

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

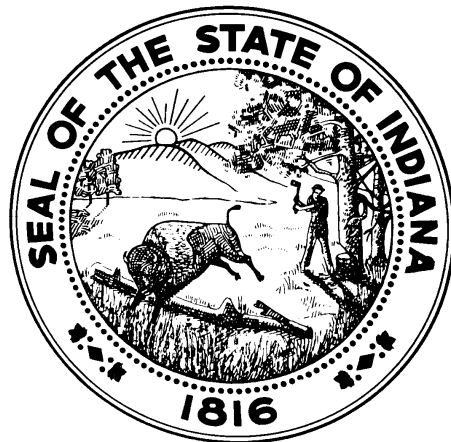
EXAMINATION REPORT

OF

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT

VANDERBURGH COUNTY, INDIANA

January 1, 2002 to December 31, 2007



**FILED**  
08/20/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Volunteer Fire Department Board	Vernon L. Garrett	01-01-02 to 12-31-05
	Terry J. Eickhoff	01-01-06 to 12-31-08
Fire Chief	John M. Buckman III	01-01-02 to 12-31-08
Treasurer	Susan D. Wargel	01-01-94 to 09-30-07
	Vacant	10-01-07 to 04-14-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE GERMAN TOWNSHIP VOLUNTEER  
FIRE DEPARTMENT, VANDERBURGH COUNTY, INDIANA

We have examined the records of the German Township Volunteer Fire Department, for the period of January 1, 2002 to December 31, 2007, 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 Examination Results and Comments.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 14, 2008

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2002, 2003, 2004, 2005, 2006, And 2007

	<u>Cash and Investments 01-01-02</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-02</u>
Governmental Fund: General	<u>\$ 97,151</u>	<u>\$ 476,862</u>	<u>\$ 458,711</u>	<u>\$ 115,302</u>
	<u>Cash and Investments 01-01-03</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-03</u>
Governmental Fund: General	<u>\$ 115,302</u>	<u>\$ 723,921</u>	<u>\$ 666,266</u>	<u>\$ 172,957</u>
	<u>Cash and Investments 01-01-04</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-04</u>
Governmental Fund: General	<u>\$ 172,957</u>	<u>\$ 691,244</u>	<u>\$ 834,497</u>	<u>\$ 29,704</u>
	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Governmental Fund: General	<u>\$ 29,704</u>	<u>\$ 526,390</u>	<u>\$ 504,156</u>	<u>\$ 51,938</u>
	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund: General	<u>\$ 51,938</u>	<u>\$ 527,586</u>	<u>\$ 495,415</u>	<u>\$ 84,109</u>
	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Fund: General	<u>\$ 84,109</u>	<u>\$ 555,310</u>	<u>\$ 590,675</u>	<u>\$ 48,744</u>

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The Fire Department has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Loan payable	\$ 239,519	\$ 42,945

## GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT EXAMINATION RESULTS AND COMMENTS

### BACKGROUND INFORMATION

In September 2007, the Fire Chief, John M. Buckman III, discovered that a problem existed when he was in the office of Susan D. Wargel, former Treasurer, and found a sealed envelope from the State of Indiana. He investigated and discovered that it was a tax warrant for unpaid payroll tax including penalties and interest. The Fire Chief contacted some of the Board members and the local authorities, Vanderburgh County Sheriff Department. The Vanderburgh County Sheriff Department investigated and forgeries were discovered.

Susan D. Wargel contacted the Fire Chief and stated she would resign as of October 1, 2007.

On March 18, 2008, we met with the Vanderburgh County Sheriff Department Detective to see what work they had performed. We reviewed their work and subsequently expanded our audit to all areas of the German Township Volunteer Fire Department records for January 1, 2002 to December 31, 2007. Following are the results of our examination.

