

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

SPECIAL REPORT

OF

OLIVE TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2009 to November 30, 2011



FILED
07/23/2012

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TOWNSHIP OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John J. Michalski	01-01-07 to 12-31-14
Chairman of the Township Board	Clark Hensell	01-01-09 to 12-31-09
	Myles L. Hooten	01-01-10 to 12-31-10
	James C. Rodgers	01-01-11 to 12-31-11
	Clark Hensell	01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF OLIVE TOWNSHIP, ST. JOSEPH COUNTY

We have examined the records of Olive Township for the period from January 1, 2009 to November 30, 2011, 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

May 22, 2012

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

John J. Michalski, Trustee, received \$639.49 for his labor and supplies to maintain a Township owned lot. No taxes were withheld and reported on the proper payroll tax forms, and the payment was not included on his W-2.

A 1099 Form was issued to Michelle Walker in 2010 for cleaning services performed in the amount of \$1,200.00. Michelle Walker received \$1,400.00 in 2010.

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 Townships, Chapter 13)

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)

COMPENSATION AND BENEFITS

John J. Michalski, Trustee, received a check for \$639.49 on August 10, 2010, for labor and supplies to maintain a vacant lot owned by the Township. The payment was not included in the payroll system or on the salary ordinance or resolution.

We requested that John J. Michalski, Trustee, reimburse Olive Township \$639.49. (See Summary of Charges, page 14)

John J. Michalski, Trustee, reimbursed the Township \$639.49 he received as payment for maintaining a Township lot. The funds were deposited in the Township bank account on July 17, 2012.

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

TOWNSHIP AND TOWNSHIP ASSISTANCE PAYMENTS WITHOUT PROPER DOCUMENTATION

John J. Michalski, Trustee, from the information presented for examination, has failed to provide sufficient documentation to support the expenditures for various Township and Township assistance payments made by Olive Township. The total amount of these unsubstantiated payments is \$3,788.47.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Township Fund disbursements per bank statement with no supporting documentation total \$726.23:

<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
01-14-09	Staples	\$ 27.79
01-26-09	Staples	25.43
03-03-09	Staples	74.87
03-04-09	Office Max	15.50
03-25-09	Staples	170.64
09-22-09	Hollyhock Hill	26.03
09-23-09	Champps	19.70
11-20-09	B&B Petroleum	38.77
01-05-11	Dollar General	17.12
02-01-11	Marathon Oil	34.01
02-23-11	1st Source SBend Dep Pers	13.00
04-04-11	Marathon Oil	60.87
07-06-11	Marathon Oil	53.43
07-12-11	Dollar General	26.54
08-15-11	Top Notch	17.61
09-08-11	Rural King, Niles, Michigan	49.24
10-03-11	Marathon Oil	55.68
		<hr/>
Total		<u>\$ 726.23</u>

Township Fund disbursements that are non-Township expenses total \$120.99:

<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
06-16-10	Staples	Coin wrappers, 3 tabs, mechanical pencil, markers, various other office supplies	\$ 81.33
08-02-10	Staples	Coin wrappers 3 tab folder, clasp envelope	19.86
11-21-11	Dollar General	DG Home 1000 Sheet, DG Home Deco Towel 6	19.80
			<hr/>
Total			<u>\$ 120.99</u>

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Township Assistance Fund disbursements with vouchers but no other supporting documentation total \$487.10:

<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
08-10-09	Nic's Supermarket	\$ 20.00
08-31-09	Nic's Supermarket	20.00
09-14-09	Nic's Supermarket	37.02
09-14-09	Nic's Supermarket	39.34
12-18-09	Nic's Supermarket	45.00
06-07-10	Groceries by Joe	8.13
10-20-10	CVS	47.11
12-06-10	Groceries by Joe	41.88
04-25-11	Groceries by Joe	44.67
06-06-11	Groceries by Joe	45.00
07-11-11	Groceries by Joe	45.00
08-15-11	Groceries by Joe	6.00
08-15-11	Groceries by Joe	45.00
09-19-11	Groceries by Joe	7.22
10-31-11	Groceries by Joe	35.73
		<hr/>
Total		<u>\$ 487.10</u>

Township Assistance Fund disbursements supported only with a debit card statement total \$2,454.15:

<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
02-10-09	Phil's Discount Drugs	\$ 147.47
11-16-09	Nic's Supermarket	44.93
01-25-10	CVS	254.79
03-05-10	CVS	7.48
03-11-10	Northwest Family	62.09
06-28-10	CVS	49.54
08-09-10	CVS	14.30
08-23-10	Jeffery Huyvaert, DDS	134.00
09-27-10	Groceries by Joe	40.35
10-21-10	CVS	158.27
11-17-10	CVS	19.19
11-19-10	CVS	39.19
12-06-10	Groceries by Joe	45.00
12-13-10	CVS	73.18
12-23-10	CVS	67.12
01-06-11	CVS	125.88
01-10-11	CVS	209.41
01-20-11	CVS	115.73
02-22-11	CVS	124.42

