

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

SPECIAL INVESTIGATION REPORT

OF

TIPPECANOE TOWNSHIP

PULASKI COUNTY, INDIANA

January 1, 2012 to April 26, 2016



FILED
01/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Kathleen Keller Martie J. White	01-01-11 to 04-26-16 04-27-16 to 12-31-18
Chairman of the Township Board	William Bauer	01-01-12 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF TIPPECANOE TOWNSHIP, PULASKI COUNTY

We have conducted a special investigation of the records of Tippecanoe Township (Township) for the period from January 1, 2012 to April 26, 2016. Our investigation was limited to all records applicable to Township disbursements. 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.

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

December 21, 2016

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

BACKGROUND

Kathleen Keller (Keller) was the Township Trustee from January 1, 2011 to April 26, 2016. On April 15, 2016, Keller resigned her position effective April 26, 2016. Her replacement, Martie J. White (White) was appointed on April 27, 2016.

The Township records transferred to White by Keller did not include ledgers, bank reconcilements, invoices, or other types of information necessary to properly reflect the activity of the Township for the period January 1, 2011 to April 2, 2016. In an effort to develop a record of the Township's transactions, White, through the use of a local accountant, began the process of developing the Township records from the bank statements (i.e. posting the deposits and cancelled checks) to a computerized check register/ledger. During this time period, it was noted that disbursements had increased significantly during the last year and a significant number of checks had been issued to Keller. Invoices or other forms of documentation could not be located to support these payments.

White contacted the Indiana State Board of Accounts to discuss these issues and a special investigation ensued. The following comments document the findings related to this special investigation.

UNSUPPORTED CASH DISBURSEMENTS

Keller wrote 134 checks totaling \$101,050 issued to "Cash" from January 1, 2013 to March 31, 2016. These checks were endorsed and cashed by Keller. No records were maintained or presented for review documenting how or where the cash was used.

The following schedule details these cash payments by year:

<u>Year of Expenditure</u>	<u>Amount</u>	<u>Number of Checks</u>
2013	\$ 28,600	37
2014	45,150	58
2015	22,900	33
2016	<u>4,400</u>	6
Total	<u>\$ 101,050</u>	

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (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)

Keller was requested to reimburse the Township \$101,050 for cash disbursements without supporting documentation. (See Summary of Charges, page 11)

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

TOWNSHIP FUND PAYMENTS MADE TO THE TRUSTEE WITHOUT SUPPORTING DOCUMENTATION

Keller issued 3 checks to herself from the Township fund totaling \$1,332.43 that indicated she was being reimbursed for Township expenses. No documentation was presented to support these payments. The following schedule details reimbursements made to Keller without supporting documentation:

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>	<u>Description of Purchase</u>
3301	04-09-12	\$ 250.00	Other supplies - repairs
3361	10-04-12	300.00	Supplies - waste removal
3398	01-28-13	<u>782.43</u>	No description
	Totals	<u>\$1,332.43</u>	

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)

Keller was requested to reimburse the Township \$1,332.43 for reimbursements paid without supporting documentation. (See Summary of Charges, page 11)

TOWNSHIP ASSISTANCE FUND PAYMENTS MADE TO THE TRUSTEE WITHOUT SUPPORTING DOCUMENTATION

In 2013, Keller issued 10 checks to herself from the Township Assistance fund totaling \$11,200. No documentation was presented to support 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)

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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)

Keller was requested to reimburse the Township \$11,200 for Township Assistance checks issued to herself without supporting documentation. (See Summary of Charges, page 11)

***TOWNSHIP ASSISTANCE FUND PAYMENTS MADE TO
VENDORS WITHOUT SUPPORTING DOCUMENTATION***

From January 1, 2012 to April 26, 2016, Keller issued 87 checks totaling \$21,832.94 to vendors from the Township and Township Assistance Funds. No documentation was presented to support these payments.

The following schedule details payments made to vendors from the Township and Township Assistance Funds without supporting documentation:

<u>Years</u>	<u>Amount Paid</u>	<u>Description</u>
2012	\$ 301.32	Various Vendors, 4 checks
2013	11,992.01	Various Vendors, 37 checks
2014	6,567.65	Various Vendors, 29 checks
2014	1,490.31	Various Vendors, 4 checks
2015	867.91	Various Vendors, 9 checks
2016	<u>613.74</u>	Various Vendors, 4 checks
	<u>\$21,832.94</u>	

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)

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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)

Keller was requested to reimburse the Township \$21,832.94 for Township Assistance checks issued to vendors without supporting documentation. (See Summary of Charges, page 11)

PAYMENT OF UNALLOWABLE UTILITY, MAINTENANCE AND RENT EXPENSES

Payments totaling \$6,982 were made to Keller for utilities and maintenance expenses for the period January 1, 2012 to June 11, 2015. These payments were in addition to monthly rent reimbursements allowed for maintaining the Trustee's office in her home.