### INTERNAL CONTROL DEFICIENCIES

In reviewing the financial transactions of German Township Volunteer Fire Department, several deficiencies in internal control procedures were noted. These deficiencies are the primary reason for the irregularities noted in the remaining comments. The internal control deficiencies we observed are:

- All cash receipts and disbursements were completely controlled by the Treasurer.
- The Board changed their policy of reviewing the bank statement and cancelled checks each month to only reviewing the Treasurer's report.
- Financial reports prepared by the Treasurer and submitted to the Board were erroneous.
- The Treasurer did not submit detailed supporting documentation to the Board for many cash disbursements.
- Purchase orders were approved by the Fire Chief and check payments were reviewed by the Board President, but the two were never compared.
- A third person was approved to sign checks, but in an emergency only one signature is required on any check.
- The accounting information system being used (Quick Books) allows transactions to be changed after posting with no audit trail.
- No audit trail exists for receipts from fundraisers, donations, and billings.
- No segregation of duties exists.

All non-profit units receiving governmental funds 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.

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEDERAL AND STATE AGENCIES - PAYROLL WITHHOLDING COMPLIANCE REQUIREMENTS

For calendar years 2003, 2004, 2005, 2006, and 2007, the Treasurer did not remit payroll taxes in a timely manner to the Internal Revenue Service, the Indiana Department of Revenue, and the Indiana Department of Workforce Development. This action resulted in penalties and interest in the amount of \$28,936.03 being paid by German Township Volunteer Fire Department to the following agencies:

Internal Revenue Service	\$ 26,125.42
Indiana Department of Revenue	2,466.86
Indiana Department of Workforce Development	<u>343.75</u>
 Total	 <u><u>\$ 28,936.03</u></u>

Each nongovernmental entity is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service, the Indiana Department of Revenue, and the Indiana Department of Workforce Development. All questions concerning taxes should be directed to these agencies.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee.

FEDERAL AND STATE AGENCIES - REPORTING REQUIREMENTS

German Township Volunteer Fire Department receives fire contract payments from German Township, Vanderburgh County, and Armstrong Township, Vanderburgh County. This organization receives payments from insurance companies and bills individuals for fire and rescue service calls.

German Township Volunteer Fire Department did not file an Entity Annual Report (Form E-1) for 2002, 2003, 2005, or 2006. Based on the 2004 Form E-1, an audit of the German Township Volunteer Fire Department records was required. This audit report was never filed with the State Board of Accounts.

Nongovernmental organizations (entities) receiving financial assistance from governmental sources in the form of subsidies or contributions, are required by Indiana Code 5-11-1-4 to file an Entity Annual Report (Form E-1) with the State Board of Accounts. Upon review of Entity Annual Reports submitted, the State Board of Accounts will determine when independent audits are required.

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the ledger balances to the bank account balances were not presented for audit or were incorrect.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SUPPORTING DOCUMENTATION

Many payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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.

UNAUTHORIZED PAY RAISES

In 2005, Susan D. Wargel, former Treasurer, received a \$1.00 per hour pay raise that was not authorized by the Board. In 2007, the Board gave an insurance adjustment to employees instead of a pay raise; however, Susan D. Wargel gave herself a \$1.00 per hour pay raise in addition to the insurance adjustment. These unauthorized hourly pay increases resulted in an overpayment of salary in the amount of \$6,194.79 for the period of 2005 through 2007.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements.

MALFEASANCE, MISFEASANCE OR NONFEASANCE

Susan D. Wargel, former Treasurer, from the information presented for audit, would appear to have diverted funds from the German Township Volunteer Fire Department accounts by forging the second signature required on check disbursements or by failing to acquire the second signature for many checks.

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.

