

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

EXAMINATION REPORT

OF

HARRISON TOWNSHIP

FAYETTE COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED

07/07/2009

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OFFICIALS

Office

Official

Term

Trustee

Jeffrey Locke
Michael Frank

01-01-06 to 08-21-08
08-22-08 to 12-31-09

Chairman of the
Township Board

Nolan Selke

01-01-06 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF HARRISON TOWNSHIP, FAYETTE COUNTY, INDIANA

We have examined the financial information presented herein of Harrison Township (Township), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 10, 2009

HARRISON TOWNSHIP, FAYETTE 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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 2,439	\$ 23,042	\$ 25,471	\$ 10
Dog	354	48	402	-
Township Assistance	(11,358)	68,873	53,369	4,146
Firefighting	24,445	14,020	33,000	5,465
Fiduciary Fund:				
Payroll Withholdings	-	2,375	1,812	563
Totals	<u>\$ 15,880</u>	<u>\$ 108,358</u>	<u>\$ 114,054</u>	<u>\$ 10,184</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 10	\$ 30,200	\$ 22,895	\$ 7,315
Township Assistance	4,146	51,507	34,160	21,493
Firefighting	5,465	12,454	10,000	7,919
Fiduciary Fund:				
Payroll Withholdings	563	2,066	2,180	449
Totals	<u>\$ 10,184</u>	<u>\$ 96,227</u>	<u>\$ 69,235</u>	<u>\$ 37,176</u>

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

HARRISON TOWNSHIP, FAYETTE 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.

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.

HARRISON TOWNSHIP, FAYETTE COUNTY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 2,601</u>

HARRISON TOWNSHIP, FAYETTE COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

- (1) Record balances were not reconciled to depository balances during the year 2007.

IC 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. The errors included checks and receipts not extended in the ledger to the proper funds and the 2007 ledger was posted only with items that cleared the bank.

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)

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)

- (3) The 2008 employee earnings record and form W-2 for Jeffrey Locke, Trustee, indicated salary payments totaling \$5,090.74 while actual payments of gross income to Jeffrey Locke were \$4,725.93.

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)

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)

HARRISON TOWNSHIP, FAYETTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERPAYMENT OF SALARY

Kathy Lore, Harrison Township Clerk, received \$427.70 in payments for the year 2008 in excess of the salary ordinance or resolution. Kathy Lore was requested to repay the Township \$427.70. (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)

TOWNSHIP ASSISTANCE

The following deficiencies were noted in the examination of Township assistance:

- (1) Applicants were not required to seek employment.

IC 12-20-10-1 states: "If a township assistance applicant is in good health or if any members of the applicant's household are in good health, the township trustee, as administrator of township assistance funds shall require the individuals who are able to work to seek employment. The township trustee shall refuse to furnish any township assistance until the township trustee is satisfied that the township assistance applicant or members of the applicant's household are endeavoring to find work."

- (2) Applicants were not required to perform work for receipt of assistance.

IC 12-20-10-2 states: "If:

- (1) A township assistance applicant is in good health and able to work; and
- (2) either:

(A) the township trustee, as administrator of township assistance, offers employment to the applicant, regardless of whether the compensation for the work is in the form of money, house rent, or commodities consisting of the necessities of life; or

(B) employment at a reasonable compensation is offered by any other individual, governmental agency, or employer;

The township trustee shall not furnish township assistance to the applicant until the applicant performs the work or shows just cause for not performing the work."

- (3) Assistance in the form of rent payments were made to an applicant's father as landlord for a residence separate of the applicant's father's residence.

In accordance with IC 12-20-6-10, a trustee may not use township assistance funds to pay for the cost of an applicant's shelter with a relative who is the applicant's landlord if the applicant lives in the same household as the relative; or housing separate from the relative and either the housing is unencumbered by mortgage; or the housing has not been previously rented by the relative to a different tenant at reasonable market rates for at least six (6) months.

HARRISON TOWNSHIP, FAYETTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

If shelter payments are made to a relative of a township assistance applicant on behalf of the applicant or a member of the applicant's household, the trustee may file a lien against the relative's real property for the amount of township assistance shelter assistance granted. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

PRESCRIBED FORMS

The Township Assistance Claim Forms TA-1 were not signed by Jeffrey Locke, Harrison Township Trustee. Jeffrey Locke did sign the Assistance Purchase Orders form TA-2.

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)

TOWNSHIP ASSISTANCE LOAN

A loan of \$23,000 was made in 2007 from the Firefighting Fund to the Township Assistance Fund and not repaid by December 31, 2007. The loan has not been repaid as of March 16, 2009. The Township did not establish a term of repayment for the loan. The Township did appeal to the Indiana Department of Local Government Finance in 2007 for an excessive levy in order to accumulate funds to repay the loan. The Township requested an excessive levy in the amount of \$93,000 but was granted \$23,095 in order not to exceed the advertised amount of the appeal.

