

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LIBERTY TOWNSHIP

WELLS COUNTY, INDIANA

January 1, 2012 to December 31, 2015



**FILED**  
07/29/2016



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SCHEDULE OF OFFICIALS

| <u>Office</u>                     | <u>Official</u>                   | <u>Term</u>                                  |
|-----------------------------------|-----------------------------------|--|
| Trustee                           | Diane Rockwell<br>Trenton Markley | 01-01-11 to 07-31-15<br>08-01-15 to 12-31-18 |
| Chairman of the<br>Township Board | Richard Borrer                    | 01-01-12 to 12-31-16                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LIBERTY TOWNSHIP, WELLS COUNTY, INDIANA

This report is supplemental to our examination report of Liberty Township (Township), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Examination Report of the Township, which provides our opinion on the Township's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

May 11, 2016

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TRUSTEE  
LIBERTY TOWNSHIP, WELLS COUNTY

TRUSTEE  
LIBERTY TOWNSHIP, WELLS COUNTY  
EXAMINATION RESULTS AND COMMENTS

***ERRORS ON DISBURSEMENTS***

Several payments were observed which did not contain adequate supporting documentation such as receipts, invoices, and other public records. Many disbursements were paid from a statement rather than itemized invoices and other disbursements had no supporting documentation at all. There were no invoices for 14 of the 19 Township Assistance disbursements in 2014. There were 10 disbursements in 2015 with no supporting documentation.

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)

***CONTRACTS***

The Township reimbursed operating expenses of the Liberty Center Volunteer Fire Department during the examination period. A contract was not written to support these reimbursements. Several of these reimbursements were made payable to a vendor for credit card charges; however, the name on the vendor's account was the Liberty Center Volunteer Fire Department.

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)

***ADVANCE PAYMENTS***

A review of payroll check dates indicated 14 out of 16 salary payments were paid as much as 26 days in advance of the actual date the services were provided.

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)

***ANNUAL FINANCIAL REPORT***

The Annual Financial Report filed on Gateway for 2012, 2013, 2014, and 2015 contained a number of errors and did not properly reflect the financial activity of the Township.

The Township received \$470,000 in General Obligation Notes in 2014 for the construction of a new fire station. The Construction fund was not included in the Annual Financial Reports.

TRUSTEE  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

**CONDITION OF RECORDS**

A review of the records indicated the following:

1. Receipts and disbursements were not totaled in the Financial and Appropriation Records for 2012, 2013, 2014, and 2015.
2. Ending balances were miscalculated in 2013, 2014, and 2015.
3. Fund appropriation columns were not used for the budgeted funds.

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**

Payments were made for a Township Assistance recipient from November 2013 through August 2015. There was only one Application for Township Assistance (Form TA-1) on file for the recipient, which was dated January 2, 2014. There were no Applications for Additional or Continuing Township Assistance (Form TA-1B) on file.

Indiana Code 12-20-6-1(a) states: "A township trustee may not extend aid to an individual or a household unless an application and affidavit setting forth the personal condition of the individual or household has been filed with the trustee within one hundred eighty (180) days before the date aid is extended."

Application for Additional or Continuing Township Assistance should be completed for additional or continuing Township Assistance.

The township trustee may not extend additional or continuing aid to an individual or a household unless the individual or household files an affidavit with the request for assistance affirming how, if at all, the personal condition of the individual or the household has changed from that set forth in the individual's or household's most recent application. IC 12-20-6-5 (Accounting and Uniform Compliance Manual for Townships, Chapter 6)

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.

TRUSTEE  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

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:

- (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."

TRUSTEE  
LIBERTY TOWNSHIP, WELLS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2016, with Trenton Markley, Trustee, and Richard Borrer, Chairman of the Township Board.

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TOWNSHIP BOARD  
LIBERTY TOWNSHIP, WELLS COUNTY

TOWNSHIP BOARD  
LIBERTY TOWNSHIP, WELLS COUNTY  
EXAMINATION RESULTS AND COMMENTS

***SALARY RESOLUTIONS***

Township Board approval of salaries of Township officers and employees for 2012, 2014, and 2015 was not presented for examination.

Indiana Code 36-6-6-10(b) states:

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay; and
- (4) remuneration other than statutory allowances;

of all officers and employees of the township."

***TOWNSHIP ASSISTANCE***

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.

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:

- (1) governed by the requirements of this article;
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- (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."

TOWNSHIP BOARD  
LIBERTY TOWNSHIP, WELLS COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***PUBLIC WORKS PROJECT***

The Township constructed a new fire station that met the requirements for a public works project during the examination period. The following items were noted:

1. The Township Board did not award the contract in a public meeting.
2. There was no evidence presented for examination that bidders submitted a bond or a certified check as evidence of financial responsibility.
3. There was no evidence presented for examination that bidders submitted a financial statement, a statement of experience, etc.
4. There was no evidence presented for examination that the contractor executed a payment bond.
5. No retainage of portions of payments by the contractor were held by the Board nor was an escrow account established.
6. There was no evidence presented for examination that the contractor was required to execute a performance bond.

Indiana Code 36-1-12-4(a) states in part:

"This section applies whenever the cost of a public work project will be:

- (1) . . . at least one hundred fifty thousand dollars (\$150,000) . . ."

Indiana Code 36-1-12-4(b)(8) states:

"Except as provided in subsection (c), the board shall:

(A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

(B) reject all bids submitted."

Indiana Code 36-1-12-4.5(a) states in part:

"The political subdivision or agency:

- (1) shall require a bond or a certified check to be filed with each bid by a bidder in the amount determined and specified by the board in the notice of the letting if the cost of the public work is estimated to be more than two hundred thousand dollars (\$200,000); and

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EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) may require a bond or a certified check to be filed with each bid by a bidder in the amount determined and specified by the board in the notice of the letting if the cost of the public work is estimated to be not more than two hundred thousand dollars (\$200,000)."

Indiana Code 36-1-12-4(b)(6) states:

"The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts."

Indiana Code 36-1-12-13.1(a) states in part:

". . . the appropriate political subdivision or agency:

- (1) shall require the contractor to execute a payment bond to the appropriate political subdivision or agency, approved by and for the benefit of the political subdivision or agency, in an amount equal to the contract price if the cost of the public work is estimated to be more than two hundred thousand dollars (\$200,000) . . ."

Indiana Code 36-1-12-14(b) states in part:

"A board that enters into a contract for public work, and a contractor who subcontracts parts of that contract, shall include in their respective contracts provisions for the retainage of portions of payments by the board to contractors, by contractors to subcontractors, and for the payment of subcontractors. At the discretion of the contractor, the retainage shall be held by the board or shall be placed in an escrow account with a bank, savings and loan institution, or the state as the escrow agent. The escrow agent shall be selected by mutual agreement between board and contractor or contractor and subcontractor under a written agreement among the bank or savings and loan institution and:

- (1) the board and the contractor; or
- (2) the subcontractor and the contractor. . . ."

Indiana Code 36-1-12-14(e) states in part:

"Except as provided by subsections (i) and (h), the contractor shall furnish the board with a performance bond equal to the contract price. If acceptable to the board, the performance bond may provide for incremental bonding in the form of multiple or chronological bonds that, when taken as a whole, equal the contract price. The surety on the performance bond may not be released until one year after the date of the board's final settlement with the contractor. . . ."

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EXIT CONFERENCE

The contents of this report were discussed on May 17, 2016, with Richard Borrer, Chairman of the Township Board.