

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

SPECIAL INVESTIGATIVE REPORT  
OF THE

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
ST. JOSEPH COUNTY, INDIANA

October 1, 2003 to October 31, 2007



**FILED**  
04/17/2008



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Transmittal Letter .....	3
Examination Results and Comments:	
Bank Account Reconciliations .....	4
Unauthorized Compensation .....	4
Vendor Checks – Supporting Documentation .....	4-5
Receipts Not Deposited .....	5-6
Nonsufficient Funds – Personal Checks .....	7
Nonsufficient Funds – Utility Customers .....	7
Meter Deposits.....	8
Dog Tag Receipts.....	8
Penalties, Interest, and Other Charges Paid to Taxing Agencies .....	8-9
Penalties, Interest, and Other Charges Paid to Vendors .....	9
Utility Receipt Tax.....	9-10
Informational Comment – Insurance Coverage.....	10
Additional Audit Costs .....	10
Exit Conference.....	11
Official Response .....	12
Summary .....	13
Affidavit .....	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wanda Wilhelm Cathy Ann Keck Susan Moffitt	01-01-00 to 12-31-03 01-01-04 to 10-30-07 10-31-07 to 12-31-11
President of the Town Council	Steven J. Hora Carolyn Higgins	01-01-03 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF NEW CARLISLE, ST. JOSEPH COUNTY, INDIANA

We have examined the records of the Clerk-Treasurer's Office for the period from October 1, 2003 to October 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments. The financial transactions of this office are reflected in the Annual or Examination Reports of the Town of New Carlisle, St. Joseph County, Indiana, for the years 2003 through 2007.

STATE BOARD OF ACCOUNTS

February 26, 2008

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not performed for the entire examination period. The prior Report B30178, which examined the Town's records through December 31, 2006, cited a cash necessary to balance the fund balances to the bank balances of \$51,042.82. This current examination has identified all but \$5,839.54 of this difference. The current examination revealed that \$11,951.90 of the December 31, 2006, cash necessary to balance was attributable to disbursements not being recorded on the Funds Ledger and posting errors. The remainder, \$33,251.38, was the result of apparent misappropriation of funds. Details of this misappropriation of funds are discussed in other Examination Results and Comments.

A reconciliation completed as of October 31, 2007, reflects a cash necessary to balance of \$6,747.54. An additional \$40,474.64 was misappropriated in 2007.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle the \$6,747.54 cash necessary to balance the records. (See Summary, page 13)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNAUTHORIZED COMPENSATION

The former Clerk-Treasurer, Cathy Ann Keck, received \$18,434.30 in net payroll checks from December 22, 2005 to July 6, 2007, which were not included in the payroll system or on a salary ordinance or resolution approved by the Town Council.

We requested the Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle the \$18,434.30 in unauthorized payroll checks she received during her term as Clerk-Treasurer. (See Summary, page 13)

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 Cities and Towns, Chapter 7)

VENDOR CHECKS - SUPPORTING DOCUMENTATION

Vendor checks totaling \$14,404.42 were disbursed to the former Clerk-Treasurer, Cathy Ann Keck, or Wells Fargo Bank - Cash, from May 6, 2005 through October 19, 2007, and then subsequently endorsed by Cathy Ann Keck. Town records did not contain adequate supporting documentation, such as receipts, invoices, and other public records to substantiate the amount disbursed. Due to the lack of supporting information, the validity and accountability for these disbursements could not be established.

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$14,404.42 for the vendor checks disbursed without supporting documentation. (See Summary, page 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 Cities and Towns, Chapter 7)

RECEIPTS NOT DEPOSITED

For the examination period we compared receipts to deposits. There were numerous dates where deposits were less than the amount of money collected in the Clerk-Treasurer's Office. We researched many of these dates, but not all. In some instances deposit tickets were not available for review, the Town did not designate cash or check as the form in which money was received, or the records were in disarray to an extent that we were unable to find documents which would substantiate the difference between receipts and deposits. In the paragraphs below we discuss the types of differences that we were reasonably able to ascertain and identify a cause for the difference between receipts and deposits.

On 16 dates during the examination period, deposits were made which were less than receipts written for a particular day. The schedule below details the dates the bank processed a debit memo because the actual amount deposited was less than the amount written on the deposit ticket given to the bank. The schedule also lists the apparent cause of the debit memo.

