

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

EXAMINATION REPORT
OF
PIPE CREEK TOWNSHIP
MADISON COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
07/05/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Pearl M. Gardner Patrick A. Hoose	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Grace Werline Connie Gardner Grace Werline	01-01-09 to 12-31-09 01-01-10 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PIPE CREEK TOWNSHIP, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of Pipe Creek Township (Township), for the period of January 1, 2009 to December 31, 2010. 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, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

May 26, 2011

PIPE CREEK TOWNSHIP, MADISON 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, 2009 And 2010

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 18,610	\$ 57,234	\$ 79,312	\$ (3,468)
Township Assistance	12,533	120,688	155,482	(22,261)
Firefighting	106,871	97,584	88,419	116,036
Cumulative Fire	32,846	19,621	12,583	39,884
Fiduciary Fund:				
Payroll Withholdings	-	26,079	25,759	320
Totals	<u>\$ 170,860</u>	<u>\$ 321,206</u>	<u>\$ 361,555</u>	<u>\$ 130,511</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
Township	\$ (3,468)	\$ 85,721	\$ 80,285	\$ 1,968
Township Assistance	(22,261)	203,839	178,511	3,067
Firefighting	116,036	173,528	184,348	105,216
Cumulative Fire	39,884	23,612	43,847	19,649
Levy Excess	-	615	-	615
Rainy Day	-	363	-	363
Fiduciary Fund:				
Payroll Withholdings	320	26,739	27,353	(294)
Totals	<u>\$ 130,511</u>	<u>\$ 514,417</u>	<u>\$ 514,344</u>	<u>\$ 130,584</u>

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

PIPE CREEK TOWNSHIP, MADISON 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 or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

PIPE CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS

MILEAGE REIMBURSEMENTS

We examined Mileage Claims, General Form No. 101, filed by the former Trustee, former Clerk, and former Township Assistance Investigator for 2009 and 2010. Several deficiencies were noted. The deficiencies noted are enumerated below.

1. The forms examined were not properly completed as required. The location of the "To Point" in some cases was not always sufficiently detailed to allow verification of mileage claimed. For example, the former Clerk claimed mileage for assistance case investigations on four occasions in 2009 and four occasions in 2010; the "To Point" description is listed as "in-home visit" with no corresponding address or case number being provided.
2. The former Trustee and former Clerk on numerous occasions claimed mileage from their residences to various locations to conduct Township related business. For example, the former Trustee in 2009 claimed mileage from her residence to the Pipe Creek Township Volunteer Fire Department 20 times. Discrepancies were identified with the amount of mileage claimed to these locations as compared to the actual mileage.
3. The former Trustee, former Clerk, and former Township Assistance Investigator used a "Travel Mileage Log" maintained at the Township office for purposes of claiming mileage to and from various locations frequently traveled in the normal course of business. An examination of the log and actual, internet provided, distances to and from various locations revealed mileage amounts claimed were inflated. Some examples of destinations frequently claimed by the former Trustee, former Clerk, and former Township Assistance Investigator, the round-trip miles as listed on the "Travel Mileage Log," and actual round-trip miles are documented below:

<u>Destination</u>	<u>Round-Trip Mileage per Travel Mileage Log</u>	<u>Documented Actual Round- Trip Mileage</u>	<u>Difference</u>
CVS Pharmacy	2.00	0.40	1.60
Dollar General	8.00	2.42	5.58
McClure Oil	8.00	3.28	4.72
Pipe Creek Twp. Vol. Fire Dept.	10.00	4.08	5.92
Post Office	2.00	0.40	1.60
Star Financial Bank	1.00	0.20	0.80

As a result of the problems noted above the mileage claims submitted by the former Trustee, former Clerk, and former Township Assistance Investigator were inaccurate. The inaccurate mileage claims resulted in total overpayments for the two-year examination period to the former Trustee, former Clerk, and former Township Assistance Investigator as documented below:

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Name, Title	Total Budgeted and Paid for 2009 and 2010	Reimbursement Entitled to for 2009 and 2010	Difference
Pearl M. Gardner, former Trustee	\$ 1,200.00	\$ 992.72	\$ 207.28
Vickie Arbuckle, former Clerk	1,700.00	1,539.41	160.59
Janie Watson, former Township Assistance Investigator	<u>600.00</u>	<u>261.17</u>	<u>338.83</u>
Totals	<u>\$ 3,500.00</u>	<u>\$ 2,793.30</u>	<u>\$ 706.70</u>

