

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

EXAMINATION REPORT
OF
KELSO TOWNSHIP
DEARBORN COUNTY, INDIANA
January 1, 2004 to March 4, 2007



FILED
06/26/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Anthony J. Werner	01-01-03 to 12-31-10
Chairman of the Township Board	Wildred F. Hiltz Jerome H. Stenger	01-01-04 to 12-31-04 01-01-05 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Kelso Township (Township), for the period of January 1, 2004 to March 4, 2007. 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, 2004, 2005, and 2006, and for the period January 1, 2007 to March 4, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 30, 2007

KELSO TOWNSHIP, DEARBORN COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2004, 2005, 2006,
And For The Period January 1, 2007 to March 4, 2007

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
Township	\$ 1,056	\$ 9,917	\$ 9,350	\$ 1,623
Dog	1,514	439	100	1,853
Township Assistance	6,910	-	740	6,170
Firefighting	59	9,508	8,774	793
Totals	<u>\$ 9,539</u>	<u>\$ 19,864</u>	<u>\$ 18,964</u>	<u>\$ 10,439</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 1,623	\$ 8,677	\$ 31,746	\$ (21,446)
Dog	1,853	336	-	2,189
Township Assistance	6,170	-	1,166	5,004
Firefighting	793	13,632	-	14,425
Totals	<u>\$ 10,439</u>	<u>\$ 22,645</u>	<u>\$ 32,912</u>	<u>\$ 172</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ (21,446)	\$ 9,347	\$ 13,600	\$ (25,699)
Dog	2,189	-	-	2,189
Township Assistance	5,004	2,431	250	7,185
Firefighting	14,425	19,185	9,290	24,320
Totals	<u>\$ 172</u>	<u>\$ 30,963</u>	<u>\$ 23,140</u>	<u>\$ 7,995</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 03-04-07
Governmental Funds:				
Township	\$ (25,699)	\$ 38,017	\$ 7,820	\$ 4,498
Dog	2,189	50	-	2,239
Township Assistance	7,185	8	-	7,193
Firefighting	24,320	318	18,772	5,866
Totals	<u>\$ 7,995</u>	<u>\$ 38,393</u>	<u>\$ 26,592</u>	<u>\$ 19,796</u>

The accompanying notes are an integral part of the schedules.

KELSO TOWNSHIP, DEARBORN COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

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

KELSO TOWNSHIP, DEARBORN COUNTY
EXAMINATION RESULTS AND COMMENTS

UNAUTHORIZED PAYMENTS OF SALARIES AND RENT

Anthony J. Werner, Trustee, wrote checks to himself in excess of amounts approved by the Township Board for salaries and rent. The excess payments totaled \$37,696.32 for the period January 1, 2004 to March 4, 2007. The unauthorized payments are summarized by year in the following schedule:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	01-01-07 to 03-04-07	<u>Totals</u>
Total payments	\$ 6,176.32	\$ 29,820.00	\$ 13,050.00	\$ 5,550.00	\$ 54,596.32
Authorized by Board	<u>5,200.00</u>	<u>5,200.00</u>	<u>5,200.00</u>	<u>1,300.00</u>	<u>16,900.00</u>
Unauthorized payments	<u>\$ 976.32</u>	<u>\$ 24,620.00</u>	<u>\$ 7,850.00</u>	<u>\$ 4,250.00</u>	<u>\$ 37,696.32</u>

Indiana Code 5-13-5-4(b) states in part: "A public officer may draw a check or negotiable order of withdrawal upon a depository only for the following purposes . . . (3) The payment of a legal claim against a political subdivision . . ."

Indiana Code 5-13-14-3 states in part: "A public officer who knowingly . . . draws any check or negotiable order of withdrawal against the funds except in the manner prescribed in this article, commits a Class B felony. The public officer also is liable upon the officer's official bond for any loss or damage that may accrue."

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)

Mr. Werner admitted receiving the unauthorized payments. Mr. Werner refunded \$37,696.32 to the Township on three separated deposits dated November 25, 2005, February 23, 2007, and February 27, 2007. (See Summary, page 13)

ADDITIONAL EXAMINATION COSTS

The Township incurred \$477.68 in additional costs in the investigation of unauthorized payments made to the Trustee.

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 Townships, Chapter 13)

Anthony J. Werner, Trustee, refunded \$477.68 to the Township. The refund was included in a deposit made February 27, 2007. (See Summary, page 13)

NO CONFLICT OF INTEREST DISCLOSURE

Ty A. Werner, Township Clerk, is the spouse of Anthony J. Werner, Trustee. A Uniform Conflict of Interest Disclosure Statement was not filed.

