

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

EXAMINATION REPORT

OF

CLAY TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2008 to December 31, 2010



FILED

01/19/2012

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OFFICIALS

Office

Official

Term

Trustee

Christa K. Acton

01-01-07 to 12-31-14

Chairman of the
Township Board

Don Jackson
Mike A. Champlin

01-01-08 to 12-31-10
01-01-11 to 12-31-11



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CLAY TOWNSHIP, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of Clay Township (Township), for the period of January 1, 2008 to December 31, 2010. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2008, 2009, and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

June 1, 2011

STATE BOARD OF ACCOUNTS

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008, 2009, And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 82,368	\$ 26,596	\$ 71,320	\$ 37,644
Township Assistance	19,349	40,474	44,384	15,439
Firefighting	22,803	124,690	116,231	31,262
Fire Station Debt	124,124	49,690	59,283	114,531
Construction	6,419	-	6,419	-
Fiduciary Fund:				
Payroll Withholdings	-	5,344	3,237	2,107
Totals	<u>\$ 255,063</u>	<u>\$ 246,794</u>	<u>\$ 300,874</u>	<u>\$ 200,983</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 37,644	\$ 11,281	\$ 55,629	\$ (6,704)
Township Assistance	15,439	8,855	35,383	(11,089)
Firefighting	31,262	41,158	34,496	37,924
Fire Station Debt	114,531	19,294	53,201	80,624
Fiduciary Fund:				
Payroll Withholdings	2,107	4,678	1,105	5,680
Totals	<u>\$ 200,983</u>	<u>\$ 85,266</u>	<u>\$ 179,814</u>	<u>\$ 106,435</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
Township	\$ (6,704)	\$ 41,375	\$ 52,054	\$ (17,383)
Township Assistance	(11,089)	22,534	20,394	(8,949)
Firefighting	37,924	49,757	94,975	(7,294)
Fire Station Debt	80,624	13,391	52,263	41,752
Fiduciary Fund:				
Payroll Withholdings	5,680	6,965	1,371	11,274
Totals	<u>\$ 106,435</u>	<u>\$ 134,022</u>	<u>\$ 221,057</u>	<u>\$ 19,400</u>

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

CLAY TOWNSHIP, BARTHOLOMEW 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, 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 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 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.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
General obligation bond:		
Fire Station	\$ 660,000	\$ 56,841

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE

A \$1,000 cash withdrawal was noted from the Township bank account on February 20, 2009. Upon inquiry, Christa K. Acton, Trustee, indicated that she needed to pay a legal retainer to a local law firm and didn't have the Township checkbook with her so she went to the bank and obtained a cashier's check. She stated that the Township Officials later determined the need for the services of a law firm experienced in Fire Department issues. At that point, the Trustee indicated that she obtained a refund of the \$1,000 retainer. However, she was unable to immediately provide the documentation for such a refund.

Upon inquiry of the law firm, the Bookkeeper indicated that the \$1,000 cashier's check was marked "one month salary advance" and was a retainer for legal fees for Christa K. Acton, Trustee. The Bookkeeper provided the court cause number and the other party's name.

Christa K. Acton, Trustee, said that she made a \$1,020 deposit, which included the repayment of the \$1,000 as well as an additional \$20 deposit for an unrelated receipt, on January 30, 2010. We verified a deposit was made on January 30, 2010, to the Township bank account. We requested information from the bank regarding the source of funds for the deposit composition. The bank manager was able to provide us with a copy of a personal check from Christa K. Acton, Trustee, payable to the Clay Township Trustee Office dated January 30, 2010, for \$1,000. The check endorsement was "Clay Township Trustee Office For Deposit Only"; however, the bank manager indicated that the check had been cashed by the bank. The deposit slip that was printed at the time of the deposit said "National City Cashed Check" and "Cash in for at total of \$1,020.00."

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)

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)

PAYROLL OVERPAYMENT

Christa K. Acton, Trustee, was paid \$11,999.96 for 2008; however, the Board approved "Resolution Establishing Salaries of Township Officers and Employees (Form 17)" indicated the rate of pay for the Trustee in the amount of \$8,500 for the year 2008.

The Township Board minutes, on January 12, 2008, included approval of additional pay of \$500 per month for three months and then on March 18, 2008, approved an additional pay of \$500 per month for three months.

Indiana Code 36-6-6-10 (d) states in part: ". . . the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available."

We requested that Christa K. Acton, Trustee, reimburse the Township \$3,499.96 for additional pay received over the \$8,500 approved in the "Resolution Establishing Salaries of Township Officers and Employees (Form 17)." During 2010, Christa K. Acton, Trustee, reduced her gross pay by a total of \$925. As of December 31, 2010, the unpaid balance was \$2,574.96. (See Summary, page 19)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES AND INTEREST

Penalties and interest totaling \$29.67 were paid to the Internal Revenue Service on November 3, 2008, for the period ending December 31, 2007.

