

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

SPECIAL INVESTIGATION REPORT

OF

JACKSON TOWNSHIP

JACKSON COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
07/02/2021

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JACKSON TOWNSHIP, JACKSON COUNTY, INDIANA

This is a special investigation report for Jackson Township, Jackson County, for the period January 1, 2019 to December 31, 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 the overpayment of 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.

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

May 12, 2021

JACKSON TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts was notified in accordance with Indiana Code 5-11-1-27 that Linda Auleman (Auleman), Trustee, had received compensation in excess of the amounts set in the salary resolutions for the Trustee position. Auleman was elected as Trustee for the term of January 1, 2019 to December 31, 2022. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Townships*.

SALARY OVERPAYMENTS TO TRUSTEE

Auleman paid herself \$54,603.12 in excess of the salaries approved and appropriated by the Township Board for the Trustee position for the years 2019 and 2020. Auleman paid herself for both the Trustee and Clerk position in 2019 and the Trustee, Clerk, and Township Assistance Investigator positions in 2020. Auleman paid herself one to two months in advance of the month the services were performed.

The following schedule details the amount of the salary overpayments:

	Approved Salary	Actual Paid	Salary Overpayments
2019	\$ 39,097.00	\$ 65,634.90	\$ 26,537.90
2020	40,270.00	68,335.22	28,065.22
	\$ 79,367.00	\$ 133,970.12	\$ 54,603.12

The Township Assistance Investigator is a separate line item on the 2020 Salary Resolution approved by the Township Board. This salary payment was not included in the W-2 earnings reported for 2020 and no payroll withholdings were withheld from the payments.

In addition, the salary amounts reported on Auleman's W-2s were understated by \$5,613.90 and \$168.42 for 2019 and 2020, respectively.

Indiana Code 36-6-6-10 states in part:

". . . (b) As used in this section, 'compensation' means the total of all money paid to an elected township officer for performing duties as a township officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected township officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. . . .

(c) The township legislative body shall fix the compensation of all officers and employees of the township. . . .

(e) Except as provided in subsection (i), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available. . . ."

JACKSON TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

The trustee cannot receive any compensation in excess of what is noted on the salary resolution for the trustee. It is very important that the township board makes it clear what that total salary of the trustee will be and for what duties he/she will perform on the salary resolution. The State Board of Accounts is of the audit position that the compensation provided by a township board in accordance with IC 36-6-6-10 on the salary resolution is all inclusive for all duties performed. We will request reimbursement for any payments received above the compensation established for the trustee, board members or other employees. (Township Bulletin and Uniform Compliance Guidelines, Volume 328)

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)

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 officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested that Auleman reimburse Jackson Township for the salary overpayments in the amount of \$54,603.12. (See Summary of Charges, page 12)

ADDITIONAL EMPLOYER PAYROLL TAXES

As a result of the salary overpayments, the Township incurred additional employer payroll taxes in the amount of \$4,115.94 for the years 2019 and 2020.

The following schedule details the amount of the additional employer payroll taxes paid by the Township by year:

	<u>Employer Share of Taxes</u>
2019	\$ 2,030.15
2020	<u>2,085.79</u>
Total	<u><u>\$ 4,115.94</u></u>

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)

JACKSON TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

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 officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested that Auleman reimburse Jackson Township for the additional employer payroll taxes in the amount of \$4,115.94. (See Summary of Charges, page 12)

SALARY OVERPAYMENTS TO TOWNSHIP BOARD

In November 2019, Auleman paid the Township Board members a salary of \$3,000 each for the year. Per the 2019 Salary Resolution, Township Board members were to be paid a salary of \$1,955 each for the year.

The following schedule compares the amount paid to the Township Board members to the approved salary resolution.

	Approved Salary	Salary Paid	Salary Overpayment
Larry Sunbury (deceased)	\$ 1,955	\$ 3,000	\$ 1,045
Jessica Payne	1,955	3,000	1,045
Brett Sciarra	1,955	3,000	1,045
 Totals	 \$ 5,865	 \$ 9,000	 \$ 3,135

Indiana Code 36-6-6-10 states in part:

". . . (b) As used in this section, 'compensation' means the total of all money paid to an elected township officer for performing duties as a township officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected township officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. . . .

(c) The township legislative body shall fix the compensation of all officers and employees of the township. . . .

(e) Except as provided in subsection (i), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available. . . ."

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)

JACKSON TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

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 officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested that Larry Sunbury, Jessica Payne, and Brett Sciarra each reimburse Jackson Township \$1,045 for the salary overpayments. All amounts were repaid prior to the issuance of the report.

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional audit costs due to the special investigation of the Township records.

Indiana Code 5-11-1-27(m) states in part:

"If the attorney general institutes civil proceedings related to this section or under IC 5-11-5-1, the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) Costs incurred by the state board of accounts . . ."

