

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

EXAMINATION REPORT
OF
JACKSON TOWNSHIP
BROWN COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
07/18/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeff H. Richardson Ronald Sanders	01-01-03 to 12-31-06 01-01-07 to 12-31-10
Chairman of the Township Board	Todd Richardson Amy Couch	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JACKSON TOWNSHIP, BROWN COUNTY, INDIANA

We have examined the financial information presented herein of Jackson Township (Township), for the period of January 1, 2006 to December 31, 2006. 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 presents fairly, in all material respects, the financial information of the Township for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 7, 2007

JACKSON TOWNSHIP, BROWN COUNTY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 700	\$ 71,963	\$ 71,333	\$ 1,330
Dog	55	647	488	214
Township Assistance	(3,853)	28,426	11,338	13,235
Firefighting	635	51,293	54,000	(2,072)
Levy Excess	1,297	-	-	1,297
	<u>1,297</u>	<u>-</u>	<u>-</u>	<u>1,297</u>
Totals	<u>\$ (1,166)</u>	<u>\$ 152,329</u>	<u>\$ 137,159</u>	<u>\$ 14,004</u>

The accompanying notes are an integral part of the financial information.

JACKSON TOWNSHIP, BROWN 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.

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. Tax Anticipation Loan

The Township has entered into a loan with Lincoln Bank for \$38,650 and has drawn down the entire amount of \$38,650. The interest rate is 3.75% and the loan is due by August 8, 2007. The outstanding principal at December 31, 2006, was \$38,650.

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE

The Firefighting Fund had a negative cash balance as of December 31, 2006.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, were present during our period of examination:

1. Record balances were not reconciled to depository balances for 2006.

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."

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)

2. There were a considerable number of posting errors. These errors included checks and receipts not recorded in the proper amounts, and interest not posted.

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)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Due to the lack of supporting information, the validity and accountability for some monies 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)

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Late charges totaling \$6.99 were paid to AT&T during 2006. An overdraft fee of \$33.00 was debited to the Township bank account in January 2006. Service charges of \$2.00 and \$14.00 were debited to the Township bank account in October 2006 and February 2007, respectively, for the use of counter checks.

Between the dates of September 11, 2006 and October 17, 2006, excess payments totaling \$40,833.33 were made to Jeff H. Richardson. The outstanding balance due on the Township's Tax Anticipation Warrant during the same period remained \$38,650.00. Interest accruing on this unpaid loan from September 2006 to the interest paying date in February 2007 was \$734.30.

Jeff H. Richardson, former Trustee, was requested to repay \$790.29 in late charges and interest. (See Summary, page 14)

Wages paid to Township officials were made by claim in the gross amount without withholding of taxes. The required reporting of payroll activity was not submitted to state and federal agencies.

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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	\$ 71,333
Township Assistance	2006	11,338
Fire	2006	54,000

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."

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The proper taxes were not withheld from wages paid to Township Officials. Wages paid to Township Officials were not reported on a W-2 form.

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)

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)

COMPENSATION AND BENEFITS

There was no salary resolution for 2006.

Jeff H. Richardson, Trustee, and Kristina Richardson, Clerk, were overpaid salary in 2004, 2005, and 2006 in the amounts of \$833.33 and \$500.00 in 2004, respectively, \$369.67 and \$210.00 in 2005, respectively, and \$8,333.33 and \$500.00 in 2006, respectively, for a total of \$10,746.33. (See Summary, page 14) The 2004 and 2005 salary overpayments were previously mentioned in prior Report B28366.

Payments To Township Trustee (Jeff H. Richardson)				Deposited to Bank Account
Date	Check	Gross Amount	For Period	
01-24-06	2907	\$ 833.00	January 2006	Business
01-24-06	2909	833.33	February 2006	Business
03-06-06	2935	833.33	March 2006	Personal
03-14-06	2937	833.33	April 2006	Personal

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments To Township Trustee (Jeff H. Richardson)				Deposited to Bank Account
Date	Check	Gross Amount	For Period	
05-23-06	2950	833.33	May 2006	Personal
06-02-06	2958	833.33	June 2006	Business
06-02-06	2960	833.33	July 2006	Business
07-24-06	2990	833.33	August 2006	Personal
08-17-06	3005	833.33	September 2006	Business
08-17-06	3005	833.33	October 2006	Business
08-18-06	3007	833.33	November 2006	Personal
08-18-06	3007	833.33	December 2006	Personal
09-11-06	3015	833.33		N/A - Cashed
09-11-06	3017	1,200.00	Social Security	N/A - Cashed
09-11-06	3019	500.00	Mileage	N/A - Cashed
09-12-06	3021	5,000.00		Business
09-29-06	3028	3,000.00		Business
10-05-06	3029	7,000.00		Personal
10-06-06	3030	9,000.00		Business
10-10-06	3031	2,000.00		Business
10-11-06	3032	4,000.00		Business
10-16-06	3041	3,000.00		Personal
10-17-06	3042	3,000.00		Business
09-28-06	CC100	4,000.00		
Total Payments 2006		<u>\$ 52,532.96</u>		
Trustee Salary, Social Security and Mileage		<u>\$ 11,699.63</u>		
Overpayments 2006		<u>\$ 40,833.33</u>		
Repayments:				
Deposited 12-27-06		\$ 27,500.00		
Deposited 12-29-06		<u>5,000.00</u>		
Total Credits 2006		<u>\$ 32,500.00</u>		
Net Overpays 2006		<u>\$ 8,333.33</u>		
Net Overpays 2004-2005		<u>\$ 1,203.00</u>		
Total Net Overpays		<u>\$ 9,536.33</u>		

