

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

SPECIAL INVESTIGATION REPORT
OF

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH COUNTY, INDIANA
January 1, 2019 to July 16, 2021



FILED
08/08/2022

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TO: THE OFFICIALS OF THE CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

This is a special investigation report for the City of Evansville (City), Vanderburgh County, for the period January 1, 2019 to July 16, 2021, 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/.

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 expenditure records associated with the Department of Parks and Recreation. 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

June 29, 2022

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH COUNTY
RESULTS AND COMMENTS

BACKGROUND

The City identified various invoices approved by Brian Holtz (Holtz), former Executive Parks Director, which did not agree with invoices the City obtained directly from the vendors. Due to these discrepancies, the City requested an investigation be conducted by the Evansville Police Department and the Indiana State Board of Accounts.

The City paid construction costs from the proceeds of bonds issued for the construction of the Aquatic Center. The Evansville Parks Foundation (Foundation), a 501(c)(3) non-profit organization, received donations used to assist in the payment of these costs. The costs paid by the Foundation were based on invoices submitted and approved by Holtz. The Foundation agreed for the Indiana State Board of Accounts to review the Aquatic Center invoices approved by Holtz.

The Indiana State Board of Accounts was notified by the City of invoice discrepancies in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the procedures for the Department of Parks and Recreation (Parks Department). The subsequent Results and Comments describe noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

UNAUTHORIZED BANK LOAN AND FALSIFIED AUTHORIZATION LETTER

Holtz obtained a loan in the City's name without authorization of the Common Council. The following is additional information regarding the loan:

Background Information

1. The Evansville Parks Foundation (Foundation) was responsible for the financial administration of the Mickey's Kingdom Playground Project (Project). The Project was financed with private donations deposited to the Foundation's Mickey's Kingdom Fund, a City-Designated Fund (see Result and Comment titled *INTERNAL CONTROL: CITY DESIGNATED FUNDS HELD BY FOUNDATION* for additional information).
2. An investigation by the Evansville Police Department identified that the City Parks Department obtained a short-term bank loan on August 29, 2018, in the amount of \$268,143. The loan was signed by Holtz on August 29, 2018.

The purpose of the loan was to provide funding to pay construction costs for the Project until committed private donations were received.

3. The loan proceeds were deposited by the Foundation and accounted for on the financial records of the Foundation. No portion of the loan proceeds were deposited with the City.
4. The Foundation made the final payment of principal on the loan on June 23, 2020.

Additional Information

1. In an email dated July 30, 2018, Holtz discussed with the Foundation's Treasurer regarding the Foundation obtaining a loan. The Foundation's Treasurer responded to Holtz's email on August 1, 2018, by stating that to obtain the loan, the bank requires the Foundation Board to vote on the loan and have its approval documented in the minutes.

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The Foundation subsequently declined to obtain the loan.

2. Bank officials provided a copy of a letter on Parks Department letterhead, dated August 28, 2018, that stated the following:

"On August 27, 2018, the Board of Park Commissioners approved the request for a loan as it pertains to the Mickey's Kingdom Project.

Also at this meeting, the Board gave its approval and authorization for Brian Holtz, Executive Director for the Department of Parks and Recreation, to sign all necessary paperwork as it relates to this loan."

The letter shows it was signed by the Park Board Secretary.

3. The Park Board Secretary stated the signature on the above letter was not her signature.
4. A review of the Park Board minutes did not show that a Park Board meeting was held on August 27, 2018.
5. The Evansville Police Department stated they interviewed each Park Board member and each member stated they were not aware of the loan, and they did not approve the loan.
6. Charges were filed in Vanderburgh County Superior Court No. 3 regarding forgery and fraud on a financial institution (see Result and Comment titled *INVESTIGATION BY LAW ENFORCEMENT AGENCY*).

Only the City Council (legislative body) is allowed to make loans on behalf of the City.

Indiana Code 36-4-6-20(a) states in part: "The legislative body may, by ordinance, make loans of money for not more than five (5) years and issue notes for the purpose of refunding those loans. The loans may be made only for the purpose of procuring money to be used in the exercise of the powers of the city . . ."

A unit may not incur indebtedness unless specifically allowed by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORIGINAL INVOICES NOT ON FILE

The Result and Comment titled *SUMMARY OF FALSIFIED EXPENDITURE DOCUMENTS* reported that falsified invoices were substituted for original invoices. The original invoices were not filed in the City's financial accounting system as required. As a result, the City had to obtain the original invoices from the vendors. The following is a partial list of original invoices not on file:

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Vendor No.	Date of Invoice	Invoice Number	Amount
2	05-31-21	9	\$ 47,215
3	01-25-21	29823	57,318
4	12-27-19	31056	7,031
4	12-30-19	31060	2,900
4	09-25-20	31877	7,460
4	06-08-21	32687	14,616
5	04-30-21	5	402,811
6	05-28-21	19	56,767
7	05-05-21	1807-232-24	12,906
8	06-23-21	46236	4,525
9	11-20-20	5	502,139
10	03-19-21	3	49,541

Indiana Code 5-14-3-1 states in part:

" . . . it is the public policy of the state that all persons are entitled to full and complete information regarding the affairs of government and the official acts of those who represent them as public officials and employees. Providing persons with the information is an essential function of a representative government and an integral part of the routine duties of public officials and employees, whose duty it is to provide the information. . . ."

Indiana Code 5-15-6-8 states:

"A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Level 6 felony unless:

- (1) the commission shall have given its approval in writing that the public records may be destroyed;
- (2) the commission shall have entered its approval for destruction of the public records on its own minutes; or
- (3) authority for destruction of the records is granted by an approved retention schedule established under this chapter."

SUMMARY OF FALSIFIED EXPENDITURE DOCUMENTS

The following is a summary of falsified expenditure documents identified for the years 2019, 2020, and 2021. Holtz approved these documents.

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Vendor No.	Invoices	Requi- sitions	Price Quote Forms	Purchase Orders	Purchase Change Forms	Mayor Approval Requests	Totals
City:							
1	-	1	1	-	-	-	2
2	1	-	-	-	-	-	1
3	2	2	2	-	-	-	6
4	9	5	5	-	-	5	24
5	1	-	-	-	-	-	1
6	1	1	1	-	-	-	3
7	1	-	-	-	-	-	1
8	1	1	1	-	-	-	3
9	2	-	-	-	-	-	2
10	3	2	2	1	2	-	10
11	2	2	2	-	-	2	8
12	2	2	2	-	-	2	8
13	1	1	1	-	-	1	4
14	-	-	-	1	-	-	1
15	1	1	-	-	-	1	3
16	3	3	3	-	-	3	12
City Total (1)	30	21	20	2	2	14	89
Foundation (2)	4	-	-	-	-	-	4
Totals	34	21	20	2	2	14	93

Notes to Schedule:

- (1) Included in the "City Total" are four falsified invoices filed with the Foundation. These Foundation invoices related to instances when the cost of a City project was shared between the City and the Foundation.
- (2) The four additional Foundation invoices were paid from Foundation funds (see Result and Comment titled *FOUNDATION - AQUATIC CENTER COSTS PAID FROM ROBERTS PARK FUND*).

Falsified Expenditure Document Determination

The following information explains how the expenditure documents in the above schedule were determined to be falsified:

Invoices: Invoices approved by Holtz and submitted to the City for payment were not the same as the invoices obtained from the vendors. The differences included: (1) descriptions for the work performed or the items purchased; or (2) the dollar amounts on the invoices were not the same.

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Requisitions: Department heads are required to have a requisition submitted to the City Controller and Purchasing Department prior to making a purchase. The Parks Department submits a scanned copy of a manual requisition form through the City's electronic accounting system.

The requisitions provide a description of the work to be performed or the item to be purchased. The requisition is required to be approved by the City Controller and Purchasing Department before the department head can receive an approved purchase order to make the purchase.

The requisitions were determined to be falsified based on the following:

1. The descriptions on the requisitions, approved by Holtz, were not the same as descriptions shown on the invoices obtained from the vendors; or
2. Holtz made the purchase commitment prior to submitting a requisition. As a result, these requisitions had no basis because the purchase commitment was made prior to receiving an approved purchase order from the City Controller.

Price Quote Forms (PQF): The department head is required by the City's Purchasing Manual to obtain three quotes from vendors for purchases. The names of the vendors and their quote amounts are reported on a PQF. The PQF accompanies the requisition and is part of the requisitioning process.

PQFs were determined to be falsified based on the following:

1. Since the PQF is a part of the requisitioning process, if the requisition was determined to be falsified, then the PQF would also be falsified because the quotes listed were not for the work or item purchased as shown on the invoices obtained from the vendors; or
2. There were also instances when we contacted the vendors listed on the PQF and the vendors stated they did not submit a quote for the work performed.

Purchase Orders: A department head is required to obtain a purchase order approved by the City Controller prior to making a purchase. The purchase orders included in the above schedule were determined to be falsified because the purchase order obtained from the vendor was not the official purchase order form used by the City Controller and were not signed by the City Controller.

Purchase Change Form (PCF): The City Controller requires a department head to submit a PCF if additional costs are anticipated that will exceed the approved purchase order amount.

The two PCFs in the above schedule were related to the purchase of an audio/visual system (see Result and Comment titled *UNAUTHORIZED PURCHASE - AUDIO/VISUAL SYSTEM* for additional information). The two PCFs approved by Holtz, totaling \$40,788, were determined to be falsified because they did not represent an additional cost of the audio/visual system as described below:

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1. Holtz accepted a quote from Vendor No. 10 in the amount of \$127,815 on October 26, 2020, prior to obtaining an approved purchase order from the City Controller. On April 6, 2021, Holtz approved a requisition for the purchase of the audio/visual system in the amount of \$26,000 instead of \$127,185. Based on the requisition approved by Holtz, the City Controller approved a purchase order in the amount of \$26,000. Accordingly, Holtz was not authorized to incur any costs for the audio/visual system above \$26,000.
2. Because the quote with the vendor was for \$127,815, invoices submitted by Vendor No. 10 exceeded the approved purchase order amount of \$26,000. To pay the vendor's invoices, the approved purchase order amount needed to be increased. Holtz approved two PCFs totaling \$40,789 representing that additional costs were incurred for the audio/visual system. However, the cost based on Vendor No. 10's quote remained the same at \$127,815. Accordingly, the two PCFs did not represent any additional cost to the accepted quote amount.

