

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

SPECIAL INVESTIGATION REPORT

OF

BEARCREEK TOWNSHIP

JAY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
02/19/2020



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# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BEARCREEK TOWNSHIP, JAY COUNTY, INDIANA

This is a special investigation report for Bearcreek Township (Township), Jay County, for the period January 1, 2015 to December 31, 2018, 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 disbursements and bank account transactions. 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 18, 2019

BEARCREEK TOWNSHIP, JAY COUNTY  
RESULTS AND COMMENTS

**BACKGROUND**

Katina Miller (Miller) served as the Trustee for the period January 1, 2015 through December 31, 2018.

As Trustee, Miller was responsible for all financial processes of the Township. The financial processes included receipting, posting, and depositing all Township funds, ensuring documentation was retained for all disbursements, writing and issuing all Township checks, and posting the disbursements to the ledger. As Trustee, Miller was also responsible for reconciling the bank account balance to the record balance.

The Indiana State Board of Accounts was notified of concerns relating to undocumented disbursements in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of the Township. The results of our investigation are described in the following comments.

**UNDOCUMENTED AND PERSONAL DISBURSEMENTS**

Based on Township records provided by Miller, we initially determined that \$166,054.75 out of \$331,651.93 (50 percent) total disbursements were undocumented as detailed by year in the following schedule.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Totals</u>
Total Disbursements	\$ 114,100.59	\$ 125,539.54	\$ 53,903.13	\$ 38,108.67	\$ 331,651.93
Documented or reasonable based on vendor	<u>77,414.62</u>	<u>39,427.50</u>	<u>30,122.37</u>	<u>18,632.69</u>	<u>165,597.18</u>
Undocumented Disbursements	<u>\$ 36,685.97</u>	<u>\$ 86,112.04</u>	<u>\$ 23,780.76</u>	<u>\$ 19,475.98</u>	<u>\$ 166,054.75</u>
Percentage Undocumented	32%	69%	44%	51%	50%

Based on additional disbursement detail subsequently provided by Miller, disbursement transaction detail obtained from various vendors, and additional analysis of available Township assistance records, we determined that \$34,551.50 of the initial undocumented disbursements were for Township related purposes. This is detailed by year in the following schedule.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Totals</u>
Deemed Township related purpose	<u>\$ 9,073.89</u>	<u>\$ 13,799.98</u>	<u>\$ 5,215.73</u>	<u>\$ 6,461.90</u>	<u>\$ 34,551.50</u>

In an interview with the Indiana State Board of Accounts on April 30, 2019, Miller admitted that \$8,215.91 of the remaining \$131,503.25 undocumented disbursements were for personal expenses. These included, but were not limited to, travel expenses for trips to Put-In Bay in Ohio, the Smoky Mountains, and New Orleans. We were unable to identify a Township business related purpose for the remaining \$123,287.34 of undocumented disbursements. These included, but were not limited to, ATM cash withdrawals, checks written to Miller, purchases of jewelry, makeup, hair products, clothing, electronics, and holiday décor/supplies. Personal and remaining undocumented disbursements are detailed by year in the following schedule.

BEARCREEK TOWNSHIP, JAY COUNTY  
RESULTS AND COMMENTS  
(Continued)

	2015	2016	2017	2018	Totals
Admitted personal	\$ 79.10	\$ 4,432.49	\$ 2,457.81	\$ 1,246.51	\$ 8,215.91
Net undocumented (no identified Township related purpose)	<u>27,532.98</u>	<u>67,879.57</u>	<u>16,107.22</u>	<u>11,767.57</u>	<u>123,287.34</u>
Total Personal and Net Undocumented Disbursements	<u>\$ 27,612.08</u>	<u>\$ 72,312.06</u>	<u>\$ 18,565.03</u>	<u>\$ 13,014.08</u>	<u>\$ 131,503.25</u>

Indiana Code 5-11-10-1 states in part:

" . . . (b) No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized and its correctness properly certified to by the claimant or some authorized person in the claimant's behalf, and filed and allowed as provided by law.  
 . . .

