

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

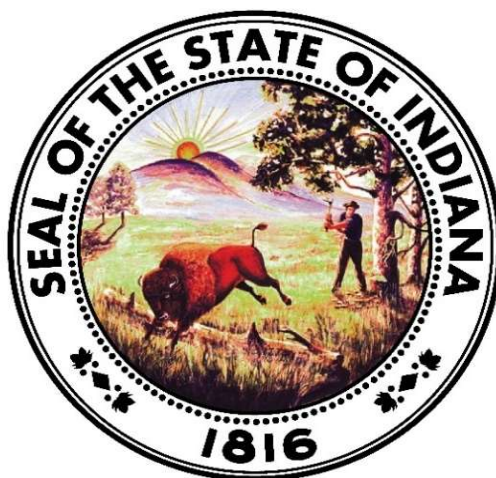
SPECIAL INVESTIGATION REPORT

OF

UNION TOWNSHIP

ADAMS COUNTY, INDIANA

January 1, 2015 to March 31, 2024



FILED
08/14/2024

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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF UNION TOWNSHIP, ADAMS COUNTY, INDIANA

This is a special investigation report for Union Township (Township), Adams County, for the period January 1, 2015 to March 31, 2024, and is in addition to any other report for the Township as required under Indiana Code 5-11-1. All reports pertaining to the Township may be found at www.in.gov/sboa/.

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 vendor invoices, contracts, ledgers, bank statements and cancelled checks, budgets, and Township Board minutes. 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

May 28, 2024

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS

BACKGROUND

Nathan Mihm (Mihm) was elected to serve as the Trustee for the Township beginning January 1, 2015. Mihm is currently serving his third 4-year term beginning January 1, 2023 through December 31, 2026.

As Trustee, Mihm is responsible for all the financial processes of the Township. The financial processes include accounting for cash, investments, receipts and disbursements, maintaining the Township ledgers, preparing financial statements, and ensuring the bank accounts were reconciled monthly. More specifically, Mihm's responsibilities include: ensuring receipts were issued for all collections and that collections were deposited timely into the Township bank account and ensuring checks written by Mihm are written and issued for only properly supported and documented disbursements for vendors or payroll. Mihm is responsible for signing checks, ensuring work is completed prior to issuing checks, and ensuring all transactions are properly posted to the ledgers and allocated to the correct funds and appropriations. Mihm is also responsible for assuring federal, state, and local laws and rules and regulations related to Township management are followed.

On November 1, 2023, the Indiana State Board of Accounts (SBOA) was notified by a Township resident that Mihm was issuing checks to Kiess Electric for mowing and other work which was not being performed by Kiess Electric. The SBOA examined the records and reviewed the accounting of the Township. The results of our investigation are described in the following comments.

**UNAUTHORIZED PAYMENTS, CONFLICT OF INTEREST,
AND FAILURE TO PROVIDE VERIFICATIONS**

Unauthorized Payments

On January 7, 2015, just seven days after Mihm initially took office, and on January 1, 2016, 2017, 2021, 2022, and 2023, Mihm and the Township Board contracted with Kiess Electric for custodial services for the Union Township Meeting and Recreation Hall (Community Center); cemetery care (mowing) for "Alpha Cemetery," also known as "Hickory Grove Cemetery," and Clarks Chapel Cemetery; lawn care for the grounds (mowing) at the Community Center; and snow removal at the Community Center.

On January 1, 2016, 2017, 2021, 2022, and 2023, Mihm and the Township Board signed separate contracts for management service with Kiess Electric for the Community Center.

On January 1, 2017, 2021, 2022, and 2023, Mihm and the Township Board signed separate contracts for mowing at Salem Cemetery.

Beginning with the January 1, 2021 contracts, the Alpha Cemetery contract was changed to state, "Alpha Cemetery also known as Bethel Church Cemetery."

In an interview with Mihm on April 2, 2024, Mihm stated no bids or quotes were taken for contractual services. Contracts were not provided by Mihm for the years 2018 through 2020. Furthermore, beginning with the first Kiess Electric invoice, management services were included even though there was not a contract.

In an interview with Sam Smitley (Smitley), owner of Kiess Electric, on February 27, 2024, Smitley stated Kiess Electric performed electrical work. During the interview and in subsequent follow-up email inquiries, Smitley stated that he did not have any employees and his company did not do the management service for the Community Center, custodial services, mowing, or snow removal.

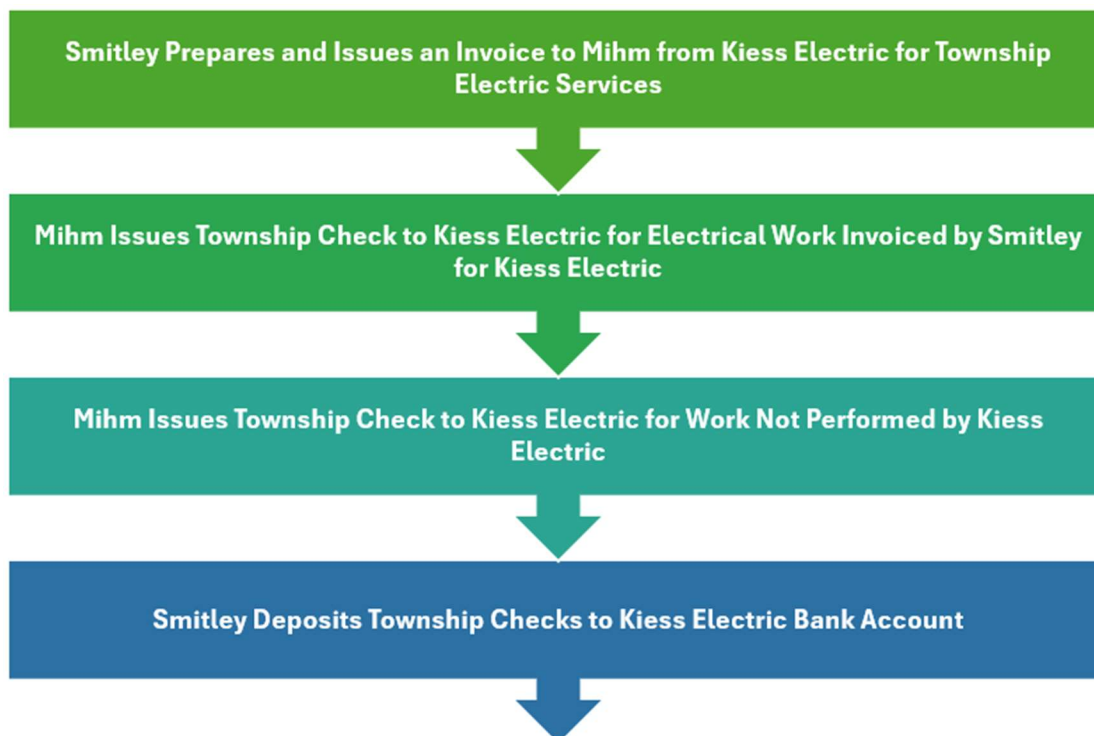
UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Smitley described the process regarding the contractual services between Kiess Electric and the Township as follows:

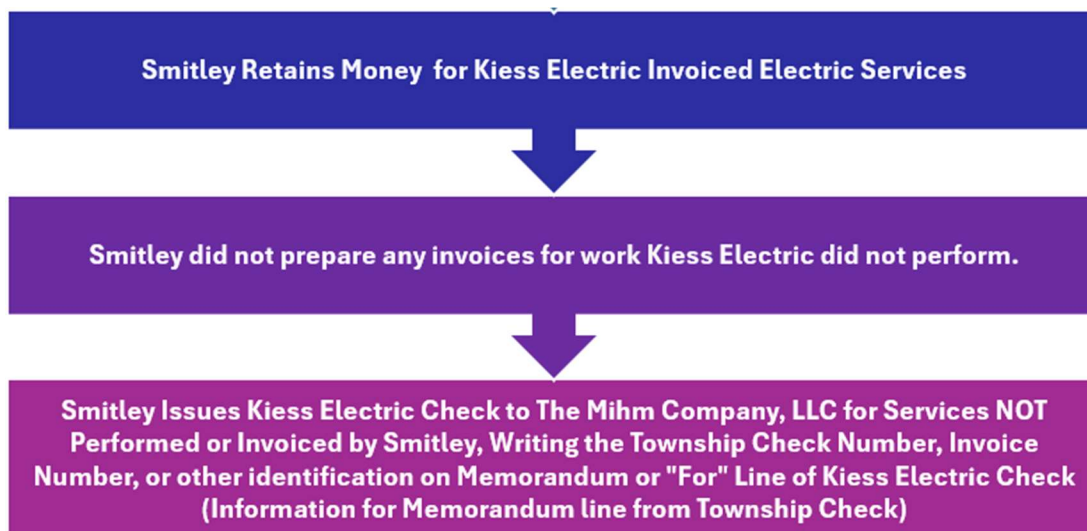
- Mihm would prepare the contracts for services that Kiess Electric was obligating to perform for the Township.
- Smitley was not present at the Township Board meetings when the contracts were signed by the Township Board and Mihm.
- Mihm would give Smitley the contracts to sign after the Township Board members and Mihm signed the contracts.
- Mihm did not provide copies of the contracts between the Township and Kiess Electric to Smitley after Smitley signed the contracts.
- Smitley did not know what services he was obligated to perform for the Township per the contracts he signed as Kiess Electric. Additionally, there were no contracts between the Township and Kiess Electric for electrical work.

Smitley stated that he, as owner and operator of Kiess Electric, "*subcontracted*" with The Mihm Company, LLC for "mowing, cleaning, and the rental management of the building." The Mihm Company, LLC is owned and operated by Mihm.

The following is the SBOA's understanding of the flow of the financial transactions as related to the contracting and subcontracting among the Township, Kiess Electric, and The Mihm Company, LLC as described via interviews, emails, and inspection of documents:



UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)



In interviews with Mihm on December 4, 2023, and January 30, 2024, Mihm stated Kiess Electric "subcontracted" to The Mihm Company, LLC the mowing; managing the Community Center; janitorial at the Community Center; cleaning services; and, for 2019 through 2022, maintaining the Township books and receiving the associated office rent.

During the period of this investigation, it did not appear that Mihm ever disclosed or described the true and complete nature of the relationship between Kiess Electric and The Mihm Company, LLC to the Township Board during the course of a public board meeting or in publicly filed documents. Further, it does not appear that Mihm ever disclosed the existence of The Mihm Company, LLC during the course of a public board meeting or in publicly filed documents. Mihm confirmed there was not a written contract between Kiess Electric and The Mihm Company, LLC. Mihm stated that he paid his stepmother to clean from 2015 through either 2019 or 2020, then he paid his girlfriend in 2020 to clean. Mihm confirmed that The Mihm Company, LLC did the work. Mihm stated, "that is how it is done cause the Township can't pay my company."

On February 27, 2015, the Township Board approved the Resolution for Nepotism in Contracting. Mihm circumvented the Township's Nepotism in Contracting policy by contracting with Kiess Electric for management services, custodial services, mowing, and snow removal for the sole purpose of having Kiess Electric then "subcontract" that work to The Mihm Company, LLC.

Review of Invoices with Smitley

Mihm provided 116 Kiess Electric invoices for the investigation period. On February 27, 2024, we presented Smitley all 116 of the Kiess Electric invoices provided by Mihm. One-by-one, we asked Smitley to identify the invoices he prepared and presented to Mihm for payment with Township funds and to identify the work performed by Kiess Electric. Smitley identified the invoices he prepared for Kiess Electric work performed by Kiess Electric and those invoices that were not prepared by Smitley and were not for work performed by Kiess Electric (all for non-electrical work).

Smitley stated that the invoices he prepared for electric services performed by Kiess Electric had Kiess Electric letterhead, an invoice number with a year/month/date number combination, and he would not put an "attention to" on his invoices. Smitley only identified 16 of the 116 invoices, totaling \$26,471.17, as prepared by him for Kiess Electric work.

[illegible]

Smitley stated the remaining 100 invoices, totaling \$240,941.82, were not prepared by him. Smitley stated the Kiess Electric letterhead was the same; however, the invoice numbers were incorrect, and they had an attention to (ATT:).

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

[illegible]

(The SBOA edited out the address and phone number on the document above. The SBOA wrote "No" to indicate Smitley stated he did not prepare the invoice.)

Furthermore, the SBOA noticed that the first invoice from 2015 that Smitley indicated was not prepared by him began with invoice number 100 and continued sequentially, except for:

- Invoice number 110 was duplicated for vendor invoices dated October 31, 2015, totaling \$575, and November 30, 2015, totaling \$1,075, and
- Invoice numbers 101, 111, 117, and 169 were missing or not used.

All 116 Kiess Electric invoices reviewed with Smitley were paid by Mihm from 2015 through 2023 with Township funds.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Year	Mihm Provided Invoices Paid to Kiess Electric	Amount Paid to Kiess Electric from Township Funds based upon Mihm Provided Invoices	Number of Invoices for Electric Work Validated as Performed by Kiess Electric	Amount Paid to Kiess Electric for Validated Work Invoiced and Performed by Kiess Electric	Number of Invoices for "Subcontracted" to The Mihm Company, LLC as Validated by Smitley NOT Prepared by Smitley	Amount Paid to Kiess Electric for "Subcontracted" to The Mihm Company, LLC
2015	13	\$ 17,835.51	1	\$ 3,000.51	12	\$ 14,835.00
2016	14	17,463.15	1	88.20	13	17,374.95
2017	16	24,124.25	4	8,778.20	12	15,346.05
2018	13	42,117.24	1	10,033.42	12	32,083.82
2019	15	29,003.16	4	2,123.16	11	26,880.00
2020	13	38,618.93	2	408.93	11	38,210.00
2021	11	35,643.75	1	118.75	10	35,525.00
2022	12	42,295.00	2	1,920.00	12	40,375.00
2023	<u>9</u>	<u>20,312.00</u>	<u>0</u>	<u>-</u>	<u>9</u>	<u>20,312.00</u>
Totals	116	<u>\$ 267,412.99</u>	16	<u>\$ 26,471.17</u>	100	<u>\$ 240,941.82</u>

Per the Township checks provided by the bank for the Township account, there were three additional checks issued to Kiess Electric; however, Mihm did not provide those three vendor invoices to the SBOA. In the interview with Smitley on February 27, 2024, Smitley confirmed that two of the additional payments totaling \$3,836.54 were for work performed by Kiess Electric for the Township. The additional two checks increased the total payments for work performed by Kiess Electric from \$26,471.17 to \$30,307.71. The third check issued to Kiess Electric was \$700. The description in the ledger for the third check indicated "propane." No invoice was provided. This third check increased the total payments for work "subcontracted" by Kiess Electric to The Mihm Company, LLC from \$240,941.82 to \$241,641.82.