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments To Clerk (Kristina Richardson)				Deposited to Bank Account
Date	Check	Gross Amount	For Period	
01-24-06	2908	\$ 500.00	January 2006	Business
01-24-06	2910	500.00	February 2006	Business
02-27-06	2930	500.00	March 2006	N/A - Cashed
05-23-06	2947	500.00	April 2006	Personal
05-23-06	2948	500.00	May 2006	Personal
06-02-06	2959	500.00	June 2006	Business
06-02-06	2961	500.00	July 2006	Business
07-24-06	2991	500.00	August 2006	N/A - Cashed
08-17-06	3006	500.00	September 2006	Business
08-17-06	3006	500.00	October 2006	Business
08-18-06	3008	500.00	November 2006	Personal
08-18-06	3008	500.00	December 2006	Personal
09-11-06	3016	<u>500.00</u>		
Total Payments 2006		<u>\$ 6,500.00</u>		
Clerk Salary		<u>\$ 6,000.00</u>		
Overpayments 2006		<u>\$ 500.00</u>		
Net Overpays 2004-2005		<u>\$ 710.00</u>		
Total Net Overpays		<u>\$ 1,210.00</u>		

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)

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DOG TAX ADMINISTRATIVE FEE

Administrative fees for dog tax were not receipted to the Township Fund.

Indiana Code 15-5-9-1 states in part: "For each individual dog tag or kennel license issued under this chapter, the township assessor (or trustee who collects the fee) shall retain from the fee described in this section, an administrative fee of fifty cents (\$0.50). Administrative fees collected by the assessor shall be deposited in the county general fund, and administrative fees collected by the trustee shall be deposited in the township general fund."

PRESCRIBED FORMS

The prescribed form Check (Township Form 6) was not in use for 2006.

There were numerous instances of no evidence of investigation on Application for Township Assistance (Township Form TA-1) nor was the form properly signed.

There were numerous exceptions of proper signatures on General Purchase Order for Poor Relief (Township Poor Relief Form 3).

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)

CONTRACTS

The approval of the 2006 fire protection contract was not disclosed in the Township Board minutes.

Indiana Code 36-8-13-3 states in part: "The executive of a township, with the approval of the legislative body, may do the following: . . . (5) Contract with a volunteer fire department that maintains adequate firefighting service in accordance with IC 36-8-12."

CONFLICT OF INTEREST DISCLOSURE

Glenn Elmore was one of the two Township Board members to sign a December 29, 2006, addendum to the fire contract for 2006. The addendum increased the contract amount for 2006 from \$16,000 to \$32,000. Glenn Elmore is the fire chief of the Jackson Township Volunteer Fire Department. A Uniform Conflict of Interest Disclosure Statement was not filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred additional examination fees in the investigation of the missing funds. The State of Indiana is requesting reimbursement of examination fees incurred in the amount of \$2,800. (See Summary, page 14)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND

A public official bond was obtained for Jeff H. Richardson, former Trustee, for the term beginning from April 15, 2002, and until successor is duly qualified.

The surety for this bond was the Ohio Farmers Insurance Company and the amount of coverage was \$15,000.

JACKSON TOWNSHIP, BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2007, with Ronald Sanders, Trustee. The official concurred with our findings.

The contents of this report were discussed on June 14, 2007, with Jeff H. Richardson, former Trustee.

JACKSON TOWNSHIP
BROWN COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jeff H. Richardson, former Trustee:			
Penalties, Interest and Other Charges, page 7	\$ 790.29	\$	\$
Examination Costs - Missing Funds, page 12	2,800.00		
Jeff H. Richardson, former Trustee and Kristina Richardson, former Clerk:			
Compensation and Benefits, pages 8 through 10	10,746.33		
Repaid by Jeff H. Richardson and Kristina Richardson: Deposited June 22, 2007	<u> </u>	14,336.62	<u> </u> -
Totals	<u>\$ 14,336.62</u>	<u>\$ 14,336.62</u>	<u>\$ -</u>