

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

SPECIAL INVESTIGATION REPORT

OF

FAIRMOUNT TOWNSHIP

GRANT COUNTY, INDIANA

August 11, 2016 to February 9, 2019



**FILED**  
07/03/2019



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FAIRMOUNT TOWNSHIP, GRANT COUNTY, INDIANA

This is a special investigation report for Fairmount Township (Township), Grant County, for the period August 11, 2016 to February 9, 2019, and is in addition to any other report for the Township as required under Indiana Code 5-11-1. All reports pertaining to the Township 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 Township assistance applications, purchase orders, ledgers, budgets and appropriations for the Township Assistance fund, bank statements, cancelled checks and supporting documentation, if any. The Results and Comments contained herein describe the identified reportable instances of non-compliance 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.

The 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

May 20, 2019

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS

**BACKGROUND**

Sheila Metzger (Metzger), was appointed as Trustee on August 11, 2016. Metzger was re-elected for a four-year term from January 1, 2019 through December 31, 2022.

The Indiana State Board of Accounts was notified by the Township Board of concerns relating to Township assistance paid to the Trustee's relatives in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts performed an investigation of the Township assistance records and any payments made to the Trustee for the period of August 11, 2016 through February 9, 2019. The results of our investigation are described in the following comments.

**TOWNSHIP ASSISTANCE APPLICATION AND AFFIDAVIT**

Township assistance benefits were paid on behalf of a relative, to a relative to Metzger, or directly to Metzger, for the period of August 11, 2016 through February 9, 2019. Township assistance was given without an application on file, totaling \$13,103.69. Benefits were paid for utilities, rent, car expenses, and food as follows:

Assistance Type	2016	2017	2018	2019	Totals
Utilities	\$ 210.00	\$ 1,321.02	\$ 363.34	\$ -	\$ 1,894.36
Rent (Paid to Landlord)	1,960.00	935.00	-	-	2,895.00
Rent*	-	1,300.00	4,000.00	-	5,300.00
Car Expenses*	100.00	154.33	-	-	254.33
Food*	60.00	900.00	-	-	960.00
Food**	200.00	-	-	-	200.00
Not Indicated*	-	1,600.00	-	-	1,600.00
<b>Totals</b>	<b>\$ 2,530.00</b>	<b>\$ 6,210.35</b>	<b>\$ 4,363.34</b>	<b>\$ -</b>	<b>\$ 13,103.69</b>

\*Paid to the Relatives

\*\*Paid to the Trustee

Of the \$13,103.69 in assistance paid without an application, \$11,686.34 did not have supporting documentation.

Township assistance was provided after 180 days without an updated application or affidavit, totaling \$12,153.62. Benefits were paid for utilities, rent, and food as follows:

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

Assistance Type	2016	2017	2018	2019	Totals
Utilities	\$ -	\$ -	\$ 3,228.62	\$ -	\$ 3,228.62
Rent (Paid to Landlord)	-	705.00	1,470.00	-	2,175.00
Rent*	-	-	5,750.00	-	5,750.00
Food*	-	100.00	-	-	100.00
Not Indicated*	-	400.00	500.00	-	900.00
Totals	<u>\$ -</u>	<u>\$ 1,205.00</u>	<u>\$ 10,948.62</u>	<u>\$ -</u>	<u>\$ 12,153.62</u>

\*Paid to the Relatives

Of the \$12,153.62 in assistance paid after 180 days without an updated application or affidavit, \$6,300 did not have supporting documentation.

An individual with a close relationship to the Trustee received \$903.60 for utility assistance for which there wasn't an application on file that indicated that service address.

Indiana Code 12-20-6-1 states in part:

"(a) A township trustee may not extend aid to an individual or a household unless an application and affidavit setting forth the personal condition of the individual or household has been filed with the trustee within one hundred eighty (180) days before the date aid is extended.

...

(d) The township trustee may not extend additional or continuing aid to an individual or a household unless the individual or household files an affidavit with the request for assistance affirming how, if at all, the personal condition of the individual or the household has changed from that set forth in the individual's or household's most recent application. . . ."

