

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

TOWN COUNCIL
TOWN OF HOLTON
RIPLEY COUNTY, INDIANA

June 1, 2004 to September 30, 2004



FILED
08/16/2006

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TOWN OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Town Council	Robert Furst	01-01-04 to 04-30-06
Clerk-Treasurer	Velma Stickelman	01-01-04 to 07-30-05
	Rhonda Tunny	08-01-05 to 03-31-06
	Ronald Rayburn	04-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HOLTON, RIPLEY COUNTY

We have audited the records of the Town Council for the period from June 1, 2004 to September 30, 2004, 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 Audit Report of the Town of Holton for the period January 1, 2003 to December 31, 2004.

STATE BOARD OF ACCOUNTS

July 20, 2006

TOWN COUNCIL
TOWN OF HOLTON
AUDIT RESULTS AND COMMENTS

PERSONAL EXPENSES - TRACTOR REPAIR

On October 4, 2004, the Town of Holton issued a check from the Town General Fund to Southern Indiana Parts, Inc. (d.b.a. NAPA Auto Parts) in the amount of \$101.63. Four invoices, dated August 30, 2004, September 3, 2004, September 15, 2004, and September 16, 2004, showed that various mechanical parts were purchased. These parts consisted of an ignition coil, carburetor kit, battery terminal, ignition wire, and condenser. The invoices were signed by either Steve Troxell or William Warren, former Town employees, as receiving the mechanical parts.

In regards to the above payment, we obtained the following information:

1. The attached invoices showed the name "Bob" was written on each invoice above the name of the employee who purchased the parts.
2. Steve Troxell, former Town employee, stated the following in an affidavit:
 - a. "On August 30, 2004, September 3, 2004, and on September 16, 2004, I was instructed by Robert Furst, President of the Holton Town Council, to go to the NAPA store in Versailles, Indiana, and purchase parts for his (Robert Furst) personal Farmall tractor."
 - b. "I was instructed by Robert Furst to charge the parts purchased on the above dates to the Town of Holton's account."
3. In reference to the invoice dated September 15, 2004, William Warren, former Town employee, stated he was instructed by Robert Furst, President of the Town Council, to go to the NAPA Auto Parts store and purchase parts for a Farmall tractor. Mr. Warren stated that since the tractor was kept at the wastewater lagoon, it was his understanding that the Farmall tractor was the property of the Town.
4. Robert (Bob) Furst, President of the Town Council, stated the following:
 - a. He did instruct both Steve Troxell and William Warren to go to the NAPA Auto Parts store and purchase the parts and the parts were for a Farmall tractor which was owned by him.
 - b. He used his Farmall tractor for Utility purposes such as mowing around the wastewater lagoon and felt that the payment for the parts by the Town was justified.
5. There was no written agreement between the Town and Robert Furst presented for audit regarding Mr. Furst providing his tractor to mow at the wastewater lagoon.

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 officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Upon our request, Robert Furst, President of the Town Council, refunded \$101.63 to the Town of Holton on July 26, 2006. (See Summary, page 11)

TOWN COUNCIL
TOWN OF HOLTON
AUDIT RESULTS AND COMMENTS
(Continued)

GHOST EMPLOYMENT – TRACTOR REPAIR

We obtained the following information regarding Town employees performing repair work on a tractor owned by Robert Furst, President of the Town Council:

1. Steve Troxell, former Town employee, stated the following in an affidavit:

"During the period August through September 2004, I was instructed by Robert Furst to perform repair work on his Farmall tractor. Robert Furst instructed me to perform the repair work on his tractor during my normal working hours for the Town of Holton."
2. William Warren, former Town employee, stated in an interview that he was instructed by Robert Furst, President of the Town Council, to perform repair work on a Farmall tractor at various times between August 2004 through September 2004. This work was performed during normal working hours. The repair work consisted of the installation of the parts purchased on August 30, 2004, September 3, 2004, September 15, 2004, and September 16, 2004, (See Audit Result and Comment: "Personal Expenses Tractor Repair")
3. Robert Furst stated in an interview that he did own the Farmall tractor and he did instruct both Steve Troxell and William Warren to perform repair work on his tractor. Mr. Furst further stated that he used his tractor for wastewater utility purposes such as mowing around the wastewater lagoon and felt that the cost of the repair work paid by the Town was justified.
4. There was no written agreement between the Town and Robert Furst regarding Mr. Furst furnishing his tractor to mow at the wastewater lagoon.

