

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

EXAMINATION REPORT

OF

JEFFERSON TOWNSHIP

SULLIVAN COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

09/10/2007

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:	
Bank Account Reconciliations	6
Capital Asset Records	6
Disbursement Documentation	6
Appropriations.....	6-7
Overdrawn Fund Balances	7
Compensation and Overpayments	7-8
Condition of Records	8-9
Bank Overdraft Fees.....	9
Examination Cost – Missing Funds	9
Exit Conference.....	10
Official Response	11
Summary	12

OFFICIALS

Office

Official

Term

Trustee

Frank Mejean

01-01-03 to 12-31-10

Chairman of the
Township Board

Loran Mejean
Don Bedwell

01-01-05 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 JEFFERSON TOWNSHIP, SULLIVAN COUNTY, INDIANA

We have examined the financial information presented herein of Jefferson Township (Township), for the period of January 1, 2005 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 years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 19, 2007

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 8,450	\$ 23,488	\$ 27,727	\$ 4,211
Dog	144	108	38	214
Township Assistance	7,106	6,788	1,206	12,688
Firefighting	6,334	-	13,491	(7,157)
Park and Recreation	5,318	10,813	19,712	(3,581)
Cumulative Fire	3,201	11,225	-	14,426
Fiduciary Fund:				
Payroll Withholdings	281	1,423	1,269	435
Totals	<u>\$ 30,834</u>	<u>\$ 53,845</u>	<u>\$ 63,443</u>	<u>\$ 21,236</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 4,211	\$ 13,443	\$ 19,672	\$ (2,018)
Dog	214	-	-	214
Township Assistance	12,688	4,370	978	16,080
Firefighting	(7,157)	8,276	12,958	(11,839)
Park and Recreation	(3,581)	12,853	16,476	(7,204)
Cumulative Fire	14,426	4,909	-	19,335
Fiduciary Fund:				
Payroll Withholdings	435	-	2,480	(2,045)
Totals	<u>\$ 21,236</u>	<u>\$ 43,851</u>	<u>\$ 52,564</u>	<u>\$ 12,523</u>

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

JEFFERSON TOWNSHIP, SULLIVAN 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.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination or were incorrect.

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)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets was being maintained.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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)

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Park and Recreation	2005	\$ 7,318
Firefighting	2006	1,258
Park and Recreation	2006	576

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

OVERDRAWN FUND BALANCES

The Firefighting and Park and Recreation Funds were overdrawn in 2005.

The Township, Firefighting, Park and Recreation and Payroll Withholding Funds were overdrawn in 2006.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COMPENSATION OVERPAYMENTS

Frank Mejean, Trustee, and Antonnette Mejean, Clerk, received compensation overpayments for the years 2003, 2004, 2005 and 2006 of \$12,324.86 and \$650.69. Several checks were written by Antonnette Mejean to both individuals without being posted to the Township's ledger. The duplicate copy of the checks, in some instances, were marked "void" but the original check cleared the bank. Antonnette Mejean made correcting adjustments to receipts in the ledger at various times to offset the checks that were not posted. Furthermore, the additional payments were not included for federal and state income tax reporting. A schedule of the overpayments is shown below:

	<u>Approved Amount</u>	<u>Amount Paid</u>	<u>Difference</u>
Frank Mejean, Trustee:			
Salary Overpayments:			
2003	\$ 6,800.00	\$ 9,066.72	\$ 2,266.72
2004	9,800.00	10,986.85	1,186.85
2005	9,800.00	11,525.80	1,725.80
2006	9,800.00	10,773.81	<u>973.81</u>
 Total Salary Overpayment			 <u>6,153.18</u>
 Mileage Overpayments:			
2003	1,100.00	1,550.00	450.00
2004	1,100.00	2,560.00	1,460.00
2005	1,100.00	2,661.68	1,561.68
2006	1,100.00	2,450.00	<u>1,350.00</u>
 Total Mileage Overpayment			 <u>4,821.68</u>

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

	<u>Approved Amount</u>	<u>Amount Paid</u>	<u>Difference</u>
Frank Mejean, Trustee (continued):			
Office Rent Overpayment:			
2003	600.00	800.00	200.00
2004	600.00	1,150.00	550.00
2005	600.00	950.00	350.00
2006	600.00	850.00	<u>250.00</u>
Total Office Rent Overpayment			<u>1,350.00</u>
Total Overpayments - Frank Mejean			<u>\$ 12,324.86</u>
Antonnette Mejean, Clerk:			
Salary Overpayments:			
2003	\$ 2,300.00	\$ 3,140.93	\$ 840.93
2004	2,500.00	4,569.12	2,069.12
2005	3,000.00	4,435.55	1,435.55
2006	3,000.00	2,767.08	<u>(232.92)</u>
Total Salary Overpayments			<u>4,112.68</u>
Maintenance and Mowing Payments:			
2003	7,800.00	4,760.00	(3,040.00)
2004	8,900.00	7,033.00	(1,867.00)
2005	10,900.00	12,032.00	1,132.00
2006	10,900.00	11,213.01	<u>313.01</u>
Total Maintenance and Mowing Underpayments			<u>(3,461.99)</u>
Total Overpayments - Antonnette Mejean			<u>\$ 650.69</u>

Frank Mejean, Trustee, and Antonnette Mejean, Clerk, were requested to repay \$12,324.86 and \$650.69, respectively, to the Township. (See Summary, page 12)

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)

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted. A similar comment was in prior Report B25556.

- (1) Record balances were not reconciled to depository balances.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and insufficient funds 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)

BANK OVERDRAFT FEES

Penalties totaling \$70 were withdrawn from the Township's bank account for insufficient funds during 2005.

Frank Mejean, Trustee, was requested to reimburse \$70 to the Township. (See Summary, page 12)

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)

EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred additional fees in the investigation of the misuse of funds. The State of Indiana is requesting reimbursement of fees incurred in the amount of \$4,402.57. Frank Mejean, Trustee, was requested to reimburse \$4,402.57 to the State of Indiana. (See Summary, page 12)

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)

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2007, with Antonnette Mejean, Clerk. The official response has been made a part of this report and may be found on page 11.

The contents of this report were discussed on July 26, 2007, by telephone with Don Bedwell, Chairman of the Township Board.

7-19-07

I Antonnette Mejean over paid salaries.
FOR TRUSTEE AND CLERK FOR Township. I was
taking net amount and adding it up instead
OF gross amount. I miss add on figures.

I am no longer doing Township BOOKS I am
HAVING a certified accountant due the BOOKS
FOR Township. I HAVE HAD ALOT to deal
with in last four years. With deaths of close
family members. I sincerely apologize for
my errors and have paid money back and
paid for audit cost. Frank and I respect
our Township and take pride in taking care of
Township grounds and fire department.

Antonnette Mejean

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
SUMMARY

	Charges	Credits	Balance Due
Frank Mejean, Trustee:			
Compensation Overpayments, pages 7-8	\$ 12,324.86	\$	\$
Bank Overdraft Fees, page 9	70.00		
Examination Cost - Missing Funds, page 9	4,402.57		
Antonnette Mejean, Clerk:			
Compensation Overpayments, pages 7-8	650.69		
Paid by Frank and Antonnette Mejean, May 3, 2007		3,042.89	
Paid by Frank and Antonnette Mejean, July 19, 2007		10,002.66	
Paid by Frank and Antonnette Mejean, July 19, 2007		4,402.57	-
Totals	\$ 17,448.12	\$ 17,448.12	\$ -