

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

SPECIAL INVESTIGATION REPORT

OF

VERMILLION TOWNSHIP

VERMILLION COUNTY, INDIANA

January 1, 2015 to December 31, 2016



FILED
07/12/2017

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VERMILLION TOWNSHIP, VERMILLION COUNTY, INDIANA

This is a special investigation report for Vermillion Township (Township), Vermillion County, for the period January 1, 2015 to December 31, 2016, 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/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the expenditures of the Township. 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 and the local prosecuting attorney.

Any 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

June 13, 2017

VERMILLION TOWNSHIP, VERMILLION COUNTY
RESULTS AND COMMENTS

PERSONAL EXPENSES

From May 2016 to February 2017, Anna Denise Mitchell (Mitchell), Trustee, wrote herself eight checks totaling \$5,000 from the Township checking account. Entries in the Township ledger made by Mitchell suggested that these disbursements were personal loans. However, no repayments had been made by Mitchell as of June 13, 2017, the date of the exit conference on this report and no loan documents were provided during the audit.

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)

We requested Mitchell to reimburse the Township \$5,000 for unauthorized personal expenses from Township funds. (See Summary of Charges, page 9)

IMPROVEMENTS TO PERSONAL RESIDENCE

In March 2015, Mitchell wrote herself a check for \$2,000. The entry in the Township ledger indicated that this money was used for the construction of a new office. The Trustee maintains her office in her residence and collects monthly rent from the Township for the office. Additionally, no documentation was presented to support these expenses.

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

We requested Mitchell to reimburse the Township \$2,000 for improvements made to her personal residence. (See Summary of Charges, page 9)

TOWNSHIP ASSISTANCE INVESTIGATOR PAY

In December 2015, Mitchell wrote herself a check for \$850. The entry in the Township ledger indicated this was additional pay as an investigator for Township Assistance.

We continue to receive inquiries concerning Trustees receiving compensation for cemetery care, Township Assistance Investigations, weed eradication, fire territory administrators is the provider unit, etc. Some of the situations involve payment from funds other than the Township fund, e.g. the Township Assistance fund.

VERMILLION TOWNSHIP, VERMILLION COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 36-6-4-3, concerning a Township Trustee's responsibilities and duties, states:

"The executive shall do the following:

- (1) Keep a written record of official proceedings.
- (2) Manage all township property interests.
- (3) Keep township records open for public inspection.
- (4) Attend all meetings of the township legislative body.
- (5) Receive and pay out township funds.
- (6) Examine and settle all accounts and demands chargeable against the township.
- (7) Administer township assistance under IC 12-20 and IC 12-30-4.
- (8) Perform the duties of fence viewer under IC 32-26.
- (9) Provide and maintain cemeteries under IC 23-14.
- (10) Provide fire protection under IC 36-8, except in a township that:
 - (A) is located in a county having a consolidated city; and
 - (B) consolidated the township's fire department under IC 36-3-1- 6.1.
- (11) File an annual personnel report under IC 5-11-13.
- (12) Provide and maintain township parks and community centers under IC 36-10.
- (13) Destroy detrimental plants, noxious weeds, and rank vegetation under IC15-3-4.
- (14) Provide insulin to the poor under IC 12-20-16.
- (15) Perform other duties prescribed by statute."

Indiana Code 36-6-6-10, concerning compensation of officers and employees, states in part:

". . . . (b) The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay; and
- (4) remuneration other than statutory allowances;

of all officers and employees of the township. . . .

VERMILLION TOWNSHIP, VERMILLION COUNTY
RESULTS AND COMMENTS
(Continued)

(d) Except as provided in subsection (h), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available. . . ." Our Emphasis

We are not aware of any statutory provisions which would allow a trustee to circumvent a township board's authority to "fix the salaries" of a trustee by "contracting with themselves" to provide for cemetery care, township assistance investigations, weed eradication, and other statutory duties. etc. Therefore, the State Board of Accounts is of the audit position that compensation provided by a township board in accordance with IC 36-6-6-10 is all inclusive for all duties performed by a trustee. We will request reimbursement for any payments received above the compensation established for any township trustee, board member or employee by IC 36-6-6-10. (Township Bulletin and Uniform Compliance Guidelines, Volume 284)

We requested Mitchell to reimburse the Township \$850 for unauthorized payments received for Township Assistance Investigator services. (See Summary of Charges, page 9)

SALARY OVERPAYMENT

The annual salary established in the Township Board minutes for the Trustee for 2016 was \$12,900. Salary payments made to Mitchell in 2016 totaled \$13,902. These payments resulted in Mitchell being overpaid by \$1,002 in 2016.

Indiana Code 36-6-6-10(b) states:

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay; and
- (4) remuneration other than statutory allowances;

of all officers and employees of the township."

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested Mitchell to reimburse the Township \$1,002 for the 2016 salary overpayments. (See Summary of Charges, page 9)

VERMILLION TOWNSHIP, VERMILLION COUNTY
RESULTS AND COMMENTS
(Continued)

RENT OVERPAYMENT

The annual office rent to be paid to the Trustee was established in 2016 budget at \$3,000. Rent payments made to Mitchell in 2016 totaled \$3,500. These payments resulted in Mitchell being overpaid by \$500 in 2016.

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

We requested Mitchell to reimburse the Township \$500 for the 2016 rent overpayments received. (See Summary of Charges, page 9)

UNDOCUMENTED PURCHASES OF SUPPLIES

From June 2015 to October 2016, Mitchell wrote herself 10 checks ranging from \$50 to \$300, totaling \$1,195, from the Township checking account. Entries in the ledger indicated these payments were reimbursements for office supplies. No documentation was presented to support these purchases.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

We requested Mitchell to reimburse the Township \$1,195 for undocumented purchase reimbursements.

INTERNAL CONTROLS RELATED TO TOWNSHIP DISBURSEMENTS

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.

VERMILLION TOWNSHIP, VERMILLION COUNTY
RESULTS AND COMMENTS
(Continued)

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. . . ."

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the amount of \$2,711.48 due to the special investigation of Township disbursements.

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)

We requested Mitchell to reimburse the State of Indiana \$2,711.48 for additional special investigation costs. (See Summary of Charges, page 9)

VERMILLION TOWNSHIP, VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2017, with Anna Denise Mitchell, Trustee, and on June 16, 2017, with Joe Tolbert, Chairman of the Township Board.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Anna Denise Mitchell, Trustee:			
Personal Expenses, page 3	\$ 5,000.00	\$ -	\$ 5,000.00
Improvements to Personal Residence, page 3	2,000.00	-	2,000.00
Township Assistance Investigator Pay, pages 3 through 5	850.00	-	850.00
Salary Overpayment, page 5	1,002.00	-	1,002.00
Rent Overpayment, page 6	500.00	-	500.00
Undocumented Purchases of Supplies, page 6	1,195.00	-	1,195.00
Special Investigation Costs, page 7	<u>2,711.48</u>	<u>-</u>	<u>2,711.48</u>
Totals	<u>\$ 13,258.48</u>	<u>\$ -</u>	<u>\$ 13,258.48</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)
)
HUNTINGTON COUNTY)

I, Jeff Paul, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Vermillion Township, Vermillion County, Indiana, for the period from January 1, 2015 to December 31, 2016, is true and correct to the best of my knowledge and belief.

Jeff Paul

Field Examiner

Subscribed and sworn to before me this 10th day of July, 2017.

J. S. Sillon

Notary Public

My Commission Expires: 09/11/2022

County of Residence: HUNTINGTON