

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

EXAMINATION REPORT
OF
RICHLAND TOWNSHIP
MONROE COUNTY, INDIANA
January 1, 2010 to December 31, 2010



FILED
09/23/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	William Evans J. Martin Stephens	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Chairman of the Township Board	Richard Landgrebe Jay Thrasher	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 RICHLAND TOWNSHIP, MONROE COUNTY, INDIANA

We have examined the financial statement of Richland Township (Township), for the period of January 1, 2010 to December 31, 2010. The Township's management is responsible for the financial statement. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Township for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

The Township's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township's management, Township Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 25, 2011

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FINANCIAL STATEMENT

RICHLAND TOWNSHIP, MONROE COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 264,155	\$ 126,654	\$ 124,496	\$ 266,313
Township Assistance	156,387	194,583	139,321	211,649
Fire Fighting	975	553,633	554,590	18
Cumulative Fire	233,068	122,100	108,084	247,084
Dog	104	-	-	104
Park And Recreation	12,658	7,115	6,405	13,368
Payroll Deductions	1,369	49,464	50,833	-
Rainy Day	11,835	73,626	36,623	48,838
	<u>11,835</u>	<u>73,626</u>	<u>36,623</u>	<u>48,838</u>
Totals	<u>\$ 680,551</u>	<u>\$ 1,127,175</u>	<u>\$ 1,020,352</u>	<u>\$ 787,374</u>

RICHLAND TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statement presents the financial information for the Township (primary government), and does not include financial information for any of the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Township (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

RICHLAND TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

RICHLAND TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

RICHLAND TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

RICHLAND TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, Richland Township's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

RICHLAND TOWNSHIP, MONROE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Dog	Park And Recreation	Payroll Deductions	Rainy Day	Totals
Cash and investments - beginning	\$ 264,155	\$ 156,387	\$ 975	\$ 233,068	\$ 104	\$ 12,658	\$ 1,369	\$ 11,835	\$ 680,551
Receipts:									
Taxes	121,556	194,583	553,633	122,100	-	7,115	-	38,273	1,037,260
Other receipts	5,098	-	-	-	-	-	49,464	35,353	89,915
Total receipts	<u>126,654</u>	<u>194,583</u>	<u>553,633</u>	<u>122,100</u>	<u>-</u>	<u>7,115</u>	<u>49,464</u>	<u>73,626</u>	<u>1,127,175</u>
Disbursements:									
Personal services	74,038	106,755	-	-	-	-	50,833	36,623	268,249
Supplies	3,526	1,802	-	-	-	-	-	-	5,328
Other services and charges	33,896	8,146	554,590	-	-	6,405	-	-	603,037
Capital outlay	13,036	-	-	108,084	-	-	-	-	121,120
Other disbursements	-	22,618	-	-	-	-	-	-	22,618
Total disbursements	<u>124,496</u>	<u>139,321</u>	<u>554,590</u>	<u>108,084</u>	<u>-</u>	<u>6,405</u>	<u>50,833</u>	<u>36,623</u>	<u>1,020,352</u>
Excess (deficiency) of receipts over disbursements	<u>2,158</u>	<u>55,262</u>	<u>(957)</u>	<u>14,016</u>	<u>-</u>	<u>710</u>	<u>(1,369)</u>	<u>37,003</u>	<u>106,823</u>
Cash and investments - ending	<u>\$ 266,313</u>	<u>\$ 211,649</u>	<u>\$ 18</u>	<u>\$ 247,084</u>	<u>\$ 104</u>	<u>\$ 13,368</u>	<u>\$ -</u>	<u>\$ 48,838</u>	<u>\$ 787,374</u>

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS

PAYMENTS FOR UNSUPPORTED GRANDFATHERED LEAVE TIME

Bonnie Lake Justice, former Office Manager, and Le Ann Freeman, former Investigator, appeared before the Township Board on February 18, 2009, and requested to use accumulated sick and personal time. Bonnie Lake Justice, former Office Manager, had been employed by the Township since 1996 and Le Ann Freeman, former Investigator, since 2002, working for then Township Trustee, Donald R. Lewis, until his death on November 14, 2008. The following accumulated days were presented to the board: Bonnie Lake Justice, former Office Manager, 89 sick and 85 personal for a total of 174 days (1,392 hours); and Le Ann Freeman, former Investigator, 39 sick and 44 personal for a total of 83 days (664 hours). A motion to allow the use of these days was made by Richard Landgrebe and seconded by James Ragle and approved, with Rane Love dissenting. This time will be referred to hereafter as "grandfathered time." At the same meeting Fred Ogan, former Trustee, requested that the Township establish a policy for the use of leave time.

