

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

SPECIAL INVESTIGATION REPORT

OF

HENSLEY TOWNSHIP

JOHNSON COUNTY, INDIANA

January 1, 2008 to December 31, 2014



FILED
11/04/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Ronald Joe Sighting	01-01-08 to 12-31-14
	Beth Baird	01-01-15 to 12-31-18
Chairman of the Township Board	Daryl Marker	01-01-08 to 12-31-08
	Dennis Brownfield	01-01-09 to 12-31-09
	Gayle Wilkerson	01-01-10 to 12-31-10
	Daryl Marker	01-01-11 to 12-31-11
	Dennis Brownfield	01-01-12 to 12-31-12
	Gayle Wilkerson	01-01-13 to 12-31-13
	Daryl Marker	01-01-14 to 12-31-14
Dennis Brownfield	01-01-15 to 12-31-15	



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HENSLEY TOWNSHIP, JOHNSON COUNTY, INDIANA

We have conducted a special investigation of the records of Hensley Township for the period from January 1, 2008 to December 31, 2014. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents.

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

Any Official Response included herein has not been examined or verified for its accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 25, 2015

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

TOWNSHIP CHECKS DEPOSITED TO PERSONAL BUSINESS ACCOUNT

Ronald Joe Sighting, former Trustee, issued five checks in 2008 and 2009, totaling \$65,000, to "CES Inv." The checks were posted in the Township ledger and reported in the Annual Financial Reports as purchases of investments.

Upon further review, we determined that the checks were not issued to purchase investments. The checks were deposited into a bank account titled "Contractors Equipment Services Inc." Per bank records, the account holder was Ronald Joe Sighting, former Trustee. Per the Articles of Incorporation, filed with the Indiana Secretary of State's Office, "Contractor Equipment Services Inc.," was a company incorporated by Ronald Joe Sighting in 1989. The following schedule details these checks:

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>	<u>Date Deposited to Contractors Equipment Services Inc Bank Account</u>	<u>Date Cleared Township Bank Account</u>
1342	01-07-08	\$ 25,000	01-07-08	01-08-08
1350	03-03-08	20,000	03-03-08	03-04-08
1365	06-04-08	10,000	06-04-08	06-06-08
1379	09-22-08	5,000	09-23-08	09-24-08
1398	01-06-08 *	* 5,000	01-07-09	01-08-09
		<u>\$ 65,000</u>		

*This check was dated January 6, 2008, but was in the 2009 check series. It appears it was incorrectly dated.

There was no evidence or supporting documentation presented that Contractor Equipment Services, Inc., performed services or provided goods to Hensley Township or that Contractor Equipment Services, Inc., was due any money from the Township.

Ronald Joe Sighting, former Trustee, made two repayments, totaling \$6,410, into the Township bank account during 2012 and 2014. The following schedule details these repayments:

<u>Date Deposited</u>	<u>Amount Deposited</u>
02-07-12	\$ 5,000
12-30-14	<u>1,410</u>
Total	<u>\$ 6,410</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Ronald Joe Sighting, former Trustee, was requested to reimburse the Township \$65,000 for Township checks deposited in his personal business account. (See Summary of Charges, page 13)

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

The repayments made by Ronald Joe Sighting, former Trustee, in the amount of \$6,410, were credited to the charges for Township Checks Deposited to Personal Business Account. (See Summary of Charges, page 13)

ALTERED BANK STATEMENTS

Township bank statements were altered from 2008 to 2014 to conceal the misappropriated Township funds as described in the comment "Township Checks Deposited to Personal Business Account" above.

The Township used an independent consultant to prepare monthly bank reconcilements and to prepare the Annual Financial Reports for the Township during the years 2008 through 2014. A comparison of the bank statements provided to the independent consultant by Ronald Joe Sighting, former Trustee, to the bank statements obtained from the bank, revealed that each December and January bank statement provided to the independent consultant had been altered. Each December, a deposit/credit in the amount of the checks that were written to CES Inv (plus interest, less any repayments) was added to the bank statement. The ending current balances and daily balances were altered to reflect this deposit/credit. Each January, a check/debit in the same amount was added to the bank statement. The ending current balances and daily balances were altered to reflect this deposit/credit. These transactions were recorded by the independent consultant on the Annual Financial Reports as sales, purchases, and interest on investments.