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)

Reimbursed mileage shall not include travel to and from the officer's or employee's home and the governmental office in which he works, unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

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 Townships, Chapter 13)

We requested Pearl M. Gardner, former Trustee, to remit \$207.28 to the Pipe Creek Township account for the difference noted above. \$207.28 was paid to Pipe Creek Township on May 26, 2011, as evidenced by receipt 0832. (See Summary, page 23)

We requested Vickie Arbuckle, former Clerk, to remit \$160.59 to the Pipe Creek Township account for the difference noted above. \$160.59 was paid to Pipe Creek Township on May 26, 2011, as evidenced by receipt 0831. (See Summary, page 23)

We requested Janie Watson, former Township Assistance Investigator, to remit \$338.83 to the Pipe Creek Township account for the difference noted above. \$338.83 was paid to Pipe Creek Township on May 25, 2011, as evidenced by receipt 0830. (See Summary, page 23)

FIRE PROTECTION TERRITORY

A fire protection territory has been established between Pipe Creek Township and Duck Creek Township in Madison County. Our review of the process for establishing the territory along with the examination of how the territory has been handled brought forth several concerns. These concerns are addressed in the following sections:

- Background Information
- Concerns with Interlocal Agreement
- Resolution Allowing Transfer of Assets
- Concerns with Transfer of Assets
- Transfer of Assets from Pipe Creek Township to the Fire Protection Territory

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Background Information

Pipe Creek Township held a meeting on March 5, 2010, wherein information was given that upon the eventual elimination of Township Trustees within the State of Indiana, fire departments that had been operated by the townships would revert to the control of the county in which the township is located. Fire territories are being formed in an effort to keep fire departments locally controlled all around the State of Indiana. Which method puts control of the local fire departments with a local board, rather than with the county. Much discussion was held with regard to the topic, especially surrounding a proposed Fire Board Resolution and an Interlocal Agreement with Duck Creek Township. The Township Board decided that more information was needed and announced that a public forum meeting concerning the matter would be held at the Summitville/Van Buren Township Fire Department on March 17, 2010, at 5:00 p.m.

An interlocal agreement, dated March 17, 2010, was entered into between Pipe Creek Township and Duck Creek Township for the establishment of a fire protection territory. Concurrently, Duck Creek Township and Pipe Creek Township entered into an agreement, "approving an interlocal agreement for the establishment and administration of a fire protection territory between Pipe Creek Township, Madison County, Indiana, and Duck Creek Township, Madison County, Indiana, and for the establishment of an Equipment Replacement Fund." The Township Boards of each Township approved and signed the agreement dated March 17, 2010.

Concerns with Interlocal Agreement

Among other inconsistencies with the statutes establishing the methods for creating and operating a fire protection territory (IC 36-8-19), these Interlocal Agreements allow for:

- The creation of a fire board [to conduct the fire protection services in the territory although Pipe Creek Township has been designated as the provider unit].
- The inclusion of "other emergency services" in the purposes for which the Territory has been formed.
- The creation of a not-for-profit entity [to conduct the fire protection services in the territory although Pipe Creek Township has been designated as the provider unit].
- The delegation of the township trustees' responsibility for fire protection services, other than in a manner allowed by law.
- The disposal of property, other than in a manner allowed by law.
- The transfer of property, other than in a manner allowed by law.
- The empowerment of the fire board to incur indebtedness for the purchase of equipment.

Indiana Code 36-1-3-6(a) states: "If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner."

Resolution Allowing Transfer of Assets

A resolution passed by the Pipe Creek Township Board on December 2, 2010, states in part:

"WHEREAS, I.C. 36-8-19-6 provides for the ownership of the assets of the Township which are used by and for the fire and emergency service which was created by the said Townships to be transferred to the newly created Pipe Creek Township Duck Creek Township Fire Territory, which in turn owns The Pipe Creek Township Duck Creek Township Fire Territory, Inc., an Indiana Not-For-Profit Corporation; and

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

WHEREAS, there are motor vehicles that are currently titled in the name of The Pipe Creek Township Trustee or Pipe Creek Township, a Township located in Madison County, Indiana, and that there is real estate titled in either the name of Pipe Creek Township or The Pipe Creek Township Trustee; and

WHEREAS, it is necessary for the transfer of these assets to be allowed from the Township to The Pipe Creek Township Duck Creek Township Fire Territory, Inc., an Indiana Not-For-Profit Corporation. . . ."