At the July 28, 2010 Board meeting, William Evans, former Trustee, presented the Board with a document requesting payment of the "grandfathered time." Richard Landgrebe and Eileen Goss voted in favor with Rane Love voting against due to not knowing a specific dollar amount and a lack of supporting documentation.

On July 29, 2010, Bonnie Lake Justice, former Office Manager, submitted a payroll voucher for herself for 1,396 hours accumulated leave (a combination of some grandfathered time and later accumulated time) at \$18.70 per hour for a total of \$26,105.20 and for Le Ann Freeman, former Investigator, for 920.75 hours accumulated leave (a combination of some grandfathered time and later accumulated time) at \$14.23 per hour for a total of \$13,102.27. William Evans, former Trustee, approved the voucher and signed the checks.

Supporting documentation presented for examination was not consistent with the amount presented to the board. Two payroll leave time reports were presented for examination. One began in 2002 and continued through 2010. This report included a section for personal time, a section for sick time and a section for vacation time. This report did not calculate an available balance and there were time periods in which no entries were made. We tried, but could not calculate a leave time balance based upon the numbers in this report. The other report began in 2009 and included rollover time of 1,390 for Bonnie Lake Justice, former Office Manager, and 831 for Le Ann Freeman, former Investigator. We could not trace the rollover amounts to any other supporting documentation.

We did not receive any supporting documentation to support when and how 1,392 ("grandfathered" portion) of the 1,396 hours of leave for Bonnie Lake Justice, former Office Manager, and 664 ("grandfathered" portion) of the 920.75 hours of leave for Le Ann Freeman, former Investigator, were accumulated; therefore, we are requesting repayment of \$26,030.40 from Bonnie Lake Justice, former Office Manager, and William Evans, former Trustee, jointly and severally; and \$9,448.72 from Le Ann Freeman, former Investigator, and William Evans, former Trustee, jointly and severally. (See Summary, page 27)

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)

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IMPROPER PAYMENTS FOR LEAVE TIME

A personnel policy was adopted at the February 25, 2009 Township Board meeting. The adopted policy states that full-time employees after one year of employment earn two personal days per year and one sick day per month. The policy also states that personal days and sick days may not be cashed-in. Personal and sick time are combined and accounted for on the Township records as paid time off (PTO).

On November 30, 2010, Bonnie Lake Justice, former Office Manager, submitted a payroll voucher for herself claiming 304.75 PTO hours, which accrued since February 25, 2009, at \$18.70 per hour for a total of \$5,698.83 and for Le Ann Freeman, former Investigator, claiming 64 PTO hours, which have accrued since February 25, 2009, at \$14.23 per hour for a total of \$910.72. William Evans, former Trustee, did not approve the pay voucher but signed the checks.

As stated in the comment above, Payments for Unsupported Grandfathered Leave Time, on July 29, 2010, Bonnie Lake Justice, former Office Manager, submitted a payroll voucher for herself for 1,396 hours accumulated leave (a combination of some grandfathered time and later accumulated time) at \$18.70 per hour for a total of \$26,105.20 and for Le Ann Freeman, former Investigator, for 920.75 hours accumulated leave (a combination of some grandfathered time and later accumulated time) at \$14.23 per hour for a total of \$13,102.27. William Evans, former Trustee, approved the voucher and signed the checks. Of these amounts 1,392 hours for Bonnie Lake Justice, former Office Manager, and 664 hours for Le Ann Freeman, former Investigator, were considered "grandfathered time" and approved for payment by the Board on July 28, 2010. The remaining time, 4 hours for Bonnie Lake Justice, former Office Manager, and 256.75 hours for Le Ann Freeman, former Investigator, was personal and sick time accrued since February 25, 2009.

