

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

EXAMINATION REPORT

OF

LOCKHART TOWNSHIP

PIKE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED

12/20/2006

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OFFICIALS

Office

Official

Term

Trustee

Pallie Coleman

01-01-03 to 12-31-06

Chairman of the
Township Board

William Caldemeyer

01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LOCKHART TOWNSHIP, PIKE COUNTY, INDIANA

We have examined the financial information presented herein of Lockhart Township (Township), for the period of January 1, 2004 to December 31, 2005. 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, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 16, 2006

LOCKHART TOWNSHIP, PIKE COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 20,175	\$ 17,945	\$ 18,101	\$ 20,019
Dog	313	35	13	335
Township Assistance	6,117	-	1,160	4,957
Firefighting	7,149	14,559	14,057	7,651
Cumulative Building - Community Center	46,727	2,084	-	48,811
Fire Department Federal Refuge Grant	-	4,340	2,725	1,615
Totals	<u>\$ 80,481</u>	<u>\$ 38,963</u>	<u>\$ 36,056</u>	<u>\$ 83,388</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 20,019	\$ 18,754	\$ 20,057	\$ 18,716
Dog	335	43	35	343
Township Assistance	4,957	-	1,970	2,987
Firefighting	7,651	13,636	11,452	9,835
Cumulative Building - Community Center	48,811	2,351	6,144	45,018
Fire Department Federal Refuge Grant	1,615	-	1,615	-
Levy Excess	-	805	-	805
Totals	<u>\$ 83,388</u>	<u>\$ 35,589</u>	<u>\$ 41,273</u>	<u>\$ 77,704</u>

The accompanying notes are an integral part of the schedules.

LOCKHART TOWNSHIP, PIKE COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

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.

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYMENTS

Dates of transactions indicate that payments were made to Board Members, Trustee, Clerk, and independent contractors prior to the receipt of goods or services.

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)

BOARD OF FINANCE

The minutes presented for audit did not contain information related to the annual meeting of the board of finance or the election of officers to the board of finance. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 5)

Indiana Code 5-13-7-6(a) states in part: "Each local board of finance shall meet annually after the first Monday and on or before the last day of January. At the annual meeting the board of finance shall . . . Elect, from the board's membership . . . a president; and a secretary . . . The officers elected hold office until the officers' successors are elected and qualified."

COMPENSATION OVERPAYMENTS

The Township Board, Trustee, and Clerk received compensation for 2004 and 2005 which was not included in the payroll system. Additionally, the Trustee filed W-2s that erroneously reported payroll withholdings.

The Trustee completed Form 941, Employer's Federal Tax Return, for wages paid during the 2004 and 2005 calendar years. The Trustee paid the employer and employee's share of social security and medicare taxes from the Township Fund. The omission of withholdings from the compensation allowed for overpayments.

A similar comment appeared in the prior examination report.

Following is a schedule of the employee's share of 2004-2005 payroll withholdings paid from Township funds:

Trustee	Pallie Coleman	\$	856.80
Deputy Trustee	Charles P. Coleman		161.42
Board Member	Paul J. Hagemeyer		84.92
Board Member	Kern Luker		84.92
Board Chairman	William Caldemeyer		84.92
			<hr/>
Total due the Township		\$	<u>1,272.98</u>

Collection of the 2004-2005 Salary Overpayments were deposited into the Township depository account on November 15, 2006 and November 16, 2006. (See Summary, page 13)

LOCKHART TOWNSHIP, PIKE 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)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

1. There was no documentation presented for examination to reflect that record balances were reconciled to depository balances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

2. The Financial and Appropriation Record (Form 1C) was not adequately maintained, receipt transactions were not dated, nor did the receipts register reflect the date received, disbursements were not carried to the budget classification, approved appropriations were not posted, and disbursements for salary and wages were made in advance and without payroll deductions.

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)

3. Prescribed forms were not in use or were not adequately maintained:
 - a. The General Payroll Form 99B, Employee's Earnings Record was not in use.

