

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

CALUMET TOWNSHIP

LAKE COUNTY, INDIANA

January 1, 2003 to December 31, 2005



FILED

11/16/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mary Elgin	01-01-03 to 12-31-06
Chairman of the Township Board	Joel H. Harris	01-01-03 to 12-31-03
	Roosevelt Allen, Jr.	01-01-04 to 12-31-04
	Philippa Cody-Tolliver	01-01-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CALUMET TOWNSHIP, LAKE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of Calumet Township (Township), for the period of January 1, 2003 to December 31, 2005. The Township's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 20, 2006

CALUMET TOWNSHIP, LAKE COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 223,025	\$ 3,127,123	\$ 2,985,820	\$ 364,328
Dog	276	68	-	344
Township Assistance	659,097	23,166,152	22,029,569	1,795,680
Public Safety/Emergency Services	170,215	753,140	782,122	141,233
Recreation	116,204	516,704	479,082	153,826
Community Services/Building	88,343	435,841	397,464	126,720
Levy Excess - Civil	33,249	238	-	33,487
Levy Excess - Township Assistance	37,049	266	-	37,315
CTT Grant/Job Search DCFS	9,488	11	60	9,439
WDS Grant	27,720	37,499	16,101	49,118
City of Gary Grant	475,930	200,117	221,420	454,627
CTT North Annex	5,481	40,946	37,635	8,792
Township Assistance Emergency Loan	1,824,271	5,338,633	5,815,154	1,347,750
Fiduciary Fund:				
Payroll Withholdings	-	5,763	-	5,763
Totals	<u>\$ 3,670,348</u>	<u>\$ 33,622,501</u>	<u>\$ 32,764,427</u>	<u>\$ 4,528,422</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 364,328	\$ 3,932,648	\$ 4,295,211	\$ 1,765
Dog	344	78	44	378
Township Assistance	1,795,680	20,687,921	22,001,264	482,337
Public Safety/Emergency Services	141,233	810,065	869,948	81,350
Recreation	153,826	396,879	454,160	96,545
Community Services/Building	126,720	338,912	435,244	30,388
Levy Excess - Civil	33,487	23	33,309	201
Levy Excess - Township Assistance	37,315	25	37,139	201
CTT Grant/Job Search DCFS	9,439	1,961	10,810	590
WDS Grant	49,118	3,844	24,744	28,218
City of Gary Grant	454,627	-	402,346	52,281
CTT North Annex	8,792	68,704	35,899	41,597
Township Assistance Emergency Loan	1,347,750	2,239,579	3,466,680	120,649
Fiduciary Fund:				
Payroll Withholdings	5,763	-	1,977	3,786
Totals	<u>\$ 4,528,422</u>	<u>\$ 28,480,639</u>	<u>\$ 32,068,775</u>	<u>\$ 940,286</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 1,765	\$ 6,962,952	\$ 5,714,756	\$ 1,249,961
Dog	378	270	348	300
Township Assistance	482,337	32,756,010	29,337,939	3,900,408
Public Safety/Emergency Services	81,350	2,144,556	1,825,930	399,976
Recreation	96,545	932,222	780,657	248,110
Community Services/Building	30,388	779,073	616,515	192,946
Levy Excess - Civil	201	1	202	-
Levy Excess - Township Assistance	201	1	202	-
CTT Grant/Job Search DCFS	590	3	275	318
WDS Grant	28,218	-	7,478	20,740
City of Gary Grant	52,281	400,000	-	452,281
CTT North Annex	41,597	83,994	49,256	76,335
Township Assistance Emergency Loan	120,649	8,958,163	7,866,308	1,212,504
Rainy Day	-	2,762,970	2,169,532	593,438
Second Hand Smoke Grant	-	15,000	6,685	8,315
Cessation Grant	-	13,500	10,989	2,511
EMS Grant	-	4,240	4,240	-
Fiduciary Fund:				
Payroll Withholdings	3,786	-	3,786	-
Totals	<u>\$ 940,286</u>	<u>\$ 55,812,955</u>	<u>\$ 48,395,098</u>	<u>\$ 8,358,143</u>

The accompanying notes are an integral part of the schedules.