As stated in the personal policy adopted on February 25, 2009, personal and sick time may not be cashed-in. We are requesting repayment of \$5,773.63 from Bonnie Lake Justice, former Office Manager, and William Evans, former Trustee, jointly and severally (\$74.80 paid on July 29, 2010, and \$5,698.83 paid on November 30, 2010); and \$4,564.27 from Le Ann Freeman, former Investigator, and William Evans, former Trustee, jointly and severally (\$3,653.55 paid on July 29, 2010, and \$910.72 paid on November 30, 2010) for leave time accrued since February 25, 2009. (See Summary, page 27)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

REFUND TO EMPLOYEES FOR 941 IRS REFUND CHECKS

Fred Ogan, former Trustee, found four Internal Revenue checks in a desk drawer at the Township office. They were dated February 12, 2008; April 1, 2008; September 2, 2008; and September 2, 2008. He deposited the following checks in the Township bank account on August 10, 2009: check dated September 2, 2008, for \$3,975.05 and a check dated September 2, 2008, for \$2,288.14. Checks dated February 12, 2008, and April 1, 2008, were outdated and had to be reissued by the Internal Revenue Service. They were reissued for \$1,009.48 and deposited into the Township bank account on April 9, 2010.

On April 14, 2010, the following checks were issued to employees for overpayment of withholding based upon a calculation by Bonnie Lake Justice, former Office Manager:

Check 4998 to Don R. Lewis (deceased) for \$1,929.94. The endorsement on the back of the check was Don Lewis, Vickie Lewis (daughter of Don R. Lewis). No records were presented showing this check was presented to his estate.

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Check 4999 was issued to Bonnie Lake Justice for \$2,338.61 and endorsed Bonnie Lake Justice.

Check 5000 was issued to Le Ann Freeman for \$1,554.86 and endorsed Le Ann Freeman.

Check 5001 was issued to Patricia J. Sebree for \$293.53 and endorsed Patricia J. Sebree.

Check 5002 was issued to Lou Ann Antonetti for \$489.00 and endorsed Lou Ann Antonetti.

Check 5003 was issued to Genell Ferrell for \$258.13 and endorsed Genell Ferrell.

Additionally, on November 28, 2007, a 941 refund check from the Internal Revenue Service was deposited for \$4,745.53 in the Township account. On November 28, 2007, Bonnie Lake Justice, former Office Manager, issued payments to the employees during the period covered by the refund check. The following checks issued were approved and signed by Don R. Lewis, former Trustee (deceased):

Check 5438 to Don R. Lewis for \$1,422.00

Check 5439 to Bonnie Lake Justice for \$1,178.00

Check 5440 to Le Ann Freeman for \$705.00

Check 5441 to Patricia J. Sebree for \$252.00

Check 5442 to Lou Ann Antonetti for \$39.00

We are requesting reimbursement for the payments made on April 14, 2010, to Vickie Lewis for \$1,929.94; Bonnie Lake Justice, former Office Manager, for \$2,338.61; Le Ann Freeman, former Investigator, for \$1,554.86; Patricia J. Sebree for \$293.53; Lou Ann Antonetti for \$489.00; and Genell Ferrell for \$258.13. Additionally, we are requesting reimbursement for payments made on November 28, 2007, to Donald R. Lewis, former Trustee (deceased), for \$1,422.00; Bonnie Lake Justice, former Office Manager, for \$1,178.00; Le Ann Freeman, former Investigator, for \$705.00; Patricia J. Sebree for \$252.00; and Lou Ann Antonetti for \$39.00. (See Summary, page 27)

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

CASHED INTERNAL REVENUE REFUND CHECK

A history of tax payments and charges was obtained from the Internal Revenue Service office by J. Martin Stephens, Trustee, and presented for examination. In reviewing the refunds, it was noted that check 2309 99733544 dated October 10, 2009, for \$796.39 was shown as issued and not returned. No evidence could be found that the check had been deposited into the Township bank account. A request was made by J. Martin Stephens, Trustee, to have the Internal Revenue trace this check to see if it had been cashed and if so by whom. The check was cashed on September 12, 2010. The Internal Revenue Service sent a copy of the check and the endorsement showed Don Lewis and Vickie Lewis. Donald R. Lewis, former Trustee, passed away November 14, 2008, and Vickie Lewis was not an employee of the Township. The check was mailed/pay to the order of Richland Twp, Lewis Don R. TTEE, 102 S. Park St., Ellettsville, IN 47429 which is the address of the Trustee's Office.

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Vickie Lewis and William Evans, former Trustee, jointly and severally, have been requested to repay \$796.39. (See Summary, page 27)

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)

OVERPAYMENT OF PAYROLL

From records presented for examination Bonnie Lake Justice, former Office Manager, received check 7207 on November 9, 2010, for \$1,496.00. This was in addition to her regular biweekly check received on November 12, 2010. There was no pay voucher. William Evans, former Trustee, signed the check. No evidence has been presented to document the justification for this additional compensation.

