

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

SPECIAL INVESTIGATION REPORT

OF

FAIRFIELD TOWNSHIP

DEKALB COUNTY, INDIANA

January 1, 2019 to September 30, 2020



FILED
10/17/2022

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FAIRFIELD TOWNSHIP, DEKALB COUNTY, INDIANA

This is a special investigation report for Fairfield Township, DeKalb County, for the period January 1, 2019 to September 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 payroll, bank statements and detailed deposit tickets, cancelled checks, invoices, rental agreements, and calendars of events. 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

August 9, 2022

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS

BACKGROUND

Sicity Wappes (Wappes) served as the Trustee for Fairfield Township Dekalb County, for the period January 1, 2019, until her resignation on September 30, 2020.

As Trustee, Wappes was responsible for all financial processes of the Township. The financial processes included receipting, posting, and depositing of all Township collections. Her duties also included ensuring documentation was retained for all disbursements, writing and issuing all Township checks, and posting the disbursements to the ledger. Wappes was also responsible for reconciling the bank account.

On June 7, 2021, the January 1, 2016 to December 31, 2020 compliance engagement for the Township was started. During this compliance engagement, the current Trustee and Township Board notified the Indiana State Board of Accounts of concerns relating to unsupported vendor disbursements and excess compensation. During the compliance engagement, an investigation was also initiated. The results of our investigation are described in the following comments.

SALARY OVERPAYMENT AND ADVANCE TO TRUSTEE

Wappes paid herself \$20,970 in excess of the salaries approved and appropriated by the Township Board for the Trustee position for the years 2019 and 2020, and the Township overpaid \$191.25 of the Wappes employer provided benefits in 2020.

Net Pay Overpayments

In 2019 and 2020, the Trustee was to be paid gross wages of \$5,000 in June and December of each year, which after deductions for withholdings, including taxes, resulted in a net pay of \$4,617.50. Wappes issued herself four checks each year (as opposed to two) in the amount of \$4,617.50, totaling \$18,470; however, taxes were only withheld and remitted on two of each of the four checks issued each year.

Overpayments of net pay to Wappes for 2019 and 2020 were as follows:

<u>Years</u>	<u>Approved Salary</u>	<u>Actual Paid</u>	<u>Salary Overpayments</u>
2019	\$ 10,000	\$ 19,235	\$ 9,235
2020	<u>10,000</u>	<u>19,235</u>	<u>9,235</u>
Totals	<u>\$ 20,000</u>	<u>\$ 38,470</u>	<u>\$ 18,470</u>

The compensation reported on Wappes 2019 and 2020 Wage and Tax Statements Federal Forms W-2 (W-2) were \$10,000 each, which meant reported compensation was understated by \$9,235, each year. Thus, the overpayments of salary were excluded from the wages reported to both the Internal Revenue Service and the Indiana Department of Revenue. The W-2s were prepared by a Certified Public Accountant (CPA) based upon information provided by Wappes. Per an interview of Wappes on June 1, 2022, Wappes stated she would email an Excel document to the CPA quarterly so that the CPA could calculate the taxes and prepare the W-2s.

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS
(Continued)

Gross Wages Paid in Advance

In 2020, the annual salary approved by the Township Board for the Trustee position was \$10,000. Wappes did not complete a full-year of service as the Trustee in 2020. Wappes resigned effective September 30, 2020; however, she paid herself the full-year's salary. Wappes received \$2,500 in salary for the period of October 1, 2020 to December 31, 2020. Furthermore, the Township paid the employer share of Social Security and Medicare (employee benefits) on this \$2,500 payment totaling \$191.25 on April 29, 2020, based upon the Employee's Quarterly Federal Tax Return, Federal Form 941, the payroll withholding spreadsheets prepared and provided by the Trustee, and the cancelled checks.

Summary of Salary Overpayments and Advance to Trustee

The following is a summary of the salary overpayments, advance salary, and the related employee benefits Wappes received:

<u>Years</u>	<u>Salary Overpayments</u>	<u>Gross Wages Paid in Advance</u>	<u>Employee Benefits on Advance</u>	<u>Totals</u>
2019	\$ 9,235.00	\$ -	\$ -	\$ 9,235.00
2020	9,235.00	2,500.00	191.25	11,926.25
Totals	<u>\$ 18,470.00</u>	<u>\$ 2,500.00</u>	<u>\$ 191.25</u>	<u>\$ 21,161.25</u>

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Indiana Code 5-7-3-1 states:

- "(a) Public officers may not draw or receive their salaries in advance.
- (b) This section does not prohibit a payment under [IC 36-4-8-9](#)"

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

We continue to receive inquiries concerning trustees receiving compensation from funds other than the Township fund.