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 Townships 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 Townships, Chapter 1)

We requested Metzger reimburse the Township for Township assistance benefits paid to relatives in the amount of \$26,160.91. (See Summary of Charges, page 14)

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

**TOWNSHIP ASSISTANCE SUPPORTING DOCUMENTATION**

There were 13 payments made for Township assistance to relatives or on behalf of relatives without a completed purchase order or invoice to identify the services provided totaling \$5,167.62. Payments made to relatives or on behalf of relatives without supporting documentation are as follows:

<u>Checks Paid to:</u>	<u>Amount</u>
Direct Payment to Relatives	\$ 2,997.62
Direct Payment to Trustee	800.00
Direct Payments to Vendors	<u>1,370.00</u>
 Total	 <u>\$ 5,167.62</u>

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 Townships 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 Townships, Chapter 1)

We requested Metzger reimburse the Township for lack of supporting documentation on Township assistance disbursements in the amount of \$5,167.62. (See Summary of Charges, page 14)

**TOWNSHIP ASSISTANCE UTILITY SERVICES PAYMENT**

On September 24, 2017, the Township issued a check to the utility company on behalf of an individual to begin utility service totaling \$500.

Based upon the property records at Grant County, the service address listed has been the residence of Metzger since 2015.

A signed purchase order was the only supporting documentation provided for audit. A vendor invoice or agreement from the utility company to provide a new utility service was not provided for audit.

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 Townships 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 Townships, Chapter 1)

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

We requested Metzger reimburse the Township for Township assistance utility service payments in the amount of \$500. (See Summary of Charges, page 14)

**OVERPAYMENT OF TRUSTEE COMPENSATION**

Metzger was paid \$3,750 in excess of the amount appropriated in the budget for the Trustee's compensation for 2017 and 2018. The Township Board approved budget was used to determine what the Trustee should have been paid.

The Township Board did not adopt resolutions establishing salaries of Township officers and employees.

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 Townships, 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 Townships, Chapter 1)

We requested Metzger reimburse the Township the overpayment of compensation in the amount of \$3,750. (See Summary of Charges, page 14)

**SUPPORTING DOCUMENTATION**

There were five checks made payable to Metzger totaling \$1,925 that did not have any invoices or other documentation to support these disbursements. Township ledgers and cancelled checks indicated the funds were used as follows:

Check Date	Purpose	Amount
10-28-16	Donation to Church for Halloween Party	\$ 300
11-08-16	Towing Bill from Indianapolis to Fairmount	425
12-01-16	Donation to 5 Families for Christmas	500
12-16-16	Supplies for Christmas Party	400
10-16-17	Fire Open House	300
	Total	<u>\$ 1,925</u>

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 Townships Chapter 1)

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

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 Townships, Chapter 1)

We requested Metzger reimburse the Township for lack of supporting documentation in the amount of \$1,925. (See Summary of Charges, page 14)

***TRUSTEE MILEAGE***

Metzger received 12 checks for mileage reimbursements totaling \$1,207.26. No mileage claims, calendars, purchase orders, detailed invoices, or other supporting documentation were presented to identify the dates of travel, details of travel, miles traveled, mileage rate paid, or nature of business.

Indiana Code 36-6-8-3(b) states:

"The township executive is entitled to a sum for mileage in the performance of official duties equal to the sum per mile paid to state officers and employees. However, this subsection does not apply when the township executive uses a township vehicle in the performance of official duties."

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 Townships 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 Townships, Chapter 1)

We requested Metzger to reimburse the Township for undocumented mileage in the amount of \$1,207.26. (See Summary of Charges, page 14)

***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred costs, in the amount of \$17,917.84, due to the special investigation of the Township.

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 Townships, Chapter 1)

We requested Metzger to reimburse the State of Indiana for special investigation costs in the amount of \$17,917.84. (See Summary of Charges, page 14)

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

**OFFICIAL BOND**

The Trustee obtained the following official bonds:

<u>Period</u>	<u>Amount</u>
01-01-17 to 12-31-17	\$ 15,000
01-01-18 to 12-31-18	15,000
01-01-19 to 12-31-19	15,000

The Trustee failed to obtain an official bond in 2016, and failed to obtain the annual coverage required by statute for the years 2017 through 2019.

The trustee shall file an individual official surety bond. The township board shall fix the amount of the bond as follows: (1) The amount of annual coverage must equal (\$30,000) thirty thousand dollars for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2). (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. The township board may, by resolution, authorize blanket bond coverage for the aforementioned. IC 5-4-1-18 (Accounting and Uniform Compliance Guidelines for Townships, Chapter 2)

**TOWNSHIP ASSISTANCE STANDARDS**

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

**TOWNSHIP ASSISTANCE APPLICATIONS**

Township assistance was given to 168 applicants. All Township assistance applications were reviewed focusing on the section of the application requiring signatures of all adults in the household and affirming income. We found that this section was not properly completed. The following deficiencies are described as follows:

1. There were 73 applicants that did not have an application on file for assistance.
2. There were 42 applications that did not include signatures of all adults in the household.
3. There were 28 applications that did not include the affirming income for all adult members in the household.

