

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

SPECIAL INVESTIGATION REPORT
OF

FIRE DEPARTMENT
TOWN OF SPEEDWAY
MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED

07/10/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon L. Zishka	01-01-11 to 10-31-13
	Monty W. Combs	11-01-13 to 12-31-15
President of the Town Council	Jeff Hartman	01-01-11 to 12-31-11
	William C. Suffel II	01-01-12 to 12-31-12
	Eileen Fisher	01-01-13 to 12-31-13
	Gary Raikes	01-01-14 to 12-31-14
	David Lindsey	01-01-15 to 12-31-15
Fire Chief	Mark Watson	01-01-11 to 10-27-14
	Robert Fishburn (Interim)	10-28-14 to 02-23-15
	Robert Fishburn	02-24-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF SPEEDWAY

We have conducted a special investigation of the records of the Fire Department, Town of Speedway, for the period from January 1, 2011 to December 31, 2014. Our investigation was limited to the following records: receipts, bank deposits, disbursements, disbursement documentation, and supplies and equipment inventory. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents.

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

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

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

June 18, 2015

FIRE DEPARTMENT
TOWN OF SPEEDWAY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

FIRE DEPARTMENT RECEIPTS DEPOSITED TO PERSONAL BANK ACCOUNT

On February 7, 2011, Mark Watson, former Fire Chief, opened a personal checking/savings account in the name of Mark Watson, "DBA: Speedway F.D." This action was done without the knowledge of the Town Council and was not authorized by the Town Board of Finance. Mark Watson, former Fire Chief, deposited funds belonging to the Fire Department totaling \$42,992.53 into this personal bank account during 2011, 2012, 2013, and 2014. The following schedule details the amount of Town funds that were deposited into Mark Watson, former Fire Chief's personal account by year:

	Fire Department Receipts Deposited to Personal <u>Bank Account</u>
2011	\$ 7,290.00
2012	11,082.74
2013	13,879.00
2014	<u>10,740.79</u>
Total	<u>\$ 42,992.53</u>

These deposits included checks written to the Town of Speedway or Speedway Fire Department for billings of fire protection services, refunds from vendors, donations, payments for equipment sold to other fire departments, payments collected from new firefighter recruits, fire report fees, and various other receipts.

The funds deposited into this account were not used for Fire Department purchases. Personal purchases included payments to Mark Watson, former Fire Chief's personal credit card accounts, cash withdrawals, payments to soccer organizations, a payment on a 2013 Toyota Tacoma pick-up truck, and various other purchases.

After separation of employment with the Town of Speedway, "DBA: Speedway F.D." was removed from the account name.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

FIRE DEPARTMENT
TOWN OF SPEEDWAY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$42,992.53 for fire department receipts deposited to his personal bank account. (See Summary of Charges, page 12)

EXPENDITURES FOR PERSONAL ITEMS

Mark Watson, former Fire Chief, used Town of Speedway credit cards, credit accounts, and purchase orders to purchase items for personal use totaling \$7,356.23 during 2012, 2013, and 2014. Personal items purchased by Mark Watson, former Fire Chief, included a gun, baton, holster, 46 inch television, two sets of tires, tools, snow blowers, grill, home improvement items, lawn and garden items, GPS device, several items of clothing, and various other items. The following schedule details the expenditures for personal items by year:

	Expenditures for Personal Items
	<u> </u>
2012	\$ 406.48
2013	2,168.15
2014	<u>4,781.60</u>
Total	<u>\$ 7,356.23</u>

Several items were recovered from Mark Watson, former Fire Chief, upon his separation from employment.

Mark Watson, former Fire Chief, was responsible for submitting purchase orders and claims for payments for the fire department. He rarely submitted original receipts for charges to credit cards and credit accounts. In addition, some invoices submitted for payment were fictitious and not created by the named vendor. These fictitious invoices were submitted for payment in replacement of actual vendor invoices which included items purchased for personal use.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$7,356.23 for expenditures for personal items. (See Summary of Charges, page 12)

FIRE DEPARTMENT
TOWN OF SPEEDWAY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