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS
(Continued)

IC 36-6-6-10(b) defines compensation as 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. For purposes of determining an increase or decrease in compensation of an elected township officer, the term does not include any of the following: (1) payment of an insurance premium. (2) Payments in recognition of (A) longevity; (B) professional certifications; or educational advancements that are separately identified on a salary ordinance or resolution. (3) Payment of a stipend or per diem allowed by statute. IC 36-6-6-10(c) states in part: "the township legislative body shall fix the compensation of all officers and employees of the township." Compensation shall be established using an annual, monthly, or biweekly salary schedule. IC 36-6-6-10(e) states: "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."

The township board should record the salaries so fixed in the township board minutes. A type of format for recording these salaries should be the existing format of Township Form No. 17. We recommend the board set the salaries of township officials and employees, in conjunction with the preparation and completion of the township budget.

The trustee's salary may be paid from multiple township funds. The breakdown should mirror the estimated time spent for each duty and must be clearly stated in the salary resolution. 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, March 2020 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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance 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 request Wappes, former Trustee, reimburse the Township for the salary overpayments, advances, and employee benefits in the amount of \$21,161.25. (See Summary of Charges, page 12)

DISBURSEMENT UNRELATED TO TOWNSHIP

On July 25, 2019, Wappes paid a vendor \$3,480.83. The invoice provided by the Trustee for audit indicated the work was billed to "Fairfield Community Center" for roof repairs and labor. We contacted the vendor and obtained a copy of their invoice. The vendor's invoice documenting payment on August 5, 2019, indicated the work was billed to "Chris and Sicily Wappes" for reconstruction.

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS
(Continued)

Per an interview of Wappes on June 1, 2022, Wappes stated that she "made up" the invoice provided for examination, and that the work had been performed on her home.

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 non-feasance 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 Wappes, former Trustee, reimburse the Township for the disbursement unrelated to the Township in the amount of \$3,480.83. (See Summary of Charges, page 12)

COLLECTIONS NOT DEPOSITED

The Township has a Community Center that is rented to Township residents. The cost to rent the Community Center is \$100 per day. Per the June 1, 2022 interview with Wappes and email follow-up on August 4, 2022, Wappes indicated that the renters' names and event dates would be added to the rental agreement prior to the event. Also, sometime prior to the event, the renter would come to the Community Center, which is also the location of the Trustee's office, to sign the rental agreement and remit the rental fees. Receipts were not issued to the renter unless requested by the renter. Only a few would request a receipt, and no one requested a copy of the rental agreement. Wappes further stated that collections were retained in a locked cabinet in her office that only she held the key for, until they were deposited in the bank at the end of the month.

In 2019, receipts were not located for any facility rentals except for one. There were eighteen completed rental agreements (agreements). Payments or collections by payment type (cash or check) were written on the agreements. Per an email follow-up to the June 1, 2022 interview with Wappes on August 8, 2022, Wappes stated she would have written the form of payment on the rental agreements. Four of the agreements indicated payment by check, six of the agreements indicated cash was paid with the initials "SW" written beside the cash payment notation, and eight of the agreements did not have the payment type indicated.

Checks were located in the Township's deposits for five of the rental agreements based upon the renters' names on the agreements and checks; however, cash was not deposited for the agreements noted as a cash payment. Furthermore, checks were not found deposited in lieu of the indicated cash collections per comparison of names on rental agreements to names on checks deposited. Total cash collected, but not deposited totaled \$700, as one of the agreements indicated the facility was rented for two days.

For 2020, no rental agreements were found. There were two receipts written for rental collections, which were traced to the only two deposits made for rentals. Due to COVID pandemic restrictions, it was possible that the facility was not rented during 2020; however, an individual who was interviewed stated she rented the facility and paid cash.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS
(Continued)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Indiana Code 5-13-6-1(c) states:

"Except as provided in subsections (d) and (g), all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance 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 Wappes, former Trustee, reimburse the Township for collections not deposited in the amount of \$700. (See Summary of Charges, page 12)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$24,371.93, due to the special investigation of the Township.

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

"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; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

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.