The following schedule details the total payments by year paid to Kiess Electric and "subcontracted" to The Mihm Company, LLC:

Year	Township Checks Paid to Kiess Electric	Total Payments for Work Performed by Kiess Electric	Total Payments for Work "Subcontracted" to The Mihm Company, LLC
2015	\$ 17,835.51	\$ 3,000.51	\$ 14,835.00
2016	21,299.69	3,924.74	17,374.95
2017	24,824.25	8,778.20	16,046.05
2018	42,117.24	10,033.42	32,083.82
2019	29,003.16	2,123.16	26,880.00
2020	38,618.93	408.93	38,210.00
2021	35,643.75	118.75	35,525.00
2022	42,295.00	1,920.00	40,375.00
2023	<u>20,312.00</u>	<u>-</u>	<u>20,312.00</u>
Totals	<u>\$ 271,949.53</u>	<u>\$ 30,307.71</u>	<u>\$ 241,641.82</u>

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

On March 8, 2024, Smitley provided the SBOA copies of checks returned (commonly referred to as cancelled checks) from Kiess Electric's bank for the period from January 1, 2018 through October 6, 2023, which were payable to The Mihm Company, LLC. We validated the cancelled checks Smitley provided from the Kiess Electric bank account paid to, and endorsed by, The Mihm Company, LLC for non-electrical services were in the same amounts as the checks issued by Mihm from the Township funds, except for the following:

Year	Township Check Number	Township Check Amount	Kiess Electric Check Number	Kiess Electric Check Amount	Township Check Excess (Less) Than Kiess Electric	Kiess Electric Check Memo Notation
2019	1070	\$ 2,835	9039	\$ 3,135	\$ (300)	156 + Stone
2020	1130	1,330	9138	1,620	(290)	208, 209 & Ck #1130
2021	1297	<u>3,220</u>	9392	<u>3,320</u>	<u>(100)</u>	#181
Totals		<u>\$ 7,385</u>		<u>\$ 8,075</u>	<u>\$ (690)</u>	

Per an email follow-up to Smitley on May 28, 2024, we inquired with Smitley on the check amounts that were paid in excess to The Mihm Company, LLC. Smitley was unclear as to why he would have paid more except for Kiess Electric check number 9039. Smitley stated check number 9039 remitted by Kiess Electric included a payment of \$300 for stone he purchased from The Mihm Company, LLC for the Kiess Electric shop driveway.

Mihm did not disclose at the annual meetings of the Township Board that he, via the payments to The Mihm Company, LLC, was receiving Township money back from Kiess Electric, which was in direct relation to the contract Kiess Electric had with the Township, as required by Indiana Code 36-6-4-12.

The SBOA located one completed Township Certification Form for the year 2023 within the records provided for the investigation.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

CERTIFICATION

State of Indiana

SS:

Adams County

I, Nathan Mihm, Trustee of UNION TOWNSHIP, Adams County, Indiana, do solemnly affirm under the penalty of perjury that the preceding report contains the information required by Indiana code 36-6-4-13, and is, true and correct; that the amounts with which I am charged in this report are all of the amounts received by me; and that the various items of expenditures credited have been fully paid in the amounts stated; that such payments were made without express or implied agreement that any portion thereof shall be retained by or repaid to me or to any other person. A complete abstract that contains the statements required under Indiana Code 36-6-4-13(a)(5) and (a)(6) is available for inspection in the county auditor's office.

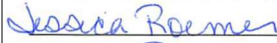
I further affirm that a complete and detailed annual report, together with all accompanying vouchers showing the names of persons having been paid money by the township, have been filed as required by law in the office of the County Auditor, and that copies of such annual report are in custody of the Township Board and the State Board of Accounts. Said report is subject to inspection by any taxpayer of the township.

 (sign)
UNION TOWNSHIP Trustee

Telephone: 260-724-4054

Date this report was to be published: _____

Subscribed and sworn (or affirmed) to before me, the Chairman of the Township Board of UNION TOWNSHIP at its annual meeting, this 13 day of January, 2024.

 (sign)
Jessica Roemer Township Board Chairman

OPTION 1

This report was received, accepted, and approved by the Township Board at its annual meeting, this 13 day of January, 2024.

Township Board:

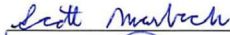
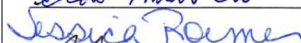
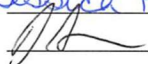
(sign)

(sign)

(sign)

OPTION 2

This report was received, accepted, and approved except for the following part(s) _____ by the following Township Board Member(s) at its annual meeting, this 13 day of JANUARY, 2024.

 (sign)
 (sign)
 (sign)

Only include option 1 or option 2 above in your advertising, not both.
Use option 1 where the Township Board approves the annual report.
Use option 2 where a member or all members of the Township Board disapprove(s)
part or all of the annual report.

On July 16, 2024, specific requests were made by the SBOA to both Mihm and his legal counsel for statutorily required verifications, for the years ending December 31, 2015 through, and including, December 31, 2023. However, to date, no verifications have been provided, except for the aforementioned certification provided for the year ending December 31, 2023, which was located by the SBOA during the course of the investigation. The Adams County Auditor confirmed to the SBOA that he does not have any of the required verifications from Mihm.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Conflict of Interest and Failure to Provide Required Verifications

Mihm and/or The Mihm Company, LLC did not have any written contracts with the Township or Kiess Electric. Mihm did not provide any written disclosures, as required, to the Township Board, the SBOA, or the Clerk of the Circuit Court of Adams County, as required by state statutes.

Indiana Code 36-6-4-12 states in part:

"(a) At the annual meeting of the township legislative body under [IC 36-6-6-9](#) the executive shall present a complete report of all receipts and expenditures of the preceding calendar year, including the balance to the credit of each fund controlled by the executive. If the executive controls any money that is not included in a particular fund, then the executive shall state all the facts concerning that money in the report.

(b) Each item of expenditure must be accompanied by the verified voucher of the person to whom the sum was paid, stating:

- (1) why the payment was made;
- (2) that the receipt is for the exact sum received;
- (3) that no part of the sum has been retained by the executive; and
- (4) that no part of the sum has been or is to be returned to the executive or any other person.

The executive may administer oaths to persons giving these receipts.

(c) The executive shall swear or affirm that:

- (1) the report shows all sums received by the executive;
- (2) the expenditures credited have been fully paid in the sums stated, without express or implied agreement that any part of the sums is to be retained by or returned to the executive or any other person; and
- (3) the executive has received no money or other property in consideration of any contract entered into on behalf of the township. . . ."

Indiana Code 36-1-21-5 states:

"(a) A unit may enter into a contract or renew a contract for the procurement of goods and services or a contract for public works with:

- (1) an individual who is a relative of an elected official; or
- (2) a business entity that is wholly or partially owned by a relative of an elected official;

only if the requirements of this section are satisfied and the elected official does not violate [IC 35-44.1-1-4](#).

(b) A unit may enter into a contract or renew a contract with an individual or business entity described in subsection (a) if:

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

- (1) the elected official files with the unit a full disclosure, which must:
 - (A) be in writing;
 - (B) describe the contract or purchase to be made by the unit;
 - (C) describe the relationship that the elected official has to the individual or business entity that contracts or purchases;
 - (D) be affirmed under penalty of perjury;
 - (E) be submitted to the legislative body of the unit and be accepted by the legislative body in a public meeting of the unit prior to final action on the contract or purchase; and
 - (F) be filed, not later than fifteen (15) days after final action on the contract or purchase, with:
 - (i) the state board of accounts; and
 - (ii) the clerk of the circuit court in the county where the unit takes final action on the contract or purchase;
 - (2) the appropriate agency of the unit:
 - (A) makes a certified statement that the contract amount or purchase price was the lowest amount or price bid or offered; or
 - (B) makes a certified statement of the reasons why the vendor or contractor was selected; and
 - (3) the unit satisfies any other requirements under [IC 5-22](#) or [IC 36-1-12](#).
- (c) An elected official shall also comply with the disclosure provisions of [IC 35-44.1-1-4](#), if applicable.
- (d) This section does not affect the initial term of a contract in existence at the time the term of office of the elected official of the unit begins."
- Indiana Code 35-44.1-1-4 states in part:
- "(a) The following definitions apply throughout this section:
- (1) 'Dependent' means any of the following:
 - (A) The spouse of a public servant. . . .
 - (2) 'Governmental entity served by the public servant' means the immediate governmental entity being served by a public servant.
 - (3) 'Pecuniary interest' means an interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of:

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

(A) the public servant; or

(B) a dependent of the public servant who:

(i) is under the direct or indirect administrative control of the public servant; or

(ii) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant.

