

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

SPECIAL INVESTIGATION REPORT

OF

SALT CREEK TOWNSHIP

JACKSON COUNTY, INDIANA

January 1, 2010 to January 20, 2015



FILED
10/16/2017

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Transmittal Letter | 2 |
| Results and Comments: | |
| Disbursements Made Without Supporting Documentation | 3-4 |
| Overpayment of Salary and Office Rent..... | 4 |
| Special Investigation Costs | 5 |
| Internal Control Deficiencies..... | 5-6 |
| Bond Coverage..... | 6 |
| Exit Conference..... | 7 |
| Summary of Charges | 8 |
| Affidavit | 9 |



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 SALT CREEK TOWNSHIP, JACKSON COUNTY, INDIANA

This is a special investigation report for Salt Creek Township (Township), Jackson County, for the period January 1, 2010 to January 20, 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.

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.

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

July 25, 2017

SALT CREEK TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS

DISBURSEMENTS MADE WITHOUT SUPPORTING DOCUMENTATION

Eighteen ACH payments, totaling \$3,430.85, were made to AT&T from the Township bank account in 2013, 2014, and 2015. No supporting documentation was provided for these payments. The following schedule details the payments:

| Date | Amount |
|----------|-------------|
| 09-19-13 | \$ 250.82 |
| 10-08-13 | 99.18 |
| 11-08-13 | 143.31 |
| 12-06-13 | 117.55 |
| 01-02-14 | 209.17 |
| 02-06-14 | 166.48 |
| 03-10-14 | 175.39 |
| 04-10-14 | 177.67 |
| 05-06-14 | 178.70 |
| 05-20-14 | 180.68 |
| 07-03-14 | 185.43 |
| 07-17-14 | 210.21 |
| 08-19-14 | 161.81 |
| 09-15-14 | 244.81 |
| 10-27-14 | 196.72 |
| 12-02-14 | 185.91 |
| 12-26-14 | 305.70 |
| 01-20-15 | 241.31 |
| Total | \$ 3,430.85 |

Without proper supporting documentation, we were unable to determine if Township funds were used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit.

The payment made on September 19, 2013, for \$250.82 was posted to the Township Assistance fund as a Township Assistance payment. The entry indicates a check was issued for that payment; however, this check was never cleared by the Township's bank account. On December 28, 2014, \$2,087.07 was posted in the Township fund as payment to AT&T. Of these payments, \$851.65 were never posted to the ledger in 2013 or 2014. An additional payment of \$241.31 was withdrawn from the bank account in 2015. After discovering the ACH payment from the Township account in 2015, Dave Collier, former Trustee, contacted the bank and stopped all future ACH withdrawals.

In an interview with Autumn Kinser (Kinser), former Trustee, she stated that she did not know why the payments had been withdrawn from the Township's bank account. She could not provide any documentation to support these disbursements. Because Kinser failed to complete required monthly bank reconciliations, she was unaware that the ACH payments were withdrawn from the Township's bank account.

SALT CREEK TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

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)

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)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 1)

We requested Kinser reimburse the Township \$3,430.85 for disbursements made without supporting documentation. (See Summary of Charges, page 8)

OVERPAYMENT OF SALARY AND OFFICE RENT

Kinser received the following salary and rent payments in excess of the approved Township Budget.

| Years | Approved Amounts per Township Budget | | | Amount Paid per Township Ledger | Overpayment (Underpayment) to Trustee |
|---------------|--------------------------------------|--------------------|---------------------|---------------------------------|---------------------------------------|
| | Salary | Rent | Totals | | |
| 2010 | \$ 1,361.10 | \$ 850.68 | \$ 2,211.78 | \$ 2,970.00 | \$ 758.22 |
| 2011 | 2,400.00 | 1,500.00 | 3,900.00 | 4,020.00 | 120.00 |
| 2012 | 2,400.00 | 1,500.00 | 3,900.00 | 4,020.00 | 120.00 |
| 2013 | 2,400.00 | 1,500.00 | 3,900.00 | 4,020.00 | 120.00 |
| Totals | \$ 8,561.10 | \$ 5,350.68 | \$ 13,911.78 | \$ 15,030.00 | \$ 1,118.22 |

