

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

EXAMINATION REPORT
OF
PIPE CREEK TOWNSHIP
MIAMI COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED

07/21/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Patricia C. Wade Mary Ellen McCurtain	01-01-07 to 03-23-09 03-24-09 to 12-31-10
Chairman of the Township Board	John McCurtain	01-01-08 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PIPE CREEK TOWNSHIP, MIAMI COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

April 23, 2009

PIPE CREEK TOWNSHIP, MIAMI COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 20,282	\$ 22,969	\$ 20,095	\$ 23,156
Dog	415	-	415	-
Township Assistance	22,546	15,617	21,460	16,703
Firefighting	29,289	33,379	27,650	35,018
Levy Excess	823	-	823	-
	<u>823</u>	<u>-</u>	<u>823</u>	<u>-</u>
Totals	<u>\$ 73,355</u>	<u>\$ 71,965</u>	<u>\$ 70,443</u>	<u>\$ 74,877</u>

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

PIPE CREEK TOWNSHIP, MIAMI 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).

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.

PIPE CREEK TOWNSHIP, MIAMI COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROVED DEPOSITORIES

The Trustee is using a depository that is not on the State Treasurer's list of approved depositories.

A financial institution may at any time file an application to become a depository and receive public funds of the state on deposit. . . . Applications for the State Board of Finance must be filed with the Treasurer of State. Pursuant to IC 5-13-8-1(a), a political subdivision may deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 18)

UNAUTHORIZED TOWNSHIP ASSISTANCE

From January 1, 2004 through March 3, 2009, Patricia C. Wade, former Trustee, diverted the proceeds of 157 township assistance checks totaling \$53,714 to her personal bank account, as well as the bank accounts of her husband, Carl L. Wade, and her uncle, Wayne Fenske. Township assistance checks were written to vendors as indicated on the township assistance applications; however, the Trustee used her position as a teller with the Indiana United Methodist Federal Credit Union to deposit the checks to bank accounts established for her personal gain.

The amount of funds diverted by year is shown in the following schedule:

2004	\$	9,100
2005		7,659
2006		11,055
2007		11,200
2008		13,300
2009		<u>1,400</u>
Total	\$	<u>53,714</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or non-feasance in office or 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)

We requested Patricia C. Wade, former Trustee refund \$53,714 to the Township. (See Summary, page 10)

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.

IC 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:

PIPE CREEK TOWNSHIP, MIAMI COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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, IC 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)."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Trustee did not comply with directives of the Internal Revenue Service by failing to issue 1099's to the people who did the cemetery mowing.

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)

PIPE CREEK TOWNSHIP, MIAMI COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed form was not always in use:

Township Form TA-1 (Application for Township Assistance)

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)

OFFICIAL BONDS

Patricia C. Wade, former Trustee, has official bonds with the Auto-owners Insurance Company as surety. The bonds were in the amount of \$15,000 each for the following items:

1. January 1, 2004 to January 1, 2005
2. January 1, 2005 to January 1, 2006
3. January 1, 2006 to January 1, 2007
4. January 1, 2007 to January 1, 2008
5. January 1, 2008 to January 1, 2009
6. January 1, 2009 to January 1, 2010

PIPE CREEK TOWNSHIP, MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2009, with Mary Ellen McCurtain, Trustee; and John McCurtain, Chairman of the Township Board. The officials concurred with our findings.

The contents of this report were discussed on April 23, 2009, with Patricia C. Wade, former Trustee.

PIPE CREEK TOWNSHIP, MIAMI COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Patricia C. Wade, former Trustee:			
Unauthorized Township Assistance, page 6	\$ <u>53,714</u>	\$ <u>-</u>	\$ <u>53,714</u>

AFFIDAVIT

STATE OF INDIANA)
Fulton COUNTY)

I, Susan J. Desch, Field Examiner being duly sworn on my oath, state that the foregoing report based on the official records of the Pipe Creek Township, Miami County, Indiana, for the period from January 1, 2008 to December 31, 2008, is true and correct to the best of my knowledge and belief.

Susan J. Desch
Field Examiner

Subscribed and sworn to before me this 25 day of June, 2009.

Heather Redinger
Notary Public
Heather Redinger

My Commission Expires: October 22, 2015

County of Residence: Fulton