

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF WARREN PARK

MARION COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
06/28/2017

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WARREN PARK, MARION COUNTY, INDIANA

This is a special investigation report for the Town of Warren Park (Town), for the period January 1, 2012 to December 31, 2015, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, non-compliance may exist that is unidentified.

This report was forwarded to the Office of the Indiana Attorney General, the Marion County prosecuting attorney, the Internal Revenue Service, and the Indiana Department of Revenue.

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

May 19, 2016

TOWN OF WARREN PARK
RESULTS AND COMMENTS

COMPENSATION OVERPAYMENTS

Harold E. Bean (Bean), Jr., former Clerk-Treasurer, paid himself \$22,241 in excess of the compensation approved by the Town Council for the years 2012, 2013, and 2014.

The following schedule details the amount of the compensation overpayments:

<u>Years</u>	<u>Compensation Overpayments</u>
2012	\$ 521.65
2013	2,700.00
2014	<u>19,019.35</u>
Total	<u>\$ 22,241.00</u>

On February 4, 2015, Bean pled guilty to theft and official misconduct and was ordered to pay restitution of \$20,000 plus court costs and fees. As of May 19, 2016, the Town has received \$385 reimbursement from Bean. (See Summary of Charges, page 8)

Indiana Code 36-5-3-2 states in part:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of . . . the town clerk-treasurer . . ."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Bean reimburse the Town for the compensation overpayments in the amount of \$22,241. (See Summary of Charges, page 8)

PRIOR REPORT COMPENSATION OVERPAYMENTS - INSUFFICIENT FUNDS

In prior Report B42361, we determined that Bean received compensation overpayments totaling \$3,027.17 in 2010 and 2011. Bean was requested to reimburse the Town for the overpayments.

On May 24, 2013, Bean deposited a personal check for \$3,027.17 to the Town's bank account. On May 30, 2013, the Town's bank account was charged \$12 because the check deposited was returned due to insufficient funds, and the \$3,027.17 was deducted from the Town's bank account.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

Indiana Code 36-5-3-2 states in part:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of . . . the town clerk-treasurer . . ."

We requested Bean reimburse the Town for the check returned due to insufficient funds and the associated bank fee, in the amount of \$3,039.17. (See Summary of Charges, page 8)

PENALTIES, INTEREST, AND FEES

The payment of penalties, interest, and fees, resulting from noncompliance with Indiana Department of Revenue and Indiana Department of Workforce Development requirements by Bean in 2012 and 2013, were noted as follows:

Year	Penalties	Interest	Fees	Total
2015	<u>\$ 505.20</u>	<u>\$ 599.47</u>	<u>\$ 290.40</u>	<u>\$ 1,395.07</u>

Any future penalties, interest, and fees resulting from noncompliance with reporting and filing requirements of governmental agencies assessed and paid by the Town will be the responsibility of Bean.

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Bean reimburse the total amount of penalties, interest, and fees paid in the amount of \$1,395.07. (See Summary of Charges, page 8)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the compensation overpayments.

Audit costs incurred because of poor records, nonexistent records, or other inadequate bookkeeping practices, or because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Bean reimburse the State of Indiana \$4,444.55 for special investigation costs. (See Summary of Charges, page 8)

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

Accounting duties were not adequately segregated. The Clerk-Treasurer was the only office employee. The following is a description of some of the accounting activities, all of which Bean performed, for which compensating controls or adequate oversight were not in place:

- Bean had complete access to the accounting system allowing him to make financial entries and/or adjustments to the accounting records without any prior approval.
- Bean had access to unused checks and was also authorized to prepare and sign checks.
- Bean was responsible for preparing required reports and prescribed forms, including, but not limited to, the following:
 - Certified Report of Names, Addresses, Duties and Compensation of Public Employees - Form 100-R
 - Internal Revenue Service (IRS) Employer's Quarterly Federal Tax Return - Form 941
 - IRS Wage and Tax Statement - Form W-2
 - IRS Transmittal of Wage and Tax Statements - Form W-3
 - Annual Withholding Tax Form WH-3
 - Certification of Names and Addresses to County Treasurer
 - Annual Financial Report
- Bean had access to all files and was responsible for maintaining the Town's financial documentation, including tracking and reconciling fund balances to depository balances.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND INFORMATION

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

<u>Period</u>	<u>Amount</u>
12-31-11 to 12-31-12	\$ 30,000
12-31-12 to 12-31-13	30,000
12-31-13 to 12-31-14	30,000
12-31-14 to 12-31-15	30,000

TOWN OF WARREN PARK
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2016, with Kelly Brogan, Clerk-Treasurer; Steve Shilts, President of the Town Council; and Teresa Bruno, Council member.

TOWN OF WARREN PARK
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Harold E. Bean, Jr., former Clerk-Treasurer:			
Compensation Overpayments, page 3	\$ 22,241.00	\$	\$
Reimbursement by Harold E. Bean, Jr., deposited 06-22-15		385.00	21,856.00
Prior Report Compensation Overpayments - Insufficient Funds, pages 3 and 4	3,039.17	-	3,039.17
Penalties, Interest, and Fees, page 4	<u>1,395.07</u>	<u>-</u>	<u>1,395.07</u>
Totals	26,675.24	385.00	26,290.24
Special Investigation Costs, page 4	<u>4,444.55</u>	<u>-</u>	<u>4,444.55</u>
Totals	<u>\$ 31,119.79</u>	<u>\$ 385.00</u>	<u>\$ 30,734.79</u>

This report was forwarded to the Office of the Indiana Attorney General, the Marion County prosecuting attorney, the Internal Revenue Service, and the Indiana Department of Revenue.

AFFIDAVIT

STATE OF INDIANA)
)
Marion COUNTY)

I, Tammy Baker, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Warren Park, Marion County, Indiana, for the period from January 1, 2012 to December 31, 2015, is true and correct to the best of my knowledge and belief.

Tammy R Baker
Field Examiner

Subscribed and sworn to before me this 29 day of June, 2017.

Juan Mayhew
Notary Public

My Commission Expires: 03/29/23
County of Residence: Hancock