Mayor Approval Requests (MAR): The City has a process that requires capital projects work paid from the Casino Fund to be authorized by the Mayor before work can begin. Holtz emailed his request to the Mayor with the following information:

1. A description of the capital project work;
2. location of work; and
3. the cost of the work based on a PQF (discussed above) that is submitted with the MAR.

A comparison of the description of the capital project work reported on the MARs with the description of the work on the paid invoices showed that a different capital project work was performed from the ones approved by the Mayor. Accordingly, the MAR was determined to be falsified.

Holtz's Approval of Falsified Expenditure Documents

The following is a description of Holtz's approval of falsified expenditure documents:

1. The City uses an electronic accounting system whereby approval of invoices, requisitions, and PQFs are approved electronically. All City invoices, requisitions, and PQFs in the above schedule were electronically approved by Holtz.
2. The PCFs require a digital signature. The PCFs in the above schedule contained Holtz's digital signature.
3. The MARs were emailed to the Mayor from Holtz's email account.
4. The falsified invoices paid by the Foundation were emailed to the Foundation from Holtz's email account.

All falsified expenditure documents discussed above were approved by Holtz.

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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 Cities and Towns, Chapter 1)

FORGED PARK BOARD MEMBER SIGNATURE

We requested a copy of the Facility Management Agreement to manage the Aquatic Center. The Parks Department did not have a copy of the agreement in its files and as a result, the Parks Department requested a copy from the Facility Manager. Information regarding this agreement is presented below:

1. The agreement provides for the City to pay the Facility Manager a management fee.
2. The copy of the agreement from the Facility Manager shows the agreement was signed by Holtz, Jerome Stewart, President of the Park Board, and by the Aquatic Center's Facility Manager. The agreement was not dated.

Jerome Stewart stated he did not sign the agreement. Jerome Stewart also stated that if the Park Board approved the agreement, this approval would be recorded in the minutes.

A review of the Park Board minutes did not show approval of the Facility Management Agreement.

3. The Facility Manager provided a copy of the following email exchange that occurred on September 24, 2020, between the Facility Manager and Holtz:

Facility Manager: "Can you send me a final signed agreement for the Deaconess Aquatic Center?"

Holtz: "Please see attached, Thanks Brian"

Indiana Code 36-10-3-11(a) states in part:

"The board may:

- (1) enter into contracts . . . for . . . services . . ."

The Standard Policies and Procedures of the City Controller states (after the unsigned contract is approved by the City's legal department) the following:

". . . the Department may now place the contract on the appropriate board's agenda for Board approval and execution of contract . . ."

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 Cities and Towns, Chapter 1)

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DIVERSION OF FUNDS - CAPITAL PROJECTS

The City has a process that requires capital projects work paid from the City's Casino Fund must be authorized by the Mayor prior to a department head requesting a purchase order for the work.

Holtz submitted requests to the Mayor (mayor approval requests) for the approval of capital projects to be paid from the Casino Fund. After the capital project work was completed, Holtz approved falsified invoices showing the work approved by the Mayor had been performed. However, the original invoices obtained by the City from the vendors showed the work was for capital project work not approved by the Mayor.

The falsified mayor approval requests and falsified invoices represent a diversion of funds as summarized below:

Date Holtz Approved Invoice	Description of Capital Project	Falsified Invoice Amount	Original Invoice Amount
08-22-19	Park Signs for Diamond Valley and Akin Parks	\$ 7,677	
09-21-20	Park Signs for Diamond Valley and Gavin Parks	5,833	
09-25-20	Park Signs for Sheridan, 11th Avenue, and Line Street Parks	2,551	
	Refurbishing and Transporting Millie the Dinosaur		\$ 16,061
10-14-19	Work on Golfmoor Tennis Courts	2,500	
10-14-19	Work on Softball Fields at Lamasco and Wesselman	5,500	
	Clearing of Trees		8,000
01-21-20	Asphalt Redesign - Golfmoor Park	2,515	
01-21-20	Drainage Design-Golfmoor Park	5,891	
	Land Survey and Civil Engineering Services at Stop Light City Park		8,406
01-28-20	Pool Filter System at Lloyd Pool	2,065	
	Pool Pump at Lloyd Pool (1)		2,900
02-13-20	Tennis Court Resurfacing	7,031	
	Lights at Newsome Center		7,031
10-07-20	Pump at Rochelle Landers Pool	7,460	
	Debris Clearing at the Howell Wetlands		7,460
06-24-21	Installation of a drainpipe at Helfrich Golf Course	4,000	
06-28-21	Upgrade to exterior lighting at the Newsome Center	4,925	
07-02-21	Site improvement at the Skate Park	5,691	
	Lighting project at Fendrich Golf Course	-	14,616
Total		<u><u>\$ 63,639</u></u>	

Note to Schedule:

- (1) The original invoice amount exceeded falsified invoice amounts in those instances when a portion of the original invoice was paid by the Foundation (also with a falsified invoice approved by Holtz).

The following is additional information regarding the capital projects shown in the above schedule:

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Park Signs Work Not Performed

Projects approved by the Mayor and falsified invoices approved by Holtz showed the projects were for the purchase or refurbishing of signs at the following City parks:

Date of Mayor Approval Request	Date Holtz Approved Invoice	Description of Capital Project	Falsified Invoice Amount
10-02-18	08-22-19	Park Signs for Diamond Valley and Akin Parks (1)	\$ 7,677
11-26-19	09-21-20	Park Signs for Diamond Valley and Gavin Parks	5,833
09-21-20	09-25-20	Park Signs for Sheridan, 11th Avenue, and Line Street Parks	<u>2,551</u>
Total			<u>\$ 16,061</u>

Note to Schedule:

- (1) This falsified invoice was used to make the down payment on the work. The down payment amount was based on an estimate, dated September 20, 2018, provided by Vendor No. 16 to a local museum.

The original invoices showed that the work performed was not for the approved projects, but for the cost of refurbishing and transporting "Millie" the Dinosaur (a statute and sign base) to Mickey's Kingdom Playground.

Millie was formerly owned by a local museum. Mickey's Kingdom Playground was recently constructed and financed with private donations administered by the Foundation.

Steve Schaefer, Deputy Mayor, stated: "It was the Mayor's office understanding that these costs were to be paid from private donations held by the Evansville Parks Foundation for the Mickey's Kingdom Playground Project."

Because falsified invoices were used, City officials were unaware that the City had paid for this cost.

Work on Tennis Courts and Softball Fields Not Performed

On August 16, 2019, Holtz requested the Mayor's approval for turf improvements for Wesselman and Lamasco Softball Fields at a cost of \$5,500. On August 22, 2019, Holtz requested the Mayor's approval for resurface work at Golfmoor Tennis Courts to increase pickleball use at these courts at a cost of \$2,500. The Mayor approved Holtz's requests for these projects totaling \$8,000.

Holtz approved invoices totaling \$8,000 for the above work.

Holtz's approval of the invoices signified that the work was performed. Holtz's approval of invoices is required by Indiana Code 5-11-10-1.6(c) (2) before a vendor can be paid.

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The Evansville Police Department (EPD) interviewed Vendor No. 11 who received payments from the City in the amounts of \$5,500 and \$2,500. The interview was conducted because Vendor No. 11 was unable to locate the original invoices.

According to the EPD, Vendor No. 11 stated the work described on the invoices was not performed. Vendor No. 11 described the work that was performed as: "to clear out a park area that was overgrown with trees."

The former Park Maintenance Superintendent (Superintendent) stated he did not recall Vendor No. 11 performing work at the softball fields and tennis courts. The Superintendent stated he did have personal knowledge that Vendor No. 11 performed clearing work for an overgrown area of park property on or about the date of the invoices.

Steve Schaefer, Deputy Mayor, stated that Park Maintenance staff confirmed that the turf improvements for the softball fields and the resurface work for the tennis courts were not performed.

Based on statements made by Vendor No. 11, the Superintendent and Deputy Mayor, the invoices and the mayor approval requests approved by Holtz were determined to be falsified.

Work at Golfmoor Park Not Performed

On November 14, 2019, Holtz requested the Mayor's approval for drainage improvements and asphalt design at Golfmoor Park at a cost of \$2,515 and \$5,891, respectively. The Mayor approved Holtz's requests totaling \$8,406.

Holtz approved invoices totaling \$8,406 for the above work.

Holtz's approval of the invoices signified that the work was performed. Holtz's approval of invoices is required by Indiana Code 5-11-10-1.6(c)(2) before a vendor can be paid.

The original invoices (dated November 7, 2019) obtained by the City from Vendor No. 12 showed that the work was not for the approved projects, but for land survey and other civil engineering services for Stop Light City Park.

We requested a copy of the contract for the services performed by Vendor No. 12. The City did not have a copy of the contract and had to request a copy of the contract from Vendor No. 12. The contract provided by Vendor No. 12 showed the contract was signed by Holtz on September 24, 2019.

The following is additional information regarding the approval of the contract:

1. Jerome Stewart, President of the Park Board, stated that if the Park Board approved the contract, the approval would be recorded in the minutes.

The Park Board minutes did not show that the Park Board approved this contract.

Indiana Code 36-10-3-11(a) states in part:

"The board may:

- (1) enter into contracts . . . for . . . services . . ."

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2. The City has a process that requires the department head to submit a written contract to be approved by the City Controller, Purchasing Department, and the City's Legal Department. This contract was not submitted for these departments to approve.
3. An audio recording of a June 17, 2017 Park Board meeting revealed that the cost of the playground at Stop Light City Park was being funded with private donations.

In a letter dated September 1, 2021, to a private entity, Steve Schaefer, Deputy Mayor, stated that the City was supportive of the playground project at Stop Light City Park and discussed a land use agreement to be approved by the Park Board so that a private entity could develop the playground. The letter did not discuss any funding of the project by the City.

