

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

SPECIAL INVESTIGATION REPORT

OF

GUTHRIE TOWNSHIP

LAWRENCE COUNTY, INDIANA

May 1, 2016 to December 31, 2018



FILED
09/10/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Overpayment of Compensation.....	3-4
Overpayment of Office Rent	4-5
Disbursements Without Supporting Documentation.....	5-6
Special Investigation Costs	6
Internal Control Deficiencies.....	6-7
Official Bond	7
Investigation by Law Enforcement Agency	7
Exit Conference.....	8
Summary of Charges	9
Affidavit	11



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 GUTHRIE TOWNSHIP, LAWRENCE COUNTY, INDIANA

This is a special investigation report for Guthrie Township (Township), Lawrence County, for the period May 1, 2016 to December 31, 2018, 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 payroll and disbursements. 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.

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

July 18, 2019

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts performed a review engagement on the Township with the report issued on December 23, 2018. The review noted some issues that required a field visit to follow up and further investigate. The field visit began on December 21, 2018, to follow up on issues noted with payroll and disbursements.

Robert Awbrey (Awbrey), former Trustee, was appointed on May 1, 2016, to fill out the remaining term of former Trustee Nickie Hubbard. Awbrey resigned the Trustee's position on December 23, 2018.

The Indiana State Board of Accounts examined the records and accounting for the expenditures. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Townships*.

OVERPAYMENT OF COMPENSATION

The Township Board (Board) did not establish the salaries of Township officers and employees for 2016, 2017, and 2018. Below is a table of the amounts appropriated by the Board for the Trustee Salary by year:

<u>Years</u>	<u>Trustee Salary</u>
2016	\$ 4,200
2017	4,200 *
2018	4,200 *

*The DLGF did not approve a budget for Guthrie Township for 2017 and 2018. Therefore, appropriations revert back to the last approved budget in 2016.

When Awbrey was appointed Trustee on May 1, 2016, the remaining appropriation for the Trustee salary for 2016 was \$2,800.

Since Awbrey became Trustee in 2016, he received compensation in excess of amounts appropriated in each year. Below is a summary of the overpayment of compensation by year:

<u>Overpayment of Compensation</u>	
<u>Years</u>	<u>Amount</u>
2016	\$ 1,656.67
2017	4,758.50
2018	<u>8,263.29</u>
Total	<u>\$ 14,678.46</u>

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
RESULTS AND COMMENTS
(Continued)

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 statute. Compensation should 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 official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested Awbrey to reimburse the Township \$14,678.46 for overpayment of compensation. (See Summary of Charges, page 9)

OVERPAYMENT OF OFFICE RENT

The amounts appropriated by the Board for office rent each year are shown in the schedule below:

<u>Years</u>	<u>Office Rent</u>
2016	\$ 1,800
2017	1,800 *
2018	1,800 *

*The DLGF did not approve a budget for Guthrie Township for 2017 and 2018. Therefore, appropriations revert back to the last approved budget in 2016.

When Awbrey was appointed Trustee on May 1, 2016, the remaining appropriation for office rent for 2016 was \$1,200.

Since Awbrey became Trustee in 2016, he received office rent in excess of amounts appropriated in each year. Below is a summary of the overpayment of office rent by year:

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
RESULTS AND COMMENTS
(Continued)

Overpayment of Office Rent	
Years	Amount
2016	\$ 600
2017	600
Total	<u>\$ 1,200</u>

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

"The annual appropriations to a township executive for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is 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."

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 Guidelines Manual for Townships, Chapter 1)

We requested Awbrey to reimburse the Township \$1,200 for overpayment of office rent. (See Summary of Charges, page 9)

DISBURSEMENTS WITHOUT SUPPORTING DOCUMENTATION

Thirteen checks were written to Awbrey from May 14, 2016 to September 3, 2018, totaling \$10,233.88 without any supporting documentation for reimbursement of travel, office supplies, forms, and other unidentified items. The only supporting documentation for these checks written to Awbrey was written on the memo line of the check. On eight of the thirteen checks, the memo was unclear for what Township services Awbrey was receiving reimbursement for.

