

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

EXAMINATION REPORT
OF
PENN TOWNSHIP
ST. JOSEPH COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
05/20/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeffrey Dean	01-01-07 to 12-31-10
Chairman of the Township Board	Joseph R. Ganser John Artusi	01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PENN TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of Penn Township (Township), for the period of January 1, 2008 to December 31, 2009. The Township's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 27, 2010

PENN TOWNSHIP, ST. JOSEPH 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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ (28,895)	\$ 160,302	\$ 112,090	\$ 19,317
Township Assistance	140,597	433,982	557,254	17,325
Firefighting	122,064	905,700	878,569	149,195
Park and Recreation	55,051	88,218	147,818	(4,549)
Rainy Day	39,409	44,781	-	84,190
Youth Center Donations	4,876	-	-	4,876
Fire Equipment Debt	264,479	125,622	293,603	96,498
Fire Emergency Loan	-	151,614	114,336	37,278
Township Assistance Debt	64,644	118,367	142,977	40,034
Fire Station	2,507	-	-	2,507
Cumulative Fire	267,435	222,305	303,345	186,395
Fiduciary Fund:				
Payroll Withholdings	(453)	155,193	149,555	5,185
Totals	<u>\$ 931,714</u>	<u>\$ 2,406,084</u>	<u>\$ 2,699,547</u>	<u>\$ 638,251</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 19,317	\$ 430,822	\$ 341,563	\$ 108,576
Township Assistance	17,325	797,596	601,258	213,663
Firefighting	149,195	1,451,394	1,487,575	113,014
Park and Recreation	(4,549)	265,199	192,307	68,343
Rainy Day	84,190	10,314	68,326	26,178
Youth Center Donations	4,876	-	-	4,876
Fire Equipment Debt	96,498	868,535	863,527	101,506
Fire Emergency Loan	37,278	519,566	537,766	19,078
Township Assistance Debt	40,034	531,619	494,145	77,508
Fire Station	2,507	-	-	2,507
Cumulative Fire	186,395	382,333	455,793	112,935
Fiduciary Fund:				
Payroll Withholdings	5,185	426,259	427,565	3,879
Totals	<u>\$ 638,251</u>	<u>\$ 5,683,637</u>	<u>\$ 5,469,825</u>	<u>\$ 852,063</u>

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

PENN TOWNSHIP, ST. JOSEPH 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, 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. 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.

PENN TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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.

PENN TOWNSHIP, ST. JOSEPH COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 66,500
Buildings	3,248,115
Machinery and equipment	<u>3,330,039</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 6,644,654</u>

PENN TOWNSHIP, ST. JOSEPH COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
2004 Fire Station Building	\$ 1,605,000	\$ 296,664

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS

USE OF TOWNSHIP CREDIT CARDS

A total \$35,046 was charged to the Townships credit card between November 14, 2008 and February 10, 2010. \$8,614 was for lodging expenses incurred for conferences and represents 25% of the total Township credit card purchases made. \$8,569 was for meals and tips charged on the Township's credit card locally and while in travel status and represents 24% of the total Township credit card purchases made. \$7,527 were for other charges such as computers, air line tickets, valet parking, conference registrations and Transpo riding passes and represents 21% of the total Township credit card purchases made. \$1,961 was for personal purchases made by the Township Trustee using the Township's credit card, and \$8,376 was for personal purchases made by the Administrative Assistant using the Township's credit card. These purchases were paid by the Trustee Administrative Assistant directly to the credit card company. The personal purchases represents 24% of the total Township credit card purchases made.

