

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

EXAMINATION REPORT
OF
KELSO TOWNSHIP
DEARBORN COUNTY, INDIANA
March 5, 2007 to September 18, 2008



FILED
04/15/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Examination Results and Comments:	
Salary Overpayment.....	6
Additional Compensation Paid to Trustee	6
Financial Report Opinion Modification.....	6-7
Annual Report.....	7
Appropriations.....	7
Cemetery Contract	7
Optical Images of Checks.....	7-8
Township Assistance Procedures	8-9
Donations to Not For Profits Entities	9
Federal and State Agencies – Compliance Requirements	9
Salary Resolution.....	10
Exit Conference.....	11
Official Response	12-14
Summary	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Anthony J. Werner (Vacant) Charles Andres Michael Puls	01-01-07 to 05-23-08 05-24-08 to 07-17-08 07-18-08 to 09-18-08 09-19-08 to 12-31-10
Chairman of the Township Board	Jerome H. Stenger Matilda E. Hoffbauer	01-01-07 to 08-19-07 08-20-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF KELSO TOWNSHIP, DEARBORN COUNTY, INDIANA

We were engaged to examine the financial information presented herein of Kelso Township (Township) for the period of March 5, 2007 to September 18, 2008. The Township's management is responsible for the financial information presented herein.

Township's management declined to provide us with a management letter containing certain representations regarding their responsibility for the presentation of the Township's financial information presented herein and the Township's compliance with laws and regulations.

Since management did not provide representations, as discussed in the preceding paragraph, the scope of our examination was not sufficient to enable to express, and we do not express, an opinion on the financial information.

We did examine financial records presented for examination for compliance with State statutes and the Accounting and Uniform Compliance Guidelines for Townships published by the State Board of Accounts. The results of this examination are presented in the Examination Results and Comments section of this report.

STATE BOARD OF ACCOUNTS

November 24, 2008

KELSO TOWNSHIP, DEARBORN COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
For The Periods Ended December 31, 2007 and September 18, 2008

	Cash and Investments 03-05-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 4,498	\$ 4,560	\$ 5,498	\$ 3,560
Dog	2,239	-	-	2,239
Township Assistance	7,193	744	1,828	6,109
Firefighting	5,866	3,125	-	8,991
Totals	<u>\$ 19,796</u>	<u>\$ 8,429</u>	<u>\$ 7,326</u>	<u>\$ 20,899</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 09-18-08
Governmental Funds:				
Township	\$ 3,560	\$ 7,314	\$ 4,244	\$ 6,630
Dog	2,239	-	-	2,239
Township Assistance	6,109	2,524	1,800	6,833
Firefighting	8,991	13,986	10,814	12,163
Totals	<u>\$ 20,899</u>	<u>\$ 23,824</u>	<u>\$ 16,858</u>	<u>\$ 27,865</u>

The accompanying notes are an integral part of the financial information.

KELSO TOWNSHIP, DEARBORN COUNTY
NOTES TO FINANCIAL INFORMATION

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, 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

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.

KELSO TOWNSHIP, DEARBORN COUNTY
EXAMINATION RESULTS AND COMMENTS

SALARY OVERPAYMENT

Charles Andres, former Trustee for the period July 18, 2008 to September 18, 2008, was paid \$193.49 in excess of the salary approved for the Trustee position as shown in the following schedule:

<u>Salary 2008</u>	<u>for Period</u>	<u>Salary Paid</u>	<u>Over Payment</u>
<u>\$ 2,500.00</u>	<u>\$ 431.60</u>	<u>\$ 625.00</u>	<u>\$ 193.40</u>

The approved salary shown in the above schedule was based on the salary amount approved in the Board minutes on August 20, 2007.

Chuck Andres stated the overpayment occurred because the prior Trustee did not submit any prior budgets, salary resolutions, or board minutes showing the approved salary for the trustee. Chuck Andres stated his understanding was that he could compute his salary based on the approved salary for the year 2009 since 2008 salary information was not presented to him.

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

Upon our request, Mr. Andres reimbursed \$193.40 to the Township on November 25, 2008. (See Summary, page 15)

ADDITIONAL COMPENSATION PAID TO TRUSTEE

Charles Andres, former Trustee, was paid \$200 in compensation in addition to his salary as Trustee. The claim filed and the check written to Charles Andres showed the amount paid was for Township Clerk's salary.

We inquired of Charles Andres as to the purpose of the payment because no documentation was presented for examination showing the appointment of a Township Clerk. Charles Andres stated that he did not have time to appoint a Township Clerk and that the amount paid was for duties that he performed as Township Clerk.

