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

SPECIAL INVESTIGATION REPORT
OF

ORANGE COUNTY SOIL AND WATER
CONSERVANCY DISTRICT
ORANGE COUNTY, INDIANA

June 18, 2012 to February 28, 2022

FILED
11/15/2022

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ORANGE COUNTY SOIL AND WATER
CONSERVANCY DISTRICT, ORANGE COUNTY, INDIANA

This is a special investigation report for the Orange County Soil and Water Conservancy District (Conservancy District), for the period June 18, 2012 to February 28, 2022, and is in addition to any other report for the Conservancy District as required under Indiana Code 5-11-1. All reports pertaining to the Conservancy District may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the Conservancy District's 319 Grant for the Lost River Watershed Implementation Project. 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

August 31, 2022

BACKGROUND

Michael Wilhite (Wilhite) served as the District Coordinator of the Conservancy District from June 18, 2012 to February 17, 2022. In addition to his duties as District Coordinator, Wilhite received a monthly stipend to oversee the Conservancy District's 319 Grant for the Lost River Watershed Implementation Project. After Wilhite left employment, Conservancy District officials found that Wilhite paid himself more for the grant work than the amount agreed upon by Conservancy District Board members and Wilhite.

The Indiana State Board of Accounts was notified of the contract overpayments in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts performed an investigation of the Conservancy District's records for the period June 18, 2012 to February 28, 2022. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Special Districts*.

OVERPAYMENT OF STIPEND

Beginning in August of 2013, Wilhite began receiving a stipend of $700 a month for his work on the 319 Grant, which included invoicing and paying the producers. Although the Conservancy District Board minutes did not specify the amount that was to be received each month, Conservancy District Board members signed witness affidavits stating that it was their understanding that Wilhite was to receive $700 on the first of each month. In April of 2015, Wilhite began writing himself additional checks that were labeled "319 Pay." Wilhite received overpayments amounting to $142,800 as follows:

Years	Amount Paid	Amount Approved	Overpayment
2013	$ 3,500	$ 3,500	$ -
2014	8,400	8,400	-
2015	9,800	8,400	1,400
2016	11,900	8,400	3,500
2017	24,500	8,400	16,100
2018	35,000	8,400	26,600
2019	39,900	8,400	31,500
2020	30,800	8,400	22,400
2021	49,700	8,400	41,300
2022	1,400	1,400	-
Totals	$ 214,900	$ 72,100	$ 142,800

The current District Coordinator, Michelle Elgin, provided folders labeled 2020 and 2021. These folders contained check copies, Accounts Payable Voucher (APV) Registers, and one page of the 319 Grant Agreement. There were differences in the documents contained in these folders to other documents provided during our investigation as follows:

1. **Accounts Payable Voucher Registers:** The APV registers that were in the folders contained additional checks written to Wilhite that were not included in APV registers that were retained by Conservancy District Board members. On the APV registers in the folders, totals on the bottom of the page were marked out and additional checks written to Wilhite were added onto the sheet in pen, or had a page stapled in that included these checks. The APV registers retained by the Conservancy District Board members did not contain the additional checks or pages.

2. **319 Grant Agreement:** The page of the 319 Grant Agreement in the folder did not agree to the executed 319 Grant Agreement provided by Emily Russell (Russell), the Conservancy District's 319 Grant Coordinator. The grant agreement found in the folder had a paragraph that stated "Position B will be an Admin position and will have a salary set at $30,800 for 2020 and $41,300 for 2021." The executed grant agreement did not include this paragraph. $30,800 was the total amount Wilhite was paid for the 319 Grant in 2020. $41,300 was the amount Wilhite was overpaid for the 319 Grant in 2021. Russell stated that she was not aware of the position.

During an interview with Indiana State Board of Accounts and Indiana State Police on May 4, 2022, Wilhite provided the following information:

- Wilhite confirmed that he was entitled to receive $700 per month for his administration role for the 319 Grant.
- Wilhite stated he wrote himself additional checks and agreed to overpaying himself $142,800 from 2015 to 2021.
- Wilhite admitted to taking off all payments on the APV registers made to "Michael Wilhite," except the one $700 check that he said he should have received.
- Wilhite admitted to creating the 2020 and 2021 folders for Indiana State Board of Accounts.
- Wilhite admitted to adding the additional paragraph into the 319 Grant Agreement found in the 2020 folder.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, 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 Special Districts, Chapter 1)

We requested Wilhite to repay the Conservancy District $142,800 for the stipend overpayments. (See Summary of Charges, page 9)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional audit costs due to the special investigation of the Special District's records.

