

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

EXAMINATION REPORT

OF

ROSS TOWNSHIP

CLINTON COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED

02/15/2011

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OFFICIALS

Office

Official

Term

Trustee

Matthew Marley

01-01-07 to 12-31-10

Chairman of the
Township Board

Dan Lahrman

01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF ROSS TOWNSHIP, CLINTON COUNTY, INDIANA

We have examined the financial information presented herein of Ross 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 present 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 8, 2010

ROSS TOWNSHIP, CLINTON 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 | \$ 318,648 | \$ 30,996 | \$ 43,267 | \$ 306,377 |
| Firefighting | 85,347 | 15,357 | 20,183 | 80,521 |
| Rainy Day | 2,737 | - | - | 2,737 |
| Township Assistance | 7,549 | 7,864 | 4,135 | 11,278 |
| Cemetery Operating | 9,816 | 176 | 1,498 | 8,494 |
| Levy Excess | 2,818 | - | - | 2,818 |
| Cumulative Fire | 195,168 | 12,557 | 126,741 | 80,984 |
| Totals | <u>\$ 622,083</u> | <u>\$ 66,950</u> | <u>\$ 195,824</u> | <u>\$ 493,209</u> |
| | | | | |
| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
| Governmental Funds: | | | | |
| Township | \$ 306,377 | \$ 32,639 | \$ 31,627 | \$ 307,389 |
| Firefighting | 80,521 | 10,841 | 22,374 | 68,988 |
| Rainy Day | 2,737 | - | 1,100 | 1,637 |
| Township Assistance | 11,278 | 4,514 | 9,474 | 6,318 |
| Cemetery Operating | 8,494 | 7 | 5,496 | 3,005 |
| Levy Excess | 2,818 | - | - | 2,818 |
| Cumulative Fire | 80,984 | 7,204 | 66,665 | 21,523 |
| Totals | <u>\$ 493,209</u> | <u>\$ 55,205</u> | <u>\$ 136,736</u> | <u>\$ 411,678</u> |

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

ROSS TOWNSHIP, CLINTON 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.

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.

ROSS TOWNSHIP, CLINTON COUNTY
EXAMINATION RESULTS AND COMMENTS

PAYROLL TAX REPORTING AND DEDUCTIONS

The following deficiencies relating to the payroll tax filing were noted.

- (1) \$2,100.00 and \$6,210.00 were paid in 2008 and 2009, respectively to the minor stepson of Township Trustee Matthew Marley for mowing of cemeteries maintained by the Township. There was no evidence presented for examination that Form 1099's were issued for these payments in either year.
- (2) Gross wages paid to Township Trustee Matthew Marley and Township Clerk Amber Marley were not in agreement with the gross wages as shown on the W-2's issued to them.
- (3) Social Security taxes (FICA), remitted during the examination period, appear to have been paid twice to the Internal Revenue Service. The Trustee incorrectly calculated the amount due for social security taxes on the Employer's Quarterly Federal Tax Returns filed for both years. The error occurred when taxes were calculated on both taxable social security wages and taxable social security tips, resulting in a duplication of social security taxes paid. The total overpayment for both years was \$2,876.80.
- (4) Salary payments to the Township Trustee, Matthew Marley, and the Township Clerk, Amber Marley, were made without deductions of social security and Medicare taxes; however, the Township paid both the employer and employee share of the social security and Medicare taxes when filing the Employer's Quarterly Federal Tax Returns for the examination period. The amount paid by the Township that was required to be withheld from the Marley's salary payments was \$1,453.50.

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)

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)

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)

The Township Trustee, Mathew Marley, was requested to reimburse the Township \$1,453.50 in Social Security and Medicare taxes paid by the Township. (See Summary, page 13)

ROSS TOWNSHIP, CLINTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

| Fund | Year | Excess Amount Expended |
|---------------|------|------------------------------|
| Township Fund | 2009 | <u>\$ 3,277</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."

EXCESSIVE OR UNREASONABLE COSTS – CEMETERY CARE EXPENSES

The Township paid \$2,100.00 in 2008 and \$6,210.00 in 2009 for mowing costs for the two cemeteries maintained by the Township. These payments were made to the minor stepson of Township Trustee Matthew Marley and son of Township Clerk Amber Marley. \$1,550.00, of the 2009 payments, was made on or before April 3, 2009. Additionally, the invoices concerning these expenditures did not contain adequate information relating to the date of the mowing, which cemetery was mowed or the cost per mowing. Due to the lack of supporting information, the validity and accountability of these monies disbursed could not be established. If mowing season started on March 1st and ended on November 30th 2009, and if they mowed on average of 1 time per week, then the number of total mowings for each cemetery would have been have been 39 times. If you multiply the 39 times by the \$35, a per mowing cost approved by the Township Board on May 3, 2008, the total for the year would only be \$2,730.00 (39 times X \$35 per time X 2 cemeteries).