In addition to the Annual Financial Reports, interest on investments was also recorded in the Township ledger each year. Further review indicated that Ronald Joe Sighting, former Trustee, provided handwritten notes to the independent consultant with an amount of interest earned each year on investments.

As a result of the independent consultant being provided falsified information by Ronald Joe Sighting, former Trustee, the monthly bank reconcilements and Annual Financial Reports prepared by the independent consultant were incorrect and included investment activity that did not occur.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FALSIFIED RECEIPTS SUBMITTED FOR REIMBURSEMENT

Ronald Joe Sighting, former Trustee, was reimbursed for office supplies purchased from a local hardware store. Handwritten receipts from the hardware store were submitted for reimbursement and included the following descriptions: various office supplies, printing, paper, computer ink, parts and labor to repair computer, stamps, and refill ink cartridges. Upon inquiry of management of the hardware store, we found that the store did not stock office supplies or stamps, repair computers, or refill ink cartridges.

We examined the canceled checks and discovered that for six of the ten checks issued, although the duplicate check copies indicated that the checks were written to the hardware store and the checks were recorded in the Township ledger as payments directly to the hardware store, the checks were actually written to and endorsed by Ronald Joe Sighting, former Trustee.

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

The following schedule details the checks issued to Ronald Joe Sighting, former Trustee, for reimbursements received based on falsified receipts submitted:

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
1521	01-05-11	\$ 50.85
1540	05-09-11	25.70
1543	05-16-11	37.56
1567	10-14-11	48.67
1624	08-20-12	90.00
1628	09-19-12	24.60
1651	02-08-13	54.50
1658	04-16-13	78.56
1682	09-06-13	30.30
1686	11-02-13	<u>30.55</u>
Total		<u>\$ 471.29</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Ronald Joe Sighting, former Trustee, was requested to reimburse the Township \$471.29 for reimbursements received based on falsified receipts submitted. (See Summary of Charges, page 13)

REIMBURSEMENTS PAID WITHOUT SUPPORTING DOCUMENTATION

The following schedule details reimbursements made to Ronald Joe Sighting, former Trustee, without supporting documentation:

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>	<u>Description in Ledger or on Cancelled Check</u>
1426	10-16-09	\$ 49.83	Mileage, Lunch State Examiner Meeting
1483	06-15-10	92.00	Reimbursement for Office Supplies
1486	07-01-10	145.00	1 week stay at Motel
1504	10-13-10	64.02	Mileage & Lunch for State Board of Accounts Meeting
1516	12-21-10	147.10	Reimbursement Stamps and Office Expenses
1568	10-14-11	48.72	Reimbursement Mileage State Board Accts Meeting
1570	10-25-11	40.00	*Investigation Case 231
1727	07-14-14	<u>31.20</u>	Travel/SBA
Total		<u>\$ 617.87</u>	

*The ledger and duplicate check copy indicate the check was issued to a former employee; the cancelled check indicates the check was written to Joe Sighting.

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

No evidence was provided to support the validity of these payments.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Ronald Joe Sighting, former Trustee, was requested to reimburse the Township \$617.87 for reimbursements paid without supporting documentation. (See Summary of Charges, page 13)

PAYMENT OF UNALLOWABLE TELEPHONE AND INTERNET EXPENSES

Payments were made directly from Township funds to a telecommunications company for telephone and internet services for the years 2008 through 2014.

The billings for the telephone and internet services were in the name of Ronald Joe Sighting, former Trustee, not the Township. During the investigation period, the Township Office was located in Ronald Joe Sighting, former Trustee's home. We were not presented information that would show the Township had a separate phone line or that the phone line was listed in the Township's name. However, 100 percent of the bill was paid for with Township funds.

The following schedule details the telephone and internet expenses paid with Township funds:

<u>Years</u>	<u>Telephone and Internet Expenses Paid</u>	<u>Telephone and Internet Expenses Allowed</u>	<u>Unallowable Telephone and Internet Expenses</u>
2008	\$ 337.85	\$ 168.93	\$ 168.92
2009	513.01	256.51	256.50
2010	480.03	240.02	240.01
2011	571.69	285.85	285.84
2012	500.27	250.14	250.13
2013	689.60	344.80	344.80
2014	<u>699.99</u>	<u>350.00</u>	<u>349.99</u>
Totals	<u>\$ 3,792.44</u>	<u>\$ 1,896.25</u>	<u>\$ 1,896.19</u>

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-6-8-3(a) states in part: "The annual appropriations to a township executive for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is possible, be equal to the actual cost of those items."

