

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

EXAMINATION REPORT
OF
MONROE TOWNSHIP
DELAWARE COUNTY, INDIANA
January 1, 2003 to December 31, 2005



FILED
02/09/2007

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Officials | 2 |
| Independent Accountant's Report | 3 |
| Financial Information: | |
| Schedules of Receipts, Disbursements, and Cash and Investment Balances | 4 |
| Notes to Financial Information..... | 5 |
| Examination Results and Comments: | |
| Condition of Records | 6 |
| Disbursements Without Supporting Documentation | 6-7 |
| Personal Expenses | 7 |
| Capital Asset Records | 8 |
| Salary Overpayments and Payroll Procedures | 8-10 |
| Penalties, Interest and Other Charges | 10 |
| Travel Policy and Procedures | 10 |
| Exit Conference | 11 |
| Officials Response | 12 |
| Summary | 13 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------|--------------------------------|--|
| Trustee | Nyoka Johnson | 01-01-03 to 12-31-06 |
| Chairman of the Township Board | Jack Cronin Lawrence Shirey | 01-01-03 to 06-21-04 06-22-04 to 12-31-06 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MONROE TOWNSHIP, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of Monroe Township (Township), for the period of January 1, 2003 to December 31, 2005. 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 present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 12, 2006

MONROE TOWNSHIP, DELAWARE COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2003, 2004, And 2005

| | Cash and Investments 01-01-03 | Receipts | Disbursements | Cash and Investments 12-31-03 |
|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 11,144 | \$ 36,354 | \$ 33,446 | \$ 14,052 |
| Dog | 1,723 | 933 | 1,423 | 1,233 |
| Township Assistance | 5,408 | 8,690 | 9,925 | 4,173 |
| Firefighting | 14,869 | 42,135 | 38,594 | 18,410 |
| Fire Donation | 1,214 | 35 | 636 | 613 |
| Fire Debt | 30,087 | 73,878 | 73,061 | 30,904 |
| Fire Equipment | 23,955 | - | 22,853 | 1,102 |
| Cumulative Fire | 33,536 | 26,503 | 15,440 | 44,599 |
| Payroll | 3,803 | 2,299 | 2,488 | 3,614 |
| Totals | <u>\$ 125,739</u> | <u>\$ 190,827</u> | <u>\$ 197,866</u> | <u>\$ 118,700</u> |

| | Cash and Investments 01-01-04 | Receipts | Disbursements | Cash and Investments 12-31-04 |
|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 14,052 | \$ 25,734 | \$ 39,738 | \$ 48 |
| Dog | 1,233 | 1,416 | 963 | 1,686 |
| Township Assistance | 4,173 | 7,651 | 4,859 | 6,965 |
| Firefighting | 18,410 | 44,076 | 47,074 | 15,412 |
| Fire Donation | 613 | 550 | 934 | 229 |
| Oakville Park | - | 8,199 | 8,199 | - |
| Rainy Day | - | 3,031 | 699 | 2,332 |
| Fire Debt | 30,904 | 53,514 | 42,154 | 42,264 |
| Fire Equipment | 1,102 | - | 396 | 706 |
| Cumulative Fire | 44,599 | 26,389 | 15,201 | 55,787 |
| Payroll | 3,614 | 2,558 | 1,819 | 4,353 |
| Totals | <u>\$ 118,700</u> | <u>\$ 173,118</u> | <u>\$ 162,036</u> | <u>\$ 129,782</u> |

| | Cash and Investments 01-01-05 | Receipts | Disbursements | Cash and Investments 12-31-05 |
|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 48 | \$ 34,081 | \$ 34,016 | \$ 113 |
| Dog | 1,686 | 1,167 | 1,386 | 1,467 |
| Township Assistance | 6,965 | 5,293 | 8,250 | 4,008 |
| Firefighting | 15,412 | 35,980 | 41,393 | 9,999 |
| Fire Donation | 229 | 470 | 399 | 300 |
| Oakville Park | - | 200 | 203 | (3) |
| Rainy Day | 2,332 | - | - | 2,332 |
| Levy Excess | - | 1,070 | - | 1,070 |
| Fire Debt | 42,264 | 19,977 | 42,579 | 19,662 |
| Fire Equipment | 706 | - | 435 | 271 |
| Cumulative Fire | 55,787 | 25,665 | 31,138 | 50,314 |
| Payroll | 4,353 | 2,650 | 6,050 | 953 |
| Totals | <u>\$ 129,782</u> | <u>\$ 126,553</u> | <u>\$ 165,849</u> | <u>\$ 90,486</u> |

The accompanying notes are an integral part of the schedules.

