

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

SPECIAL INVESTIGATION REPORT

OF

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT

LAPORTE COUNTY, INDIANA

January 1, 2002 to January 13, 2009



FILED
04/12/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|--------------------|----------------------|
| President of the Volunteer Fire Department Board | David M. Pierce | 01-01-02 to 12-31-02 |
| | Charles Gambrel | 01-01-03 to 12-31-04 |
| | Brian A. Nurnberg | 01-01-05 to 12-31-05 |
| | Dennis Killingbeck | 01-01-06 to 12-31-06 |
| | James Metcalf | 01-01-07 to 12-31-09 |
| Fire Chief | Kevin Williamson | 01-01-02 to 12-31-03 |
| | David W. Enochs | 01-01-04 to 12-31-05 |
| | Douglas Rosenbaum | 01-01-06 to 06-30-06 |
| | Charles Gambrel | 07-01-06 to 12-31-08 |
| | Brian A. Nurnberg | 01-01-09 to 12-31-09 |
| Treasurer | Donnald W. Gambrel | 01-01-02 to 01-13-09 |
| | David M. Pierce | 01-14-09 to 12-31-09 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE KINGSFORD-UNION VOLUNTEER
FIRE DEPARTMENT, LAPORTE COUNTY, INDIANA

We have examined the records of the Kingsford-Union Volunteer Fire Department, for the period of January 1, 2002 to January 13, 2009, 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.

STATE BOARD OF ACCOUNTS

October 29, 2009

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT EXAMINATION RESULTS AND COMMENTS

BACKGROUND INFORMATION

In January 2009, the Town of Kingsford Heights (Town) requested an audit report from the Kingsford-Union Volunteer Fire Department (Department) based on the fire protection contract between the Town and the Department. The Department Board had elected new officers who had begun reviewing the records and trying to gather the information for an audit. The former Treasurer, Donald W. Gambrel, did not provide the needed information, did not attend any more Board meetings, and ceased all communication with the Board members. Donald W. Gambrel was suspended indefinitely from the Department in February of 2009.

When the new officers received credit card statements for the credit cards in the custody of the former Treasurer, they noticed many charges that were not authorized by the Department Board. This information was submitted to the Town Marshall. Due to a conflict of interest, the Town Marshall submitted the information to the LaPorte County Sheriff's Department who contacted the Indiana State Police. On the advice of the State Police, the current Fire Chief, Brian Nurnberg, contacted the Indiana State Board of Accounts to request an audit. We examined the unauthorized credit card charges and then expanded the examination to include all areas of the Department's records for January 1, 2002 to January 13, 2009. Following are the results of our examination.

STATE AGENCY REPORTING REQUIREMENTS

The Kingsford-Union Volunteer Fire Department (Department) receives payments for fire protection from the Town of Kingsford Heights and Union Township, LaPorte County. The Department also receives payments from insurance companies and individuals for fire and rescue service calls, donations, and fundraising events.

The Department did not file an Entity Annual Report (Form E-1) for 2002, 2003, 2004, 2005, 2006, 2007, or 2008 with the Indiana State Board of Accounts. This report is required by State statute to determine if an independent audit is required for the nongovernmental entity receiving funds from a governmental unit. No audit reports were filed with the State Board of Accounts for any of the aforementioned years.

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 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.

DEPOSITS NOT INTACT

Not all duplicate deposit slips were presented for examination. Copies of the deposit slips not presented and items included in the deposits were received from the depository. Three instances were noted when the deposits were not made intact. Amounts were withheld from each of these deposits. No corresponding deposits of the cash withheld were made to the savings account. In addition, a check stub from an insurance reimbursement was presented for examination. This check was deposited into the savings account; however, it also was not deposited intact. No corresponding deposit of the cash withheld was made to any account held in the department's name. Amounts withheld from the deposits were as follows:

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXAMINATION RESULTS AND COMMENTS
(Continued)

| Check Date | Deposit Date | Source | Check Amount | Deposit Amount | Amount Withheld |
|-------------|--------------|---------------------------|---------------------|---------------------|--------------------|
| 10-03-02 | 10-11-02 | Legal settlement | \$ 1,200.00 | \$ 1,000.00 | \$ 200.00 |
| 12-06-02 | 12-20-02 | Town of Kingsford Heights | <u>13,650.00</u> | <u>13,150.00</u> | <u>500.00</u> |
| Totals 2002 | | | <u>14,850.00</u> | <u>14,150.00</u> | <u>700.00</u> |
| 11-24-03 | 12-05-03 | State of Indiana | <u>4,550.00</u> | <u>3,550.00</u> | <u>1,000.00</u> |
| 08-19-04 | 10-08-04 | Insurance reimbursement | <u>804.20</u> | <u>304.20</u> | <u>500.00</u> |
| Totals | | | <u>\$ 20,204.20</u> | <u>\$ 18,004.20</u> | <u>\$ 2,200.00</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$2,200.00 for funds withheld and not deposited. (See Summary, page 12)

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.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

RECEIPTS NOT DEPOSITED

Receipts were not prepared or issued for collections during the examination period. There were however, some check stubs from various sources filed in a "Deposits" folder. We traced each of these check stubs to a deposit. Some of the checks were not deposited intact as noted in the previous comment. However, we also found two stubs from checks that were not deposited separately, nor were they included in another deposit. Amounts not deposited were as follows:

| Check Date | Source | Check Amount |
|------------|---------------------------|--------------------|
| 12-17-02 | Medical insurance payment | \$ 600.00 |
| 09-17-04 | Insurance reimbursement | <u>804.20</u> |
| Total | | <u>\$ 1,404.20</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$1,404.20 for receipts not deposited. (See Summary, page 12)

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.

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXAMINATION RESULTS AND COMMENTS
(Continued)

UNAUTHORIZED CASH WITHDRAWALS

The former Treasurer made many cash withdrawals from the Kingsford-Union Volunteer Fire Department's (Department) checking and savings accounts. There were no corresponding deposits in the Department's accounts to indicate that these withdrawals were simply transfers between accounts. Cash withdrawals for which there were no corresponding deposits were as follows:

| Year | Checking Account | Savings Account | Totals |
|--------|---------------------|--------------------|---------------------|
| 2002 | \$ 11,500.00 | \$ 2,500.00 | \$ 14,000.00 |
| 2003 | 4,625.00 | 1,000.00 | 5,625.00 |
| 2004 | 8,725.00 | - | 8,725.00 |
| 2005 | 7,689.45 | - | 7,689.45 |
| 2006 | 4,700.00 | - | 4,700.00 |
| 2007 | 1,060.00 | - | 1,060.00 |
| 2008 | 200.00 | - | 200.00 |
| Totals | <u>\$ 38,499.45</u> | <u>\$ 3,500.00</u> | <u>\$ 41,999.45</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$41,999.45 for unauthorized cash withdrawals. (See Summary, page 12)

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.

UNDOCUMENTED EXPENSE REIMBURSEMENTS

Many checks were not included with the canceled checks presented for examination. Copies of these canceled checks requested from the depository included checks payable to the former Treasurer for reimbursements for various items. Detailed documentation was not available which would enable a determination that these expenses were for Department business. Checks payable to the former Treasurer which had no documentation supporting Fire Department business were as follows:

| Year | Amount |
|-------|------------------|
| 2006 | \$ 3,600 |
| 2007 | 6,625 |
| 2008 | 5,800 |
| 2009 | 200 |
| Total | <u>\$ 16,225</u> |

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXAMINATION RESULTS AND COMMENTS
(Continued)

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$16,225 for undocumented and unauthorized expense reimbursements. (See Summary, page 12)

All claims, invoices, and receipts, should contain adequate detailed documentation. Payments which do not have proper itemization showing the business nature of the disbursement may be the personal obligation of the responsible official, employee or other person for whom the claim is made.

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 entity. Any personal expenses paid by the entity may be the personal obligation of the responsible official or employee.

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.

