

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

EXAMINATION REPORT

OF

HOWARD TOWNSHIP

HOWARD COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED

08/10/2010

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OFFICIALS

Office

Official

Term

Trustee

Virginia Marner

01-01-07 to 12-31-10

Chairman of the
Township Board

Michael Lantz

01-01-08 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Howard 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

May 3, 2010

HOWARD TOWNSHIP, HOWARD COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 27,596	\$ 34,280	\$ 27,456	\$ 34,420
Township Assistance	21,866	19,381	16,643	24,604
Firefighting	<u>73,538</u>	<u>79,308</u>	<u>75,086</u>	<u>77,760</u>
Totals	<u>\$ 123,000</u>	<u>\$ 132,969</u>	<u>\$ 119,185</u>	<u>\$ 136,784</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 34,420	\$ 21,443	\$ 26,464	\$ 29,399
Township Assistance	24,604	10,334	21,804	13,134
Firefighting	<u>77,760</u>	<u>81,779</u>	<u>75,300</u>	<u>84,239</u>
Totals	<u>\$ 136,784</u>	<u>\$ 113,556</u>	<u>\$ 123,568</u>	<u>\$ 126,772</u>

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

HOWARD 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.

HOWARD TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATION

Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect. As of December 31, 2009, the bank account is long of the record balance by \$775.25.

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)

ANNUAL REPORT

The Annual Report for 2008 was not filed with the Indiana State Board of Accounts. The Annual Report filed for 2009 was not complete and did not accurately reflect the activities and balances of the funds of the Township.

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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)

RENT OVERPAYMENT

Overpayments totaling \$9,120 (\$325, \$4,120, and \$4,675, related to office rent, for the years 2008, 2009, and 2010 (January and April 25), respectively, were made to Virginia Marner, Trustee. The \$4,675 overpayment for 2010 includes a refund of \$3,500 deposited on April 12, 2010; however, a check was also issued to Virginia Marner on April 12, 2010, in the same amount of \$3,500, for rent.

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

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

Virginia Marner, Trustee, was requested to repay the \$9,120 rent overpayment back to Howard Township, Howard County. The \$9,120 rent overpayment was repaid on June 1, 2010. (See Summary, page 11)

PAYROLL DEDUCTIONS

Payroll deductions were not properly identified and tracked in the Township ledgers. Determination of accurate accounting for payroll withholdings could not be verified. Payments to some employees (Township Board Members and temporary office help/hourly) were made without payroll deductions for taxes.

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)

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)

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. A similar comment was in the last examination report.

HOWARD 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)

TIMELY RECORDKEEPING

As of April 5, 2010, financial records for 2010 (January through March) were not presented for examination. Therefore, we could not verify if the records were posted timely.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Township Assistance	2009	<u>\$ 2,754</u>

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."

TRAVEL POLICY

The Trustee received a reimbursement of \$.50 per mile for miles driven on Township business. The State mileage 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 audit.

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).

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

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

OFFICIAL BOND

The official bond filed in the office of the County Recorder was a continuation certificate for an official bond originally issued September 12, 2006. The continuation certificate was for the specified term of January 1, 2007 through December 31, 2010.

Until July 1, 2009, IC 5-4-1-18 stated in part:

"(c) The fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows:

- (1) The amount must equal fifteen thousand dollars (\$15,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000) . . ."

Effective July 1, 2009, IC 5-4-1-18 states in part:

"(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . ."

The State Board of Accounts is of the audit position continuation certificates or renewals should not be used in lieu of obtaining the required annual bond coverage. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file an official bond in the office of the county recorder . . ."

HOWARD TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 2, 2010, with Virginia Marnier, Trustee, and Michael Lantz, Chairman of the Township Board. The officials concurred with our findings.

HOWARD TOWNSHIP, HOWARD COUNTY
SUMMARY

	Charges	Credits	Balance Due
Virginia Marner, Trustee:			
Rent Overpayment, pages 6 and 7	\$ 9,120	\$	\$
Repayment Deposited June 1, 2010		9,120	-
 Totals	\$ 9,120	\$ 9,120	\$ -