(b) A public servant who knowingly or intentionally:

(1) has a pecuniary interest in; or

(2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony. . . ."

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

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We request Mihm to reimburse the Township for unauthorized payments which were not disclosed or verified in accordance with state statutes in the amount of \$241,641.82. (See Summary of Charges, page 33)

NON-TOWNSHIP BUSINESS PAYMENT

On December 5, 2021, Mihm issued a Township check to "Sheffield" for \$10,000. The transaction was recorded as "equipment" in the Township ledger.

A copy of the cancelled check that was paid from the Township bank account indicated "Mower" on the memorandum or "FOR" line.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

**UNION TOWNSHIP
ADAMS COUNTY, INDIANA**

1322
71-7314/2148

DATE 12-5-21

PAY TO THE ORDER OF Sheffield \$ 10,000.00

Ten thousand & 00/100 DOLLARS

FOR Mower

[Redacted Township Account Number]

⑆36923144⑆ 001322⑆

⑆04000024336⑆

⑆0531041214⑆ ⑆21086259001000000162⑆

CREDIT ACCT OF NAMED PAYEE xxxxxxxx5225 0

ENDORSEMENT GUARANTEED BY TRUIST CHARLOTTE NC

AT [Redacted]

ENDORSE HERE

☐ CHECK HERE IF MOBILE OR REMOTE DEPOSIT

(The SBOA edited out the Township account number on the document above)

The SBOA did an internet search for "Sheffield." Sheffield Financial is "A trusted leader in providing simple, easy, and fast financing for powersports, marine, outdoor power equipment, and trailers. Founded over 30 years ago, we have financed equipment for millions of customers with clear competitive rates." Payments to Sheffield Financial are to be mailed to Charlotte, North Carolina.

Mihm had not provided the vendor invoice to support the \$10,000 payment of Township funds to Sheffield Financial. On April 2, 2024, Mihm stated that he was unable to find the vendor invoice that the SBOA had requested for the check issued to Sheffield Finance.

The SBOA issued a subpoena to Sheffield Financial for the documents and invoices paid to them by Mihm, The Mihm Company, LLC, and/or the Township. The results of the subpoena showed that on October 11, 2021, Mihm took out a loan totaling \$18,888.69 for the following:

- Two Wright Stander Mowers,
- Two Wright catcher, accelerator,
- Two Wright accessory trimmer holder, and
- Six mower blades

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Below is the image of Mihm's business account statement for account number ending in **62590** as provided by Sheffield Financial in response to the subpoena. This statement shows a \$10,000 payment posted to the loan balance on December 10, 2021, just five days after the Township check date. The check was endorsed, "CREDIT ACCT OF NAMED PAYEE XXXXXXXXXX5225 0 . . . **6259001** . . ."

NATHAN MIHM
3944 E 1000 N
DECATUR IN 46733

Account Statement

6259 0 Page 1 of 1

10/11/2021 to 03/31/2022

Date	Time	Teller	Transaction Code	Cash / Check / Journal	Description	Transaction Amount	Principal	Interest	Late Charge	Fees	Other Fees	Partial Payment	Refund	Balance
10/11/2021	15:05:38	9988 - AUTO FUND	600	Jnl	OPEN NEW LOAN	18,888.09	18,888.09							18,888.09
12/10/2021	20:15:27	9988	600	Jnl	LOCKBOX MAIL PMT	-10,000.00	-10,000.00					935.64		8,888.09
03/01/2022	13:15:19	9988	600	Jnl	LOCKBOX MAIL PMT	-231.39	-231.39							8,657.30
03/29/2022	13:15:39	9988	600	Jnl	LOCKBOX MAIL PMT	-5,000.00	-5,000.00					277.82		3,657.30
03/01/2022	13:15:37	9988	590	Jnl	LOAN PAYOFF # 86259	-3,657.30	-3,657.30							0.00
Total Number of Items Original Balance LIP Balance Date Last Approved 5 18,888.09 03/29/2022														

(Redacted account number)

In an interview with Mihm on April 2, 2024, the SBOA specifically asked if the Township owned any mowers or other related lawn equipment, such as weed whackers. Mihm stated that the Township does not own any equipment. Furthermore, during the interview, the SBOA confirmed with Mihm that the capital assets reported on the Indiana Gateway for Government Units financial reporting system for the Township was accurate and complete. The capital assets reported as of December 31, 2021, 2022, and 2023, included:

Capital Assets	December 31, 2021	December 31, 2022	December 31, 2023
Land	\$ 10,000	\$ 10,000	\$ 10,000
Buildings	220,000	220,000	220,000
Improvements Other than Buildings	-	6,000	6,000
Machinery and Equipment	-	-	-
Books and Other	1,000	1,000	1,000
Totals	<u>\$ 231,000</u>	<u>\$ 237,000</u>	<u>\$ 237,000</u>

(Per the interview with Mihm on April 2, 2024, Mihm stated the \$6,000 in Improvements Other than Buildings was the remodeling work on the Community Center.)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We request Mihm to reimburse the Township for the non-township business payment in the amount of \$10,000. (See Summary of Charges, page 33)

COMPENSATION PAID TO SPOUSE

Brittney Mihm - Assistant Pay

In 2023, Mihm began paying Brittney Mihm \$450 per month, or \$5,400 per year, for an assistant position. There was not an assistant position addressed in the salary resolution or in the Township budget for 2023.

As Brittney Mihm was the wife of Nathan Mihm, she was not eligible for compensation in excess of \$5,000 per year without running afoul of the nepotism statute.

Indiana Code 36-1-20.2-15 states:

"If the township trustee's office is located in the township trustee's personal residence, unless the policy adopted under section 9 of this chapter provides otherwise the township trustee may hire only one (1) employee who is a relative. The employee:

- (1) may be hired to work only in the township trustee's office;
- (2) may be in the township trustee's direct line of supervision; and
- (3) may not receive total salary, benefits, and compensation that exceed five thousand dollars (\$5,000) per year."

Indiana Code 36-6-6-10(c) states:

"The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected township officer is not required to report hours worked and may not be compensated based on the number of hours worked."

The Township Advisory Board needs to determine in writing what is considered a reasonable amount of rent expense. We want to emphasize that only the trustee can receive rent. Other employees, including employees that live in the same residence when the Township office is located in the Trustee's home, would not be allowed to receive reimbursements for renting an office. (Township Bulletin and Uniform Compliance Guidelines, March 2019)

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We request Brittney and Nathan Mihm, jointly and severally, to reimburse the Township for the overpayment of employee compensation in the amount of \$400. (See Summary of Charges, page 33)

TRUSTEE COMPENSATION OVERPAYMENT

There were no salary resolutions for 2015 through 2017, as commented in the SBOA Report B52609, entitled *COMPENSATION*. There was no salary resolution for 2018. We used the Township budgets (found on the Indiana Gateway for Government Units financial reporting system) to determine Mihm's salary (personal services) and rent since there were no salary resolutions for the years 2015 through 2018.

We attempted to determine if Mihm's paid salary and rent did not exceed the amounts budgeted for the years 2015 through 2018; however, Mihm commingled the payment of his salary, rent, and reimbursements on one check without designating the amount of the total monthly payment that was salary, rent, and reimbursement of miscellaneous expenses. Mihm did, however, record amounts for salary and rent separately in the ledger, which enabled us to compare the amounts recorded in the ledger as salary and rent to amounts reported to the Internal Revenue Service (IRS) via Federal Form 1099-Misc, Miscellaneous Information (Federal Form 1099-Misc).