Indiana Code 12-20-6-8(c) states:

"An application for township assistance is not considered complete until all adult members of the requesting household have signed:

- (1) the township assistance application; and
- (2) any other form, instrument, or document:
  - (A) required by law; or
  - (B) determined necessary for investigative purposes by the trustee, as contained in the township's township assistance guidelines."

**TOWNSHIP ASSISTANCE DISBURSEMENTS**

*Appropriations*

A comparison was made using the certified budget to the actual Township assistance disbursements, using the duplicate check copies. The Township overspent its Township assistance budget as follows:

<u>Years</u>	<u>Certified Budget</u>	<u>Township Assistance Disbursements</u>	<u>Difference (Overspent) Underspent</u>
2016	\$ 20,249.00	\$ 23,800.50	\$ (3,551.50)
2017	20,249.00	51,606.26	(31,357.26)
2018	25,191.00	36,192.90	(11,001.90)

Beginning August 11, 2016 through December 31, 2016, Metzger disbursed \$21,675.62 out of the total \$23,800.50 of Township assistance disbursed in 2016.

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

*Composition of Disbursements*

A comparison was made using the total Township assistance disbursements to assistance either paid for the benefit of relative of Metzger, and/or to directly to a relative of Metzger as follows:

Years	Township Assistance Disbursements	Township Assistance Given to Relatives	% Township Assistance Given to Relatives
2016	\$ 23,800.50	\$ 5,807.62	24.40%
2017	51,606.26	9,224.35	17.87%
2018	36,192.90	15,892.96	43.91%

Indiana Code 6-1.1-18-4 states: "Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**INTERNAL CONTROLS**

*Deficiency in Internal Control - Segregation of Duties*

There were no controls evident, such as oversight, review, or approval process, over the disbursement of Township assistance. The Trustee was the sole person responsible for all financial processes.

The Trustee failed to prepare and present Township Assistance Standards to the Township Board for approval and implementation; thus, the Trustee failed to ensure compliance.

Township assistance applications were not adequately reviewed to ensure accuracy and completeness.

The failure to establish these controls could have enabled material misstatements or irregularities to go undetected.

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. . . ."

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
RESULTS AND COMMENTS  
(Continued)

*Adoption of Internal Control Standards*

The Township did not adopt the minimum level of internal control standards as defined by the Indiana State Board of Accounts. Because the Township did not adopt internal control standards, Township personnel were not trained in the internal control standards and procedures.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2019, with James Loftin, President of the Township Board; Morris Kelsay, Township Board member; and Cindy Dunlap, Township Board member.

On May 20, 2019, we attempted to meet with Sheila Metzger, Trustee; however, she was out of town. Subsequently, we attempted to meet with Sheila Metzger, Trustee; however, she did not respond to our requests for a meeting.

OFFICIAL RESPONSE

May 24, 2019

We as the members of the Fairmount Township Advisory Board received information from the Fairmount State Bank on January 3, 2019 of several questionable transactions. On January 4, 2019, we informed the Indiana State Board of Accounts and met as a board that same day and inquired of our Trustee as to these questionable transactions. The answers we received were unsatisfactory. We then contacted the Grant County Prosecutor and the Indiana State Police.

We are deeply concerned and want to get to the bottom of all improprieties that may have occurred. As a Board we are, and intend to continue to give full cooperation to all investigative authorities.

Fairmount Township Advisory Board Members:

James Loftin  
Cindy Dunlap  
Morris Kelsay

FAIRMOUNT TOWNSHIP, GRANT COUNTY  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Sheila Metzger, Trustee:			
Township Assistance Application and Affidavit, pages 3 and 4	\$ 26,160.91	\$ -	\$ 26,160.91
Township Assistance Supporting Documentation, page 5	5,167.62	-	5,167.62
Township Assistance Utility Services Payment, pages 5 and 6	500.00	-	500.00
Overpayment of Trustee Compensation, page 6	3,750.00	-	3,750.00
Supporting Documentation, pages 6 and 7	1,925.00	-	1,925.00
Trustee Mileage, page 7	1,207.26	-	1,207.26
Special Investigation Costs, page 7	17,917.84	-	17,917.84
Totals	\$ 56,628.63	\$ -	\$ 56,628.63

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

AFFIDAVIT

STATE OF INDIANA )  
Porter COUNTY )

I, Kristin Campbell, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Fairmount Township, Grant County, Indiana, for the period from August 11, 2016 to February 9, 2019, is true and correct to the best of my knowledge and belief.

Kristin Campbell  
Field Examiner

Subscribed and sworn to before me this 18<sup>th</sup> day of June, 2019

Barbara Jefferson  
Notary Public

My Commission Expires: 04-21-27  
County of Residence: Lake