Township Resolution 2008-7 authorizes the Penn Township Trustee to use a credit card for reasonable and necessary charges to be incurred on behalf of the Township.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

CLEANING SERVICE CONTRACT

The Township Trustee executed a cleaning service contract on April 12, 2007, with the Administrative Assistant. The contract stated that the hourly rate would be \$15 per hour with a maximum of 40 hours per week. Payments for this contract for 2008 and 2009 were handled through payroll. The Administrative Assistant received \$11,497.50 for the cleaning service contract in 2008, in addition to her regular salary of \$36,000. The Administrative Assistant received \$25,552.50 in 2009, for the cleaning service contract, in addition to her regular salary of \$39,000 and a \$2,000 bonus. Time records substantiating the time spent on her regular work duties and cleaning duties were not presented for examination. Additionally, since the cleaning service contract was handled through payroll, the cleaning contract ended up costing the Township an additional \$2,835 for Social Security and Medicare benefits paid by the Township. Resolution 2007-5 and resolution 2008-4 recommending salaries for Township Officers and Employees did not authorized the payment for cleaning service.

Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. The Federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

UNREIMBURSED PERSONAL EXPENSES

The Township's credit card was used to pay for various items of a personal nature by different Township Officials Employees. The Officials and Employees did not reimburse the Township for these expenses. Personal expenses included alcohol, tips associated with alcohol purchases, towing service, movies and personal phone calls while on travel status. The table below, details personal expenses of Township Officials Employees paid by the Township.

	<u>Date</u>	<u>Description</u>	<u>Totals</u>
Jeffrey Dean, Township Trustee	various	alcohol	\$ 64.16
	various	tips on alcohol	104.41
	02-04-09	towing service	329.50
	various	finance charges	<u>54.80</u>
Total purchases by Jeffrey Dean			552.93
Sarah Sharp, Administrative Assistant	02-11-09	orbitz.com purchase	211.52
		tips on alcohol	<u>38.43</u>
Total purchases for Sarah Sharp			249.95
Ronald DeWinter	various	alcohol	16.70
	09-24-09	movies	<u>3.91</u>
Total Purchases by Ronald DeWinter			50.61
Kathy Hamilton	02-03-09	phone calls	<u>85.27</u>
Total personal charges paid with Township funds			<u>\$ 938.76</u>

The individuals listed above were asked to repay to the Township the amounts detailed on the schedule.

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

EXCESSIVE OR UNREASONABLE COSTS

The Township Trustee spent \$8,569 between November 16, 2008 and February 9, 2010, for meals and tips using the Township's credit card. The meals were for meetings held at local restaurants and meals while in travel status. The schedule below, details the frequency and locations of the various meetings.

Date	Total Purchases	Meals		Tips	
		Local	Travel status		
02-09-10	\$ 94.76	\$ -	\$ 78.76	\$ 16.00	Agio, Indianapolis
02-08-10	517.72	-	427.72	90.00	Shula's West & Morton Steak House,
02-07-10	24.39	-	17.39	7.00	Web Grille, Indianapolis
01-29-10	79.16	65.16	-	14.00	Carraba's, Mishawaka
01-12-10	25.06	20.06	-	5.00	Reggio's, Mishawaka
12-18-09	151.41	151.41	-	-	Chick-Fil-A, Mishawaka
12-11-09	234.00	199.00	-	35.00	The Skillet, South Bend
12-10-09	54.21	45.21	-	9.00	Reggio's, Mishawaka
12-07-09	106.86	86.86	-	20.00	Doc Pierce's, & Blue Lantern, Mishawaka
11-24-09	50.20	41.20	-	9.00	Reggio's, Mishawaka
11-18-09	31.31	25.31	-	6.00	Politos Pizzeria, South Bend
11-17-09	53.72	43.72	-	10.00	Blue Lantern, Mishawaka
11-09-09	132.35	-	104.35	28.00	Beach Bums, Eddie Merlot's Fort Wayne
10-20-09	74.03	62.03	-	12.00	Eddie's Steak Shed, Granger
10-19-09	85.96	71.96	-	14.00	Soho, Granger
09-24-09	36.52	-	30.52	6.00	Sheriton's Kestone Café, Indianapolis
09-23-09	100.30	-	79.10	21.20	Weber Grille, The Oceanaire, P.F.
09-22-09	65.17	-	65.17	-	Sheriton's Kestone Café, Indianapolis
09-21-09	189.18	-	154.18	35.00	Maggiano's, Sheriton's Keystone,
09-20-09	100.42	-	72.42	28.00	Cheesecake Factory, Sullivan's, P.F.
09-10-09	20.94	-	16.94	4.00	The Green Turtle, BWI Thurgood Marshall
09-09-09	250.28	-	200.28	50.00	Four Season Bourbon Steak House, Rest, & Johnny's Half Shell, Washington, Bankok Joe's, McCormick, Hyatt