Pool Filter System Work at Lloyd Pool Not Performed

On December 2, 2019, Holtz requested the Mayor's approval for improvements to be made to the filtration system at Lloyd Pool at a cost of \$2,065. The Mayor approved Holtz's request.

Holtz approved an invoice in the amount of \$2,065 for the above work.

Holtz's approval of the invoice signified that the work was performed. Holtz's approval of an invoice is required by Indiana Code 5-11-10-1.6(c)(2) before the vendor can be paid.

The original invoice (dated December 30, 2019) showed the work performed was not for the approved project, but for installation of a pool pump at Lloyd Pool.

Tennis Court Resurfacing Not Performed

On October 9, 2019, Holtz requested the Mayor's approval for the resurfacing of basketball and tennis courts at Wesselman, Howell, and Golfmoor Parks at a cost of \$7,131. The Mayor approved Holtz's request.

Holtz approved an invoice in the amount of \$7,031 (\$100 less than the request) for the above work.

Holtz's approval of the invoice signified that the work was performed. Holtz's approval of an invoice is required by Indiana Code 5-11-10-1.6(c)(2) before the vendor can be paid.

The original invoice (dated December 27, 2019) showed the work performed was not for the approved project, but for a lighting project at the C.K. Newsome Center.

Steve Schaefer, Deputy Mayor, stated that Park Maintenance staff confirmed that the tennis and basketball courts had not been resurfaced.

Pump at Rochelle Landers Pool Not Installed

On October 2, 2020, Holtz requested the Mayor's approval for the rebuilding of a pump at Rochelle Landers Pool at a cost of \$7,460. The Mayor approved Holtz's request.

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Holtz approved an invoice in the amount of \$7,460 for the above work.

Holtz's approval of an invoice is required by Indiana Code 5-11-10-1.6(c)(2) before the vendor can be paid.

The original invoice (dated September 25, 2020), in the amount of \$7,460, showed that the work was not for the approved project, but for debris cleaning at Howell Wetlands.

Helfrich Golf Course, C.K. Newsome Center, and Skate Park Projects Not Performed

The projects approved by the Mayor and the falsified invoices approved by Holtz totaling \$14,616 showed the projects were for:

1. On June 23, 2021, Holtz requested the Mayor's approval for the installation of a drainpipe at Helfrich Golf Course in the amount of \$4,000.

Holtz approved an invoice for the above work on June 24, 2021.

2. On June 25, 2021, Holtz requested the Mayor's approval for an upgrade to exterior lighting at the C.K. Newsome Center in the amount of \$4,925.

(Note: Because this was a falsified approval request, there is no relationship of this project with the C.K. Newsome Center lighting project discussed in the section titled "Tennis Court Resurfacing Not Performed.")

Holtz approved an invoice for the above work on June 28, 2021.

3. Holtz submitted a falsified invoice to the Foundation on July 2, 2021, in the amount of \$5,691, for site improvement at the Skate Park (this amount was subsequently paid by the City).

The original invoice (dated June 8, 2021) in the amount of \$14,616 showed that the work performed was not for the approved projects, but a lighting project at Fendrich Golf Course.

The falsifying of expenditure documents resulted in the invoices for the above purchases not being subject to the approval process required by Indiana Code 5-11-10-1.6(c) that states in part:

"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;
- (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."

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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 Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Holtz to reimburse the City \$63,639 for the diversion of funds for capital projects. (See Summary of Charges, page 51)

DIVERSION OF FUNDS - STAFF SWEATSHIRTS

On December 10, 2020, Holtz approved a falsified invoice in the amount of \$326 for "5 replacement Golf Course Tee Box Signs" at Fendrich Golf Course.

The original invoice, obtained by the City, showed the purchase was for 24 sweatshirts. According to City officials, the sweatshirts were given to Park staff by Holtz.

The falsifying of expenditure documents resulted in the invoices for the above purchases not being subject to the approval process required by Indiana Code 5-11-10-1.6(c) that states in part:

"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;
- (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."

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 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)

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We requested Holtz to refund \$326 to the City for the diversion of funds for staff sweatshirts. (See Summary of Charges, page 51)

UNAUTHORIZED PURCHASE - AUDIO/VISUAL SYSTEM

Holtz entered into a contract with Vendor No. 10 for the purchase and installation of an audio/visual system for the Aquatic Center. The City paid \$127,723 for the system. The contract was signed by Holtz without the Park Board approval, without soliciting three written quotes, and without obtaining a purchase order from the City Controller. In addition, invoices submitted/approved by Holtz were altered.

The audio/visual system was an unauthorized purchase based on the following:

Initiation of Purchase

1. On April 6, 2021, Holtz submitted/approved a requisition in the amount of \$26,321 for the purchase of an audio/visual system from Vendor No. 10. The purpose of the requisition was to obtain a purchase order from the City Controller to initiate the purchase with Vendor No. 10.

The above process is required by the City's Purchasing Manual.

2. Documents obtained from Vendor No. 10 showed that Holtz had previously entered into an agreement with Vendor No. 10 for the purchase of an audio/visual system on October 26, 2020, in the amount of \$127,815, five months before Holtz submitted/approved the requisition.
3. Vendor No. 10 also provided the City with a purchase order, dated October 26, 2020, in the amount of \$127,815. The purchase order was not on a City official purchase order form and was not signed by the City Controller. The purchase order showed the name "Brian" as the person submitting the purchase order to Vendor No. 10.

The falsified purchase order enabled Holtz to enter into a purchase agreement with Vendor No. 10 without obtaining an approved purchase order from the City Controller.

The following is from page 8 of the City's Purchasing Manual:

- "(1) The Purchase Order serves as authorization to the supplier to furnish a product or service. It serves for encumbering funds and assures the supplier that funds are available for the purchase. Vendors should not supply materials or services to a City department without a purchase order number or authorization number.
- (2) It is a policy of the City that no Purchase Order is written without Finance first receiving a properly executed requisition request via the MUNIS Financial System. It is a policy of the City that no order be placed for the purchase of goods or services without proper authorization, i.e., a Purchase Order number and/or an authorization number."

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Written Quotes for Public Works Project Not Obtained

Holtz entered into an agreement in the amount of \$127,815 for the installation of an audio/visual system without obtaining three written quotes and having the Park Board to award the contract.

Indiana Code 36-1-12-4.7 states in part:

"(a) This section applies whenever a public work project is estimated to cost at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000).

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter. . . ."

The following is from page 3 of the City of Evansville's Purchasing Manual:

"(1) It is the policy of the City to obtain formal quotes of \$50,000 to \$150,000 in writing and via sealed quotes. Invitations/Requests for Quotations shall be solicited from a minimum of three vendors, provided there are three known sources of supply in the applicable category of goods.

(2) Responses to the written Request for Quotation shall be made in the form of a sealed quote to be opened and awarded by the governing Board at a public meeting(s). Late quotes will not be considered. . . ."

Falsified Documents Used for Purchase of Audio/Visual System

The following schedule identifies the various falsified expenditure documents submitted/ approved by Holtz:

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Holtz Approval Date	Type of Document	Document Description	Amount
01-11-21	Falsified Invoice (1)	Electric/Communication Products for Roberts Park	\$ 5,550
04-06-21	Falsified requisition for \$26,321 and falsified price quote form used to obtain purchase order from City Controller. (2)	Audio/Visual System	
04-16-21	Falsified Invoice (3)	Audio/Visual System	26,000
04-22-21	Falsified Change Order No. 1 for \$18,000 (4)	Additional Installation Cost	
04-23-21	Original Invoice (4)	Audio/Visual System	17,337
06-01-21	Falsified Change Order No. 2 for \$22,788 (5)	Additional Installation Cost	
06-02-21	Falsified Invoice (5)	Audio/Visual System	23,451
06-23-21	Falsified Requisition and Falsified Price Quote Form (6)	Electric Cabling to Competitive Pool Touch Pads	
06-24-21	Falsified Invoice (7)	Electric Cabling to Competitive Pool Touch Pads	20,172
Payments by City After Holtz's Resignation:			
	Invoice Dated 07-19-21 (8)		15,695
	Invoice Dated 08-20-21 (8)		4,346
	Invoice Dated 10-20-21 (8)		<u>15,172</u>
Total Payments			<u>\$ 127,723</u>

Notes to Schedule:

- (1) Falsified Invoice approved by Holtz. Holtz directed this payment to be paid from the Foundation's Roberts Park Fund (see Result and Comment titled "Foundation - Aquatic Center Costs Paid from Roberts Park Fund"). The Foundation is requesting reimbursement from the City for this cost.
- (2) The purchase order approved on April 6, 2021, was based on a falsified requisition submitted/approved by Holtz. In addition, Holtz had previously entered into a contract with Vendor No. 10 on October 20, 2020, in the amount of \$127,815 using a falsified purchase order for the same amount.
- (3) Vendor No. 10's original Invoice No.3, dated March 19, 2021, was in the amount of \$49,451. This invoice was split into two separate payments using two falsified invoices.

The falsified invoice in the amount of \$26,000 was applied as the first payment on the original Invoice No. 3.

The falsified invoice in the amount of \$23,451, was the second payment on original Invoice No. 3.
- (4) Holtz submitted a falsified Purchase Order Change Form (Change Order No. 1) to increase the previously approved purchase order amount by \$18,000. Change Order No. 1 states that it was to cover additional audio/visual system installation costs. Holtz digitally signed Change Order No. 1.

Change Order No.1 was determined to be falsified because no actual additional costs were incurred based on the contract signed by Holtz.

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Without Change Order No. 1, Vendor No. 10's Invoice the amount of \$17,337 could not have been paid by the City Controller due to the purchase order balance being depleted.

- (5) Holtz submitted a falsified Purchase Order Change Form (Change Order No. 2) to increase the previously approved purchase order amount by \$22,788. Change Order No. 2 states that it was to cover additional audio/visual system installation costs. Holtz digitally signed Change Order No. 2.

Change Order No.2 was determined to be falsified because no actual additional costs were incurred based on the contract signed by Holtz.

Without Change Order No. 2, the falsified invoice in the amount of \$23,451 could not have been paid by the City Controller due to the purchase order balance being depleted.