FICTITIOUS VENDOR

On August 13, 2014, Mark Watson, former Fire Chief, opened a post office box at Rainbow Station, Indianapolis Post Office in the name of Fireprof. On September 24, 2014, Mark Watson, former Fire Chief, presented a purchase order to the Clerk-Treasurer payable to Fireprof for "SCBA Repair" in the amount of \$4,491.67. An invoice was created and detailed parts and labor costs for services performed by Fireprof. The invoice requested payment be mailed to Fireprof, P.O. Box 22601 Indianapolis, IN 46222, the post office box opened by Mark Watson, former Fire Chief, on August 13, 2014. The Clerk-Treasurer's Office prepared an accounts payable voucher and after approval by the Town Council, a check in the amount of \$4,491.67 was mailed to the post office box. The uncashed check was recovered upon Mark Watson, former Fire Chief's separation from employment from the Town of Speedway on October 27, 2014.

A review of the Secretary of State's website revealed there is no company registered by the name of Fireprof. An internet search for a company by the name of "Fireprof" was unsuccessful. The current Fire Chief is unaware of a company by the name of Fireprof and is unaware of any need for "SCBA Repair" during the period of review.

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 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$4,491.67 for payment to a fictitious vendor. (See Summary of Charges, page 12)

The recovered check has been applied to the charges for the fictitious vendor established by Mark Watson, former Fire Chief. (See Summary of Charges, page 12)

MISSING COMPUTER EQUIPMENT

Mark Watson, former Fire Chief, purchased several computers using Town of Speedway credit cards, charge accounts, and purchase orders during 2013 and 2014. A Microsoft Surface Pro 3, Serial # 001885642353, purchased June 20, 2014, for \$1,129.98, was not included in the physical equipment inventory on hand at the time of Mark Watson, former Fire Chief's separation from employment and has not been recovered by the Town.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$1,129.98 for missing computer equipment. (See Summary of Charges, page 12)

FIRE DEPARTMENT
TOWN OF SPEEDWAY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

TESTING FEES NOT REMITTED TO TOWN FUNDS

On April 11, 2013, the Fire Department offered an Entry Level Firefighters Examination to identify candidates for future positions with the Fire Department. Each of the prospective 158 firefighters was charged \$20 to take the test. Testing fees of \$3,160.00 were collected by three Pension Board members. After collecting the money, the Pension Board members counted and confirmed the money together and turned the collections over to Mark Watson, former Fire Chief. These funds were not remitted to the Town funds or deposited to the personal bank account reported in the comment "Fire Department Receipts Deposited to Personal Bank Account."

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

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 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$3,160.00 for testing fees not remitted to Town funds. (See Summary of Charges, page 12)

PROCEEDS FROM THE SALE OF CLOTHING NOT REMITTED TO TOWN FUNDS

In 2013 and 2014, clothing in the amount of \$2,872.46 was purchased with Town funds by Mark Watson, former Fire Chief, for resale to town firefighters. Firefighters paid Mark Watson, former Fire Chief, for their clothing purchases. Proceeds from the sale of the clothing were not remitted to the Town funds or deposited to the personal bank account reported in the comment "Fire Department Receipts Deposited to Personal Bank Account."

Mark Watson, former Fire Chief, had complete control over the purchase of the clothing, collections from the sales of the clothing, and the clothing inventory.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

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 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$2,872.46 for proceeds from the sale of clothing not remitted to Town funds. (See Summary of Charges, page 12)

FIRE DEPARTMENT
TOWN OF SPEEDWAY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

OVERPAYMENT OF CLOTHING ALLOWANCE

The 2013 Town of Speedway Firefighters' contract required the Town of Speedway to purchase up to \$1,000 worth of clothing for each firefighter. Mark Watson, former Fire Chief, was responsible for maintaining records to monitor each firefighter's clothing allowance expenditures. During 2013, the Town of Speedway purchased clothing in the amount of \$1,582.69, or \$582.69 in excess of the contract amount, on behalf of Mark Watson, former Fire Chief.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We requested that Mark Watson, former Fire Chief, reimburse the Town of Speedway \$582.69 for overpayment of clothing allowance. (See Summary of Charges, page 12)