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

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 1)

We requested Kinser reimburse the Township \$1,118.22 for overpayment of salary and rent. (See Summary of Charges, page 8)

SALT CREEK TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional investigation costs in the special investigation 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)

Kinser was requested to reimburse the State of Indiana \$2,085.75 for special investigation costs. (See Summary of Charges, page 8)

INTERNAL CONTROL DEFICIENCIES

Disbursements made without supporting documentation and excess payments for salary and office rent were caused by a lack of segregation of duties. The Trustee serves as the Township executive and the Township fiscal officer. As a result, there was no oversight of Township financial activity on an ongoing basis by another official.

The Township Board approves an annual budget with "line item" appropriations limiting the amounts to be expended for various expenditures such as salaries, rent, telephone expenses, etc. It is the Trustee's statutory responsibility to monitor compliance with approved appropriations.

Allowing expenditures to exceed appropriations approved by the Township Board represents an override of controls established by the Township Board.

Because the Township records are public records, the Township Board may adopt a plan to review Township financial activity on a more frequent basis than the once a year that is required by Indiana Code 36-6-6-9.

Indiana Code 36-6-6-9 states in part:

"(a) The legislative body shall meet on or before the third Tuesday after the first Monday in February of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12.

(b) The legislative body may send for persons, books, and papers necessary in the examination of the report. A member may administer oaths necessary in the examination of the report. . . .

(d) Any fund expended, in whole or in part, for a purpose for which it was not appropriated shall be considered unexpended and in the control of the executive, who is liable on the executive's bond for such expenditure.

(e) When its examination of the report is completed, the legislative body shall take action on the report, specifying the parts of the report that are altered or disallowed. The report remains under the control of the legislative body and in custody of its chairman, who shall keep it open to inspection by taxpayers of the township."

SALT CREEK TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

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. . . ."

BOND COVERAGE

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

| Period Covered | Amount Covered |
|----------------------|----------------|
| 01-01-10 to 03-28-12 | \$ - |
| 03-29-12 to 12-31-14 | 100,000 |
| 01-01-15 to 03-02-15 | - |
| 03-03-15 to 12-31-15 | 30,000 |

SALT CREEK TOWNSHIP, JACKSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2017, with Douglas E. Hanner, Trustee; Judy Goforth, Chairman of the Township Board; Trina Hanner, Township Board member; and Stephen Hanner, Township Board member.

A copy of the Results and Comments was sent to Autumn Kinser, former Trustee, on July 24, 2017.

SALT CREEK TOWNSHIP, JACKSON COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|--|--------------------|----------------|--------------------|
| Autumn Kinser, former Trustee: | | | |
| Disbursements Made Without Supporting Documentation, pages 3 and 4 | \$ 3,430.85 | \$ - | \$ 3,430.85 |
| Overpayment of Salary and Office Rent, page 4 | 1,118.22 | - | 1,118.22 |
| Special Investigation Costs, page 5 | <u>2,085.75</u> | <u>-</u> | <u>2,085.75</u> |
| Totals | <u>\$ 6,634.82</u> | <u>\$ -</u> | <u>\$ 6,634.82</u> |

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

AFFIDAVIT

STATE OF INDIANA)
)
MARION COUNTY)

I, Tammy L. Baker, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Salt Creek Township, Jackson County, Indiana, for the period from January 1, 2010 to January 20, 2015, is true and correct to the best of my knowledge and belief.

Tammy L. Baker

Subscribed and sworn to before me this 13 day of SEPTEMBER, 2017

Juanita M. Hendricksen
Notary Public

My Commission Expires: 10-19-23

County of Residence: Hendricks