- (6) A falsified requisition and falsified price quote form were used to obtain a purchase order in the amount \$20,172.
- (7) This item was not purchased. The falsified invoice was used to make a contractual payment on the audio/visual system.
- (8) These payments were made because the City had a legal obligation to pay Vendor No. 10 based on the contract signed by Holtz but not approved by the Park Board.

The falsifying of expenditure documents resulted in the invoices for the above purchase not being subject to the approval process required by Indiana Code 5-11-10-1.6(c) that states in part:

"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;
- (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."

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 Cities and Towns, Chapter 1)

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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 Holtz to refund \$127,723 to the City for the unauthorized purchase and installation of the audio/visual system. (See Summary of Charges, page 51)

UNAUTHORIZED PURCHASE - TRASH TOTES

City officials received an invoice from Vendor No. 14 after Holtz's resignation date. The invoice was for the purchase of 725 trash totes in the amount of \$38,000.

Based on the following, the purchase of trash totes was an unauthorized purchase:

1. Vendor No. 14 provided the City with a copy of Purchase Order No. 20210914, dated March 12, 2021, in the amount of \$38,000. The purchase order was not an official City purchase order and was not signed by the City Controller. Accordingly, the purchase order on file with Vendor No. 14 was falsified.
2. The Evansville Police Department stated their investigation showed that an electronic version of Purchase Order No. 20210914 was on Holtz's Parks Department computer.
3. An appropriation must be available before a purchase commitment can be made.

Email correspondence showed that Holtz requested an appropriation transfer to obtain sufficient appropriation for the trash totes on July 13, 2021. The appropriation request was four months after the date of falsified Purchase Order No. 20210914.

Vendor No. 14's invoice for the trash totes was dated June 15, 2021. Thus, the trash totes were received by the Parks Department one month before the appropriation request was made.

The City Controller's office stated they were unaware that the trash totes had been purchased and received by the Parks Department at the time Holtz made the appropriation request.

The City Controller's office also stated that the appropriation request was not approved.

4. No information was presented for examination that three quotes were solicited for the purchase. This information is also required to be submitted to the City Controller to obtain a purchase order from the City Controller.

Regarding making purchases, the following is from page 2 of the City's Purchasing Manual:

"Each department head shall:

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. . . Verify that sufficient funds are budgeted or make arrangements for funding prior to initiating a purchase request . . . Requisitions shall be submitted to the Controller/Finance Department for authorization and the requesting department shall receive a Purchase Order for all departmental goods and services before any purchase with City funds is considered valid. . . ."

Regarding soliciting quotes, the City Purchasing Manual states the following on Page 3:

"It is the policy of the City that three 'verbal' price checks shall be obtained for purchases falling below \$50,000. Phone calls, Emails, or written requests may be placed to obtain these price quotes. Purchase requestors may also consult up-to-date price lists, provided to the department for the purpose of obtaining price quotes. . . ."

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 Holtz to refund \$38,000 to the City for the unauthorized purchase of the trash totes. (See Summary of Charges, page 51)

UNAUTHORIZED PURCHASE - OUTDOOR FURNISHINGS

City officials stated they received an invoice from Vendor No. 17 after Holtz's resignation date. The invoice was for furnishings for the Aquatic Center. The furnishings included tables, chairs, umbrellas, and receptacles at a total cost of \$13,004. However, no purchase order was approved by the City Controller authorizing the purchase. Accordingly, Holtz did not have authorization to make the purchase.

Based on the following, the purchase of outdoor furnishings was an unauthorized purchase:

1. Vendor No. 17 provided the City with a copy of a written quote signed by Holtz on May 14, 2021. Holtz's signature signified his acceptance of the quote on behalf of the City.
2. Vendor No. 17 provided the City copies of email correspondence between Holtz and Vendor No. 17 regarding the purchase.
3. No information was presented for examination that three quotes were solicited for the purchase. This information is required to be submitted to the City Controller to obtain a purchase order from the City Controller.

The invoice received by the City for the above purchase was dated April 30, 2022. City officials stated they were unaware of Holtz's purchase because there was no approved purchase order on file. Accordingly, the City ordered other outdoor furnishings. City officials stated the outdoor furnishings ordered by Holtz do not match the outdoor furnishings ordered by the City.

The following is from page 8 of the City's Purchasing Manual:

"It is a policy of the City that no Purchase Order is written without Finance first receiving a properly executed requisition request via the MUNIS Financial System. It is a policy of the City that no order be placed for the purchase of goods or services without proper authorization, i.e., a Purchase Order number and/or an authorization number."

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The following is from page 3 of the City Purchasing Manual: "It is the policy of the City that three 'verbal' price checks shall be obtained for purchases falling below \$50,000. . . ."

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 Holtz to refund \$13,004 to the City for the unauthorized purchase of outdoor furnishings. (See Summary of Charges, page 51)

FINANCIAL LOSS ON UNAUTHORIZED PURCHASE

The City paid an invoice from Vendor No. 1 for a computer networking system (networking system) in the amount of \$125,396 based on the approval of Holtz. However, the networking system was never installed.

The following sequence of actions occurred:

1. On May 6, 2021, Holtz entered in a purchase agreement with Vendor No. 1 by signing the acceptance of Vendor No. 1's quote in the amount of \$125,396 for a networking system.
2. Vendor No. 1 submitted Invoice No. 4313, dated May 10, 2021, in the amount of \$125,396. The invoice itemized the equipment, licenses, subscriptions, and the cost for installation, configuration, and project management. The invoice shows the date of installation as May 6, 2021, the same date that Holtz accepted Vendor No. 1's quote.
3. On June 4, 2021, a requisition was submitted to obtain a purchase order from the City Controller for the purchase of a networking system for the Aquatic Center. The requisition was approved by Holtz on June 4, 2021.

The requisition was not a properly executed requisition and is considered falsified for the following reasons:

- a. Holtz entered a purchase agreement, evidenced by Invoice No. 4313, prior to submitting the requisition. Accordingly, the requisition had no validity.
- b. The City's Purchasing Manual requires that quotes be solicited from three vendors for purchases costing between \$50,000 and \$150,000. The price quote form accompanying the requisition listed three vendors and showed Vendor No. 1 as the lowest quoter.

We contacted the two other vendors listed on the price quote form and each vendor stated they did not submit a quote for a networking system. Accordingly, the price quote form is considered falsified.

Obtaining three written quotes is part of the requisition process to obtain an approved purchase order.

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c. The City's Purchasing Manual requires that quotes be awarded by the governing board at a public meeting.

No quotes were opened at a Park Board meeting for a networking system and the Park Board did not award the quote to Vendor No. 1.

4. On June 7, 2021, the City Controller approved Purchase Order No. 20213597 in the amount of \$125,396 based on the falsified requisition approved by Holtz and based on the falsified price quote form that accompanied the requisition.
5. On June 9, 2021, Holtz approved Vendor No. 1's invoice for payment.
6. On June 16, 2021, the Park Board approved Accounts Payable Register that listed Vendor No.1's Invoice No. 4313 in the amount of \$125,396.

The Park Board minutes on June 16, 2021, and an audio recording of those minutes, do not state that the Park Board was informed that the networking system was not installed or that the payment was being paid in advance of installation.

7. On June 18, 2021, the City Controller issued Check No. 85412 in the amount of \$125,396 based on Holtz's approval of Vendor No. 1's Invoice No. 4313.

Julie Probus, Deputy Controller, that the City Controller's Office was not aware that the networking system was not installed on the date the check was issued.

8. On August 6, 2021, the City determined that the networking system was not compatible with the system to be used by the Aquatic Center's Facility Manager and the project was canceled.

Based on information submitted by Vendor No. 1, the City will not be refunded \$76,225 for the following:

- a. Equipment in the amount of \$69,925 because the return date expired, or because shipping costs were greater than the equipment cost.
- b. Preliminary work performed by Vendor No. 1 in the amount of \$6,300.

Regarding a department head making a purchase, the City's Purchasing Manual states the following on Page 8:

"It is a policy of the City that no Purchase Order is written without Finance first receiving a properly executed requisition request via the MUNIS Financial System. It is a policy of the City that no order be placed for the purchase of goods or services without proper authorization, i.e., a Purchase Order number and/or an authorization number."

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Regarding soliciting quotes, the City Purchasing Manual states the following on Page 3:

- "(1) It is the policy of the City to obtain formal quotes of \$50,000 to \$150,000 in writing and via sealed quotes. Invitations/Requests for Quotations shall be solicited from a minimum of three vendors, provided there are three known sources of supply in the applicable category of goods.
- (2) Responses to the written Request for Quotation shall be made in the form of a sealed quote to be opened and awarded by the governing Board at a public meeting(s). Late quotes will not be considered. . . ."

The above requirements are also the requirements of Indiana Code 36-1-12-4.7 stated in part:

"(a) This section applies whenever a public work project is estimated to cost at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000).

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter"

Page 8 of the City of Evansville's Purchasing Manual states: "It is the responsibility of each Department Head to ensure full compliance with Purchasing Procedures and State laws as he/she makes recommendations or suggestions for purchases. . . ."

The City Controller issued Check No. 85412 based on Invoice No. 4313 being represented as a fully itemized invoice and based on Holtz's approval of the invoice signifying that the work was performed.

Indiana Code 5-11-10-1.6(c) states in part:

"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;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services . . ."

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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)

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 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 Holtz to refund \$76,225 to the City for the financial loss on the unauthorized purchase. (See Summary of Charges, page 51)

QUOTES NOT SOLICITED ON UNAUTHORIZED PROJECTS

The Result and Comment titled "Diversion of Funds - Capital Projects" identified how falsified expenditure documents were used to divert funds from an authorized capital project to an unauthorized capital project. As a result of the diversion of funds, no quotes were solicited on the following unauthorized capital projects:

Description of Projects	Cost
Refurbishing and Transporting Millie the Dinosaur	\$ 16,061
Clearing of Trees	8,000
Pool Pump at Lloyd Pool	2,900
Lights at Newsome Center	7,031
Debris Clearing at the Howell Wetlands	7,460
Lighting project at Fendrich Golf Course	14,616

Indiana Code 36-1-12-5 states in part:

"(a) This section applies whenever a public work project is estimated to cost less than fifty thousand dollars (\$50,000). . . .

