

B59240

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

SPECIAL INVESTIGATION REPORT
OF

CLERK-TREASURER
TOWN OF EDWARDSPOUR
KNOX COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
06/08/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Clerk-Treasurer:	
Results and Comments:	
Background	3
Utility Payment Discrepancies	3-4
Lack of Supporting Documentation	4-7
Overpayment of Compensation	7-8
Penalties, Interest, and Other Charges.....	8-9
Special Investigation Costs	10
Internal Controls.....	10-11
Investigation by Law Enforcement Agency	11
Official Bond and Crime Insurance	11
Exit Conference	12
Official Response.....	13
Summary of Charges.....	14
Affidavit	15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF EDWARDSPORT, KNOX COUNTY, INDIANA

This is a special investigation report for the Town of Edwardsport (Town), for the period January 1, 2017 to December 31, 2019, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town 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 payroll, disbursements, and utility customer payments. 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

March 31, 2022

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS

BACKGROUND

Connie Dinkins (Dinkins) was Clerk-Treasurer for the period October 1, 2015 to December 31, 2019. We received notification in accordance with Indiana Code 5-11-1-27 of alleged inconsistencies, omissions, and gross negligence of Dinkins. The Indiana State Board of Accounts examined the records and accounting of the Town. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

UTILITY PAYMENT DISCREPANCIES

As Clerk-Treasurer, Water Clerk, and Sewer Clerk, Dinkins was responsible for billing utility customers, collecting utility payments, issuing and depositing receipts, and recording all transactions in the utility records. During the investigation period, all utility collections were reviewed to ensure they were deposited and recorded properly. The following are discrepancies found in the handling of utility payments:

Substitution

On ten different dates, Dinkins deposited utility payment checks from customers, but did not record the checks properly in their accounts. In three of those instances, Dinkins credited her account instead of the customer whose check was deposited. In the other seven instances, Dinkins would partially credit the customer whose check was deposited and credit other utility accounts, including her own, for the remainder of the amount deposited. To make the accounts of the customers whose checks were deposited whole, Dinkins would adjust the account for the difference between the amount of the check deposited and the credit that was given to that customer. In total, \$17,219.65 was deposited and not credited to the proper customer accounts.

Adjustments

In addition to the utility payments substituted, Dinkins made 108 adjustments to utility customer accounts with no supporting documentation. These adjustments were made to Dinkins' own account and the same utility customers that she had substituted other payments. Several utility bill stubs were found that were marked "paid," but the payments were not credited to the customer. Instead, the payments were not deposited and the accounts were subsequently adjusted to credit the customers. Adjustments without supporting documentation during the investigation totaled \$19,168.16.

Cash Not Deposited

During the investigation period, eight cash utility customer payments totaling \$1,319.26 were posted, but not deposited in the bank account.

CLERK-TREASURER
TOWN OF EDWARDSPOET
RESULTS AND COMMENTS
(Continued)

The total for utility payment discrepancies is as follows:

Type	Year			Totals
	2017	2018	2019	
Substitution	\$ 504.93	\$ -	\$ 16,714.72	\$ 17,219.65
Adjustments	6,015.69	6,452.48	6,700	19,168.16
Cash Not Deposited	-	1,319.26	-	1,319.26
Totals	\$ 6,520.62	\$ 7,771.74	\$23,414.71	\$37,707.07

Indiana Code 5-13-6-1(d) states in part:

" . . . a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

We requested that Dinkins reimburse the Town \$37,707.07 for utility payment discrepancies. (See Summary of Charges, page 14)

LACK OF SUPPORTING DOCUMENTATION

A similar comment appeared in prior Reports B29063, B33391, B41365, B49357, B50304, and B50493, entitled *ERRORS ON CLAIMS*.

Payments to Dinkins

Prior Report B50493 stated 11 claims for reimbursement, totaling \$2,113, were made to the Clerk-Treasurer without adequate supporting documentation to determine the validity of the disbursement.

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS
(Continued)

In 2017, 2018, and 2019, Dinkins reimbursed herself 146 times totaling \$62,297.69; an average of almost one check per week for just under \$400 each. Of the claims reviewed, \$34,938.79 was noted for mileage reimbursement, and of that, \$27,603.29 was not supported by enough information, or any at all, to determine the location of the miles traveled. Mileage Form 101 was not in use; however, we did accept other supporting documentation if the locations and miles traveled were documented. The number of miles claimed to locations were not always consistent, and the lack of detail could allow for mileage to be reimbursed more than one time.

Of the remaining \$27,358.90 reimbursed to Dinkins, \$25,529.08 had no supporting documentation at all; therefore, the validity of the reimbursements could not be verified.