CALUMET TOWNSHIP, LAKE COUNTY
NOTES TO SCHEDULES

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CALUMET TOWNSHIP, LAKE COUNTY
NOTES TO SCHEDULES
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Township contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2006, as required by statute, due to the continued delay caused by the reassessment of Lake County. As of June 5, 2006, the 2005 pay 2006 property tax bills have not been mailed out.

CALUMET TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST AND OTHER CHARGES

The Township paid \$1,057.07 and \$616.11 in penalties and interest to the Internal Revenue Service for late remittance of 2005 payroll withholding taxes.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANNUAL REPORT

The Township Board did not approve the 2005 Annual Report presented by the Trustee at the annual meeting of the Township Board. The Trustee published and filed the Report with the County Auditor without Board approval.

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

PUBLIC WORKS PROJECT NOT PROPERLY BID

Calumet Township contracted with several companies for the renovation of the "Federal Building," a building intended to be the new main office. The total amount allocated for rehabbing the building was approximately \$1,000,000. Even though the Township Board approved the purchase and renovation of the building and appropriated the necessary funds, the Township Board did not join the Trustee in approving any contracts or request sealed bids for the work. Due to structural problems at the current office building and the threat of further damage to the vacant Federal Building, the Trustee felt that renovating the new location and vacating the current office was an emergency. The Trustee proceeded with the renovations and entered into several individual contracts, each for less than \$75,000.

Indiana Code 36-1-12 states: "(a) This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed . . ."

CALUMET TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-12-19 states in part: "(a) For purposes of this section, the cost of a public work project includes the cost of materials, labor, equipment rental, and all other expenses incidental to the performance of the project. (b) The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids."

Indiana Code 36-1-12-9 states: "(a) The board, upon a declaration of emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from at least two (2) persons known to deal in the public work required to be done. (b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

PUBLIC RECORDS RETENTION

Employee service records to substantiate payments of accumulated leave balances to employees of the former administration were not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 13)

COMPENSATION AND BENEFITS

Many employees of the prior administration were paid for unused or accumulated vacation and sick days in January 2003 when their employment ended. Additionally, the personnel policy in effect for the prior administration does not address whether unused vacation time is to be paid when employment ends. The policy does state, however, that paid sick days or leave is not an entitlement. Sick leave may be accumulated to a maximum of 40 days, but is to be used for certifiable long-term illnesses or accidents only.

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 7)

CALUMET TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

VACATION AND SICK LEAVE

The Township has resolutions concerning vacation and sick leave and compensatory time. However, the policies do not currently address issues concerning separation from service and Officials have not always fully complied with the policies. Employees have been paid for unused vacation leave, accumulated sick leave and a percentage of compensatory time earned.

The Township approved a resolution to amend leave policies in May 2004. The revised policy states that vacation time must be used within 13 months of an employee's anniversary date and cannot be accumulated. The policy does not address whether unused vacation will be paid upon separation from service. The policy states that paid sick days or leave is not an entitlement. Sick leave may be accumulated to a maximum of 40 days, but is to be used for certifiable long-term illnesses or accidents only. Compensatory time was not addressed in the revised policy; however, the original policy stated that there is no monetary allowance for any compensatory time.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee was making deposits only once a month. Some receipts for SSI reimbursement and client restitution were not deposited in a timely manner. One receipt dated January 18, 2005, was not deposited until February 9, 2005, 22 days later. One receipt dated June 2, 2005, was not deposited until June 27, 2005, 25 days from the date of the receipt.

Additionally, funds collected at a remote site for Emergency Medical Services and Multi-purpose Center rentals were not always remitted to the finance department at the Trustee's Office in time to ensure that deposits were made as required.

Indiana Code 5-13-6-1(c) states in part: "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."