Based on the information provided by Steve Troxell and William Warren, the following schedule summarizes the approximate hours worked on Robert Furst's tractor and the wages paid to Mr. Troxell and Mr. Warren from Town funds for nongovernmental duties:

<u>Employee</u>	<u>Hours Worked</u>	<u>Wages</u>
Steve Troxell	8	\$ 64
William Warren	8	56
Totals	<u>16</u>	<u>\$ 120</u>

Indiana Code 35-44-2-4(b) states: "A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony."

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)

Upon our request, Robert Furst, President of the Town Council, refunded \$120 to the Town of Holton on July 26, 2006. (See Summary, page 11)

TOWN COUNCIL
TOWN OF HOLTON
AUDIT RESULTS AND COMMENTS
(Continued)

GHOST EMPLOYMENT – TRIP TO NORWOOD, OHIO

We obtained the following information regarding a Town employee going to Norwood, Ohio, on a personal errand for Robert Furst, President of the Town Council:

1. Steve Troxell, former Town employee, stated the following in an affidavit:
 - a. "On a day in the summer of 2004, I was instructed by Robert Furst, President of the Holton Town Council, to go with Jay Buell, Robert Furst's stepson, to Norwood, Ohio to pick up an outdoor playhouse. After picking up the playhouse, we delivered it to Robert Furst's residence in the Town of Holton."
 - b. "The trip to and from Norwood took approximately three and a half hours and was made during the course of my normal work day which I was being paid by the Town of Holton."
2. In an interview with Jay Buell, Mr. Buell stated that Robert Furst asked him if he could use his truck and go to Norwood, Ohio, to pick up a children's outdoor playhouse for Mr. Furst. Mr. Buell further stated that Mr. Furst had Mr. Troxell go along with him because he knew how to get to the location in Norwood.
3. Based on Steve Troxell's hourly rate of pay, the Town paid Mr. Troxell \$28 for nongovernmental duties.

In an interview with Robert Furst, Mr. Furst stated that he did ask Jay Buell to go to Norwood, Ohio, to pick up the children's outdoor playhouse for him. Mr. Furst stated he did not instruct Steve Troxell to go with Mr. Buell.

Indiana Code 35-44-2-4(b) states: "A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony."

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

Upon our request, Robert Furst, President of the Town Council, refunded \$28 to the Town of Holton on July 26, 2006. (See Summary, page 11)

DEPOSITS FOR COMMUNITY BUILDING

Wilma Myers, Town Council member, is responsible for scheduling and collecting deposits and fees for use of the Town's Community Building. Mrs. Myers provided the following information regarding the collecting, remitting and recording of building rental deposits and fees:

1. A person wanting to rent the Community Building normally writes a check for the deposit at the time of scheduling; however, no receipt is issued. The check is held until the building is used and then returned to the person. The deposit is not remitted to the Clerk-Treasurer and no check is issued for the return of the deposit.
2. On the date that the building is used, the person pays the rental fee and a receipt is issued for the rental fee. The rental fees are remitted to the Clerk-Treasurer.

TOWN COUNCIL
TOWN OF HOLTON
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADDITIONAL AUDIT COSTS

Additional audit fees were incurred in the investigation of misappropriated funds. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$249.63.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Upon our request, Robert Furst, President of the Town Council, refunded \$249.63 to the State of Indiana on August 7, 2006. (See Summary, page 11)

TOWN COUNCIL
TOWN OF HOLTON
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2006, with Robert Furst, President of the Town Council; and Larry Eaton, Town Attorney. The official response has been made a part of this report and may be found on pages 9 and 10.

The contents of this report were also discussed on July 20, 2006, with Wilma Myers, Council Member; Ronald Palmer, Council Member; and Ronald Rayburn, Clerk-Treasurer.