The total unsupported payments to Dinkins are as follows:

Mileage	\$ 27,603.29
Other	<u>25,529.08</u>
Total	<u>\$ 53,132.37</u>

Miscellaneous receipts for supplies paid with cash totaling \$471.08 were found, but could not be matched with a paid reimbursement. A \$4,000 check written by Dinkins was deposited into the Town's bank account on January 4, 2019, but the purpose of the check could not be determined.

Cash Withdrawals

The following cash withdrawals were made from Town bank accounts:

1. On September 29, 2017, Dinkins signed a withdrawal slip to withdrawal \$5,200 from the bank. \$4,000 was redeposited into other Town bank accounts, while \$1,200 remained unaccounted for.
2. On November 3, 2017, Dinkins signed a withdrawal slip to withdrawal \$750 from the bank that could not be accounted for.
3. On November 23, 2018, Dinkins signed a deposit slip to deposit a \$1,500 check made out to Edwardsport Utilities. Dinkins endorsed the check, but \$1,000 cash was withheld from the deposit. The remaining \$500 was deposited, but the \$1,000 could not be accounted for.

There was no supporting documentation to verify that the cash was used for Town purposes. The total unsupported cash withdrawals are as follows:

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS
(Continued)

Cash Withdrawal	Unsupported Amount
September 29, 2017	\$ 1,200
November 3, 2017	750
November 23, 2018	1,000
Total	\$ 2,950

Bank Debits

There was a wire transfer debit of \$150 and a fee of \$25 out of the Town's bank account. No supporting documentation was found to verify the expenses were for Town purposes.

The total for supporting documentation is as follows:

Type	Year			Totals
	2017	2018	2019	
Payments to Dinkins	\$ 14,041.84	\$ 18,909.44	\$ 20,181.09	\$ 53,132.37
Cash Withdrawals	1,950.00	1,000.00	-	2,950.00
Bank Debits	-	175.00	-	175.00
Totals	\$ 15,991.84	\$ 20,084.44	\$ 20,181.09	\$ 56,257.37

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

MILEAGE CLAIM (General Form No. 101)

This form is designed to serve as a claim for mileage to be presented to the board for allowance.

Officers and employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the city or town at a reasonable rate per mile as fixed by ordinance or resolution of the board. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The speedometer reading columns on this form are to be used only when distance between points cannot be determined by fixed mileage, official state highway map, or reliable map application.

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS
(Continued)

After the claim has been completely processed, allowed and the warrant issued it should be filed numerically by warrant number with other claims for the same period. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

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 Cities and Towns, Chapter 1)

We requested that Dinkins reimburse the Town \$56,257.37 for disbursements made without supporting documentation. (See Summary of Charges, page 14)

OVERPAYMENT OF COMPENSATION

A similar comment appeared in prior Report B50493, entitled *OVERPAYMENT OF CLERK-TREASURER'S SALARY*.

The Town adopted Ordinance Number 12-2016 that established the salaries for the Town. The Clerk-Treasurer was to receive a salary of \$950 per month. In addition, the Clerk-Treasurer held the positions of Water Clerk and Sewer Clerk, each receiving \$950 per month. The total salary paid to the Clerk-Treasurer was to be \$2,850 per month, which equates to \$34,200 per year.

Dinkins was not always paid one \$2,850 check per month. Dinkins's payroll history shows 21 checks varying from \$950 to \$2,850 that were issued to Dinkins during 2019. In addition, 2 checks were issued to Dinkins that were similar in amount, but not ran through the payroll system. The total of the 23 checks issued to Dinkins was \$38,847.71, resulting in an overpayment of \$4,647.71.

On May 20, 2020, the Town issued receipt number 2374 to Dinkins for the partial reimbursement of 2019 overpaid wages in the amount of \$2,700.

The total for overpayment is as follows:

<u>2019</u>	
\$ 38,847.71	Total compensation paid
<u>34,200.00</u>	Compensation allowed per Salary Ordinance
4,647.71	Overpayment of compensation
<u>(2,700.00)</u>	Amount reimbursed
<u>\$ 1,947.71</u>	Remaining overpayment of compensation

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS
(Continued)

Indiana Code 36-5-3-2 states in part:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid. . . .

(b) The town legislative body shall, by ordinance, fix the compensation of . . . the town clerk-treasurer . . .

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed . . .

(d) The legislative body may provide that town officers (including elected town officers) and employees receive additional compensation for services that:

- (1) are performed for the town,
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function. . . ."

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 Cities and Towns, Chapter 1)

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 Cities and Towns, Chapter 1)

We requested that Dinkins reimburse the Town \$1,947.71 for the overpayment of compensation. (See Summary of Charges, page 14)

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Report B49357, B50304, and B50493, entitled *TAXES NOT PAID*.

Penalties and interest were paid due to taxes not being remitted timely or accurately, and claims not being paid on time. Bank fees were incurred and paid due to insufficient funds, daily overdraft fees, service charges, and analysis fees. Convenience and processing fees were incurred and paid due to vendor payments being made by electronic funds transfer (EFT) or over the phone instead of by check. The Town did not pass a resolution to allow payments by EFT.

