

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

JEFFERSON TOWNSHIP

SULLIVAN COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED

05/14/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Frank Mejean	01-01-07 to 12-31-14
Chairman of the Township Board	Donald W. Bedwell Lonnie S. Todd	01-01-10 to 12-31-11 01-01-12 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JEFFERSON TOWNSHIP, SULLIVAN COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of Jefferson Township (Township), for the period of January 1, 2010 to December 31, 2012. The financial statements are the responsibility of the Township's management.

The Township did not properly maintain accounting records. Accounting records presented for examination were incomplete and not reflective of the activity of the Township. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or accuracy or correctness of the transactions. The Township's records do not permit the application of other examination procedures to ascertain if the financial statements presented for the years ended December 31, 2010 and 2011, are fairly stated. The Township did not present a financial statement for the year ended December 31, 2012.

Since the Township did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the financial statement. They have not been subjected to the examination procedures and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

May 8, 2013

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FINANCIAL STATEMENT

The financial statements and accompanying notes were approved by management of the Township.
The financial statements and notes are presented as intended by the Township.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 1,492	\$ 46,278	\$ 34,230	\$ 13,540
Township Assistance	-	1,500	1,431	69
Fire Fighting	-	11,577	7,323	4,254
Cumulative Fire	-	4,647	4,647	-
Park And Recreation	1,000	27,947	24,651	4,296
Levy Excess	-	125	125	-
Totals	<u>\$ 2,492</u>	<u>\$ 92,074</u>	<u>\$ 72,407</u>	<u>\$ 22,159</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 13,540	\$ 24,536	\$ 29,446	\$ 8,630
Park And Recreation	4,296	11,261	11,561	3,996
Township Assistance	69	1,000	175	894
Fire Fighting	4,254	11,306	10,788	4,772
Cumulative Fire	-	4,657	2,545	2,112
Totals	<u>\$ 22,159</u>	<u>\$ 52,760</u>	<u>\$ 54,515</u>	<u>\$ 20,404</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Township which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Township. It is presented as intended by the Township.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Park And Recreation	Levy Excess	Totals
Cash and investments - beginning	\$ 1,492	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 2,492
Receipts:							
Taxes	24,551	-	10,567	4,574	11,653	-	51,345
Other receipts	21,727	1,500	1,010	73	16,294	125	40,729
Total receipts	<u>46,278</u>	<u>1,500</u>	<u>11,577</u>	<u>4,647</u>	<u>27,947</u>	<u>125</u>	<u>92,074</u>
Disbursements:							
Personal services	17,295	1,171	7,323	-	9,801	-	35,590
Supplies	985	-	-	-	2,606	-	3,591
Other services and charges	3,435	-	-	-	2,790	-	6,225
Capital outlay	5,415	-	-	4,647	9,454	-	19,516
Other disbursements	7,100	260	-	-	-	125	7,485
Total disbursements	<u>34,230</u>	<u>1,431</u>	<u>7,323</u>	<u>4,647</u>	<u>24,651</u>	<u>125</u>	<u>72,407</u>
Excess (deficiency) of receipts over disbursements	<u>12,048</u>	<u>69</u>	<u>4,254</u>	<u>-</u>	<u>3,296</u>	<u>-</u>	<u>19,667</u>
Cash and investments - ending	<u>\$ 13,540</u>	<u>\$ 69</u>	<u>\$ 4,254</u>	<u>\$ -</u>	<u>\$ 4,296</u>	<u>\$ -</u>	<u>\$ 22,159</u>

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Park And Recreation	Township Assistance	Fire Fighting	Cumulative Fire	Totals
Cash and investments - beginning	\$ 13,540	\$ 4,296	\$ 69	\$ 4,254	\$ -	\$ 22,159
Receipts:						
Taxes	22,770	10,336	-	10,371	4,274	47,751
Intergovernmental	1,766	925	-	935	383	4,009
Other receipts	-	-	1,000	-	-	1,000
Total receipts	<u>24,536</u>	<u>11,261</u>	<u>1,000</u>	<u>11,306</u>	<u>4,657</u>	<u>52,760</u>
Disbursements:						
Personal services	16,933	6,800	75	-	-	23,808
Supplies	3,100	2,800	-	3,500	-	9,400
Other services and charges	2,917	1,961	100	4,290	-	9,268
Capital outlay	5,496	-	-	2,998	2,545	11,039
Other disbursements	1,000	-	-	-	-	1,000
Total disbursements	<u>29,446</u>	<u>11,561</u>	<u>175</u>	<u>10,788</u>	<u>2,545</u>	<u>54,515</u>
Excess (deficiency) of receipts over disbursements	<u>(4,910)</u>	<u>(300)</u>	<u>825</u>	<u>518</u>	<u>2,112</u>	<u>(1,755)</u>
Cash and investments - ending	<u>\$ 8,630</u>	<u>\$ 3,996</u>	<u>\$ 894</u>	<u>\$ 4,772</u>	<u>\$ 2,112</u>	<u>\$ 20,404</u>

