

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

SPECIAL INVESTIGATION REPORT  
OF

CLERK-TREASURER  
CITY OF PORTAGE  
PORTER COUNTY, INDIANA

January 1, 2015 to December 31, 2016



**FILED**  
02/26/2020



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**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 THE CITY OF PORTAGE, PORTER COUNTY, INDIANA

This is a special investigation report for the City of Portage (City), for the period January 1, 2015 to December 31, 2016, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City 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 payments made by the Clerk-Treasurer for reconciling services and technical assistance. 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

November 12, 2019

CLERK-TREASURER  
CITY OF PORTAGE  
RESULTS AND COMMENTS

**BACKGROUND**

Christopher Stidham (Stidham) was elected Clerk-Treasurer beginning January 1, 2012. Stidham's duties and responsibilities included accounting for all revenues received by the City and the payment of all expenditures incurred by the City. In accordance with Indiana Code 5-11-10-1.6, all monies shall be disbursed upon approval of the board or official having jurisdiction over allowance of payment of the claim.

Stidham also took on the responsibility of performing the monthly bank reconcilements for all the City's bank accounts. Historically, this task was assigned to the Deputy Clerk-Treasurer.

Pursuant to Indiana Code 36-4-5-7, the Mayor appointed an investigative committee to conduct an examination of the records of Stidham's office. The primary concern in the report was the discovery that Stidham had made payments to three vendors, namely, Keeping the Books, E.R.G Advisors, and Paramount Technology Solutions without the approval of the Board of Public Works (BOW). It was discovered that these companies were established under the name of Rachel Glass (Glass). Stidham and Glass had a personal relationship during the time period that payments were made to the three companies.

The committee subsequently forwarded a copy of their report to the Indiana State Board of Accounts. The Indiana State Board of Accounts conducted its own investigation of these transactions and the results of our investigation are described in the following comments.

**PAYMENTS FOR SERVICES**

Payments were made to Keeping the Books, E.R.G. Advisors, and Paramount Technology Solutions during the years 2015 and 2016. The companies were owned and operated by Glass (currently the spouse of Stidham). The amounts paid to each company for each year were as follows:

Vendor	Year 2015	Year 2016
Keeping the Books	\$ 9,000.00	\$ -
E.R.G. Advisors	9,050.00	11,750.00
Paramount Technology Solutions	<u>10,366.16</u>	<u>18,250.00</u>
Totals	<u>\$ 28,416.16</u>	<u>\$ 30,000.00</u>

Each invoice included a general description of services performed and a dollar amount owed for services.

For 2015, an Accounts Payable Voucher (APV) was attached to each of the 11 invoices and the APVs were signed by Stidham certifying that the "goods or services were received." All but one was included on the accounts payable dockets signed by the BOW, indicating approval for payment.

For 2016, only 1 of the 8 invoices had an APV completed with the invoice attached in the amount of \$4,000. This was the only one included on the accounts payable docket signed by the BOW.

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(Continued)

The schedule below is the detail of invoices by type services rendered.

Description	Year 2015	Year 2016
Bank Reconcilements	\$ 10,725.00	\$ 8,000.00
Other Services:		
Financial and document databases, etc.	<u>17,691.16</u>	<u>22,000.00</u>
Totals	<u>\$ 28,416.16</u>	<u>\$ 30,000.00</u>

*Bank Reconciliation Services - 2015*

The total amount paid in 2015 for services related to bank reconcilements was \$10,725. The bank reconcilements were presented at our request. The reconcilements did not include any evidence of the date the bank reconcilements were prepared; therefore, we could not confirm that the services described on the invoices were rendered prior to the submission for payment.

*Bank Reconciliation Services - 2016*

The total amount paid in 2016 for services related to bank reconcilements was \$8,000. The bank reconcilements were presented at our request. The reconcilements did not include any evidence of the date the bank reconcilements were prepared.

The Financial Statement and Federal Single Audit Report (B50036) issued by the Indiana State Board of Accounts (SBOA) for the year 2016 filed on May 17, 2018, presented Finding 2016-002, which stated in part:

". . . Bank reconcilements were not prepared monthly. All reconcilements for 2016 were prepared in January 2018. . . ."

The City's Corrective Action Plan, per the "Office of the Clerk-Treasurer," which was made part of the report stated, with regard to Finding 2016-002:

"We concur with the finding."

