

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

SPECIAL INVESTIGATION REPORT

OF

LIBERTY TOWNSHIP

HENRY COUNTY, INDIANA

January 1, 2013 to December 31, 2015



**FILED**  
10/12/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Phyllis J. Shafer	01-01-11 to 12-31-18
Chairman of the Township Board	Bill Bowman	01-01-13 to 12-31-16



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF LIBERTY TOWNSHIP, HENRY COUNTY

We have conducted a special investigation of the records of Liberty Township, Henry County, for the period January 1, 2013 to December 31, 2015. 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

May 31, 2016

LIBERTY TOWNSHIP  
HENRY COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS

**SALARY OVERPAYMENTS**

Phyllis J. Shafer, Trustee (Mrs. Shafer), paid herself \$8,483.24 in excess of the salaries appropriated by the Township Board for the years 2013, 2014, and 2015. John Shafer, Township Clerk (Mr. Shafer), was paid \$519.16 in excess of the salaries appropriated by the Township Board for the years 2013 and 2014.

The following schedule details the amount of the salary overpayments:

Years	Overpayments of Salary		Totals
	Mrs. Shafer	Mr. Shafer	
2013	\$ 766.66	\$ 74.17	\$ 840.83
2014	2,299.98	444.99	2,744.97
2015	5,416.60	-	5,416.60
Totals	\$ 8,483.24	\$ 519.16	\$ 9,002.40

Indiana Code 36-6-6-10(b) states in part: "The township legislative body shall fix the (1) salaries; (2) wages; (3) rates of hourly pay . . . of all officers and employees of the township."

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

We requested that Mrs. Shafer reimburse the Township for the salary overpayments, in the amount of \$9,002.40. (See Summary of Charges, page 9)

Mrs. Shafer deposited \$1,360 to the Township account on March 19, 2015, for partial reimbursement of the salary overpayments. (See Summary of Charges, page 9)

**REIMBURSEMENTS WITHOUT SUPPORTING DOCUMENTATION**

Reimbursements were made to Mrs. Shafer and Mr. Shafer without supporting documentation as follows:

Number	Payee	Date	Amount	Description in Ledger
2719	Phyllis J. Shafer	09-26-13	\$ 200	Expenses
2727	Phyllis J. Shafer	11-30-13	100	Supplies - paper/ink etc
2728	Phyllis J. Shafer	12-02-13	200	Printer and computer repair
2737	Phyllis J. Shafer	12-27-13	215	Heater for poor relief
2793	Phyllis J. Shafer	09-23-14	100	Supplies
2803	Phyllis J. Shafer	12-01-14	400	Cemetery plating, computer
2809	Phyllis J. Shafer	12-10-14	250	Computer repair, printer
2811	Phyllis J. Shafer	12-15-14	75	Ink, stamps, paper
2870	Phyllis J. Shafer	09-07-15	250	Supplies
2882	Phyllis J. Shafer	11-14-15	200	Repair and supplies
2886	Phyllis J. Shafer	12-02-15	250	No description
Subtotal			2,240	

LIBERTY TOWNSHIP  
HENRY COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

<u>Check Number</u>	<u>Payee</u>	<u>Check Date</u>	<u>Check Amount</u>	<u>Description in Ledger</u>
2725	John Shafer	11-03-13	500	Maintenance/Tree removal
2801	John Shafer	11-12-14	150	Cemetery repair
2810	John Shafer	12-10-14	200	Repair work
2868	John Shafer	08-31-15	200	Cemetery repair
2873	John Shafer	09-16-15	100	Cemetery repair
2883	John Shafer	11-14-15	125	Copy machine repair
Subtotal			<u>1,275</u>	
Total			<u>\$ 3,515</u>	

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

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

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

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

Mrs. Shafer was requested to reimburse the Township \$3,515 for reimbursements paid without supporting documentation. (See Summary of Charges, page 9)

#### **OFFICE RENT OVERPAYMENT**

Mrs. Shafer paid herself \$50 in excess of the office rent appropriated by the Township Board for the year 2014.

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

We requested that Mrs. Shafer reimburse the Township for the rent overpayment, in the amount of \$50. (See Summary of Charges, page 9)

LIBERTY TOWNSHIP  
HENRY COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

***PENALTIES AND INTEREST***

The payment of penalties and interest were noted as follows:

<u>Date Paid</u>	<u>Payee</u>	<u>Reporting Period</u>	<u>Amount</u>
02-14-13	Internal Revenue Service	2012	\$ 1,079.70
11-04-15	Internal Revenue Service	2009, 2010, 2011	<u>285.64</u>
Total Penalties and Interest			<u>\$ 1,365.34</u>

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Mrs. Shafer was requested to reimburse the Township the total amount of penalties and interest paid, in the amount of \$1,365.34. (See Summary of Charges, page 9)

***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred additional costs in the investigation of the Township.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

We requested that Mrs. Shafer reimburse the State of Indiana \$2,707.14 for special investigation costs. (See Summary of Charges, page 9)

***INTERNAL CONTROL DEFICIENCIES***

The Trustee, who serves as the Township executive and the Township fiscal officer, was responsible for all aspects of accounting for Township financial activity. This included preparing checks, recording financial transactions in the Township ledger, and monitoring budget compliance.

As a result, there was no oversight of Township financial activity on an ongoing basis by another individual. Due to this lack of segregation of duties, fraudulent payments and improper recordkeeping were able to occur and not be identified timely.



LIBERTY TOWNSHIP  
HENRY COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

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

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

**OFFICIAL BOND INFORMATION**

The following is information regarding official bonds obtained by the Township:

<u>Period</u>	<u>Amount</u>
10-01-12 to 10-01-13	\$ 30,000
10-01-13 to 10-01-14	30,000
10-01-14 to 12-31-15	30,000
01-01-16 to 01-01-17	30,000

LIBERTY TOWNSHIP  
HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2016, with Phyllis J. Shafer, Trustee.

LIBERTY TOWNSHIP  
HENRY COUNTY  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Phyllis J. Shafer, Trustee:			
Salary Overpayments, page 4	\$ 9,002.40	\$ -	\$ 9,002.40
Paid by personal check, deposited to Township account on March 19, 2015	<u>-</u>	<u>1,360.00</u>	<u>(1,360.00)</u>
Subtotal	<u>9,002.40</u>	<u>1,360.00</u>	<u>7,642.40</u>
Reimbursements Without Supporting Documentation, pages 4 and 5	3,515.00	-	3,515.00
Office Rent Overpayment, page 5	50.00	-	50.00
Penalties and Interest, page 6	<u>1,365.34</u>	<u>-</u>	<u>1,365.34</u>
Totals	13,932.74	1,360.00	12,572.74
Special Investigation Costs, pages 6 and 7	<u>2,707.14</u>	<u>-</u>	<u>2,707.14</u>
Totals	<u>\$16,639.88</u>	<u>\$1,360.00</u>	<u>\$ 15,279.88</u>

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AFFIDAVIT

STATE OF INDIANA )  
Bartholomew COUNTY)

I, Eugene West, Field Examiner, 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 Liberty Township, Henry County, Indiana, for the period from January 1, 2013 to December 31, 2015, is true and correct to the best of my knowledge and belief.

Eugene West  
Field Examiner

Subscribed and sworn to before me this 5 day of October, 20  .

Barbara Stamper  
Notary Public

My Commission Expires: 04/28/2017  
County of Residence: Bartholomew

