

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

EXAMINATION REPORT
OF
BETHLEHEM TOWNSHIP
CLARK COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
12/28/2007

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
Disbursement Documentation	6-7
Payroll Procedures	7
Board Minutes.....	8
Conflict of Interest Disclosure.....	8-9
Optical Images of Checks.....	9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Melanie I. Higdon	01-01-03 to 12-31-10
Chairman of the Township Board	Mark Taflinger Nora Stoner	01-01-05 to 12-31-05 01-01-06 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF BETHLEHEM TOWNSHIP, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of Bethlehem 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

December 5, 2007

BETHLEHEM TOWNSHIP, CLARK COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 8,766	\$ 9,808	\$ 6,462	\$ 12,112
Dog	38	23	-	61
Township Assistance	<u>6,727</u>	<u>645</u>	<u>115</u>	<u>7,257</u>
Totals	<u>\$ 15,531</u>	<u>\$ 10,476</u>	<u>\$ 6,577</u>	<u>\$ 19,430</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 12,112	\$ 12,774	\$ 7,773	\$ 17,113
Dog	61	73	-	134
Township Assistance	<u>7,257</u>	<u>1,857</u>	<u>-</u>	<u>9,114</u>
Totals	<u>\$ 19,430</u>	<u>\$ 14,704</u>	<u>\$ 7,773</u>	<u>\$ 26,361</u>

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

BETHLEHEM TOWNSHIP, CLARK 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: 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

Normally 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.

BETHLEHEM TOWNSHIP, CLARK COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following were deficiencies relating to the recordkeeping:

1. There were numerous errors in the recording of financial transactions to the Financial and Appropriation Record (Form 1C). The errors included deposits not recorded in ledger and checks and deposits not recorded in the proper amounts.

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)

2. Bank reconciliations of record balances of cash and investments to depository balances were not performed:

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, 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)

3. Amounts reported on the Annual Financial Report (Township Form 15) for the year 2005 did not agree with the amounts posted to the Financial and Appropriation Record (Form 1C).

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)

4. No Annual Financial Report (Township Form 15) was presented for examination for the year 2006.

Indiana Code 36-6-4-12(a) states in part: "At the annual meeting of the township legislative body under IC 36-6-6-9 the executive shall present a complete report of all receipts and expenditures of the preceding calendar year, including the balance to the credit of each fund controlled by the executive . . ."

A similar comment was reported in prior Report B26935.

DISBURSEMENT DOCUMENTATION

Supporting documentation was not presented for examination for 38% of nonpayroll disbursements reviewed which consisted primarily of payments to telephone and utility companies.

BETHLEHEM TOWNSHIP, CLARK 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)

PAYROLL PROCEDURES

The following deficiencies were found regarding the processing of payroll:

1. We were unable to determine the approved compensation paid to Township officers and employees because Resolution Establishing Salaries of Township Officers and Employees (Form 17) were not presented for examination for the years 2005 and 2006.

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)

2. Payments were made to Township officers and employees and payments were made to the Internal Revenue Service and the Indiana Department of Revenue. We were unable to determine if all payments made to the Internal Revenue Service and the Indiana Department of Revenue Service represented payroll withholdings because the following records were not presented for examination so that a reconciliation of payroll withholdings to payroll remittances could be performed:

- a. Employees Earnings Record (Form 99B).

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)

- b. Federal forms used to report federal payroll taxes (Form 941 Employer's Quarterly Federal Tax Return and Form W-3 Reconciliation of Income Tax Withheld and Transmittal Wage and Tax Statements).

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)

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)

A similar comment was reported in the prior Report B26935.

BETHLEHEM TOWNSHIP, CLARK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

Minutes of the meetings of the governing body were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

CONFLICT OF INTEREST DISCLOSURE

James C. Higdon, Township Clerk, is the spouse of Melanie I. Higdon, Trustee. A Uniform Conflict of Interest Disclosure Statement was not presented for examination.

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)."

"(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 . . ."

BETHLEHEM TOWNSHIP, CLARK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (2) of whose support is provided during a year by the public servant.

A similar comment was reported in prior Report B26935.

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

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:

- (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)."

BETHLEHEM TOWNSHIP, CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2007, with Melanie I. Higdon, Trustee. The official concurred with our findings.