(b) The board must proceed under the following provisions:

(1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by either of the following:

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(A) Mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes. The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.

(B) Soliciting at least three (3) quotes by telephone, facsimile transmission, or electronic mail. The seven (7) day waiting period required by clause (A) does not apply to quotes solicited under this clause. A quote received under this clause shall be reported to the board during the public meeting at which the contract is considered. The name of each person submitting a quote, and the amount of each quote, shall be read aloud at the public meeting.

- (2) The board shall award the contract for the public work to the lowest responsible and responsive quoter. . . ."

The City Purchasing Manual states the following on Page 3: "It is the policy of the City that three 'verbal' price checks shall be obtained for purchases falling below \$50,000. Phone calls, Emails, or written requests may be placed to obtain these price quotes."

The City Purchasing Manual states the following on Page 8: "It is the responsibility of each Department Head to ensure full compliance with Purchasing Procedures and State laws as he/she makes recommendations or suggestions for purchases."

FINANCIAL LOSS - UNAUTHORIZED WAIVER OF PARK FEES

The Park Board contracts with private entities to manage its Dog Town and Angel Mounds boat ramps. The contracts require the Boat Ramp Tenants (Tenants) to collect daily launch fees and season pass fees. The Tenants are allowed to retain the fees to pay their operating expenses.

The contracts also require the Tenants to remit a fee to the City based on the number of daily passes and season passes sold. The City fee is one dollar for each daily pass sold and ten dollars for each season pass sold. The number of daily and season passes sold are reported on the financial report that the Tenants submit to the Parks Department.

According to documents on file at the Parks Department and interviews with Tenants, Holtz waived the payment of the fees required by the contracts. No information was presented for examination that the waiver of fees was approved by the Park Board.

The waiver of fees resulted in the City incurring a financial loss of \$10,829 as shown in the following schedule:

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Boating Year	(1) Year	Fees Due City (2)			Fees	Financial Loss
	Fee Due City	Dog Town	Angel Mounds	Total	Remitted to City	
2016	2017	\$ 1,953	\$ 1,071	\$ 3,024	\$ -	\$ 3,024
2017	2018	1,842	867	2,709	-	2,709
2018	2019	1,685	944	2,629	800	1,829
2019 (3)	2020	1,686	-	1,686	-	1,686
2020 (3)	2021	<u>1,581</u>	<u>-</u>	<u>1,581</u>	<u>-</u>	<u>1,581</u>
Totals		<u>\$ 8,747</u>	<u>\$ 2,882</u>	<u>\$ 11,629</u>	<u>\$ 800</u>	<u>\$ 10,829</u>

Notes to Schedule:

- (1) The fee is due to be remitted to the City no later than 60 days after the boating year.
- (2) Calculated based on fees approved in the contracts.
- (3) No financial reports were presented for examination for Angel Mounds for the years 2019 through 2020 (see Result and Comment titled "Financial Reports Not Submitted by Boat Ramp Tenants").

Additional Information:

1. We interviewed the Tenants that operated the ramps for years 2016 through 2020. These tenants stated that Holtz verbally agreed to waive the annual fee due the City if they agreed to mow the grounds around the boat ramp.

Section J of each contract states: "Tenant shall be responsible for maintaining, repairing, and removing the boat docks during the term of this Agreement. Boat ramps and grass cutting are the responsibility of the Tenant."

2. The two Tenants (for the years 2016 through 2020) stated in interviews they performed "extra work" e.g., gravel for boat ramp entrance; asphalt for potholes; clearing of trees; and labor toward construction of a dock.

There was no documentation, e.g., invoices or paid receipts presented for our examination to substantiate costs for "extra work" (costs not specified in the contract) were incurred.

In addition, costs for "extra work" were not reported on the Tenant's financial reports presented for our examination.

Section J of each contract states: "Tenant shall be responsible for maintaining, repairing, and removing the boat docks during the term of this Agreement. Boat ramps and grass cutting are the responsibility of the Tenant."

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3. An email dated December 1, 2017, from the Park Revenue Clerk to Holtz asked Holtz whether his verbal agreement with Boat Ramp Tenant was the same as his agreement for 2016.

Holtz's response in an email stated: "Yes the same, however, she has not requested it."

The Boat Ramp Tenant did not remit fees to the City in 2016 or 2017.

4. Email correspondence, dated April 19, 2021, also showed Holtz approving the waiver of the annual boat ramp fee in exchange for the Boat Ramp Tenant mowing the overflow parking lot.
5. We asked Jerome Stewart, President of the Park Board, whether the Park Board approved waiving boat ramp fees. Jerome Stewart stated that if the Board approved a waiver of fees, the approval would be documented in the minutes.

The minutes from January 1, 2016 to June 30, 2021, did not show the Park Board approving the waiver of boat ramp fees.

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)

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 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 Holtz to refund \$10,829 to the City for the financial loss incurred because of the unauthorized waiver of park fees. (See Summary of Charges, page 51)

FINANCIAL LOSS - UNAUTHORIZED REDUCTION OF PARK FEES

The Park Board contracts with two private entities that provide concession services. Vendor No. 16 provides concession services at Helfrich Golf Course, Swonder Ice Rink, and Hartke Pool. Vendor No. 17 provides concession services at Fendrich Golf Course. The respective contracts require the vendors to remit a fee to the City based on a percentage of sales.

Holtz modified the concession contracts by reducing the fee percentage the vendors were required to pay the City without the approval of the Park Board.

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The reduction of fees resulted in a financial loss to the City in the amount of \$6,392 as shown in the following schedule:

	Vendor No. 16	Vendor No. 17	Totals
Fee Due Based on Contract (1)	<u>\$ 15,464</u>	<u>\$ 8,111</u>	<u>\$ 23,575</u>
Fee Remitted:			
07-10-19 to 11-20-20 at 5% (2)	7,331	-	7,331
12-01-20 to 06-30-21 at 6% (3)	4,445	-	4,445
01-01-21 to 06-30-21 at 10% (3)	<u>-</u>	<u>5,407</u>	<u>5,407</u>
Total Fee Remitted	<u>11,776</u>	<u>5,407</u>	<u>17,183</u>
Financial Loss	<u>\$ 3,688</u>	<u>\$ 2,704</u>	<u>\$ 6,392</u>

Notes to Schedule:

(1) The 7 percent fee percentage approved by the Park Board for Vendor No. 16 was based on a contract approved in the year 2016 which was continued through December 31, 2023, with contract extensions.

The 15 percent fee percentage approved by the Park Board for Vendor No. 17 was based on a contract that was approved in the year 2017 which was continued through December 31, 2023, with contract extensions.

(2) The reduction of the fee percentage was based on separate contract addendums signed by Holtz and not approved by the Park Board.

(3) The reductions of fee percentages were based on written changes to the respective contracts. Holtz and the respective vendors initialed these changes. The changes were dated August 5, 2020.

Vendor No. 16 and Vendor No. 17 confirmed in interviews that Holtz approved the respective reductions in fee percentages.

Additional Information:

1. The agenda packet for the August 5, 2020 meeting prepared for each Park Board member included copies of the extension contracts and original contracts for both vendors. The original contracts in the agenda packet showed the fee percentage for Vendor No. 16 at 7 percent and the fee percentage for Vendor No. 17 at 15 percent and did not show the written changes initialed by Holtz reducing the fee percentages to 6 percent for Vendor No. 16 and 10 percent for Vendor No. 17.

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The Parks Department Secretary, who prepared the agenda packet, stated that the contracts in the agenda packet would have been the contracts approved by the Park Board.

2. A review of the August 5, 2020 meeting's written minutes and audio recording did not show the Park Board approved the reductions of fee percentages for Vendor No. 16 and Vendor No. 17.

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)

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 Holtz to refund \$6,392 to the City for the financial loss incurred because of the unauthorized reduction of park fees. (See Summary of Charges, page 51)

FINANCIAL LOSS - UNAUTHORIZED VENDOR COSTS INCURRED

The Park Board contracts with two private entities that provide concession services. Vendor No. 16 provides concession services at Helfrich Golf Course and Vendor No. 17 provides concession services at Fendrich Golf Course.

Holtz made written and verbal modifications to concession contracts. These modifications resulted in the City incurring vendor costs that were not approved by the Park Board.

Incurring these costs resulted in a financial loss to the City in the amount of \$3,828 as shown in the following schedule:

Description of Vendor Costs	Amount
Cable TV and Internet (1)	\$ 3,510
Restroom Supplies (2)	318
Financial Loss	\$ 3,828

Notes to Schedule:

- (1) This cost was incurred for the period April 1, 2019 to June 30, 2021.
- (2) This cost was incurred for the period January 1, 2021 to June 30, 2021.

Additional Information:

1. The cost for cable tv and internet was not provided for in the contract with Vendor No. 16. Vendor No. 16 stated that Holtz verbally approved for the City to incur this cost and approved to have this cost deducted from Vendor No. 16's remittance of concession fees due to the City.

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2. The cost for restroom supplies was based on a written change made on the contract with Holtz's initials and Vendor No. 17's initials. Vendor No. 17 confirmed that Holtz approved for the City to incur this cost and approved to have this cost deducted from Vendor No. 17's remittance of concession fees due to the City.

Section 5 C of the contract states in part: ". . . Concessionaire shall provide all . . . toilet supplies for the restrooms in Helfrich clubhouse."

3. The agenda packet for the August 5, 2020 meeting included copies of the extension and original contracts for Vendor No. 17. The contracts in the agenda packet were submitted to the Park Board for its approval. The original contract in this packet did not show the written change to the contract showing the City was to incur the cost of restroom supplies.

The Parks Department Secretary, who prepared the agenda packet, stated that contract in the agenda packet would have been the contract approved by the Park Board.

4. The August 5, 2020 minutes and audio recording did not show the Park Board's approval for the City to incur the cost of restroom supplies.
5. A review of the Park Board minutes for the period March 1, 2019 through June 30, 2021, did not show the Park Board approved to incur the cost of the cable tv/internet for Vendor No. 16.

