

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

AUDIT REPORT
OF

CLERK-TREASURER
TOWN OF CHANDLER
WARRICK COUNTY, INDIANA

January 1, 2008 to October 16, 2012



FILED
12/10/2012

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TOWN OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk–Treasurer	Timothy D. Osha Misty Denk (Interim)	01-01-08 to 10-25-12 10-26-12 to 12-31-12
President of the Town Council	Brian K. Lucas	01-01-08 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF CHANDLER

We have audited the records of the Clerk-Treasurer for the period from January 1, 2008 to October 16, 2012, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of the Town of Chandler for the years 2010 and 2011.

STATE BOARD OF ACCOUNTS

October 31, 2012

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS (Applies to Town, Water, Wastewater, and Storm Water)

The following deficiencies were noted on claims during the audit period:

1. Claims were not prepared for all disbursements.
2. Claims were not adequately itemized.
3. All claims did not have board approval.
4. Claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CAPITAL ASSET RECORDS (Applies to Town, Water, Wastewater, and Storm Water)

As stated in prior reports, the Town is not maintaining capital asset records for the Town or the Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORT NOT FILED TIMELY (Applies to Town)

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2010 or 2011.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

ANNUAL REPORTS (Applies to Town)

The Town filed the Annual Reports with the State Board of Accounts on May 6, 2011, and April 19, 2012, which is not within 60 days after the close of the fiscal year as required by law. The Annual Report filed for 2010 did not agree with the Town's records.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year."

APPROPRIATIONS (Applies to Town)

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

Fund	Years	Excess Amount Expended
General	2010	\$ 259,927
General	2011	102,253
MVH	2010	139,730
Local Road and Street	2011	26,646
Parks and Recreation	2010	32,705
Economic Development Income Tax	2010	36,215

A similar comment was contained in the prior report.

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."

PENALTIES, INTEREST, AND OTHER CHARGES PAID TO AN INDIVIDUAL (Applies to Town)

In one case, the Town paid an individual for penalties, interest, and charges that he incurred by under reporting the revenue he received from the Town. The Town had failed to give this individual a 1099 on a timely basis. However, the Town is not responsible for penalties, interest, or charges that are incurred by anyone else.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

The Town should request that the payment of \$809 made to the individual be repaid to the Town.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS (Applies to Town, Water, Wastewater, and Storm Water)

In numerous instances, receipts were deposited later than the next business day. In addition, receipts were either not written for all monies received or were not retained for audit.

Indiana Code 5-13-6-1(d) states:

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

OVERDRAWN FUND BALANCES (Applies to Town, Water, and Wastewater)

The Park & Recreation Fund, Payroll/Perf Fund, Payroll Federal W/H Fund, Payroll State & County W/H Fund, Payroll Health Ins W/H Fund, Payroll Union Dues W/H Fund, Payroll Savings W/H Fund, Pay-Interest Fund, Payroll Trustee W/H Fund, Payroll Mutual Stock W/H Fund, Payroll Child Support W/H Fund, Payroll Cancer Insurance Fund, Payroll Life Insurance Fund, Payroll Dental Benefits Fund, Payroll FICA & Med Withholding Fund, Sew Fund, and Water Utl Const In Prog Fund were overdrawn in 2010. The General Fund, Park Donation Fund, Water Utility Operating Fund, and Wat Fund were overdrawn in 2011. A similar comment was contained in the prior report.

The fund 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 Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES (Applies to Town)

The Town of Chandler Payroll Fund bank account was overdrawn during 2011. An overdraft charge was assessed on the account, but that charge was later reversed by bank officials.

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 Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

TEMPORARY TRANSFER OF FUNDS (Applies to Town and Wastewater)

As stated in the prior report, a temporary transfer of \$200,000 was made in 2008 from the Sewer Operating Fund to the Town General Fund and not repaid by December 31, 2009. The loan has not been repaid to date.

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

"(a) . . .

- (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.
 - (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."