The Township Trustee did not provide an explanation as to the reason why mowing costs were incurred so early in the mowing season or why mowing costs almost tripled from 2008 to 2009.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

- (1) The sum of the individual fund balances in the Financial and Appropriation Record was \$417.58 less than the Total - All Funds balance at December 31, 2009.

ROSS TOWNSHIP, CLINTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) There were a considerable number of instances where check dates and numbers were not posted to the Financial and Appropriation Ledger.
- (3) There were two instances where checks issued to Township Trustee Mathew Marley for rent were posted to the Financial and Appropriation Record as payments to the Town of Rossville.

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)

RECORD INFORMATION – PROPERTY TAX DISTRIBUTION

The County Auditor made an advance tax distribution on July 23, 2008, of \$4,166.08 to the Ross Township Trustee. No evidence was presented for examination that the distribution was deposited to the Trustee's bank account or was posted to the Financial and Appropriation Record. Additionally, an inquiry of the Clinton County Treasurer revealed that the \$4,166.08 check has not cleared as of April 5, 2010.

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."

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

CONFLICT OF INTEREST

\$2,100.00 and \$6,210.00 was paid in 2008 and 2009, respectively, to the minor stepson of Township Trustee Matthew Marley, for mowing expenses for the two cemeteries maintained by the Township. A Uniform Conflict of Interest Disclosure Statement 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. . . ."

ROSS TOWNSHIP, CLINTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(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 under any of the following conditions: . . . (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. . . ."

"(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 31-9-2-2) of a public servant who is: (A) unemancipated; 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."

SALARY AND RENT OVERPAYMENTS

Salary and Rent overpayments were made during the examination period to Township Trustee Matthew Marley, in the following amounts:

| <u>Year</u> | <u>Description</u> | <u>Amount Authorized</u> | <u>Payments</u> | <u>Amount Overpaid</u> |
|-------------|--------------------|------------------------------|---------------------|----------------------------|
| 2008 | Rent | \$ 3,600.00 | \$ 4,200.00 | \$ 600.00 |
| 2008 | Salary | 6,000.00 | 6,099.50 | 99.50 |
| 2009 | Rent | 3,600.00 | 7,700.00 | 4,100.00 |
| 2009 | Salary | <u>6,000.00</u> | <u>7,090.00</u> | <u>1,090.00</u> |
| | | <u>\$ 19,200.00</u> | <u>\$ 25,089.50</u> | <u>\$ 5,889.50</u> |

ROSS TOWNSHIP, CLINTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 36-6-8-3 states in part:

"(a) The annual appropriations to a township executive for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township executive uses a part of the executive's residence for an office, the township legislative body shall appropriate a reasonable sum for that office space."

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

Township Trustee Matthew Marley, was requested to reimburse the Township \$5,889.50 in salary and rent overpayments. (See Summary, page 13)

OFFICIAL BOND

The following conditions were noted relating to the official bond for Matthew Marley, Township Trustee:

1. The bond covers the period January 1, 2007 through December 31, 2010;
2. The bond was in the amount of \$15,000.
3. The guarantor was EMC Insurance Companies. The bond limit was \$15,000.

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 . . . 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 . . ."

ROSS TOWNSHIP, CLINTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The State Board of Accounts is of the audit position in order to comply with the changes made in Public Law 176 effective July 1, 2009, governments will have to purchase riders on their current bond coverage for the remainder of the calendar year 2009; and beginning January 1, 2010, will have to provide annual bond coverage. We are also of the audit position a new bond should be obtained for each year and continuation certificates or renewals should not be used in lieu of obtaining a new bond. (Township Bulletin and Uniform Compliance Guidelines, August, 2009)

AUDIT COSTS - CONDITION OF RECORDS

Additional audit time was required to audit financial statements and other information necessary for the audit report.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ROSS TOWNSHIP, CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2010, with Mathew Marley, Trustee.

ROSS TOWNSHIP, CLINTON COUNTY
SUMMARY

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|--|--------------------|--------------------|--------------------|
| Matthew Marley, Trustee: | | | |
| Payroll Tax Reporting and Deductions, page 6 | \$ 1,453.50 | \$ - | \$ 1,453.50 |
| Salary and Rent Overpayments, pages 9 and 10 | 5,889.50 | | |
| Paid by Trustee, April 8, 2010 | | <u>5,889.50</u> | <u>-</u> |
| Totals | <u>\$ 7,343.00</u> | <u>\$ 5,889.50</u> | <u>\$ 1,453.50</u> |

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AFFIDAVIT

STATE OF INDIANA)
)
CLINTON COUNTY)

I, John A. Homrig, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Ross Township, Clinton County, Indiana, for the period from January 1, 2008 to December 31, 2009, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 10th day of JANUARY, 2011



Notary Public

My Commission Expires: 12-06-2015

County of Residence: Tipton

