

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

EXAMINATION REPORT
OF
MONROE TOWNSHIP
DELAWARE COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
07/27/2010

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OFFICIALS

Office

Official

Term

Trustee

Nykoa Johnson

01-01-07 to 12-31-10

Chairman of the
Township Board

Lawrence Shirey

01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MONROE TOWNSHIP, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of Monroe Township (Township), for the period of January 1, 2009 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 year ended December 31, 2009, 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.

STATE BOARD OF ACCOUNTS

April 14, 2010

MONROE TOWNSHIP, DELAWARE COUNTY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 15,147	\$ 31,655	\$ 35,261	\$ 11,541
Township Assistance	(3,187)	18,270	18,286	(3,203)
Firefighting	(9,208)	47,354	36,134	2,012
Fire Donation	376	400	374	402
Rainy Day	2,067	12	-	2,079
Levy Excess	1,070	-	-	1,070
Fire Debt	27,502	59,121	32,998	53,625
Cumulative Fire	70,638	23,082	25,348	68,372
Cemetery Restoration	2,434	4,271	3,710	2,995
Fiduciary Fund:				
Payroll Withholdings	(7,344)	6,534	5,316	(6,126)
Totals	<u>\$ 99,495</u>	<u>\$ 190,699</u>	<u>\$ 157,427</u>	<u>\$ 132,767</u>

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

MONROE TOWNSHIP, DELAWARE 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. Property tax collections were delayed in 2009 due to reassessment delays resulting in the first installment for 2009 being distributed in December 2009. The second installment for 2009 has not yet been distributed.

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.

MONROE TOWNSHIP, DELAWARE COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 248,387	\$ 99,919

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS

SUPPORTING DOCUMENTATION

The following items were noted during a review of disbursements:

1. Some disbursements had no supporting invoice.
2. Some disbursements had copies of invoices or a credit card charge slip rather than the original invoice.
3. Meals charged did not document attendees and the purpose of the meeting.
4. The cemetery caretaker received \$1,950 annually for cemetery care plus \$10 per hour for additional duties. No documentation was provided to support the amount paid for the additional duties performed.

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)

All claims, invoices, receipts, 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 which 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, or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TRAVEL DISBURSEMENTS

A review of travel disbursements revealed the following items:

1. Mileage rates were reimbursed at amounts other than the amount paid to State officers and employees.
2. Prescribed Mileage Form 101 was not properly completed. The Trustee noted the number of times she traveled to different locations rather than the specific dates traveled.
3. The Trustee received a per diem amount of \$30 per day. Actual meal receipts were not presented for examination. Therefore, we were unable to determine compliance with the approved travel policy. The approved travel policy states in part, ". . . All other travel expenses (lodging, meals, memberships and educational costs) will be paid by the

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

township or reimbursed from the township. A rate of \$30 (thirty dollars) per day will be the per diem established for travel if meal expenses exceed this amount. If below this amount actual cost will be paid."

4. The Trustee reimbursed herself \$15 per diem for January 28, 2009, and \$30 per diem for January 29, 2009. She could not provide an explanation as to the nature of the business occurring on these dates.

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)

All claims, invoices, receipts, 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 which 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 or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The township trustee is entitled to a sum for mileage in the performance of his official duties equal to the sum per mile paid to state officers and employees. (IC 36-6-8-3). (Township Bulletin and Uniform Compliance Guidelines Volume 287, November 2009)

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)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (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 until after the due date of those payments. A similar comment was noted in prior Report B35992.

Penalties and interest totaling \$1,410.02 were paid to a credit card vendor, the Indiana Department of Revenue, and for the late payment of a debt obligation.

Nykoa Johnson, Trustee, was requested to reimburse the Township \$1,410.02 for penalties paid. (See Summary, page 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.

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 in 2009 totaling \$66.18. A similar comment was noted in prior Report B35992.

Nykoa Johnson, Trustee, was requested to reimburse the Township \$66.18 for the sales tax paid. (See Summary, page 13)

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)

PERSONAL EXPENSES

The Trustee purchased an MP3 player in August 2009, for \$69.99 and medication for \$4.

Nykoa Johnson, Trustee, was requested to reimburse the Township \$73.99 for the disbursements made for personal items. (See Summary, page 13)

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 entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PAYROLL DEDUCTIONS

Payments to Board Members were made without payroll deduction for taxes. A similar comment was noted in prior Report B35992.

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)

MONROE TOWNSHIP, DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL TAXES - IMPROPER REMITTANCE

The Township did not withhold the proper amounts from employee wages for Social Security and Medicare taxes which resulted in the Township overpaying the Township share of Social Security and Medicare taxes by \$182.79.

Nykoa Johnson, Trustee, was requested to reimburse the Township \$182.79 for the amount not properly withheld from employees. (See Summary, page 13)

We also noted that the Internal Revenue Service Form 941s filed quarterly did not agree with the federal withholding tax as reported on the Internal Revenue Service Form W2s. The Trustee remitted \$145 more to the Internal Revenue Service for federal withholding tax than was actually withheld. Also, the Trustee remitted \$462 more to the Indiana Department of Revenue for state and county withholding taxes than was actually withheld.

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)

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)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN CASH BALANCES

The cash balance of the Township Assistance Fund and the Payroll Withholdings Fund were overdrawn in 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)

MONROE TOWNSHIP, DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2010, with Nykoa Johnson, Trustee; and Lawrence Shirey, Chairman of the Township Board. The official response has been made a part of this report and may be found on page 12.

Response for Monroe Township, Delaware County:

Re: Repayment of the late charges and interest on the fire truck loan: I wish to see the written policy where it says we should obtain a tax anticipation loan when it is more expensive than extending the payments as we chose to do. We were advised by our lender it was less costly to the taxpayers to process the late payments with an extension and not to borrow money to pay additional interest on top of interest. We chose the less costly route to follow. If there is a policy that tells us to choose the more costly tax anticipation loan over extending the payments which costs less in interest and charges I wish to see it. The less costly way should always be chosen for the taxpayers. A problem with a tax anticipation loan is any loan asks for a repayment date. I didn't have dates in 2007, 2008, 2009 and still in 2010, I have no absolute tax draw dates to schedule repayment. The second part of my response is that the reason these payments were late is because the state set unreasonable requirements that could not be met to keep the state taxes on time. All draws were late the schedule of payments was already set. If I had received the tax draw for my debt fund that the state had approved all payments would have been on time. I did not have enough in reserves to pay the entire payment on time and still continue with the fire service, insurance and other necessary costs of emergency services since I did not know when I would receive additional draws.

The Sales taxes will be refunded by the oil supply vender.

I will repay the township \$182.79, for the social security and Medicare withholding I miscalculated.

MONROE TOWNSHIP, DELAWARE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nykoa Johnson, Trustee:			
Penalties, Interest, and Other Charges, pages 8 and 9	\$ 1,410.02	\$ 1,410.02	\$ -
Sales Tax, page 9	66.18	66.18	-
Personal Expenses, page 9	73.99	73.99	-
Payroll Taxes - Improper Remittance, page 10	<u>182.79</u>	<u>182.79</u>	-
Totals	<u>\$ 1,732.98</u>	<u>\$ 1,732.98</u>	<u>\$ -</u>