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS

COMPENSATION OVERPAYMENT

Frank Mejean, Trustee, received \$12,807.32 in 2010 in compensation. Of that amount \$9,800 was approved per the budget, resulting in an overpayment of \$3,007.32.

Frank Mejean, Trustee, received \$25,578.42 in 2011 in compensation. Of that amount \$10,200 was approved per the budget, resulting in an overpayment of \$15,378.42.

Frank Mejean, Trustee, received \$12,503.76 in 2012 in compensation. Of that amount \$10,200 was approved per the budget, resulting in an overpayment of \$2,303.76.

Antonnette Mejean, Township Clerk and Poor Relief Investigator, received \$3,162.32 in 2010 in compensation. Of that amount \$3,000 was approved per the budget, resulting in an overpayment of \$162.32.

Antonnette Mejean, Township Clerk and Poor Relief Investigator, received \$5,339.98 in 2011 in compensation. Of that amount \$3,100 was approved per the budget, resulting in an overpayment of \$2,239.98.

Antonnette Mejean, Township Clerk and Poor Relief Investigator, received \$4,475.71 in 2012 in compensation. Of that amount \$3,100 was approved per the budget, resulting in an overpayment of \$1,375.71.

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 13)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Frank Mejean, Trustee, was requested to reimburse the Township \$20,689.50 for compensation overpayment. (See Summary of Charges, page 29)

Antonnette Mejean, Township Clerk and Poor Relief Investigator, was requested to reimburse the Township \$3,778.01 for compensation overpayment. (See Summary of Charges, page 29)

PERSONAL EXPENSES

Frank Mejean, Trustee, issued eleven transactions from January 10, 2012 to December 14, 2012, for personal expenses as follows:

<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
01-10-12	4278	Frank Mejean	\$ 2,347.61	Frank Mejean Plumbing Tax Warrants
04-05-12	Counter Check	Cash	260.00	Cash Withdrawn
06-11-12	4308	US Treasury	2,100.00	Frank Mejean Plumbing Taxes
06-12-12	Phone Request	Cash	3,000.00	Frank Mejean Plumbing Quarterly Taxes
06-20-12	4314	Eckart Supply	2,100.00	Frank Mejean Plumbing Account
06-25-12	Counter Check	FFB	3,043.94	Frank Mejean Plumbing Truck Tires for \$797.12; Frank Mejean Plumbing Insurance for \$1,133.66 and \$1,113.16 unknown

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
12-07-12	Cash	Cash	3,000.00	Cashed County Local Tax Distribution Check and kept \$3,000
12-07-12	Cashier's Check	John Bowser	1,500.00	Payment of a Personal Loan
12-12-12	Counter Check	Main Source Bank	1,000.00	Frank Mejean's Mortgage Payment
12-14-12	Counter Check	Frank Mejean Plumbing	3,900.00	Unknown
12-14-12	Counter Check	Frank Mejean Crane Credit Union	<u>3,700.00</u>	Deposited into Frank Mejean Plumbing Bank Account
Total			<u>\$ 25,951.55</u>	

In addition, Antonnette Mejean, Township Clerk and Poor Relief Investigator, was issued three checks from June 18, 2012 to December 15, 2012, for personal expenses as follows:

<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
06-18-12	4317	Antonnette Mejean	\$ 1,120.00	Cashier's Check Payable to Antonnette Mejean
12-14-12	Counter Check	Antonnette Mejean	2,000.00	Unknown, no documentation
12-15-12	Counter Check	Antonnette Mejean	<u>4,800.00</u>	Unknown, no documentation
Total			<u>\$ 7,920.00</u>	

