

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

EXAMINATION REPORT
OF
HARRISON TOWNSHIP
WELLS COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
05/19/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Examination Results and Comments:	
Temporary Loans.....	6
Annual Report.....	6-7
Appropriations.....	7
Disbursement Documentation – Township Assistance	7-8
Evidence of Investigation – Township Assistance.....	8
Overdrawn Cash Balance.....	9
Condition of Records	9
Deposit of Personal Funds	9-10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Dorrance Stinson Eric Kiefer	01-01-07 to 03-31-10 04-01-10 to 12-31-10
Chairman of the Township Board	Geraldine Claghorn	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Harrison Township (Township), for the period of January 1, 2008 to December 31, 2009. 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 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 19, 2010

HARRISON TOWNSHIP, WELLS 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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 5,007	\$ 12,339	\$ 11,300	\$ 6,046
Township Assistance	29,100	105,908	125,973	9,035
Firefighting	4,388	35,161	4,000	35,549
Township Assistance Debt Service	135,330	8,879	134,501	9,708
Fiduciary Fund:				
Payroll Withholdings	496	1,902	1,894	504
Totals	<u>\$ 174,321</u>	<u>\$ 164,189</u>	<u>\$ 277,668</u>	<u>\$ 60,842</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 6,046	\$ 19,426	\$ 11,569	\$ 13,903
Township Assistance	9,035	135,007	139,385	4,657
Firefighting	35,549	50,294	73,500	12,343
Township Assistance Debt Service	9,708	1,850	17,023	(5,465)
Fiduciary Fund:				
Payroll Withholdings	504	1,767	1,894	377
Totals	<u>\$ 60,842</u>	<u>\$ 208,344</u>	<u>\$ 243,371</u>	<u>\$ 25,815</u>

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

HARRISON TOWNSHIP, WELLS 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.

HARRISON TOWNSHIP, WELLS COUNTY
EXAMINATION RESULTS AND COMMENTS

TEMPORARY LOANS

Temporary loans from the Firefighting Fund to the Township Assistance Fund totaling \$132,000 were unpaid at December 31, 2007. Additional loans of \$1,000 and \$500 were made in 2008 and 2009, respectively. Repayments of \$4,000 were made in 2009, resulting in an unpaid balance at December 31, 2009 of \$129,500.

Temporary loans from the Township Assistance Debt Service Fund to the Township Assistance Fund totaling \$10,500 were unpaid at December 31, 2007. Additional loans of \$3,900 were made in 2008. No repayments were made in either year, resulting in an unpaid balance at December 31, 2009 of \$14,400.

A similar comment appeared in prior Report B34023.

IC 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."

ANNUAL REPORT

An Annual Report was prepared but was not filed with the State Examiner for the years 2008 and 2009.

The Annual Reports that were prepared for 2008 and 2009 did not contain a detail of receipts and disbursements for the Township Assistance Fund. A similar comment appeared in prior Report B34023.

IC 5-11-1-4 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."

HARRISON TOWNSHIP, WELLS 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 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)

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Township Assistance	2008	\$ 103,694
Township Assistance	2009	125,880
Township Assistance Debt Service	2009	17,023

A similar comment appeared in prior Report B34023.

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."

DISBURSEMENT DOCUMENTATION - TOWNSHIP ASSISTANCE

Several payments did not contain adequate supporting documentation. \$48,998 of disbursements which included 20 checks in excess of \$500 in 2008 for rental assistance did not have supporting documentation. The largest of the checks was \$13,000. \$44,065 of disbursements which included 24 checks in excess of \$500 in 2009 for rental assistance with no supporting documentation. The largest of the checks was \$9,900.

A similar comment appeared in prior Report B34023.

At the exit conference held April 19, 2010, the former Trustee provided a list of applicants and vendors to support some of the disbursements. The list as provided included information on landlords, recipients, amounts paid and months covered. The total of the list was \$44,420 for 2008 and \$34,330 for 2009. The list as presented indicates that rent was prepaid, in some cases as many as five months in advance.

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

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

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)

Whenever the administrator of township assistance of any township grants township assistance aid to any indigent person, or to any other person or agency on a township assistance order as provided by law or obligates the township for any item properly payable from township assistance funds, the claim against such township, itemized and sworn to as provided by law, and accompanied by the original township assistance order, duly itemized and signed shall be checked with the records of the administrator of township assistance, audited, and certified to, as required by law by the trustee.

The claim, with the original township assistance order or orders attached, shall then be filed for payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

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)

EVIDENCE OF INVESTIGATION - TOWNSHIP ASSISTANCE

A review of Township assistance applications disclosed minimal evidence of investigation as to actual need of the applicant. None of the applications observed included sufficient information to determine eligibility, such as employment history or other sources of help and expense information. Forty percent of the applications we requested to review were not presented for examination.

Seven applicants had their rent paid for six months or more during the examination period, with one applicant's rent being paid seventeen months out of the twenty-four month period. One vendor received a check that covered one applicant's rent for eight months. The applications did not indicate an inquiry was made as to whether other means existed to relieve the needs.

A similar comment appeared in prior Report B34023.

The township trustee shall carefully investigate the circumstances of the applicant and each member of the applicant's household to ascertain their legal residence, their physical condition relating to sickness or health, their present and previous occupation, their names and ages, the ability and capacity for labor of all members of the household, and the cause of the applicant's or household members condition if the applicant's household member is found to be in distress and the cause can be ascertained, whether an applicant or member of the applicant's household is entitled to income in the immediate future from any source including past or present employment, pending claims that may result in monetary award, or pending determination for assistance from any other federal or state governmental entity. (Form TA-1) The trustee shall ascertain, as far as possible, whether such persons have relatives able and willing to assist them. IC 12-20-6-9 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

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

OVERDRAWN CASH BALANCE

The cash balance of the Township Assistance Debt Service Fund was overdrawn at December 31, 2009.

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

- (1) The total of the individual fund balances did not agree with the ledger control balance at any time during the examination period.

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.

- (2) There were numerous posting errors. Included in these posting errors were a tax distribution check of \$34,346 and a loan repayment of \$9,080 posted to the Township Assistance Fund that should have been posted to the Township Assistance Debt Service Fund.

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

DEPOSIT OF PERSONAL FUNDS

A check for \$5,300 drawn on personal funds of the Trustee was deposited on February 23, 2009, into the Township Assistance Bank Account and posted to the Township Assistance Fund. A check for \$1,000 drawn on personal funds of the Trustee was deposited on June 17, 2009, into the Township Assistance Bank Account and posted to the Township Assistance Fund. No documentation was presented to support the purpose of these deposits.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

The Township Trustee's Receipt (Form 16-1997) is to be used for receipt of each item of money received. Indicate in the space "On Account Of" the fund or funds to which the receipt is to be posted and identify the receipt, such as Dog Tax, Tax Distribution, Fire Protection Agreement, Temporary Loan, Bank Loan for Equipment, etc. Give the original to the payor, and retain all duplicates in the bound record. Payment amount for cash, check, money order, credit card/bank card, EFT, and other shall be designated on each receipt. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

HARRISON TOWNSHIP, WELLS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2010, with Dorrance Stinson, former Trustee.

The contents of this report were discussed on April 19, 2010, with Eric Kiefer, Trustee. The official concurred with our findings.