AMOUNT TO BE REIMBURSED - FORMER TREASURER

We have identified the amount of \$256,203.74 to be reimbursed to the German Township Volunteer Fire Department (GTVFD) by Susan D. Wargel, former Treasurer (\$250,008.95 for improper expenses paid by the GTVFD and \$6,194.79 paid by Ms. Wargel to herself in unauthorized pay raises). The following table details this amount:

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Description	2002	2003	2004	2005	2006	2007	Totals
Paid from GTVFD funds:							
AAA Auto Parts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,490.00	\$ 1,490.00
Academy Collection Services Inc.	-	-	-	-	2,881.94	-	2,881.94
Ameritech	134.77	76.08	-	-	-	-	210.85
AT&T	-	-	-	-	10.43	-	10.43
Bank of America	-	-	-	12,410.91	22,731.82	14,699.85	49,842.58
Bank One	-	-	3,858.79	3,922.30	-	-	7,781.09
Beneficial Finance	-	-	329.00	550.00	-	-	879.00
Chase	-	-	-	1,425.08	-	-	1,425.08
Cingular	-	-	-	-	1,642.10	-	1,642.10
Citi Cards	-	-	-	-	-	530.95	530.95
Countrywide	1,361.70	4,391.82	-	-	-	-	5,753.52
Credit First NA	-	-	-	-	-	352.56	352.56
Dillard's	-	-	-	-	-	406.45	406.45
Evansville Waterworks	-	-	-	11.62	11.62	-	23.24
First North American National Bank	-	2,765.25	4,243.66	-	-	-	7,008.91
Ford Credit	-	785.92	700.00	-	-	-	1,485.92
Helzberg Diamonds	-	-	597.03	-	-	-	597.03
Home Depot Credit Services	-	-	-	329.77	599.60	876.32	1,805.69
Household Credit Services	-	7,203.33	15,035.86	7,621.49	1,924.46	-	31,785.14
HSBC Card Services	-	-	-	2,536.34	10,158.14	10,675.48	23,369.96
Insight Communications	-	552.47	368.44	791.89	1,305.70	1,475.92	4,494.42
Jack Kerney	-	-	-	-	226.76	-	226.76
Kohl's Payment Center	-	-	-	-	-	1,192.73	1,192.73
Lowes	347.61	2,643.04	-	-	-	-	2,990.65
Macy's	-	-	-	-	157.07	870.53	1,027.60
Platinum Plus for Business	-	331.60	2,993.29	-	-	-	3,324.89
Providian Visa Card	3,928.00	12,718.83	15,052.79	6,490.20	-	-	38,189.82
Retail Services	-	2,427.96	87.46	-	-	-	2,515.42
Sam's Club	-	-	-	-	-	230.28	230.28
Sears Credit Cards	-	-	4,623.00	2,942.42	-	-	7,565.42
Sears National Bank	-	12,968.22	6,619.83	-	-	-	19,588.05
State Farm	-	234.58	382.34	-	-	-	616.92
Susan D. Wargel	1,453.40	-	-	-	-	4,602.66	6,056.06
Vectren	-	3,157.30	2,395.15	2,548.77	1,892.13	1,890.65	11,884.00
Verizon Wireless	122.75	1,365.87	2,280.92	1,980.84	1,067.65	1,426.55	8,244.58
WFNNB-Maurices	-	-	-	482.72	-	-	482.72
WFNNB-Victoria's Secret	-	-	-	262.04	1,150.06	684.09	2,096.19
Totals - paid from GTVFD funds	<u>7,348.23</u>	<u>51,622.27</u>	<u>59,567.56</u>	<u>44,306.39</u>	<u>45,759.48</u>	<u>41,405.02</u>	<u>250,008.95</u>
Overpayment of salary	-	-	-	1,170.00	2,478.24	2,546.55	6,194.79
Totals - overpayment of salary	-	-	-	<u>1,170.00</u>	<u>2,478.24</u>	<u>2,546.55</u>	<u>6,194.79</u>
Totals to be reimbursed	<u>\$ 7,348.23</u>	<u>\$ 51,622.27</u>	<u>\$ 59,567.56</u>	<u>\$ 45,476.39</u>	<u>\$ 48,237.72</u>	<u>\$ 43,951.57</u>	<u>\$ 256,203.74</u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes stated in the contract with the governmental unit from which the funds were obtained. Any personal expenses paid by the volunteer fire department using governmental funds may be the personal obligation of the responsible officer or employee.