MONROE TOWNSHIP, DELAWARE 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, culture and recreation, 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.

Note 6. Long-Term Debt

The Township has entered into a loan for a tanker and a rescue truck. The outstanding principal at December 31, 2005, was \$67,795.

Note 7. Subsequents Events

The Township purchased a fire truck in 2006 in the amount of \$338,282. A note was obtained for the entire purchase price of the truck.

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. The Annual Report was incorrect for 2004. Adjustments were made to the 2004 records after the Report had been completed.

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)

2. Check dates did not always agree with the date the checks were posted. Check numbers posted to the records did not always agree with the actual check numbers used.

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. Monthly receipt reports and outstanding checks at December 31, 2005, were not initially available for review. Records were retrieved or reconstructed by the Trustee. Computerized records were not properly backed up.

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."

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)

4. Payroll withholding accounts were not properly posted.

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)

DISBURSEMENTS WITHOUT SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices. Many of the payments were made to the Trustee's personal credit card company. Undocumented and personal disbursements totaled \$2,216.51.

Additionally, some travel claims were paid without supporting documentation, such as receipts. Mileage Form 101 was not used to document miles traveled.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

MONROE TOWNSHIP, DELAWARE 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)

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)

We requested the Trustee, Nyoka Johnson, to reimburse \$2,216.51 to the Township for disbursements without documentation. (See Summary, page 13)

PERSONAL EXPENSES

Disbursements were made for high school yearbook ads, food pantry supply items (from the Township Assistance Fund), weed lien supervision (\$360) and alcohol purchases (\$11.45). The Trustee also paid herself \$200 in 2004 for volunteer fire clothing and auto allowance. The Trustee is not a firefighter.

Indiana Code 36-6-6-10 concerning compensation of officers and employees states in part:

"(b) 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 . . ."

"(d) Except as provided in subsection (e), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available . . ."

We are not aware of any statutory provisions which would allow a trustee to circumvent a township board's authority to "fix the salaries" of a trustee by "contracting with themselves" to provide cemetery care, paying themselves from poor relief, etc. Therefore, the State Board of Accounts is of the audit position that (with the exception provided for assessing) compensation provided by a township board in accordance with IC 36-6-6-10 is all inclusive for duties performed by a trustee. (Township Bulletin and Uniform Compliance Guidelines, Volume 262, August 2003)

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)

We requested the Trustee, Nyoka Johnson, to reimburse \$571.45 to the Township for personal expenses. (See Summary, page 13)

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Capital asset records submitted for review were incomplete. The records only noted a description of the assets on hand. The original purchase date, original cost, etc. was not documented.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. 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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SALARY OVERPAYMENTS AND PAYROLL PROCEDURES

The following deficiencies were noted in a review of payroll:

1. Salaries were overpaid in years 2004 and 2005. The Trustee was overpaid by \$300 in 2004. The Assistant Fire Chief, Captain, Secretary and Treasurer of the Fire Department were overpaid a total of \$200 for the audit period. The Township Board indicated they would either revise the authorized compensation for the Fire Department employees or seek reimbursement.

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)

Indiana Code 36-6-6-10 states in part: "(d) Except as provided in subsections (e) and (i), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, of the necessary funds and appropriations are available."

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

We requested the Trustee, Nyoka Johnson, to reimburse \$300 to the Township for salary overpayments. (See Summary, page 13)

2. Salaries were paid in advance. Salaries of the Trustee and the Clerk were paid in full on November 14 and November 15 for the years 2003 and 2005, respectively. Salaries of the Trustee and the Clerk were paid in full on December 8, 2004, and December 1, 2004, respectively, for the year 2004.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. County and state withholdings have not been remitted to the Department of Revenue for the period of time the Trustee has been in office.

