

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

SPECIAL INVESTIGATION REPORT

OF

RIPLEY TOWNSHIP

RUSH COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
01/28/2020



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF RIPLEY TOWNSHIP, RUSH COUNTY, INDIANA

This is a special investigation report for Ripley Township (Township), Rush County, for the period January 1, 2015 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/](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 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.

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

December 10, 2019

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS

**BACKGROUND**

Township officials had trouble obtaining records from Tara Hancock (T. Hancock), former Trustee, in order for the Annual Financial Report to be filed. Once records were received, Township officials found some inconsistencies or questionable items related to compensation and cell phone and internet reimbursements.

The Indiana State Board of Accounts was notified by the Township officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and accounting of Township disbursements for the period January 1, 2015 to December 31, 2018. The following describes noncompliance with statutes or *the Accounting and Uniform Compliance Guidelines Manual for Townships*.

**SALARY OVERPAYMENTS**

T. Hancock was paid \$3,659.90 in excess of the salaries appropriated by the Township Board for the years 2016 and 2018. Jonathan R. Hancock (J. Hancock), former Investigator, received \$1,300 in excess of the salaries appropriated by the Township Board for the year 2018.

Years	Salary Overpayments		
	T. Hancock	J. Hancock	Totals
2016	\$ 1,016.62	\$ -	\$ 1,016.62
2018	2,643.28	1,300.00	3,943.28
Totals	\$ 3,659.90	\$ 1,300.00	\$ 4,959.90

The Township Board did not adopt resolutions establishing salaries of Township officers and employees and all salaries were paid in advance of services rendered for the years 2015 to 2018.

In addition, the salary amounts paid to T. Hancock and J. Hancock, for the years 2016 and 2018 were not properly reported to the Internal Revenue Service and Social Security Administration.

Years	Salaries Paid	W-2 Wages Reported	Amounts Over (Under) Reported
2016	\$ 7,116.62	\$ 8,199.46	\$ 1,082.84
2018	15,773.28	11,830.00	(3,943.28)
Totals	\$ 22,889.90	\$ 20,029.46	\$ (2,860.44)

Furthermore, the Form 941 was not presented for the years 2015 and 2016, and the Form 941 was not filed for years 2017 and 2018 until 2019.

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS  
(Continued)

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

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay; and . . .

of all officers and employees of the township."

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)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested that T. Hancock reimburse the Township for the salary overpayments in the amount of \$3,659.90. (See Summary of Charges, page 11)

We requested that T. Hancock and J. Hancock, jointly and severally, reimburse the Township for the salary overpayments in the amount of \$1,300. (See Summary of Charges, page 11)

**OFFICE RENT OVERPAYMENT**

T. Hancock received \$1,170 in excess of the office rent appropriated by the Township Board in 2018 for the use of her home as the Township office. Additionally, the Form 1099 Miscellaneous was not issued for years 2015 to 2018.

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)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested T. Hancock reimburse the Township for the office rent overpayment in the amount of \$1,170. (See Summary of Charges, page 11)

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS  
(Continued)

**ADDITIONAL EMPLOYER PAYROLL TAXES**

As a result of the salary overpayments, the Township incurred additional employer payroll taxes in the amount of \$160.61 for 2016.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer 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 that T. Hancock reimburse the Township for the additional employer payroll taxes paid due to salary overpayments in the amount of \$160.61. (See Summary of Charges, page 11)

**CASH DISBURSEMENTS AND WITHDRAWALS**

In 2015, 2017, and 2018, T. Hancock wrote and cashed Township checks and Township counter checks made payable to cash totaling \$1,818.65. In 2017 and 2018, T. Hancock also withdrew cash from the Township checking account totaling \$513.53. No evidence was provided to support the validity of these payments.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (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 audit 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 or Townships, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer 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 that T. Hancock reimburse the Township for cash disbursements and withdrawals in the amount of \$2,332.18. (See Summary of Charges, page 11)

**SUPPORTING DOCUMENTATION**

The following disbursements were made without supporting documentation:

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS  
(Continued)