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

Frank Mejean, Trustee, was requested to reimburse the Township in the amount of \$25,951.55 for personal expenses. (See Summary of Charges, page 29)

Antonnette Mejean, Township Clerk and Poor Relief Investigator, was requested to reimburse the Township in the amount of \$7,920 for personal expenses. (See Summary of Charges, page 29)

MOWING AND MAINTENANCE CONTRACT OVERPAYMENTS

The Township Board approved an annual contract with Antonnette Mejean, Township Clerk and Poor Relief Investigator, for \$9,800 in 2010 and \$10,100 in 2011 for mowing and maintenance of Township property. Antonnette Mejean, Township Clerk and Poor Relief Investigator, received payments totaling \$14,933 in 2010 and \$12,903.38 in 2011 for performance of these mowing maintenance contracts, resulting in mowing overpayments of \$5,133 in 2010 and \$2,803.38 in 2011.

A similar comment appeared in prior report B38022.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Antonnette Mejean, Township Clerk and Poor Relief Investigator, was requested to reimburse Jefferson Township for mowing and maintenance contract overpayments of \$7,936.38. (See Summary of Charges, page 29)

NO SUPPORTING DOCUMENTATION

Antonnette Mejean, Township Clerk and Poor Relief Investigator, received the following payments in 2010 and 2011 without supporting documentation:

<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
01-29-10	4055	Antonnette Mejean	\$ 150.00	Cleaning
04-05-10	4048	Antonnette Mejean	210.00	Fireman Pay for 2009
06-21-10	4171	Antonnette Mejean	1,055.00	Insurance Paid in April
06-23-10	4173	Antonnette Mejean	363.02	Three Months Township Clerk and Poor Relief Investigator
07-22-10	4185	Antonnette Mejean	400.00	March Supplies
09-20-10	4063	Antonnette Mejean	151.74	Diesel Lawn Mower
07-01-11	4215	Antonnette Mejean	<u>61.05</u>	Township Clerk and Poor Relief Investigator
Total			<u>\$2,390.81</u>	

Frank Mejean, Trustee, received the following payments in 2010 and 2011 without supporting documentation:

<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
06-18-10	4170	Frank Mejean	\$ 290.10	Fire House Phone Bill for Six Months
06-17-11	4201	Frank Mejean	31.34	Salary and Office
06-20-11	4205	Frank Mejean	31.34	Salary and Office
05-28-11	4214	Frank Mejean	<u>476.78</u>	Lawn Mower Repairs
Total			<u>\$ 829.56</u>	

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)

Antonnette Mejean, Township Clerk and Poor Relief Investigator, was requested to reimburse the Township \$2,390.81 for payments received with no supporting documentation. (See Summary of Charges, page 29)

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Frank Mejean, Trustee, was requested to reimburse the Township \$829.56 for payments received with no supporting documentation. (See Summary of Charges, page 29)

PENALTIES, INTEREST, AND OTHER CHARGES

The Township paid penalties, interest, and other charges to the following vendors, because the Township did not remit payments on a timely basis:

<u>Vendor</u>	<u>Year</u>	<u>Amount</u>
Correll's LP Gas	2010	\$ 226.61
Correll's LP Gas	2011	289.61
Correll's LP Gas	2012	381.58
John Deere Credit	2010	27.67
Indiana Department of Revenue	2010	75.35
Indiana Department of Revenue	2011	7.41
Smithville Telephone Company	2010	5.22
Smithville Telephone Company	2011	<u>5.38</u>
 Total Penalties and Interest Paid		 <u>\$ 1,018.83</u>

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)

Frank Mejean, Trustee, was requested to reimburse the Township \$1,018.83 for penalties, interest, and other charges paid. (See Summary of Charges, page 29)

BANK OVERDRAFT FEES

The Township incurred bank overdraft fees of \$1,836, \$578, and \$272 in 2010, 2011, and 2012, respectively.

The bank overdraft fees are a result of checks written from Township bank accounts for which funds were not available. The Trustee wrote a total of 79 checks throughout 2010, 2011, and 2012 that were returned by the bank for insufficient funds.

