

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

SPECIAL INVESTIGATION REPORT

OF

SALEM TOWNSHIP

DELAWARE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
06/29/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SALEM TOWNSHIP, DELAWARE COUNTY, INDIANA

This is a special investigation report of Salem Township (Township), Delaware County, for the period January 1, 2017 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 credit card statements, invoices and supporting documentation, salary resolutions, and contracts. The Results and Comments contained herein describe the identified reportable instances of non-compliance 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

November 18, 2019

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS

BACKGROUND

Ronnette Waitman (Waitman) served as the Trustee, for the period January 1, 2015 through December 31, 2018.

As Trustee, Waitman was responsible for all financial processes of the Township. The financial processes included receipting, posting, and depositing all Township funds and ensuring documentation was retained for all disbursements, writing and issuing all Township checks, and posting the disbursements to the ledger, including payments to the credit card company. As Trustee, Waitman was also responsible for reconciling the bank account balance to the record balance.

The Indiana State Board of Accounts were notified of concerns relating to unsupported credit card transactions in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of the Township. The results of our investigation are described in the following comments.

UNDOCUMENTED CREDIT CARD DISBURSEMENTS

From January 1, 2017 to December 31, 2017, there were 140 out of 199 (70 percent) credit card transactions totaling \$21,063.66 that did not have any invoices or other documentation to support these disbursements.

From January 1, 2018 to December 31, 2018, there were 246 out of 273 (90 percent) credit card transactions totaling \$32,563.01 that did not have any invoices or other documentation to support these disbursements.

There were undocumented disbursements totaling \$53,626.67 as stated above. We determined that \$12,957.17 were for Township business based on the nature of vendor's business, inquiry with officials, Township Assistance purchase orders, and Township Assistance applications.

The remaining \$40,669.50 purchases were paid from the Township fund and/or the Fire Territory fund. None of the remaining purchases were paid from Township Assistance, or were not supported by a Township Assistance application or purchase order. We requested and received documentation for the purchases from select general merchandise retailers. Some of the examples of items purchased included food, holiday décor, alcohol, gift cards, and pet supplies. Township Board members and the Fire Chief denied the purchases being made were for the benefit of either the Township or the Fire Department; thus, we were unable to identify the Township or Fire Department business related purpose.

Indiana Code 12-20-20-1(a) states:

"If a township trustee, as administrator of township assistance, grants township assistance to an indigent individual or to any other person or agency on a township assistance order as provided by law or obligates the township for an item properly payable from township assistance money, the claim against the township must be:

- (1) itemized and sworn to as provided by law;
- (2) accompanied by the original township assistance order, which must be itemized and signed; and
- (3) checked with the records of the township trustee, as administrator of township assistance, and audited and certified by the township trustee."

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 12-20-16-8(a) states:

"If an applicant or a household is considered by the township trustee, as administrator of township assistance, to be incompetent or irresponsible to select food from a combined grocery and meat market or to make proper use of food stamps, the township trustee, as administrator of township assistance, shall issue the food purchase order in the name of one (1) of the following:

- (1) Another adult member of the household.
- (2) Another relative living in another household.
- (3) Any other individual considered competent by the township trustee, as administrator of township assistance."

Indiana Code 5-11-10-1 states in part:

". . . (b) No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized and its correctness properly certified to by the claimant or some authorized person in the claimant's behalf, and filed and allowed as provided by law. . . .

(d) The disbursing officer shall issue checks or warrants for all claims which meet all of the requirements of this section. The disbursing officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available. . . ."

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)

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 Waitman reimburse the Township for undocumented credit card disbursements in the amount of \$40,669.50. (See Summary of Charges, page 11)

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS
(Continued)

MILEAGE AND TRAVEL

The Township obtained fuel cards to purchase fuel for the Fire Department vehicles. Waitman obtained a fuel card to purchase gas for Township Assistance applicants. In an interview with Waitman, she stated that she used the fuel card to purchase gas for her vehicle also, instead of using a mileage claim form.

We reviewed the fuel invoices and determined 64 charges for fuel were charged to the Trustee's fuel card. Of the 64 charges, 13 charges were for Township Assistance recipients, which were identified from the Township Assistance purchase order vouchers. We were unable to identify the remaining 51 charges and the Township nature of business for these purchases. The amounts for each are documented below:

	<u>2017</u>	<u>2018</u>	<u>Totals</u>
Total Fuel Purchased	\$ 740.12	\$ 2,104.34	\$ 2,844.46
Fuel Purchases for Township Assistance Recipients	<u>291.86</u>	<u>80.10</u>	<u>371.96</u>
Remaining Unidentified Fuel Purchases	<u>\$ 448.26</u>	<u>\$ 2,024.24</u>	<u>\$ 2,472.50</u>

The Township's ordinance establishing salaries (Ordinance 2018-01), Section 2. stated, in part:

"All Township Officials and Employees shall be reimbursed for mileage actually traveled on Township business in transportation furnished by officials or employees outside of the Township, at the current state rate per mile, on submission of statement setting forth information and amount of claim to be paid from appropriated funds. . . . The claim for reimbursement shall be completely itemized and supported by receipts and shall be submitted to the Trustee."

No mileage claims or other supporting documented were presented to identify the dates of travel, details of travel, miles traveled, mileage rate paid, or nature of business. We were unable to determine if fuel purchased for the Trustee was for Township business.

The total charges to the Trustee's fuel card were paid from the Fire Territory General fund instead of the Township fund or Township Assistance fund.

Indiana Code 36-6-8-3(b) states: "The township executive is entitled to a sum for mileage in the performance of official duties equal to the sum per mile paid to state officers and employees. However, this subsection does not apply when the township executive uses a township vehicle in the performance of official duties."