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)

PAYROLL WITHHOLDING AND REPORTING

The following payroll and payroll withholding/reporting issues were noted during the examination:

Trustee Christa K. Acton's 2008 W-2 reported gross pay of \$8,500; however, her actual gross pay per the computerized yearly earnings record was \$11,999.96, a difference of \$3,499.96.

For 2009, check 3634 dated October 29, 2009, was posted as paid to Paul Acton (part-time Clerk) in the financial ledger and to Paul Acton's yearly earnings record, for the gross pay amount of \$1,000. However, the cleared bank image check showed the check was actually payable to Christa K. Acton, Trustee. This gross pay was not included in Christa K. Acton's yearly earnings record; however, it was included on her 2009 W-2. This amount was included in the amounts posted to Paul Acton's yearly earnings record; however, the \$1,000 was excluded from Paul Acton's 2009 W-2.

Amounts withheld and amounts remitted to the Internal Revenue Service were not reconciled to ensure that the proper amounts had been remitted. Also, payroll withholdings were made for state and local taxes but were not remitted to the Indiana Department of Revenue.

The quarterly federal tax returns (form 941) were incorrect for the years 2009 and 2010. 2009 gross wages reported on 941 was \$9,099.98; the W-3 gross pay was \$17,700, a difference of \$8,600.02. The total amount of gross wages per yearly earnings records was \$19,408.29.

A review of the 941s for the calendar year 2010 was based on the available records. Only the first three quarterly 941s were filed; of those filed, total gross pay was reported as \$14,086.69; gross pay per employee earnings records was \$18,455.03, a difference of \$4,368.34.

Corrections were made to prior years' 941 quarterly reports; however, some of the reports did not appear to have the correct reporting year on them compared to the date entered on the second page of the forms. These corrections also included additional payments which had to be made. No separate accounting was kept of the amounts paid for the prior years, which would help with reconciling the current year's withholdings and amounts remitted.

Upon inquiry, Christa K. Acton, Trustee, said that she had not received any correspondence from the Internal Revenue Service concerning any issues or differences on the Township's taxes, that had not been 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.

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

EXCESSIVE OR UNREASONABLE COSTS

Cemetery mowing and maintenance work was performed by a contracted company for 2007. The total amount paid to that company in 2007 was \$3,100. In 2008 and 2009, the Trustee's spouse, Paul Acton, of PJ's Mowing, performed the cemetery mowing and maintenance duties. The amount paid to PJ's Mowing for 2008 was \$9,300 and for 2009 was \$14,350, which also included tree removal. The amount paid to PJ's Mowing for 2010 was \$4,400.

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)

CONFLICT OF INTEREST DISCLOSURE

Paul Acton, of PJ's Mowing, is the spouse of Christa K. Acton, Trustee. In 2008, 2009, and 2010, \$9,300, \$14,350, and \$4,400, respectively, was paid to PJ's Mowing for cemetery mowing and maintenance. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

During the examination period, Indiana Code 35-44-1-3 stated 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 . . .

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (2) of whose support is provided during a year by the public servant."

INTERNAL CONTROLS - TRANSFERS

There were numerous transfers posted in error to the accounting software in 2008. There was a mix of transactions which included some bank transfers and some interfund transfers, often within the same fund and the same transaction. The net result of these transactions was zero; however, the receipts and disbursements for these funds did include these transfer amounts, thus causing the receipts and disbursements of these funds to be overstated. These transactions were adjusted out of the Schedule of Receipts, Disbursements, and Cash Balances; however, the corrections were not made to the records.

Additionally, on December 30, 2010, check 3909 in the amount of \$10,000 was posted to the Payroll Withholding Fund in error. This check was intended to transfer funds from the Trustee's checking account to a new checking account at a different bank. The transaction was adjusted out of the disbursements in the Schedule of Receipts, Disbursements, and Balances. However, the Trustee's financial records still reflect this transaction and, as a result, the cash balance as of December 31, 2010, was understated by \$10,000.

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)

ANNUAL REPORT

Annual Reports for the years 2008 and 2009 were not filed with the State Board of Accounts. There was a similar comment in the prior report (B34171). Copies of the Annual Report were provided by the Trustee during the examination. However, numerous errors were noted in those Annual Reports.

The Annual Report for the year 2010 was filed on April 22, 2011, with the State Board of Accounts. The Annual Report also contained numerous errors.