The Resolution also stated in part:

"The Pipe Creek Township Trustee is hereby authorized and directed to enter into any form of conveyance that is necessary for the effecting of the transfer of title for any and all of the personal property, motor vehicles, or real estate all for the use and benefit of the Pipe Creek Township Volunteer Fire Department, from Pipe Creek Township or the Pipe Creek Township Trustee unto the Pipe Creek Township Duck Creek Township Fire Territory, Inc., an Indiana Not-For-Profit Corporation."

Concerns with Transfer of Assets

Indiana Code 36-8-19-6 sets forth the required components of an ordinance or resolution to establish a fire protection territory and makes no mention of the transferring of assets of any kind to any party.

Indiana Code 36-8-19-8.6, authorizes the transfer of cash from participating units to the provider unit, but does not address the transfer of noncash assets. The transfer of noncash assets from or to any party is not addressed within Indiana Code 36-8-19. Indiana Code 36-8-19-3 defines "provider unit" as "the participating unit that is responsible for providing the fire protection services within the territory."

Indiana Code 36-8-19-8.6(a) states:

"A participating unit may adopt an ordinance or a resolution to transfer any money belonging to the participating unit to:

- (1) the fire protection territory fund established under section 8 of this chapter;
- (2) the fire protection territory equipment replacement fund established under section 8.5 of this chapter; or
- (3) both funds described in subdivisions (1) and (2)."

Indiana Code 5-22-22-12 states in part:

"(a) This section applies to the following surplus property:

- (1) Fire trucks.
- (2) Emergency service vehicles.
- (3) Firefighting or emergency services equipment.

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (b) As used in this section, 'fire department' refers to any of the following:
- (1) A volunteer fire department (as defined in IC 36-8-12-2).
 - (2) The board of fire trustees of a fire protection district established under IC 36-8-11.
 - (3) The provider unit of a fire protection territory established under IC 36-8-19.
- (c) . . . a governmental body may transfer title of surplus property to a fire department for the fire department's use in providing fire protection or emergency services. . . ."

Transfer of Assets from Pipe Creek Township to the Fire Protection Territory

Township assets used by the Fire Department were transferred to the Fire Protection Territory and were not included in the capital asset records of the Township. An up-to-date record of assets was not presented for the Fire Department. Pearl M. Gardner, former Trustee, presented a copy of a "no consideration" Warranty Deed dated December 16, 2010, showing property listed as parcel Key Numbers 11-0008-1-001 and 11-0008-1-040 with Madison County, IN, and commonly known as 700 W. St. Rd. 28, Elwood, IN, as being transferred to The Pipe Creek Township Duck Creek Township Fire Territory, Inc. Documentation from a prior examination indicates parcel 11-0008-1-001 was originally acquired on or about March 9, 2004, by Pipe Creek Township at an original cost of \$21,868.28; information from the Madison County Assessor's office indicates the assessed land value of the second parcel, Key 11-0008-1-040 is approximately \$8,700. Pipe Creek Township owns one other parcel based on information obtained from the Madison County Assessor's office, parcel Key No. 11-0008-8-005 where the Fire Department building is located. The parcel was to be transferred, but had not been transferred as of the date of this report.

The Township is listed as holding title to four vehicles used in fire protection. Additionally, Pipe Creek Township Fire Department is listed as the owner of three vehicles used in fire protection and maintained by the Township. Complete original or estimated cost information was not available for examination for these assets; they have not been transferred to the Fire Protection Territory as of the date of this report.

The Township owns certain other machinery and equipment that has been transferred to The Pipe Creek Township Duck Creek Township Fire Territory, Inc. Documentation from a prior examination and paid invoices from the current examination indicate a total original cost of \$470,688.60.

The following table represents Pipe Creek Township assets, which have been transferred to the Fire Protection Territory as of the date of this report:

Total Equipment	\$ 470,688.60
Total Land	<u>30,568.28</u>
Total Transferred	<u><u>\$ 501,256.88</u></u>

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The articles of incorporation for The Pipe Creek Township Duck Creek Township Fire Territory, Inc., identify Pearl M. Gardner, former Trustee, as the corporation's registered agent and the only listed incorporator. Ms. Gardner's home address is listed as the principal office of the corporation. The assets and costs as documented in the amount of \$501,256.88 transferred to the Fire Protection Territory, represents a questioned cost. (See Schedule of Questioned Costs, page 22)

The Schedule of Questioned Costs provided herein is based upon a definition by the United States Office of Inspector General (OIG) as follows:

"5 USC APPENDIX - INSPECTOR GENERAL ACT OF 1978 Sec. 5 01/24/94 '(f) As used in this section - (1) the term 'questioned cost' means a cost that is questioned by the Office because of - (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable; . . ."