CUSTOMER DEPOSIT REGISTER - (Applies to Water and Wastewater)

As stated in the prior report, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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

IMPROPER PURCHASES (Applies to Water)

The Town's Water Utility paid a total of \$1,005 from July 2008 through March 2012 for multiple membership fees to Sam's Club.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT 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 Cities and Towns, Chapter 7)

UNIDENTIFIED BALANCE IN PAYROLL FUND (Applies to Town)

As stated in the prior report, the various payroll funds had unidentified balances at the end of each year. As of December 31, 2010, the net of all payroll funds totaled \$43,612. As of December 31, 2011, the net of all payroll funds totaled \$4,584.

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll fund ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

OFFICIAL BOND (Applies to Town)

The following official bonds were not filed in the Office of the County Recorder until 2012: Clerk-Treasurer for 2010 and 2011. The bonds had been purchased but were not recorded timely.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

SALES TAX (Applies to Town, Water, Wastewater, and Storm Water)

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS CONCERNING FORM 941 (Applies to Town)

The Clerk-Treasurer did not properly complete or timely submit some of the Form 941s (Employer's Quarterly Federal Tax Return) as required by the Internal Revenue Service.

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 Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

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 Cities and Towns, Chapter 7)

RECORDS OF HOURS WORKED (Applies to Town)

The normal procedure in processing payroll included time sheets to support the hours paid to each employee. In November 2011, one former office employee, Julie Osha, the Clerk-Treasurer's wife, worked a regular (72 hour) pay period and also earned 60 hours of compensatory time and 8.42 hours of overtime. The next pay period this same employee worked a regular pay period but also earned 82.5 hours of compensatory time and 3.5 hours of overtime. While there were extra projects occurring at this time, these hours are considered excessive. Many of the compensatory and overtime hours were simply added to the bottom of the time sheet without any additional documentation such as the days of the week worked, the actual hours worked, etc.

The Town pays out all unused compensatory time in November for each year. In 2011, Julie Osha was paid for 263 hours of unused compensatory time.

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL

Our testing of the payroll system revealed the following deficiencies:

1. Payroll time sheets were not signed by the employee.
2. Payroll time sheets were not always signed by department heads.

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 Cities and Towns, Chapter 7)

PERSONAL EXPENSES ON TOWN CREDIT CARD

The Clerk-Treasurer used the Town credit card to purchase various items such as: a Dell notebook, a Gamer Extreme, (6) remote controls, (2) TV cards, (2) Microsoft Windows 7 Home edition, a Corel Paint shop Photo computer program, (3) TV Tuners, a battery for a Harley Davidson motorcycle, (2) ATV batteries,

CLERK-TREASURER
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AUDIT RESULTS AND COMMENTS
(Continued)

(6) Golf cart batteries, an Apple MacBook, (3) Apple I Pads, head phones, Wireless TV headphones, (2) Toshiba notebooks, (2) HP notebooks, a HP laptop, a Microsoft office home and student computer program, a Toshiba Laptop, and a Gateway laptop. During 2011, a total of \$23,633.51 of purchases made were not purchases made for the Town.

On October 31, 2011, one of the Best Buy online purchases of some of the above items was made from the Clerk-Treasurer's personal email address instead of his Town email address. This particular purchase totaled \$3,316.91 and included gift receipts. Some of these items were later exchanged for Best Buy gift cards by the Clerk-Treasurer.

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 Cities and Towns, Chapter 7)

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town of Chandler for personal purchases in the amount of \$23,633.51. (See Summary of Charges, page 19)

PERSONAL PROPERTY USE

In June 2009, a carpet cleaner was purchased on the Town's Wal-Mart credit card and the receipt was signed by Julie Osha, the Clerk-Treasurer's wife. The carpet cleaner was not retained with the Town assets and could not be accounted for. When this equipment was needed at a later date, it could not be found and therefore, a carpet cleaner was rented in November, 2011.

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the unaccounted for carpet cleaner plus sales tax in the amount of \$310.34. (See Summary of Charges, page 19)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

In many cases, amounts payable for taxes are not being paid until several months after the due date, if they are paid at all. The descriptions and categories of these payments are listed below.

