

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

EXAMINATION REPORT
OF
LIBERTY TOWNSHIP
PARKE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED

03/06/2009

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OFFICIALS

Office

Official

Term

Trustee

Twilla M. Gilbert
Tamra D. Smith

01-01-03 to 12-31-06
01-01-07 to 12-31-10

Chairman of the
Township Board

David Grimes

01-01-06 to 12-31-08



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LIBERTY TOWNSHIP, PARKE COUNTY, INDIANA

We have examined the financial information presented herein of Liberty 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

December 15, 2008

LIBERTY TOWNSHIP, PARKE COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 7,135	\$ 6,317	\$ 16,159	\$ (2,707)
Dog	20	892	-	912
Township Assistance	2,793	2,260	1,885	3,168
Firefighting	11,604	5,202	-	16,806
Park and Recreation	4,596	1,450	1,560	4,486
Totals	<u>\$ 26,148</u>	<u>\$ 16,121</u>	<u>\$ 19,604</u>	<u>\$ 22,665</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ (2,707)	\$ 16,147	\$ 11,679	\$ 1,761
Dog	912	-	816	96
Township Assistance	3,168	4,414	775	6,807
Firefighting	16,806	10,160	1,650	25,316
Park and Recreation	4,486	4,675	1,823	7,338
Totals	<u>\$ 22,665</u>	<u>\$ 35,396</u>	<u>\$ 16,743</u>	<u>\$ 41,318</u>

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

LIBERTY TOWNSHIP, PARKE 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 IC 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.

LIBERTY TOWNSHIP, PARKE COUNTY
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Twilla M. Gilbert, Trustee, received \$2,400 in payments for the year 2006 which were not included in the payroll system or on the salary resolution. Twilla M. Gilbert was requested to reimburse \$2,400 to Liberty Township. Twilla M. Gilbert has compensated 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)

MILEAGE REIMBURSEMENT

Twilla M. Gilbert, Trustee for 2006, was reimbursed for mileage without filing Mileage Claim, General Form 101. Twilla M. Gilbert was requested to reimburse \$1,124.08 to Liberty Township. Twilla M. Gilbert has compensated the Township. Tami D. Smith, Trustee for 2007, was reimbursed for mileage that exceeded the amount claimed on Mileage Claim, General Form 101. Tami D. Smith was requested to reimburse \$76.40 to Liberty Township. Tami D. Smith has compensated the Township for the overpayment. (See Summary, page 12)

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

Records presented for examination indicates payments were made to an individual in the amount of \$1,400 for mowing in 2006 without a contract. A similar comment was included in prior Report B28907. The current Trustee was paid \$2,400 in 2007 for mowing.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township	2006	\$ 16,159
Township Assistance	2006	1,885
Park and Recreation	2006	1,560

LIBERTY TOWNSHIP, PARKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

A budget for 2006 was not prepared. A similar comment was included in prior Report B28907.

IC 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."

SUPPORTING DOCUMENTATION

The Township Assistance Applications and claims for 2006 were not presented for examination. One claim reviewed for 2007 for Township disbursements did not contain an invoice or supporting documentation. Due to the lack of supporting information, the validity and accountability for some money 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)

CONFLICT OF INTEREST DISCLOSURE

Jim Gilbert, Township Clerk, is the spouse of Twilla M. Gilbert, Township Trustee, and was awarded the mowing contract for the Township in 2006. A Uniform Conflict of Interest Disclosure Statements does not appear to have been filed.

IC 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 . . .

LIBERTY TOWNSHIP, PARKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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 . . .

(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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Trustee did not comply with directives of the Internal Revenue Service. Withholdings were not made from wages; Wage and Tax Statements (Form W-2) were not issued; and the Employer's Quarterly Federal Tax Reports (Form 941) were not prepared. A similar comment was included in prior Report B28907.

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)

ANNUAL REPORT

The annual report for 2006 was not presented for examination. A similar comment was included in prior Report B28907.

LIBERTY TOWNSHIP, PARKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-1-4(a) concerning annual reports, states in part:

". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

1. Record balances were not reconciled to depository balances.

IC 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. The errors included deposits not receipted, checks not recorded in the proper amounts and checks were written from two separate checkbooks.

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)

DEPOSIT OF PUBLIC FUNDS

We noted several instances where the Trustee was not making deposits timely. Several distributions for 2004, 2005, and 2006 were not deposited until January 2007. A similar comment was included in prior Report B28907.

IC 5-13-6-1(c) states in part:

"The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination for 2006. A similar comment was included in prior Report B28907.

LIBERTY TOWNSHIP, PARKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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."

OVERDRAWN FUND BALANCES

The Township Fund was overdrawn by \$2,707 in 2006.

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

OFFICIAL BONDS

The Township purchased an official bond for Twilla M. Gilbert from the Pekin Insurance Company in the amount of \$15,000 for the period January 1, 2003, until successor is qualified.

The Township purchased an official bond for Tamra D. Smith from the Pekin Insurance Company in the amount of \$15,000 for the period January 1, 2007, until successor is qualified.

LIBERTY TOWNSHIP, PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2008, with Tamra D. Smith, Trustee.
The official concurred with our findings.

LIBERTY TOWNSHIP, PARKE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Twilla M. Gilbert, Trustee for 2006:			
Compensation and Benefits, page 6	\$ 2,400.00	\$	\$
Mileage Reimbursement, page 6	1,124.08		
Paid by Twilla M. Gilbert on March 5, 2009, Receipt 4862		<u>3,524.08</u>	<u>-</u>
Totals	<u>\$ 3,524.08</u>	<u>\$ 3,524.08</u>	<u>\$ -</u>
Tamra D. Smith, Trustee for 2007:			
Mileage Reimbursement, page 6	\$ 76.40	\$	\$
Paid by Tamra Smith on Dec 12, 2008, Receipt 4010002		<u>76.40</u>	<u>-</u>
Totals	<u>\$ 76.40</u>	<u>\$ 7,124.56</u>	<u>\$ -</u>