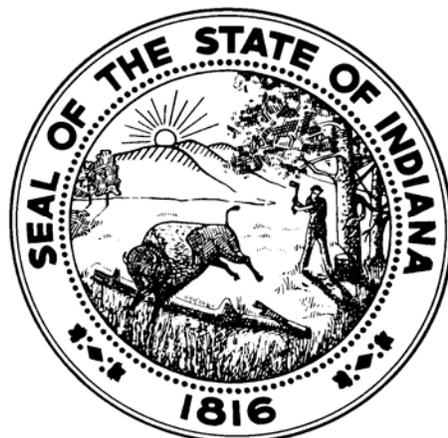


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

SUPPLEMENTAL REPORT  
OF

CITY OF WOODBURN  
ALLEN COUNTY, INDIANA

January 1, 2005 to July 31, 2006



**FILED**  
11/27/2006



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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William D. Basting Vacant Lesa Meadows	01-01-04 to 07-17-06 07-18-06 to 08-20-06 08-21-06 to 12-31-07
Mayor	Richard A. Hoepfner	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Richard A. Hoepfner	01-01-04 to 12-31-07
President of the City Council	Richard A. Hoepfner	01-01-04 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2765

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

TO: THE OFFICIALS OF THE CITY OF WOODBURN

We have audited the records of the City of Woodburn for the period January 1, 2005 to July 31, 2006, and certify that the records and accountability of cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of City of Woodburn for the year 2005.

STATE BOARD OF ACCOUNTS

October 30, 2006

CITY OF WOODBURN  
AUDIT RESULTS AND COMMENTS

FICTITIOUS VENDOR INVOICES

On July 17, 2006, the Clerk-Treasurer, William D. Basting, resigned after it was discovered that money was misappropriated from the City of Woodburn via two fictitious vendor accounts created specifically for this purpose. The State Board of Accounts was notified of the situation and immediately started an investigative audit. Soon thereafter, we discovered two additional fictitious vendor accounts by which money was misappropriated from the City. Seventy-seven checks, over the time period from April 2005 to July 2006, were written to these vendors, totaling \$278,557.47.

<u>Date Range of Fictitious Vendor Payments</u>	<u>Fictitious Company</u>	<u>Amount to be Repaid</u>
April 2005 to June 2005	Commercial Real Estate Consultants	\$ 25,383.75
July 2005 to July 2006	Black Creek Excavating	100,157.79
September 2005 to May 2006	All Star Construction	63,808.07
October 2005 to July 2006	Customized Power Service	<u>89,207.86</u>
Total		<u>\$ 278,557.47</u>

All of the fictitious vendors, except for Black Creek Excavating, were based upon vendors that actually exist and do business in the Northeastern area of Indiana. Variations of these legitimate vendor names, with changed addresses and phone numbers, were used in establishing fictitious vendor bank accounts and post office boxes and in the creation of check endorsement stamps, purchased from City funds. Business, relative to these accounts, was conducted by William D. Basting under his own name and under the name Bill Baxter. Claims, accompanied by related invoices, quotes, schedules, pictures, maps and diagrams, were created in support of payments made to these vendors. Per affidavits from the Mayor and all City Council Members, these claims were never submitted to them for approval and no corresponding goods or services were received by the City.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

William D. Basting, former Clerk-Treasurer, was requested to reimburse \$278,557.47 to City of Woodburn. (See Summary, page 11)

We obtained, via subpoena, copies of the bank accounts and all of the bank activity for these four fictitious vendor accounts for the entire period from April 2005 to July 2006. We summarized all of the fictitious vendor accounts' receipts and disbursements for that time period. The vendor checks in question were deposited into the respective bank accounts. Various personal expenses were paid from these accounts, thus changing the identity of the money. The receipts summary below shows how these accounts were almost entirely funded by the City of Woodburn's misappropriated checks. The disbursements summary below displays how all of the money flowed out of the vendor accounts for William D. Basting's personal expenses.

CITY OF WOODBURN  
AUDIT RESULTS AND COMMENTS  
(Continued)