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Date	Total Purchases	Meals		Tips	
		Local	Travel status		
09-08-09	138.92	-	115.92	23.00	Washington DC
09-07-09	138.67	-	102.67	36.00	Filomeno Ristorante, Bar Louie, The Dubliner, LaTasca, Washington DC
08-21-09	41.51	41.51	-	-	Main St Grill, Mishawaka
08-18-09	65.73	54.73	-	11.00	The Louvered Door, South Bend
08-05-09	81.77	69.77	-	12.00	Soho, Granger
08-03-09	62.45	49.45	-	13.00	Papa Vino's – Mishawaka
07-30-09	20.28	-	20.28	-	Radisson, Merrillville Joe's Crab Shack and Gamba Ristorante,
07-29-09	93.37	-	73.37	20.00	Merrillville
07-21-09	63.94	52.94	-	11.00	Eddie's Steak Shed, Granger
07-18-09	36.82	27.82	-	9.00	Trios, South Bend
07-15-09	76.93	62.93	-	14.00	Red Robin, Mishawaka
07-10-09	66.20	54.20	-	12.00	Houlihan's, Mishawaka
06-17-09	68.46	56.46	-	12.00	Hacienda, Mishawaka
06-15-09	40.26	40.26	-	-	TGI Fridays, Mishawaka
05-21-09	46.07	-	46.07	-	Hyatt Hotel, Indianapolis
05-20-09	44.06	-	37.06	7.00	The Capital Grille, Indianapolis Morton's Steak House & Harry Izzy's,
05-19-09	422.57	-	344.57	78.00	Indianapolis
05-05-09	59.25	49.25	-	10.00	Red Ribon, Mishawaka
04-29-09	68.64	-	68.64	-	Hyatt Regency, Indianapolis
04-28-09	80.37	-	66.37	14.00	Palomino's and Champps, Indianapolis P.F. Chang's, The Oceanaire,
04-27-09	101.40	-	77.40	24.00	& Weber Grille, Indianapolis
04-22-09	73.81	62.81	-	11.00	Olive Garden, Mishawaka
04-21-09	51.48	42.48	-	9.00	Lubered Door, South Bend
04-16-09	54.06	-	54.06	-	Hyatt Regency, Indianapolis
04-15-09	166.57	-	136.57	30.00	Saloon Steakhouse, Chicago
04-13-09	69.33	53.33	-	16.00	Food & Brewery, South Bend
03-09-09	33.49	33.49	-	-	Barnaby's, Mishawaka
02-24-09	66.30	54.30	-	12.00	Reggio's, Mishawaka
02-19-09	43.29	36.29	-	7.00	Papavino's, Mishawaka
02-09-09	178.97	-	144.97	34.00	Palomino, Indianapolis
02-06-09	32.17	26.17	-	6.00	Famous Daves, Mishawaka
02-03-09	338.87	-	294.87	44.00	P.F. Chang's China Bistro and the Hyatt Hotel, Indianapolis The Oceanaire and The Capital Grille,
02-02-09	78.17	-	57.17	21.00	Indianapolis
02-01-09	62.03	-	46.03	16.00	Weber Grille and Champps, Indianapolis
01-27-09	60.48	48.48	-	12.00	Bonefish, Mishawaka
01-23-09	36.96	29.96	-	7.00	Reggio's Mishawaka
01-21-09	33.23	27.23	-	6.00	Logan's, Mishawaka
01-20-09	127.96	127.96	-	-	Blue Lantern – Mishawaka
01-13-09	28.54	23.54	-	5.00	Reggio's Mishawaka
01-09-09	40.92	33.92	-	7.00	Papavino's, Mishawaka
01-08-09	21.39	17.39	-	4.00	Reggio's, Mishawaka
01-05-09	36.79	30.79	-	6.00	Red Lobster, Mishawaka

