

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

SPECIAL INVESTIGATION REPORT

OF

ROSS TOWNSHIP

CLINTON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
02/21/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Matthew Marley James A. Harris	01-01-07 to 12-31-10 01-01-11 to 12-31-18
Chairman of the Township Board	Daniel Lahrman Mike Gochenour	01-01-10 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ROSS TOWNSHIP, CLINTON COUNTY

We have conducted a special investigation of the records of Ross Township for the period from January 1, 2010 to December 31, 2010. Our investigation was limited to the following records: receipts, bank deposits, ledger of receipts, disbursements and balances, checks, supporting documentation for checks, bank statements, budgets, contracts, policies and procedures, and minutes of the Township Board. 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 this report has not been examined or verified for its accuracy.

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

March 1, 2016

ROSS TOWNSHIP, CLINTON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

SALARY OVERPAYMENTS

Salary overpayments were made to Matthew Marley, former Trustee (Marley), and Amber Marley, former Township Clerk, during the investigation period for 2010, in the following amounts:

<u>Description</u>	<u>Years</u>	<u>Salary Authorized</u>	<u>Payments</u>	<u>Amount Overpaid</u>
Matthew Marley	2009	\$ -	\$ 1,000	\$ 1,000
Matthew Marley	2010	6,400	26,200	19,800
Amber Marley	2010	<u>3,650</u>	<u>6,750</u>	<u>3,100</u>
Totals		<u>\$ 10,050</u>	<u>\$ 33,950</u>	<u>\$ 23,900</u>

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

We requested that Marley reimburse the Township \$23,900 in salary overpayments to him and his spouse. (See Summary of Charges, page 11)

PAYROLL TAX REPORTING AND DEDUCTIONS

The following deficiencies relating to the 2010 payroll tax filing were noted.

1. The Township paid \$5,820 in 2010 to the stepson of Marley for mowing of cemeteries maintained by the Township. There was no evidence presented for investigation that a Form 1099 was issued for these payments.
2. Gross wages paid to Marley and Amber Marley, former Township Clerk, were not in agreement with the gross wages as shown on the W-2s issued to them and posted in the Financial and Appropriation Ledger. The amount paid to Marley and Amber Marley was \$26,200 and \$6,750 respectively. The amount reported on their W-2s was \$7,000 and \$4,000, respectively.
3. Salary payments to Marley and Amber Marley, former Township Clerk, were made without deductions of Social Security and Medicare taxes; however, the Township paid both the employer and employee share of the Social Security and Medicare taxes on the \$7,000 and \$4,000. The amount paid by the Township that was required to be withheld from the Marleys' salary payments was \$841.50.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

We requested that Marley reimburse the Township \$841.50 for employee Social Security and Medicare taxes not withheld but, subsequently, paid by the Township. (See Summary of Charges, page 11)

ROSS TOWNSHIP, CLINTON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

PENALTIES AND INTEREST CHARGES

The Township paid penalties and interest charges to United States Treasury in the amount of \$888.41 because the Township did not remit withholding payments for the tax period December 31, 2009, on a timely basis.

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)

We requested that Marley reimburse the Township \$888.41 for penalties and interest charges paid by the Township. (See Summary of Charges, page 11)

INTERNAL CONTROLS

The Township had not established internal controls and a system to monitor controls. The failure to establish internal controls would not prevent, or detect and correct, (material) misstatements in a timely manner. Additionally, once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness.

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, Chapter13)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs, in the amount of \$3,420.63, due to the special investigation of Ross Township.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

ROSS TOWNSHIP, CLINTON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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 Marley reimburse the State of Indiana \$3,420.63 for special investigation costs. (See Summary of Charges, page 11)

OFFICIAL BOND

Marley was covered by the following official bond:

<u>Bond Period</u>	<u>Coverage</u>
01-01-10 to 12-31-10	<u>\$ 30,000</u>

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted for 2010.