Internal Revenue Service (IRS) - Federal Income Tax

During the Clerk-Treasurer's time in office, the federal income tax withholdings for 156 payrolls have been remitted late 22 times. Therefore, numerous penalties have been applied and all were paid from bank accounts of the Town of Chandler. The following list includes the tax periods when penalties and interest were incurred and tax periods when the accounts were paid and considered settled by the IRS. Additional federal income tax withholdings have been remitted after the due dates. However at this time, the IRS has not assessed a penalty to those late payments. When the penalties are assessed, they will also be the liabilities of this Clerk-Treasurer.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Tax Period Charges Incurred</u>	<u>Tax Period Charges Settled</u>	<u>Penalties and Interest Paid</u>
March 31, 2008	March 31, 2010	\$ 631.71
June 30, 2008	March 31, 2010	87.70
September 30, 2008	September 30, 2010	562.01
December 31, 2008	December 31, 2009	988.26
March 31, 2009	June 30, 2010	856.26
June 30, 2009	March 31, 2010	7,137.85
September 30, 2009	December 31, 2009	3,793.21
March 31, 2010	December 31, 2010	1,843.75
June 30, 2010	June 30, 2011	1,232.22
December 31, 2010	March 31, 2011	85.52
March 31, 2011	December 31, 2011	846.09
June 30, 2011	March 31, 2012	2,132.96
December 31, 2011	December 31, 2012	426.21
March 31, 2012	December 31, 2012	<u>1,394.02</u>
Total Penalty and Interest Paid		<u>\$ 22,017.77</u>
Breakdown by year:		
2009		\$ 4,781.47
2010		11,119.28
2011		2,163.83
2012		<u>3,953.19</u>
Total Penalty and Interest Paid		<u>\$ 22,017.77</u>

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the penalties and interest paid to the Internal Revenue Service in the amount of \$22,017.77. (See Summary of Charges, page 19)

Indiana Department of Revenue (IDR) - State and Local Income Tax

During the Clerk-Treasurer's time in office, the state and local income tax withholdings for 57 months have been remitted late 42 times. Therefore, numerous penalties have been applied and all were paid from bank accounts of the Town of Chandler. The following is a list of checks written by the Clerk-Treasurer, including the date, check number, amount, and the withholding period. The Clerk-Treasurer added penalties to some checks but not to others. Additional state and local income tax withholdings have been remitted after the due dates. However at this time, the IDR has not assessed a penalty to those late payments. When the penalties are assessed, they will also be the liabilities of this Clerk-Treasurer.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

Date of Check	Check Number	Tax Due	Penalty and Interest Paid	Total Check	Withholding Period
05-20-08	13889	\$ 13,927.24	\$ 1,697.16	\$ 15,624.40	Jan., Feb., Mar., and Apr. 2008
12-07-09	91	-	3,728.84	3,728.84	Oct., Dec. 2008, Jan., Feb., Mar. Apr., May, and June 2009
04-23-10	1181	32,834.83	3,286.27	36,121.10	Aug., Sept., Oct., Nov., and Dec. 2009 Jan., Feb., and Mar. 2010
08-12-10	1553	11,493.20	109.87	11,603.07	May, June, and July 2010
12-20-10	1987	17,093.31	87.21	17,180.52	Aug., Sept., Oct., and Nov 2010
02-18-11	2231	-	789.24	789.24	May and June 2010
06-17-11	2665	22,628.92	1,841.22	24,470.14	Jan., Feb., Mar., Apr. & May 2011
12-13-11	3308	19,051.19	2,079.44	21,130.63	Aug., Sept., Oct., and Nov. 2011
02-06-12	2512	-	79.06	79.06	Sept. and Oct. 2011
04-11-12	3752	14,864.31	1,053.28	15,917.59	Jan., Feb. & Mar. 2012
05-22-12	3852	4,233.93	28.15	4,262.08	Apr. 2012
09-04-12	4216	-	38.29	38.29	Jan. and Feb. 2012
10-01-12	3341	-	48.30	48.30	Jan. and Feb. 2012
10-15-12	4314	14,331.75	1,000.00	15,331.75	July, Aug., and Sept. 2012
10-15-12	3399	-	858.06	858.06	Apr. and May 2012
Total Penalty and Interest Paid			<u>\$ 16,724.39</u>		
Breakdown by year:					
2008			\$ 1,697.16		
2009			3,728.84		
2010			3,483.35		
2011			4,709.90		
2012			<u>3,105.14</u>		
Total Penalty and Interest Paid			<u>\$ 16,724.39</u>		