Frank Mejean, Trustee, reimbursed the Township in September 2010 for the overdraft fees totaling \$1,836 for January 2010 through June 2010 following the 2009 State Board of Accounts examination.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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)

Frank Mejean, Trustee, was requested to reimburse the Township \$850 for bank overdraft fees. (See Summary of Charges, page 29)

MILEAGE OVERPAYMENTS

Mileage overpayments of \$600 for 2010 and \$741.61 in 2011 were paid to Frank Mejean, Trustee. The overpayments are due to errors in estimated miles traveled as well as payment for undocumented miles traveled.

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)

Mileage Claim Form 101 shall be properly completed, listing dates of authorized travel, details of travel, miles traveled, nature of business, etc., for reimbursements for mileage before payment is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Frank Mejean, Trustee, was requested to reimburse the Township \$1,341.61 for mileage overpayments. (See Summary of Charges, page 29)

RENTAL OVERPAYMENTS

Frank Mejean, Trustee, received rent as a result of the Township office being part of his residence. In 2010, 2011, and 2012, Frank Mejean received \$750, \$1,100, and \$100 for office rent, respectively. In all years, \$600 was the approved amount per budget for office rent resulting in an overpayment of \$150.

The annual appropriations of a township for the expenses of renting an office and telephone expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township trustee uses a part of his residence as his office, the township board shall appropriate a reasonable sum for that office space. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Frank Mejean, Trustee, was requested to reimburse the Township \$150 for rental overpayments. (See Summary of Charges, page 29)

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ADDITIONAL AUDIT COSTS

The State of Indiana incurred additional audit costs due to the poor condition of the records and the investigation work with the Federal Bureau of Investigations.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Frank Mejean, Trustee, was requested to reimburse the State of Indiana \$21,132.80 for additional audit costs. (See Summary of Charges, page 29)

OFFICIAL BOND

The Township Trustee's bond is a continuation certificate for the period January 1, 2007 to January 1, 2011, recorded in the County Recorder's office. The Township Trustee's bond is issued from the Ohio Casualty Group for \$15,000 with a four year term beginning on January 1, 2007, and ending on January 1, 2011. A new bond beginning on January 1, 2011, ending January 1, 2012, was issued by the Western Surety Company on an annual term for \$30,000 and was recorded in the County Recorder's Office. The Trustee purchased an official bond beginning on January 1, 2012, and ending January 1, 2013, from Western Surety Company in the amount of \$30,000; however, the bond was not recorded in the County Recorder's Office.

Indiana Code 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 . . ."

Effective July 1, 2009, IC 5-4-1-18 (c) stated in part: "Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows: (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2). (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee . . . The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

Effective July 1, 2011, IC 5-4-1-18(c) states in part: "Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows: (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2). (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

Records presented for examination indicated payments were made to volunteer firemen in 2010, 2011, and 2012 without a signed contract. The fire contract was between Jefferson Township and the Jefferson Township Volunteer Fire Department requiring the signatures of the fire chief and Trustee. In addition, there was no supporting documentation to verify the amount paid to each volunteer fireman.

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)

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)

FEDERAL AND STATE AGENCIES

Salary payments to Antonnette Mejean, Township Clerk and Poor Relief Investigator, were not reported to the federal and state agencies for 2011 and 2012. Additionally, mowing and maintenance contract payments to Antonnette Mejean were not reported to the federal and state agencies in 2010 and 2011.

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)

PRESCRIBED FORMS

The following prescribed forms were not in use:

Township Assistance Form TA-1 Application for Township Assistance
Township Assistance Form TA-2 Township Assistance Purchase Order

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)

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DISCLAIMED OPINION - CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Township, Township Assistance, Park and Recreation, Fire Fighting, and Cumulative Fire Funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Extensive procedures were required to examine the records using the bank statement transactions.

1. Disbursements were observed which did not contain adequate supporting documentation such as receipts and invoices.
2. There were a considerable number of posting errors. Not all checks issued were posted properly to the ledger. Checks were not always posted to the proper fund. Bank overdraft fees were not all posted to the ledger.

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)

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)

APPROPRIATIONS

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	2010	\$ 4,908
Cumulative Fire	2010	3,618
Park and Recreation	2010	8,150
Township	2011	8,286
Township Assistance	2011	175
Fire Fighting	2011	2,562
Cumulative Fire	2011	1,516
Park and Recreation	2011	2,465

Indiana Code 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."

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CERTIFIED REPORT NOT FILED

The Township did not file a certified report of compensation of officers and employees (Form 100-R) with the State Board of Accounts for 2012.