Based on the SBOA's Finding 2016-002 that the bank reconcilements for 2016 were not prepared until January 2018, and the Clerk-Treasurer's office concurrence with the finding per the Corrective Action Plan, it is our position that the City paid for services not received. Furthermore, only one invoice, which included an \$875 payment for bank reconciling services, was approved by the BOW.

Indiana Code 5-11-10-1.6 states in part:

". . . (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;

CLERK-TREASURER  
CITY OF PORTAGE  
RESULTS AND COMMENTS  
(Continued)

- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
  - (3) the invoice or bill is filed with the governmental entity's fiscal officer;
  - (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
  - (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . .
- (d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:
- (1) processed in accordance with this section; and
  - (2) for which funds are appropriated and available.
- (e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts."

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, 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 Cities and Towns, Chapter 1)

We requested Stidham reimburse the City \$8,000 for disbursing funds without authority and for services not rendered. (See Summary of Charges, page 11)

**INVESTIGATION COSTS**

The State of Indiana incurred costs in the amount of \$6,564.55 due to the special investigation of the Clerk-Treasurer.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

Audit costs or other 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 Cities and Towns, Chapter 1)

We requested Stidham reimburse the State of Indiana for the special investigation costs in the amount of \$6,564.55. (See Summary of Charges, page 11)

CLERK-TREASURER  
CITY OF PORTAGE  
RESULTS AND COMMENTS  
(Continued)

**OFFICIAL BOND**

The City purchased two official bonds for Stidham in the amount of \$300,000 each. The first covers the period January 1, 2012 to December 31, 2016, and the second covers the period from January 1, 2016 to January 1, 2017.

**NONCOMPLIANCE RELATED TO SERVICES**

The following are deficiencies and instances of noncompliance regarding the contract, invoices, and payments to Glass's three companies:

- There were no written contracts describing the services to be performed, terms of the contracts, and the rates to be paid.
- The minutes of the BOW did not include its approval of any contracts with the three companies.
- An invoice dated November 6, 2015, described the work performed as "August, September, October 2016 bank recs"; thus, the City would have paid in advance for services not yet performed.
- Invoices did not include pertinent information such as dates that the work was performed and lacked sufficient detail of services. Only a total number of hours was included.
- Only one check out of the eight checks issued in 2016 was posted to the ledger. All others, totaling \$26,000, were posted as an adjustment at the conclusion of the 2016 audit.
- Six invoices were mathematically incorrect when compared to the amount of check issued, with the check issued being either more or less than the computed invoice amounts.

Indiana Code 36-4-8-7 states:

"(a) As used in this section, 'claim' means a bill or an invoice submitted for goods or services.

(b) Except as provided in section 14 of this chapter, a warrant for payment of a claim against a city may be issued only if the claim is:

- (1) supported by a fully itemized invoice or bill under [IC 5-11-10-1.6](#);
- (2) approved by the officer or person receiving the goods or services;
- (3) filed with the city fiscal officer;
- (4) audited and certified by the fiscal officer before payment that each invoice is true and correct; and
- (5) allowed by the city legislative body or the city board having jurisdiction over allowance of the claim.

(c) The certification by the fiscal officer under subsection (b)(4) must be on a form prescribed by the state board of accounts."

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(Continued)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***FAILURE TO REPORT FORM 1099***

Miscellaneous Income tax forms (Federal Form 1099) for Glass's three companies were not automatically generated from the computer software system because the relevant information was not entered at the time the payments began in 2015. A Request for Taxpayer Identification and Certification, Federal Form W-9 (Federal Form W-9), for each company was not on file at the City. The Federal Form W-9 provides the relevant taxpayer information for vendors to receive a Federal Form 1099 for income reporting purposes. The computer software used by the City is designed to automatically generate the Federal Form 1099s at year end.

When we inquired about the Federal Form 1099s, Stidham presented two Federal Form 1099s, one for 2015 and one for 2016. Both were issued in the name of Rachel Glass, included her social security number (redacted on copy), and total dollar amounts that agreed to the combined amounts paid to each company for each year.

*Federal Forms 1096 and 1099*

The Annual Summary and Transmittal of U.S. Information Returns (Federal Form 1096) reports the number and dollar amount of the Federal Form 1099s issued for the year.

For 2015, the City reported 66 Federal Form 1099s were issued at a total of \$914,251.84 on Federal Form 1096. A detail report of Federal Form 1099s generated from the City's financial computer software supported the \$914,251.84 reported and indicated 66 Federal Form 1099s were issued. The detailed report excluded the vendors and amounts paid to Keeping the Books, E.R.G. Advisors, and Paramount Technology Solutions, as well as Glass, and the amount included on Federal Form 1099 Stidham provided to us based upon our inquiry.

