

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF WALLACE

FOUNTAIN COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
08/24/2017

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF WALLACE, FOUNTAIN COUNTY, INDIANA

This is a special investigation report for the Town of Wallace (Town), for the period January 1, 2016 to December 31, 2016, 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 and were limited to records associated with the Town's disbursements. 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 attached to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

June 8, 2017

TOWN OF WALLACE
RESULTS AND COMMENTS

Rebecca Jones (Jones), Clerk-Treasurer, was charged on December 14, 2016, with theft and official misconduct in the Fountain County Circuit Court.

UNAUTHORIZED DISBURSEMENTS

Jones made four disbursements, totaling \$2,320, from Town funds to a relative that were not supported by an invoice or claim and were not approved by the Town Council. Without supporting documentation, we could not verify these disbursements as Town services and considered them to be the responsibility of Jones.

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 Guideline Manual for Cities and Towns, 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 Guideline Manual for Cities and Towns, Chapter 1)

Public funds may not be used 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 Guideline Manual for Cities and Towns, Chapter 1)

We requested that Jones reimburse the Town \$2,320 for unauthorized disbursements. (See Summary of Charges, page 7)

PERSONAL EXPENSES

Jones used Town funds to pay for personal expenses such as phone, television, utilities, and miscellaneous expenses in the amount of \$1,656.75.

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 Guideline Manual for Cities and Towns, 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 Guideline Manual for Cities and Towns, Chapter 1)

Public funds may not be used 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 Guideline Manual for Cities and Towns, Chapter 1)

We requested that Jones reimburse the Town \$1,656.75 for personal expenses. (See Summary of Charges, page 7)

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

SERVICE CHARGES AND BANK FEES

The Town paid for service charges and bank fees in the amount of \$78 because Jones had not maintained a sufficient amount of funds in the Town's bank account.

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 Guideline Manual for Cities and Towns, Chapter 1)

We requested that Jones reimburse the Town \$78 for service charges and bank fees. (See Summary of Charges, page 7)

INTERNAL CONTROLS

There was a lack of segregation of duties over disbursements for the Town. Jones was responsible for processing accounts payable claims, signing checks, and mailing the checks. Controls were in place for the Town Council to approve the accounts payable claims, however, these controls were bypassed by Jones and disbursements were made without Town Council approval.

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. . . ."

OFFICIAL BOND

Jones was covered by the following official bond:

<u>Bond Period</u>	<u>Amount</u>
01-01-16 to 12-31-16	\$ 30,000

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional audit costs for the Special Investigation of the Town.

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.

Any audit costs paid without prior approval of the SBOA when the SBOA has the statutory requirement to perform the audit of the unit may be considered a duplication of service and an unnecessary expense. These payments 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 WALLACE
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2017, with Marilyn Sowers, President of the Town Council, and Bonnie Harris, Town Council member.

We attempted to contact Rebecca Jones, Clerk Treasurer, by phone to schedule an exit conference and did not receive a response.

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

	Charges	Credits	Balance Due
Rebecca Jones, Clerk-Treasurer			
Unauthorized Disbursements, page 3	\$ 2,320.00	\$ -	\$ 2,320.00
Personal Expenses, page 3	1,656.75	-	1,656.75
Service Charges and Bank Fees, page 4	78.00	-	78.00
Totals	\$ 4,054.75	\$ -	\$ 4,054.75

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)
Putnam COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Wallace, Fountain County, Indiana, for the period from January 1, 2016 to December 31, 2016, is true and correct to the best of my knowledge and belief.

Gina Gambaiani
Field Examiner

Subscribed and sworn to before me this 11 day of July, 2017.



Cheryl Galloway
Notary Public

My Commission Expires: Dec 4 2019

County of Residence: Putnam