Robert Furst
199 North County Road 850 West
Holton, IN 47023
July 26, 2006

Rick Ahlrich
Indiana State Board of Accounts
4570 West County Road 600 North
Osgood, IN 47037

Re: Report of Audit

Dear Rick:

I have reviewed the report of your recent audit concerning allegations that I have misused funds and engaged ghost employment activities. The following is my response to these allegations.

Tractor repairs: The Indiana Department of Environmental Management requires that the Town maintain weed control at the Town's wastewater treatment lagoon. The Town did not have a tractor and bushhog in 2004 which could be used for the purpose of weed control. At the time, I had a Farmall H tractor and bushhog which was not operating. The tractor needed points, plugs and a condenser. I had not used it for some time. Steve Troxell and William Warren volunteered to make the repairs if the parts were acquired. The parts were acquired and Steve and William installed the parts. Then the tractor and my bushhog were used to clear weeds at the Town's lagoon.

I did not charge or receive any compensation for the use of my tractor and bushhog. All of the council members at the time were aware of the situation. The full Council approved the claim for the parts. Believe the council members knew that Steve and William had installed the parts.

I allowed my tractor and bushhog to be used to help the Town comply with IDEM regulations.

I realize now that I should have made the repairs without the use of Town employees and paid for the parts myself. I could have then charged the Town for the use of the Tractor and bushhog. I am certain that the Town would have paid I more had I done that.

There was no intent to personally benefit from this transaction. However, since I did not follow the proper procedure, I have reimbursed the Town the sum of \$221.63 as you have indicated.

Ghost Employment - Norwood, Ohio. I made arrangements for Jay Buell to pickup a children's play house in Norwood, Ohio, on a Saturday. Steve Troxell offered to go with Mr. Buell. I never authorized Mr. Troxell to charge the Town for the time he spent on the trip. It was never my intention that the Town pay Mr. Troxell for that trip. I was not aware that he turned in time to the Town of Holton for that trip.

It is possible that Mr. Troxell did not understand that he was not to be paid by the Town, so I have reimbursed the Town for the sum of \$28.00 to avoid any question.

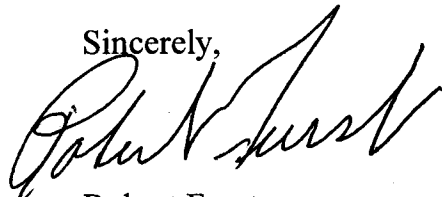
I have also tender herewith my check in the sum of \$249.63 to cover the audit costs.

Mr. Troxell was terminated by the Town prior to these allegations being made. It is my belief that the allegations are in retaliation for his termination from employment. I would never do anything to take funds from the Town that I am not entitled to receive. I categorically deny that I am guilty of receiving public funds for personal items which do not relate to the functions and purposes of the Town. I also deny that I knowingly or intentionally assigned duties to any employee which did not relate to the operation of the Town of Holton.

I have served the Town of Holton for many years. I have given many hundreds of hours of my time without compensation to see that the Town of Holton government serves the best interests of the citizens of the Town.

I apologize if I did not follow proper procedures in the performance of my duties as Town Council President.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Furst", written in a cursive style.

Robert Furst

TOWN COUNCIL
TOWN OF HOLTON
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Robert Furst, President of the Town Council:			
Personal Expenses - Tractor Repair, page 4	\$ 101.63	\$	\$
Paid July 26, 2006, Receipt No. 2697		101.63	-
Ghost Employment - Tractor Repair, page 5	120.00		
Paid July 26, 2006, Receipt No. 2697		120.00	-
Ghost Employment - Trip to Norwood, Ohio, page 6	28.00		
Paid July 26, 2006, Receipt No. 2697		28.00	-
Additional Audit Costs, page 7	249.63		
Paid August 7, 2006, Receipt No. 3618	<u> </u>	<u>249.63</u>	<u>-</u>
Totals	<u>\$ 499.26</u>	<u>\$ 499.26</u>	<u>\$ -</u>