We have requested Pearl M. Gardner, former Trustee, as registered agent for The Pipe Creek Township Duck Creek Township Fire Territory, Inc., to transfer back to Pipe Creek Township the land and machinery and equipment, as noted above, and any other assets not specifically mentioned which may have been transferred to The Pipe Creek Township Duck Creek Township Fire Territory, Inc.

CEMETERY CARETAKER GASOLINE PURCHASES

During our examination we inquired about policies governing gasoline purchases for cemetery care. We were provided a copy of Township Board meeting minutes from September 2, 2003, where the following was stated: "Due to the increased cost of gasoline, [Board Member] moved to pay for the cost of gasoline necessary to mow the cemeteries, rather than have it paid personally from the caretaker's salary." Additionally, Township Officials have stated that the caretaker is required to check the cemeteries for damage from storms and vandalism on a frequent basis. The roundtrip mileage to visit each cemetery site is approximately 25 miles.

George Arbuckle, former Cemetery Caretaker, had exclusive use of a credit card for the purchase of gasoline at a local gasoline retailer. According to paid statements on file with the Township, the Caretaker purchased 1,827.219 and 1,557.076 gallons of gas during 2009 and 2010, respectively. Included was the purchase of 654.681 and 535.232 gallons during the months of January through March and November and December of 2009 and 2010, respectively; months where mowing activities are generally not performed. The gasoline purchased during the time would only be necessary to check the cemeteries for storm damage, vandalism, or other maintenance requirements. The amount of gasoline purchased by the Caretaker during these months would allow him to make the approximate 25-mile drive an average of 3.09 times per day in 2009 and 2.41 times per day in 2010, each day, for 30 days, at an average of 18 miles per gallon. The table below lists gallons purchased and cost information as taken from the monthly statements on file.

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Month	Gallons Charged	Total Amount Charged	Average cost per gallon	Gallons allowed for mowing	Gallons allowed for vehicle	Cost of vehicle gasoline
January 2009	104.176	\$ 191.52	\$ 1.8384	-	104.176	\$ 191.52
February	131.604	237.98	1.8083	-	131.604	237.98
March	132.227	256.47	1.9396	-	132.227	256.47
April	163.664	326.66	2.0142	50	113.664	228.95
May	135.544	307.75	2.2705	50	85.544	194.23
June	192.138	527.74	2.7467	50	142.138	390.41
July	188.129	457.94	2.4342	50	138.129	336.23
August	157.925	398.37	2.5263	50	107.925	272.65
September	148.327	350.73	2.3646	50	98.327	232.50
October	186.811	469.17	2.5115	50	136.811	343.60
November	137.858	356.20	2.5838	-	137.858	356.20
December	148.816	372.40	2.5024	-	148.816	372.40
2009 Totals	<u>1,827.219</u>	<u>4,252.93</u>	<u>-</u>	<u>350</u>	<u>1,477.219</u>	<u>3,413.14</u>
January 2010	125.574	336.86	2.6826	-	125.574	336.86
February	84.469	215.41	2.5502	-	84.469	215.41
March	118.112	315.37	2.6701	-	118.112	315.37
April	149.343	409.76	2.7438	50	99.343	272.57
May	175.211	487.94	2.7849	50	125.211	348.70
June	162.447	431.86	2.6585	50	112.447	298.94
July	155.101	420.86	2.7135	50	105.101	285.19
August	140.322	369.43	2.6327	50	90.322	237.79
September	130.735	347.32	2.6567	50	80.735	214.49
October	108.685	298.61	2.7475	50	58.685	161.24
November	99.980	285.88	2.8594	-	99.980	285.88
December	107.097	315.47	2.9456	-	107.097	315.47
2010 Totals	<u>1,557.076</u>	<u>4,234.77</u>	<u>-</u>	<u>350</u>	<u>1,207.076</u>	<u>3,287.91</u>
Total for period	<u><u>3,384.295</u></u>	<u><u>\$ 8,487.70</u></u>	<u><u>\$ -</u></u>	<u><u>700</u></u>	<u><u>2,684.295</u></u>	<u><u>\$ 6,701.05</u></u>