PENALTIES, INTEREST, AND OTHER CHARGES

In many cases, amounts payable to vendors and other suppliers of goods and services were not paid by the due dates of the invoices. As a result late fees and finance charges were assessed by the vendors and paid by the former Treasurer. Fees were also paid to the credit card companies for credit card charges that were over the available credit limit. In addition, due to the late payments, utilities were shut off and reconnection fees were assessed and paid. Fees and finance charges paid were as follows:

| Year | Late Payment Fees | Finance Charges | Other Fees | Totals |
|--------|-------------------------|--------------------|--------------------|--------------------|
| 2002 | \$ 35.00 | \$ 9.83 | \$ - | \$ 44.83 |
| 2003 | 180.50 | 10.96 | 35.00 | 226.46 |
| 2004 | 266.93 | 120.25 | 70.00 | 457.18 |
| 2005 | 262.00 | 60.98 | 105.00 | 427.98 |
| 2006 | 188.69 | 71.52 | 245.00 | 505.21 |
| 2007 | 417.11 | 152.85 | 315.00 | 884.96 |
| 2008 | 586.49 | 227.68 | 335.00 | 1,149.17 |
| Totals | <u>\$ 1,936.72</u> | <u>\$ 654.07</u> | <u>\$ 1,105.00</u> | <u>\$ 3,695.79</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$3,695.79 for late payment fees, finance charges, and other fees paid with Department funds. (See Summary, page 12)

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

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXAMINATION RESULTS AND COMMENTS
(Continued)

UNAUTHORIZED TRAVEL EXPENSES

There were many credit card charges for travel expenses to destinations that were not authorized by the Kingsford-Union Volunteer Fire Department (Department) Board. In addition, these expenses were not for Department business. The unauthorized travel charged on the credit card was paid by the former Treasurer from Department funds. The deposits to the Department accounts did not include any personal checks from the former Treasurer as reimbursements for these expenses. The unauthorized travel expenses were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|--------------------|
| 2003 | \$ 55.49 |
| 2004 | 2,094.00 |
| 2005 | 2,584.89 |
| 2006 | 638.49 |
| 2007 | 1,390.72 |
| 2008 | <u>2,038.01</u> |
| Total | <u>\$ 8,801.60</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$8,801.60 for unauthorized travel expenses paid with Department funds. (See Summary, page 12)

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 entity. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee.

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.

PERSONAL EXPENSES

The former Treasurer used credit cards to purchase items that were personal in nature. Credit card payments were made from the Department's checking account. Most of the payments were made based solely on the credit card statement; very few paid invoices or receipts were available to support the charges detailed on the statements. Items purchased included jewelry, video gaming equipment, discount shopping club memberships, online gaming, liquor store, convenience store and gas station purchases, and wireless telephone equipment and services. The deposits to the Department accounts did not include any personal checks from the former Treasurer as reimbursements for these expenses.

In addition, the former Treasurer allowed Verizon Wireless to automatically debit the Department's checking account for wireless equipment and services which were not for the Department. The deposits to the Department accounts did not include any personal checks from the former Treasurer as reimbursements for these expenses.

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Personal expenses charged to the Department credit cards and personal expenses automatically withdrawn from the checking account and not reimbursed by the former Treasurer were as follows:

| Personal Expenses | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Totals |
|-------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Verizon Wireless: | | | | | | | |
| Checking debits | \$ 212.98 | \$ 117.83 | \$ 2,001.77 | \$ - | \$ - | \$ - | \$ 2,332.58 |
| Credit card charges | <u>359.12</u> | <u>931.25</u> | - | <u>193.27</u> | <u>445.59</u> | - | <u>1,929.23</u> |
| Totals | <u>572.10</u> | <u>1,049.08</u> | <u>2,001.77</u> | <u>193.27</u> | <u>445.59</u> | - | <u>4,261.81</u> |
| Other personal expenses | - | <u>318.55</u> | <u>625.65</u> | <u>1,303.37</u> | <u>1,332.11</u> | <u>2,594.65</u> | <u>6,174.33</u> |
| Totals | <u>\$ 572.10</u> | <u>\$ 1,367.63</u> | <u>\$ 2,627.42</u> | <u>\$ 1,496.64</u> | <u>\$ 1,777.70</u> | <u>\$ 2,594.65</u> | <u>\$ 10,436.14</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$10,436.14 for personal expenses paid with Department funds. (See Summary, page 12)

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other disbursement. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

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.