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Date	Vendor	Amount
03-16-11	Groceries by Joe	8.44
04-21-11	CVS	73.01
05-18-11	CVS	9.00
06-06-11	CVS	14.28
06-08-11	CVS	24.81
06-10-11	Eyemart Express, Granger, Indiana	198.51
07-20-11	CVS	79.06
07-27-11	CVS	28.60
08-22-11	CVS	20.60
08-22-11	Jeffery Huyvaert, DDS	108.00
08-24-11	CVS	24.99
10-12-11	CVS	10.30
10-20-11	CVS	46.76
10-26-11	CVS	75.45
Total		<u>\$ 2,454.15</u>

We requested that John J. Michalski, Trustee, reimburse Olive Township \$3,788.47. (See Summary of Charges, page 14)

John J. Michalski, Trustee, reimbursed the Township \$3,788.47 for payments made without proper documentation. The funds were deposited in the Township bank account on July 17, 2012.

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)

OVERPAYMENT COLLECTIONS

Overpayments of \$55 were made to the Indiana Department of Workforce Development for state unemployment tax in 2010. The third quarter 2010 state unemployment tax was overpaid \$22 in October 2010. The fourth quarter 2010 state unemployment tax was overpaid \$33 in January 2011. The Trustee indicated he would not pursue obtaining a refund of the amounts overpaid.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PENALTIES, INTEREST, AND OTHER CHARGES

A penalty of \$21 was paid to the Indiana Bureau of Motor Vehicles on July 25, 2011, for the license and title of the New Carlisle Fire Department's trailer.

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.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 Townships, Chapter 13)

CASH NECESSARY TO BALANCE

A review of the bank reconcilements performed by an outside Certified Public Accounting firm indicates cash necessary to balance of \$1,594.29. The bank reconcilements for each month from January 2009 through August 2011 shows the ending bank balance, plus deposits in transit minus outstanding checks and adjustments, is less than the Township's ledger by \$1,594.29.

We requested that John J. Michalski, Trustee, reimburse Olive Township \$1,594.29. (See Summary of Charges, page 14)

John Michalski, Trustee, reimbursed the Township \$1,594.25 for the cash necessary to balance the Township's records with the Township's bank account. The funds were deposited in the Township bank account on July 17, 2012.

At all times, the manual and/or 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 Townships, Chapter 13)

SUPPORTING DOCUMENTATION

Eight payments were made from the Township Assistance Fund on the behalf of a Town of New Carlisle employee. The Township Application does not appear to be complete. The first payment made is supported by a signed township assistance voucher. The other seven payments were not supported by a township assistance voucher. 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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

UNDOCUMENTED ATM WITHDRAWALS

Six bank statements were altered. Seven ATM (automatic teller machine) withdrawals and seven ATM fees had been altered to appear these were legitimate township expenses. No receipts and/or invoices were provided to substantiate they were township expenses. These withdrawals were made from three different casinos located in Michigan City, Indiana, Hammond, Indiana, and Prior Lake, Minnesota. The total amount of cash withdrawals and fees is \$1,634.74:

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Date	Vendor	Amount
12-31-09	ATM Withdrawal - Blue Chip Casino, Michigan City, Indiana	\$ 303.00
12-31-09	ATM Fee	1.75
03-31-10	ATM Withdrawal - Blue Chip Casino, Michigan City, Indiana	303.00
03-31-10	ATM Fee	1.75
03-31-10	ATM Withdrawal - Blue Chip Casino, Michigan City, Indiana	303.00
03-31-10	ATM Fee	1.75
09-01-10	ATM Withdrawal - Horseshoe Casino, Hammond, Indiana	304.99
09-01-10	ATM Fee	1.75
07-25-11	ATM Withdrawal - Blue Chip Casino, Michigan City, Indiana	103.00
07-25-11	ATM Fee	1.75
08-29-11	ATM Withdrawal - Mystic Lake Casino, Prior Lake, Minnesota	102.50
08-29-11	ATM Fee	1.75
11-14-01	ATM Withdrawal - Blue Chip Casino, Michigan City, Indiana	203.00
11-14-01	ATM Fee	1.75
Total		<u>\$ 1,634.74</u>

We requested that John J. Michalski, Trustee, reimburse Olive Township \$1,634.74. (See Summary of Charges, page 14)

John Michalski, Trustee, reimbursed the Township \$1,634.74 for undocumented ATM withdrawals. The funds were deposited in the Township bank account on July 17, 2012.