Year	Township Budget		Payments Posted to Township Ledger for Mihm		Amount Reported on Federal Form 1099-Misc	
	Salary	Rent	Salary	Rent	Salary	Rent
2015	\$ 6,032.00	\$ -	\$ 7,049.24	\$ 625.00	\$ 6,032.00	\$ 1,500.00
2016	9,113.00	1,500.00	7,778.70	-	6,712.92	1,800.00
2017	9,113.00	1,500.00	6,712.92	1,800.00	6,712.92	1,800.00
2018	7,200.00	1,800.00	8,400.00	1,800.00	8,400.00	1,800.00

In 2018, Mihm received his Trustee salary of \$7,200 per year and an additional \$1,200 or \$300 per month for the months of September through December 2018.

The assistant position was held by Whitney Mihm, Mihm's wife. Mihm's last payment to Whitney Mihm for assistant pay was made on September 1, 2018, for August 2018. The Township budgeted \$3,600 for an assistant position for 2018.

We determined that in 2018, Mihm overpaid himself by \$1,200 due to paying himself the assistant pay in addition to the Trustee's salary based upon the ledger, the budgeted salary for the Trustee position, and the compensation reported to the IRS via Federal Form 1099-Misc.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

From January to September 2018, Mihm consistently recorded \$750 per month for Mihm's salary (\$600 per month) and rent (\$150 per month), as well as recording Whitney Mihm's salary (\$300 per month), except for February 28 and March 31 when the description in ledger indicated reimbursements being paid as well. On October 1, 2018, November 1, 2018, and December 3, 2018, the amounts Mihm paid himself for monthly salary and monthly rent became \$1,050, \$1,050, and \$2,100, respectively, when he began paying himself the assistant position salary he had been paying to Whitney Mihm. These amounts were in addition to his monthly trustee salary of \$600 and rent of \$150. Mihm noted in the ledger that the December 3, 2018 payment included November and December pay and rent.

Indiana Code 36-6-4-17(b) states:

"An executive is entitled to receive the following:

- (1) The executive's salary.
- (2) Reimbursement for expenses that are reasonably incurred by the executive for the following:
 - (A) The operation of the executive's office.
 - (B) Travel and meals while attending seminars or conferences on township matters.
 - (C) A sum for mileage as permitted under [IC 36-6-8-3\(b\)](#).

The executive may not make any other personal use of township funds without prior approval by the legislative body of the township."

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We request Mihm reimburse the Township for overpayment of Trustee compensation in the amount of \$1,200. (See Summary of Charges, page 33)

TRUSTEE REIMBURSEMENTS

The SBOA examined all reimbursements made to Mihm and found the following issues related to the reimbursements:

- Disbursements claimed for reimbursement were undocumented and/or did not have supporting documentation;
- Reimbursement amounts exceed the total of the invoices provided to support the reimbursement; and
- Disbursements claimed for reimbursement were duplicated.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Undocumented Reimbursements

On March 26, 2024, we requested additional vendor invoices, including reimbursements Mihm made to himself. No vendor invoices were provided for the following reimbursements Mihm made to himself:

Check Date	Reimbursement Amount	Information from Ledger
05-31-16	\$ 249.97	Changing Table/signs
09-29-16	12.77	\$12.77 Envelopes
08-31-17	25.00	Cleaning Supplies
03-31-18	95.50	Stamps
12-01-20	118.87	Cleaning Supplies
01-01-23	108.00	Checks
Total Undocumented Reimbursements:	<u>\$ 610.11</u>	

Reimbursements in Excess of Supporting Documentation

Mihm made seven reimbursements to himself in excess of amounts supported by vendor invoices as follows:

Check Date	Reimbursement Amount	Total Vendor Invoices Provided	Total Reimbursements in Excess of Supporting Documentation	Information from Ledger
01-31-17	\$ 113.37	\$ 98.00	\$ 15.37	Stamps, pens, tape reimbursement
02-28-17	807.52	629.81	177.71	Reimbursement Computers, Camera, Mirrors, Switch Software
05-31-20	235.40	14.21	221.19	\$235.40 Hall signs
11-01-20	835.19	169.99	665.20	\$835.19 Cleaning supplies
05-31-21	2,396.24	299.36	2,096.88	\$2,396.24 T.P., Office Supply
10-02-21	458.13	60.73	397.40	\$458.13 clean/office
12-16-22	<u>1,645.73</u>	<u>854.39</u>	<u>791.34</u>	Hall Supplies
Totals	<u>\$ 6,491.58</u>	<u>\$ 2,126.49</u>	<u>\$ 4,365.09</u>	

Duplicate Reimbursement

On July 13, 2019, Mihm received a reimbursement for cleaning supplies totaling \$99.98. Subsequently, on September 30, 2019, Mihm received a check totaling \$714.96. This check included \$600 for his Trustee pay for September and \$114.96 for cleaning supplies. The two vendor invoices provided to support the reimbursement for cleaning supplies included the \$99.98 vendor invoice from the July 13, 2019 reimbursement.

Summary - Trustee Reimbursements

The following is a summary of Trustee reimbursements:

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

	2016	2017	2018	2019	2020	2021	2022	2023	Totals
Undocumented Reimbursements	\$ 262.74	\$ 25.00	\$ 95.50	\$ -	\$ 118.87	\$ -	\$ -	\$ 108.00	\$ 610.11
Reimbursements in Excess of Supporting Documentation	-	193.08	-	-	886.39	2,494.28	791.34	-	4,365.09
Duplicate Reimbursement	-	-	-	99.98	-	-	-	-	99.98
Totals	<u>\$ 262.74</u>	<u>\$ 218.08</u>	<u>\$ 95.50</u>	<u>\$ 99.98</u>	<u>\$ 1,005.26</u>	<u>\$ 2,494.28</u>	<u>\$ 791.34</u>	<u>\$ 108.00</u>	<u>\$ 5,075.18</u>

Indiana Code 36-6-4-17(b) states:

"An executive is entitled to receive the following:

- (1) The executive's salary.
- (2) Reimbursement for expenses that are reasonably incurred by the executive for the following:
 - (A) The operation of the executive's office.
 - (B) Travel and meals while attending seminars or conferences on township matters.
 - (C) A sum for mileage as permitted under [IC 36-6-8-3\(b\)](#).

The executive may not make any other personal use of township funds without prior approval by the legislative body of the township."

Indiana Code 36-6-4-12(b) states in part:

"Each item of expenditure must be accompanied by the verified voucher of the person to whom the sum was paid, stating:

- (1) why the payment was made;
- (2) that the receipt is for the exact sum received;
- (3) that no part of the sum has been retained by the executive; and
- (4) that no part of the sum has been or is to be returned to the executive or any other person. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We request Mihm reimburse the Township for Trustee reimbursements in the amount of \$5,075.18. (See Summary of Charges, page 33)

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs in the amount of \$36,642.07 due to the special investigation of the Township.

This investigation involved the following:

- Interviewing Mihm multiple times, Township Board members, and the owner of Kiess Electric;
- Examining 116 vendor invoices for Kiess Electric to determine legitimacy;
- Reviewing Township cancelled checks for payments to Kiess Electric;
- Reviewing Kiess Electric cancelled checks for payments to The Mihm Company, LLC;
- Reviewing vendor invoices associated with additional payments to Mihm;
- Follow-up on unsupported disbursements;
- Reviewing Township Board minutes;
- Reviewing budgets and comparing to actual disbursements;
- Reviewing subpoenaed documents; and
- Reviewing payroll disbursements.

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; and . . ."

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.

Any audit costs paid without the prior approval of the SBOA when the SBOA has the statutory requirement to perform the audit of the unit may be considered a duplication of service and an unnecessary expense. These payments may be the personal obligation of the responsible official or employee.