Indiana Code 5-11-1-4(a) states:

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

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

The Construction Fund was not accounted for on the Township's financial ledger. The cash balance as of January 1, 2008, was \$6,419.48. No records were available from the Trustee to examine 2008 or 2009 transactions or activity. The Trustee indicated that their former Attorney had the records, but the Trustee did not obtain those records for examination purposes. The Trustee did eventually provide a copy of the invoice and a signed copy of a statement to the bank, authorizing the bank to prepare two checks for payment of expenses related to the fire station construction.

There were several errors noted during the review of the Annual Reports. The most significant errors included: the 2009 Annual Report did not include the Fire Station Debt Fund disbursements of \$53,202. As a result, the ending cash balance of \$133,826 should have been \$80,624. The 2008, 2009, and 2010 Annual Reports excluded the Payroll Withholding Fund cash balances, receipts and disbursements; for 2010, the Firefighting Fund receipts were \$68,096 on Part 1 of the Township Annual Report; Part 2 – Receipts for the Firefighting Fund were \$89,757; and actual receipts for the Firefighting Fund were \$49,757; The Firefighting Fund disbursements were \$74,975 on the Annual Report; actual disbursements, including a \$20,000 transfer out, were \$94,975. As a result of these corrections, the ending cash balance of \$31,045 as reported on the annual report should have been (\$7,294). The Schedules of Receipts, Disbursements, and Cash Balances were adjusted for these omissions. The indebtedness schedule also was not completed for the General Obligation Bond issue balances and payments for either 2008 or 2009.

Additionally, some transactions were recorded as "negative" receipts and disbursements.

A similar comment appeared in prior report (B34171).

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUPPORTING DOCUMENTATION

A check dated December 31, 2008, to the Clay Township Volunteer Fire Department in the amount of \$9,468, was not posted to the Township's financial ledger until January 15, 2009. The notation on the check stated "5,468 app; 4,000 last half of year." Christa K. Acton, Trustee, was unable to provide documentation, a contract, or reason for the \$5,468 payment.

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)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

TEMPORARY LOANS

Temporary loans were made as follows:

Date	From Fund	To Fund	Amount
01-14-08	Township	Firefighting	\$ 20,000
01-16-08	Firefighting	Fire Station Debt	60,000

The \$60,000 loan was posted as an interfund transfer in the Firefighting Fund and as a bank account transfer in the Fire Station Debt Fund. The repayment of this loan was posted as a negative receipt amount as a bank account transfer in the Fire Station Debt Fund, on November 30, 2008. The Fire Fighting Fund transaction was posted as a bank account transfer in the receipts for 2008.

The Trustee indicated that the \$60,000 transaction was simply a correction of a prior posting error; however, it had the appearance of a temporary loan. Eleven months had elapsed before the correction was made, which indicates that there was not a sufficient review of the financial transactions and balances during the year.

The Township Board minutes did not indicate any official actions in regard to temporary loan approvals.

The temporary loan of \$20,000 from the Township Fund to the Firefighting Fund was not repaid by December 31, 2009, despite the Trustee's insistence that she had done so. Upon request, she was unable to provide documentation that she had repaid this loan. The temporary loan was repaid on March 31, 2010.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

APPROPRIATIONS

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

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	2008	2009	2010
Township	\$ -	\$ 1,009	\$ -
Township Assistance	28,810	5,383	-
Firefighting	-	-	38,576
Fire Station Debt	2,822	-	17,263

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."

INTERNAL CONTROLS - APPROPRIATIONS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

The appropriations posted to the financial ledger in 2009 were incorrect as noted below:

Fund	Appropriation Posted to Ledger	Approved Appropriation	Difference
Township Assistance	\$ 19,000	\$ 30,000	\$ 11,000
Firefighting	51,000	39,021	11,979
Fire Station Debt	65,000	58,071	(6,929)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN FUND BALANCES

The Township Fund and Township Assistance Fund were overdrawn in 2009. The Township Fund, Township Assistance Fund, and Firefighting Fund were overdrawn in 2010.

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

OFFICIAL BOND

For the years 2008 and 2009, the following official bond was not filed in the Office of the County Recorder:

Christa K. Acton, Trustee

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the township executive shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

BOARD MINUTES

Board minutes did not usually contain a record of votes taken. Also, the Board minutes were not always clear and didn't contain sufficient information to convey what the Board intentions were.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

PAYROLL DEDUCTIONS

The federal withholding amounts for the Trustee and the Township Clerk were revised several times during the first and second quarters of 2010. Revised Form W-4s, Employee's Withholding Allowance Certificates, were not presented for examination. The amounts of the federal withholdings ranged from \$23.66 to \$462.42 for the Trustee and \$11.27 to \$399.99 for the Township Clerk.

