

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

SPECIAL INVESTIGATION REPORT
OF
SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
ST. JOSEPH COUNTY, INDIANA
January 1, 2014 to December 31, 2017



FILED
11/28/2018

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH BEND PUBLIC TRANSPORTATION
CORPORATION, ST. JOSEPH COUNTY, INDIANA

This is a special investigation report for the South Bend Public Transportation Corporation (Corporation), for the period January 1, 2014 to December 31, 2017, and is in addition to any other report for the Corporation as required under Indiana Code 5-11-1. All reports pertaining to the Corporation 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 credit card 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

October 17, 2018

**SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
RESULTS AND COMMENTS**

BACKGROUND

The Indiana State Board of Accounts was notified by Corporation officials in accordance with Indiana Code 5-11-1-27 of undocumented expenses paid on behalf of David Cangany (Cangany), the Corporation's former General Manager and Chief Executive Officer. The Indiana State Board of Accounts conducted a special investigation of the records for the period January 1, 2014 to December 31, 2017. This investigation included a review of Cangany's credit card purchases and/or expense reports.

UNAUTHORIZED DISBURSEMENTS

A review of credit card statements revealed charges made by Cangany without supporting documentation. These charges including Apple Store purchases, unauthorized travel, shoe purchases, and other charges of a personal nature totaling \$2,597.09. On October 3, 2018, Cangany reimbursed the Corporation \$2,597.09 (personal check number 2865) for these unauthorized disbursements. (See Summary of Charges, page 6)

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 Guideline Manuals for Special Districts, Chapter 1)

CRIME INSURANCE COVERAGE

The following is information regarding crime insurance obtained by the Corporation:

Period	Amount	Deductible
01-01-14 to 01-01-15	\$ 500,000	\$ 5,000
01-01-15 to 01-01-17	500,000	5,000
01-01-17 to 01-01-20	500,000	5,000

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation had not established a proper system of internal control to prevent, or detect and correct, errors over financial reporting. Various employees were able to make charges to the Corporation's credit card without consequences. Thus, there was no evidence of an oversight, review, or approval process to ensure the financial reporting was accurate.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
RESULTS AND COMMENTS
(Continued)

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. . . ."

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the misappropriation of funds.

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

We requested that Cangany reimburse the State of Indiana \$3,563.28 for special investigation costs. (See Summary of Charges, page 6)

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2018, with Chris Kubaszak, Controller, and Amy Hill, Interim General Manager and Chief Executive Officer.

SOUTH BEND PUBLIC TRANSPORTATION CORPORATION
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
David Cangany, former General Manager and Chief Executive Officer:			
Unauthorized Disbursements, page 3	\$ 2,597.09	\$ 2,597.09	\$ -
Special Investigation Costs, page 4	<u>3,563.28</u>	<u>-</u>	<u>3,563.28</u>
Totals	<u>\$ 6,160.37</u>	<u>\$ 2,597.09</u>	<u>\$ 3,563.28</u>

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

AFFIDAVIT

STATE OF INDIANA)
Elkhart COUNTY)

I, Sandra Gerlach, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the South Bend Public Transportation Corporation, St. Joseph County, Indiana, for the period from January 1, 2014 to December 31, 2017, is true and correct to the best of my knowledge and belief.

Sandra Gerlach
Field Examiner

Subscribed and sworn to before me this 13 day of November, 2018

Brenda L Young-Waldron
Notary Public

My Commission Expires: 11-14-2021
County of Residence: Elkhart