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in the internal control system of the Fire Department and the Town of Speedway. These deficiencies included, but were not limited to, lack of segregation of duties relating to accounting for Fire Department funds. These deficiencies were communicated to the Town officials.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs in the special investigation of the Fire Department totaling \$21,232.94.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We requested that Mark Watson, former Fire Chief, reimburse the State of Indiana \$21,232.94 for special investigation costs. (See Summary of Charges, page 12)

FIRE DEPARTMENT
TOWN OF SPEEDWAY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

INSURANCE COVERAGE

The Town had the following public employee dishonesty crime insurance policies to cover Town employees:

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Charge Amount</u>
U.S. Specialty Insurance Company	01-01-11 to 01-01-12	PKG80210257	\$ 50,000.00	\$ 7,290.00
U.S. Specialty Insurance Company	01-01-12 to 01-01-13	PKG80310257	50,000.00	11,489.22
U.S. Specialty Insurance Company	01-01-13 to 01-01-14	PKG80410257	50,000.00	22,131.31
U.S. Specialty Insurance Company	01-01-14 to 01-01-15	PKG80510257	50,000.00	<u>17,183.36</u>
Total				<u>\$ 58,093.89</u>

FIRE DEPARTMENT
TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2015, with Monty W. Combs, Clerk-Treasurer; David Lindsey, President of the Town Council; and Ian Nicolini, Town Manager.

A certified letter was sent to Mark Watson, former Fire Chief, notifying him of an exit conference scheduled for June 18, 2015. A certified receipt confirmed delivery of the notification. Mark Watson, former Fire Chief, failed to attend the scheduled exit conference and failed to schedule an alternate conference.



CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL
DAVID LINDSEY, President
EILEEN FISHER
GARY L. RAIKES
WILLIAM SUFFEL
JEFF MATTHEWS

TELEPHONE: 317/ 246-4111
FAX: 317/ 246-4101

TOWN CLERK TREASURER
MONTY W. COMBS

TOWN MANAGER
Ian Nicolini

June 24, 2015

To: Indiana State Board of Accounts

RE: Response to Special Investigation Report of the Town of Speedway Fire Department

The Town of Speedway is deeply disappointed and disturbed by the allegations contained in this report regarding the former Fire Chief. The Town is grateful that its officials discovered suspicious behavior, reported concerns to the State Board of Accounts and requested an audit of the suspicious activities, and that the SBOA was able to thereafter perform the audit. The Town will continue to support ongoing efforts to recover missing funds and fully supports law enforcement action regarding these behaviors. The Town appreciates the SBOA's work in analyzing the available information and helping protect the Town and its citizens' interests.

Respectfully Submitted,

Monty W. Combs, CFE
Clerk-Treasurer



FIRE DEPARTMENT
TOWN OF SPEEDWAY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Mark Watson, former Fire Chief:			
Fire Department Receipts Deposited to Personal Bank Account, pages 4 and 5	\$42,992.53	\$ -	\$ 42,992.53
Expenditures for Personal Items, page 5	7,356.23	-	7,356.23
Fictitious Vendor, page 6	4,491.67	4,491.67	-
Missing Computer Equipment, page 6	1,129.98	-	1,129.98
Testing Fees Not Remitted to Town Funds, page 7	3,160.00	-	3,160.00
Proceeds from the Sale of Clothing Not Remitted to Town Funds, page 7	2,872.46	-	2,872.46
Overpayment of Clothing Allowance, page 8	<u>582.69</u>	<u>-</u>	<u>582.69</u>
Totals	62,585.56	4,491.67	58,093.89
Special Investigation Costs	<u>21,232.94</u>	<u>-</u>	<u>21,232.94</u>
Totals	<u>\$83,818.50</u>	<u>\$4,491.67</u>	<u>\$ 79,326.83</u>

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

AFFIDAVIT

STATE OF INDIANA)
)
Marion COUNTY)

I, Tammy Baker, Special Investigator, being duly sworn on my oath, state that the foregoing report based on the official records as described in our letter to the officials of the Town of Speedway, Marion County, Indiana, for the period from January 1, 2011 to December 31, 2014, is true and correct to the best of my knowledge and belief.

Tammy R. Baker
Special Investigator

Subscribed and sworn to before me this 9 day of July, 2015

Joanette M. Hendricks
Notary Public

My Commission Expires: Oct 19, 2015

County of Residence: HENDRICKS