The State Board of Accounts is of the audit position that the compensation of a Township Trustee, paid from the Township Fund, is for all duties (other than assessing duties, as authorized by IC 36-6-6-10). (Township Bulletin and Uniform Compliance Guidelines, February 2004).

Upon our request, Mr. Andres reimbursed \$200.40 to the Township on November 25, 2008. (See Summary, page 15)

FINANCIAL REPORT OPINION MODIFICATION

Township's management declined to provide us with a management letter containing certain representations regarding their responsibility for the presentation of the Township's financial information presented herein and the Township's compliance with laws and regulations.

KELSO TOWNSHIP, DEARBORN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANNUAL REPORT

The Township Annual Financial Report (Township Form 15) prepared by Anthony J. Werner, former Trustee, contained the following errors:

1. The receipt, disbursement and cash balance amounts reported for the Township Fund and Firefighting Fund did not agree with the amounts recorded in the Financial and Appropriation Record (Township Form 1C).
2. The receipt and cash balance amounts reported for the Township Assistance Fund did not agree with the amounts recorded in the Financial and Appropriation Record.

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)

APPROPRIATIONS

Anthony J. Werner, former Trustee, made payments from the General Fund and the Township Assistance Fund in the amounts of \$5,498 and \$1,828, respectively, during the year 2007. No approved budget order or additional appropriation requests were presented for examination to authorize these payments.

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CEMETERY CONTRACT

Anthony J. Werner, former Trustee, paid \$400 on May 8, 2008, for cemetery mowing services. No contract for this service was presented for examination.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

KELSO TOWNSHIP, DEARBORN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

TOWNSHIP ASSISTANCE PROCEDURES

We identified the following deficiencies in the processing of township assistance payments:

1. Anthony J. Werner, former Trustee, did not obtain the vendor's (claimant's) signature on one of the Township Assistance Purchase Orders (Form TA-2) we examined.

IC 5-11-10-1(b) states: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized and its correctness properly certified to by the claimant or some authorized person in the claimant's behalf, and filed and allowed as provided by law."

2. Anthony J. Werner, former Trustee, did not obtain the township assistance recipients' signatures on three of the Township Assistance Purchase Orders (Form TA-2) that we examined.

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)

3. Anthony J. Werner, former Trustee, did not adequately document investigations performed on two of the Applications for Township Assistance (Form TA-1) we examined.

IC 12-20-6-9 states in part: "If an application for township assistance is made to the township trustee . . . the township trustee . . . shall carefully investigate the circumstances of the applicant and each member of the applicant's household . . ."

KELSO TOWNSHIP, DEARBORN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

4. Anthony J. Werner, former Trustee, did not obtain supporting documentation in the form of invoices or receipts for four of the township assistance payments we examined.

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)

DONATIONS TO NOT FOR PROFIT ENTITIES

Anthony J. Werner, former Trustee, paid \$600 in the year 2007 to two not-for-profit entities. No contract or agreement was presented examination showing what services were performed for the Township.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Anthony J. Werner, former Trustee, did not issue Internal Revenue Service Form W-2's to officials and employees and did not withhold any payroll taxes for the compensation paid during the year 2007.

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 these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

A similar comment was reposted in the prior Report B33043.

KELSO TOWNSHIP, DEARBORN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALARY RESOLUTION

The Township Board did not document the approval of salaries for Township officials and employees on Township Form 17 (Resolution Establishing Salaries of Township Officers and Employees) for the years 2007 or 2008.

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)

KELSO TOWNSHIP, DEARBORN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2008, with Mike Puls, Trustee.

The contents of this report were discussed on December 8, 2008, with Charles Andres, former Trustee. The official response has been made a part of this report and may be found on pages 12 through 14.

December 9, 2008

State Board of Accounts
302 West Washington St.
Room-E 418
Indianapolis, In 46204-2765

Re:-Kelso Township Audit January 2008-September 2008

SALARY OVERPAYMENT- This statement is completely false. There was never an approved Budget for 2008. Rick Ahlrich received the copy of this budget months after I resigned. It was never approved by the State or County and was not available to me.

ADDITIONAL COMPENSATION PAID TO TRUSTEE – I performed the duties of the Clerk since I didn't have time to employ one and feel I am entitled to this compensation.

THE REMAINDER OF THIS REPORT HAS NOTHING TO DO WITH ME—the way it is written it implicates me which is very defamatory to me and does not implicate the felon.