Any audit costs paid without the prior approval of the SBOA, when the SBOA has the statutory requirement to perform the audit of the unit, may be considered a duplication of service and an unnecessary expense. These payments may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested Wappes, former Trustee, reimburse the State of Indiana for the special investigation costs in the amount of \$24,371.93. (See Summary of Charges, page 12)

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND COVERAGE

The following is the official bond coverage for Wappes, former Trustee:

Period	Amount
01-01-19 to 12-31-19	\$ 30,000
01-01-20 to 12-31-20	30,000

UNSUPPORTED DISBURSEMENT

A Township check dated May 3, 2019, was issued by Wappes payable to and cashed by an individual for \$3,500. No documentation such as an invoice, Township assistance application or purchase order, or contract was provided to support the payment. Per a phone conversation with Wappes on December 7, 2021, and an interview with Wappes on June 1, 2022, Wappes could not provide any invoice, contract, address or contact information for this individual. Indiana State Police have also been unsuccessful in locating the individual.

Per both discussions with Wappes, she stated that the payment was for landscaping around the building. Wappes also stated there were a couple of storms, and a tree had fallen on the roof of the gazebo. Wappes further stated she had purchased items from Rural King for the work performed. An invoice for 60 bags of mulch and a "lopper" from Rural King, dated May 6, 2019, was paid by the Township. This invoice was three days after the payment was made to this individual for the landscaping work.

Per an interview with the mowing and maintenance contractor, the contractor recalled seeing the mulch at the Township. This contractor stated that someone else had spread the mulch, but she did not know who or when it was completed. The contractor also recalled a fallen tree from storms, which the contractor stated she cleaned up and provided pictures showing that the gazebo still had damage.

No Federal Form 1099 (for reporting miscellaneous income) or W-2 was issued for this individual.

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)

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)

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

FAIRFIELD TOWNSHIP, DEKALB COUNTY
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Deficiency in Internal Control - Segregation of Duties

There were no internal controls evident, such as oversight, review, or approval processes, over the Township funds, including receipts, disbursements, and accountability for cash. Wappes was the sole person responsible for all financial processes of the Township, including:

- writing, issuing, and posting receipts for collections, and depositing collections;
- writing, issuing, and posting checks for disbursements, including payroll;
- preparation and submission of payroll documents to the CPA for preparation of W-2s;
- obtaining, and maintaining supporting documents (invoices) for vendor disbursements;
- approving disbursements and ensuring compliance with budgets and/or salary resolutions;
- reconciliation of the bank accounts; and
- preparation of the financial statements.

The internal control policy approved by the Township Advisory Board in June, 2017, states in part:

"To help safeguard the records, finances, and assets the township will:

1. Ensure the Ledger is up to date - The Chairman of the Finance Committee will review the ledger and bank statements prior to every meeting. . . ."

There was not any documentation to indicate if such reviews were conducted or the extent to which the reviews were made.

The failure to establish these internal controls enabled 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.

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. . . ."

Fairfield Township Trustee Office

**1351 CR 12
Corunna, IN 46730
260-281-2225**

September 19, 2022

The Fairfield Township would like to share our response to the 2022 Audit.

1. The Board was unaware of the overpayment and advance payment of Sicily Wappes's salary; we are working on a set up of checks and balances to ensure future Trustees can not pay themselves more than the agreed upon salary.

The Fairfield Township Board and Trustee appreciate all of the time and effort the Auditor and team put into this audit. We know this was a lengthy process and the entire findings were more than we ever imagined. Our goal is to take this experience and learn from it to ensure we are doing our due diligence to ensure the funds and management of the township is appropriate.

Darin Yarin, Trustee
Marvin Skelly, Board Member
Sara Yarian, Board Member

FAIRFIELD TOWNSHIP, DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2022, with Darin Yarian, Trustee; Marvin Skelly, Chair of the Township Board; Sicily Wappes, former Trustee; and Amanda German, Attorney for Sicily Wappes.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sicity Wappes, former Trustee:			
Salary Overpayment and Advance to Trustee, pages 3 through 5	\$ 21,161.25	\$ -	\$ 21,161.25
Disbursement Unrelated to Township, pages 5 and 6	3,480.83	-	3,480.83
Collections not Deposited, pages 6 and 7	700.00	-	700.00
Special Investigation Costs, page 7	<u>24,371.93</u>	<u>-</u>	<u>24,371.93</u>
Totals	<u>\$ 49,714.01</u>	<u>\$ -</u>	<u>\$ 49,714.01</u>

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

AFFIDAVIT

STATE OF INDIANA)
Marshall COUNTY)

We, Kristin Campbell and Susan Pitsilides, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Fairfield Township, DeKalb County, Indiana, for the period from January 1, 2019 to September 30, 2020, is true and correct to the best of our knowledge and belief.

Kristin Campbell
Susan Pitsilides
Field Examiners

Subscribed and sworn to before me this 11th day of October, 2022

Natalie Rm
Notary Public

My Commission Expires: 6/8/24

County of Residence: Marshall