The following schedule documents checks written to Awbrey, by memo line item, by year.

Checks Written to R. Awbrey by Memo	Year 2016	Year 2017	Year 2018	Total
Travel Reimbursement	\$ 400.00	\$ 377.12	\$ -	\$ 777.12
Office Supplies and Forms Reimbursement	-	907.09	1,384.53	2,291.62
Unidentified Reimbursement	380.00	5,459.77	1,325.37	7,165.14
Totals	<u>\$ 780.00</u>	<u>\$ 6,743.98</u>	<u>\$ 2,709.90</u>	<u>\$ 10,233.88</u>

GUTHRIE TOWNSHIP, LAWRENCE 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)

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 Guidelines Manual for Townships, Chapter 1)

We requested Awbrey to reimburse the Township \$10,233.88 for disbursements without supporting documentation. (See Summary of Charges, page 9)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of Township expenditures.

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)

Awbrey was requested to reimburse the State of Indiana \$6,767.17 for special investigation costs. (See Summary of Charges, page 9)

INTERNAL CONTROL DEFICIENCIES

The Trustee was responsible for all aspects of the Township's financial activity. This included preparing checks, recording financial transactions in the financial ledger, monitoring budget compliance, and reporting payroll information and remitting payroll taxes. The Trustee's wife was appointed as Township Clerk (Clerk) to help the Trustee complete these activities. However, since May 1, 2016, when the Trustee and Clerk were appointed to their positions, the financial ledger was not posted from May 13, 2016 to December 31, 2018, and the Indiana Department of Local Government Finance did not receive or approve a budget for the Township for 2017 and 2018.

Due to the lack of segregation of duties, overpayment of approved compensation and office rent was paid to the Trustee and Clerk, reimbursement checks were written to the Trustee without supporting documentation and without being identified timely by the Board. Also, the lack of oversight by the Board allowed for the Trustee not to post the ledger for 2016, 2017, and 2018 and allowed the Trustee not to present a budget for proper approval for 2017 and 2018. The Trustee served as the Township Executive and Fiscal Officer and, also, had a Clerk to help perform financial duties. However, the Trustee and Board did not set up a system of internal controls to ensure these excess payments did not occur. As a result, there was no oversight of Township financial activity on an ongoing basis by another official.

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:

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
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 exception 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

There is no evidence that an official bond was obtained for Awbrey's term in office.

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the expenditures of the Township has also been conducted by the Indiana State Police. Case number 47D01-1907-F6-001406 was filed in Lawrence Superior Court, Lawrence County, Indiana, on July 26, 2019. Awbrey was criminally charged with official misconduct and theft.

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2019, with Stacy Ratliff, Trustee, and Nickie Hubbard, President of the Township Board.

Robert Awbrey, former Trustee, was offered an opportunity to participate in an exit conference but declined.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Robert Awbrey, former Trustee:			
Overpayment of Compensation, pages 3 and 4	\$ 14,678.46	\$ -	\$ 14,678.46
Overpayment of Office Rent, pages 4 and 5	1,200.00	-	1,200.00
Disbursements without Supporting Documentation, pages 5 and 6	<u>10,233.88</u>	-	<u>10,233.88</u>
 Total before Special Investigation Costs	<u>26,112.34</u>	-	<u>26,112.34</u>
 Special Investigation Costs, page 6	<u>6,767.17</u>	-	<u>6,767.17</u>
 Totals	<u>\$ 32,879.51</u>	<u>\$ -</u>	<u>\$ 32,879.51</u>

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

(This page intentionally left blank.)

AFFIDAVIT

STATE OF INDIANA)
)
Vigo COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Guthrie Township, Lawrence County, Indiana, for the period from May 1, 2016 to December 31, 2018, is true and correct to the best of my knowledge and belief.

Gina Gambaiani
Field Examiner

Subscribed and sworn to before me this 14 day of August, 2019

Jean Wright
Notary Public

My Commission Expires: 05/04/21

County of Residence: Vigo