(d) The disbursing officer shall issue checks or warrants for all claims which meet all of the requirements of this section. The disbursing officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available. . . ."

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

"(a) If a township trustee, as administrator of township assistance, grants township assistance to an indigent individual or to any other person or agency on a township assistance order as provided by law or obligates the township for an item properly payable from township assistance money, the claim against the township must be:

- (1) itemized and sworn to as provided by law;
- (2) accompanied by the original township assistance order, which must be itemized and signed; and
- (3) checked with the records of the township trustee, as administrator of township assistance, and audited and certified by the township trustee. . . ."

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)

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 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)

BEARCREEK TOWNSHIP, JAY COUNTY  
RESULTS AND COMMENTS  
(Continued)

We requested Miller reimburse the Township for undocumented and personal disbursements in the amount of \$131,503.25. (See Summary of Charges, page 9)

**OFFICIAL BONDS**

The Trustee obtained the following official bonds:

Period	Amount
01-01-15 to 12-31-15	\$ 30,000
01-01-16 to 12-31-16	30,000
01-01-17 to 12-31-17	30,000
01-01-18 to 12-31-18	30,000

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs, in the amount of \$45,229.50, due to the special investigation of the Township.

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 Townships, Chapter 1)

We requested Miller reimburse the State of Indiana for special investigation costs in the amount of \$45,229.50. (See Summary of Charges, page 9)

**INTERNAL CONTROLS**

*Deficiency in Internal Control - Segregation of Duties*

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

There was no oversight of Township financial activity on an ongoing basis by another individual. 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:

BEARCREEK TOWNSHIP, JAY COUNTY  
RESULTS AND COMMENTS  
(Continued)

"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. . . ."

BEARCREEK TOWNSHIP, JAY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2019, with Crystal Laux, Trustee; Jim Haffner, Township Advisory Board Chairman; and Steve Wendel, Deputy Trustee.

The contents of this report were discussed on January 13, 2020, with Katina Miller, former Trustee, and Adam Brower, Attorney for Miller.

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TO: Indiana State Board of Accounts,  
c/o Lisa David, Michelle Janosky

RE: Katina Miller – Official Response to the Special Investigation Report of Bearcreek Township

DATE: 01/17/2020

To Whom It May Concern,

Thank you for the opportunity to provide a written response to the Special Investigation Report of Bearcreek Township. To date, I have participated to the best of my ability and recollection with the audit conducted by the State Board of Accounts, and I have provided all documentation and testimony that I could. I have nothing further to add to my previous statements, however I do contest the final dollar figures contained in this report that are allegedly attributable to me.

Thank you for your time and just consideration.

Humbly Submitted,

/s/Katina Miller

BEARCREEK TOWNSHIP, JAY COUNTY  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Katina Miller, former Trustee:			
Undocumented and Personal Disbursements, pages 3 through 5	\$ 131,503.25	\$ -	\$ 131,503.25
Special Investigation Costs, page 5	<u>45,229.50</u>	<u>-</u>	<u>45,229.50</u>
Totals	<u>\$ 176,732.75</u>	<u>\$ -</u>	<u>\$ 176,732.75</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 )  
ALLEN )  
COUNTY )

I, Stephen R. Poor, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Bearcreek Township, Jay County, Indiana, for the period from January 1, 2015 to December 31, 2018, is true and correct to the best of my knowledge and belief.

Stephen R. Poor  
Field Examiner  
STEPHEN R. POOR

Subscribed and sworn to before me this 29<sup>th</sup> day of January, 2020



MARIA ANGELES SALINAS, Notary Public  
Allen County, State of Indiana  
Commission Number NP0722266  
My Commission Expires September 25, 2027

Maria Angeles Salinas  
Notary Public

My Commission Expires: \_\_\_\_\_

County of Residence: \_\_\_\_\_