Based on cemetery acreage calculations and an estimate of fuel economy for mowing equipment, we determined 50 gallons per month was a reasonable average amount to allow for each month of the mowing season. Subtracting the 50 gallons per month from months with possible mowing activity leaves a total of 2,684.295 gallons estimated to be consumed by the Caretaker for cemetery purposes. The total cost of gasoline estimated to not be used for mowing and paid by the Township for George Arbuckle, former Cemetery Caretaker, was \$6,701.05 which total for 2009 and 2010 represents a questioned cost. (See Schedule of Questioned Costs, page 22)

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)

PIPE CREEK TOWNSHIP, MADISON 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)

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

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 Townships, Chapter 13)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. 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.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Schedule of Questioned Costs provided herein is based upon a definition by the United States Office of Inspector General (OIG) as follows:

"5 USC APPENDIX - INSPECTOR GENERAL ACT OF 1978 Sec. 5 01/24/94 '(f) As used in this section - (1) the term 'questioned cost' means a cost that is questioned by the Office because of - (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable; . . ."

CAPITAL ASSET RECORDS

An inventory or record of fire department capital assets owned by the Township at December 31, 2010, was not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND SUM

The official bond filed in the Office of the County Recorder for the former Trustee was in the amount of \$15,000. As of July 1, 2009, official bonds for Trustees are to be in the minimum amount of \$30,000. The current Trustee's bond, who took office January 1, 2011, has the appropriate amount of coverage.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . ."

TEMPORARY LOAN

A temporary loan of \$29,000 was made in December 2010 from the Fire Fund to the Township Fund. The former Trustee produced a resolution dated December 28, 2010, that was signed by two of the three Township Board members. The Township Board President for 2010 signed as President and the Township Board President for 2011 signed as member. The document also is attested by the former Trustee as Trustee; however, she was not Trustee at the time the document was executed and there is no copy of the document on file in the Township offices. The document was faxed, prior to being signed, from the Township's bookkeeper and the date generated by the facsimile machine on the face of the document is January 11, 2011. There is no evidence in the meeting minutes of the Township Board that the resolution was properly adopted and that the loan was properly authorized.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(B) A brief description of the grounds for the emergency.

(C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

(2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

APPROPRIATIONS

The records presented for examination indicated the Township Assistance Fund expenditures were in excess of budgeted appropriations in the amount of \$17,456 for 2010. An excess levy appeal filed with the Department of Local Government Finance in the amount of \$26,000 was denied.

Indiana Code 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."

OVERDRAWN CASH BALANCES

The cash balances of the Township and Township Assistance funds were overdrawn at December 31, 2009, by \$3,468 and \$22,261, respectively, which officials stated was due to the timing of settlement of property and excise tax distributive shares from the County. Additionally, the Payroll Withholdings Fund was overdrawn at December 31, 2010, by \$294.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CEMETERY CARETAKER PAYROLL DEDUCTIONS

The Cemetery Caretaker is an employee of the Township. Payments to the Cemetery Caretaker were made without withholding and proper matching for social security and Medicare taxes; also, there were no withholdings for state and local taxes. His wages were reported on Internal Revenue Service Form 1099-MISC as other income and not Form W-2, Wage and Tax Statement.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CREDIT CARDS USED FOR GASOLINE PURCHASES - FIRE DEPARTMENT

The Pipe Creek Volunteer Fire Department used charge cards to purchase gasoline from a local retailer without an approved credit card policy. Total gallons of fuel charged to the Township's charge cards for the last six years are as follows:

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Years	Diesel	Unleaded	Total
2005	370.23	437.82	808.05
2006	210.35	658.24	868.59
2007	77.10	627.78	704.88
2008	735.33	881.80	1,617.13
2009	913.75	981.49	1,895.24
2010	1,007.03	831.67	1,838.70

The minutes of the September 4, 2007 meeting of the Township Board, indicated approval was given for the Fire Chief to fill-up his vehicle two times per month and the Assistant Fire Chief to fill-up his vehicle one time per month. Due to a lack of internal controls over the use of the charge cards, we were unable to verify compliance with the Township Board directive.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. 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.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

EXPENSES

The Township reimbursed on December 29, 2009, the Pipe Creek Volunteer Fire Department \$1,604.86. The entry to record the disbursement in the Financial and Appropriation Record under Nature of Receipt or Disbursement indicated the expenditure was for "Supplies for dept., flashlights." However, an examination of the documentation supporting the purchase revealed a report titled "2009 X-mas Expense Report"; which detailed a number of items to be reimbursed including food, supplies, flowers, Santa, puppet show, door prizes, gifts and gift cards; flashlights were included as gifts. On December 21, 2010, a similar disbursement was made for Christmas party items in the amount of \$392.80; the entry under nature of Receipt or Disbursement indicated the expenditure was for "Supplies for department." These disbursements were posted to the Fire Fund.