PRESCRIBED FORMS

Officials were not using Township Form 6 – Township Trustee Check, for all disbursements. Checks for the CTT North Annex fund and some grant funds were not the prescribed or approved forms. Additionally, General Form 101 – Mileage Claim, was not used to document claims for mileage reimbursement.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DONATIONS

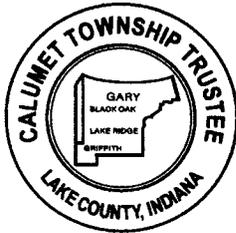
The Township Trustee made various donations to nongovernmental agencies during the examination period. The donations were to entities such as service clubs, athletic leagues, professional organizations, religious ministries, foundations, and forums. The disbursements report indicated that approximately \$9,565 was donated to nongovernmental agencies in 2005. The donations were not reported on Part 12, Report of Financial Assistance to Nongovernmental Agencies, of the Township Trustee's Annual Report as required.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP, LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2006, with Mary Elgin, Trustee; Philippa Cody-Tolliver, Chairman of the Township Board; and Dock McDowell Jr., Township Attorney. The official responses have been made a part of this report and may be found on pages 12-25.



CALUMET TOWNSHIP

Lake County, Indiana

MARY ELGIN, Trustee

Main Office: 35 East 5th Avenue, Gary, IN 46402 (219) 886-5200 Fax: (219) 886-5233
Multi-Purpose Center: 1900 West 41st Avenue, Gary, IN 46408 (219) 981-4023
South Office: 637 East Ridge Road, Gary, IN 46409 (219) 980-7500
North Annex: 487 Broadway, Gary, IN 46402 (219) 880-2201

October 2, 2006

OFFICIAL RESPONSE

To: SBA Exit Conference of September 20, 2006

PENALTIES, INTEREST AND OTHER CHARGES

The township incurred one of the penalties because the office was closed for the Christmas holiday and the other as a result of employees moving into new positions. The trustee will ensure employees remit taxes in a timely manner in the future.

ANNUAL REPORT

The board met as required and the trustee presented the report in full, but when Board Member Roosevelt Allen, Jr., moved adoption of the report, there was no second; effectively killing the motion. The board refused to approve the report; even though the trustee, township attorney, township CPA and Allen, explained in detail the board's duty to comply with IC: 36-6-6-9(a). This has been a perennial problem with certain members of the board who do not follow Robert's Rules of Order, nor state law.

The township minutes clearly show that the trustee gave a clear, concise presentation. Furthermore, throughout the year the board is presented monthly financial reports. The trustee also, time and again during board meetings, invited the board to request, examine and query any item related in any way to the annual report, or any financial matter regarding township operations.

Following failure of the motion to gain a second, and death of the motion, Board Chairman Philippa Cody-Tolliver and Secretary Nancy Valentine commenced denouncing the report and reading a list of exceptions to the report. At no time did they indicate that they found anything mathematically, financially or legally wrong with the report. Their one concern was that certain contracts had not gone to individuals or firms located in the City of Gary. Their objections were purely personal and political and inconsistent with the law. Furthermore, they left the meeting without providing the trustee any written document.

PUBLIC PROJECTS NOT PROPERLY BID

From the earliest days of the new administration, the trustee informed the board that the present main office located at 35 East Fifth Avenue, Gary, is inadequate, does not comply with various stipulations of federal law concerning access to public buildings by those with disabilities, has a structurally dangerous rear wall and sundry

electrical, heating and ventilation deficiencies. Rather than spend an exorbitant sum repairing the structure, the trustee proposed purchasing a vacant federal building located at 610 Connecticut Street, also in Gary. This was approved by the board and funds appropriated in the 2004, 2005 and 2006 budgets for the building's renovation, once acquired.

A major concern was that the building contained mold, something that would have presented a real health hazard to anyone moving into it. Although certified structurally sound by city building inspectors, the building had been vacant for approximately two years and required urgent work to halt some leaking and to repair its HVAC system. As with all such projects, delaying repairs would have increased costs.

In any case, the board had been fully informed of all aspects of the repairs. Members had been invited to tour the facility to acquaint themselves with the proposed renovation and required repairs.

PUBLIC RECORDS RETENTION

This finding is related to records that were destroyed by the previous administration. The current administration adheres to all guidelines concerning retention of records.

COMPENSATION AND BENEFITS

The township is in the process of updating personnel policies to address the finding noted.