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the penalties and interest paid to the Indiana Department of Revenue in the amount of \$16,724.39. (See Summary of Charges, page 19)

Indiana Department of Revenue (IDR) - Sales Tax

During the Clerk-Treasurer's time in office, the Water Utility sales tax payments have been remitted after the due date 7 of 57 times. Sales tax for the month is due before the 20th of the following month or a penalty of 10 percent will be assessed. Therefore, numerous penalties have been applied and all were paid from bank accounts of the Town of Chandler. The following is a list of bank ACH payments as entered by the Clerk-Treasurer, including the date, amount and the sales tax period. Additional sales tax payments may have been remitted after the due dates. However, at this time, the IDR has not assessed a penalty to those late payments. When the penalties are assessed, they will also be the liabilities of this Clerk-Treasurer.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Date of ACH</u>	<u>Penalty and Interest Paid</u>	<u>Sales Tax Periods</u>
04-30-09	\$ 1,039.83	Dec. 2008
03-15-10	1,071.51	Dec. 2009
01-31-12	<u>6,993.98</u>	Mar. & May 2010; Aug. & Sept. 2011
 Total Penalty and Interest Paid	 <u>\$ 9,105.32</u>	
 Breakdown by year:		
2009	\$ 1,039.83	
2010	1,071.51	
2012	<u>6,993.98</u>	
 Total Penalty and Interest Paid	 <u>\$ 9,105.32</u>	

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the penalties and interest paid to the Indiana Department of Revenue in the amount of \$9,105.32. (See Summary of Charges, page 19)

Indiana Department of Revenue (IDR) - Utility Receipts Tax

The instructions for paying estimates of utility receipts tax are that 25 percent of the total is due and should be paid April 20, June 20, September 20, and December 20 of the year due. No penalty will be assessed if 90 percent of tax due is paid by estimates and the balance is paid with the return filed by April 15. If estimates and the balance due are not paid timely, then a penalty is computed as 10 percent of the underpayment. During the Clerk-Treasurer's time in office, all four annual Indiana Utility Receipts Tax Returns (Form URT-1) have been remitted after the April 15 due date. In addition, all 18 estimates due were either paid late or not paid at all. Therefore, numerous penalties have been applied and all were paid from bank accounts of the Town of Chandler. The following is a list of checks written by the Clerk-Treasurer, including the date, check number, tax amount, the penalty paid, and the covered period. At this time, the IDR has not assessed a penalty to all the late payments. When the penalties are assessed, they will also be the liabilities of this Clerk-Treasurer.

<u>Date of Check</u>	<u>Check Number</u>	<u>Tax Amount Due</u>	<u>Penalty Paid</u>	<u>Total Check</u>	<u>Covered period</u>
04-23-10	462	\$ 14,602.00	\$ 3,561.00	\$ 18,163.00	2009 IN URT Return
10-09-12	3365	23,940.30	<u>4,485.18</u>	28,425.48	December 31, 2011
 Total Penalty Paid			 <u>\$ 8,046.18</u>		
 Breakdown by year:					
2010			\$ 3,561.00		
2012			<u>4,485.18</u>		
 Total Penalty Paid			 <u>\$ 8,046.18</u>		

CLERK-TREASURER
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AUDIT RESULTS AND COMMENTS
(Continued)

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the penalties and interest paid to the Indiana Department of Revenue in the amount of \$8,046.18. (See Summary of Charges, page 19)

Indiana Department of Workforce Development (IDWD) Unemployment Insurance

During the Clerk-Treasurer's time in office, the quarterly payments to IDWD were remitted late or not at all for 15 of 18 quarters. Therefore, numerous penalties have been applied and all were paid from bank accounts of the Town of Chandler. The following is a list of checks written by the Clerk-Treasurer, including the date, check number, and amount. The Clerk-Treasurer added penalties to some checks but not to others. Many checks were written without supporting documentation. Therefore, the portion of penalty could not be determined on these checks. Additional quarterly payments have been remitted after the due dates. However, at this time, the IDWD has not assessed a penalty to those late payments. When the penalties are assessed, they will also be the liabilities of this Clerk-Treasurer.

