

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

EXAMINATION REPORT

OF

LIBERTY TOWNSHIP

HOWARD COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED

05/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Linda Grove	01-01-07 to 12-31-10
Chairman of the Township Board	Polly Bray Rita Kingseed	01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Liberty Township (Township), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 12, 2010

LIBERTY TOWNSHIP, HOWARD 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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 1,480	\$ 39,989	\$ 35,879	\$ 5,590
Township Assistance	16,810	20,943	27,232	10,521
Firefighting	3,691	22,196	20,172	5,715
Fiduciary Fund:				
Payroll Withholdings	<u>2,470</u>	<u>4,806</u>	<u>5,487</u>	<u>1,789</u>
Totals	<u>\$ 24,451</u>	<u>\$ 87,934</u>	<u>\$ 88,770</u>	<u>\$ 23,615</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 5,590	\$ 48,085	\$ 40,704	\$ 12,971
Township Assistance	10,521	14,675	25,544	(348)
Firefighting	5,715	22,477	20,871	7,321
Fiduciary Fund:				
Payroll Withholdings	<u>1,789</u>	<u>6,776</u>	<u>5,739</u>	<u>2,826</u>
Totals	<u>\$ 23,615</u>	<u>\$ 92,013</u>	<u>\$ 92,858</u>	<u>\$ 22,770</u>

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

LIBERTY TOWNSHIP, HOWARD 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 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.

LIBERTY TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Township Assistance Fund was overdrawn in 2009.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for examination indicated the expenditures for the Township Assistance Fund were in excess of budgeted appropriations.

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."

REIMBURSEMENT OF CELL PHONE COSTS

Reimbursements were made to Ken Grove and to Verizon wireless for cell phone charges on an account that was not in the Township's name. The reimbursements amounted to \$520 and \$420 for 2008 and 2009, respectively. Also, the \$420 paid for 2009 was paid in January 2009 for the full 2009 year.

The State Board of Accounts will not take audit exception to reasonable expenditures if:

1. Township owned cellular telephone(s) exist for which the township has a listing in the telephone directory in the name of the township. Consequently, 100% of the proper monthly cellular telephone service for which the township receives and maintains a detailed listing from the cellular service company showing the township business nature of all calls may be paid.
2. All other situations for which the number one does not apply, up to 50% of the base monthly service billing may be reimbursed for township business calls if approved by the township board in accordance with IC 36-6-8-3. However, obligations may exist (which may include personal obligations) in regards to Internal Revenue Service and Indiana Department of Revenue regulations. (Township Bulletin and Uniform Compliance Guidelines, Volume 283, November 2008)

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)

CONTRACTS

Records presented for examination indicated payments totaling \$2,800 were made to Ken Grove for installing a fence in 2009 without a contract for such services.

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

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)

COMPENSATION AND BENEFITS

Ken Grove received \$94.86 in payments during the year 2009 which were not included in the payroll system or on the salary ordinance or resolution. The amount was paid as a salary payment; however, was not included on the individual's W-2.

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)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TRAVEL POLICY

The Trustee received a reimbursement of \$.50 per mile for miles driven on Township business. The State rate from January 1, 2008 to June 30, 2008, was \$.40, from July 1, 2008 to September 30, 2009, the rate was \$.44 per mile and after October 1, 2009, the rate went back to \$.40 per mile. A travel policy was not presented for examination.

The township trustee is entitled to a sum for mileage in the performance of his/her official duties equal to the sum per mile paid to state officers and employees (IC 36-6-8-3). (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CASH DISBURSEMENTS

Disbursements were not always made by check. The Trustee on various occasions would return items, previously purchased by check, to a vendor and receive a cash refund. The cash was then used to purchase other supplies for the Township from different vendors.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

LIBERTY TOWNSHIP, HOWARD 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)

MILEAGE REIMBURSEMENT FORM NOT IN USE

Some employees were reimbursed for mileage without filing Mileage Claim, General Form 101.

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)

CONFLICT OF INTEREST DISCLOSURE

Ken Grove received payments in 2008, for cemetery and park maintenance. He is the spouse of Linda Grove, Trustee. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed by the Trustee, Linda Grove for 2008.

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 . . ."

"(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 . . ."

LIBERTY TOWNSHIP, HOWARD 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) un-emancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

LIBERTY TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 6, 2010, with Linda Groves, Trustee.