

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

SPECIAL INVESTIGATION REPORT

OF

ABINGTON TOWNSHIP

WAYNE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
11/13/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ABINGTON TOWNSHIP, WAYNE COUNTY, INDIANA

This is a special investigation report for Abington Township (Township), Wayne County, for the period July 1, 2018 to June 30, 2020, 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 advanced payments of claims, and compensation and benefits. 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

July 6, 2020

ABINGTON TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS

BACKGROUND

During the financial review of Abington Township (Township) it was discovered by the Indiana State Board of Accounts Field Examiners that Chelsie Buchanan (C. Buchanan), Township Trustee, had made several advances of salaries and office rent to herself and to William Buchanan, her husband, who served as the Clerk for the Township.

OFFICE RENT

The Township office is in the home of the Township Trustee. In accordance with the Accounting and Uniform Compliance Guidelines Manual for Townships, the Township Board approved an appropriation of \$1,200 for office rent for each calendar year for the years 2018 through 2020.

The annual appropriations of a township for the expenses of renting an office and telephone expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township trustee uses a part of his residence as his office, the township board shall appropriate a reasonable sum for that office space. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

Overpayment of Office Rent

On November 14, 2018, C. Buchanan was paid \$1,200 for 2018 office rent; however, C. Buchanan did not take office until July 1, 2018. The office rent should have been prorated between the prior Township Trustee and C. Buchanan; therefore, only \$600 was payable to C. Buchanan for 2018 office rent.

Each unit is responsible for complying with the ordinance, resolutions, and policies it adopts. (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 Chelsie Buchanan reimburse the Township \$600 for overpayment of office rent. (See Summary of Charges, page 11)

Advance Payment of Office Rent

For the years 2019 through 2022, C. Buchanan paid office rent to herself in advance, and prior to obtaining an appropriation for office rent for the years 2020 through 2022 as follows:

<u>Years</u>	<u>Date Paid</u>	<u>Amount</u>	<u>Number of Days In Advance</u>
2019	05-01-19	\$ 1,200	243
2020	09-01-19	1,200	485
2021	09-16-19	1,200	835
2022	09-24-19	1,200	1,192

ABINGTON TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

C. Buchanan was instructed that, if for any reason, she left office prior to December 31, 2020, she would be required to repay any 2020 office rent which had not been earned as of the effective date of her departure.

We requested Chelsie Buchanan reimburse the Township \$2,400 for the payment of 2021 and 2022 office rent paid in advance. (See Summary of Charges, page 11)

On June 23, 2020, a repayment was received by the Township from Chelsie Buchanan in the amount of \$14,000, of which \$600 and \$2,400 was applied to the overpayment of office rent paid and office rent paid in advance, respectively. (See Summary of Charges, page 11)

COMPENSATION AND BENEFITS

The Township Board approved annual salaries of \$7,000, and \$910, for the Township Trustee and the Township Clerk, respectively, for 2018, 2019, and 2020.

Overpayment of Salary

On June 23, 2019, C. Buchanan paid herself an advance of \$200 on her 2020 salary. Subsequently, as of July 6, 2020, she paid her 2020 salary of \$7,000 in full, without an adjustment for the \$200 advance she paid herself on June 23, 2019. Therefore, C. Buchanan overpaid her 2019 salary by \$200.

As of July 6, 2020, William Buchanan was paid \$325 in excess of the approved salaries for 2018 through 2020.

Indiana Code 36-6-6-10(b) (in effect until 2019), 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."

Indiana Code 36-6-6-10(c) as amended in 2019 states: "The township legislative body shall fix the compensation 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)

ABINGTON TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

We requested Chelsie Buchanan reimburse the Township \$200 for overpayment of salary. (See Summary of Charges, page 11)

We requested William Buchanan reimburse the Township \$325 for the overpayment of 2018, 2019, and 2020 salaries. (See Summary of Charges, page 11)

Advance Payment of Salary

C. Buchanan received her entire 2020 and 2021 salaries, and 75 percent of her 2022 salary by February 7, 2020.

William Buchanan received his entire 2020, and 75 percent of his 2021 salary by February 2, 2020.