<u>Date(s) of Collection</u>	<u>Amount Collected</u>	<u>Date of Deposit</u>	<u>Amount Deposited</u>	<u>Amount of Debit Memo</u>	<u>Reason for Difference</u>
02-04-05	\$ 11,797.68	02-07-05	\$ 11,391.22	\$ 406.46	Keck check substituted for cash not deposited
05-17-05	12,648.01	05-18-05	12,578.01	70.00	Keck check substituted for cash not deposited
06-29-05	27,634.04	06-30-05	27,504.04	130.00	Keck check substituted for cash not deposited
07-25-05	34,926.08	07-26-05	34,726.10	199.98	Cash collected not taken to the bank
12-05-05	5,677.89	12-12-05	4,670.82	1,007.07	Cash collected not taken to the bank
02-08-06	15,268.08	02-21-06	14,548.08	720.00	Cash collected not taken to the bank
05-12-06, 05-17-06, 05-18-06	45,797.03	05-19-06	44,381.43	1,415.60	Cash collected not taken to the bank
05-19-06	7,909.09	05-31-06	7,519.09	390.00	Cash collected not taken to the bank
06-23-06	20,846.28	06-27-06	20,456.28	390.00	Cash collected not taken to the bank
10-04-06	4,158.97	10-06-06	4,078.97	80.00	Keck check substituted for cash not deposited
10-23-06	5,543.37	10-24-06	5,268.37	275.00	Cash collected not taken to the bank
01-25-07	28,392.88	01-31-07	27,892.88	500.00	Cash collected not taken to the bank
02-09-07	5,594.27	02-12-07	5,316.06	278.21	Cash collected not taken to the bank
09-04-07	2,962.82	09-04-07	2,766.13	196.69	Cash collected not taken to the bank
09-14-07	22,490.20	09-17-07	22,290.20	200.00	Cash collected not taken to the bank
10-22-07	<u>26,774.10</u>	10-24-07	<u>26,274.10</u>	<u>500.00</u>	Cash collected not taken to the bank
Totals	<u>\$ 278,420.79</u>		<u>\$ 271,661.78</u>	<u>\$ 6,759.01</u>	

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

On 14 dates during the examination period, Town checks were written by the former Clerk-Treasurer made out to the Town of New Carlisle and substituted for cash collections. The schedule below details those dates and amounts.

<u>Check Date</u>	<u>Check Number</u>	<u>Amount</u>
12-01-05	22464	\$ 1,091.59
06-20-06	23256	493.03
06-21-06	23257	245.41
06-30-06	23346	960.00
07-04-06	23347	1,644.21
01-31-07	24204	947.16
03-23-07	24433	673.70
04-09-07	24558	981.62
04-23-07	24569	1,110.26
04-30-07	24630	903.26
06-18-07	24809	804.15
07-02-07	24906	786.02
10-09-07	25334	572.70
10-22-07	25397	<u>460.00</u>
Total		<u>\$ 11,673.11</u>

On 12 dates during the examination period, deposit tickets prepared by the former Clerk-Treasurer did not agree to the amount of collections the Town received for a particular date. The total amount by which deposits were less than collections for these 12 dates is \$9,038.75.

On October 25, 2007, the Indiana State Police, as part of their investigation of the Town Clerk-Treasurer's Office, seized many items. Among the items seized were two deposits prepared and ready to be taken to the bank, one dated May 3, 2006, and the other dated June 1, 2006. Both had checks attached which were received from Town customers, but the cash noted on the deposit tickets was missing. These two deposits totaled \$1,504.17 and were receipted to the Town's records.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$28,975.04 for the misappropriated funds discussed above. (See Summary, page 13)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

NONSUFFICIENT FUND PERSONAL CHECKS

Some receipts were written for cash collections which could not be verified to bank deposits. Further examination disclosed that the former Clerk-Treasurer substituted personal checks for cash collections. On 33 occasions between May 26, 2005 and July 24, 2007, these personal checks of the former Clerk-Treasurer were returned by the bank as nonsufficient fund checks. For the examination period, the total amount of personal checks written by the former Clerk-Treasurer that were returned by the bank and not subsequently made good totaled \$2,973.92.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$2,973.92 for these Nonsufficient Fund checks written to the Town. (See Summary, page 13)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

NONSUFFICIENT FUNDS - UTILITY CUSTOMERS

It is the practice of the Town Clerk-Treasurer's Office upon notification from the bank of a nonsufficient fund check received from a utility customer, to require the customer to replace the nonsufficient fund check with either a money order or cash. This money order or cash is then deposited separately from regular collections. During the examination period we noted nine instances totaling \$1,226.10 where there is no evidence of a separate deposit to make the nonsufficient check good.

