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FRAUD EXAMINATION REPORT

**TO: GENE URLEY, TOWNSHIP SUPERVISOR
BUNKERHILL TOWNSHIP**

**FROM: NATHAN EADS
CERTIFIED FRAUD EXAMINER**

**RE: EXAMINATION OF POTENTIAL ASSET MISAPPROPRIATION AND
SHORTAGE OF FUNDS TO THE GENERAL FUND**

DATE: December 7, 2013

I. Background

Bunkerhill Township is a township in Ingham County in Jackson, Michigan. In 2013 Carrie Zeitz, the Clerk, became concerned with the possibility the Bunkerhill General Fund was not getting its full allotment of property taxes. This concern was raised to Gene Ulrey, the Township Supervisor and it was determined that a forensic examination of Bunkerhill Township's property tax bank account was needed.

Based upon this initial predication and board approval, a fraud examination was conducted, which included reviews of relevant records and interviews of appropriate personnel.

II. Executive Summary

The fraud examination commenced when Nathan J. Eads, CFE, received a telephone call from Carrie Zeitz, the township clerk, voicing a concern with the amount of money that the Bunkerhill Township's General Fund was receiving. As a result of the concern over a potential shortage to the General Fund, Carrie became concerned that there were other instances of losses to the township.

The Fraud Examiner reviewed the documentation pertaining to the Tax Bank Account from March 2008 through March 2013 and conducted interviews with Bunkerhill Township employees who may have had information regarding the misappropriation of assets. The Fraud Examiner also looked into other potential misappropriations that were discovered during the investigation.

III. Scope

The objective of the Fraud Examiner was as follows:

- Determine the existence of a possible misappropriation at Bunkerhill Township.
- Determine if the Bunkerhill General Fund was indeed shorted funds from the Tax Fund.

IV. Approach

Fraud Examiner:

Nathan J. Eads, CPA, CFE, Lally Group, PC

Procedures :

As part of the examination of this matter, the Examiner took the following actions:

- Reviewed and analyzed the March 2008 through 2013 audited financial statements.
- Obtained, reviewed, and analyzed the accounting records from the BSA software system.
- Obtained, reviewed, and analyzed bank statements for the Tax Fund with Independent Bank.
- Obtained, reviewed, and analyzed financial transactions pertaining to the Enbridge True-up.

Individuals Interviewed:

The following individuals were interviewed in person by the Fraud Examiner:

- Jana DuFort (Treasurer)
- Shannon Murray (Deputy Treasurer)
- Carrie Zeitz (Clerk)

V. Findings

Based on the documents reviewed, information collected, and interviews conducted during the course of the fraud examination, the Examiner's findings are as follows:

- Did the Fraud Examiner determine the existence of a possible misappropriation of cash from Bunkerhill Township?

Yes. The documents and information reviewed and interviews conducted by the Fraud Examiner during the course of the examination indicates that cash recorded as collected in the BSA software was less than the amount recorded as deposits by the bank. The following is a list of shorted deposits identified by the fraud examiner:

Date	Cash Loss
9/3/2008	\$ (600.02)
10/3/2008	\$ (614.85)
2/4/2009	\$ (1,104.43)
2/20/2009	\$ (106.62)
2/26/2009	\$ (6,333.17)
7/15/2009	\$ (301.53)
8/3/2009	\$ (884.92)
8/27/2009	\$ (1,575.59)
7/21/2010	\$ (354.08)
9/8/2010	\$ (449.34)
10/29/2010	\$ (171.72)
12/28/2010	\$ (157.88)
3/3/2011	\$ (516.55)
8/12/2011	\$ (159.38)
10/11/2011	\$ (371.81)
12/15/2011	\$ (291.39)
1/25/2013	\$ (300.00)
1/30/2013	\$ (130.00)
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\$(14,423.28)	

The fraud examiner was able to review the detail transactions from the bank for each deposit. These transactions were compared to either original reports, or reprinted reports from the BSA software. Some of the reports needed to be recreated from the BSA software, because the original reports could not be located at the Bunkerhill Township office. Of the \$14,423.28 shorted, the amount that came from deposits with no original documentation amounted to \$7,519.62.

