

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, 2021 to December 31, 2021



FILED
10/24/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Salary Overpayment to Trustee.....	3-4
Additional Employer Payroll Taxes.....	4-5
Special Investigation Costs	5
Internal Controls	5-6
Official Bond and Insurance Coverage.....	6
Exit Conference.....	7
Summary of Charges	8
Affidavit	9



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This is a special investigation report for Jackson Township (Township), Jackson County, for the period January 1, 2021 to December 31, 2021, 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. 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

September 12, 2022

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 amount set in the salary resolution and the amount appropriated in the Township's budget 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 OVERPAYMENT TO TRUSTEE

The same comment appeared in the prior Special Investigation Report B57006.

Auleman paid herself \$22,927.52 in excess of the salary approved and appropriated by the Township Board for the Trustee position in 2021. Auleman paid herself for both the Trustee and Clerk position from January until October of 2021. Furthermore, Auleman was paid for the Township Assistance Investigator position in January, February, March, and April. Auleman received no compensation in November and December. Auleman was paid twice for the Trustee and Clerk positions in the month of January. Auleman continued to pay herself for the Clerk position after field examiners explained that she could only receive the Trustee pay during an exit conference held on May 12, 2021. (See Special Investigation Report B57006)

The following schedule details the amount of the salary overpayment for 2021:

	<u>Approved Salary</u>	<u>Actual Paid</u>	<u>Salary Overpayment</u>
2021	\$ 41,478.00	\$ 64,405.52	\$ 22,927.52

The Township's 2021 Line-Item Budget Estimate Report contained separate line items for the salaries of the Trustee and Clerk. The salary of the Trustee was listed as \$41,478 and the Clerk was \$26,701. On the 2021 Salary Resolution provided by Auleman, the approved salaries for the Trustee and Clerk positions were whited out and the amount of \$68,180 was listed for the combined Trustee and Clerk pay. When reviewing the July 13, 2021 Township Board minutes, we noted the following regarding the pay of the Trustee:

- "Amanda [Amanda Lowrey, Jackson County Republican Party Chairman] asked for a copy of the Salary Ordinance to confirm the amount of the Clerk's position salary. The salary ordinances for 2019, 2020, and 2021 were produced by Linda [Trustee]. It was noted that the 2019 salary ordinance had been adjusted by Linda to reflect a combined salary for the Trustee and Clerk positions, and the 2020 and 2021 salary ordinances had white out and salaries written in ink for the rate of compensation for employees in those years. Amanda asked Linda why there would be white out on the salary ordinances, and she couldn't explain why they did. We reviewed the salary ordinances, and none of us can recall noticing white out on the ordinances when we signed them."
- "The board unanimously agreed that Auleman would no longer hold the Clerk's position, and no longer receive the salary for the Clerk's position, effective immediately."

JACKSON TOWNSHIP, JACKSON COUNTY
RESULTS AND COMMENTS
(Continued)

The Township Assistance Investigator is a separate line item on the 2021 Salary Resolution approved by the Township Board. In addition to paying herself this excess salary, Auleman did not include the amounts in the W-2 earnings reported for 2021 and no payroll withholdings were withheld from the payments.

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. . . ."

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)

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 requested Auleman to reimburse the Township \$22,927.52 for the salary overpayment. (See Summary of Charges, page 8)

ADDITIONAL EMPLOYER PAYROLL TAXES

The same comment appeared in the prior Special Investigation Report B57006.

As a result of the salary overpayments, the Township incurred additional employer payroll taxes in the amount of \$1,692.76 for 2021.

JACKSON TOWNSHIP, JACKSON 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)

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 Auleman to reimburse the Township \$1,692.76 for the additional employer payroll taxes. (See Summary of Charges, page 8)

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 bookkeeping 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 Auleman to reimburse the State of Indiana \$9,413.33 for special investigation costs. (See Summary of Charges, page 8)

INTERNAL CONTROLS

Auleman, who served as the Township executive and 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 Overpayment to Trustee.
- Additional payroll taxes incurred due to the salary overpayment.
- Expenditures exceeded the certified budget for 2021.
- Salary paid in advance of when the service was performed.

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 COVERAGE

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

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

The following is information regarding insurance obtained by the Township:

Insurance	
Period	Amount
12-15-20 to 12-15-21	\$ 1,000,000

JACKSON TOWNSHIP, JACKSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2022, with Linda Auleman, Trustee.

In a separate meeting, the contents of this report were discussed on September 12, 2022, with Jessica Payne, President of the Township Board, and Brett Sciarra, Township Board member.

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 Overpayment to Trustee, pages 3 and 4	\$ 22,927.52	\$ -	\$ 22,927.52
Additional Employer Payroll Taxes, pages 4 and 5	1,692.76	-	1,692.76
Special Investigation Costs, page 5	<u>9,413.33</u>	<u>-</u>	<u>9,413.33</u>
Totals for Linda Auleman	<u>\$ 34,033.61</u>	<u>\$ -</u>	<u>\$ 34,033.61</u>

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

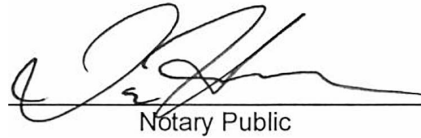
AFFIDAVIT

STATE OF INDIANA)
)
Marion COUNTY)

I, Cole Wesley, being duly sworn on my oath, state that the foregoing report based on the official records of Jackson Township, Jackson County, Indiana, for the period from January 1, 2021 to December 31, 2021, is true and correct to the best of my knowledge and belief.


Field Examiner

Subscribed and sworn to before me this 19 day of October, 2022


Notary Public

My Commission Expires: 9-7-24
County of Residence: Hamilton

IAN HAUER
NOTARY PUBLIC
SEAL
HAMILTON COUNTY, STATE OF INDIANA
MY COMM. EXP. 9-7-2024
NO. 690504