

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

EXAMINATION REPORT

OF

VAN BUREN TOWNSHIP

CLAY COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED

09/13/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Paul H. Hackett Charles J. Thompson	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Elmer Martin Pete Taylor Elmer Martin Pete Taylor	01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-10 01-01-11 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF VAN BUREN TOWNSHIP, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of Van Buren 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.

Except as discussed in the following paragraph, 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.

We were unable to verify the Township's disbursements by fund, since the Township did not maintain a funds ledger. In addition, the Township did not complete an Annual Financial Report for 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the Annual Report and account balances of the various funds for 2009, 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 28, 2011

VAN BUREN TOWNSHIP, CLAY 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

	<u>Cash and Investments 01-01-08</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-08</u>
Governmental Funds:				
Township	\$ 145,111	\$ 1,807	\$ 69,934	\$ 76,984
Township Assistance	38,003	58,419	66,439	29,983
Firefighting	124,389	87,227	47,800	163,816
Rainy Day	4,597	5,583	5,334	4,846
Fiduciary Fund:				
Payroll Withholdings	<u>381</u>	<u>-</u>	<u>381</u>	<u>-</u>
Totals	<u>\$ 312,481</u>	<u>\$ 153,036</u>	<u>\$ 189,888</u>	<u>\$ 275,629</u>

	<u>Cash and Investments 01-01-09</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-09</u>
Governmental Funds:				
Township	\$ 76,984	\$ 656	\$ 62,870	\$ 14,770
Township Assistance	29,983	79,232	54,442	54,773
Firefighting	163,816	55,163	69,300	149,679
Rainy Day	<u>4,846</u>	<u>-</u>	<u>-</u>	<u>4,846</u>
Totals	<u>\$ 275,629</u>	<u>\$ 135,051</u>	<u>\$ 186,612</u>	<u>\$ 224,068</u>

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

VAN BUREN TOWNSHIP, CLAY 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 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.

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE, MISFEASANCE, OR NONFEASANCE

Paul H. Hackett, former Trustee, from June 2007 through March 2010, diverted 58 township assistance checks totaling \$26,326.72 into his personal checking account. Township assistance checks were written to various vendors for rent, utilities, auto repair, prescriptions, and medical expenses as indicated on the Township Assistance Purchase Orders; however, the checks were deposited into the Trustee's personal checking account.

Paul H. Hackett, former Trustee, on May 20, 2010, identified an additional 31 checks totaling \$15,802.56 issued to various vendors for personal gain. These payments included items such as auto payments, auto parts, auto repairs, motorcycle repairs, and credit processing center payments.

Paul H. Hackett, former Trustee, began in July 2009 issuing checks for cash, in varying amounts, which he used to purchase \$25 gift certificates from Aldi's grocery store. Aldi's does not accept checks, so Paul H. Hackett, former Trustee, issued a check for cash at a bank, and used the cash received to purchase certificates. These certificates were held by Paul H. Hackett, former Trustee, until being issued along with Township Assistance Purchase Orders by Paul H. Hackett, former Trustee, or by the Township Assistance Investigator to Township Assistance applicants, redeemable for grocery purchases at Aldi's. A single \$25 certificate was given to Township Assistance applicants applying for food assistance. The applicants in order to redeem the certificates were required to show identification at the store and remit the certificate along with the Township Assistance Purchase Order. The store held the redeemed Township Assistance Purchase Orders for Paul H. Hackett, former Trustee, to pick up at a later date. Checks issued by Paul H. Hackett, former Trustee, from July 22, 2009 through December 1, 2010, for the purchase of certificates totaled \$11,500. Township Assistance Purchase Orders issued and unissued certificates determined to be on hand at December 31, 2010, documented \$7,225 of the \$11,500. The remaining \$4,275 from checks issued to cash could not be identified. One check issued July 22, 2009, for \$500 was traced to deposit to the former Trustee's personal bank account.

Paul H. Hackett, former Trustee, also received \$900 in payments from two individuals for the purchase of cemetery lots at Harmony Cemetery. The checks for the purchase of the lots were subsequently deposited to the former Trustee's personal bank account. A cemetery plat, used to record lot sales and lot ownership was given to Paul H. Hackett by the previous Trustee. The cemetery plat was not presented for examination and there are no records indicating cemetery lot sales, or receipts from sales during Paul H. Hackett's term of office.

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of 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)

Paul H. Hackett, former Trustee, deposited a personal check to the Township bank account to reimburse the Township for \$550 on June 15, 2010.