Bonnie Lake Justice, former Office Manager, and William Evans, former Trustee, jointly and severally, have been requested to repay \$1,496.00. (See Summary, page 27)

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)

UNALLOWABLE EXPENDITURES

On October 8, 2010, check 7156 was made out to Ellettsville/Richland Twp. Community Council for \$3,000. The invoice stated it was for Concerned Citizens for Public Services of Richland Township. The expenditure did not relate to the functions or purposes of the governmental unit. William Evans, former Trustee, stated this group was determining how Township funds could be kept locally if the state dissolved townships.

Check 4963 for \$1,000 dated March 16, 2009, was made to HHB2-150FAFRG to support local troops overseas.

Expenditures totaling \$219 for flowers were made from the Township Fund. Purchasing flowers is not allowable from public funds.

Additionally, several disbursements for donations to sports leagues were noted, including AAU leagues.

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 entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONTRACT VOLUNTEER FIRE DEPARTMENT

Records presented for examination indicate a payment was made to Ellettsville Volunteer Fire Department on December 30, 2010, for \$7,286.19 without a contract. The Town of Ellettsville Fire Department is under contract with the Township Trustee. The check was returned on March 16, 2011, to the Township Trustee after an inquiry about the payment.

RICHLAND TOWNSHIP, MONROE 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)

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of December 31, 2010, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of a political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

SERVICE AND TIME RECORDS

The payroll voucher for the pay period December 25, 2010 to December 31, 2010, showed Bonnie Lake Justice, former Office Manager, worked 40 hours and had 20 hours overtime and Le Ann Freeman, former Investigator, worked 40 hours and had 40 hours overtime and cashed out 40 hours vacation time. No time records were presented for examination to document when the overtime hours were worked.

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

During a meeting on March 31, 2011, a request was made to Bonnie Lake Justice, former Office Manager, for detailed records. She stated this was overtime earned between Thanksgiving and Christmas and she kept it on a calendar which she did not retain. Le Ann Freeman, former Investigator, stated her hours would have been documented in her daily journal where she kept township assistance appointments. The daily journal was obtained from the Trustee's office, no record of overtime hours worked were noted.

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)

IMPROPER USE OF RAINY DAY FUND

The Rainy Day Fund was used to pay for "grandfathered" and accumulated payroll. No approval for an appropriation was obtained from the Department of Local Government Finance.

During the examination period Indiana Code 36-1-8-5.1(b) stated:

"(a) A political subdivision may establish a rainy day fund by the adoption of:

- (1) an ordinance, in the case of a county, city, or town; or
- (2) a resolution, in the case of any other political subdivision.

(b) An ordinance or a resolution adopted under this section must specify the following:

- (1) The purposes of the rainy day fund.
- (2) The sources of funding for the rainy day fund, which may include the following:

(A) Unused and unencumbered funds under:

- (i) section 5 of this chapter;
- (ii) IC 6-3.5-1.1-21.1;
- (iii) IC 6-3.5-6-17.3; or
- (iv) IC 6-3.5-7-17.3.

(B) Any other funding source:

- (i) specified in the ordinance or resolution adopted under this section; and
- (ii) not otherwise prohibited by law.

(c) The rainy day fund is subject to the same appropriation process as other funds that receive tax money.

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(d) In any fiscal year, a political subdivision may transfer under section 5 of this chapter not more than ten percent (10%) of the political subdivision's total annual budget for that fiscal year, adopted under IC 6-1.1-17, to the rainy day fund.

(e) A political subdivision may use only the funding sources specified in subsection (b)(2)(A) or in the ordinance or resolution establishing the rainy day fund. The political subdivision may adopt a subsequent ordinance or resolution authorizing the use of another funding source.

(f) The department of local government finance may not reduce the actual or maximum permissible levy of a political subdivision as a result of a balance in the rainy day fund of the political subdivision."

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>
Rainy Day	2010	\$ 36,623
Fire Fighting	2010	51,269
Cumulative Fire	2010	36

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."

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

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

A duplicate payment was made to Entenmann-Rovin for \$454.15 for trustee office badges. A request was made in 2011 for reimbursement of the overpayment and was received.

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)

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid timely resulting in late fees.

Penalties and interest were paid to the Internal Revenue Service and the Indiana Department of Revenue.

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)

CONTRACTS

Records presented for examination indicate payments were made for mowing and bookkeeping services without a contract.

