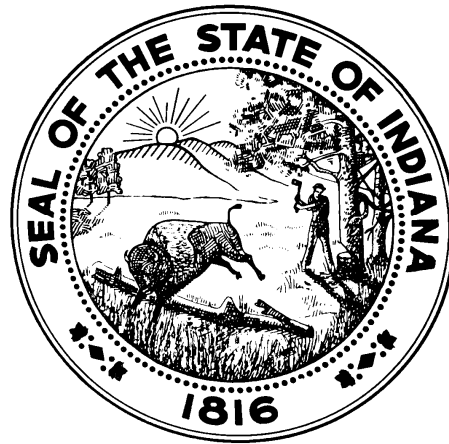


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
HARRISON TOWNSHIP
HOWARD COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
03/09/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John B. Harbaugh, Jr.	01-01-02 to 12-31-10
Chairman of the Township Board	Michael Craig David Ancil	01-01-06 to 12-31-06 01-01-07 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF HARRISON TOWNSHIP, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of Harrison Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Financial records presented for examination were incomplete and not reflective of the activity and balances of the General, Township Assistance, Firefighting, Build Indiana, Cumulative Fire, and Payroll Withholding Funds. The records presented did not provide sufficient information to examine receipts, disbursements and ending balances, or the accuracy or correctness of the transactions.

Because of the restrictions on our examination, as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether schedules referred to above present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 20, 2008

HARRISON TOWNSHIP, HOWARD COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 168,106	\$ 55,380	\$ 72,421	\$ 151,065
Dog	126	24	150	-
Township Assistance	75,245	44,089	26,010	93,324
Firefighting	47,069	110,220	116,675	40,614
Build Indiana	22,002	-	-	22,002
Cumulative Fire	295,421	85,218	113,799	266,840
Fiduciary Fund:				
Payroll Withholdings	(924)	-	-	(924)
Totals	<u>\$ 607,045</u>	<u>\$ 294,931</u>	<u>\$ 329,055</u>	<u>\$ 572,921</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 151,065	\$ 78,173	\$ 70,026	\$ 159,212
Township Assistance	93,324	53,194	30,904	115,614
Firefighting	40,614	93,819	116,691	17,742
Build Indiana	22,002	-	-	22,002
Cumulative Fire	266,840	52,658	119,445	200,053
Fiduciary Fund:				
Payroll Withholdings	(924)	-	-	(924)
Totals	<u>\$ 572,921</u>	<u>\$ 277,844</u>	<u>\$ 337,066</u>	<u>\$ 513,699</u>

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

HARRISON TOWNSHIP, HOWARD 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 IC 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.

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS

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)

CONTRACTS

Records presented for examination indicate payments were made to Western School Corporation as donations in 2006 and 2007.

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)

CONFLICT OF INTEREST DISCLOSURE

Mary Harbaugh was paid for mowing services and is the daughter of John B. Harbaugh, Township Trustee. A Uniform Conflict of Interest Disclosure Statement was not filed.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant . . ."

HARRISON TOWNSHIP, HOWARD 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."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted. Township Form 1C, the Financial and Appropriation Record (fund ledger), was not properly maintained during the examination period. Fund balances were not maintained in the fund ledger during 2006 and 2007. An annual report was presented for each year, but we were not able to verify the fund balances in the annual report to the fund ledger. Receipts were not always posted to the fund ledger, and there were no receipt totals posted in the fund ledger.

There were a considerable number of posting errors. These errors included deposits not receipted, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money 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)

OFFICIAL BOND

John B. Harbaugh, Jr., Trustee, did not have an official bond on file with the office of the Howard County Recorder. A similar comment was contained in the prior two reports.

IC 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 . . ."

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using Form 369. A similar comment was contained in the prior report.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PRESCRIBED FORMS

The following prescribed forms were not in use or were not used in the manner prescribed:

Township Form 17 - Resolution Recommending Salaries for Township
Officers and Employees
Township Form 1C - Financial and Appropriation Record
Township Form 16 - Township Trustee's Receipt
General Form 369 - Capital Asset Ledger
General Form 100R - Certificate Report of Names, Addresses, Duties
and Compensation of Public Employees
Employee's Service Record Form 99A
Employee's Earning Record Form 99B

A similar comment was contained in the prior three reports.

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)

DEPOSIT OF PUBLIC FUNDS

We noted several instances during 2006 where tax distribution checks from the County Treasurer were deposited several months late. The \$3,492.75 "County Option Income Tax" check dated April 6, 2006, was deposited on November 15, 2006.

IC 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."

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison at December 31, 2007, of the annual report to the bank account balances indicated cash necessary to balance of \$82,771.79. A similar comment was also contained in the prior report.

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)

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CERTIFIED REPORT OF PUBLIC EMPLOYEES

The Annual Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) was not filed for the years 2006 and 2007. A similar comment was also contained in the prior report.

Each year during the month of January each township trustee must complete a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) and send the same, properly certified, to the State Examiner of the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS OVERSPENT

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township Assistance	2006	\$ 4,798
General	2007	1,067
Township Assistance	2007	3,694

IC 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."

PUBLIC RECORDS RETENTION

Not all records requested were presented for examination. The following records were not provided for our review: Form W-2 wage and tax statements for the year 2007; Form 941 employer's quarterly federal tax returns for the year 2006 and for the second quarter of 2007; Department of Local Government Finance final approved budget orders; a written agreement between the Township and the volunteer fire department concerning collections on fire department and ambulance runs; documentation to support several payments and documentation to support the disposition of receipts to the Township; and not all bank statements for all accounts for years 2006 and 2007.

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

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

INCORRECT PAYROLL REPORTING

The Township's reporting of wages for calendar year 2006 on Form W-2 contained errors. Wages and withholdings reported did not always agree to the records. The reporting, in some instances, was understated and in other instances the reporting was overstated. Medicare withholding taxes were not properly computed for 2006. Federal, state and local taxes remitted for the year 2006 appear to be \$1,935.09 less than what should have been remitted based on the Form W-2s.

HARRISON TOWNSHIP, HOWARD 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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

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 in a timely fashion. A similar comment was contained in the prior report.

Penalties and interest totaling \$129.41 was paid to various vendors during the calendar years 2006 and 2007. Also, bank charges of \$376.42 were incurred on June 7, 2007, due to a legal document process fee related to an IRS tax levy; no documentation to support this payment was provided.

John B. Harbaugh, Jr., Trustee, was requested to reimburse the Township \$505.83. (See Summary, on page 14)

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)

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the Payroll Withholding Fund was overdrawn in 2006 and 2007. A similar comment was contained in the prior report.

The cash 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)

FINANCIAL REPORT OPINION MODIFICATIONS

Individual fund balances were not being maintained in the financial and appropriation ledger during the years 2006 and 2007; the bank reconciliation as of December 31, 2007, is \$82,771.79 short compared to the Township annual report and not all claims for the years 2006 and 2007 were presented for examination. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

HARRISON TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 20, 2009, with John B. Harbaugh, Jr., Trustee; and on January 21, 2009, with David Ancil, Chairman of the Township Board.

HARRISON TOWNSHIP, HOWARD COUNTY
SUMMARY

	Charges	Credits	Balance Due
John B. Harbaugh, Jr., Trustee:			
Penalties, Interest and Other Charges, page 11	\$ 505.83	\$	\$
Paid by John B. Harbaugh, Jr., Trustee on January 20, 2009		505.83	-
 Totals	\$ 505.83	\$ 505.83	\$ -