

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

EXAMINATION REPORT

OF

CRAIG TOWNSHIP

SWITZERLAND COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
12/12/2008



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:	
Election Of Township Board Officers.....	6
Township Assistance Procedures .....	6-7
Donations.....	7
Optical Images Of Checks.....	7
No Cemetery Contract.....	8
Approval Of Salaries.....	8
Advance Payments.....	8
Salary Overpayment.....	8-9
Federal And State Agencies - Compliance Requirements.....	9
Exit Conference.....	10
Summary .....	11

OFFICIALS

Office

Official

Term

Trustee

Anthony Jackson

01-01-03 to 12-31-10

Chairman of the  
Township Board

Linda D. Andrew

01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CRAIG TOWNSHIP, SWITZERLAND COUNTY, INDIANA

We have examined the financial information presented herein of Craig Township (Township), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 16, 2008

CRAIG TOWNSHIP, SWITZERLAND 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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	7,127	\$ 18,444	\$ 25,808	\$ (237)
Dog	306	-	6	300
Township Assistance	5,245	6,324	4,793	6,776
Firefighting	(1,495)	3,814	4,512	(2,193)
Riverboat	19,071	22,410	20,925	20,556
Fiduciary Fund:				
Payroll Withholdings	78	-	78	-
Totals	<u>\$ 30,332</u>	<u>\$ 50,992</u>	<u>\$ 56,122</u>	<u>\$ 25,202</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ (237)	\$ 30,159	\$ 25,235	\$ 4,687
Dog	300	-	-	300
Township Assistance	6,776	4,813	6,502	5,087
Firefighting	(2,193)	8,752	4,217	2,342
Riverboat	20,556	20,669	37,972	3,253
Fiduciary Fund:				
Payroll Withholdings	-	1,021	850	171
Totals	<u>\$ 25,202</u>	<u>\$ 65,414</u>	<u>\$ 74,776</u>	<u>\$ 15,840</u>

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

CRAIG TOWNSHIP, SWITZERLAND 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 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.

CRAIG TOWNSHIP, SWITZERLAND COUNTY  
EXAMINATION RESULTS AND COMMENTS

ELECTION OF TOWNSHIP BOARD OFFICERS

The minutes of the Township Board did not contain information related to the election of Township Board officers.

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."

TOWNSHIP ASSISTANCE PROCEDURES

We found the following deficiencies regarding the processing of Township assistance:

1. Investigations were not documented in the Applications for Township Assistance (Form TA1) to determine if applicants qualified to receive township assistance.

Indiana Code 12-20-6-9 states in part: "If an application for township assistance is made to the township trustee . . . the township trustee . . . shall carefully investigate the circumstances of the applicant and each member of the applicant's household . . ."

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. No written township assistance standards were presented for examination.

Indiana Code 12-20-5.5-1 states in part:

"(a) The township trustee shall process all applications for the township assistance according to uniform written standards. . . ."

"(b) The township's standards for the issuance of township assistance and the processing of applications must be: . . . (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners; . . ."

3. We found no vendor invoices/receipts attached to the Township Assistance Purchase Order.

CRAIG TOWNSHIP, SWITZERLAND 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)

A similar comment was made in the prior report B29605.

DONATIONS

The Township paid \$15,500 and \$500 in 2006 and 2007, respectively, to various not-for-profit organizations from the Riverboat Fund. There were no contracts presented for examination showing what services were provided to the Township.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)."

CRAIG TOWNSHIP, SWITZERLAND COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

NO CEMETERY CONTRACT

Records presented for examination indicate payments were for cemetery care in the amount of \$3,750 in 2006 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROVAL OF SALARIES

The Township Board approved salaries of officials and employees when the Board approved the Township budget. The Form 17 (Resolution Recommending Salaries of Officials and Employees) 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)

ADVANCE PAYMENTS

Dates of transactions indicate that some payments were made to the Township Clerk prior to services worked.

Indiana Code 5-7-3-1 states in part: "(a) Public officers may not draw or receive their salaries in advance."

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)

SALARY OVERPAYMENT

Betty Lucas, Township Clerk, was paid \$400 in excess of the amount approved by the Township Board for the year 2006 as shown in the following schedule:

	Year 2006
Salary Approved by Township Board	\$ 4,800
Salary Payments	<u>5,200</u>
Salary Overpayment	<u>\$ (400)</u>

CRAIG TOWNSHIP, SWITZERLAND COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

Betty Lucas, Township Clerk, refunded the salary overpayment on October 16, 2008. (See Summary, page 11)

A similar comment was made in the prior report B29605.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

We found the following regarding the processing of payroll and payment to individuals for services performed:

1. Internal Revenue Service Form W-2 used to report employee compensation was not presented for examination for all employees for the year 2007 and was not presented for examination for the Township Clerk and the Township Board for the year 2006. No federal or state income taxes were withheld during the years 2006 and 2007, however, no Internal Revenue Service Form W-4 (Employee's Withholding Allowance Certificate) was presented for examination.
2. The Township did not issue Internal Revenue Service Form 1099 MISC to individuals paid for cemetery care services.

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 made in the prior Report B29605.

CRAIG TOWNSHIP, SWITZERLAND COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2008, with Anthony Jackson, Trustee.

CRAIG TOWNSHIP, SWITZERLAND COUNTY  
SUMMARY

	Charges	Credits	Balance Due
Betty Lucas, Township Clerk:			
Salary Overpayment, pages 8 and 9	\$ 400	\$	\$
Refunded October 16, 2008		400	-
Totals	\$ 400	400	\$ -