By allowing the above costs to be deducted from the vendor's remittance of fees due to the City, this resulted in the invoices for these costs not being subject to the approval process required by Indiana Code 5-11-10-1.6(c) that states in part:

"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;
- (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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

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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 Holtz to refund \$3,828 to the City for the financial loss incurred because of the unauthorized vendor costs incurred. (See Summary of Charges, page 51)

VENDORS UNDERPAID WITH ALTERED INVOICES

The dollar amounts on invoices to pay the Aquatic Center construction costs were altered resulting in vendors being underpaid. Holtz approved the altered invoices.

The City established a Park Special District Fund (funded by a bond issuance and City contributions) to pay Aquatic Center construction costs. Adequate funds were available to pay the original invoice amounts. The following is a schedule of the invoice amounts and the amount of funds available at the time the payments were made:

Vendor No.	Date Approved by Holtz	Original Invoice Amount	Altered Invoice Amount	Under-payment	City Funds Available (Rounded)
2	06-02-21	\$ 47,215	\$ 40,000	\$ 7,215	\$ 5,900,000
5	05-11-21	402,811	387,025	15,786	4,800,000
7	05-27-21	12,906	9,444	3,462	5,900,000
9	12-10-20	502,139	35,000	467,139	12,800,000

The City paid the balance due to Vendors No. 2, 5, and 7 after Holtz's resignation date. The Foundation paid the balance due to Vendor No. 9 based on a falsified invoice approved by Holtz.

No information was presented for examination providing an explanation as to why the vendors were underpaid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONTRACTS NOT APPROVED BY PARK BOARD

Holtz approved the following contracts. No documentation was presented for examination that the contracts were presented and approved by the Park Board.

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Date	Type of Contract
Various	Utility Easements (1) (3)
07-15-20	Baseball Umpire Service (2)
03-04-21	Baseball Umpire Service (2)
04-05-21	Boat Ramp Operation (2) (3)
06-01-21	Property Lease (3)

Notes to Schedule:

- (1) A total of three easements not approved.
- (2) Service agreement.
- (3) This contract also provides revenue to the City.

Indiana Code 36-10-3-11(a) states in part:

"The board may:

- (1) enter into contracts . . . for . . . services . . ."

The Standard Policies and Procedures of the City Controller states (after the unsigned contract is approved by the City's legal department) the following:

". . . the Department may now place the contract on the appropriate board's agenda for Board approval and execution of contract . . ."

CHANGE ORDER NOT APPROVED BY PARK BOARD

Vendor No. 18 submitted Change Order No. 1 (C.O. 1) in the amount of \$623,553 that had the following proposed changes to the original contract:

Description	Amount
Exterior Pedestrian Walkway (1)	\$ 186,530
Vinyl Coated Chain Link Fence around HVAC Units (1)	44,685
Lobby Metal Panels & Fabric Wall System (1)	8,485
Bleacher Seating for Spectator Seating Mezzanine (1)	80,960
Pool Ground Improvement	<u>302,893</u>
Total	<u>\$ 623,553</u>

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Note to Schedule:

- (1) According to the contract, these items were alternatives accepted by the Park Board when the original contract was awarded. However, work on the alternatives were not authorized by the Park Board when the original contract was awarded.

The following is a schedule of approval dates and invoice date for the first billing that included C. O. 1:

Date	Description
02-13-20	C.O. 1 Approved by Architect
02-19-20	C.O. 1 Approved by Construction Manager
03-18-20	Invoice No. 3 that included C.O. 1
03-26-20	C.O. 1 Approved by Holtz

A review of the Park Board minutes for March 4, 2020, and March 18, 2020, did not show that the Park Board approved C.O. 1.

Indiana Code 36-1-12-18 (a) states:

"If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor."

Holtz did not obtain approval from the City Controller to increase the approved Purchase Order amount by submitting a Purchase Order Change Form for the change order.

The following is from page 8 of the City of Evansville's Purchasing Manual:

". . . It is a policy of the City that no order be placed for the purchase of goods or services without proper authorization . . ."

FINANCIAL REPORTS NOT SUBMITTED BY BOAT RAMP TENANTS

As discussed in the Result and Comment titled *FINANCIAL LOSS - UNAUTHORIZED WAIVER OF PARK FEES*, Boat Ramp Tenants did not always submit annual financial reports. The following is a schedule of annual financial reports not submitted to the Parks Department:

Year	Boat Ramp
2019	Angel Mounds
2020	Angel Mounds
2021	Angel Mounds
2021	Dog Town

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Section G of each contract states in part: "Tenant shall provide the Board with a complete Yearly Revenue Report . . . within sixty (60) days from the close of the calendar year . . ."

No information was presented for examination documenting that the Parks Department requested or followed up on the status of the delinquent financial reports prior to Holtz's resignation.

The annual financial reports are needed to determine the fees due to the City from the sale of daily and season passes for the launching of boats.

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)

DIVERSION OF FOUNDATION FUNDS FOR UNAUTHORIZED CITY PURCHASES

Holtz submitted and approved invoices paid from Foundation dollars. However, the items purchased were not related to the particular Foundation fund's purpose and were not authorized by the Park Board. Holtz's action resulted in the Foundation requesting reimbursement from the City in the amount of \$151,740.

Background Information

As more fully described in the comment titled *INTERNAL CONTROL: CITY-DESIGNATED FUNDS HELD BY FOUNDATION*, the Evansville Parks Foundation (Foundation), a 501(c)(3) non-profit organization, holds certain funds that directly benefit the Parks Department. The Foundation refers to these funds as city-designated funds. The use or purpose of the respective city-designated funds has been limited by donors, individuals, or organizations for specific purposes. The city-designated funds discussed in this comment include the Greenway Fund, Roberts Park Fund, and the Stockwell Park Fund.

Holtz's Role in Purchasing and Approving Invoices

In making purchases from the Foundation's city designated funds, Holtz initiated the purchases and approved the invoices for payment.

Foundation officials stated that they allowed Holtz to make purchases from the Foundation's city designated funds and to approve invoices because of his position as Director for the Parks Department. As Director, they thought Holtz was in the best position to know the needs of the Parks Department.

Jill Trautvetter, Foundation Executive Director, stated that Holtz was not an official of the Foundation.

Purchases Not Related to the Purpose of Fund

Holtz submitted and approved the following invoices by email to the Foundation. Holtz's email directed the Foundation to pay the invoices from funds that were not related to the purpose of the respective city designated funds.

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Date Holtz Approved Invoice	Purchase Description	Fund Name	Amount
06-03-19	Mowing Equipment (1)	Greenway	\$ 31,324
05-05-20	Removal of Concrete Light Poles (2)	Roberts Park	39,980
06-30-20	Crew Cab Pick-up Truck (3)	Roberts Park	26,995
07-06-20	Tractor and Loader (4)	Roberts Park	29,521
Various	Various (5)	Stockwell Park	<u>23,920</u>
Total			<u>\$ 151,740</u>

Notes to Schedule:

- (1) Holtz submitted and approved a falsified invoice for mower and trimmer equipment to be paid from the Greenway Fund. However, the original invoice obtained from the vendor showed the purchase was for the purchase of a 2019 Ford Cargo Van.

The Greenway Fund was established to help maintain the Greenway Passage that is a walking/jogging/biking trail. City officials stated that the cargo van was not used to maintain the Greenway Passage. The van was used in the capacity of general park maintenance.

- (2) Holtz submitted and approved an invoice for the removal of concrete light poles at Wesselman Par 3 Golf Course.

City officials stated the Wesselman Par 3 Golf Course is not a part of Roberts Park and was not related to the purpose of the Roberts Park Fund.

- (3) Holtz submitted and approved an invoice for the purchase of a crew cab pick-up truck. City officials stated the truck was not related to the purpose of the Roberts Park Fund. The truck was used in the capacity of general park maintenance.

- (4) Holtz submitted and approved an invoice for the purchase of a compact tractor and loader. City officials stated this equipment was not related to the purpose of the Roberts Park Fund. The equipment was used in the capacity of general park maintenance.

- (5) Holtz submitted and approved 17 invoices for various Parks Department expenditures (e.g., grant writing services; consulting services; repairs, etc.). City officials were unable to relate these purchases to the purpose of the Stockwell Park Fund.

The City requested original invoices from vendors. Based on the City's requests, four invoices approved by Holtz and paid from the Stockwell Park Fund were falsified.

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Purchases Not Approved by Park Board

Jerome Stewart, President of the Park Board, stated the Park Board was unaware that Holtz was making and approving purchases from Foundation funds on behalf of the Parks Department. Jerome Stewart stated that all items purchased on behalf of the Parks Department and related to the Parks Department should be approved by the Park Board.

Indiana Code 36-10-3-11(a) states in part:

"The board may:

- (1) enter into contracts . . . for . . . services; . . .
- (4) acquire . . . personal property."

If the items in the above schedule were construed to be gifts from the Foundation, Park Board approval of the items would still be required before making the purchases.

Indiana Code 36-10-3-18(a) states: "The board may accept gifts, donations, and subsidies for park and recreational purposes. However, a gift or transfer of property to the board may not be made without its approval."

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 Holtz to refund \$151,740 to the City for the diversion of the Foundation funds for unauthorized city purchases. (See Summary of Charges, page 51)

INTEREST PAID ON UNAUTHORIZED CITY LOAN

The Foundation paid \$19,833 of interest on a loan that Holtz obtained in the City's name without authorization of the City Council (see Result and Comment titled *UNAUTHORIZED BANK LOAN AND FALSIFIED AUTHORIZATION LETTER*).

Date Approved by Holtz	Interest
10-02-19	\$ 15,567
05-19-20	4,259
06-11-20	<u>7</u>
Total	<u>\$ 19,833</u>

The payment of interest on a City loan was not an obligation of the Foundation. As of June 29, 2022, the Foundation had not billed the City for this cost.

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Only the City Council (legislative body) is allowed to make loans on behalf of the City.

Indiana Code 36-4-6-20(a) states in part: "The legislative body may, by ordinance, make loans of money for not more than five (5) years and issue notes for the purpose of refunding those loans. The loans may be made only for the purpose of procuring money to be used in the exercise of the powers of the city. . . ."