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)

4. Payments to some employees were made without payroll deductions for taxes which may be required.

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)

5. The Employer's Quarterly Federal Tax Returns, Form 941 were incorrect. Per diem paid to the Trustee was included as wages.

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)

6. Form 99B, Employee's Earnings Record was not in use.

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)

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

7. Payroll withholding accounts were not properly posted.

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)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$41.87 were paid to the Internal Revenue Service in June 2004 for the quarter ended March 31, 2004. Penalties and interest totaling \$5 were paid to the Internal Revenue Service in July 2005 for the quarter ended March 31, 2005.

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.

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)

This was reimbursed by the Internal Revenue Service on December 1, 2006.

TRAVEL POLICY AND PROCEDURES

Per diem payments and mileage reimbursements were paid to the Trustee, however, the travel policy did not support the payments made. Proper supporting documentation was not maintained for travel reimbursements.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

MONROE TOWNSHIP, DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2006, with Kentin R. Reeder, Board Member.

The contents of this report were discussed on December 12, 2006, with Nyoka Johnson, Trustee. The official response has been made a part of this report and may be found on page 12.

December 12, 2006

Official Response Re: Monroe Township Audit, Nicki Johnson, Trustee

State Board of Accounts % Bill Vincent
302 West Washington St Room E 418
Indianapolis, IN 46204-2765

Dear Sir:

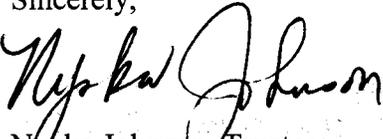
In discussing the audit, the position of the state is understood, the documentation I provided (the billing statements) were what I thought was correct. I understand now it was not. I am willing to repay the amount you contest, but I wish you to know the entire amount was for the township, not my personal use. I apologize for the errors and regret the lack of the picking tickets you consider required documentation.

I believe the IRS refunded the penalty and interest to the township at a later date after we resolved they had refunded me the payment they were saying I hadn't paid, and charged the penalty on. I visited their office twice to get the issue correct. I will look for the deposit of the refund.

Regarding the weed Per Diem of \$20 for days on site supervising weed removal that I paid myself, and is authorized by the IC. My belief is that the amount is to be paid to me or my appointed supervisor on days involved with weed mowing projects. These projects are usually completed after normal work hours or Saturdays & Sundays. They must be performed outside of my office. I did not charge any mileage or personal expenses, as that is what I understood the per diem was for. If this was in the normal course of a workday why was there an additional amount set up to pay for the additional days required to perform the duty? Have you ever gone out on one of these projects; the bugs, dust and other vermin you encounter, as well as the additional work deserve additional compensation. I strongly feel I distributed the per diem of \$360.00, as I understood the code to authorize. Why would I charge the additional amount against a taxpayer and deposit it in the township fund for any other reason?

The Alcohol purchases were on a food bill. The amount I paid was the amount of per diem for the day. I did not pay any additional. If I repay the \$11.45 to the township, I need an additional \$11.45 to pay the per diem for the day to me.

Sincerely,


Nyoka Johnson, Trustee

MONROE TOWNSHIP, DELAWARE COUNTY
SUMMARY

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|---|--------------------|--------------------|--------------------|
| Nyoka Johnson, Trustee: | | | |
| Disbursements Without Supporting Documentation, pages 6 and 7 Paid January 19, 2007, Receipt No. 2039 | \$ 2,216.51 | \$ 2,216.51 | \$ - |
| Personal Expenses, page 7 Paid January 19, 2007, Receipt No. 2041 | 571.45 | 571.45 | - |
| Salary Overpayment and Payroll Procedures, pages 8 through 10 Paid January 19, 2007, Receipt No. 2040 | 300.00 | 300.00 | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Totals | <u>\$ 3,087.96</u> | <u>\$ 3,087.96</u> | <u>\$ -</u> |