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)

PERSONAL EXPENSES

A prescription for John J. Michalski, Trustee, was purchased using the Township's debit card. On November 15, 2010, a prescription in the amount of \$14.30 was purchased for the Trustee using Township funds. The Trustee did not reimburse the Township for the purchase.

We requested that John J. Michalski, Trustee, reimburse Olive Township \$14.30. (See Summary of Charges, page 14)

John Michalski, Trustee, reimbursed the Township \$14.30 for personal expenses paid with Township funds. The funds were deposited in the Township bank account on July 17, 2012.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION 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 Townships, Chapter 13)

MILEAGE REIMBURSEMENT

The Trustee has an informal agreement with the Township Board. The Trustee is paid one tank of gas (in some instances, two tanks of gas) per month in lieu of keeping mileage records and filing Mileage Claim, General Form 101.

The Trustee should keep mileage records of all the miles driven while conducting Township business. The mileage should be recorded on Mileage Claim General Form 101. The Trustee should be reimbursed based on the actual miles driven times the current state mileage rate.

The township trustee is entitled to a sum for mileage in the performance of his official duties equal to the sum per mile paid to state officers and employees (IC 36-6-8-3). The State rate effective May 1, 2011, is \$.44 per mile. Mileage Claim Form Number 101 shall be properly completed, listing dates of authorized travel, details of travel, miles traveled, nature of business, etc., for reimbursements for mileage before payment is made.

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

OFFICIAL BONDS

John J. Michalski, Trustee, is covered by surety bonds issued by Auto-Owners Insurance Company. The time period beginning January 1, 2007 and ending December 31, 2010, is covered by a \$10,000 bond. The time period beginning January 1, 2011 and ending December 31, 2011, is covered by a \$15,000 bond.

AUDIT COSTS - CONDITION OF RECORDS

We noted the following concerning the records: supporting documentation was either inadequate or nonexistent to support some of the debit charges and claims paid through the Township's funds. The ledger showed each month's debit card charges as a lump sum and did not provide any detail for each charge, such as the name of the vendor, the amount, the purpose of the expenditure, and the client for whom it was written

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(if applicable). Additional audit time was required to determine the amount of debit charges and claims not supported by documentation and other information necessary for the report. Additional audit costs totaled \$7,671.29. We requested that John J. Michalski, Trustee, reimburse Olive Township \$7,671.29. (See Summary of Charges, page 14)

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2012, with John J. Michalski, Trustee, and Clark Hensell, Chairman of the Township Board.

The Official Response of John J. Michalski, Trustee, has been made part of this report and may be found on page 13.

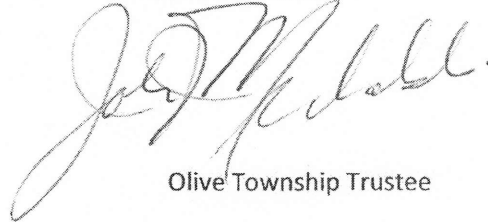
Olive Township Trustees
102 S. Arch St. P. O. Box 214
New Carlisle, Indiana 46552

JULY 17, 2012

Mr. Wiese,

I made the deposit to the township on 7/17/12 as per your instructions. Enclosed is the documentation to that effect. I have a real concern about the cost of the audit, I'm not at all concerned with the cost of travel, supplies, etc. What I am concerned about is the cost of a supervisor and auditor. These people are I in the state budget as a line item.

John J. Michalski

A handwritten signature in dark ink, appearing to read "John J. Michalski", written over a horizontal line.

Olive Township Trustee

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
John J. Michalski, Trustee:			
Compensation and Benefits, page 4	\$ 639.49	\$ 639.49	\$ -
Township and Township Assistance Payments			
Without Proper Documentation, pages 4 through 7	3,788.47	3,788.47	-
Cash Necessary to Balance, page 8	1,594.29	1,594.29	-
Undocumented ATM Withdrawals, pages 8 and 9	1,634.74	1,634.74	-
Personal Expenses, pages 9 and 10	14.30	14.30	-
Audit Costs - Condition of Records, pages 10 and 11	<u>7,671.29</u>	<u>-</u>	<u>7,671.29</u>
 Totals	 <u>\$ 15,342.58</u>	 <u>\$ 7,671.29</u>	 <u>\$ 7,671.29</u>

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

AFFIDAVIT

STATE OF INDIANA)
Elkhart)
COUNTY)

I, Kimberly A. Burtsfield, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Olive Township, St. Joseph County, Indiana, for the period from January 1, 2009 to November 30, 2011, is true and correct to the best of my knowledge and belief.

Kimberly A. Burtsfield
Field Examiner

Subscribed and sworn to before me this 15 day of June, 2012.

J. Delma A. Badders
Notary Public

My Commission Expires: 01.15.2016

County of Residence: Elkhart