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)

ADDITIONAL AUDIT COSTS

We noted the following concerning the records:

1. Many payments for accumulated leave with no documentation to support the payments, records recovered by the computer consultant were inconsistent with the claimed leave time and were inconclusive.
2. Refunds from the Internal Revenue Service of 941 payments were paid to employees without any supporting documentation that it was due to them. A detail tracing of Internal Revenue payments was made from 2006 to 2010.
3. Additional audit time was required to acquire and analyze payroll disbursements and other information necessary for the examination 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 Townships, Chapter 13)

RICHLAND TOWNSHIP, MONROE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BONDS

The following official bonds were filed in the Office of the County Recorder:

Donald R. Lewis, former Trustee, was bonded with Merchants Bonding Company for \$25,000 for the period January 1, 2007 to December 31, 2010.

Fred Ogan, former Trustee, was bonded with Merchants Bonding Company for \$30,000 for the period December 10, 2008 and ending December 10, 2010.

William Evans, former Trustee, was bonded with Merchants Bonding Company for \$50,000 for the period of December 16, 2009 and ending December 31, 2010.

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 . . ."

RICHLAND TOWNSHIP, MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2011, with Fred Ogan, former Trustee, and Ranee (Love) Brown, former Board member. The officials concurred with our findings.

The contents of this report were discussed on May 25, 2011, with J. Martin Stephens, Trustee, and Eric Koch, Township Attorney.

The contents of this report were discussed on July 12, 2011, with William Evans, former Trustee; Bonnie Lake Justice, former Office Manager; Le Ann Freeman, former Investigator; Philip Chamberlain, Attorney for Ms. Freeman and Ms. Justice; and Eileen Goss, Board member. The official response has been made a part of this report and may be found on pages 25 and 26.

To: State Board of Accounts:

The decision and research behind the compensated absence balances for staff was made by the former Richland Township Trustee Fred Ogan, presented to, and approved by majority vote of the Richland Township Board at a public meeting on February 18, 2009; ten months before Trustee Evans term of office as the Richland Township Trustee began.

Trustee Evans understood from the record the compensated absence balances for staff accepted by the Richland Township Board were "grandfathered" for the purpose of liquidating them at a future date. Trustee Evans wished to resolve the issue prior to his term of office ending.

Trustee Evans spoke with the township's legal counsel in May and June of 2010 regarding the liquidation of compensated absence balances for the staff. The township legal counsel outlined the steps necessary for Trustee Evans to follow to liquidate the compensated absence balances remaining on the books of Richland Township.

The Richland Township Board subsequently approved the liquidation of the remaining compensated absence balances at their public meeting on July 28, 2010. Trustee Evans proceeded to follow the steps outlined by the township legal counsel in liquidating the compensated absence balances and remitted the proceeds to the respective staff members.

With regards to the check that was issued by the I.R.S. and cashed after former Trustee Don Lewis's death. The check was also issued by someone during the period of time the former Richland Township Trustee Fred Ogan was in office, not Trustee Evans. Neither Trustee Evans nor his staff had any knowledge of this check or the transaction that accompanied it.

In summation, Trustee Evans just carried out the wishes of two separate Richland Township Board decisions, by majority vote, to liquidate the compensated absence balances of the staff as determined by former Richland Township Trustee, Fred Ogan. This is all public record, was all carried out in open Public Meetings, and can be viewed in the Richland Township Board minutes.

Thank You,

William Evans

July 18, 2011

To: State Board of Accounts
From: Eileen Goss
4070 W. Estate Ct.
Bloomington, Indiana 47404

To Whom it may Concern:

I am currently the Richland Township Board Secretary, newly elected member in the November 2010 election. I had served as an appointed member since May of 2009 following the resignation of board member, Jim Ragle. I am writing regarding the 2010 board's decision to allow payment of accrued vacation/sick time for two former employees: Bonnie Justice and Le Ann Freeman which is now in dispute with the current audit that has taken place.

It was my understanding that the Richland Township Board in February of 2009 adopted an office policy and gave both Bonnie and Le Ann credit for their amount of sick and vacation time that they had accrued in their years working for former long-time Trustee, Don Lewis. Mr. Ogan referred to this in his notations as "grandfathered" time in notations he left with the 2010 Trustee, Mr. William Evans. Mr. Ogan also left a spread sheet of the past accrued time plus the time accrued since 2/18/09 with Mr. Evans to that effect.