As of the dates of the advance payments of salaries, the Township Board had not approved compensation for the Township Trustee or the Township Clerk positions for the years 2021 and 2022, as required per state statute; therefore, budget appropriations had not been established for the payment of the 2021 and 2022 salaries.

Indiana Code 36-6-6-10(c) as amended in 2019 states: "The township legislative body shall fix the compensation of all officers and employees of the township."

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

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)

C. Buchanan, and William Buchanan were instructed that, if for any reason, either one or both left office prior to December 31, 2020, they would be required to repay any 2020 salary which had not been earned as of the effective date of his/her departure.

We requested Chelsie Buchanan reimburse the Township \$9,254.84 for the advance payment of salary for 2021 and 2022. (See Summary of Charges, page 11)

We requested William Buchanan reimburse the Township \$681 for the advance payment of 2021 salary. (See Summary of Charges, page 11)

On April 23, 2020, a repayment was received by the Township from William Buchanan in the amount of \$908, of which \$325 was applied to the over payment of salary, and the remaining \$583 was applied to the advance payments of salary. (See Summary of Charges, page 11)

On June 23, 2020, a repayment was received by the Township from Chelsie Buchanan in the amount of \$14,000, of which \$200 was applied to the over payment of salary, and \$9,254.84 was applied to the advance payments of 2021 and 2022 salaries. (See Summary of Charges, page 11)

ABINGTON TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$11,962.87, due to the special investigation of the overpayment and advanced payments of compensation and office rent paid by 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 Chelsie Buchanan reimburse the State of Indiana for special investigation costs in the amount of \$11,962.87. (See Summary of Charges, page 11)

On June 23, 2020, a repayment was received by the Township from Chelsie Buchanan in the amount of \$14,000, of which \$1,545.16 was applied to the special investigation costs. (See Summary of Charges, page 11)

OFFICIAL BOND

The Township did not purchase an officials' bond as required by Indiana Code.

The Township had an insurance policy, including coverage for errors and omissions as follows:

<u>Term</u>	<u>Coverage</u>
11-22-17 to 11-22-18	\$ 1,000,000
11-22-18 to 11-22-19	1,000,000
11-22-19 to 11-22-20	1,000,000

Indiana Code 5-4-1-18 (a) states in part:

"Except as provided in subsections (b), (c), and (d) the following individuals shall file and maintain in place an individual surety bond during each year that the individual serves as an officer, employee, or contractor: . . .

(4) Township trustees. . . .

(7) Individuals:

(A) who are employees or contractors of a city, town, county, or township; and

(B) whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds:

(i) that belong to the federal government, the state, a political subdivision, or another governmental entity; and

(ii) in an amount that exceeds five thousand dollars (\$5,000) per year."

ABINGTON TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

ADVANCE PAYMENTS TO VENDORS

On January 29, 2020, the Township paid an electric company \$216.56 for Township's water well pump and a phone vendor \$802.20 for the Township's phone line for estimated services for the year 2020.

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

C. Buchanan was instructed that if for any reason she left office prior to December 31, 2020, she would be required to repay any 2020 vendor advances which had not been used as of the effective date of her departure.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Amounts reported on the Wage and Tax Statements (Federal Form W-2s) for 2019 were incorrect for both C. Buchanan and William Buchanan.

The Federal Form W-2 reported gross wage amount for C. Buchanan only included the amounts she paid herself for her 2019 salary. She excluded the overpaid and advanced salaries.

The Federal Form W-2 for William Buchanan included his gross pay for 2019, as well as \$130 from the overpayment of compensation; however, it excluded an advance of \$682.50, and an over payment of compensation in the amount of \$97.50.