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

IC 12-20-24-1 provides (a) In addition to the other methods of township assistance financing provided by this article, if a township trustee for a township determines that a particular township's township assistance account will be exhausted before the end of a fiscal year, the township trustee shall notify the township board of that determination. (b) After receiving notice under subsection (a) that a township's township assistance account will be exhausted before the end of a fiscal year, the township board shall appeal to the department of local government finance for the right to borrow money on a short term basis to fund township assistance services in the township. In the appeal the township board must do the following: (1) Show that the amount of money contained in the township assistance account will not be

HARRISON TOWNSHIP, FAYETTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

sufficient to fund services required to be provided within the township by this article. (2) Show the amount of money that the board estimates will be needed to fund the deficit. (3) Indicate a period, not to exceed five (5) years, during which the township would repay the loan.

UNAUTHORIZED DISBURSEMENTS

Nine claims were submitted for payment to Duke Energy from Township assistance funds which included amounts for unauthorized payments on the Duke Energy account of Jama Sullivan, Harrison Township Clerk. Jama Sullivan's account was not listed on copies of these claims that were on file in the Harrison Township office. One of these payments to the Duke Energy account of Jama Sullivan in the amount of \$800.00 was not applied due to a returned check for insufficient township funds. The following schedule details payments that were applied to Jama Sullivan's Duke Energy account from Township assistance funds:

<u>Check #</u>	<u>Check Date</u>	<u>Check Amount</u>	<u>Amount of Claim Filed with Duke</u>	<u>Amount of Claim Filed in Trustee Office</u>	<u>Amount of Claim Applied to Jama Sullivan Account</u>
4193	10-01-06	\$ 1,092.38	\$ 1,092.38	\$ 792.38	\$ 300
4209	10-31-06	2,011.85	2,011.85	1,711.85	300
4240	11-30-06	1,325.70	1,325.70	1,025.70	300
4259	12-21-06	1,402.16	1,402.16	1,102.16	300
4314	02-01-07	2,263.07	2,263.07	1,963.07	300
4327	02-22-07	951.22	951.22	751.22	200
4349	03-29-07	1,762.96	1,762.96	1,462.96	300
4792	08-02-08	830.08	830.08	530.08	680
Total Payment to Duke Energy applied to Jama Sullivan's Account					<u>\$ 2,680</u>

Jama Sullivan was requested to repay Harrison Township \$2,680 for unauthorized disbursements. (See Summary, page 12)

ADDITIONAL AUDIT COSTS - UNAUTHORIZED DISBURSEMENTS

The State of Indiana incurred additional audit fees in the investigation of unauthorized disbursements.

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)

INFORMATIONAL COMMENT – OFFICIAL BONDS

Jeffrey Locke, Harrison Township Trustee, was covered by Auto Owners Insurance under an official bond for \$15,000 for 2006, 2007, and 2008.

Michael Frank, Harrison Township Trustee, was covered by Auto Owners Insurance under an official bond for \$15,000 for 2006, 2007, and 2008.

HARRISON TOWNSHIP, FAYETTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 6, 2009 with Michael Frank, Trustee; and Jeffrey Locke, former Trustee. The officials concurred with our findings.

We made several attempts by phone to contact Jama Sullivan to schedule an exit conference. All phone calls were unreturned. On April 20, 2009, we notified Ms. Sullivan by email that an exit conference had been scheduled for April 22, 2009. Ms. Sullivan did not attend the exit conference.

We made several attempts by phone to contact Kathy Lore to schedule an exit conference. All phone calls were unreturned. On April 20, 2009, we notified Ms. Lore by certified mail that an exit conference had been scheduled for April 22, 2009. Ms. Lore signed the certification on April 21, 2009. Ms. Lore did not attend the exit conference.

SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jama Sullivan, Township Clerk:			
Unauthorized Disbursements (See page 10)	<u>\$ 2,680.00</u>	<u>\$ -</u>	<u>\$ 2,680.00</u>
Kathy Lore, Township Clerk:			
Overpayment of Salary (See page 8)	<u>\$ 427.70</u>	<u>\$ -</u>	<u>\$ 427.70</u>

AFFIDAVIT

STATE OF INDIANA)

Rush COUNTY)

I, Kimberly Wesley, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Harrison Township, Fayette County, Indiana, for the period from January 1, 2006 to December 31, 2008, is true and correct to the best of my knowledge and belief.

Kimberly Wesley
Field Examiner

Subscribed and sworn to before me this 17th day of June, 2009.

Deborah Richardson
Clerk of the Circuit Court