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

We request Mihm to reimburse the State of Indiana for special investigation costs in the amount of \$36,642.07. (See Summary of Charges, page 33)

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND COVERAGE

The Trustee obtained the following official bonds:

<u>Term</u>	<u>Bond Amounts</u>
01-01-15 to 12-31-15	\$ 30,000
01-01-16 to 12-31-16	30,000
01-01-17 to 12-31-17	30,000
01-01-18 to 12-31-18	30,000
01-01-19 to 12-31-19	30,000
01-01-20 to 12-31-20	30,000
01-01-21 to 12-31-21	30,000
01-01-22 to 12-31-22	30,000
01-01-23 to 12-31-23	30,000

NEPOTISM POLICIES

Nepotism in Employment Policy

The Indiana General Assembly adopted HEA 1005 in the 2012 Regular Session, which added Indiana Code 36-1-20.2 to the Indiana Code regarding Nepotism.

Based upon a review of available Township Board minutes and the uploaded documents including the "Contracting and Nepotism Policies" per the Indiana Gateway for Government Units (Gateway) financial reporting system, the Township Board did not adopt a policy for Nepotism in Employment.

However, Mihm annually reported on Gateway that the Township had a Nepotism in Employment Policy for the years 2015 through 2023.

Nepotism in Employment Certifications

Mihm did not provide written certifications that each elected officer (Mihm and Township Board members) had not violated Indiana Code 36-1-20.2-16 (Nepotism in Employment) for years 2015 through 2022. Whitney Mihm, who was the wife of Mihm until September 14, 2018, was paid as the assistant for the Township from 2015 through August 30, 2018, requiring a written certification be made by Mihm.

In 2023, Mihm and one Township Board member certified that they had not violated the Nepotism in Employment Policy on December 6, 2023, and December 12, 2023, respectively. The certification was made; however, the Township did not adopt a Nepotism in Employment policy.

Nepotism in Contracting Policy

The Indiana General Assembly adopted HEA 1005 in the 2012 Regular Session, which added Indiana Code 36-1-21 to the Indiana Code regarding Contracting with a Unit.

The Township did not adopt the Nepotism in Contracting policy until February 27, 2015.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Nepotism in Contracting Certifications

Mihm did not provide written certifications that each elected officer (Mihm and Township Board members) had not violated Indiana Code 36-1-21-6 (Contracting with a Unit) for the years 2015 through 2023, which may have been accurate.

Indiana Code 36-1-20.2-9 states:

"(a) This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

The unit may prohibit the employment of a relative that is not otherwise prohibited by this chapter.

(b) The annual report filed by a unit with the state board of accounts under [IC 5-11-13-1](#) must include a statement by the executive of the unit stating whether the unit has implemented a policy under this chapter."

Indiana Code 36-1-20.2-15 states:

"If the township trustee's office is located in the township trustee's personal residence, unless the policy adopted under section 9 of this chapter provides otherwise the township trustee may hire only one (1) employee who is a relative. The employee:

- (1) may be hired to work only in the township trustee's office;
- (2) may be in the township trustee's direct line of supervision; and
- (3) may not receive total salary, benefits, and compensation that exceed five thousand dollars (\$5,000) per year."

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

Indiana Code 5-11-13-1.1 states:

"(a) This section applies to a unit (as defined in [IC 36-1-2-23](#)).

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

(b) A report under section 1 of this chapter that is submitted after December 31, 2012, must include a statement by the executive (as defined in IC 36-1-2-5) of the unit regarding whether the unit has implemented a policy under IC 36-1-20.2 and IC 36-1-21. If a unit does not implement a policy under IC 36-1-20.2 and IC 36-1-21, the department of local government finance may not approve the unit's budget or any additional appropriations for the unit for the ensuing calendar year."

RAINY DAY FUND

Establishment of the Rainy Day Fund

Funds, such as the Township Fund, Township Assistance Fund (also referred to as Poor Relief), and Rainy Day Fund, have specific purposes and uses addressed in the Indiana Code. Furthermore, each of the funds are appropriated by the Township Board. Tax rates paid by taxpayers are established based upon the needs of each of those funds as budgeted, with the exception of the Rainy Day Fund. The disbursements of the Rainy Day Fund are expected to comply with the purpose of the Rainy Day Fund, as stated in the resolution establishing the fund, and in compliance with the budget or appropriations approved by the Township Board.

As addressed by Indiana Code 36-1-8-5.1, Rainy Day funds are restricted to the purpose addressed by the ordinance or resolution adopted by the Township Board and subject to appropriation.

Financial Activity of the Rainy Day Fund

The first activity of the Rainy Day Fund occurred on July 22, 2015, when Mihm transferred \$18,943 from the Township Assistance Fund to the Rainy Day Fund. Subsequently, Mihm transferred an additional \$26,200 from the Township Assistance Fund to the Rainy Day Fund. Per Indiana Code 12-20-16-2, 12-20-21-2, and 12-20-21-3, Township Assistance funds may not be commingled with other funds and do not revert to any other fund.

The financial activity of the Rainy Day Fund for the investigation period was as follows:

Date	Name	Description of Receipt/Disbursement	Received	Disbursed	Beginning Balance
01-01-15			\$ -	\$ -	\$ -
07-22-15	Transfer	Transfer from Poor Relief to Rainy Day	18,943.00	-	18,943.00
05-18-16	Adams Co LOIT Special Deposit		3,238.72	-	22,181.72
05-29-16	Transfer	Transfer To Rainy Day Fund from Poor Relief	16,200.00	-	38,381.72
02-01-17	Kiess Electric	Lights for Hall	-	5,596.74	32,784.98
02-13-17	Coblentz Construction	Ceiling for Hall	-	10,800.00	21,984.98
02-19-17	Kiess Electric	Lights - 2017021702	-	2,050.66	19,934.32
03-01-17	Kiess Electric	Propane Tank	-	700.00	19,234.32
06-10-17	Transfer	Transfer from Poor Relief to Rainy Day	10,000.00	-	29,234.32
12-20-17	Kiess Electric	Invoice 201712245	-	290.60	28,943.72
05-31-18	Kiess Electric	Invoice 143	-	6,800.00	22,143.72
06-27-18	Kiess Electric	Invoice 144	-	1,279.72	20,864.00
08-20-18	Don Christianer	Invoice 265652 Hall Kitchen	-	5,372.00	15,492.00
12-03-18	Kiess Electric	Invoice 149, 150	-	2,668.58	12,823.42
12-03-18	Hartman Brothers	New AC/Heat Hall	-	6,990.00	5,833.42
12-10-18	Kiess Electric	Invoice 2018121002	-	5,833.42	-
TOTALS			\$ 48,381.72	\$ 48,381.72	\$ -

UNION TOWNSHIP, ADAMS COUNTY
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(Continued)

The Township paid Kiess Electric \$25,219.72 from the Rainy Day Fund, which is more than 50 percent of what was paid out of the Rainy Day Fund. Out of the \$25,219.72, *\$11,448.30 was returned to Mihm via The Mihm Company, LLC and \$13,771.42 was paid to Kiess Electric for electric services.*

As addressed in Indiana Code 12-20, Township assistance funds are to be used by the Trustee to care for all poor individuals of the Township by providing basic necessities to these individuals. Further, Indiana Code 12-20 allows for Township assistance money to be used to pay "necessary office and clerical or other help to properly administer township assistance." None of the invoices paid from the Rainy Day Fund involved caring for the poor.