In one instance, a customer wrote a check for \$108.25 that was returned nonsufficient fund by the bank. An envelope with \$3.25 in it was found at the Town Hall, noting on the outside of the envelope, that the \$108.25 check was made good by the receipt of \$108.25 in cash. The \$105 in cash could not be traced to a deposit.

In two other instances, notation was made in a nonsufficient fund folder that the customer gave cash to the Town to replace the nonsufficient fund check and that the cash was deposited. Examination of deposit tickets revealed the cash was not deposited.

No adjustment was made to any of these nine utility customer accounts to reflect that the nonsufficient fund check was not made good.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$1,226.10 for the above nonsufficient fund checks that were made good by utility customers but the deposit of cash was not made to Town bank accounts. (See Summary, page 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

METER DEPOSITS

For the examination period Customer Meter Deposit receipts totaling \$1,080 were written which could not be verified to bank deposits.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$1,080 in Customer Meter Deposits not deposited. (See Summary, page 13)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

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)

DOG TAG RECEIPTS

The Town Clerk-Treasurer's Office collects a dog tag license fee. The practice of the Clerk-Treasurer's Office has been to collect this money throughout the year, hold it in the Town safe, and then deposit all the collections in one deposit at year end. Receipts issued during 2006 and 2007 totaled \$448.50. At January 31, 2008, \$56 of cash and checks were on hand representing 2006 and 2007 collections. None of the remaining \$392.50 has been deposited at any time during 2006, 2007, or 2008.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$392.50 for dog tag collections not deposited. (See Summary, page 13)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES PAID TO TAXING AGENCIES

The prior Report B30178 cited the fact that the Town paid \$204.94 to the Internal Revenue Service and the Indiana Department of Revenue in 2004 and 2005.

The current examination found that an additional \$5,446.74 of penalties, interest, and other charges were paid to the Indiana Department of Revenue and the St. Joseph County Sheriff during the examination period. The assessment of these penalties, interest, and other charges were the result of the late payment of sales and withholding taxes and improper reporting to the respective taxing agencies.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$5,446.74 in penalties, interest, and other charges paid to taxing agencies. (See Summary, page 13)

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES PAID TO VENDORS

During 2006 and 2007, amounts payable to vendors and other suppliers of goods and services were not being paid timely. As a result, the Town incurred late and finance fees. During 2006 and 2007, the Town has disbursed \$793 in late and finance fees. It is the responsibility of a Town Clerk-Treasurer to assure all invoices of the Town are paid in a timely manner.

We requested Cathy Ann Keck, former Clerk-Treasurer, reimburse the Town of New Carlisle \$793 for late and finance fees paid by the Town. (See Summary, page 13)

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 Cities and Towns, Chapter 7)

UTILITY RECEIPT TAX

The Water Utility, Electric Utility, and the Refuse Removal Fund did not pay Utility Receipt tax to the Indiana Department of Revenue for 2004, 2005, 2006, or 2007. As of December 31, 2007, the estimated total Utility Receipt Tax due to the Indiana Department of Revenue is \$98,020. If this liability is satisfied by the Town, the Indiana Department of Revenue could assess late payment fees, interest and penalties.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to those agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 Manual for Cities and Towns, Chapter 7)

INFORMATIONAL COMMENT - INSURANCE COVERAGE

The Town purchased an officials bond for the Clerk-Treasurer's position with Cathy A. Keck listed as the principal. The bond was purchased from Employers Mutual Casualty Company for a coverage period January 1, 2004 through January 1, 2008. The amount of coverage for the bond is \$200,000.