For 2016, the City reported 92 Federal Form 1099s were issued at a total of \$787,161.44 on Federal Form 1096. The detail of the Federal Form 1099s generated from the City's financial computer software supported the \$787,161.44 reported and indicated 92 Federal Form 1099s were issued.

The detail report for 2016 included one Federal Form 1099 issued to Paramount Technology in the amount of \$4,000; however, the Employer Identification Number (EIN) belonged to another unrelated entity. The detail report did not include the Federal Form 1099 issued to Glass in the amount of \$30,000 that Stidham provided to us based upon our inquiry.

It is uncertain what, if any, penalties the City may incur for failing to issue and/or properly report information to the Internal Revenue Service.

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RESULTS AND COMMENTS  
(Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manuals for Cities and Towns, Chapter 1)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manuals for Cities and Towns, Chapter 1)

***BOARD OF PUBLIC WORKS RESPONSIBILITES***

The BOW met every two weeks. Duties and responsibilities of the BOW included, but were not limited to, entering into contractual agreements on behalf of the City and approving all APVs submitted for payment. Prior to each meeting, members had electronic access to a preliminary docket which listed all the APVs to be approved at the meeting. The day of the meeting, an updated docket (intermediate docket) was presented at the meeting. The members evidenced their approval by signing a cover sheet provided with the docket. The cover sheet is required to include the total dollar amount of the APV and the number of pages of the docket. Subsequent to the meeting, additional changes were made to the docket for various reasons, and this would become the final docket.

Upon inquiry, we discovered that the intermediate dockets presented at the BOW meetings were replaced with a final docket after the meeting.

We compared the preliminary dockets to the final dockets for 2016. The total of the final dockets for 2016 exceeded the total of the preliminary dockets by \$4,668,780.61 for those provided. Two preliminary and one final docket were not provided. Stidham indicated APVs for vendors were routinely added to the dockets subsequent to the public meetings.

We were unable to make a comparison of the docket approved by the BOW and the final docket to determine all of the revisions/changes or when the revisions or changes were made. Also, because the signature sheet presented at the meeting did not include the total dollar amount or the number of pages comprising the docket, we could not compare the total dollar amount approved by the BOW.

CLERK-TREASURER  
CITY OF PORTAGE  
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(Continued)

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

Indiana Code 36-4-8-5(a) states:

"Except as provided in section 14 of this chapter, a city board or legislative body may allow a claim:

- (1) only at a meeting of the board or legislative body; and
- (2) only if the claim was filed in the manner prescribed by [IC 5-11-10-2](#) at least five (5) days before the meeting."

**INVESTIGATIONS BY OTHER GOVERNMENTAL AGENCIES**

Investigation of the City related to activities of the Clerk-Treasurer is being conducted by a Special Prosecutor and the Indiana State Police.

CLERK-TREASURER  
CITY OF PORTAGE  
EXIT CONFERENCE

The contents of this report were discussed on December 30, 2019, with Christopher Stidham, Clerk-Treasurer; John Cannon, Mayor; Bill Fekete, City Council member; Collin Czill, City Council member, Christopher Buckley, Attorney Investigative Committee; Patrick McEuen, Attorney Investigative Committee; Steve Nelson, Investigative Committee; Ron Necco Jr., Investigative Committee; and Sue Lynch, City Council President.

CLERK-TREASURER  
CITY OF PORTAGE  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Christopher Stidham, Clerk-Treasurer:			
Payments for Services, pages 3 through 5	\$ 8,000.00	\$ -	\$ 8,000.00
Investigation Costs, page 5	<u>6,564.55</u>	<u>-</u>	<u>6,564.55</u>
 Total	 <u>\$ 14,564.55</u>	 <u>\$ -</u>	 <u>\$ 14,564.55</u>

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

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AFFIDAVIT

STATE OF INDIANA            )  
  )  
PORTER COUNTY)

I, Michelle M. Janosky, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of Portage, Porter County, Indiana, for the period from January 1, 2015 to December 31, 2016, is true and correct to the best of my knowledge and belief.

*Michelle M. Janosky*  
Field Examiner

Subscribed and sworn to before me this 28<sup>th</sup> day of JANUARY, 2020.

*Judy A. Hittle*  
Notary Public

My Commission Expires: 06-26-2021  
County of Residence: JASPER

