

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

SPECIAL INVESTIGATION REPORT

OF

CLAY TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2012 to December 31, 2015



**FILED**  
07/05/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Christa K. Acton	01-01-12 to 05-08-12
	Rebecca A. Smith	05-09-12 to 12-31-14
	John A. McDonald	01-01-15 to 12-31-18
Chairman of the Township Board	Michael A. Champlin	01-01-12 to 01-31-14
	John A. McDonald	02-01-14 to 12-31-14
	Frank Anderson	01-01-15 to 12-31-15
	Frank Emerson	01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF CLAY TOWNSHIP, BARTHOLOMEW COUNTY, INDIANA

This is a special investigation report for Clay Township (Township), for the period January 1, 2012 to December 31, 2015, and is in addition to any other report for the Township as required under Indiana Code 5-11-1. All reports pertaining to the Township may be found at [www.in.gov/sboa/](http://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, noncompliance may exist that is unidentified.

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

The Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

February 1, 2017

CLAY TOWNSHIP, BARTHOLOMEW COUNTY  
RESULTS AND COMMENTS

**SALARY OVERPAYMENT**

Rebecca A. Smith (Smith), former Trustee, received \$650 in excess of the salary approved and appropriated by the Township Board for 2014.

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."

We requested that Smith reimburse the Township for the salary overpayment in the amount of \$650. (See Summary of Charges, page 13)

**PERSONAL EXPENSES**

The following disbursements were made with Township funds:

<u>Check Number</u>	<u>Payee</u>	<u>Date</u>	<u>Amount</u>	<u>Description in Ledger</u>
Bank Debit	Intuit Payroll *	11-26-12	\$ 460.38	No description provided
Bank Debit	Intuit Payroll *	11-25-13	373.43	No description provided
Bank Debit	Intuit Payroll *	11-24-14	<u>373.43</u>	No description provided
Total			<u>\$ 1,207.24</u>	

\* This software application was not used for Township business.

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

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Smith was requested to reimburse the Township \$1,207.24 for personal expenses paid with Township funds. (See Summary of Charges, page 13)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY  
RESULTS AND COMMENTS  
(Continued)

**REIMBURSEMENT OF CELL PHONE AND INTERNET EXPENSES**

On November 1, 2014, Smith reimbursed herself \$2,640 for two years of cell phone and internet expenses with Township funds. Additionally, no documentation supporting this reimbursement was located in the Township records. Authorization for the reimbursement for these services was not documented in the Board minutes.

The evidence provided indicated that the internet and cell phone use was not restricted to Township business. Based on personal cell phone and internet invoices provided by Smith, we determined that Smith was entitled to a maximum reimbursement of \$1,038.04.

Documentation should be retained to provide evidence that the telephone/cell phone number has been provided to the public as the contact number for the Township office. Common examples of acceptable documentation would include: a copy of the listing in a telephone directory, signage at the township office or a public building, listing on a governmental unit's website, etc. Using Township funds to pay for personal use of telephone, cell phone, or internet services may be the personal obligation of the responsible official or employee. (Township Bulletin, Volume 311)

Indiana Code 36-6-8-3(a) states in part:

"The annual appropriation to a township executive for the expenses of renting an office and telephone . . . expenses must, as nearly as possible, be equal to the actual cost of those items. If the township executive uses a part of the executive's residence for an office, the township legislative body shall appropriate a reasonable sum for that office space."

For telephone, cell phone, and internet services that are not restricted to Township use, then Township funds may be used to pay for up to 50% of the cost of the base service. (Township Bulletin, Volume 311)

Smith was requested to reimburse the Township \$1,601.96 for the payment of internet and cell phone expenses. (See Summary of Charges, page 13)

**PENALTIES, INTEREST, AND OVERPAYMENT OF PAYROLL TAXES**

The payment of penalties, interest, and overpayment of payroll taxes to the Indiana Department of Revenue was noted as follows:

<u>Date Paid</u>	<u>Reporting Period</u>	<u>Amount</u>
06-15-12	2011	\$ 6,019.67
08-15-12	2011	562.40
		6,582.07
Total		\$ 6,582.07

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 Townships, Chapter 1)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY  
RESULTS AND COMMENTS  
(Continued)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Christa K. Acton (Acton), former Trustee, was requested to reimburse the payment of penalties, interest, and overpayment of payroll taxes in the amount of \$6,582.07. (See Summary of Charges, page 13)

On October 15, 2015, the Township received a credit of \$5,913.07 from the Indiana Department of Revenue for the overpayment of 2011 payroll taxes, penalties, and interest. (See Summary of Charges, page 13)

**EXAMINATION COSTS**

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

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

**INTERNAL CONTROL DEFICIENCIES**

The former Trustees, who served as the Township executive and the Township fiscal officer, were responsible for all aspects of Township financial activity. This included preparing checks, recording financial transactions, and monitoring budget compliance.