The following audit position should cover all situations for reimbursement of telephone expenses:

1. A separate township office exists and has a telephone(s) listing in the telephone directory in the name of the township, 100% of the proper monthly telephone service billing and long distance township business calls may be paid.
2. The township office is in the home with a separate phone line for township business and that phone line is listed separately in the directory. The 100% reimbursement is available for township long distance business calls and also for the monthly billing.
3. If the township office is in the home, and the telephone (only phone) is in the township name in the phone directory, the additional cost of that phone being listed as a township phone is reimbursable. Up to 50% of the base monthly service billing may also be reimbursed if approved by the township board in accordance with IC 36-6-8-3. Additionally, 100% of all documented long distance township business calls may be reimbursed.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The following audit position should cover all situations for reimbursement of computers and related Internet expenses:

The State Board of Accounts will not take audit exception to reasonable expenditures if:

1. A separate township office exists and the township has computers and Internet service in the name of the township. The expense for township computers and 100% of the proper monthly Internet service billing for township business may be paid if the township timely files the completed township annual report in an electronic format approved by the State Board of Accounts.
2. The only township office is in the home. Up to 100% of cost of a computer and up to 50% of the base monthly Internet service billing may be reimbursed for township business if approved by the township board in accordance with IC 36-6-8-3 and the township timely files the completed township annual report in an electronic format approved by the State Board of Accounts.

(Township Bulletin and Uniform Compliance Guidelines, November 2008)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Townships, Chapter 13)

Ronald Joe Sichting, former Trustee, was requested to reimburse the Township \$1,896.19 for payment of unallowable telephone and internet expenses. (See Summary of Charges, page 13)

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

PAYMENT OF UNREASONABLE FEES

The Township paid Non-Sufficient Funds Check and Notification Fees totaling \$595 in 2011, 2012, 2013, and 2014 because insufficient funds were maintained in the Township's bank account. The bank refunded \$257 of these fees to the Township, resulting in the Township paying \$338 in fees. The following schedule details the fees and refunds by year:

<u>Years</u>	<u>NSF and Notification Fees Paid</u>	<u>NSF and Notification Fees Refunded</u>	<u>Net NSF and Notification Fees Paid</u>
2011	\$ 215	\$ (31)	\$ 184
2012	64	-	64
2013	226	(226)	-
2014	<u>90</u>	<u>-</u>	<u>90</u>
Totals	<u>\$ 595</u>	<u>\$ (257)</u>	<u>\$ 338</u>

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Ronald Joe Sighting, former Trustee, was requested to reimburse the Township \$338 for payment of unreasonable fees. (See Summary of Charges, page 13)

CHECKS ISSUED TO BUT NOT ENDORSED BY THE FORMER TOWNSHIP ASSISTANCE INVESTIGATOR AND CLERK

Payments totaling \$5,050 were made to Stacy Parmer, former Township Assistance Investigator and Clerk, for the years 2008 through 2014 without supporting documentation. No records were maintained showing hours worked or investigations completed. Additionally, documentation was not presented that showed a level of compensation had been set for the Investigator or Clerk position.

A review of the cancelled checks, for the payments mentioned above, indicated that six of the nineteen cancelled checks included an endorsement for "Stacy Parmer" followed by the signature of "Joe Sighting," former Trustee. Ms. Parmer was questioned by the Indiana State Police and stated that she never received nor signed the checks detailed in the schedule below. The cancelled checks also contained bank account transaction information that matched the bank account in which cancelled checks issued in the name of "Joe Sighting" for payroll were deposited.

The following schedule details the checks issued to Stacy Parmer, former Township Assistance Investigator and Clerk, which were not endorsed by her and contained the endorsing signature of the former Trustee:

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
1488	07-08-10	\$ 200
1505	10-13-10	300
1518	12-27-10	550
1544	05-21-11	50
1637	12-11-12	150
1733	09-04-14	<u>150</u>
Total		<u>\$ 1,400</u>

Indiana Code 12-20-4-2 states:

"The township trustee of each township, in the trustee's official capacity as chief executive officer within the township, may do the following:

- (1) Employ supervisors, investigators, assistants, or other necessary employees in discharging the township trustee's duties concerning the provision of township assistance.
- (2) Fix the salaries or wages to be paid to the supervisors, investigators, assistants, and other necessary employees employed by the township trustee."