Paul H. Hackett, former Trustee, was requested to reimburse the Township for \$26,326.72 in checks deposited to his personal bank account, \$15,802.56 identified as personal expenses, \$4,275 in undocumented checks issued to cash and \$900 in unrecorded cemetery receipts, less a \$550 repayment for a total of \$46,754.28. (See Summary, page 19)

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONAL EXPENSES

Paul H. Hackett, former Trustee, issued four checks from July 12, 2007 to March 4, 2010, totaling \$3,405 to pay for his personal annual life insurance policies and one check on June 9, 2009, for \$916 to pay his homeowners insurance.

Paul H. Hackett, former Trustee, issued four checks from October 29, 2008 to April 22, 2010, totaling \$1,735.62 to the Indiana Department of Revenue to pay for his personal tax liability. The Township had no state tax liability and there were no state tax withholdings from payroll.

Mary Hackett (Township Clerk and spouse of Paul H. Hackett) on June 15, 2007, completed an Application for Township Assistance. A check dated June 18, 2007, for \$1,500 was issued and authorized by Paul H. Hackett, former Trustee, payable to Mary Hackett for a housing payment. The check was deposited into their joint checking account on the same day. Total township assistance authorized by Paul H. Hackett, former Trustee, for Mary Hackett included the following payments and repayments:

Date	Check No.	Payee	Amount	Purpose
06-18-07	4564	M.S. Zanne Hackett	\$ 1,500.00	Housing
10-22-07	4657	Way Motor Work	1,700.00	Auto Repair
11-20-07	4680	Waylon Hundsucker	1,252.19	Auto Repair
01-04-08	4699	Duke	512.43	Electric Utility
06-16-08	4820	M. Hackett	1,100.00	Hastings Ins.
08-22-08	4875	Home Equity Security	1,252.00	Housing
04-15-10	5190	Duke	<u>525.46</u>	Electric Utility
Subtotal			7,842.08	
Less:				Deposited to
Repayment by Paul H. Hackett	3834	Van Buren Twp	<u>(525.46)</u>	Township Bank
				Account
				on 06-02-10
Total			<u><u>\$ 7,316.62</u></u>	

Joe Mogan, Township Board member, assisted with completing Township Assistance Purchase Orders, in both a paid and unpaid capacity during the period examined, but his signature did not appear on any documents related to township assistance provided to Mary Hackett.

None of the amounts listed above are included in other examination results and comments in the report.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of 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)

Paul H. Hackett, former Trustee, was requested to reimburse the Township in the amount of \$13,373.24. (See Summary, page 19)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain supporting documentation, such as receipts and invoices. The Trustee issued checks totaling \$7,750 to himself and \$275 to his wife as well as Settlement One (\$134.56), HSBC (\$200), and RVC M. LLC (\$820) for expenses with checks notated as office supplies, convention expenses, dues, office equipment, repairs, and maintenance. The checks issued to the Trustee included personal loans of \$1,100 on September 5, 2007, and \$300 on October 24, 2008. Repayments on the loans of \$450 were identified and credited. One invoice, for which the Trustee was reimbursed, indicated the purchase of a copy/fax machine for \$650. Purchases could not be substantiated by physical inventory as the equipment and supplies turned over to the succeeding Trustee consisted of a metal four drawer file cabinet, a typewriter, an older nonworking copy machine, and nominal office supplies.

Due to the lack of supporting documentation, the validity and accountability for some monies disbursed could not be established.

None of the amounts listed above are included in other examination results and comments in the report.

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)

Paul H. Hackett, former Trustee, was requested to reimburse the Township in the amount of \$8,729.56. (See Summary, page 19)

PAYROLL DEDUCTIONS

Payments to some employees were made without payroll deductions for taxes. The Township paid both the employer and employee share of social security and medicare expense on \$2,400 in payments to both Mary Hackett, Township Clerk, and Joe Mogan, Investigator, for the years 2008, 2009, and 2010. The W-2's reported gross wages of \$2,599 for the positions which was \$199 in excess of the budgeted salary and differed by the amount of the reported social security and medicare withholdings. In 2007, Paul H. Hackett, former Trustee, had no social security or medicare withholdings, but reported withholdings of \$650.25.