In 2015, 2016, and 2017, the following documents the disbursements from the Township Assistance Fund:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Totals</u>
Personal Services:				
Clerical	\$ 465.00	\$ 571.26	\$ 646.52	\$ 1,682.78
Supplies:				
USPS	-	47.00	-	47.00
Other Services and Charges:				
Net Results (Computer Software)	44.85	30.60	31.50	106.95
Business Informatics	61.12	-	-	61.12
Print Shop	63.78	-	-	63.78
Ideal Office Source	-	-	12.74	12.74
Assistance to Township Residents (Care of the Poor)	<u>1,130.54</u>	<u>-</u>	<u>811.00</u>	<u>1,941.54</u>
Subtotal - Township Assistance Disbursements:	<u>1,765.29</u>	<u>648.86</u>	<u>1,501.76</u>	<u>3,915.91</u>
<i>Transfers to Rainy Day Fund</i>	<u>18,943.00</u>	<u>16,200.00</u>	<u>10,000.00</u>	<u>45,143.00</u>
Totals - Township Assistance Disbursements	<u>\$ 20,708.29</u>	<u>\$ 16,848.86</u>	<u>\$ 11,501.76</u>	<u>\$ 49,058.91</u>

The total transfers of Township Assistance funds to the Rainy Day Fund accounted for 92 percent of the total Township Assistance Fund disbursements. As of December 31, 2017, after making the transfers, the Township Assistance Fund had a balance of \$15,220.51. Tax distributions from 2018 to 2023 were between \$0.00 and \$2,149.63. As of December 31, 2023, the Township Assistance Fund had a balance of \$16,385.01.

Indiana Code 12-20-5-2 states:

"The township trustee, as administrator of township assistance, in each township is responsible for the oversight and care of all poor individuals in the township as long as the individuals remain in the trustee's charge. The township trustee shall see that the individuals are properly taken care of in the manner required by law."

Indiana Code 12-7-2-20.5 states:

"'Basic necessities', for purposes of [IC 12-20](#), includes those services or items essential to meet the minimum standards of health, safety, and decency, including the following:

- (1) Medical care described in [IC 12-20-16-2](#).

UNION TOWNSHIP, ADAMS COUNTY
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(Continued)

- (2) Clothing and footwear.
- (3) Food.
- (4) Shelter.
- (5) Transportation to seek and accept employment on a reasonable basis.
- (6) Household essentials.
- (7) Essential utility services.
- (8) Other services or items the township trustee determines are necessities."

Indiana Code 12-20-21-2 states: "Township assistance money raised by townships may not be commingled."

Indiana Code 12-20-21-3 states:

"(a) Except as provided in section 3.2 of this chapter, a township trustee and township board may levy a specific tax for the purpose of providing money for the payment of township assistance expenses in the following year. The tax may be sufficient to meet the entire requirement of the township in the following year or the part that is determined to be proper.

(b) Except as provided in section 3.2 of this chapter, if a tax levy is established under subsection (a), all proceeds derived from the tax levy shall be distributed to the township at the same time and in the same manner as proceeds from other property tax levies are distributed to the township. The proceeds of the tax levy shall be held by the township in its township assistance account free and available for the payment of township assistance obligations of the township. The funds are continuing funds and do not revert to any other fund at the end of the year."

Indiana Code 36-1-8-5.1 states in part:

"(a) A political subdivision may establish a rainy day fund by the adoption of:

- (1) an ordinance, in the case of a county, city, or town; or
- (2) a resolution, in the case of any other political subdivision.

(b) An ordinance or a resolution adopted under this section must specify the following:

- (1) The purposes of the rainy day fund . . .

(c) The rainy day fund is subject to the same appropriation process as other funds that receive tax money. . . ."

FEDERAL REPORTING COMPLIANCE

The Township issued Federal Form 1099-Misc to Kiess Electric in 2015, 2016, and 2023. No Federal Forms 1099-Misc were issued to Kiess Electric for the years 2017 through 2022. Kiess Electric was not a corporation; therefore, Federal Forms 1099-Misc should have been issued for each year Kiess Electric was paid over \$600.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

In an interview with Mihm on April 2, 2024, Mihm stated that he would provide the CPA he has used since 2015 with the names, addresses, and amounts paid. When the SBOA asked why Federal Forms 1099-Misc were not issued to Kiess Electric for the years 2017 through 2022, Mihm stated Kiess Electric "records everything and didn't need it." Mihm further stated that he didn't know Kiess Electric needed one.

The following schedule details the total Township checks paid to Kiess Electric and the Township issued Federal Form 1099-Misc amounts. For 2015 and 2016, the differences were for the amounts verified by Smitley for the electrical work performed by Kiess Electric; thus, amounts reported on the Federal Forms 1099 - Misc only included the amounts returned to Mihm via checks from Kiess Electric to The Mihm Company, LLC.

Year	Township Checks Paid to Kiess Electric	Township Issued Federal Form 1099-Misc	Difference
2015	\$ 17,835.51	\$ 14,835.00	\$ 3,000.51
2016	21,299.69	17,374.95	3,924.74
2017	24,824.25	-	24,824.25
2018	42,117.24	-	42,117.24
2019	29,003.16	-	29,003.16
2020	38,618.93	-	38,618.93
2021	35,643.75	-	35,643.75
2022	42,295.00	-	42,295.00
2023	20,312.00	20,320.00	(8.00)
Totals	<u>\$ 271,949.53</u>	<u>\$ 52,529.95</u>	<u>\$ 219,419.58</u>

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

DOCUMENT UPLOAD

Officials are required to upload documents to the Indiana Gateway for Government Units (Gateway) financial reporting system. The uploaded files are used for SBOA audits. Files that are typically uploaded include: bank statements and reconcilements, Township Board minutes, and Township policies. Officials have their own user identification name and password to log into Gateway to upload files.

There is a section titled "100R Main Menu," which included the following sections:

- *Unit Questions* - "The answers to these questions help tailor the form and validation to your unit."
- *Nepotism Policy Upload* - "It was indicated that the unit has a nepotism policy. If a policy was uploaded in a previous year, and that policy is current, no further action is needed. Use this application to upload a copy of the file containing that policy if necessary."

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

- *Contracting Policy Upload* - "It was indicated that the unit has a contracting policy. If a policy was uploaded in a previous year, and that policy is current, no further action is needed. Use this application to upload a copy of the file containing that policy if necessary."

The sections (listed above) show a status which included if the section was complete and a date and time for the Nepotism Policy Upload and Contracting Policy Upload.

On January 15, 2016, there was a document uploaded to the "Contracting Policy Upload" section for the Township. The document uploaded was not a Contracting Policy but, instead, a "Conflict of Interest Disclosure Statement." The Conflict of Interest Disclosure Statement was submitted by Mihm.

The SBOA reviewed the Conflict of Interest Disclosure Statement uploaded by Mihm:

- The name of the public servant submitting the statement was Nathan Mihm.
- The name of the contractor or vendor was Kiess Electric.
- The kind of contract and effective date and term of the contract was:
 - Management, cleaning, snow removal, mowing.
 - Start Date January 1, 2015 - December 31, 2019.
- Description of Mihm's financial interest was left blank.
- Date Submitted: "2-27-15."
- Date of Action on Contract or Purchase: "1-1-15 - 12-31-19."

The Conflict of Interest Disclosure Statement was incomplete and inaccurate as follows:

- Mihm was listed as the public servant disclosing that the contractor he had the conflict with was Kiess Electric. The disclosure failed to disclose Mihm's relationship with Kiess Electric through his own entity, The Mihm Company, LLC.
- Item #7 on the Conflict of Interest Disclosure Form, pursuant to IC 35-44.1-1-4(d)(3), required Mihm to describe the nature of his financial interest. He failed to do so. He left the required information blank. Therefore, the Township Board and the SBOA were not notified of Mihm's side-agreement with Kiess Electric and his company, The Mihm Company, LLC.
- The effective period was not for just a single year but multiple years.
- Contracts between the Township and Kiess Electric were signed annually. The Date of Action on Contract of Purchase was dated January 1, 2015 to December 31, 2019.
- There was not a clear indication of when the Township Board took action during the course of a public meeting which "must" be prior to final action (approval) on the contract or purchase.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

Mihm checked the box on the Conflict of Interest Disclosure Statement that this was an annual disclosure statement; however, this was the only Conflict of Interest Disclosure statement located in any uploads to the Indiana Gateway for Government Units (Gateway) website. Again, it was not submitted under the correct section on Gateway. The SBOA did not find any Conflict of Interest Disclosure Statements on Gateway under the Conflict of Interest Disclosure report search.