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Date	Total Purchases	Meals		Tips	
		Local	Travel status		
12-31-08	50.69	45.69	-	5.00	Phoenix, Mishawaka
12-18-08	225.00	225.00	-	-	The skillet, Mishawaka
12-17-08	155.00	155.00	-	-	The skillet, Mishawaka
12-15-08	32.24	26.24	-	6.00	Papavino's, Mishawaka
12-12-08	94.82	89.82	-	5.00	Phoenix and Barnaby's, Mishawaka
12-11-08	406.20	330.20	-	76.00	Ruth's Chris Steak House, Mishawaka
12-08-08	26.94	21.94	-	5.00	Reggio's, Mishawaka
12-05-08	26.94	21.94	-	5.00	Martin's Supermarket, Mishawaka
12-03-08	53.93	44.93	-	9.00	Houlihans, Mishawaka
12-02-08	36.33	36.33	-	-	Politos Pizzeria, Mishawaka
11-26-08	46.23	38.23	-	8.00	Logan's, Mishawaka
11-20-08	216.27	32.34	183.93	-	Hyatt, Indianapolis
11-19-08	159.72	-	130.72	29.00	Hyatt, Rams, Capital Grille, Indianapolis
11-18-08	640.49	-	515.82	124.67	Capital Grille, Oceanaire, Morton's Steak House, Champs, St Elmo's in P.F. Chang China and Weber Grille, Indianapolis
11-17-08	206.34	-	192.34	14.00	Weber Grille & The Oceanaire, and Mazatlan, Mishawaka
11-16-08	261.02	-	209.02	52.00	
Totals	<u>\$ 8,568.59</u>	<u>\$ 3,087.04</u>	<u>\$ 4,164.68</u>	<u>\$ 1,316.87</u>	

The Township Board approved Resolution 2008-7 on October 30, 2008, authorizing the Township Trustee to use a credit card for reasonable and necessary charges to be incurred on behalf of the Township

The Penn Township Travel policy approved by the Township Board on June 1, 2006, also states that "employee travel business should be conducted by the most efficient and economical means available".

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RECREATION FUND EXPENDITURES

The Township's Recreation Fund is being used to pay for the salaries of the Penn Township food bank staff, a not-for profit organization, and the maintenance of the food pantry building, which is owned by the Township. There is no written contract to support the financial arrangement between the Township and the not-for profit food pantry.

Expenditures for improvements and construction of facilities for the comfort and convenience of the public in the park shall be paid from the park and recreation fund. (Accounting and Uniform Compliance Guidelines Manual for townships, Chapter 10)

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)

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The township trustee may levy a tax and use appropriated township funds to pay for the recreation programs, facilities, or services. IC 36-10-7-3 (Accounting and Uniform Compliance Guidelines Manual for townships, Chapter 10)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Appropriations</u>	<u>Expense Amount</u>	<u>Excess Amount Expended</u>
General	2008	\$ 153,500	\$ 160,590	\$ 7,090
Fire Equipment	2008	289,497	289,603	106
Cumulative Fire	2008	230,000	303,346	73,346
Township Assistance Loan	2008	135,000	136,973	1,973
Recreation	2008	125,000	143,818	18,818
Fire Fighting	2009	871,000	895,576	24,576
Fire Equipment	2009	293,509	418,526	125,017
Township Assistance Loan	2009	220,688	292,147	71,459
Recreation	2009	106,000	106,307	307

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."