ORDINANCES AND RESOLUTIONS

The township is in the process of updating personnel policies to address the finding noted.

DEPOSIT OF PUBLIC FUNDS

The trustee has updated the depository policy in line with IC 5-13-6-1(c). Furthermore, the Emergency Medical Services and Multipurpose Center rental amounts are now being forwarded to the finance department in a timely manner to ensure the deposits are made as required.

PRESCRIBED FORMS

As discussed in the meeting, because of the nature of some of the grant accounts, it was not cost-beneficial to utilize the prescribed forms for the check stock. However, in the future, where cost-beneficial, the township will utilize the prescribed or approved alternative forms for checks and mileage reimbursement.

DONATIONS

All financial donations by the township were from the Civil Fund. They were made to community based organizations with accredited 501-3 (C) status. The township maintains a cooperative relationship with local organizations such as the Little League, school sports and other city-wide school events.

During the audit in question, the trustee was informed that such disbursements are allowed and instructed in the proper procedure for disbursements.

**Response to 2006 Calumet Township Examination Results and
Comments (Indiana State Board of Accounts)**

**Prepared By:
Philippa Cody Tolliver
Chairperson, Calumet Township Board
October 4, 2006**

Introduction:

This response has been prepared in answer to the Indiana State Board of Accounts preliminary examination report on "fiscal transactions" of the Calumet Township Trustee's Office for the period (January 1, 2003 through 2006). It is understood, the examination report provided on September 20, 2006 was preliminary. The final report will be constructed after the receipt and review of the state's preliminary findings and this response.

It should be noted the Township Board met in Executive Session on September 22, 2006, to discuss the contents of the aforementioned examination response. The Trustee was *advised of the meeting, and her attendance requested to discuss the conclusions outlined in the state's "preliminary findings"*. For the record, the Trustee declined to participate, and instead sent the Township Attorney (Mr. Dock Mc Dowell) as her representative. As a result, the Township Board was unable to receive her explanation as to critical factual inaccuracies, which were identified as official actions of the Township Board in the examination report. It was the consensus of the Township Board, that the Board Chairperson, by virtue of her tenure on the Board, would compose this reaction to the state's fiscal review of the Calumet Township Trustees Office.

One of the first items to be addressed in this response, is the crucial issue are the published minutes of the Township Board Meetings and their accuracy? In Indiana State Statute (IC 5-14-3-1) it states in part...*Sec 1. A fundamental philosophy of the American constitutional form of representative government is that government is the servant of the people and not their master. Accordingly, it is the public policy of the state that all persons are entitled to full and complete information regarding the affairs of government and the official acts of those who represent them as public officials and employees. Providing persons with the information is an essential function of a representative government and an integral part of the routine duties of public officials and employees, whose duty it is to provide the information*. I would submit to you there is a written and consistent record of the Trustee's failure to comply with this statute. This Board has consistently asked for written documentation that addressed many of the concerns outlined in your examination report, only to receive limited responses, if any at all. Furthermore, it must be noted for the record, references to the "official minutes" of the Township Board for the 2002-2006 must be reviewed for their accuracy. *The written minutes of the Board meetings have been edited by the Trustee and her staff to the point they are not a true reflection of the Board's intent and/or official action regarding vital transactions of the Township, and are in several cases, intentionally deceptive.* Official Board actions have been changed and/or omitted, in some cases to support the Trustee's violation of state law; questions by the Board regarding some of the critical areas discussed in the state's review are often omitted from the minutes, despite board members request for their inclusion; critical statements by the Trustee and/or staff have been omitted from the minutes that would contradict some declarations made in your report. Finally, I refer you to IC 36-6-8 which clearly outlines how the Board's minutes are to be recorded; who is responsible for their construction and maintenance. *It is strongly recommended that before the state issues its final report, that it review the audio record of our*

proceedings, so that it may accurately determine what actually took place in our Board meetings. In the event these tapes have been misplaced or damaged, please be advised as Secretary for the Township Board and in compliance with IC 36-6-8, I have maintained these audio records and will provide them upon request.