There was no required oversight of Township financial activity on an ongoing basis by another individual. Due to this lack of segregation of duties, the salary overpayment, payment of personal expenses, reimbursement for unallowable cell phone and internet expenses, and payment of penalty, interest and overpayment of payroll taxes were able to occur and not be identified timely.

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. . . ."

CLAY TOWNSHIP, BARTHOLOMEW COUNTY  
RESULTS AND COMMENTS  
(Continued)

**BOND INFORMATION**

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

<u>Period</u>	<u>Amount</u>
01-01-10 to 12-31-10	\$ 30,000
01-01-11 to 05-08-12	30,000
11-06-12 to 11-06-13	30,000
11-06-13 to 12-31-14	30,000
01-01-15 to 01-01-16	30,000
01-01-16 to 12-31-16	30,000

CLAY TOWNSHIP, BARTHOLOMEW COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2017, with Rebecca A. Smith, former Trustee; John A. McDonald, Trustee; and Frank Emerson, Chairman of Township Board.

Contact with Christa K. Acton was made via a Certified Letter dated September 21, 2016, to inform the former Trustee of the need for an exit conference regarding the January 1, 2012 to December 31, 2015 examination. Christa K. Acton did not attend the exit conference.

OFFICIAL RESPONSE

March 15, 2017

State Board of Accounts

302 W Washington Street Room E418

Indianapolis, IN 46204-2765

Electronic Response-Attn Lisa David (ldavid@sboa.in.gov)

Rebecca A Smith

13800 E Base Road, Columbus IN 47203

812-343-7715

Served as Clay Township Trustee-May 2012 – December 2014

Elected Clay Township Advisory Board Members during my term

Mike Champlin

Tom Finke

Karen Finke

John McDonald

I accepted the official appointment to the office of trustee; as NO ONE wanted the job. I was recruited for this position by the Caucus Chairman, Ted Ogle, as he wanted someone who was committed to the citizens of Bartholomew County; someone who was filled with honesty and integrity. After an exemplary career of 21 years with the Sheriff's Office and what would have likely been another 20, had I not been injured by an on duty crash and subsequent wear and tear injuries from added altercations, rescues, etc., thievery had no part in my past nor future. I had informed Ted that there was no way that I could work a full-time job or even a part time job. He assured me that I would have assistance from the chairman of the board at that time, Mike Champlin.

Mike was indeed a great help and within a month or so of me taking office, he said that he was trying to figure out the chaos from the previous Trustee and stated that he would go ahead and take over the basic bookkeeping to help me out. As I had little to go on with learning the office in a hurry; I was delighted to have the help. The board and I weren't necessarily happy with the situation that we were dealing with but we also weren't willing to see the needs of our township falter because of the gross negligence that had occurred previously. I prepared the checks, took care of the business end, and township assistance; while Mike managed the ledger and monitored budget compliance, he was also the cosigner on all checks. The ledger work was then taken over by John McDonald upon Mike's resignation. I was always provided copies.

My issues with the Audit results by the DLGF are as follows:

**SALARY OVERPAYMENTS:** Upon taking office, I was informed by the board president that my yearly salary was \$7800.00. When I requested further information regarding the payroll, I recall that he indicated that he didn't care whether I paid myself once a year or once a month; as long as, I did not exceed the \$7800.00 appropriated for the year. The examiner explained this particular item to me and I admitted that I had inadvertently miscalculated an extra month when I had paid myself for the first time after 5 months of work. This was simply an error on my part and was definitely not intentional nor an elaborate act to cover anything up. My chronic pain plays a role in short term memory and concentration issues, unfortunately. My character, professionalism, integrity, and honesty are very important to me; however!