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

b. The Township Form 16, Township Trustee's Receipt, was not in use. A non-prescribed receipt of a similar format was in use; however, observation and comparison revealed that the form was not dated, did not reflect the type of collection, (cash, check, money order, etc), and the sequence of issuance revealed that the receipt was not issued at the time of collection. The receipt written for interest received on account on the last day of each month was generally the first receipt of record for each month.

c. The General Form 350, Register of Investment was not adequately maintained, reflecting only the investments purchased. Pertinent information was not available without making inquiries of the investment activity with the depository.

d. The General Form 369, Capital Asset Ledger was not adequately maintained, providing only a partial listing of fixed asset purchases.

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)

4. The Trustee was provided a list of transfers to be made between funds to correct tax distribution posting errors during the examination of the 2002-2003 records. Based on the review of the 2004-2005 ledger, the transfers were not made.

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)

CONTRACTS

Records presented for audit indicate payments were made for cleaning services, maintenance and renovations of the fire station and community center, and cemetery caretaking 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)

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee did not make deposits by the first and fifteenth day of each month.

Indiana Code 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

DISBURSEMENT DOCUMENTATION

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

1. The Trustee received \$1,000 during 2004, for use of equipment;

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. A Board Member received \$110 on November 11, 2004, for use of equipment;
3. The Clerk received \$100 on April 20, 2005, for miscellaneous supplies;
4. The three Township Board Members and the Clerk received \$400 each on August 10, 2005, for expenses incurred;
5. Payments of \$100 and \$150, respectively, were paid to an independent contractor during 2004 and 2005, in excess of a contract dated June 18, 2001, with the ledger notation use of equipment; and
6. Reimbursement to the Trustee on August 31, 2004, exceeded the supporting documentation in the amount of \$70.

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

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)

EXCESSIVE OR UNREASONABLE COSTS

The Trustee was reimbursed during 2004 and 2005, for phone service in her home in the amount of \$1,849 without supporting documentation.

If the township office is in the home, and the phone (only phone) is in the township name in the phone directory, the additional cost of that phone being listed as a township phone is reimbursable. Up to 50% of the base monthly service billing may also be reimbursed if approved by the Township Board in accordance with IC 36-6-8-3. Additionally, 100% of all documented long distance township business calls may be reimbursed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The full cost of newspaper subscriptions, \$310, and the full cost of internet services, \$406.80, were paid from township funds in 2004 and 2005. The Trustee stated that she did not care for the newspaper subscription and that she never could learn how to use the internet; however, the Township paid for the cost of these services for more than four years that the Trustee considered to be of no benefit to the Township.

The Trustee was reimbursed during 2004 and 2005, in excess of \$2,000 for mileage. Mileage Claim, Form 101, was in use but did not provide the purpose of any of the travel reimbursements. Numerous trips were grouped by month listing only the destination and number of trips to that destination and the number of miles for which reimbursement was received.

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for examination included claims for reimbursement totaling \$217.91 for meals, for more than one individual. The reservation for the ITA conference was paid for one person to attend. That reservation form stated that meals were included. The \$217.91 reimbursement included the meals for attending the State Board of Accounts seminar the day following the ITA conference. We also noted that the Township paid for two motel rooms. When inquiry was made, the Trustee stated that three people attended but did not recall how many attended the conference and State Board of Accounts seminar. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

All claims, invoices, receipts and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid timely and included late payment penalties to vendors.

Penalties and interest totaling \$64.91 were paid to the Internal Revenue Service on April 15, 2005.

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)

SALES TAX

Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

LOCKHART TOWNSHIP, PIKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2006, with Pallie Coleman, Trustee.

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LOCKHART TOWNSHIP, PIKE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Pallie Coleman, Trustee:			
Compensation Overpayment, page 6	\$ 1,272.98	\$	\$
Repaid by Pallie Coleman	<u> </u>	<u>1,272.98</u>	<u> </u> -
 Totals	 <u>\$ 1,272.98</u>	 <u>\$ 1,272.98</u>	 <u>\$ </u> -