There are several important reasons why there should be a closer review of the fiscal transactions by the Trustees Office (2002-6). First, consider the present property tax burden presently absorbed by local taxpayers is the highest in the State of Indiana, with the prospect of major increases in 2007. Now we review that fact the Trustees Office has received almost 80 million dollars during the last 4 years, and spent less than 30% of that amount on direct services to the poor, with the remaining 70% going for administrative and "other costs". Taxpayers are asked to mortgage their health, homes, present, and future, while a selected few benefit. There is a "culture" of family nepotism, political cronyism, and perhaps worse, which presently exists in the Calumet Township Trustees Office. These questionable spending practices have taken priority over serving the poor and protecting the taxpayer. The Board as a whole and as individuals has consistently attempted to hold the Trustee accountable for the spending of tax dollar, only to be denied information, misled, and in some cases intentionally deceived. The State of Indiana should objectively and carefully conduct a more intensive review of these fiscal transactions, to insure that taxpayer dollars are protected, and going where they ought to go. The citizens of Calumet Township deserve no less.

Response:

I. PENALTIES, INTERST AND OTHER CHARGES:

The state's preliminary examination reveals the following:

"The Township paid \$1,057.07 and \$616.11 in penalties and interest to the Internal Revenue Service for late remittance of 2005 payroll withholding taxes.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13."

RESPONSE:

It is the view that there can be no reasonable explanation for the failure to pay 2005 payroll withholding taxes in a timely manner. It should be noted that taxpayers are currently spending close to ¾ quarters of a million dollars annually for paid staff and a fiscal consultant. It would be unreasonable to expect taxpayers to be further fiscally responsible for negligence on the part of the Trustee and/or her consultant, with this matter. It should also be noted the Trustee failed to provide the Board with consistent monthly statements of Township finances in compliance with Indiana Statute, Board Resolution, and repeated written requests by the Board as a body and as individual members. This declaration can be supported by written correspondence and audio records of our Board meetings.

There is agreement; the penalties, interest, and all other charges are the personal responsibility of the chief executive (Calumet Township Trustee). There is also concurrence that these are just a few of the several serious indicators of fiscal mismanagement, and therefore requires a more intensive in-depth review by another governmental unit.

II. Annual Report:

The state's preliminary examination reveals the following:

"The Township Board failed to approve the 2005 Annual Report presented by the Trustee at the annual report as required. To comply with the statutory requirements of IC 36-6-4-12 and IC 36-6-4-13 the Trustee felt obligated to publish and file the report with the County Auditor without board approval.

IC 36-6-9(a) states, The Legislative Body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the chief executive presented under IC 36-6-4-12."

Response:

As I indicated in our September 20, 2006 exit conference any comment and/or document that would reflect the Board failed to comply with IC 36-6-4-12 are an intentional misrepresentation of the actions of the Township Board. The facts are as follows:

- *The Township Board did comply with the aforementioned statute by approving the 2005 Annual Report, "with exceptions", as allowed by law within the time frame designated in the statute. The Trustee upon learning of the Board's intent and action in our meeting publicly stated she would not forward the annual report with the Board exceptions. It should be noted the aforementioned Board action and Trustee statement can be documented via the audio record of our meeting.*
- *The Township Board then exercised its statutory responsibility by independently submitting its review of the 2005 Annual Report "with exceptions" to the County Auditor, Department of Intergovernmental*

Finance, and the State Board of Accounts. Inclusive in our submission was the written declaration by each dissenting board member detailing those "exceptions". I would refer you to my January 31, 2006 correspondence to the State Board of Accounts on this matter, which documents the Board's compliance with IC 36-6-4-12.. (Attachment 1).