- Did the Fraud Examiner determine the existence of a possible shortage of funds transferred to the General Fund?

Yes. The documents and information reviewed and interviews conducted by the Fraud Examiner during the course of the examination indicate that there were additional funds owed to the General Fund as a result of tax collections.

The fraud examiner was able to examine deposits recorded in the BSA software. The software creates a total allocation of taxes to the proper taxing agency by fiscal year. These amounts were compared to checks written. The following is a list of shorted funds to the General Fund:

	Amounts Collected	Funds Transferred	Difference
2007	\$ 65,432.69	\$ 65,435.92	\$ 3.23
2008	\$ 66,054.46	\$ 66,042.56	\$ (11.90)
2009	\$ 68,904.09	\$ 60,523.97	\$ (8,380.12)
2010	\$ 62,416.07	\$ 61,982.37	\$ (433.70)
2011	\$ 60,489.83	\$ 60,489.09	\$ (0.74)
2012	\$ 61,811.48	\$ 60,998.59	\$ (812.89)
	<u>\$ 385,108.62</u>	<u>\$ 375,472.50</u>	<u>\$ (9,636.12)</u>

Along with the shorted funds, the timing of payments was not within the required timeline. Per regulations: Within 10 business days after the first and fifteenth of each month, the township shall account and deliver to the county treasurer and other tax assessing unit treasurers the total amount of the tax collections on hand (unless another distribution schedule has been agreed to by all parties). Copies of the checks written are given to the clerk for entry into the local unit's accounting records.

As noted in the table above, the total funds to be paid to Bunkerhill Township's General Fund from the Tax Fund has been shorted \$9,636.12. In addition, the examination concluded that distributions to the Bunkerhill Township General Fund have been made in lump sums, and there have been some instances of the filings not being made timely. The treasurer needs to either comply with the requirements of tax payments or gain written permission from the supervisor for an alternative payment timetable.

VI. Summary

This report reflects that Bunkerhill Township has a cash shortage of \$14,423.28 while under the supervision and actions of the Treasurer Jana DuFort.

This report reflects that the General Fund of Bunkerhill Township was shorted \$9,636.12 from the Tax Fund while under the supervision and responsibilities of Jana DuFort.

VII. Impact to Bunkerhill Township

Over the course of multiple years, Bunkerhill Township has been shorted cash of \$14,423.28 in the Tax Fund and \$9,636.12 in the General Fund. Jana DuFort was the primary supervisor and handled a significant majority of the transactions during the time under examination.

VIII. Other items noted

During the course of our investigations there were other items that appeared questionable in nature. The following is a list of these findings:

Record for deposits: There were 99 deposits taken to the bank from March 2008 through 2013. Thirty-nine of those deposits did not have documentation that tied out to the bank deposits. The internal documentation of an organization is critical to the clarity of financial statements. It is imperative that the township start the process of making deposits taken to the bank equal the amount that the internal records show.

Enbridge true-up: In 2009, a refund was made to Enbridge in the amount of \$88,178.08. The township was to recollect funds from various taxing agencies to equal the amount refunded to Enbridge. One of those agencies was Bunkerhill Township. Bunkerhill Township's portion was \$2,227.38. The Bunkerhill Township portion is the only amount not reimbursed to the Tax Fund.

VIII. Recommendations

It is recommended that Bunkerhill Township consult with their legal counsel to determine the appropriate action against Jana DuFort potentially including reporting such matters to the appropriate authorities for consideration of criminal prosecution. A full review of internal controls and ethics guidelines should be conducted to determine how such incidents can be prevented and detected in the future.

End of Report