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Title	Year	Gross Wages	Reported and Paid Social Security/ Medicare	Withholdings Social Security/ Medicare	Excess Amount Paid by Township
Trustee	2007	\$ 8,500.00	\$ 650.25	\$ -	\$ 650.25
	2008	12,000.00	918.00	918.00	-
	2009	12,000.00	918.00	918.00	-
	2010	12,000.00	918.00	918.00	-
Clerk	2007	Not reported to IRS	-	-	-
	2008	2,400.00	198.84	-	198.84
	2009	2,400.00	198.80	-	198.80
	2010	2,400.00	198.84	-	198.84
Board Member/ Investigator	2007	700.00	54.95	54.95	-
	2008	3,400.00	281.68	76.50	205.18
	2009	3,400.00	275.34	76.50	198.84
	2010	3,400.00	275.34	76.50	198.84
Total					<u>\$ 1,849.59</u>

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)

Paul H. Hackett, former Trustee, was requested to reimburse the Township in the amount of \$1,849.59. (See Summary, page 19)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$316.54 were paid to the Internal Revenue Service on April 12, 2011, for the period ending June 30, 2010.

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)

Paul H. Hackett, former Trustee, was requested to reimburse the Township in the amount of \$316.54. (See Summary, page 19)

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

MILEAGE REIMBURSEMENT

Paul H. Hackett, former Trustee, was paid mileage without filing Mileage Claim, General Form 101. As shown below, the reimbursement was received in advance and was paid twice in the year 2008. Subsequently, the former Trustee submitted calendars documenting some of the locations visited and miles driven.

<u>Year</u>	<u>Date Paid</u>	<u>Amount Paid</u>
2007	February 17, 2007	\$ 900
2008	January 22, 2008	900
2008	February 13, 2008	900
2009	February 25, 2009	900
2010	January 1, 2010	800

As indicated, reimbursement was received in advance and mileage reimbursement was paid twice for the year 2008. Paul H. Hackett, former Trustee, reimbursed the Township for the \$900 duplicate payment on June 3, 2010. (See Summary, page 19)

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101. (Township Bulletin and Uniform Compliance Guidelines, Volume 290)

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)

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)

OFFICIAL BOND

The Trustee's annual official bonds covering the period January 1, 2008 to January 1, 2011, were not filed in the office of the County Recorder. Also, the Trustee's current bond coverage is only \$15,000.

Paul H. Hackett, former Trustee, has purchased official bond Number 077602-66316727 with Auto-Owners Insurance Company as surety. The bond was in the amount of \$15,000 each for the following periods:

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. February 19, 2007 to January 1, 2008
2. January 1, 2008 to January 1, 2009
3. January 1, 2009 to January 1, 2010
4. January 1, 2010 to January 1, 2011

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

Public Law 176, House Enrolled Act 1514, effective July 1, 2009, amends IC 5-4-1-18 to provide 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 (\$30,000) thirty thousand dollars for each one million (\$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 the annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . . The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000). (Township Bulletin and Uniform Compliance Guidelines, Volume 286)

FALSIFICATION OF PUBLIC RECORDS

Several Township Assistance Purchase Orders (Prescribed Form No. TA-2) were removed from their bound books and were not presented for examination. Other duplicate copies of the Township Assistance Purchase Orders (TA-2's) were found to be defaced. Payee information on some duplicate checks was found to be altered and did not agree to the originals. Other duplicate check payees, that did not appear to have been altered, did not agree to the payee on the original check. Applicant signatures on TA-2's in some cases did not match the same applicant's signature on other TA-2's or the applicant's signature on the Application for Township Assistance.

Eleven instances were noted where two consecutive TA-2's were signed by the same applicant, but one of the two issued checks was either deposited to the Trustee's personal bank account, or was one of the checks the Trustee admitted was for his personal expense. Information presented for audit would indicate the applicants may have signed a blank form that the Trustee used to support a misappropriation of assets. The signature on the second TA-2 (which matched the first) in one of the eleven instances was marked out and notated with the initials "PH" and completed for and signed by a different applicant.

The first TA-2 (Number 1263) in a separate instance was signed and dated October 27, 2009. The next TA-2 in order was not completed until January 16, 2010, although signed by the same applicant and which form was voided. The information completed in the body of the form for the next TA-2 (Number 1265) matched in name, date, payee, and amount to the voided form. Information presented for audit would indicate blank form Number 1264 was presigned by the applicant (same applicant as Number 1263), then completed for another applicant on January 16, 2010. The form, previously signed by someone else, was voided and the same information was reentered on Number 1265 and signed by the new applicant.

The nature of the changes discussed above, provide the possibility that other transactions similar in nature may have occurred and we cannot determine the reliability of the records.

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of 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)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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)

ANNUAL FINANCIAL REPORT

The 2009 Annual Financial Report was not prepared or electronically filed by the Trustee.