- *Any attempt to submit a 2005 Annual Report, without the state mandated board signatures, and/or any statements/documents that may have been presented to state examiners relative to the Board inability to approve the Trustee's 2005 Annual Report can only be characterized as intentionally deceptive.*

A critical issue which should also be considered is: "Why the Township Board disallowed these "fiscal transactions" in the first place?" An objective review reveals a litany of questionable spending (Over 3 million dollars):

- * *Questionable fiscal transactions within the Township "Rainy Day"*
- * *No-Bid Contractual payments to questionable technical companies that were not registered in the State of Indiana*
- * *Payroll "double-dipping" by certain employees in apparent violation of Indiana Statute.*
- * *Questionable travel and education expenses for certain employees*
- * *Failure to provide credible billing hours for no-bid consultants*
- * *Questionable mileage reimbursement for certain employees*
- * *Questionable maintenance costs for township vehicles*

The Township Board, because of the limited time made available and the lack of Trustee response/cooperation, was temperate in its review of the 2005 Annual Report. In actual fact, there was additional concerns regarding questionable fiscal practices: how certain employees were being compensated in possible violation of Indiana Law; the establishment of lucrative staff positions, and/or the payment to certain employees in apparent violation of state statute (2003 and 4); if certain employees were actually providing a service for their compensation with tax dollars; the very troubling issuance of no-bid contracts, their compensation, and the actual service received by the taxpayers; the use of unfilled staff positions; bulk purchases in aggregate of over \$75,000 from the same vendor; if the township was doing business with firms who may have ties with Township employees without the benefit of appropriate "conflict of interest" statements mandated by state statute; the possible use of taxpayer dollars for purposes other than those specified; the annual use of multiple business "corporations" by the same vendor, which totaled more than \$75,000 in aggregate. A more intensive review of Calumet Township Trustee fiscal transactions should be conducted to determine the legitimacy of these actions. A review of records submitted to the Indiana Sate Board of Accounts and the Department of Intergovernmental Finance will support the Board (as whole and individuals) uneasiness with these fiscal transactions.

Finally, be advised the Township Board has expressed similar concerns in the past. In 2004, the Township Board under another chairperson (Roosevelt Allen Jr.) disallowed certain expenditures in the Trustee's 2003 Annual Report, for some of

the same reasons. These findings were submitted to the State Board of Accounts and U.S. Attorneys Office for review. There has been a consistent, reasonable attempt by the Township Board, as a whole and as individuals, to bring accountability and transparency to the fiscal transactions of the Township Trustee since January, 2003.

III. PUBLIC WORKS PROJECT NOT PROPERLY BID:

The state's preliminary examination reveals the following:

"Calumet Township contracted with several companies for the renovation of the "federal building"; a building intended to be the new main office. The total amount allocated for rehabbing the new building was approximately \$1,000,000. Even though the Township Board approved the purchase and renovation of the building, and appropriated the necessary funds. They refused to approve any contracts or request sealed bids for the work. Due to structural problems at the current office building and the threat of further damage to the vacant federal building, the Trustee felt that renovating the new location and vacating the current office was an emergency. In order to manage township property interests in accordance with IC 36-6-4-3, the Trustee felt compelled to proceed with the renovations and entered into several individual contracts, each less than \$75,000."

Response:

First, there are a number of critical misrepresentations in the explanation offered, by the Trustee, for the apparent violations of IC 36-1-12-4(a), IC 36-1-12-4(b), IC 36-1-12-19.

- *The Trustee has never presented to the Township Board any contracts and/or sealed bids to renovate the "federal building". Any statements and/or documents provided that support this contention are intentionally deceptive. The audio tape of board meetings that addressed these issues would support the board demonstrating concern about the lack of compliance to several statutes identified in the state's preliminary examination. It should be further noted the Township Board has not been asked to consider any contractual agreements since February, 2003. All contractual agreements since that time have been basically- no-bid contracts offered and approved only by the Trustee.*
- *The Township Board was never officially advised by the Trustee indicating impending status of the present main office, nor the need to move to the federal building immediately. The Township Board was not asked to consider any emergency resolutions concerning the immediate vacation of the present site. Any statements and/or documents that support the contention detailed in the state's preliminary examination are intentionally deceptive.*
- *There is no evidence, to the Board's knowledge, of any public notice as required by public law, requesting prospective bidders for the public works projects.*

- In actual fact, the Board has expressed concern about not only the issuance of contracts without its involvement as defined in IC 36-1-12-4(b) but also; the failure to properly form a technical committee for public works projects as required by state law (IC 5-30-2-2 & IC 5-30-4), the hiring of a critical technical firm not registered in the State of Indiana, the very troubling issuance of no-bid contracts in aggregate of over \$75,000, compensation to *certain employees* that may be violation of Indiana Law (Accounting and Uniform Compliance Guidelines Manual for Townships – Chapter 13).