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)

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS
(Continued)

We requested Waitman reimburse the Township for undocumented mileage in the amount of \$2,472.50. (See Summary of Charges, page 11)

OFFICIAL BOND

The Trustee obtained the following official bonds:

<u>Period</u>	<u>Amount</u>
01-01-17 to 12-31-17	\$ 30,000
01-01-18 to 12-31-18	30,000

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$18,743.12, due to the special investigation of the Township.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping 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)

We requested Waitman reimburse the State of Indiana for special investigation costs in the amount of \$18,743.12. (See Summary of Charges, page 11)

INTERNAL CONTROLS

Deficiency in Internal Control - Segregation of Duties

There were no controls evident, such as oversight, review, or approval process, over the disbursements of the Township credit cards. Waitman was the sole person responsible for all financial processes for the Township.

There was no oversight of township financial activity on an ongoing basis by another individual. The failure to establish these controls could have enabled material misstatements or irregularities to go undetected.

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.

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS
(Continued)

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. . . ."

TOWNSHIP ASSISTANCE STANDARDS

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

SALARY RESOLUTION

Fire Protection Territory Salary Resolution

A Fire Territory Board (Fire Territory Board) was formed for the Daleville/Salem Township Fire Protection Territory of Delaware County. The Fire Territory Board was made up of two Township Board members, two Town of Daleville Council members, and one appointed member.

On August 16, 2018, the Fire Territory Board approved an "ordinance" establishing the salaries for Daleville/Salem Township Fire Protection Territory. The salaries of volunteer fire fighters, EMS workers, Fire Chief, Assistance Fire Chief, EMS Directors and Clerk were included; however, it excluded compensation for Fire Territory Board members.

In 2017 and 2018, the appointed Fire Territory Board members were compensated \$1,000, and \$500, respectively.

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS
(Continued)

The salary resolution approved by the Fire Territory Board was not ratified by the Township Board as the designated provider unit. The Township Board should have approved the Fire Territory salary resolution as they were the designated provider unit.

Indiana Code 36-8-19-8 states in part:

"(a) Upon the adoption of identical ordinances or resolutions, or both, by the participating units under section 6 of this chapter, the designated provider unit must establish a fire protection territory fund from which all expenses of operating and maintaining the fire protection services within the territory, including repairs, fees, salaries, depreciation on all depreciable assets, rents, supplies, contingencies, and all other expenses lawfully incurred within the territory shall be paid. The purposes described in this subsection are the sole purposes of the fund, and money in the fund may not be used for any other expenses. Except as allowed in subsections (d) and (e) and section 8.5 of this chapter, the provider unit is not authorized to transfer money out of the fund at any time. . . .

(c) The provider unit, with the assistance of each of the other participating units, shall annually budget the necessary money to meet the expenses of operation and maintenance of the fire protection services within the territory. The provider unit may maintain a reasonable balance, not to exceed one hundred twenty percent (120%) of the budgeted expenses. Except as provided in [IC 6-1.1-18.5-10.5](#), after estimating expenses and receipts of money, the provider unit shall establish the tax levy required to fund the estimated budget. The amount budgeted under this subsection shall be considered a part of each of the participating unit's budget. . . ."

Township Salary Resolution

The Township had not adopted a resolution establishing salaries of Township officers and employees for 2017.

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."

CREDIT CARD ORDINANCE

The Township Board approved an ordinance establishing policy as to the use of the Township's credit and debit cards on July 2, 2018. Under Section 3, it stated, "The usage of the Township's credit cards for the payment of services or products that exceed the sum of Five Hundred Dollars (\$500.00) shall be authorized by the Advisory Board President before the Township's credit and debit cards can be used for the payment. Advisory Board President shall have the authority to make authorization via telephone calls, text messages and emails."

SALEM TOWNSHIP, DELAWARE COUNTY
RESULTS AND COMMENTS
(Continued)

There were six credit card transactions that exceeded \$500 after the credit card ordinance was passed. The six credit card transactions ranged from \$568 to \$1,015. There was no evidence that these transactions were approved by the President of the Township Board.

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

CONTRACTS

In 2018, the Township paid a Township Assistance recipient for cleaning services totaling \$1,200. The cleaning services were paid from the Township fund \$1,150 and the Fire Territory General fund \$50. There were no cleaning invoices located for audit, and a federal miscellaneous income form (Federal Form 1099-Misc) was not presented for audit. Furthermore, a written contract describing the services to be performed and the rate of pay was not provided for audit.

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)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (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)

SALEM TOWNSHIP, DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2020 with Patricia A. Carroll, Trustee, and Teresa Hensley, President of the Township Board.

The contents of this report were discussed on May 21, 2020, with Ronnette J. Waitman, former Trustee.

SALEM TOWNSHIP, DELAWARE COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ronnette Waitman, former Trustee:			
Undocumented Credit Card Disbursements, pages 3 and 4	\$ 40,669.50	\$ -	\$ 40,669.50
Mileage and Travel, pages 5 and 6	2,472.50	-	2,472.50
Special Investigation Costs, page 6	<u>18,743.12</u>	<u>-</u>	<u>18,743.12</u>
Totals	<u>\$ 61,885.12</u>	<u>\$ -</u>	<u>\$ 61,885.12</u>

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

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AFFIDAVIT

STATE OF INDIANA)
PORTER COUNTY)

I, Kristin Campbell, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Salem Township, Delaware County, Indiana, for the period from January 1, 2017 to December 31, 2018, is true and correct to the best of my knowledge and belief.

Kristin Campbell
Field Examiner

Subscribed and sworn to before me this 3RD day of JUNE, 2020

Rachana A. Has
Notary Public

My Commission Expires: January 24, 2026

County of Residence: PORTER