UNAUTHORIZED DONATIONS

The former Treasurer of the Kingsford-Union Volunteer Fire Department made several donations that were not authorized by the Department Board. These included payments to Bob Crowder, FASCO, and Minor League Football News for sponsorships, and donations to the March of Dimes and Special Olympics. Unauthorized donations were as follows:

| Year | Amount |
|-------|-----------------|
| 2004 | \$ 90 |
| 2005 | 1,175 |
| 2007 | 150 |
| 2008 | <u>50</u> |
| Total | <u>\$ 1,465</u> |

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$1,465 for unauthorized donations paid with Department funds. (See Summary, page 12)

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Entity funds should not be donated or given to other organizations, individuals, or governmental units unless authorized by the governing board.

RECORDS RETENTION

Various records were not presented for examination. There were no ledgers, very few receipts, and very few duplicate deposit tickets. In addition, not all bank statements and canceled checks returned from the bank were presented. Copies of bank statements, deposit documentation, and missing canceled checks were received from the bank; however, research and copies fees of \$633 were assessed for these records.

We requested that Donald W. Gambrel, former Treasurer, make restitution to the Kingsford-Union Volunteer Fire Department in the amount of \$633 for fees that were paid by the Department to reproduce records. (See Summary, page 12)

Supporting documentation such as receipts, canceled checks, 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.

ADDITIONAL AUDIT COSTS

Additional audit costs were incurred by the State of Indiana during the examination due to the investigation of the items detailed in the previous comments. Additional audit costs totaled \$7,944.30.

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

INSURANCE COVERAGE

The Kingsford-Union Volunteer Fire Department has commercial insurance coverage for "Employee Dishonesty" and "Loss Data Preparation Cost." Insurance for 2003 through 2009 is with Continental Western Insurance Group and covers \$10,000 for direct loss resulting from dishonesty acts committed by any "employee" and \$5,000 for costs incurred in collecting and preparing loss data required by the policy. Blake Insurance Agency, Inc., of LaPorte, Indiana, is the agent for the policy.

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2009, with Brian A. Nurnberg, Fire Chief; David M. Pierce, Treasurer; David W. Enochs, Assistant Fire Chief; and Charles Gambrel, former Fire Chief.

The contents of this report were discussed on January 25, 2010, with Donald W. Gambrel, former Treasurer.

KINGSFORD-UNION VOLUNTEER FIRE DEPARTMENT
SUMMARY

| | Charges | Credits | Balance Due |
|---|--------------|---------|--------------|
| Donnald W. Gambrel, former Treasurer: | | | |
| Deposits Not Intact, pages 4 and 5 | \$ 2,200.00 | \$ - | \$ 2,200.00 |
| Receipts Not Deposited, page 5 | 1,404.20 | - | 1,404.20 |
| Unauthorized Cash Withdrawals, page 6 | 41,999.45 | - | 41,999.45 |
| Undocumented Expense Reimbursements, pages 6 and 7 | 16,225.00 | - | 16,225.00 |
| Penalties, Interest, and Other Charges, page 7 | 3,695.79 | - | 3,695.79 |
| Unauthorized Travel Expenses, page 8 | 8,801.60 | - | 8,801.60 |
| Personal Expenses, pages 8 and 9 | 10,436.14 | - | 10,436.14 |
| Unauthorized Donations, pages 9 and 10 | 1,465.00 | - | 1,465.00 |
| Records Retention, page 10 | 633.00 | - | 633.00 |
| Totals | \$ 86,860.18 | \$ - | \$ 86,860.18 |

AFFIDAVIT

STATE OF INDIANA)
)
 Lake COUNTY)

I, Susan M. Lardino, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Kingsford-Union Volunteer Fire Department, LaPorte County, Indiana, for the period from January 1, 2002 to January 13, 2009, is true and correct to the best of my knowledge and belief.

 Susan M. Lardino
Field Examiner

Subscribed and sworn to before me this 10 day of March , 2010.

 Bette J. Babjak
Notary Public

My Commission Expires: 1-30-2010

County of Residence: Lake