

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF CUMBERLAND

MARION AND HANCOCK COUNTIES, INDIANA

January 1, 2013 to December 31, 2016



**FILED**  
06/29/2018



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CUMBERLAND,  
MARION AND HANCOCK COUNTIES, INDIANA

This is a special investigation report for the Town of Cumberland (Town), for the period January 1, 2013 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/](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 and were limited to records associated with unused vacation time paid and performance bonuses paid. 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.

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

March 12, 2018

TOWN OF CUMBERLAND  
RESULTS AND COMMENTS

**BACKGROUND**

The Town became aware that performance bonuses and unused vacation time had been paid in excess to Debbie Blevins (Blevins), former Deputy Clerk-Treasurer. Blevins was responsible for the processing of payroll for the Town. Blevins made partial restitution in the amount of \$11,884.26 on November 4, 2015.

The Indiana State Board of Accounts was notified by the Town officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting for the performance bonuses and unused vacation time paid. The following describes the noncompliance with state statutes, ordinances, or the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns.

**PERFORMANCE BONUS OVERPAYMENTS**

The Town's salary ordinances allowed for performance bonuses to be paid to eligible employees. The ordinances stated: "The amount an individual may receive in performance bonuses may not exceed \$500 per calendar year, unless the Town Council determines that additional awards are warranted." Blevins received bonuses in excess of \$500 in calendar years 2013, 2014, and 2015. There was no documentation that the Town Council approved bonuses for Blevins in excess of \$500. The amounts are listed below:

<u>Years</u>	<u>Amount Paid</u>	<u>Maximum Allowed</u>	<u>Excess</u>
2013	\$ 1,000	\$ 500	\$ 500
2014	2,500	500	2,000
2015	1,500	500	1,000
Totals	<u>\$ 5,000</u>	<u>\$ 1,500</u>	<u>\$ 3,500</u>

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Blevins reimburse the Town \$3,500 for performance bonuses overpaid. (See Summary of Charges, page 9)

**EXCESS VACATION TIME PAID OUT**

The Town's Employee Handbook provided for unused vacation time to be paid to the employees rather than carrying the unused time over to succeeding years. Blevins received payments for unused vacation time that were in excess of her time earned. The amounts per year are below:

TOWN OF CUMBERLAND  
RESULTS AND COMMENTS  
(Continued)

Years	Vacation Paid	Eligible Vacation	Difference
2013	\$ 4,728.76	\$ 4,784.53	\$ (55.77)
2014	4,870.92	2,922.41	1,948.51
2015	<u>12,916.93</u>	<u>2,417.45</u>	<u>10,499.48</u>
Totals	<u>\$ 22,516.61</u>	<u>\$ 10,124.39</u>	<u>\$ 12,392.22</u>

In 2013, Blevins was underpaid for her salary by \$938.75. The incorrect rate was used for the entire calendar year, as well as for unused vacation time paid out. In 2014, the salary for the year was overpaid by \$35.12, resulting in a net salary underpayment of \$903.63 in 2013 and 2014. The \$903.63 will be shown as a credit. (See Summary of Charges, page 9)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Blevins reimburse the Town \$12,392.22 for excess vacation time paid out. (See Summary of Charges, page 9)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs in the investigation of overpayments of performance bonuses and excess vacation time paid out.

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 Cities and Towns, Chapter 1)

We requested that Blevins reimburse the State of Indiana \$3,690.54 for special investigation costs. (See Summary of Charges, page 9)

**INTERNAL CONTROL DEFICIENCIES**

We noted several deficiencies in the internal control system concerning the handling of employee performance bonuses and vacation time paid out. These deficiencies include but are not limited to no oversight of bonus approval and vacation time payments. Blevins was responsible for the processing of payroll for the Town. There was no documentation indicating that anyone had reviewed the bonus payouts to ensure that anyone had reached the maximum. Also, documentation was not presented indicating that anyone verified the unused vacation time prior to it being paid.

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:

TOWN OF CUMBERLAND  
RESULTS AND COMMENTS  
(Continued)

"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. . . ."

**CRIME INSURANCE COVERAGE**

The following is information regarding crime insurance obtained by the Town:

<u>Period</u>	<u>Amount</u>
04-03-13 to 04-03-14	\$ 8,500
04-03-14 to 04-03-15	8,500
04-03-15 to 04-03-16	50,000

TOWN OF CUMBERLAND  
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2018, with Erica Salmon, Clerk-Treasurer; Anna Pea, President of the Town Council; April Fisher, Town Manager; and Grace Heck, former Clerk-Treasurer.

The contents of this report were discussed on March 13, 2018, with Debbie Blevins, former Deputy Clerk-Treasurer.



3/20/2018

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### **OFFICIAL RESPONSE**

Town of Cumberland examination results and comments for period 1/1/13 to 12/31/16

#### **BACKGROUND**

The Town of Cumberland took immediate action when it became aware that unused vacation time had been paid in excess to Debbie Blevins. Within 2 days, Blevins was no longer employed with the Town. Within 14 days, Blevins repaid the Town \$11,884.26.

#### **PERFORMANCE BONUS OVERPAYMENTS**

The Town of Cumberland concurs that Blevins was paid bonuses in excess of what was approved in the salary ordinance for 2013, 2014, and 2015. The Town did not request that Blevins pay back these bonuses at the time of discovery because there was documented approval by a Department Head.

#### **EXCESS VACATION TIME PAID OUT**

The Town of Cumberland concurs with the calculation of amounts due for payments in excess of the time earned. The Town did not include the underpayment of 2013 salary in the calculation done at the time of discovery.

#### **INTERNAL CONTROL DEFICIENCIES**

During the time in question, Blevins was solely responsible for the processing of payroll, including accounting for vacation and other leave balances. The Town now uses an online,

automated payroll system. The Town has also implemented procedures to address segregation of duties, control activities and detection activities. Employees use the automated system to clock in and out and request paid time off. Managers must approve time cards, time off requests, vacation payouts and bonuses. The Clerk Treasurer department processes payroll as submitted, with written approvals for any variance. Employees are cross trained and payroll processing duties are shared between more than one employee.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Debbie Blevins, former Deputy Clerk-Treasurer:			
Performance Bonus Overpayments, page 3	\$ 3,500.00	\$	\$
Excess Vacation Time Paid Out, pages 3 and 4	12,392.22		
Credit for Salary Underpaid, page 4		903.63	
Payment from Debbie Blevins, Receipt No. 151025		<u>11,884.26</u>	<u>3,104.33</u>
Subtotals	15,892.22	12,787.89	3,104.33
Special Investigation Costs, page 4	<u>3,690.54</u>	-	<u>3,690.54</u>
Totals	<u>\$ 19,582.76</u>	<u>\$ 12,787.89</u>	<u>\$ 6,794.87</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            )  
  )  
DELAWARE COUNTY)

I, William F. Vinson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Cumberland, Marion County, Indiana, for the period from January 1, 2013 to December 31, 2016, is true and correct to the best of my knowledge and belief.

Wm. F. Vinson  
Field Examiner

Subscribed and sworn to before me this 18<sup>th</sup> day of April, 2018

Michael [Signature]  
Notary Public

My Commission Expires: 12-31-18

County of Residence: Delaware