

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

EXAMINATION REPORT

OF

MILROY TOWNSHIP

JASPER COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED

11/14/2006

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OFFICIALS

Office

Official

Term

Trustee

Robert Todd

01-01-03 to 12-31-06

Chairman of the
Township Board

Stephen Chapman

01-01-04 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MILROY TOWNSHIP, JASPER COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of Milroy Township (Township), for the period of January 1, 2004 to December 31, 2005. The Township's management is responsible for the schedules.

The Township did not provide any substantive records for examination that established balances by fund as of January 1, 2004, and thus December 31, 2004 and 2005.

Since the Township did not provide verifiable beginning cash balances by fund and we were not able to apply other procedures to satisfy ourselves as to the accuracy of these balances, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the schedules of receipts, disbursements, and cash and investment balances for the years ended December 31, 2004 and 2005.

STATE BOARD OF ACCOUNTS

September 26, 2006

MILROY TOWNSHIP, JASPER COUNTY
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 As Of And For The Years Ended December 31, 2004 And 2005

	<u>Cash and Investments 01-01-04</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-04</u>
Totals	\$ <u>54,778</u>	\$ <u>142</u>	\$ <u>7,269</u>	\$ <u>47,651</u>
	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Totals	\$ <u>47,651</u>	\$ <u>306</u>	\$ <u>7,049</u>	\$ <u>40,908</u>

The accompanying notes are an integral part of the schedules.

MILROY TOWNSHIP, JASPER COUNTY
NOTES TO SCHEDULES

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.

MILROY TOWNSHIP, JASPER COUNTY
EXAMINATION RESULTS AND COMMENTS

IMPROPERLY MAINTAINED FINANCIAL AND APPROPRIATION RECORD

The Financial and Appropriation Record presented for audit contained financial transactions for the years 1998 through June 2006 except for 2003 and July through December 2002. The page dated 2003 was blank. Transactions posted in 2004 and 2005 were posted in the Total all Funds columns only. The Trustee did not post transactions in the columns provided for each fund and did not calculate funds' cash balances.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

BANK ACCOUNT RECONCILIATIONS NOT PRESENTED FOR AUDIT

Depository reconciliations of the fund balances to the bank account balances were not presented for audit. A similar comment appeared in prior Report B23338.

Indiana Code 5-13-6-1(e) states: "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."

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)

UNTIMELY DEPOSIT OF PUBLIC FUNDS

Collections by the Trustee were held as long as 17 months prior to deposit. The deposit of December 23, 2005, consisted of warrants issued by the Jasper County Auditor dated July 23, 2004, December 10, 2004, June 8, 2005, and December 19, 2005. A December 5, 2003, warrant issued by the Jasper County Auditor was not deposited until June 3, 2004. A similar comment appeared in prior Report B23338.

Also, these collections were posted in the financial records by the dates of deposit rather than by the date the Trustee actually received the collections.

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 documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

MILROY TOWNSHIP, JASPER COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INADEQUATE DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices. A disbursement in each year for cemetery care of \$1,200 was not supported by invoices or contracts.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established. A similar comment appeared in prior Report B23338.

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)

LACK OF TOWNSHIP BOARD MEETINGS

The Township Board has not held a meeting since January 16, 2002. A similar comment appeared in prior Report B23338.

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."

NO APPROVED BUDGETS

All disbursements during 2004 and 2005 were made without appropriation as the Township did not prepare nor approve budgets.

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."

The township trustee shall annually prepare a budget for the approval of the township board. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 4)

APPROVAL FOR COMPENSATION NOT DOCUMENTED AND NO WITHHOLDINGS MADE

The Trustee, Clerk, and Township Board members received compensation in 2004 and 2005 which was not documented using a Resolution Recommending Salaries of Township Officers and Employees, Township Form 17. A similar comment appeared in prior Report B23338.

MILROY TOWNSHIP, JASPER COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Withholdings of state or federal taxes were not made nor remitted to the appropriate state and federal agencies. No reporting of wages was made to the appropriate state and federal agencies.

Indiana Code 36-6-6-10(b) states: "The township legislative body shall fix the: (1) salaries; (2) wages; (3) rates of hourly pay; and (4) remuneration other than statutory allowances; of all officers and employees of the township."

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 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)

PRESCRIBED FORMS

The Township Trustee's Report of Receipts and Disbursements for the Calendar Year (Form 15) was not completed for 2004, 2005, or 2006. A similar comment appeared in prior Report B23338.

The annual report shall be prepared, verified, and filed with the State Board of Accounts within 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)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks or optical images of the checks with the monthly bank statements. A similar comment appeared in prior Report B23338.

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 . . ."

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:

MILROY TOWNSHIP, JASPER COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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)."

OFFICIAL BOND

No official bond was filed in the Office of the County Recorder for the Township Trustee for the January 1, 2003 to December 31, 2006 term. Similar comments appeared in prior Reports B16369 and B23338.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

MILROY TOWNSHIP, JASPER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2006, with Robert Todd, Trustee. The official concurred with our findings.