Date of Check	Check Number	Penalty and Interest Paid
08-12-08	14162	\$ 283.47
09-10-08	14291	253.51
04-26-10	Electronic Check	9.00
08-12-10	1552	3.13
12-20-10	1985	129.72
07-15-11	2758	197.36
12-15-11	3309	101.41
06-14-12	3947	814.61
Total Penalty and Interest Paid		\$ 1,792.21
Breakdown by year:		
2008		\$ 536.98
2010		141.85
2011		298.77
2012		814.61
Total Penalty and Interest Paid		\$ 1,792.21

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the penalties and interest paid to the Indiana Department of Workforce Development in the amount of \$1,792.21. (See Summary of Charges, page 19)

Indiana Department of Revenue (IDR) - Undocumented Payments

During the Clerk-Treasurer's time in office, various undocumented checks were issued to the Indiana Department of Revenue. Since all other checks to the Indiana Department of Revenue have been verified to taxes or payments due, these checks are considered amounts to cover the various penalties and interest that are normally applied. The following list includes date of the check, check number, and amount of the check.

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Date of Check	Check Number	Amount Paid
04-30-09	14904	\$ 15,419.38
02-01-11	2188	1,735.27
07-18-11	2763	327.18
08-23-11	2901	4,098.99
Total Undocumented Payments Paid		\$ 21,580.82
Breakdown by year:		
2009		\$ 15,419.38
2011		6,161.44
Total Undocumented Payments Paid		\$ 21,580.82

Timothy D. Osha, Clerk-Treasurer, was requested to repay the Town for the undocumented payments made to the Indiana Department of Revenue in the amount of \$21,580.82. (See Summary of Charges, page 19)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

AUDIT COSTS - CONDITION OF RECORDS AND MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of the condition of records, including inadequate bookkeeping practices, which resulted in numerous penalties and interest being paid from Town funds, and of the personal expenses paid from Town funds. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$39,799.82 from Timothy D. Osha, Clerk-Treasurer. (See Summary of Charges, page 19)

MALFEASANCE, MISFEASANCE, OR NONFEASANCE

Timothy D. Osha, Clerk-Treasurer, from the information presented for audit, would appear to have charged credit card purchases for personal expenses to a Town of Chandler credit card, repeatedly failed to file federal withholdings taxes to the Internal Revenue Service timely, and repeatedly failed to file state withholding taxes, sales taxes, utility receipts taxes, and workforce development taxes all payable to the Indiana Department of Revenue timely which resulted in the payment of penalties and interest.

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS
(Continued)

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

OFFICIAL BOND INFORMATION

Timothy D. Osha, Clerk-Treasurer, was covered by a Western Surety Company Public Official bond in the amount of \$15,000 for the period December 31, 2007 to December 31, 2008. A Continuation Certificate for \$15,000 was issued for this bond for the period of December 31, 2008 to December 31, 2009. A rider increasing the penalty of this bond to \$30,000 was issued and became effective June 19, 2009. Another Western Surety Company Continuation Certificate was issued for \$30,000 for the period of December 31, 2009 to December 31, 2010. A Western Surety Company Public Official bond in the amount of \$30,000 was issued for the period of December 31, 2010 to December 31, 2011. For 2012, Mr. Osha was covered by an Auto-Owners Insurance Company Public Official Bond in the amount of \$30,000 which covers the period of December 31, 2011 to December 31, 2012.

CLERK-TREASURER
TOWN OF CHANDLER
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2012, with Misty Denk, Interim Clerk-Treasurer; Brian K. Lucas, President of the Town Council; and Anthony Long, Chandler Town Attorney. The Official Response has been made a part of this report and may be found on page 18.

Separate exit conferences were held with Town Council members Kathy Lemmons and Kenny Irvin on October 31, 2012.

Timothy D. Osha, former Clerk-Treasurer, was invited to attend but declined.