On July 28, 2010, the Richland Township Board met and approved the request to pay Bonnie Justice and Le Ann Freeman for their accrued time. Mr. Evans had informed the board that he had consulted with the township attorney, Bill Lloyd and with the State Board of Accounts. There was discussion at the meeting that this time was a "liability" for the township whether it was paid out now or carried over on the books for 2011.

Sincerely,

Eileen Goss
Richland Township Board Secretary

RICHLAND TOWNSHIP, MONROE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Bonnie Lake Justice, former Office Manager, and William Evans, former Trustee, jointly and severally:			
Payments for Unsupported Grandfathered Leave Time, page 15	\$ 26,030.40	\$ -	\$ 26,030.40
Improper Payments for Leave Time, page 16	5,773.63	-	5,773.63
Overpayment of Payroll, page 18	<u>1,496.00</u>	-	<u>1,496.00</u>
Total for Bonnie Lake Justice and William Evans, jointly and severally	<u>33,300.03</u>	-	<u>33,300.03</u>
Bonnie Lake Justice, former Office Manager:			
Refund to Employees for 941 IRS Refund Checks - April 14, 2010, pages 16 and 17	2,338.61	-	2,338.61
Refund to Employees for 941 IRS Refund Checks - November 28, 2007, pages 16 and 17	<u>1,178.00</u>	-	<u>1,178.00</u>
Total for Bonnie Lake Justice	<u>3,516.61</u>	-	<u>3,516.61</u>
Le Ann Freeman, former Investigator, and William Evans, former Trustee, jointly and severally:			
Payments for Unsupported Grandfathered Leave Time, page 15	9,448.72	-	9,448.72
Improper Payments for Leave Time, page 16	<u>4,564.27</u>	-	<u>4,564.27</u>
Total for Le Ann Freeman and William Evans, jointly and severally	<u>14,012.99</u>	-	<u>14,012.99</u>
Le Ann Freeman, former Investigator:			
Refund to Employees for 941 IRS Refund Checks - April 14, 2010, pages 16 and 17	1,554.86	-	1,554.86
Refund to Employees for 941 IRS Refund Checks - November 28, 2007, pages 16 and 17	<u>705.00</u>	-	<u>705.00</u>
Total for Le Ann Freeman	<u>2,259.86</u>	-	<u>2,259.86</u>
Vickie Lewis:			
Refund to Employees for 941 IRS Refund Checks - April 14, 2010, pages 16 and 17	1,929.94	-	1,929.94
Cash Internal Revenue Refund Check, pages 17 and 18	<u>796.39</u>	-	<u>796.39</u>
Total for Vickie Lewis	<u>2,726.33</u>	-	<u>2,726.33</u>
Patricia J. Sebree:			
Refund to Employees for 941 IRS Refund Checks - April 14, 2010, pages 16 and 17	293.53	-	293.53
Refund to Employees for 941 IRS Refund Checks - November 28, 2007, pages 16 and 17	<u>252.00</u>	-	<u>252.00</u>
Total for Patricia J. Sebree	<u>545.53</u>	-	<u>545.53</u>
Lou Ann Antonetti:			
Refund to Employees for 941 IRS Refund Checks - April 14, 2010, pages 16 and 17	489.00	-	489.00
Refund to Employees for 941 IRS Refund Checks - November 28, 2007, pages 16 and 17	<u>39.00</u>	-	<u>39.00</u>
Total for Lou Ann Antonetti	<u>528.00</u>	-	<u>528.00</u>
Genell Ferrell:			
Refund to Employees for 941 IRS Refund Checks - April 14, 2010, pages 16 and 17	<u>258.13</u>	-	<u>258.13</u>
Estate of Donald R. Lewis, former Trustee (deceased):			
Refund to Employees for 941 IRS Refund Checks - November 28, 2007, pages 16 and 17	<u>1,422.00</u>	-	<u>1,422.00</u>
Totals	<u>\$ 58,569.48</u>	<u>\$ -</u>	<u>\$ 58,569.48</u>

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AFFIDAVIT

STATE OF INDIANA)
)
Monroe COUNTY)

I, Karen Braun, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Richland Township, Monroe County, Indiana, for the period from January 1, 2010 to December 31, 2010, is true and correct to the best of my knowledge and belief.

Karen Braun
Field Examiner

Subscribed and sworn to before me this 13 day of September, 2011

Heather Whitlow
Notary Public
Heather Whitlow

My Commission Expires: 9-24-2014

County of Residence: Monroe