 16-22-5 or IC 16-23-1.
- (d) A disclosure must:
- (1) be in writing;
  - (2) describe the contract or purchase to be made by the governmental entity;
  - (3) describe the pecuniary interest that the public servant has in the contract or purchase;
  - (4) be affirmed under penalty of perjury;

HIGHWAY DEPARTMENT  
OWEN COUNTY  
RESULTS AND COMMENTS  
(Continued)

- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
  - (A) the state board of accounts; and
  - (B) if the governmental entity is a governmental entity other than the state or a state supported college or university, the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and
- (7) contain, if the public servant is appointed, the written approval of the elected public servant (if any) or the board of trustees of a state supported college or university (if any) that appointed the public servant. . . ."

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 Counties, Chapter 1)

We requested that Pettijohn reimburse Owen County \$4,997. This represents the difference between the actual auction price of \$9,503 and the \$14,500 invoice presented to the County Auditor by Pettijohn. (See Summary of Charges, page 8)

***PERSONAL USE OF COUNTY OWNED EQUIPMENT***

According to a probable cause affidavit from Thomas B. Egler of the Indiana State Police, Pettijohn requested a Highway Department employee, while being paid by the County, drive a Highway Department semi-truck and trailer to Martinsville to pick up a piece of equipment. The employee stated that Pettijohn drove separately in his Highway Department pick-up truck. A Gradall was loaded on the County trailer and the employee drove it to Pettijohn's residence. At a later date, the employee went back to Pettijohn's residence and loaded the Gradall on the County trailer and delivered it to the Highway Department Garage.

The activity sheets from the employee showed he moved equipment to Vickery Road (Pettijohn's residence) on April 17, 2017, and on May 12, 2017, the sheets stated he moved equipment from Vickery Road (Pettijohn's residence) to the Highway Department Garage.

The equipment in question was not purchased by the County until May 18, 2017.

Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit. (Accounting and Uniform Compliance Guidelines Manual for Counties, 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 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 County Auditors, Chapter 1)

HIGHWAY DEPARTMENT  
OWEN COUNTY  
RESULTS AND COMMENTS  
(Continued)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs due to the special investigation of the Highway Department.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

We requested that Pettijohn reimburse the State of Indiana for special investigation costs in the amount of \$2,036.16. (See Summary of Charges, page 8)

**INTERNAL CONTROLS**

Internal control weaknesses in the oversight of operations and purchasing of equipment at the Highway Department, allowed Pettijohn to personally benefit from the purchase and use of County equipment.

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. The 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. . . ."

**EMPLOYEE DISHONESTY COVERAGE**

The following is information regarding employee dishonesty insurance obtained by the County:

<u>Term</u>	<u>Coverage</u>
03-08-17 to 03-08-18	\$ 545,000



HIGHWAY DEPARTMENT  
OWEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2018, with Patty Steward, County Auditor, and Donald Minnick, President of the Board of County Commissioners.

HIGHWAY DEPARTMENT  
 OWEN COUNTY  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Joe Pettijohn, former Highway Superintendent:			
Conflict of Interest, pages 3 through 5:			
Equipment Purchase	\$ 4,997.00	\$ -	\$ 4,997.00
Special Investigation Costs, page 6	<u>2,036.16</u>	<u>-</u>	<u>2,036.16</u>
Totals	<u>\$ 7,033.16</u>	<u>\$ -</u>	<u>\$ 7,033.16</u>

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

AFFIDAVIT

STATE OF INDIANA            )  
Greene COUNTY            )

I, Annette Ladson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Owen County, Indiana, for the period from January 1, 2017 to December 31, 2017, is true and correct to the best of my knowledge and belief.

Annette Ladson  
Field Examiner

Subscribed and sworn to before me this 7 day of August, 2018

J. Kevin Kramer  
Notary Public

My Commission Expires: 1-22-2025  
County of Residence: Greene