PUBLIC PURCHASES LAW

The Township Fire Department in January 2008, purchased a stock fire apparatus. The original cost was \$215,000. The purchase of the fire apparatus did not go through the bid process. Additionally, all documentation presented for examination indicated that the contract was executed by the Fire Chief and not the Township Trustee.

IC 5-22-7-2 (a) states:

"A purchasing agent shall issue an invitation for bids. (b) An invitation for bids must include the following: (1) A purchase description. (2) All contractual terms and conditions that apply to the purchase. (3) A statement of the evaluation criteria that will be used, including any of the following: (A) Inspection. (B) Testing. (C) Quality. (D) Workmanship. (E) Delivery. (F) Suitability for a particular purpose. (G) The requirement imposed under IC 5-22-3-5. (4) The time and place for opening the bids. (5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body. (6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in part as specified under IC 5-22-18-2."

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-22-2-26 states: "Purchasing agent" means an individual authorized by a purchasing agency to act as an agent for the purchasing agency in the administration of the duties of the purchasing agency.

DISPOSITION OF ASSETS

The Fire Chief informed the Township Board in July 17, 2008, that the Fire Department had sold a rescue truck that was not used. According to the minutes, the rescue truck was appraised at \$138,000 and sold for \$165,000. The Fire Chief indicated that the appraisals were not in writing and no information presented for examination would indicate that the Township Board declared the property as surplus and that the Township Board agreed to the sale of the property prior to the July 2008 meeting.

All political subdivisions must follow IC 5-22-22 in disposing of surplus personal property. However, certain transactions are exempted from the requirements of IC 5-22-22. These exemptions are listed in IC 5-22-22-1(b).

A purchasing agency may sell personal property that: 1. has been left in the custody of an officer or employee of a governmental body and has remained unclaimed for more than one year; or 2. Belongs to the governmental body but is no longer needed or is unfit for the purpose for which it was intended. [IC 5-22-22-3] (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 22)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of officials and employees was not certified to the County Treasurer for 2008 and 2009.

IC 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 27, 2010, with Jeffrey M. Dean, Trustee; and John Artusi, President of the Board. The official response has been made a part of this report and may be found on pages 17 and 18.



PENN TOWNSHIP TRUSTEE

Jeffrey M. Dean

State Board of Accounts
302 WEST WASHINGTON STREET
Room E 418
Indianapolis, IN 46204-2765

Re: OFFICAL RESPONSE TO AUDIT

Dear State Board of Accounts:

Please be advised that Penn Township, St Joseph County, Indiana (the "Township") is in receipt of the State Board of Account's Audit of Penn Township (the "Audit"). The Township recognizes the concerns set forth therein and will move to continued to maintain and provide adequate financial records in an effort to facilitate and fulfill the requirements set forth in the Accounting and Uniform Compliance Guidelines Manual for Townships (the "Accounting Guidelines") issued by the State Board of Accounts (the "Board") However, the Township feels that some characterizations of the Township's expenditures set forth in the Audit necessitate a formal response and explanation. In short, the Township feels that all expenditures made by it, its Trustee, Jeffrey M. Dean, and its employees have, at all times, fulfilled the purpose and regulations set forth by the Board and Indiana law. Specifically, the Township believes that the Audit's characterization of the Township's credit card usage as being excessive or unreasonable is ill-founded.

As the Board is aware, the Accounting Guidelines allow for a Township's use of credit cards as long as certain criteria are observed. (See Accounting Guidelines, Chapter 13, Credit Cards). First and foremost, a Township must pass a resolution authorizing the use of credit cards. The Township passed such a resolution in 2008 wherein the Township Board authorized the Trustee to use a credit card for "reasonable and necessary charges to be incurred on behalf of the Township at the discretion of the Penn Township Trustee." (See Township Resolution 2008-7). Since passing the resolution, the Township credit card use has followed the specifications of the Accounting Guidelines. Specifically, the credit card has been used for reasons set forth in the Resolution, the Township has maintained an accurate and updated accounting of credit card use, and all credit card usage has been supported by ample supporting documentation.