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS
(Continued)

The total penalties, interest, and other charges paid are:

Year	Penalties and Interest	Bank Fees	Convenience and Processing Fees	Totals
2017	\$ 2,888.83	\$ 836.66	\$ 187.00	\$ 3,912.49
2018	8,366.83	2,710.72	329.50	11,407.05
2019	8,210.25	1,616.61	1,100.00	10,926.86
Totals	<u>\$ 19,465.91</u>	<u>\$ 5,163.99</u>	<u>\$ 1,616.50</u>	<u>\$ 26,246.40</u>

Indiana Code 36-1-8-11.5 states:

"(a) As used in this section, 'electronic funds transfer' means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(b) The fiscal body of a political subdivision or the board of a municipally owned utility may adopt a resolution to authorize an electronic funds transfer method of payment of claims. If a proper body adopts a resolution under this subsection, the political subdivision or municipally owned utility may pay money from its funds by electronic funds transfer.

(c) A political subdivision or municipally owned utility that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by political subdivisions or municipal utilities."

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

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 Cities and Towns, Chapter 1)

We requested that Dinkins reimburse the Town \$26,246.40 for penalties, interest, and other charges. (See Summary of Charges, page 14)

CLERK-TREASURER
TOWN OF EDWARDSPORT
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Clerk-Treasurer.

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

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

(1) costs incurred by the state board of accounts . . ."

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

We requested that Dinkins reimburse the State of Indiana \$51,014.93 for special investigation costs. (See Summary of Charges, page 14)

INTERNAL CONTROLS

A similar comment appeared in prior Report B50493.

There were no internal controls evident, such as an oversight, review, or approval process, over utility billing, receipts, disbursements, and deposits of the Town. The Clerk-Treasurer was solely responsible for all transactions related to utility billing, collections, deposits, and recording, as well as performing adjustments on utility customer accounts.

- There was no oversight to ensure utility customer payments were properly recorded and deposited.
- There was no oversight, review or approval of utility billing and payment adjustments, and there was no documentation maintained to support the adjustments.

The Clerk-Treasurer was solely responsible for all transactions related to receipts, disbursements, and cash for the Town.

- There was no oversight to ensure the amounts paid for payroll were in accordance with the approved salary ordinance.
- There was no oversight to ensure that there was supporting documentation for disbursements, and that all invoices were paid timely and by check to ensure penalties, interest, and other charges were not incurred.

CLERK-TREASURER
TOWN OF EDWARDSPORT
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 SBOA are expected to adhere to these standards. These 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. . . ."

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the Clerk-Treasurer has also been conducted by the Indiana State Police.

OFFICIAL BOND AND CRIME INSURANCE

The Town had an official bond and crime insurance as shown in the table below:

Official Bond		Crime Insurance	
Period	Amount	Period	Amount
10-15-16 to 12-31-16	\$ 50,000	03-21-16 to 03-21-17	\$ -
01-01-17 to 12-31-17	50,000	03-21-17 to 03-21-18	-
01-01-18 to 12-31-18	50,000	03-21-18 to 03-21-19	-
01-01-19 to 01-01-20	50,000	03-21-19 to 03-21-20	25,000

CLERK-TREASURER
TOWN OF EDWARDSPORT
EXIT CONFERENCE

The contents of this report were discussed on March 30, 2022, with Patricia Roark, Clerk-Treasurer; Earl Martin Jr., President of the Town Council; and Charles A. Hunt, Town Council member.

The contents of this report were discussed on March 31, 2022, with Connie Dinkins, former Clerk-Treasurer.

Town of Edwardsport

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Edwardsport, IN 47528
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OFFICIAL RESPONSE

Date: April 5, 2022

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

Re: Response to exit interview regarding Connie Dinkins

The town of Edwardsport, Indiana has been impacted financially from the previous clerk-treasurer, Mrs. Connie Dinkins. Edwardsport receives very little money as it is and when corruption such as this happens, it really strains day to day operations.

Kim Robbins, clerk-treasurer, from 01/01/2020 to 12/31/2021 worked diligently trying to correct all the issues that she inherited from Connie. Kim did an excellent job but the strain of this also impacted her health and she stepped down after two years.

Gina Gambaiani, CFE, did an excellent job explaining the investigation results. Gina also provided quality advice that we will follow to ensure the town of Edwardsport continues to operate within state guidelines and does so in an honest manner.

Attending the exit interview: Gina Gambaiani, State Board of Accounts, Patty Roark, current Clerk-Treasurer, Charles Hunt, Edwardsport Town Council Member, and Earl Martin, JR Edwardsport Town Council President.

Sincerely,



Earl Martin, JR
President, Edwardsport Town Council