Again, for the record, a poll of the Township Board and review of the audio record of our official proceedings, will support the position the Trustee never presented contracts and/or sealed bids for public works, or any services for that matter to the Township Board, since early 2003. It is regrettable, the Trustee and/or her representatives have chosen explain these violations of state statute, by misrepresenting the actual public record. A more intensive examination of this matter is formally requested, so the appropriate governmental units can determine what actually took place.

IV. Public Records Retention:

The state's preliminary examination states in part:

“Employee service records to substantiate payments of accumulated leave balances to employees of the former administration were not presented for audit. These records could not be located in the office by current administration officials. It appears that the records were either destroyed or removed from the files before the current Trustee took office on January 1, 2003.”

Response:

This is proposed to have taken place prior to any of the present board members assuming office. There is no recollection of discussion with the Trustee on this matter.

V. Compensation and Benefits:

The state's preliminary examination states in part:

“All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)”

The Township Board has consistently raised objections to Trustee policy regarding the compensation of *certain employees* in apparent violation of Indiana Law (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13). These potential violations include, but are not limited to the following:

- Independent establishment of lucrative positions by the Trustee, *for certain employees*, that had not been approved by the Township Board

- **Compensation to *certain employees* in excess of the budget amount approved by the Township Board**

Please note the Township Board disallowed several of these expenditures outlined in 2003 and 2005 Trustee Annual Report. These board member raised objections to similar 2004 expenditures, and this should be a part of the official record of Township Board meetings. *A more extensive review of Townships fiscal practices is requested.*

* The state's preliminary examination also states in part:

“Supporting documents such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting documentation for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible public official or employee. (Accounting and Uniform Compliance Manual for Townships – Chapter 13)”

Response:

The Township Board has on a consistent basis been denied requested information on disbursements for items including but not limited to: petty cash, travel receipts, and individual cell phone bills paid with tax dollars. If it were found the Trustee and/or her staff was reimbursed for expenses and/or invoices paid with public tax dollars for transactions of a personal nature. Then it should be the responsibility of the Trustee and/or that employee. *(Accounting and Uniform Compliance Manual for Townships, Chapter 13)*

VI. Ordinances and Resolutions:

Response:

There is no comment on this matter.

VII. Deposit of Public Funds:

* The state's preliminary examination also states in part:

“We noted instances where the Trustee was making deposits only once per month. Some receipts for SSI reimbursement and client restitution were not deposited in a timely manner. One receipt dated January 18, 2005 was not deposited until February 9, 2005, 22 days later. One receipt dated June 2, 2005 was not deposited until June 27, 2005, 25 days from the date of receipt.

In addition, funds collected at a remote site for Emergency Medical Services and Multi-purpose Center rentals were not always remitted to the finance department at the Trustee's office to ensure that deposits were made as required

IC 5-13-6-1(c) states in part "The public fund collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month"

Response:

There was considerable concern expressed by members of the Township Board as to the lack of accountability when it came to cash received by the Township for the aforementioned ambulance charges and building rentals, but also office rentals (477 Broadway), equipment auctions, vending machines, etc. The Trustee failed to provide information on these transactions despite formal and informal requests by the Township Board. Written correspondence and the audio tape of Township Board meetings will document these requests for information.

- The Board was never asked to appropriate these funds upon receipt by the Township.
- The Board did not consistently receive monthly statements of the fiscal status of the Township, despite repeated requests for this information and reference to board resolutions and state statute
- There is the very troubling possibility that all funds received by the Township were not deposited in the designated depository as mandated by state law; and that there may have been an unfair application of the building rental policy by the administrative staff.
- In the event those requests for information are not a part of the official minute book, there may be the possibility of intent to be deceptive.
- Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13")
- Failure to pay make deposits in a timely manner could be an indicator of serious financial problems which should be investigated by another governmental unit.