A unit may not incur indebtedness unless specifically allowed by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FOUNDATION - PAYMENT OF AQUATIC CENTER CONSTRUCTION COSTS

The Park Board issued bonds to help finance the Aquatic Center construction costs. According to information in the bond documents and information provided by the City Controller, all financing for the Aquatic Center construction costs was arranged at the time bonds were issued. The Foundation was not shown as a source of funding.

However, Holtz submitted and approved invoices for the Foundation to pay a total of \$1,960,518 of the Aquatic Center construction costs. The payments were made from the Foundation's Aquatic Center Fund, a city-designated fund (See Result and Comment titled *INTERNAL CONTROL: CITY-DESIGNATED FUNDS HELD BY FOUNDATION*).

Jerome Stewart, President of the Park Board, stated the Park Board was unaware that Holtz was approving Aquatic Center construction costs from the Foundation's Aquatic Center Fund.

No information was presented for examination to explain why the Aquatic Center construction costs were paid by the Foundation.

Foundation officials stated they relied on Holtz's approval of invoices that construction costs were an authorized expense from the Foundation's Aquatic Center Fund, funded primarily by private donations.

Additional Information:

1. The above payments were made on City approved contracts. The City should be the entity making payments on City approved contracts.

Holtz's approval for the Foundation to make these payments circumvented the City Controller's statutory responsibility to audit invoices and the Park Board's statutory responsibility to approve invoices required by Indiana Code 5-11-10-1.6 (c). This statute states in part:

"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;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

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- (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."
2. A part of the City Controller's audit of invoices includes monitoring that contract payments do not exceed approved contract amounts. Because these payments were not processed through the City Controller's accounting records, the City Controller was unable to properly monitor contract payments.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FOUNDATION - AQUATIC CENTER COSTS PAID FROM ROBERTS PARK FUND

On January 11, 2021, Holtz attached four falsified invoices to an email sent to the Foundation's Co-Treasurers. The invoices totaled \$140,063 as shown below:

Vendor	Amount
Vendor No. 2	\$ 56,314
Vendor No. 10	5,550
Vendor No. 6	40,199
Vendor No. 17	38,000
Total	\$ 140,063

Holtz states in the email: "Attached are four invoices which can be paid from the Roberts Parks Fund. A check for \$150K was deposited in this fund last week."

The falsified invoices did not show the location of the work. The original invoices showed they were for the Aquatic Center construction costs, thus unrelated to the purpose of the Roberts Park fund.

No information was presented for our examination to explain why Aquatic Center construction costs were paid from the Roberts Park Fund. A review of the City's Park Special District Fund's cash and investment balance on January 11, 2021 (the date Holtz approved payments from the Roberts Park Fund) showed funds available of more than \$8,900,000.

The Foundation billed the City for the above costs.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Parks Department.

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 other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general; in connection with the civil proceedings."

We requested Holtz to reimburse the State of Indiana for special investigation costs in the amount of \$83,835. (See Summary of Charges, page 51)

INTERNAL CONTROL: DIVERSION OF FUNDS - CAPITAL PROJECTS

The Results and Comments titled *DIVERSION OF FUNDS - CAPITAL PROJECTS* identified invoices approved by Holtz for work that was not performed. Holtz's approval of invoices for work not performed represents an override of management controls and was caused by a lack of a segregation of duties as described below:

1. Override of Management Controls:
 - a. The submission and approval of falsified capital project requests, falsified requisitions, and falsified quotes represents an override of management controls.
 - b. The approval of a vendor invoice for work not performed also represents an override of management controls.

As a department head, Holtz was considered a part of the City's management responsible for overseeing compliance with the City's policies and procedures.

2. Segregation of Duties:

For the capital projects work not performed, there was a lack of segregation of duties. Holtz was responsible for making the purchase and responsible for approving that the work ordered had been performed.

Due to the lack of segregation of duties, the approval of falsified invoices was able to occur and not be detected in a timely manner.

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Separating the purchasing function from the verification that work was performed function reduces the risk of errors, fraudulent actions, and risk of management override of controls.

The City uses an electronic accounting system where the various expenditure documents are located and where the approvals are documented. However, the Park Maintenance Superintendent did not have access to accounting system. Accordingly, there was no documentation presented for examination that the Park Maintenance Superintendent had any knowledge of the capital projects work requested by Holtz and approved by the Mayor.

The City has taken corrective action by providing the Park Maintenance Superintendent access to the accounting system. Accordingly, no further recommendations are needed at this time.

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* (Manual). All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The Manual states in part the following:

"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. . . ."

INTERNAL CONTROL: FINANCIAL LOSS ON UNAUTHORIZED PURCHASE

Holtz's approval of an invoice for a computer networking system (see Result and Comment titled *FINANCIAL LOSS ON UNAUTHORIZED PURCHASE*) not installed at the Aquatic Center represents an override of management controls and was caused by a lack of segregation of duties.

At the time of the purchase, the Aquatic Center was not operational and there was no other staff employed at the Aquatic Center, thus this was not a routine or ongoing situation regarding segregation of duties. Accordingly, no further recommendation is needed at this time.

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* (Manual). All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The Manual states in part the following:

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH 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. . . ."

INTERNAL CONTROL: PARK FEES

The Results and Comments titled *FINANCIAL LOSS - UNAUTHORIZED WAIVER OF PARK FEES*; *FINANCIAL LOSS - UNAUTHORIZED REDUCTION OF PARK FEES*; and *FINANCIAL LOSS - UNAUTHORIZED VENDOR COSTS INCURRED* represent an override of management controls and resulted from a lack of a segregation of duties as described below:

1. Override of Management Controls:

The modification of the terms of contracts without the Park Board approval represents an override of management controls.

As a department head, Holtz was considered a part of the City's management responsible for overseeing compliance with City contracts.

2. Segregation of Duties:

The waiving of boat ramp fees, the reducing of concession fees, and the deducting of vendor costs from fee remittances were able to occur and not be timely detected due to a lack of segregation of duties as described below:

a. Park Revenue Clerk No. 1 identified that boat fees were being waived and inquired about this with Holtz. However, there was not a process in place that required the Park Revenue Clerk to report the non-compliance to an official or department independent of the Parks Department.

b. Park Revenue Clerk No. 2 stated that when she became Park Revenue Clerk, she was not provided copies of any boat ramp contracts and concession contracts.

Without the contracts, the Park Revenue Clerk would not be able to verify compliance with contract terms and report on any non-compliance.

We recommended that the City implement procedures that will result in the segregation of duties related to park fees discussed above.

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH COUNTY
RESULTS AND COMMENTS
(Continued)

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INTERNAL CONTROL: CITY DESIGNATED FUNDS HELD BY FOUNDATION

According to Foundation officials, the Evansville Parks Foundation, a 501(c)(3) non-profit organization, holds certain funds that directly benefit the Parks Department. Examples of these funds include the Aquatic Center Fund; Roberts Park Fund; Skate Park Fund; Mickey's Kingdom Fund, Greenway Fund, etc. For this comment, these funds are referred to as "city designated funds".

Our review of financial activity and interviews with the City and Foundation officials showed a lack of segregation of duties regarding the city designated Funds as described in the following examples:

1. Holtz signed three grant agreements on behalf of the Foundation totaling \$1,300,000. Foundation officials stated they were unaware that Holtz signed these grant agreements and stated that Holtz had no authority to sign or enter into these grant agreements on the Foundation's behalf.

Another grant agreement, in the amount of \$500,000, was signed by the "Executive Director"; however, the signature of the "Executive Director" was not legible. Jill Trautvetter, Executive Director for the Foundation, stated the signature was not hers.

Foundation officials stated that when monies were received, the Foundation was provided information only as to the purpose of monies remitted so the monies would be deposited in the appropriate City designated fund. Accordingly, the Foundation would not know whether monies remitted to the Foundation were donations, grants, etc.

Jerome Stewart, President of the Park Board, stated the Park Board was not aware that Holtz entered into grant agreements on behalf of the Foundation. Jerome Stewart also stated that any grant agreement affecting the Department of Parks of Recreation should be discussed with and approved by the Park Board.

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
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RESULTS AND COMMENTS
(Continued)

- Holtz initiated purchases and submitted and approved invoices paid from the City designated funds. Purchases included vehicles, equipment, and moving concrete poles (see Result and Comment titled *DIVERSION OF FOUNDATION FUNDS FOR UNAUTHORIZED CITY PURCHASES*). Purchase also included payments for Aquatic Center construction costs (see Result and Comment titled *FOUNDATION - PAYMENT OF AQUATIC CENTER CONSTRUCTION COSTS*).

Jerome Stewart, President of the Park Board, stated the Park Board was unaware that Holtz was approving purchases from Foundation funds on behalf of the Parks Department. Jerome Stewart stated that all purchases made on behalf of the Parks Department should be approved by the Park Board.

- Holtz submitted and approved invoices totaling \$1,960,518 for the Aquatic Center construction costs.

However, the Park Board issued bonds to help finance the Aquatic Center construction costs. According to information in the bond documents, all financing for the Aquatic Center construction costs was arranged at the time bonds were issued. The Foundation was not shown as a source of funding.

Jerome Stewart, President of the Park Board, stated the Park Board was unaware that Holtz was approving the Aquatic Center construction costs from the Foundation's City designated funds.

Foundation officials stated they relied on Holtz's approval of invoices that construction costs were an authorized expense from the Foundation's Aquatic Center Fund.

Based on the above, no information was presented for examination to explain why the Aquatic Center construction costs were paid by the Foundation.

The above items were able to occur and not be timely detected due to a lack of segregation of duties. Jerome Stewart, President of the Park Board, stated the Park Board was not informed of Holtz's role regarding Foundation Funds, and Foundation officials stated they were of the understanding that Holtz's role was authorized by the Park Board.

We recommended the City and Foundation implement procedures that will result in the segregation of duties related to city designated funds held by the Foundation.