Check Number	Payee	Check Date	Check Amount	Check Memo
761	Tara Hancock	11-04-15	\$ 64.09	reimbursemnt for ck#788 now void
953	Tara Hancock	03-28-16	98.00	reimbursement - see receipt
1018	Tara Hancock	12-01-16	50.00	reimbursement/gazebo/walmart - see receipt
1020	Tara Hancock	12-06-16	1,000.00	yearly maintenance allowance
1245	Tara Hancock	03-14-18	29.00	reimbursement for locksmith cc
1259	Tara Hancock	04-09-18	78.04	reimbursement voucher #
1300	Tara Hancock	09-16-18	<u>250.00</u>	reimbursement for May
Total T. Hancock			<u>\$ 1,569.13</u>	
934	John Hancock	02-27-16	\$ 200.00	snow and ice removal for Township
892	John Hancock	09-12-16	400.00	end of season cemetery closing/clean up
1158	John Hancock	09-05-17	500.00	Cemetery Care
1316	John Hancock	10-01-18	<u>400.00</u>	end of year mowing
Total J. Hancock and T. Hancock, jointly and severally			<u>\$ 1,500.00</u>	

Supporting documentation, as listed below, was not provided to support the validity of these payments.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 that T. Hancock reimburse the Township for disbursements without supporting documentation in the amount of \$1,569.13. (See Summary of Charges, page 11)

We requested that T. Hancock and J. Hancock, jointly and severally, reimburse the Township for disbursements without supporting documentation in the amount of \$1,500. (See Summary of Charges, page 11)

**PENALTIES, INTEREST, AND OTHER CHARGES**

The Township paid penalties and interest in the amount of \$3,029.50 to the United States Treasury for failing to pay employer's quarterly taxes due for tax periods in 2015, 2016, 2017, and 2018 in a timely manner. Other charges including late fees, service charges, and turn on fees were paid to a utility company in the amount of \$365.42 because the Trustee did not remit payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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 governmental unit.

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS  
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested that T. Hancock reimburse the Township for penalties, interest, and other charges in the amount of \$3,394.92. (See Summary of Charges, page 11)

**PAYMENT OF UNAUTHORIZED TELEPHONE AND INTERNET EXPENSES**

Township funds were paid to T. Hancock and J. Hancock for reimbursements of cellular telephone and internet expenses as shown in the table below:

Check Number	Payee	Check Date	Check Amount	Check Memo
998	Tara Hancock	06-21-16	\$ 117.76	reimbursement for cell phone replacement
999	Tara Hancock	06-21-16	255.00	6 month reimbursement to investigator for cell
counter check withdrawl		09-28-16	45.00	reimbursement for cell phone payment 1 month
1033	Tara Hancock	12-27-16	500.00	internet reimbursement yearly
1168	Tara Hancock	09-21-17	239.88	Xfinity internet
Total T. Hancock			<u>\$ 1,157.64</u>	
792	John Hancock	12-31-15	\$ 270.00	reimbursement for investigator cell 50%
1167	John Hancock	09-22-17	495.00	investigator cell
1295	John Hancock	07-10-18	150.00	cell
Total J. Hancock and T. Hancock, jointly and severally			<u>\$ 915.00</u>	

The cell phone and internet bills were in the name of T. Hancock. No supporting documentation was provided to distinguish Township use from personal use.

During the investigation period, the Township office was in the Trustee's home. Authorization for the reimbursement of these services was not documented in the Township Board minutes, and there was no appropriation in the Township budget for telephone or internet expenses. No evidence was provided to determine that the amount of the telephone or internet service and whether or not it was restricted to Township business for 2015 and 2016. There was not a policy adopted in 2017 and 2018 by the Township Board and presented that allows the Trustee or investigator a full reimbursement of these expenses.

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

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

Indiana Code 12-20-5.5-3(a) states: "The township trustee shall ensure adequate access to township assistance services, including a published telephone number in the name of the township."

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS  
(Continued)

For telephone, cell phone, and internet services that are not restricted to Township use, then Township funds may be used to pay for up to 50 percent of the cost of the base service.

Documentation should be retained to provide evidence that the telephone/cell phone number has been provided to the public as the contact number for the Township office. Common examples of acceptable documentation would include: a copy of the listing in a telephone directory, signage at the township office or a public building, listing on a governmental unit's website, etc. Using Township funds to pay for personal use of telephone, cell phone, or internet services may be the personal obligation of the responsible official or employee. (Township Bulletin, December 2015)

Effective October 5, 2017, we have modified our position that we will take into consideration a personal phone and internet reimbursement policy that is approved by the Township Board. If there is a policy adopted by the Township Board and presented to us that allows the Trustee a full reimbursement of these expenses, even though the use of these services was not restricted to Township use, we would not take exception. (Township Bulletin, December 2017)