Public Law 176 House Enrolled Act 1514 Effective July 1, 2009 amended IC 5-11-1-4 to provide, "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." (Township Bulletin and Uniform Compliance Guidelines, Volume 287)

PRESCRIBED FORMS

The following prescribed forms were not in use:

Township Form 1-C, Financial and Appropriation Record
Township Form 16, Township Trustee's Receipt
Poor Relief Form TA-1A Notice of Township Assistance Action
Poor Relief Form TA-1B Application for Additional or Continuing Township Assistance
General Form 101, Mileage Claim

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)

APPROPRIATIONS

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

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Years	Excess Amount Expended
Township	2008	\$ 11,749
Township	2009	870
Township Assistance	2008	41,439
Township Assistance	2009	4,442
Rainy Day	2008	5,334

Indiana Code 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."

FOOD ASSISTANCE

Food assistance was provided on a monthly basis to several recipients without evidence of application for food stamps from the Division of Family and Children.

Indiana Code 12-20-16-9 concerning food stamps states:

"(a) A township trustee may not provide food assistance for more than thirty (30) days unless an individual files an application with the township trustee that includes the following:

- (1) Evidence of application for food stamps from the division of family resources.
- (2) The amount of assistance received or the reason for denial of assistance.

(b) The township trustee shall inform an applicant for food assistance that food stamps may be available from the division of family resources and that the township trustee may not provide food assistance for more than thirty (30) days unless the individual files an application for food stamps with the division of family resources."

TOWNSHIP STANDARDS FOR TOWNSHIP ASSISTANCE

The Township has no uniform written standards for the processing and approval of township assistance.

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

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.

Indiana Code 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:

- (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, Indiana Code 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)."

ADVANCE PAYMENTS

Dates of transactions indicate that amounts budgeted for rent payments were made to the Trustee prior to the receipt of goods or services.

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Years	Date Paid	Amount
2007	January 8, 2007	\$ 3,600
2008	December 25, 2007	3,600
2009	January 1, 2009	3,600
2010	January 1, 2010	3,600

Additionally, the 2009 annual salary for the Township Clerk (\$2,400) was paid in full on June 21, 2009.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not comply with directives of the Internal Revenue Service (IRS) by failing to file Form 941's or remit taxes for the first and second quarters of 2010. The Trustee paid to have the forms completed, but failed to remit payment to the IRS.

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)

INTERNAL REVENUE SERVICE PAYMENTS NOT REMITTED

Information presented for examination indicates that amounts payable the Internal Revenue Service (IRS) for the first and second quarters of 2010 have not been remitted. Information as to the amount of penalties and interest assessed by the IRS for the missed payments was not presented for examination.

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.

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CONFLICT OF INTEREST DISCLOSURE

Mary Hackett, Township Clerk, is the spouse of Paul H. Hackett, former Trustee. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 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. . . .

(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."

VAN BUREN TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ADDITIONAL AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of the missing funds for the years 2007, 2008, 2009, and 2010. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$22,721.88.

Paul H. Hackett, former Trustee, was requested to reimburse \$22,721.88 to the State of Indiana. (See Summary, page 19)

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)

STATE POLICE INVESTIGATION

Due to an ongoing State Police investigation of Paul H. Hackett, former Trustee, additional charges could be encountered at a later date.

VAN BUREN TOWNSHIP, CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2011, with Paul H. Hackett, former Trustee, and his Attorney, Jason Brown.

The contents of this report were discussed on April 28, 2011, with Pete Taylor, Chairman of the Township Board.

The contents of this report were discussed on May 2, 2011, with Charles J. Thompson, Trustee.

VAN BUREN TOWNSHIP, CLAY COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Paul H. Hackett, former Trustee:			
Malfeasance, Misfeasance, or Nonfeasance, page 6	\$ 46,754.28	\$ -	\$ 46,754.28
Personal Expenses, pages 7 and 8	13,373.24	-	13,373.24
Disbursement Documentation, page 8	8,729.56	-	8,729.56
Payroll Deductions, pages 8 and 9	1,849.59	-	1,849.59
Penalties, Interest, and Other Charges, page 9	316.54	-	316.54
Mileage Reimbursement, page 10	900.00	900.00	-
Additional Audit Costs, page 17	22,721.88	-	22,721.88
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 94,645.09</u>	<u>\$ 900.00</u>	<u>\$ 93,745.09</u>

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AFFIDAVIT

STATE OF INDIANA)
Sullivan COUNTY)

I, Sharon Cooprider, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Van Buren Township, Clay 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.

Sharon D. Cooprider
Field Examiner

Subscribed and sworn to before me this 25 day of August, 2011

Peggy Groden
Clerk of the Circuit Court