	Commercial Real Estate Consultants National City Bank	Black Creek Excavating Bank One / Chase Bank	All Star Construction 1st Source Bank	Customized Power Services Tower Bank	Totals
Receipts received in vendor accounts:					
Deposits to fictitious vendor bank accounts	\$ 25,383.75	\$ 88,426.04	\$ 63,808.07	\$ 60,086.34	\$ 237,704.20
One check not deposited but cashed	-	3,763.00	-	-	3,763.00
Uncashed checks returned	-	7,968.75	-	29,121.52	37,090.27
Subtotal - City of Woodburn checks to fictitious vendors and charge to William D. Basting	<u>25,383.75</u>	<u>100,157.79</u>	<u>63,808.07</u>	<u>89,207.86</u>	<u>278,557.47</u>
Transfers between fictitious vendors	-	200.00	300.00	100.00	600.00
Miscellaneous	50.00	12,586.41	727.80	4,050.00	17,414.21
Total receipts	<u>\$ 25,433.75</u>	<u>\$ 112,944.20</u>	<u>\$ 64,835.87</u>	<u>\$ 93,357.86</u>	<u>\$ 296,571.68</u>
Expenses paid from vendor accounts:					
Transfers to personal checking accounts	\$ 24,040.75	\$ 17,822.90	\$ 13,600.00	\$ 11,050.00	\$ 66,513.65
Cash withdrawals	-	14,615.95	4,918.70	20,108.84	39,643.49
Checks written for cash	1,100.00	13,333.00	13,695.00	12,784.00	40,912.00
Debt and bank payments	-	1,849.49	2,907.89	706.50	5,463.88
Credit card payments	225.00	12,511.06	6,331.96	8,624.31	27,692.33
Travel - hotel, cruise, airfare, car rental	-	5,557.05	5,722.21	-	11,279.26
Entertainment and restaurants	-	759.18	946.35	2.25	1,707.78
On-line dating services	-	91.11	414.19	-	505.30
Hair replacement services	-	148.58	555.74	54.68	759.00
Groceries and stores	-	2,266.27	1,314.87	181.22	3,762.36
Subscriptions	-	667.92	259.42	83.55	1,010.89
Gasoline	-	453.61	319.97	-	773.58
Medical and insurance	-	3,723.89	2,230.35	1,752.48	7,706.72
Internet service provider / various phone services	-	1,361.44	2,231.89	984.70	4,578.03
Gas and electric utilities	-	869.86	113.91	487.86	1,471.63
Taxes - property, etc.	-	4,661.16	-	1,496.13	6,157.29
Payments on behalf of others	-	1,653.00	1,177.37	750.69	3,581.06
Non-sufficient funds (NSF) Fees	68.00	580.00	83.00	-	731.00
Transfers between fictitious vendors	-	100.00	200.00	300.00	600.00
Miscellaneous	-	4,478.61	160.05	4,415.75	9,054.41
Close account - surrender to City of Woodburn	-	17,471.37	7,653.00	453.38	25,577.75
Uncashed fictitious vendor checks	-	7,968.75	-	29,121.52	37,090.27
Total disbursements	<u>\$ 25,433.75</u>	<u>\$ 112,944.20</u>	<u>\$ 64,835.87</u>	<u>\$ 93,357.86</u>	<u>\$ 296,571.68</u>

CITY OF WOODBURN  
AUDIT RESULTS AND COMMENTS  
(Continued)

FUNDS MISAPPROPRIATED, DIVERTED OR UNACCOUNTED FOR

Phone Service Paid by City

Numerous personal long distance calls (AT&T), excessive 411 connect fees, downloads of Monopoly games and excess minutes charges (Verizon Wireless) were used by William D. Basting.

William D. Basting, former Clerk-Treasurer, was requested to reimburse \$1,473.09 to the City of Woodburn. (See Summary, page 11)

Petty Cash Disbursements

William D. Basting former Clerk-Treasurer, reimbursed himself on several occasions for personal items and undocumented disbursements as follows:

1. Expenses already paid by the City (duplicate payments) for:
  - a. an Office Depot calculator and office supplies;
  - b. a Fed-Ex/Kinko's bill for City maps; and
  - c. mileage on a trip to Indianapolis already reimbursed to another City employee. (William D. Basting did not drive on this trip.)
2. Indiana Stamp invoice for purchase of "for deposit only" bank stamps for two of the fictitious vendors used to misappropriate money from the City of Woodburn.
3. Personal expenses including postage, sales tax, health and beauty aid products, PTA membership, parking at hotels on trips we deemed not to be business in nature, and soda pop.
4. Undocumented expenses such as gasoline purchases, liens and mileage reimbursements.
5. Cash necessary to balance the petty cash account in the amount of \$48.36.

William D. Basting, former Clerk-Treasurer, was requested to reimburse \$833.34 to the City of Woodburn. (See Summary, page 11)

Travel and Postage Reimbursements

William D. Basting received reimbursements for personal travel and postage expenses as follows:

1. Several trips taken to Indianapolis over a weekend, without supporting documentation to substantiate the business explanation as written on the claim for reimbursement. The amounts included hotels and mileage.

CITY OF WOODBURN  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. Numerous incidents where personal postage was reimbursed as if it were business postage. The written explanation for the postage appeared to be for business, but when the destination was reviewed (using zip codes on the U.S. Post Office receipts) it was sent to a different location therefore, we deemed the postage to be personal.

William D. Basting, former Clerk-Treasurer, was requested to reimburse \$1,516.87 to City of Woodburn. (See Summary, page 11)

Late Payment Penalties and Overpayment of Salary

William D. Basting former Clerk Treasurer, paid several late payment penalties and was overpaid on his last payroll check. Late fees and penalties were incurred due to the late payment of debt and payroll withholdings. The overpayment of salary was for the period from July 18 to July 21, 2006. William D. Basting's resignation date was July 17, 2006.