T. Hancock was requested to reimburse the Township \$1,157.64 for the reimbursement of unauthorized telephone and internet expenses. (See Summary of Charges, page 11)

We requested that T. Hancock and J. Hancock, jointly and severally, reimburse the Township for unauthorized telephone and internet expenses in the amount of \$915. (See Summary of Charges, page 11)

***SPECIAL INVESTIGATION COSTS***

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

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested that T. Hancock reimburse the State of Indiana for special investigation costs in the amount of \$15,669.91. (See Summary of Charges, page 11)

We requested that T. Hancock and J. Hancock, jointly and severally, reimburse the State of Indiana for special investigation costs in the amount of \$4,329.96. (See Summary of Charges, page 11)

***INTERNAL CONTROL DEFICIENCIES***

The former Trustees, who served as the Township executive and the Township Fiscal Officer, were responsible for all aspects of Township financial activity. This included preparing checks, recording financial transactions, monitoring budget compliance, and administering Township Assistance.

There was no required oversight of Township financial activity on an ongoing basis by another individual. Due to this lack of segregation of duties, the salary and office rent overpayment, payment of personal expenses, reimbursement for unallowable cell phone and internet expenses, and payment of penalty, interest, and overpayment of payroll taxes were able to occur and not be identified timely.

RIPLEY TOWNSHIP, RUSH COUNTY  
RESULTS AND COMMENTS  
(Continued)

Township Assistance was administered without any controls over the eligibility, verification, or payment of Township Assistance. There were approved Township Assistance guidelines presented for examination. In a test of Township Assistance, six did not have purchase orders, twelve did not have applications, and thirty-five did not have all of the supporting documentation.

In addition, T. Hancock and J. Hancock received Township Assistance three times in the examination period. There was no conflict of interest on file for any examination year, and there was no evidence for two of the three payments, that an independent person reviewed their application for eligibility.

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. . . ."

**INVESTIGATION BY LAW ENFORCEMENT AGENCY**

An investigation into the expenditures of the Township has also been conducted by the Indiana State Police.

**OFFICIAL BOND**

The Trustee obtained the following bonds:

Period	Amount
01-01-15 to 12-31-15	\$ 30,000
01-08-16 to 01-08-17	30,000
01-08-17 to 01-08-18	30,000
*01-08-18 to 01-08-19	-

\*No coverage

RIPLEY TOWNSHIP, RUSH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2019, with Andrew Ingersoll, Trustee, and Mark White, Chairman of the Township Board.

The contents of this report were discussed on December 10, 2019, with Tara Hancock, former Trustee.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Tara Hancock, former Trustee:			
Salary Overpayments, pages 3 and 4	\$ 3,659.90	\$ -	\$ 3,659.90
Office Rent Overpayment, page 4	1,170.00	-	1,170.00
Additional Employer Payroll Taxes, page 5	160.61	-	160.61
Cash Disbursements and Withdrawals, page 5	2,332.18	-	2,332.18
Supporting Documentation, pages 5 and 6	1,569.13	-	1,569.13
Penalties, Interest, and Other Charges, pages 6 and 7	3,394.92	-	3,394.92
Payment of Unauthorized Telephone and Internet Expenses, pages 7 and 8	1,157.64	-	1,157.64
Special Investigation Costs, page 8	15,669.91	-	15,669.91
	<u>29,114.29</u>	<u>-</u>	<u>29,114.29</u>
Total for Tara Hancock			
Tara Hancock, former Trustee, and Jonathan R. Hancock, former Investigator, jointly and severally:			
Salary Overpayments, page 3 and 4	1,300.00	-	1,300.00
Supporting Documentation, pages 5 and 6	1,500.00	-	1,500.00
Payment of Unauthorized Telephone and Internet Expenses, pages 7 and 8	915.00	-	915.00
Special Investigation Costs, page 8	4,329.96	-	4,329.96
	<u>8,044.96</u>	<u>-</u>	<u>8,044.96</u>
Total for Tara Hancock and Jonathan R. Hancock, jointly and severally			
	<u>\$ 37,159.25</u>	<u>\$ -</u>	<u>\$ 37,159.25</u>
Totals			

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            )  
Vigo                            )  
                                  COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Ripley Township, Rush County, Indiana, for the period from January 1, 2015 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 16 day of January, 2020

Michelle L Edwards  
Notary Public

My Commission Expires: 09-13-2020

County of Residence: VIGO