Town of Chandler

417 East Jefferson Street
Chandler, Indiana 47610
(812) 925-6882

November 13, 2012

(Delivered via first class mail)

Bruce A. Hartman, State Examiner
Indiana State Board of Accounts
302 W. Washington Street
Room E418
Indianapolis, IN 46204-2765

**RE: Town of Chandler
Clerk Treasurer Audit Results and Comments
Town Council Response**

Dear State Examiner Hartman:

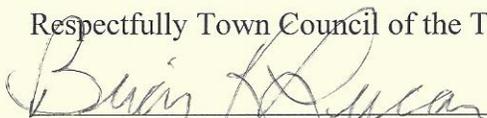
The Town Council of the Town of Chandler would first like to thank the State Board of Accounts for assigning the extremely competent, thorough and professional auditors who recently completed an audit of the Clerk Treasurer's Office in the Town of Chandler. We requested this audit because we had some concern about the handling of the Town of Chandler funds and accounts. We can not express adequately our sincere appreciation for the individuals who performed this task.

While we do not take any exception to their results and findings the Town Council would like to be on record with a response only to one issue.

The auditors found that some of claims that were approved for payment were approved without adequate documentation. The individual members of the Town Council have historically and continue to review each individual claim and supporting documents before approval thereof. It is the position of the Town Council that a number of claims had supporting documents altered, changed, or deleted after approval by the Town Council. We are considering amendments to procedures which may allow a protection from such activity in the future.

Again, we thank you for your attention to our issues.

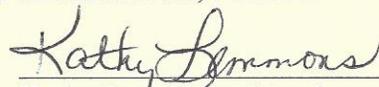
Respectfully Town Council of the Town of Chandler



Brian K. Lucas, President



Kenneth Irvin, Member



Kathy Lemmons, Member

CLERK-TREASURER
TOWN OF CHANDLER
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Timothy D. Osha, Clerk-Treasurer:			
Personal Expenses on Town Credit Card, pages 9 and 10			
Credit Card Purchases			
2011	\$ 23,633.51	\$ -	\$ 23,633.51
Personal Property Use, page 10			
2009	310.34	-	310.34
Penalties, Interest, and Other Charges, pages 10 through 15			
Internal Revenue Service:			
Withholding taxes:			
2009	4,781.47	-	4,781.47
2010	11,119.28	-	11,119.28
2011	2,163.83	-	2,163.83
2012	3,953.19	-	3,953.19
Indiana Department of Revenue:			
Withholding taxes:			
2008	1,697.16	-	1,697.16
2009	3,728.84	-	3,728.84
2010	3,483.35	-	3,483.35
2011	4,709.90	-	4,709.90
2012	3,105.14	-	3,105.14
Sales tax:			
2009	1,039.83	-	1,039.83
2010	1,071.51	-	1,071.51
2012	6,993.98	-	6,993.98
Utility Receipts Tax:			
2010	3,561.00	-	3,561.00
2012	4,485.18	-	4,485.18
Workforce Development:			
2008	536.98	-	536.98
2010	141.85	-	141.85
2011	298.77	-	298.77
2012	814.61	-	814.61
Undocumented Charges:			
2009	15,419.38	-	15,419.38
2011	6,161.44	-	6,161.44
Total for Penalties, Interest, and Other Charges	<u>79,266.69</u>	<u>-</u>	<u>79,266.69</u>
Audit Costs - Condition of Records and Missing Funds, page 15	<u>39,799.82</u>	<u>-</u>	<u>39,799.82</u>
Grand Total of Charges	<u>\$ 143,010.36</u>	<u>\$ -</u>	<u>\$ 143,010.36</u>
Total charges by year, excluding Audit Costs			
2008	\$ 2,234.14	\$ -	\$ 2,234.14
2009	25,279.86	-	25,279.86
2010	19,376.99	-	19,376.99
2011	36,967.45	-	36,967.45
2012	<u>19,352.10</u>	<u>-</u>	<u>19,352.10</u>
Totals	<u>\$ 103,210.54</u>	<u>\$ -</u>	<u>\$ 103,210.54</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
WARRICK COUNTY)

We, Mary Jo Beckman, CPA, and Kathy Earhart, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Clerk-Treasurer, Town of Chandler, Warrick County, Indiana, for the period from January 1, 2008 to October 16, 2012, is true and correct to the best of our knowledge and belief.

Mary Jo Beckman CPA

Kathy Earhart
Field Examiners

Subscribed and sworn to before me this 20th day of November, 2012

Cathy Coleman
Notary Public

My Commission Expires: November 11, 2018

County of Residence: Warrick