#### REIMBURSEMENTS WITHOUT SUPPORTING DOCUMENTATION

Following the investigation into the various thefts committed by Krista Acton (the former trustee), the Clay Township Trustee's Office was nearly broke, as I took over the office. The various items of computer equipment had all been confiscated by the Indiana State Police, the books were all mismanaged, there were hardly any files, and the ones that were there were all copies that had been reworked and recopied numerous times over in an apparent attempt to disguise the thefts that had taken place. The office was in total disarray and terribly confusing. Mike Champlin and I, with the help of the State Board of Accounts, worked to find an actual point and place that we could recover from.

The office did not have a computer, a cell phone, internet coverage, a credit card, and many other items necessary to run the office. I used my cell phone for service as it was needed to manage clients who were in need of services, etc. I used my computer and my internet provider for the services required by the township; as well. I also used my credit card at times for purchases made for the office over the internet. In the fall of 2014, I approached the township advisory board consisting of John McDonald, Tom Finke, and Karen Finke during a township meeting and asked if they would consider reimbursing me for a portion of my phone expenses. This particular instance was recalled by all members of the board. I believe that I originally asked for \$30.00 per month. The discussion was recorded and also documented in the minutes. The board advised that I should reimburse myself for a portion of the cell phone and a portion of the internet services that I had provided for the township. I believe that the amount was calculated at \$45 for each month and each service from June 2012-Dec. 2014. The minutes of the meeting were placed in the "Minutes" folder and a copy of my monthly phone bills were also placed in the file cabinet with a copy of the check that was written to me.

In June of 2016, I was approached by the State Board of Accounts (from here on referred to as SBOA) and advised that I would have to repay the entire amount because there was no supporting documentation. I cannot account for items missing from an office that I no longer have access to nor can I explain why those items were not given to the SBOA. Each board member recalled the meeting and their approval of the reimbursement when interviewed by the SBOA. In short, how am I being held responsible for missing documentation that was left in the care and control of another trustee, the authorization for the reimbursement is recorded, and finally the Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13 even uses the word "MAY" be the personal obligation of the responsible official and not "WILL." How do they impose this harsh repayment action for an approved reimbursement anyway? Furthermore; my cell phone number WAS listed as the contact number under the Bartholomew County Governmental Offices, Love Chapel, United Way, and various other assistance programs and used regularly by the various agencies and given out freely by their volunteers and employees to potential clients, who in turn, also used the number. Also, the reimbursement was not over 50% for the cost of the service as found under IC 12-20-5.5-3.

#### INTERNAL CONTROL DEFICIENCIES

For the investigating officer to say that "there was no oversight of Township financial activity on an ongoing basis by another individual" is preposterous. Mike Champlin can readily verify this, as he managed the ledgers during his term, as did John McDonald. This can also be verified through witness statements from the board members. If John McDonald had no knowledge of the financial activity of the office, how did he manage the ledger and banking activity? John had also informed the investigating officer that there were no ledgers prior to him becoming an advisory board member. If this were true and/or had there not have been any supporting documentation (for some unknown reason???) available for the SBOA investigator; would he not have asked himself ...

1) Ledgers and supporting bank account information are required for each year when preparing and filing documentation for each budget process with the DLGF. How did Clay Township Trustee's office ever pass the budget process for 2012 and 2013? The SBOA had this information at their disposal through the Department of Local Government Finance, the Bartholomew County Auditor's Office, each

Clay Township Board member; as well as, with our financial consultant Dan Eggerman The examiner apparently failed to look for it.

Thank you,

Rebecca A Smith

CC [tbaker@sboa.in.gov](mailto:tbaker@sboa.in.gov)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rebecca A. Smith, former Trustee:			
Salary Overpayment, page 4	\$ 650.00	\$ -	\$ 650.00
Personal Expenses, page 4	1,207.24	-	1,207.24
Reimbursement of Cell Phone and Internet Expenses, page 5	<u>1,601.96</u>	<u>-</u>	<u>1,601.96</u>
Totals	<u>\$ 3,459.20</u>	<u>\$ -</u>	<u>\$ 3,459.20</u>
Christa K. Acton, former Trustee:			
Penalties, Interest, and Overpayment of Payroll Taxes, pages 5 and 6	<u>\$ 6,582.07</u>	<u>\$ 5,913.07</u>	<u>\$ 669.00</u>

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

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AFFIDAVIT

STATE OF INDIANA            )  
Marion COUNTY) )

I, Eugene West, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Clay Township, Bartholomew 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.

Eugene West  
Field Examiner

Subscribed and sworn to before me this 13<sup>th</sup> day of June, 2017

David Steele  
Notary Public

My Commission Expires: January 9, 2025  
County of Residence: Marion