	<u>Gross Wages</u>	
	<u>Chelsie Buchanan</u>	<u>William Buchanan</u>
Reported 2019 Gross Wages per Federal Form W-2	\$ 7,000.00	\$ 1,040.00
Gross Wages Paid by Township in 2019	<u>13,700.00</u>	<u>1,820.00</u>
Total Under Reported	<u>\$ (6,700.00)</u>	<u>\$ (780.00)</u>

	<u>Withholdings</u>	
	<u>Chelsie Buchanan</u>	<u>William Buchanan</u>
Reported 2019 Withholdings per Federal Form W-2	\$ 1,711.52	\$ 131.90
Withholdings Paid by the Township in 2019	<u>3,423.04</u>	<u>231.00</u>
Total Under Reported	<u>\$ (1,711.52)</u>	<u>\$ (99.10)</u>

ABINGTON TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

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)

MATERIALITY THRESHOLD POLICY

The Township had not established a Materiality Threshold Policy as required by the State Examiner.

State Examiner Directive 2015-6 states in part:

"In general, each political subdivision must develop their own policy on materiality because the causes of irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur. . . .

Political subdivisions must recognize that variances, losses, shortages, and thefts may occur. If an incident occurs, it is imperative that the political subdivision have a policy in place that outlines the steps to be taken. Such a policy must include a materiality threshold at which point the political subdivision reports incidents to the State Board of Accounts.

The policy must be detailed, and it is essential that materiality thresholds distinguish between incidents involving cash and other types of assets. The policy needs to address maintenance of documentation and resolution of incidents that do not meet the materiality threshold.

The policy must also consider Ind. Code § 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney. There is *no* materiality threshold applicable to Ind. Code § 5-11-1-27(l). Thus, whenever a political subdivision has actual knowledge or is reasonably certain that a misappropriation of public funds has occurred (regardless of the dollar amount), the political subdivision must send written notice of the misappropriation to the State Board of Accounts and the local prosecuting attorney. Misappropriation occurs when an employee or in-house contractor of the political subdivision wrongly takes or embezzles public funds. When there is a known misappropriation or embezzlement of public funds by an internal actor, materiality is irrelevant. Indiana law requires the political subdivision to report the activity to the State Board of Accounts and the local prosecutor. Ind. Code § 5-11-1-27(l).

If a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision is required to report *all* irregular variances, losses, shortages, and thefts to the State Board of Accounts. . . ."

INTERNAL CONTROLS

The Township had not established controls to monitor and review vendor and payroll disbursements to ensure payments are in the correct amounts, not over or under paid, and that payments are subsequent to the receipt of the goods or services.

ABINGTON TOWNSHIP, WAYNE 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. . . ."

ABINGTON TOWNSHIP, WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2020, with Chelsie Buchanan, Trustee, and Doug Toschlog, Chairman of the Township Board.

ABINGTON TOWNSHIP, WAYNE COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
William Buchanan, Township Clerk:			
Compensation and Benefits:			
Overpayment of Salary, pages 4-5	\$ 325.00	\$ (325.00)	\$ -
Advance Payment of Salary, page 5	681.00	(583.00)	98.00
	<u> </u>	<u> </u>	<u> </u>
Chelsie Buchanan, Township Trustee:			
Office Rent:			
Overpayment of Office Rent, page 3	600.00	(600.00)	-
Advance Payment of Office Rent, pages 3-4	2,400.00	(2,400.00)	-
Compensation and Benefits:			
Overpayment of Salary, pages 4-5	200.00	(200.00)	-
Advance Payment of Salary, page 5	9,254.84	(9,254.84)	-
Special Investigation Costs, page 6	11,962.87	(1,545.16)	10,417.71
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 25,423.71</u>	<u>\$ (14,908.00)</u>	<u>\$ 10,515.71</u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA)
Huntington COUNTY)

I, Mary Jane Bartrom, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Abington Township, Wayne County, Indiana, for the period from July 1, 2018 to June 30, 2020, is true and correct to the best of my knowledge and belief.

Mary Jane Bartrom
Field Examiner

Subscribed and sworn to before me this 8 day of September, 2020.

Cheryl Ann Hardin
Notary Public

My Commission Expires: September 28 2026

County of Residence: Huntington