HISTORY

Let me give you a little history of how I became the Kelso Township Trustee. On July 7, Cary Pickens, Auditor, Dearborn County contacted me and asked if I would be interested in the position of Kelso Township Trustee. I told him I would consider it but would need information as to the responsibility of a Trustee before I agreed. On July 10th I met with Cary and Gary Hensley, County Assessor to discuss the responsibilities. On July 11th I sent an E-mail to both Cary and Gary that I did not get satisfactory information and did not want to accept the position. On July 16th Cary Pickens called me and said that the County Commissioners had approved my appointment. I told Cary that I would accept the appointment (I am concerned about the Township problems) on two conditions; one a State Board of Accounts Audit be conducted from the time the previous Trustee was indicted up to the time I took office, and two, that I would serve until either he or I was able to find someone to take the position. I was sworn in on 7/18/08.

The major responsibility that I had was to get a budget for 2009 and get it submitted and approved immediately. The first thing I did was try to get a copy of the previous budget and the records of the previous Trustee. I found that there had been no approved budget for 2007 or 2008 and there were no records available. I met with the Prosecutor and he informed me that he also had no records. After discussion with Wayne Hudson, Dept. of Local Govt. he said that the last approved budget was 2006. I got a copy of that from the County. I was told by Mr. Hudson that it would be appropriate for me to use the 2009 budget that was approved by the Township board to make disbursements. This was also confirmed by Rick Ahlrich during a meeting with him and the new Trustee Mike Puls.

I am a retired person so I spent most of my time for two months trying to get this project done. I called various other Trustees and visited with some personally and called others on the phone. One of the most difficult things was that I had no records and so had no idea of all the various records, reports or forms that needed to be used. One of the Trustees I talked with gave me a good idea as to what records and forms I needed which I ordered. I also compared the Trustee's salary and budgeted between two different Townships. When I submitted my request for payment for the time I was Trustee I used the approved 2009 budget to determine the amount owed. I also requested payment for Clerk because I performed that duty as I did not have time to hire a clerk

and get the budget completed on time. When I submitted my request for payment I did not include some of the trips I had made to confirm what was necessary to get this mess straightened out. I have attached two documents that I have submitted to Rick Ahlrich documenting my request for return of funds paid back to the Township plus a supplement to request for funds not reimbursed.

The audit draft is not only disingenuous but also defamatory. The document is trying to put me in the same category as the previous indicted Trustee. It indicates that I paid myself in excess of the 2008 budget. There is not an approved budget for 2008. Neither the State nor the County has approved a budget for 2008 or 2007. Mr. Ahlrich received a copy of a 2008 budget, which was never approved, from the previous Trustee 1-2 months after I resigned. Why does he now try to hold me to that budget draft?

Another extremely defamatory part of this document is that beginning on page one with ANNUAL REPORT and the entire rest of the document implicates that I am responsible for all of these infractions. I have had absolutely nothing to do with any of these purported infractions of State guidelines. These were things that the previous indicted Trustee failed to do. Why am I being implicated?

I have submitted a bill to the Township Trustee for additional mileage and reimbursement for the \$393.40 check that I paid to the Township. The additional mileage is \$145.20 for a total reimbursement of \$538.60. I request that the State approve this payment.



Charles S. Andres
7965 State Rd. 46
St. Leon, IN 47012

Attachments:

1. Mileage not previously claimed
2. Letter-Rick Ahlrich

MILEAGE NOT CLAIMED ORIGINALLY

7/11/08 Lawb.met with Cary Pickens, Auditor and Gary Hensley, Assesor	60mi
7/21/08 Lawb. met w/Mr. Hudson, small towns, discuss budget	60mi
7/21/08 Sunman to talk with Fire Chief or Treasurer, Not in	25mi
7/22/08 Sunman talked to Town Clerk regarding Fire Contract	25mi
7/23/08 Harrison talked to Harrison Twp. Trustee	25mi
8/2/08 Harrison talked to Harrison Twp. Trustee	25mi
8/4/08 Lawb. Planning, verify Kelso Twp boundaries	60mi
8/5/08 Harrison talked to Harrison Twp. Trustee	25mi.
8/19/08 Talked with Jackson Twp. Trustee (records & budget)	<u>25mi</u>

330mi

330 miles X .44 = \$145.20 reimbursement due Charles S. Andres

The dates of these trips may be off as I did not write them all down. That is one reason I didn't claim them originally. I am sure this is not all of them as I spent a lot of time between 7/11/08 & 8/25/08 talking to various people in order to be able to put together a budget and get this mess straightened out.

KELSO TOWNSHIP, DEARBORN COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Charles Andres, former Trustee:			
Salary Overpayments, page 6	\$ 193.40	\$	\$
Additional Compensation Paid, page 6	200.00		
 Refund by Charles Andres, former Trustee			
Deposited November 25, 2008	<u> </u>	393.40	<u> </u> -
 Totals	<u>\$ 393.40</u>	<u>\$ 393.40</u>	<u>\$ -</u>