Each nongovernmental entity is responsible for compliance with all rules, regulation, guidelines, and directives of the Internal Revenue Service, the Indiana Department of Revenue, and the Indiana Department of Workforce Development. All questions concerning taxes should be directed to these agencies.

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSETS

Information presented for audit did not indicate an inventory or record of capital assets.

Every unit should have a complete inventory of all capital assets owned which reflect their acquisition value. 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.

INSURANCE COVERAGE

Susan D. Wargel, former Treasurer, was covered by Employee Dishonesty insurance in the amount of \$5,000. This coverage was a part of the German Township Volunteer Fire Department insurance package carried by American Alternative Insurance Corporation. Downey Insurance of Kokomo, Indiana, is the agent for this policy.

Claim INTR-207100282 showing a date of loss of June 1, 2007, was filed against this policy. The claim was managed by Glatfelter Claims Management, Inc., on behalf of American Alternative Insurance Corporation, and settlement check number 239179 in the amount of \$5,000 was paid to German Township Volunteer Fire Department on February 15, 2008.

ADDITIONAL AUDIT COSTS - MISSING FUNDS

Additional audit costs were incurred during the current audit due to the investigation of the diversion of German Township Volunteer Fire Department to pay personal expenses. Additional audit costs totaled \$13,376.81.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee.

FEDERAL CHARGES FILED AGAINST SUSAN D. WARGEL, FORMER TREASURER

Charges have been filed in the United States District Court, Southern District of Indiana, Evansville Division against Susan D. Wargel. Charges consist of one count of making or possessing a forged security of a State or Political subdivision and four counts of filing a false tax return.

A plea agreement has been filed in the United States District Court, Southern District of Indiana, Evansville Division, stating that Susan D. Wargel will enter a plea of guilty to the one count of making or possessing a forged security of a State or Political subdivision and four counts of filing a false tax return.

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2008, with John M. Buckman III, Fire Chief; David C. Bretz, Assistant Fire Chief; Nicholas J. Adams, Division Fire Chief; Terry J. Eickhoff, President of the Volunteer Fire Department Board; and Scott L. Laugel, Secretary of the Volunteer Fire Department Board. The officials concurred with our findings.

Susan D. Wargel, former Treasurer, was invited to an exit conference scheduled for April 30, 2008, but her attorney called and stated Ms. Wargel would not be attending the exit conference.

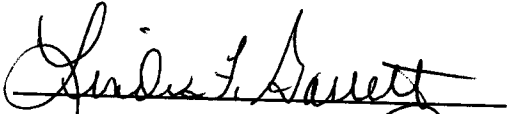
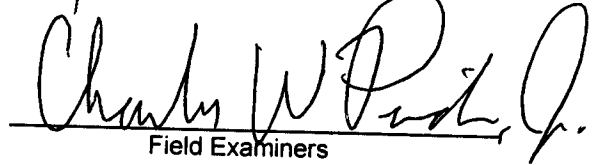
GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT  
 VANDERBURGH COUNTY  
 SUMMARY

	Charges	Credits	Balance Due
Susan D. Wargel, former Treasurer: Amount To Be Reimbursed – Former Treasurer, pages 8 and 9	\$ 256,203.74	\$ -	\$ 256,203.74

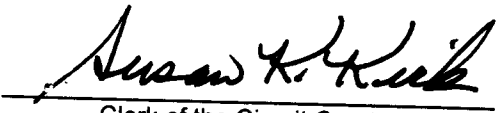
AFFIDAVIT

STATE OF INDIANA )  
VANDERBURGH COUNTY )

We, Linda F. Garrett and Charles Pride, Jr., Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the German Township Volunteer Fire Department, Vanderburgh County, Indiana, for the period from January 1, 2002 to December 31, 2007, is true and correct to the best of our knowledge and belief.

  
  
Field Examiners

Subscribed and sworn to before me this 5 day of Aug, 2008.

  
Clerk of the Circuit Court