ADDITIONAL AUDIT COSTS

Additional audit costs were incurred for this special examination, outside the normal two year audit cycle, due to the numerous examples of funds being diverted from the Town's bank accounts. Expanded review into years going back to 2003 was deemed necessary, as the last time the Town accurately reconciled the bank balances to the Funds Ledger was September 30, 2003. Additional audit costs incurred by the State of Indiana totaled \$21,963.57.

Audit costs or other costs incurred because of poor records, nonexistent records, or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2008, with Cathy Ann Keck, former Clerk-Treasurer. The official response has been made a part of this report and may be found on page 12.

The contents of this report were discussed on February 26, 2008, with Carolyn Higgins, President of the Town Council; Ronald P. Colpitts, Vice President of the Town Council; John R. Gelow, Dana Groves, and Jack Mell, Town Council members; and Susan Moffitt, Clerk-Treasurer.

This is an OFFICIAL RESPONSE to the Exit Conference for the Town of New Carlisle dated February 22, 2008.

I am not sure the proper way to response to this report. If this is not a proper response I ask that John Pajakowski discard this.

I realize I was the official Clerk Treasurer and was sworn in to protect and abide all responsibility for the Town of New Carlisle. I am ashamed of myself for not fulfilling my responsibilities. The Audit and Comments are probably correct and know in my heart I am fully responsible but for reasons I believe some could have been voided due to being a stronger person.

I was born and raised in New Carlisle and have worked for the Town of New Carlisle on and off for about nineteen years and always enjoyed being a Deputy Clerk. I never imagined when I took the Clerk Treasure's position that I would take this position to do the shameful and hurtful things that I did.

I will accept and will pay back all restitution to the Town of New Carlisle.

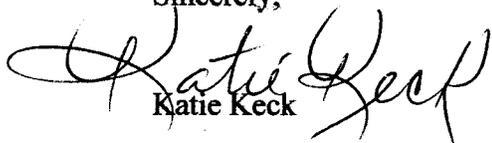
I will accept and will abide by all the consequences that I shall receive what I have done to the Town of New Carlisle Residents, Employees, and Council Members, other Board Members and each and everyone involved with the Town of New Carlisle.

I was an honest person, and the past few years began a person that I am very ashamed of and very truly sorry for everything that I have caused.

Always remember if things are troubling you, you must talk with your spouse or someone. If not your problems will keep mounting up and destroy yourself but most importantly your family.

Again, I am truly sorry for the all the pain I have caused to the Town of New Carlisle.

Sincerely,

  
Katie Keck

CLERK-TREASURER'S OFFICE  
TOWN OF NEW CARLISLE  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Cathy Ann Keck, former Clerk-Treasurer:			
Bank Account Reconciliations, page 4	\$ 6,747.54	\$	\$
Unauthorized Compensation, page 4	18,434.30		
Vendor Checks - Supporting Documentation, pages 4 and 5	14,404.42		
Receipts Not Deposited, pages 5 and 6	28,975.04		
Nonsufficient Fund Personal Checks, page 7	2,973.92		
Nonsufficient Funds - Utility Customers, page 7	1,226.10		
Meter Deposit, page 8	1,080.00		
Dog Tag Receipts, page 8	392.50		
Penalties, Interest, and Other Charges Paid to Taxing Agencies, pages 8 and 9	5,446.74		
Penalties, Interest, and Other Charges Paid to Vendors, page 9	793.00		
 Paid on behalf of Cathy Ann Keck, former Clerk-Treasurer:			
April 7, 2008, Receipt 29920		473.56	
April 7, 2008, Receipt 29921		10,000.00	
April 7, 2008, Receipt 29922		70,000.00	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 80,473.56</u>	<u>\$ 80,473.56</u>	<u>\$ -</u>

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AFFIDAVIT

STATE OF INDIANA )  
LaPorte COUNTY )

We, John W. Pajakowski and Jane Wilson, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Clerk-Treasurer's Office, Town of New Carlisle, St. Joseph County, Indiana, for the period from October 1, 2003 to October 31, 2007, is true and correct to the best of our knowledge and belief.

*John W. Pajakowski*  
*Jane L. Wilson*  
Field Examiners

Subscribed and sworn to before me this 1 day of April, 2008.

*Emmy LaDorre*  
Notary Public

My Commission Expires: *July 30, 2013*  
County of Residence: *LaPorte*