The SBOA also determined that a Conflict of Interest Disclosure Statement was not filed with the Clerk of the Circuit Court in Adams County, as required.

The following was stated on the Conflict of Interest Disclosure Statement that was uploaded by Mihm to Gateway just under where Mihm signed and dated the form:

"Within 15 days after final action on the contract or purchase, copies of this statement must be filed with the State Board of Accounts, Indiana Government Center South, 302 West Washington Street, Room E418, Indianapolis, Indiana, 46204-2765 and the Clerk of the Circuit Court of the county in which the governmental entity executed the contract or purchase. . . ."

Indiana Code 35-44.1-1-4 states in part:

". . . (c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is:

(A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase;

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

(1) be in writing;

(2) describe the contract or purchase to be made by the governmental entity;

(3) describe the pecuniary interest that the public servant has in the contract or purchase;

(4) be affirmed under penalty of perjury;

(5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

(6) be filed within fifteen (15) days after final action on the contract or purchase with:

(A) the state board of accounts; and

(B) if the governmental entity is a governmental entity other than the state or a state supported college or university, the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and

(7) contain, if the public servant is appointed, the written approval of the elected public servant (if any) or the board of trustees of a state supported college or university (if any) that appointed the public servant. . . ."

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

INTERNAL CONTROLS

Deficiency in Internal Controls - Segregation of Duties

There were no effective internal controls evident, such as segregation of duties, oversight, review, or approval processes, over the Township funds, including disbursements. Mihm was the sole person responsible for all financial processes of the Township, including:

- Writing, issuing, and posting checks for the Township;
- Obtaining and maintaining supporting documents (vendor invoices) for vendor disbursements;
- Approving disbursements and ensuring compliance with the budget;
- Reconciliation of the bank accounts;
- Preparation of the Township budget; and
- Preparation of the financial statements.

As well as being responsible for all financial processes of the Township, Mihm was also responsible for ensuring policies and resolutions were properly presented to the Township Board, approved, followed, and, when required, certifications of compliance were documented and filed.

There was no effective oversight of Township financial activity on an ongoing basis by another individual or by the Township Board. The failure to create these internal controls enabled misstatements or irregularities to go undetected.

The 2015 "annual" Conflict of Interest Mihm submitted did contain three signatures from the President, Secretary, and other Township Board member. As stated above, the disclosure form was deficient on its face, in that Mihm failed to provide required information, including a description of his financial interest with Kiess Electric and the existence of his own entity, The Mihm Company, LLC, which was the intended recipient of Township funds.

UNION TOWNSHIP, ADAMS COUNTY
RESULTS AND COMMENTS
(Continued)

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 the 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. . . ."

UNION TOWNSHIP, ADAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2024, with Nathan Mihm, Trustee; Jessica Roemer, President of the Township Board; Scott Marbach, Township Board member; and Karen Celestino-Horseman, Attorney for Nathan Mihm.

UNION TOWNSHIP, ADAM COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nathan Mihm, Trustee:			
Unauthorized Payments, Conflict of Interest, and Failure to Provide Verifications, pages 3 through 13	\$241,641.82	\$ -	\$ 241,641.82
Non-Township Business Payment, pages 13 through 16	10,000.00	-	10,000.00
Trustee Compensation Overpayment, pages 17 and 18	1,200.00	-	1,200.00
Trustee Reimbursements, pages 18 through 20	5,075.18	-	5,075.18
Special Investigation Costs, page 21	<u>36,642.07</u>	<u>-</u>	<u>36,642.07</u>
 Brittney Mihm, Wife; and Nathan Mihm, Trustee; jointly and severely:			
Compensation Paid to Spouse, pages 16 and 17	<u>400.00</u>	<u>-</u>	<u>400.00</u>
 Totals	<u>\$ 294,959.07</u>	<u>\$ -</u>	<u>\$ 294,959.07</u>

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

**Office of the Trustee of Union Township
3944 E 1000 N • Decatur, IN 46733
(260) 724-4054**

Nathan T. Mimh, Trustee

OFFICIAL RESPONSE

Date: August 9, 2024

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

Re: Investigation of Office of Union Township Trustee

Thank you for the opportunity to respond to the draft report. It's my understanding that I will not be given the opportunity to respond to the final report, which means if changes are made, this response may not address those changes.

I am paid the sum of \$7,800.00 per year as trustee. My responsibilities include maintaining three cemeteries and a community center that is utilized by residents for weddings, graduation parties, etc. The community center must be cleaned after every event, its bookings must be managed, and snow removed in the winter.

I took office in 2015. At that time, a member of the township advisory board was being paid to handle the maintenance. He did not want to do it anymore so at the suggestion of the advisory board, a third party was asked to take over the work.

Following discussion with the advisory board, the board agreed to have me subcontract for the work regarding the three cemeteries and the community center. I am well acquainted with the cemeteries as I began mowing them when I was 13.

On February 27, 2015, the advisory board executed a conflict-of-interest form stating it was aware that I would be performing the maintenance work and managing the community center. I have attached a copy of the form.

As trustee, I am not required to personally do the maintenance work or manage the community center and can contract out for services. In this case, the community and the advisory board knew my company did the maintenance work and knew that I managed and maintained the community center. The people who performed the work often wore shirts and drove trucks bearing my company's name.

I do want to make one thing very clear: **There is no claim that the work was not performed or that it was done poorly or that it was overcharged.**

A public hearing was held regarding the 2024 budget on September 9, 2023. Although Jessica Roemer joined the advisory board in March 2023, replacing Steve Justus, she declined to attend the public hearing. The hearing was attended by one advisory board member. The third member of the advisory board had resigned due to moving out of the township and as of that date the position had not been filled.

On October 10, 2023, Scott Marbach was appointed to fill the spot previously held by Eric Miller. In compliance with Indiana law, the final hearing on the budget was held October 14, 2023. The final hearing was attended by all three of the Board members. Roemer and Marbach declined to approve the budget which meant that the budget for 2023 would be the operating budget for 2024. The 2023 budget meant that the library would be paid \$40 for each card provided, insufficient funds to cover the fire contract, etc.

On January 13, 2024, the advisory board entered new contracts for the mowing, snow removal and cleaning of the community center. Roemer did not disclose that the individual hired to clean the community center was her aunt nor did she file a conflict-of-interest form. I later discovered the individual was related to Roemer but did not want to cause problems for the individual as she performs the work well.

I was not requested to provide copies of the minutes of the meetings held prior to Marbach taking over the task of taking the minutes.

Unfortunately, because of the limited amount of time I was given to respond to this very lengthy report, I cannot address everything contained within the report. I am very proud of our community and have enjoyed the opportunity to serve the residents. Ours is a small but proud community where business is often conducted with a handshake. The paperwork and the

technological skills required to perform the job of trustee have significantly grown in the last 10 years. If I made errors in filing or failing to file, I apologize.

Natham Mihm
Union Township Trustee

AFFIDAVIT

STATE OF INDIANA)
Porter)
COUNTY)

I, Kristin Campbell, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Union Township, Adams County, Indiana, for the period from January 1, 2015 to March 31, 2024, is true and correct to the best of my knowledge and belief.

Kristin Campbell
Field Examiner

Subscribed and sworn to before me this 13th day of August, 2024

Kathryn A. Hrapek
Notary Public

My Commission Expires: January 24, 2026

County of Residence: Porter