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* (Manual). All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The Manual states in part the following:

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DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH COUNTY
RESULTS AND COMMENTS
(Continued)

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INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the expenditures of the Parks Department was conducted by the City of Evansville Police Department. The following charges were filed:

1. Violation of Indiana Code 35-43-5-8(a)(1) (Fraud on Financial Institutions)
2. Violation of Indiana Code 35-43-5-2(d)(4) (Forgery)
3. Violation of Indiana Code 35-43-5-2(a)(1)(C) (Counterfeiting)
4. Violation of Indiana Code 35-44.1-1-1(1) (Official Misconduct)

OFFICIAL BOND COVERAGE

The following is official bond information obtained by the City:

Period	Amount
08-20-18 to 08-20-19	\$ 100,000
08-20-19 to 08-20-20	100,000
08-20-20 to 08-20-21	100,000
08-20-21 to 08-20-22	250,000

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2022, with Mark Foster, Attorney for Brian Holtz.

The contents of this report were discussed on June 29, 2022, with the following City officials:

<u>Name</u>	<u>Position</u>
Lloyd Winnecke	Mayor
Steve Schaefer	Deputy Mayor/Interim Park Director
Russell Lloyd	City Controller
Julie Probus	Deputy Controller
Alexander R. Burton	Vice President of the City Council
Jerome Stewart	President of the Board of Park Commissioners
Marco DeLucio	City Attorney
Dirck Stahl	Park Board Attorney
William Arbaugh	Detective Sargent, Evansville Police Department
Nathan VanCleave	Detective, Evansville Police Department



CITY OF EVANSVILLE

Office of the Controller

CIVIC CENTER COMPLEX, ROOM 300
ONE NW MARTIN LUTHER KING, JR. BOULEVARD
EVANSVILLE, INDIANA 47708
Lloyd Winnecke, Mayor

PH (812) 436-4919 FAX (812) 436-4926

July 11, 2022

Indiana State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE TO SPECIAL INVESTIGATION REPORT OF THE DEPARTMENT OF PARKS AND RECREATION, CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

Reference: Official Response to 2022 Indiana State Board of Accounts Special Investigation of the Department of Parks and Recreation from January 1, 2019 to July 16, 2021

Dear State Board Member(s):

The City of Evansville ("City") recognizes the efforts put forth by the Indiana State Board of Accounts "State," "SBOA" performing the special investigation of the City of Evansville Vanderburgh County Department of Parks and Recreation "Parks" compliance with Indiana law and the uniform compliance guidelines established by the SBOA. We submit below our official response to the special report findings. Our responses detail our understanding of the issues raised by the State and outline the City's current and expected course of action to resolve these findings while operating within the legal constraints determined by the criminal case and other potential charges filed in this matter. The City is replying to certain specific items as indicated.

INTERNAL CONTROL: DIVERSION OF FUNDS – CAPITAL PROJECTS

2. Segregation of Duties:

The City has provided the Parks Maintenance Supervisor and General Manager at Swonder Ice Arena with access to the City's Tyler Technologies MUNIS main accounting system. The City golf courses have also been connected to the City County computer network. Additionally, the City transferred a Finance Department employee to Parks to assist Parks accounting staff through additional training and implementation of proper controls.

Completion Date: September 6, 2021

INTERNAL CONTROL: PARK FEES

The City has reinstated the process to record fees received from the City's two boat ramps. The City's Parks Department will provide the Parks Revenue Clerk with a copy of the contract for the boat ramps with designated revenue requirements. The Revenue Clerk will reconcile receipts received with the contract. Parks management does not have authority to waive or change contract provisions without review by the Parks Department attorney and ultimate approval by the Board of Parks Commissioners.

Estimated Completion Date: December 31, 2022

INTERNAL CONTROL: CITY DESIGNATED FUNDS HELD BY A FOUNDATION

The City has recognized potential internal control weaknesses with City donated funds held and administered by the Evansville Parks Foundation (the "Foundation"). The City is working with management of the Foundation to address potential control deficiencies for City designated donations and has requested adoption of the new procedures set forth below. Using new forms for requests the Foundation will reconcile City funds designated to certain projects, then the Foundation will remit these funds to the City quarterly, rather than holding the funds until project completion as is the current policy. The City will also segregate the donor funds to ensure use for the donor's specified purpose. The City desires a closer relationship with the Foundation that will provide mutual benefits to both organizations.

Estimated Completion: December 15, 2022

INTERNAL CONTROL: PARK MANAGEMENT REORGANIZATION

The City has recognized potential internal control weaknesses in the Parks Dept. The City has created the position of Chief Financial Officer for the Department of Parks and Recreation to oversee Parks revenue and expenditure accounting staff and provide an additional level of approval and supervision. This position serves as a check and balance for accounting decisions made by the Parks Executive Director and Parks accounting staff.

Estimated Completion: September 15, 2022

Respectfully submitted,



Russell Lloyd Jr., CPA
Controller

C: Mayor Lloyd Winnecke

OFFICIAL RESPONSE

In reference to the State Board of Accounts investigation on all aspects, Brian Holtz (Holtz) former Executive Director of the Evansville Parks Director states that at no time did he convert any funds of the Evansville Parks Department, the Evansville Parks Foundation or the City of Evansville for his personal use or benefit. In addition, Holtz states that he performed his job as Executive Director of the Evansville Parks Department in a manner in which he was advised to do by the Evansville Mayor's Office, the Evansville City Controller's Office, the Evansville Park's Board, the Evansville Park's Foundation Board and the Evansville City Attorney's Office. In addition, he performed his job in a manner which he was trained and in which previous Park's Directors performed the same job. Holtz will make the following specific answers to issues raised in the State Board of Accounts Report.

1. **Old National Bank Loan.** Holtz states that he followed the procedure as instructed by the Evansville City Attorney's Office.
2. **Diversion of Funds for Capital Projects.** Holtz states that he performed his duties as instructed by the Evansville Mayor's Office, the Evansville City Attorney's Office and the City of Evansville Controller's Office.
3. **Unauthorized purchase audio-visual system.** Holtz states that Garmong Construction and/or Hafer Associates obtained the quotes for the audio-visual equipment and he had no contact with any audio-visual vendors. Holtz states that there was no purchase order due to the Park's Foundation paying for the equipment as agreed to by all parties involved.
4. **Unauthorized trash totes.** Holtz states that the trash totes were approved the Evansville City Council in the 2021 budget. Holtz further states that there were issues with payment of the invoice due to the City Controller's Office having the money in the wrong account. Holtz states that this issue was resolved as instructed by City Controller, Russ Lloyd.
5. **Unauthorized purchase of outdoor furnishings.** Holtz states that Garmong Construction and/or Hafer Associates obtained the quotes for the outdoor furnishings.
6. **Financial lose on an unauthorized purchase.** Holtz states Garmong Construction and/or Hafer Associates worked with Advanced Network and Computer Services on the computer system. Holtz further states that the City has an exclusive contract with Advanced Network and Computer Services and they are the exclusive computer and IT provider for the City of Evansville. Holtz further states that any action taken in reference the computer networking system at Deaconess Aquatic Center was done as instructed by those involved in the construction project.
7. **Boat ramps.** Holtz states that the contracts with the boat ramp operators were handled in the same manner as previous Park's Directors handled them. Holtz was never advised to do or to handle these contracts any differently.

8. **Unauthorized reduction of park fee.** Holtz states his job was to keep the concessions open and the facilities and restrooms reasonably stocked.
9. **Vendors unpaid with altered invoices.** Holtz states that he was advised on many occasions by the City Controller's Office that sufficient funds were not available to pay invoices. He was advised by City Controller, Russ Lloyd that it's "a timing thing". Holtz needed to get vendors paid so they would not stop work on the Deaconess Aquatic Center. Holtz performed his duties as instructed by Evansville Mayor's Office and the City Controller's Office.
10. **Contracts not approved by Park's Board.** Holtz states that he did his job as instructed by the Evansville City Attorney's Office.
11. **Change order not approved by Park's Board.** Holtz states that he performed his job as instructed by the Evansville City Attorney's Office, the Evansville Mayor's Office and the Evansville City Controller's Office.
12. **Financial Reports not submitted by boat ramp tenants.** Holtz states that he did his job as previous Park's Directors did the same job.
13. **Diversion of Foundation Funds for unauthorized purchases.** Holtz states that he performed his job as instructed by the Evansville Mayor's Office and the City of Evansville Controller's Office.
14. **Payment of Aquatic Center construction costs.** Holtz states that he performed his job as instructed by the Evansville Mayor's Office and the Evansville City Controller's Office.
15. **Robert's Park.** Holtz states that the payment from Robert's Park should have been on the Deaconess Aquatic Center account and may have been a clerical error.

DEPARTMENT OF PARKS AND RECREATION
CITY OF EVANSVILLE
VANDERBURGH COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Brian Holtz, former Executive Parks Director:			
Diversion of Funds - Capital Projects, pages 10 through 15	\$ 63,639	\$ -	\$ 63,639
Diversion of Funds - Sweatshirts, pages 15 and 16	326	-	326
Unauthorized Purchase - Audio/Visual System, pages 16 through 20	127,723	-	127,723
Unauthorized Purchase - Trash Totes, pages 20 and 21	38,000	-	38,000
Unauthorized Purchase - Outdoor Furnishings, pages 21 and 22	13,004	-	13,004
Financial Loss on Unauthorized Purchase, pages 22 through 25	76,225	-	76,225
Financial Loss - Unauthorized Waiver of Park Fees, pages 26 through 28	10,829	-	10,829
Financial Loss - Unauthorized Reduction of Park Fees, pages 28 through 30	6,392	-	6,392
Financial Loss - Unauthorized Vendor Costs Incurred, pages 30 through 32	3,828	-	3,828
Diversion of Foundation Funds for Unauthorized City Purchases, pages 35 through 37	151,740	-	151,740
Special Investigation Costs, page 40	83,835	-	83,835
	<u>83,835</u>	<u>-</u>	<u>83,835</u>
Totals	<u>\$ 575,541</u>	<u>\$ -</u>	<u>\$ 575,541</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)
Deot)
) COUNTY)

I, Ronald Robertson, Private Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Department of Parks and Recreation, City of Evansville, Vanderburgh County, Indiana, for the period from January 1, 2019 to July 16, 2021, is true and correct to the best of my knowledge and belief.

Ronald Robertson
Private Examiner

Subscribed and sworn to before me this 24th day of August, 2021.

Michelle Shelton
Clerk of the Circuit Court