VIII. Prescribed Forms:

- The state's preliminary examination states:
"Officials were not using Township Form No. 6 – Township Trustee Check, for all disbursements, Checks for the North Annex Fund and some grant funds were not the prescribed or alternately approved forms. In addition, General Form No. 101 – Mileage Claim was not used to document claims for mileage reimbursement.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Compliance Guidelines Manual for Townships, Chapter 13")

Response:

Since early 2003, members of the Township Board have consistently expressed reservations about the mileage reimbursement being provided to *certain employees*, in the Trustees Office. Some of these concerns are as follows:

- The use of township vehicles by staff for personal reasons, and receiving a “monthly gas allotment” for non-township related business. This may be direct violation to the *Indiana Standard for Commuting Mileage* which states “Reimbursed mileage shall not include travel to and from the officials and employees home and the governmental office he or she works, unless otherwise authorized by statute. (*Accounting and Compliance Manual for Township, 17-3*)
- In one instance in 2003, a mileage form submitted by *certain employee*, using a township vehicle, surpassed 2000 miles in one month. The majority of the mileage report reflected out of state travel and of a personal nature.
- The very disturbing revelation that the Township compensated one employee, as much if not more, than it paid for clothing of all its clients for a 7 month period (January- August 2005).
- Any penalties, interest or other charges paid by the governmental unit may be the *personal obligation of the responsible official or employee*. (*Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13*)
- Failure to follow state statute, regarding this matter, is another indicator of serious financial problems which should be investigated by another governmental unit.

Furthermore, there remains the “very troubling purchase and auction” of township vehicles. (Admittedly, falsified documents used, which resulted in the overpayment of over \$25,000.00 tax dollars)

- Township vehicles “junked” then purchased by the Trustee, other staff, for below “market value”.
- The purchase of ambulances in apparent violation of Indiana statute

IX. Donations

The state’s preliminary examination states in part:

“Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Manual for Townships, Chapter 13)”

RESPONSE:

- Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13")
- *Failure to follow state statute, regarding this matter, is another indicator of serious financial problems which should be investigated by another governmental unit.*

Summary:

There has been a great deal of debate in our community regarding the matters discussed in this response. The Board has sought accountability and transparency in the Trustee fiscal transactions, only to be rejected by the Trustee. The result of this opposition to accountability has been the obvious and significant abuse of tax dollars discussed in the state's preliminary findings, and this response. *It appears the only way to resolve this issue is through an impartial, intensive examination (January 2003-Present) of Calumet Township Trustee fiscal transactions by another governmental unit. If it is found to be a misuse of those dollars, then compensation should be provided by the employee and/or the responsible official, not the taxpayers.*

The Board has grave concern as to the *clear intent to deceive* by the trustee and/or her representatives, with regards to alleged actions of the Township Board. Any reasonable person can only speculate, as to the motive for such unethical behavior? If Board/Township records have been altered to support this deception, this would be a very serious matter. *The Board requests a through examination of Board and Township records, both audio and written, to determine the actual record for this governmental unit.*

The fact the Trustee's Office has a plus 4 million dollar budget for 216 employees are bad enough. The problem becomes even more severe, since many of those jobs go to family members and political cronies. It should be noted a significant amount of this employee compensation may have been in violation of state law?

The Calumet Township Trustees Office should be focusing on providing poor relief to the thousands of citizens, who legitimately need help, and protecting the Calumet Township taxpayer. On the contrary, what we observe is a lucrative job service for family members and political cronies, a significant portion it appears to be violation of state law; a problematic process of awarding contracts without public bidding. As we have reviewed in this response and the state's preliminary examination, many of these contracts may have been awarded illegally? There is a distinct possibility, the taxpayers could have been saved perhaps millions of dollars, had these services been opened to bid. However, we will never know because Township administration has sabotaged the public-bidding process, and as now we know was intentionally deceptive about their role in this apparent travesty. *Again, the Board thinks a more in-depth review examination by another governmental unit is required*

The administration will no doubt maintain it did nothing wrong and everything was done intended to help Calumet Township Residents. The fundamental question remains who was really helped; were these expenditures appropriate and legal?