William D. Basting, former Clerk Treasurer, was requested to reimburse \$1,328.86 to the City of Woodburn. (See Summary, page 11)

Cash Necessary to Balance Checking Account at July 31, 2006

The checking account did not reconcile to the records at July 31, 2006. The Clerk-Treasurer is the fiscal officer of the unit and it is his responsibility to balance the records to the bank accounts.

William D. Basting, former Clerk-Treasurer, was requested to reimburse \$240.14 to the City of Woodburn. (See Summary, page 11)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADDITIONAL AUDIT COSTS

The State of Indiana has incurred additional audit fees in the investigation of funds misappropriated from the City of Woodburn. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$16,403.94.

William D. Basting, former Clerk-Treasurer, was requested to reimburse \$16,403.94 to the State of Indiana. (See Summary, page 11)

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF WOODBURN  
AUDIT RESULTS AND COMMENTS  
(Continued)

OFFICIAL BOND

The City of Woodburn Clerk-Treasurer is covered under Public Official Bond 205014047.

Surety: Travelers Casualty and Surety Company of America  
Term: March 1, 2004 until Cancellation of Bond  
Amount: \$30,000  
Bound Unto: State of Indiana

CITY OF WOODBURN  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2006, with William D. Basting, prior Clerk-Treasurer. The official response has been made a part of this report and may be found on page 10.

**William D. Basting  
4105 Becker Road  
Woodburn, Indiana 46797  
(260) 632-4270**

November 8, 2006

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

**Re: Official Response from William D. Basting  
to Supplemental Report of City of Woodburn, Allen County, Indiana  
from the Indiana State Board of Accounts**

Dear Sir/Madame:

Please accept this letter as my Official Response to a State Board of Accounts Supplemental Report submitted to me on October 30, 2006.

I believe that much of the Report is correct, but I dispute some areas of the report although I do not have records to substantiate my objections.

Thank you.

Yours very truly,



William D. Basting

cc: Frank J. Gray, Esq.

CITY OF WOODBURN  
SUMMARY

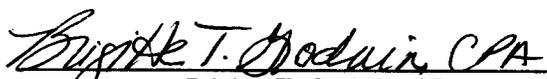
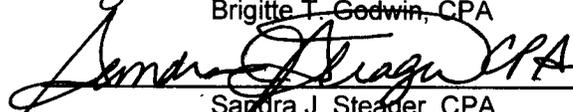
	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
William D. Basting, Clerk-Treasurer:			
Amount Due Based Upon Fictitious Vendor			
Disbursements to Clerk-Treasurer			
Due From William D. Basting, page 4	\$ 278,557.47	\$	\$
Repaid with Receipt:			
No. 3299 dated July 25, 2006		483.31	
No. 3300 dated July 25, 2006		7,653.00	
No. 3301 dated July 25, 2006		13,471.37	
No. 3302 dated July 25, 2006		4,000.00	
No. 3339 dated September 25, 2006		215,859.52	
Repaid with Voided checks:			
No. 7059 voided July 25, 2006		14,205.62	
No. 7078 voided July 25, 2006		14,915.90	
No. 7075 voided July 25, 2006		7,968.75	
Amounts Due Based Upon Funds Misappropriated,			
Diverted or Unaccounted for:			
Phone Service Paid by City			
Due From William D. Basting, page 6	1,473.09		
No. 3339 dated September 25, 2006		1,473.09	
Petty Cash Disbursements			
Due From William D. Basting, page 6	833.34		
No. 3339 dated September 25, 2006		833.34	
Travel Disbursements and Other Reimbursements			
Due From William D. Basting, page 7	1,516.87		
No. 3339 dated September 25, 2006		1,516.87	
Late Payment Penalties and Overpayment of Salary			
Due From William D. Basting, page 7	1,328.86		
No. 3339 dated September 25, 2006		1,328.86	
Cash Necessary to Balance Checking Account at July 31, 2006			
Due From William D. Basting, page 7	240.14		
No. 3339 dated September 25, 2006		240.14	
Amount Due from Clerk-Treasurer's Actions	283,949.77	283,949.77	-
Additional Audit Costs			
Due From William D. Basting, page 7	16,403.94		
No. 3339 dated September 25, 2006		16,403.94	
Totals	<u>\$ 300,353.71</u>	<u>\$ 300,353.71</u>	<u>\$ -</u>

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AFFIDAVIT

STATE OF INDIANA )  
                          ) SS:  
ALLEN COUNTY)

We, Brigitte T. Godwin, CPA and Sandra J. Steager, CPA, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the City of Woodburn, Allen County, Indiana, for the period from January 1, 2005 to July 31, 2006, is true and correct to the best of our knowledge and belief.

  
\_\_\_\_\_  
Brigitte T. Godwin, CPA  
  
\_\_\_\_\_  
Sandra J. Steager, CPA  
Field Examiners

Subscribed and sworn to before me this 30 day of OCTOBER, 2006.

  
\_\_\_\_\_  
(Notary Public)  
(Clerk of the Circuit Court)

My Commission Expires: 6-21-2008 (Use with Notary)

County of Residence: ALLEN (Use with Notary)