

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

SPECIAL INVESTIGATION REPORT

OF

LANCASTER TOWNSHIP

JEFFERSON COUNTY, INDIANA

January 1, 2010 to December 31, 2015



FILED
10/31/2016

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Special Investigation Results and Comments: | |
| Excess Payments to Trustee..... | 4 |
| Penalties, Interest, and Other Charges | 4-5 |
| Internal Control Deficiencies..... | 5 |
| Official Bonds..... | 6 |
| Exit Conference..... | 7 |
| Summary of Charges | 8 |
| Affidavit | 9 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------|-------------------|----------------------|
| Trustee | Betty J. Scully | 01-01-07 to 12-31-18 |
| Chairman of the Township Board | Jonathon G. Adams | 01-01-10 to 12-31-16 |



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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF LANCASTER TOWNSHIP

We have conducted a special investigation of the records of Lancaster Township (Township) for the period from January 1, 2010 to December 31, 2015. Our investigation was limited to the records related to payments of payroll and penalties, interest, and other charges paid. 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 County Prosecutor.

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

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

April 20, 2016

LANCASTER TOWNSHIP, JEFFERSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

EXCESS PAYMENTS TO TRUSTEE

A comparison of payments made to Betty Scully, Trustee (Scully), with the salary appropriation amounts approved in the budget by the Township Board for the Trustee's salary showed that Scully received excess payments totaling \$1,950.68 during the years 2013 and 2014 as shown in the following schedule:

| | <u>2013</u> | <u>2014</u> | <u>Totals</u> |
|--------------------------------------|--------------------|----------------------|--------------------|
| Gross Pay | \$ 19,210.75 | \$ 12,339.93 | \$ 31,550.68 |
| Salary Amount Approved in Budget | <u>(14,800.00)</u> | <u>(14,800.00)</u> | <u>(29,600.00)</u> |
| Excess Payments - Based on Gross Pay | <u>\$ 4,410.75</u> | <u>\$ (2,460.07)</u> | <u>\$ 1,950.68</u> |

The following is additional information regarding the excess payments made to Scully.

1. Prior to the year 2013, it was the practice of Scully to have her salary paid on a monthly basis. The amount paid was the amount appropriated by Township Board divided by 12 months. However, a review of payments made during the years 2013 and 2014 showed that a systematic method was not used to make payments. For example, during the year 2013, a total of 18 payments were made for compensation in amounts ranging from \$120 to \$3,000.
2. The amount reported to the Internal Revenue Service Form W-2 (Wage and Tax Statement) for the year 2013 was \$14,800 which agreed with the salary appropriation approved by the Township Board for the year 2013. Thus the excess payments were not reported on Scully's Form W-2.
3. Included in the amounts paid to Scully during the year 2013, there were four payments that were not posted to the financial ledger. Also for the year 2013, there was one payment marked void on the ledger; however, the check cleared the Township's bank account.

Indiana Code 36-6-6-10(b) states in part: "The township legislative body shall fix the . . . salaries . . . 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)

Scully was requested to reimburse \$1,950.68 to the Township. (See Summary of Charges, page 8)

PENALTIES, INTEREST, AND OTHER CHARGES

The Township paid penalties, interest, and other charges totaling \$1,772 during the years 2010 through 2015 as shown in the following schedule:

LANCASTER TOWNSHIP, JEFFERSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

| <u>Description</u> | <u>2010</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Totals</u> |
|--------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Internal Revenue Service | \$48.98 | \$351.12 | \$291.35 | \$ 85.88 | \$339.21 | \$445.46 | \$1,562.00 |
| Bank Fees | - | 143.00 | 25.00 | 35.00 | 7.00 | - | 210.00 |
| Totals | <u>\$48.98</u> | <u>\$494.12</u> | <u>\$316.35</u> | <u>\$120.88</u> | <u>\$346.21</u> | <u>\$445.46</u> | <u>\$1,772.00</u> |

The amount paid to the Internal Revenue Service was penalties and interest because the Trustee did not remit payroll taxes and file quarterly reports on a timely basis. The amount paid to the bank was for fees charged for overdrawing the bank account.

Political subdivisions are required to comply with all filing requirements concerning reports and other procedural matters of federal and state agencies. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

Scully was requested to reimburse \$1,772 to the Township. (See Summary of Charges, page 8)

INTERNAL CONTROL DEFICIENCIES

The Trustee was responsible for all aspects of the Township's financial activity. This included preparing checks; recording financial transactions in the financial ledger; monitoring budget compliance; and reporting payroll information and remitting payroll taxes. Due to the lack of segregation of duties, excess payments, and improper recordkeeping were able to occur and not be identified timely.

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)

LANCASTER TOWNSHIP, JEFFERSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BONDS

The Trustee obtained the following bonds:

| Bond Coverage | |
|--------------------------|-----------|
| Term | Amount |
| 01-12-10 to 01-12-11 | \$ 15,000 |
| 01-12-11 to 01-12-12 | 15,000 |
| 01-12-12 to 01-12-13 | 15,000 |
| 01-12-13 to 01-12-14 | 15,000 |
| 01-01-14 to 01-01-15 (1) | - |
| 01-01-15 to 12-31-15 | 30,000 |

Note to Schedule: (1) The Trustee was not bonded.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following . . . township officers and employees shall file an individual surety bond: . . . Township trustees . . .

(b) The fiscal body of a . . . township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) . . . the fiscal bodies of the respective units shall fix the amount of . . . township trustees . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee . . . "

LANCASTER TOWNSHIP, JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2016, with Betty Scully, Trustee.

LANCASTER TOWNSHIP, JEFFERSON COUNTY
SUMMARY OF CHARGES

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|---|-------------------|----------------|--------------------|
| Betty Scully, Trustee: | | | |
| Excess Payments to Trustee, page 4 | \$1,950.68 | \$ - | \$ 1,950.68 |
| Penalties, Interest, and Other Charges, pages 4 and 5 | <u>1,772.00</u> | <u>-</u> | <u>1,772.00</u> |
| Totals | <u>\$3,722.68</u> | <u>\$ -</u> | <u>\$ 3,722.68</u> |

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

AFFIDAVIT

STATE OF INDIANA)
)
DEARBORN COUNTY)

I, Richard Ahlrich, 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 Lancaster Township, Jefferson County, Indiana, for the period from January 1, 2010 to December 31, 2015, are true and correct to the best of my knowledge and belief.

Richard Ahlrich
Field Examiner

Subscribed and sworn to before me this 29 day of June, 2016

[Signature]

Clerk of the Circuit Court