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

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

DISBURSEMENT DOCUMENTATION

We noted instances of payments which did not contain adequate supporting documentation such as receipts, and invoices.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

UNTIMELY DEPOSIT OF PUBLIC FUNDS

We found the following instances of funds not deposited timely:

1. Tax distributions were deposited up to four months after being received.

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

2. Dog tax paid by checks totaling \$363 during 2005 and 2006 were not deposited and were not posted to the Financial and Appropriation Record.

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS

General Fund disbursements exceeded the approved budgeted appropriations as follows:

<u>Year</u>	<u>Excess Amount Expended</u>
2004	\$ 815
2005	23,356
2006	5,210

The Township also expended \$7,280 from the General Fund for period January 1, 2007 to March 4, 2007, without an approved budget being established.

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."

TOWNSHIP ASSISTANCE PROCEDURES NOT FOLLOWED

Our examination showed the following deficiencies regarding the processing and payments of township assistance:

1. No written township assistance standards were presented for examination.

Indiana Code 12-20-5.5-1 states in part:

"(a) The township trustee shall process all applications for the poor relief according to uniform written standards . . .

(b) The township's standards for the issuance of township assistance and the processing of applications must be: . . . (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners . . ."

2. Seven Applications for Township Assistance (Form TA-1) were not on file and three applications were not completed. No investigations were documented on eight applicants to determine if the applicants qualified to receive township assistance.

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

Indiana Code 12-20-6-8(c) states in part: "An application for township assistance is not considered complete until all adult members of the requesting household have signed: (1) the poor relief application; and (2) any other form, instrument, or document: (A) required by law; or (B) determined necessary for investigative purposes by the trustee"

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

3. There were no original Township Assistance Purchase Orders (Form TA-2) presented for our examination. Additionally, the General Purchase Order for Assistance book presented for examination only had carbon copies of eight disbursements reviewed.

Whenever the administrator of township assistance of any township grants township assistance aid to any indigent person, or to any other person or agency on a township assistance order as provided by law or obligates the township for any item properly payable from township assistance funds, the claim against such township, itemized and sworn to as provided by law, and accompanied by the original township assistance order, duly itemized and signed shall be checked with the records of the administrator of township assistance, audited, and certified to, as required by law by the trustee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission . . ."

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)

NO CONTRACTS

The following contracts were either not presented for examination or were signed after the services were completed:

1. No fire protection contracts or agreements with St. Leon Volunteer Fire Department or Miller-York Volunteer Fire Departments were presented for our examination. The fire protection contracts with Sunman Rural Volunteer Fire Department for the years 2004 and 2005 were not signed until January 23, 2006.
2. No agreements or contracts for cemetery care were presented for examination for the years 2004, 2005, and 2006.

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

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

NO ANNUAL REPORTS

The Trustee did not prepare and advertise annual financial reports for calendar years 2004, 2005, and 2006.

The annual report shall be prepared, verified, and filed with the State Board of Accounts within thirty (30) days after the close of each fiscal year. The report must be published, within four weeks after the third Tuesday after the first Monday in January, one time in accordance with IC 5-3-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

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)

BOARD MINUTES

No Township Board meetings were held after August 30, 2005.

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chairman for that year and one (1) member as secretary for that year."

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

Indiana Code 36-6-6-11(a) states: "The legislative body shall meet annually in accord with IC 6-1.1-17, to adopt the township's annual budget."

OPTICAL IMAGES OF CHECKS

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

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part: ". . . 'original records' includes the optical image of a check or deposit document when:

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

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

Furthermore, Indiana Code 26-2-8-111 states in part:

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

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

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

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not issue Internal Revenue Service Form W-2 to officials and employees and, also, did not withhold any payroll taxes for the compensation paid.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

KELSO TOWNSHIP, DEARBORN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2007, with Anthony J. Werner, Trustee; and Ty A. Werner, Clerk.

The contents of this report were also discussed on May 1, 2007, with Jerome H. Stenger, Chairman of the Township Board; Matilda E. Hoffbauer, Township Board member; and Wilfred F. Hiltz, Township Board member.

KELSO TOWNSHIP, DEARBORN COUNTY
SUMMARY

	Charges	Credits	Balance Due
Anthony J. Werner, Trustee:			
Unauthorized Payments of Salaries and Rent, page 6	\$ 37,696.32	\$	\$
Additional Examination Costs, page 6	477.68		
Refund of Charges by Anthony J. Werner, Trustee:			
Deposited November 25, 2005		174.00	
Deposited February 23, 2007		10,000.00	
Deposited February 27, 2007		28,000.00	-
Totals	\$ 38,174.00	\$ 38,174.00	\$ -