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 Townships, Chapter 17)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99 A and/or General Form No. 99B. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

The Employee's Service Record is kept for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form No. 99." It records the hours or days worked, sick leave, vacation and days lost. The Employee's Service Record may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Ronald Joe Sichtung, former Trustee, was requested to reimburse the Township \$1,400 for checks issued to the former Township Assistance Investigator and Clerk which were not endorsed by her and contained the signature of the former Trustee. (See Summary of Charges, page 13)

HENSLEY TOWNSHIP, JOHNSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional investigation costs in the special investigation of Hensley Township totaling \$11,951.35.

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 Townships, Chapter 13)

Ronald Joe Sighting, former Trustee, was requested to reimburse the State of Indiana \$11,951.35 for special investigation costs. (See Summary of Charges, page 13)

INTERNAL CONTROL DEFICIENCIES

The Trustee, who serves as the Township executive and the Township fiscal officer, was responsible for all aspects of Township financial activity. This included preparing checks, recording financial transactions in the Township ledger, and monitoring budget compliance. As a result, there was no oversight of Township financial activity on an ongoing basis by another individual. Due to this lack of segregation of duties, fraudulent payments and improper recordkeeping were able to occur and not be identified timely.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BOND COVERAGE

The Township obtained official bond coverage for Ronald Joe Sighting, former Trustee, as scheduled below:

Insurance Company	Policy Period	Amount of Coverage
Auto-Owners Insurance Company	01-01-08 to 01-01-09	\$ 15,000.00
Auto-Owners Insurance Company	01-01-09 to 01-01-10	60,000.00
Auto-Owners Insurance Company	01-01-10 to 01-01-11	60,000.00
Auto-Owners Insurance Company	01-01-11 to 01-01-12	60,000.00
Auto-Owners Insurance Company	01-01-12 to 01-01-13	60,000.00
Auto-Owners Insurance Company	01-01-13 to 01-01-14	60,000.00
Auto-Owners Insurance Company	01-01-14 to 01-01-15	60,000.00

HENSLEY TOWNSHIP, JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2015, with Beth Baird, Trustee; Dennis Brownfield, Chairman of the Township Board; Bill Meredith, Township Board member; and Mary Wilkerson, Township Board member.

Ronald Joe Sighting, former Trustee, declined the opportunity to discuss the contents of this report.

HENSLEY TOWNSHIP, JOHNSON COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ronald Joe Sighting, former Trustee:			
Township Checks Deposited to			
Personal Business Account, pages 4 and 5	\$ 65,000.00	\$ 6,410.00	\$ 58,590.00
Falsified Receipts Submitted for			
Reimbursement, pages 5 and 6	471.29	-	471.29
Reimbursements Paid Without Supporting			
Documentation, pages 6 and 7	617.87	-	617.87
Payment of Unallowable Telephone and			
Internet Expenses, pages 7 and 8	1,896.19	-	1,896.19
Payment of Unreasonable Fees, page 9	338.00	-	338.00
Checks Issued to But Not Endorsed by the former Township			
Assistance Investigator and Clerk, pages 9 and 10	1,400.00	-	1,400.00
Special Investigation Costs, page 11	<u>11,951.35</u>	<u>-</u>	<u>11,951.35</u>
Totals	<u>\$ 81,674.70</u>	<u>\$ 6,410.00</u>	<u>\$ 75,264.70</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)
)
JOHNSON COUNTY)

I, Tammy Baker, Special Investigator, being duly sworn on my oath, state that the foregoing report based on the official records as described in our letter to the officials of Hensley Township, Johnson County, Indiana, for the period from January 1, 2008 to December 31, 2014, is true and correct to the best of my knowledge and belief.

Tammy R. Baker
Special Investigator

Subscribed and sworn to before me this 4th day of November, 2015

Juanita M. Hendricksen
Notary Public

My Commission Expires: 10-19-23
County of Residence: Hendricks