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

"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 . . ."

Audit costs incurred because of poor records, nonexistent records or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

We requested Wilhite reimburse the State of Indiana $10,480.65 for special investigation costs. (See Summary of Charges, page 9)

INTERNAL CONTROLS

We noted deficiencies in the internal control system relating to the handling of paying employees and overseeing the bank reconcilements.

The Conservancy District failed to implement the internal controls necessary to ensure the proper payments were made to employees. Wilhite was able to write and sign checks to himself without oversight by governance. No review or internal control procedures were in place to ensure that the District Coordinator was being paid properly. There was no segregation of duties for checks being written by Wilhite to Wilhite, and, therefore, Wilhite was able to write himself additional checks.

At the monthly Conservancy District Board meetings, Wilhite would present an Accounts Payable Voucher Register without the additional checks he had written to himself. The Conservancy District failed to oversee the monthly bank reconcilements to see the checks that cleared the bank. Wilhite was able to remove the checks written to himself on the Accounts Payable Voucher Register; therefore, going unnoticed by governance that he was writing himself additional checks.

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

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

> "Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.
>
> An integral part of the control activity component is segregation of duties. . . .
>
> There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OFFICIAL BOND COVERAGE

The following is information regarding official bonds obtained by Orange County:

Official Bond	
Period	Amount
07-11-14 to 07-11-15	$ 100,000
07-11-15 to 07-11-16	100,000
07-11-16 to 12-31-16	100,000
01-01-17 to 12-31-17	100,000
01-01-18 to 12-31-18	100,000
01-01-19 to 12-31-19	100,000
01-01-20 to 12-31-20	100,000
01-01-21 to 12-31-21	100,000

CRIME INSURANCE COVERAGE

The following is information on the Crime Insurance obtained by Orange County:

Crime Insurance	
Period	Amount
03-15-14 to 03-15-15	$ 25,000
03-15-15 to 03-15-16	25,000
03-15-16 to 03-15-17	25,000
03-15-17 to 03-15-18	25,000
03-15-18 to 03-15-19	25,000
03-15-19 to 03-15-20	25,000
03-15-20 to 03-15-21	25,000
03-15-21 to 03-15-22	25,000

ORANGE COUNTY SOIL AND WATER CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2022, with Daniel Springer, President of the Conservancy District Board; Bobby Busick, Conservancy District Board member; Danny Orr, Conservancy District Board member; Ken Cornwell, Conservancy District Board member; George Key, Conservancy District Board member; Michelle Elgin, District Coordinator; Emily Russell, Conservancy District 319 Grant Coordinator; and Lee Schnell, NRCS District Coordinator.

Orange County Soil and Water Conservation District
573 SE Main St – Paoli, IN 47454 – Phone (812) 203-3033

"OFFICIAL RESPONSE"

"Following notification of the events identified in this report, internal controls have been discussed and implemented to eliminate any potential re-occurrence of similar or related activities."

Respectfully,

Michelle Elgin

ORANGE COUNTY SOIL AND WATER CONSERVANCY DISTRICT
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Michael Wilhite, former Conservancy District Coordinator:			
Overpayment of Stipend, pages 3 and 4	$ 142,800.00	$ -	$ 142,800.00
Special Investigation Costs, pages 4 and 5	10,480.65	-	10,480.65
Totals for Michael Wilhite	$ 153,280.65	$ -	$ 153,280.65

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)
)
Marion COUNTY)

I, Cole Wesley, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Orange County Soil and Water Conservancy District, Orange County, Indiana, for the period from June 18, 2012 to February 28, 2022, is true and correct to the best of my knowledge and belief.

Cole Wesley
Field Examiner

Subscribed and sworn to before me this 19 day of October, 2022

Notary Public

My Commission Expires: 9-7-24

County of Residence: Hamilton

IAN HAUER
NOTARY PUBLIC
SEAL
HAMILTON COUNTY, STATE OF INDIANA
MY COMM. EXP. 9-7-2024
NO. 690504