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)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - FINANCIAL RECORDS

Christa K. Acton, Trustee, indicated that there needed to be some revisions to the accounting software to set up the new bank account, which she was unable to do. As of April 5, 2011, there were no postings to the 2011 financial ledger. During several discussions with Christa K. Acton, Trustee, she indicated that she did not have time to work with the software company to set up the new bank account. Also, no manual ledger was utilized.

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)

TOWNSHIP ASSISTANCE

Laurie Baker, Township Clerk, and her spouse received Township Assistance of \$300 per month for a total of twenty-one months out of a possible twenty-eight months during the period from September 2008 to December 2010. Four Applications for Township Assistance (Form TA-1) were completed on September 3, 2008, January 7, 2009, April 8, 2009, and July 7, 2010. Our review of these applications did not indicate any investigation by the Trustee. Seventeen Applications for Additional or Continued Township Assistance (TA-1B) were filed. They were dated: September 30, 2008, October 30, 2008, November 25, 2008, February 6, 2009, March 3, 2009, April 7, 2009, May 4, 2009, June 5, 2009, September 9, 2009, October 2, 2009, November 4, 2009, December 1, 2009, August 3, 2010, September 1, 2010, October 7, 2010, November 5, 2010, and December 7, 2010. We noted at least two applications dated March 3, 2009, and April 7, 2009, where Laurie Baker's gross pay of \$325, as Township Clerk (check 3384 dated February 5, 2009, and check 3405 dated February 27, 2009) was not included. The Application for Additional or Continuing Township Assistance (Form TA-1B) dated March 3, 2009, includes a section entitled, "List all money, income, benefits received by anyone in your household in the past thirty (30) days."

During part of the period, Laurie Baker's spouse was a Township Board member. It does not appear a conflict of interest statement was filed.

Indiana Code 12-20-6-9 states:

"If an application for township assistance is made to the township trustee as administrator of township assistance, the township trustee, as administrator of township assistance, shall carefully investigate the circumstances of the applicant and each member of the applicant's household to ascertain the following: (1) Legal residence. (2) Names and ages. (3) Physical condition relating to sickness or health. (4) Present and previous occupation. (5) Ability and capacity to perform labor. (6) The cause of the applicant's or household member's condition if the applicant or household member is found to be in need and the cause can be ascertained. (7) Whether the applicant or a member of the applicant's household is entitled to income in the immediate future from any source, including the following: (A) Past or present employment. (B) A pending claim or cause of action that may result in a monetary award being received by any member of the applicant's household claiming to be in need. (C) A pending determination for assistance from any other federal or state governmental entity. (8) The family relationships of the township assistance applicant. (9) Whether the township assistance applicant or members of the applicant's household have relatives able and willing to assist the applicant or a member of the applicant's household."

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

During the examination period, Indiana Code 35-44-1-3 stated 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 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (2) of whose support is provided during a year by the public servant."

OFFICIAL BOND COVERAGE

Christa K. Acton, Trustee, was covered by a public official bond from Cincinnati Insurance Company in the amount of \$15,000 for the term beginning January 1, 2007 until December 31, 2007, with a Continuation Certificate extending the coverage until December 31, 2009. As of January 1, 2010, she was covered by a public official bond from Fidelity and Deposit Company of Maryland, in the amount of \$30,000 for the term beginning January 1, 2010.

EXAMINATION COSTS - CONDITION OF RECORDS

Due to the condition of records, additional examination costs of \$3,500 were incurred to verify financial statements and other information necessary for the examination report.

We requested that Christa K. Acton, Trustee, reimburse the Township \$3,500 for additional examination costs incurred because of the condition of the records presented. (See Summary, page 19)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2011, with Christa K. Acton, Trustee, and Mike A. Champlin, Chairman of the Township Board.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
SUMMARY

	Charges	Credits	Balance Due
Christa K. Acton, Trustee:			
Payroll Overpayment, page 7	\$ 3,499.96	\$ 925.00	\$ 2,574.96
Examination Costs - Condition of Records, pages 16 and 17	3,500.00	-	3,500.00
 Totals	\$ 6,999.96	\$ 925.00	\$ 6,074.96

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AFFIDAVIT

STATE OF INDIANA)
Johnson COUNTY)

I, Linda L. Hall, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Clay Township, Bartholomew County, Indiana, for the period from January 1, 2008 to December 31, 2010, is true and correct to the best of my knowledge and belief.

Linda L. Hall
Field Examiner

Subscribed and sworn to before me this 22 day of November, 2011.

Brenda Jo Bennett
Notary Public

My Commission Expires: Brenda Jo Bennett
Notary Public, State of Indiana
No. 559594
Qualified in Shelby County
County of Residence: Commission Expires February 1, 2015