Additional expenses were noted that were personal in nature including an expense for flu shots for Township employees and a disbursement made by the Township to a local florist for a planter. The planter was a sympathy gesture due to the death of a relative of one former Township official.

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)

DONATION OF PURCHASED EQUIPMENT

Records presented for examination indicated a payment was made in the amount of \$4,042.25 on December 8, 2009, to the Frankton Volunteer Fire Department to assist them in the purchase of an air pack and related cylinder. The disbursement was made for the purpose of making a donation to the Fire Department. The Township does not receive fire protection services from the Frankton Volunteer Fire Department.

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)

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

TOWNSHIP ASSISTANCE DISBURSEMENTS

A disbursement was made on June 1, 2010, to a local gasoline retailer for assistance in the amount of \$45.69. A disbursement was made on July 1, 2010, to a local retailer for tire and battery repair assistance in the amount of \$115.95. The disbursements were for assistance for the same individual. There was no indication in the case file for this individual that the disbursements were related to medical transportation needs or was seeking local employment. We reviewed this individual's assistance for the entire period and these two instances were isolated instances.

The Township adopted Township Assistance Standards and Guidelines for Pipe Creek Township of Madison County on January 22, 2008. Per the guidelines, "transportation can be provided to seek local employment, when there is a reasonable likelihood of being hired if it can be verified. Medical transportation may also be provided."

Public aid by the administrator of township assistance may provide and shall extend township assistance only when the personal effort of the applicant fails to provide one (1) or more of the basic necessities. "Basic necessities," for purposes of IC 12-20, includes those services or items essential to meet the minimum standards of health, safety, and decency, including the following:

1. Medical care described in IC 12-20-16-2
2. Clothing and footwear
3. Food
4. Shelter
5. Transportation to seek and accept employment on a reasonable basis
6. Household essentials
7. Essential utility services
8. Other services or items the township trustee determines are necessities. IC 12-7-2-20.5

In *Van Buskirk v. Wayne Township*, 418 N.E. 2d 234 (Ind. App. 1981), the court held the trustee shall provide the above items but the nature and extent of such relief are left in large part with the discretion of the trustee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

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

PIPE CREEK TOWNSHIP, MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2011, with Janie Watson, former Township Assistance Investigator.

The contents of this report were discussed on May 25, 2011, with Patrick A. Hoose, Trustee, and Grace Werline, Chairman of the Township Board.

The contents of this report were discussed on May 26, 2011, with Vickie Arbuckle, former Clerk, and George Arbuckle, former Cemetery Caretaker.

The contents of this report were discussed on May 26, 2011, with Pearl M. Gardner, former Trustee.

PIPE CREEK TOWNSHIP, MADISON COUNTY
SCHEDULE OF QUESTIONED COSTS

	<u>Questioned Costs</u>
Pearl M. Gardner, former Trustee:	
Fire Protection Territory, pages 8 through 12	
Asset Transfers – Land	\$ 30,568.28
Asset Transfers – Equipment	470,688.60
George Arbuckle, former Cemetery Caretaker:	
Cemetery Caretaker Gasoline Purchases, pages 12 through 15	<u>6,701.05</u>
Total Questioned Costs	<u><u>\$ 507,957.93</u></u>

PIPE CREEK TOWNSHIP, MADISON COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Pearl M. Gardner, former Trustee:			
Mileage Reimbursement, pages 7 and 8	\$ 207.28	207.28	\$ -
Vickie Arbuckle, former Clerk:			
Mileage Reimbursement, pages 7 and 8	160.59	160.59	-
Janie Watson, former Township Assistance Investigator:			
Mileage Reimbursement, pages 7 and 8	<u>338.83</u>	<u>338.83</u>	<u>-</u>
Totals	<u>\$ 706.70</u>	<u>\$ 706.70</u>	<u>\$ -</u>