The total rent payments received by Keller in 2014 exceeded the amount established by the Board by \$320.

The following schedule details the unallowable utility and maintenance expenses:

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>	<u>Description of Purchase</u>
3271	01-10-12	\$ 450	Office utilities
3281	02-06-12	550	Office maint & repair
3296	03-16-12	500	Office utilities
3339	07-28-12	500	Maintenance fee
3355	09-19-12	350	Remainder of office utilities for '12
3401	02-13-13	500	Maintenance for office
3414	03-08-13	421	Honeys Busy Beez Cleaning
3443	05-17-13	369	Honeys Busy Beez Cleaning
3385	12-10-12	342	Honeys Busy Beez Cleaning
3484	08-19-13	500	1/2 of utilities
3562	02-13-14	500	1/2 of utilities
3639	08-07-14	500	1/2 of utilities
3707	01-26-15	500	1/2 of utilities
3714	02-24-15	500	1/2 of utilities
3745	06-11-15	<u>500</u>	Maintenance
Totals		<u>\$ 6,982</u>	

The State Board of Accounts has not taken audit exception to reimbursements of a reasonable sum for rent when a trustee uses the trustee's residence for the township office in accordance with IC 36- 6-8-3 which states in part (a) "If the township executive uses a part of the executive's residence for an office, the

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

township legislative body shall appropriate a reasonable sum for that office space." The State Board of Accounts is of the audit position the amounts paid for rent for the use of a home office for the township is all-inclusive of all utilities, e.g. electricity, water, gas, etc. (Township Bulletin and Uniform Compliance Guidelines, Volume 283)

Public funds may not be used to pay for personal 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 for Townships, Chapter 13)

Keller was requested to reimburse the Township \$7,302 for payment of unallowable utility, maintenance, and rent expenses. (See Summary of Charges, page 11)

PAYMENT OF PENALTIES, INTEREST, AND LATE FEES

The Township paid two late fees totaling \$60 each to the Hartford Insurance Company and penalties and interest of \$191.77 to the Internal Revenue Service due to late payment of quarterly taxes.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

Keller was requested to reimburse the Township \$251.77 for payment of penalties, interest, and late fees. (See Summary of Charges, page 11)

ADDITIONAL SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the amount of \$5,544 due to the special investigation of Township disbursements.

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.

Keller was requested to reimburse the State of Indiana \$5,544 for additional special investigation costs. (See Summary of Charges, page 11)

INTERNAL CONTROL DEFICIENCIES

The Trustee, who served as the Township executive and the Township fiscal officer, was responsible for all aspects of 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.

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, seg-

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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)

BOND COVERAGE

The Township obtained official bond coverage for Keller as scheduled below:

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Amount of Coverage</u>
Western Surety Company	01-01-11 to 01-01-15	\$ 30,000

TIPPECANOE TOWNSHIP
PULASKI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2016, with Martie J. White, Trustee, and William Bauer, Chairman of the Township Board.

Our efforts to meet with Kathleen Keller, former Trustee, to discuss this report were unsuccessful.

TIPPECANOE TOWNSHIP
PULASKI COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kathleen Keller, former Trustee:			
Unsupported Cash Disbursements, page 4	\$101,050.00	\$ -	\$ 101,050.00
Township Fund Payments Made to the Trustee Without Supporting Documentation, page 5	1,332.43	-	1,332.43
Township Assistance Fund Payments Made to the Trustee Without Supporting Documentation, pages 5 and 6	11,200.00	-	11,200.00
Township Assistance Fund Payments Made to Vendors Without Supporting Documentation, pages 6 and 7	21,832.94	-	21,832.94
Payment of Unallowable Utility, Maintenance, and Rent Expenses, pages 7 and 8	7,302.00	-	7,302.00
Payment of Penalties, Interest, and Late Fees, page 8	251.77	-	251.77
Additional Special Investigation Costs, page 8	<u>5,544.00</u>	<u>-</u>	<u>5,544.00</u>
 Totals	 <u>\$148,513.14</u>	 <u>\$ -</u>	 <u>\$ 148,513.14</u>

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

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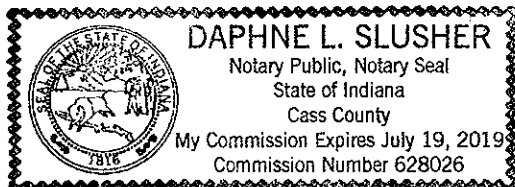
AFFIDAVIT

STATE OF INDIANA)
Cass 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 Tippecanoe Township, Pulaski County, Indiana, for the period from January 1, 2012 to April 26, 2016, is true and correct to the best of my knowledge and belief.

Sandra G. Gerlach
Field Examiner

Subscribed and sworn to before me this 18th day of January, 2017.



Daphne L. Slusher
Notary Public

My Commission Expires: _____

County of Residence: Cass