1. Record balances were not reconciled to depository balances. Also, bank statements with the cancelled checks were not brought in for investigation.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors for 2010. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, and interest not posted. There were several instances where the check posted to the ledger and the check that cleared the bank had different payees. Also, numerous checks cleared the bank that were not posted to the ledger and no documentation substantiating disbursements was presented for investigation.

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)

3. The checks were not written in consecutive order by date. Also, the duplicate copy was either not completed or not available. Thus, accountability of the checks written for the year was difficult.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ROSS TOWNSHIP, CLINTON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

ADVANCE PAYMENTS

On January 1, 2010, Marley was paid \$4,000 for rent. This amount was the approved rent for the year, thus, he was paid in advance of the actual date the services were provided.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

EXCESSIVE OR UNREASONABLE COSTS - CEMETERY CARE EXPENSES

The Township paid \$5,820 in 2010 for mowing costs for the two cemeteries maintained by the Township. These payments were made to the stepson of Marley and son of the Township Clerk, Amber Marley. There were no invoices related to the mowing costs documenting the days of the mowing, the cemetery mowed or the cost per mowing. Due to the lack of supporting information, the validity and accountability of these monies disbursed could not be established.

A similar comment was included in the prior Report B38415.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

RECORD INFORMATION - PROPERTY TAX DISTRIBUTION

The County Auditor issued various distributions of taxes to the Trustee during 2010. No evidence was presented for investigation that these distribution were deposited to the Township's bank account or posted to the Financial and Appropriation Record. On August 15, 2011, the Clinton County Auditor reissued a check to Ross Township for \$29,412.95 representing three CAGIT distributions and the June 2010 tax distribution.

Indiana Code 5-13-6-1(c) states in part: "... The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ROSS TOWNSHIP, CLINTON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST

The Township paid \$5,820 in 2010 to the stepson of Marley for mowing expenses for the two cemeteries maintained by the Township. A Uniform Conflict of Interest Disclosure Statement was not presented for investigation.

During the investigation period, Indiana Code 35-44-1-3 stated in part:

"(a) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served under any of the following conditions: . . .

(3) If the public servant:

- (A) is an elected public servant . . . and
- (B) makes a disclosure under subsection (d)(1) through (d)(6). . . .

(d) A disclosure required by this section must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

ROSS TOWNSHIP, CLINTON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of:

- (1) the public servant; or
- (2) a dependent of the public servant who:
 - (A) is under the direct or indirect administrative control of the public servant; or
 - (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

ROSS TOWNSHIP, CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2016, with James A. Harris, Trustee.

We attempted to contact Matthew Marley, former Trustee, by certified mail and telephone to schedule an exit conference and did not receive a response.

ROSS TOWNSHIP, CLINTON COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Matthew Marley, former Trustee:			
Salary Overpayments, page 4	\$ 23,900.00	\$ -	\$ 23,900.00
Payroll Tax Reporting and Deductions, page 4	841.50	-	841.50
Penalties and Interest Charges, page 5	<u>888.41</u>	<u>-</u>	<u>888.41</u>
Total before Special Investigation Costs	25,629.91	-	25,629.91
Special Investigation Costs, pages 5 and 6	<u>3,420.63</u>	<u>-</u>	<u>3,420.63</u>
Total	<u><u>\$ 29,050.54</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,050.54</u></u>

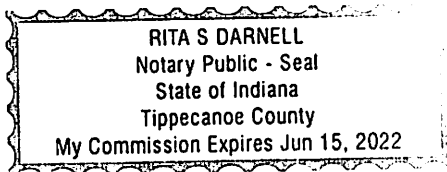
This report was forwarded to the Office of the Indiana Attorney General and local Prosecuting Attorney.

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AFFIDAVIT

STATE OF INDIANA)
Carroll COUNTY)

I, Sandra Gerlach, 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 the Ross Township, Clinton County, Indiana, for the period from January 1, 2010 to December 31, 2010, is true and correct to the best of my knowledge and belief.



Sandra Gerlach
Field Examiner

Subscribed and sworn to before me this 25th day of October, 2016.

Rita S Darnell
Notary Public

My Commission Expires: June 15, 2022

County of Residence: Tippecanoe