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)

Auleman was requested to reimburse the State of Indiana \$11,756.25 for special investigation costs. (See Summary of Charges, page 12)

INTERNAL CONTROLS

Auleman, who served as the Township executive and the Township fiscal officer, was responsible for all aspects of Township financial activity. This included receiving and depositing funds, reconciling, preparing and issuing checks, recording financial transactions, reporting, and monitoring budget compliance. There was no oversight of Township financial activity on an ongoing basis by another individual. Due to this lack of segregation of duties, the following occurred and was not identified timely:

- Salary overpayments.
- Additional payroll taxes incurred due to the salary overpayments.
- Salary paid in advance of when the service was performed.
- Rent payments made in advance of the month of service. The 2020 rent was paid in full in October 2019.
- Payment in advance for a custom credenza that was never received by the Township.
- Expenditures exceeded the certified budget in 2019.

JACKSON TOWNSHIP, JACKSON 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. These 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. . . ."

OFFICIAL BOND AND INSURANCE

The following is information regarding official bonds and insurance obtained by the Township:

Official Bond	
Period	Amount
01-01-19 to 01-01-20	\$ 30,000
01-01-20 to 01-01-21	30,000
01-01-21 to 01-01-22	30,000

Insurance Coverage	
12-15-18 to 12-15-19	\$ 1,000,000
12-15-19 to 12-15-20	1,000,000
12-15-20 to 12-15-21	1,000,000

JACKSON TOWNSHIP, JACKSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2021, with Linda Auleman, Trustee; Brett Sciarra, President of the Township Board; Jessica Payne, Board member; and Skylar Earley, Board member.

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

May 19, 2021

To Whom It May Concern:

This letter is in response to the Exit Audit Conference on May 12, 2021 for Linda Auleman, the Jackson Township Trustee.

Salary Overpayments to Trustee

I was not trained properly or only trained for 3 hours with the previous clerk due to the fact that she is the wife of the previous Trustee (William Bill Marsh) who was the Trustee when I won the election over him. Therefore, he did not allow his wife (the previous Clerk) to train me at all but she did for 3 hours. She did the best she could for what little time she was allowed. My pay was for the Trustee and the Clerk. I did not combine the 2 jobs on one line of the budget therefore, it looks like I over paid myself. I know better now and it won't happen again. This now looks like taxes were understated for the Clerk job. The taxes were however taken out of my pay for both jobs and were reported from Grindlay and Grindlay Tax Accountants.

Salary Overpayment of Township Board

This is my fault and was not done on purpose. I don't know where I got the figure of \$3,000 for each Board member. Their checks had already been issued and cashed and 7 months went by when I discovered this during the budget workshop for the next year.

Special Investigation Costs

I don't understand why I am requested to pay for this investigation when someone else requested it. How is it legal if someone is who mean and vindictive and wanting to destroy someone because he was a sore loser in an election can request a special investigation? I am requested to pay (\$11,756.25) for something that I did not request nor have the money to pay for it.

Internal Controls

Yes, I did pay myself in advance on payroll and storage rent. I do apologize for this and it will not happen again.

The custom credenza was fraud on the Township, I had paid half down and the other half was to be paid upon delivery. I made several calls and voicemails that went unanswered. I drove to Franklin, IN to this person's house on 2 occasions and there were cars in the driveway but they would not answer the door. I left messages to cancel the order to no avail. I contacted Franklin police and they said they would try to contact them but got no answer as well. So, I had an attorney send this person a letter and he received no contact from him and he did not send it Certified Return Receipt that I think should have been done. I have submitted copies of the paid invoice from Rees Rusticreations – Scott Rees along with the letter from the attorney Farrow and Thompson, Attorneys At Law dated November 6, 2019.

My investigator was my 1st Deputy and was getting paid but was not doing the investigating so, I was doing it. I didn't know as the Trustee that I was not allowed to do that nor did I not know that I could not stop paying in the middle of the year to someone. The job was not being done by her.

Final

I submitted errors and omission insurance Policy from Beatty Insurance Co. via email to Lynne Spencer and Gina Gambaiani (Audit Field Examiners) on Thursday May 13, 2021. Copies of the email is enclosed. I am completely new to this

position and had very little training and I'm so overwhelmed with all the work that the Clerk position entailed that I made so many mistakes and I apologize for this.

I hope that the Errors and Omissions Insurance will cover the complete total of everything that is requested of me and the board.

Thank you for your consideration in this matter.

Sincerely,



Linda Auleman
Jackson Township Trustee

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Linda Auleman, Trustee:			
Salary Overpayments to Trustee, pages 3 and 4	\$ 54,603.12	\$ -	\$ 54,603.12
Additional Employer Payroll Taxes, pages 4 and 5	4,115.94	-	4,115.94
Special Investigation Costs, page 6	<u>11,756.25</u>	<u>-</u>	<u>11,756.25</u>
Totals	<u>\$ 70,475.31</u>	<u>\$ -</u>	<u>\$ 70,475.31</u>

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

AFFIDAVIT

STATE OF INDIANA)
)
MARION COUNTY)

We, Lynne Spencer and Chris Sedam, Field Examiners, being duly sworn on our oath, state that the foregoing report based on the official records of Jackson Township, Jackson County, Indiana, for the period from January 1, 2019 to December 31, 2020, is true and correct to the best of our knowledge and belief.

Lynne Spencer
Field Examiner

Chris Sedam
Field Examiner

Subscribed and sworn to before me this 15 day of June, 2021

Jonathan M. Hendricks
Notary Public

My Commission Expires: 10-19-2023

County of Residence: HENDRICKS