It is because of the Township's care and specific attention to the requirements set forth in the Accounting Guidelines, as related to credit card use, that the Township is concerned at the Audit's allegations that the Township and its employees have attempted to bypass normal accounting procedures through the use of the credit card. The Township believes that no such action has taken place. For instance, though the credit card may be used frequently, the use of the card still fulfills the purpose of purchase orders which is to "provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system. (See Accounting Guidelines, Chapter 13, Credit Cards at ¶ 6) In fact, the Township has created specific requirements regarding supporting documentation which helps to maintain the purpose behind the use of purchase orders even when the credit card is used in lieu of purchase orders.

210 East Russ Street, Mishawaka, IN 46545

Phone (574) 256-6213

Fax (574) 256-6234

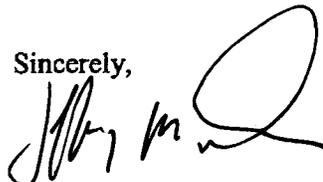
In fact, the Township has maintains its credit card records, as well as all other financial records, with the utmost detail and care. For instance, the Township maintains manual and computerized records and ledgers regarding its financial accounts including the use of credit cards as set forth in the Accounting Guidelines. (See Accounting Guidelines, Chapter 13, Condition of Records) All of the Township's records have been maintained to support accurate financial statements and review. (See Accounting Guidelines, Chapter 13, Financial Report Opinion Modifications).

As stated above, the Township also requires complete documentation and support for payment of all expenditures paid for with the Township credit card. Individuals are required to provide receipts for purchases and must verify that the purchases were made for Township purposes. The documentation requirements established by the Township is in direct compliance with Accounting Guidelines regarding expense reimbursement and itemization as the Township requires specific detailed information regarding the expenditures. (See Accounting Guidelines, Chapter 13, Expense Reimbursement Itemization). In short, the Township's requirement for credit card usage and its strict adherence thereto is conducted in the same manner and with the same accuracy and attention to detail as personal reimbursement expenses.

Finally, the Township would like to point out that the credit card is only used in circumstances directly related to the function and purpose of the Township. For instance, in all the itemized transactions identified in the Audit, specific Township meetings and business was conducted. For this reason, alone, the Township feels that the Audit's characterization of the usage as unreasonable and excessive is unfounded. Further, as stated repeatedly above, the Township maintains update and accurate financial records which at all time sets forth any and all payments made by the Township. This, along with the Township's documentation requirements related to credit card usage, specifically prevent any malfeasance or misuse of the credit card by the Township or its representatives. In fact, all Township credit card statements are specifically reviewed by the Trustee and/or board for accuracy and adherence to the Township's requirements.

In short, the Township believes that it maintains accurate financial records which clearly and directly display all expenditures made by the Township and its representatives. Any and all expenditures made by the Township, including those charged on the Township's credit card, are done in complete adherence and follow the direct requirements of the Township's policies as well as the Accounting Guidelines.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffery M. Dean', written in a cursive style.

Jeffery M. Dean, Trustee

PENN TOWNSHIP, ST. JOSEPH COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Unreimbursed Personal Expenses Jeffrey M.Dean, page 8	\$ 552.93	\$ 552.93	\$ -
Unreimbursed Personal Expenses Sarah Sharp, page 8	249.95	249.95	-
Unreimbursed Personal Expenses Ronald DeWinter, page 8	50.61	50.61	-
Unreimbursed Personal Expenses Kathy Hamilton, page 8	<u>85.27</u>	<u>85.27</u>	<u>-</u>
Totals	<u>\$ 938.76</u>	<u>\$ 938.76</u>	<u>\$ -</u>