Indiana Code 5-11-13-1 states in part:

"(a) Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . .

(b) The department of local government finance may not approve the budget of a county, city, town, or township or a supplemental appropriation for a county, city, town, or township until the county, city, town, or township files an annual report under subsection (a) for the preceding calendar year."

CAPITAL ASSETS

The unit has not properly maintained a complete inventory of capital assets owned for 2010, 2011, or 2012. Records presented for examination do not indicate any type of capital asset records being maintained by the Township.

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

ANNUAL REPORT

An Annual Report for 2012 was not filed with the State Examiner as of April 25, 2013.

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances presented for examination were incorrect for 2010. Bank reconciliations were no longer completed starting with May 2011.

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."

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCE

Based on the State Board of Accounts calculations, the Fire Fighting Fund was overdrawn at December 31, 2010, in the amount of \$7,742.79.

The 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)

DUTIES OF THE TOWNSHIP TRUSTEE - TOWNSHIP ASSISTANCE

The Township presented records that indicate only four Township Assistance claims were applied for and paid out in 2010 and 2011 and only one paid out in 2012. There is no indication that these five applicant's circumstances were investigated or approved by the Trustee.

Indiana Code 12-20-6-9 states:

"If an application for township assistance is made to the township trustee as administrator of township assistance, the township trustee, as administrator of township assistance, shall carefully investigate the circumstances of the applicant and each member of the applicant's household to ascertain the following:

- (1) Legal residence.
- (2) Names and ages.
- (3) Physical condition relating to sickness or health.
- (4) Present and previous occupation.
- (5) Ability and capacity to perform labor.
- (6) The cause of the applicant's or household member's condition if the applicant or household member is found to be in need and the cause can be ascertained.
- (7) Whether the applicant or a member of the applicant's household is entitled to income in the immediate future from any source, including the following:
 - (A) Past or present employment.
 - (B) A pending claim or cause of action that may result in a monetary award being received by any member of the applicant's household claiming to be in need.
 - (C) A pending determination for assistance from any other federal or state governmental entity.
- (8) The family relationships of the township assistance applicant.
- (9) Whether the township assistance applicant or members of the applicant's household have relatives able and willing to assist the applicant or a member of the applicant's household."

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

TOWNSHIP STANDARDS FOR TOWNSHIP ASSISTANCE

The Township has no uniform written standards for the processing and approval of Township Assistance.

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 house.

(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."

Indiana Code 12-20-5.5-2 states:

"Standards for the administration of township assistance must contain the following:

- (1) Criteria for determining township assistance eligibility.
- (2) Minimum requirements of township trustee accessibility.
- (3) Other information as needed, including the following:
 - (A) Township office locations, hours, and days of availability.
 - (B) Initial eligibility criteria.
 - (C) Continuing eligibility criteria.
 - (D) Workfare requirements.
 - (E) Essential and nonessential assets.
 - (F) Available resources.
 - (G) Income exemptions.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (H) Application process.
- (I) Countable income.
- (J) Countable assets.
- (K) Wasted resources."

TOWNSHIP ASSISTANCE PURCHASE ORDER (Township Form TA-2)

Township Assistance Purchase Orders (Prescribed Township Form No. TA-2) requires the applicant's signature before payment can be issued. Four out of four instances were noted where the Township Trustee or employee had not completed Township Form TA-2.

Township Assistance Purchase Order must be issued for each and every township assistance order for medical aid. The form is to be made out in triplicate. The original is either given the indigent to take to the doctor or vendor, or is mailed to the doctor or vendor. The duplicate is to be filed alphabetically in the assistance office, and the triplicate remains in the book in numerical order. The purchase order must be completely filled out and itemized before being issued to the doctor or vendor. The doctor or vendor must itemize fully on the reverse side the exact services rendered or items supplied, and must obtain the signature of the relief client. When more than one service is rendered on the same purchase order, a separate report blank (Form TA-4) must be submitted for each service showing necessary signatures. The original purchase order, signed by the recipient, must accompany the doctor's or vendor's claim when filed with the trustee for payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

DESTRUCTION OF RECORDS

Not all duplicate checks were available for examination. In addition, eighteen (18) duplicate checks were found with the actual check missing and the duplicate copies not filled in. Further review of bank records indicated that these checks did not clear the bank.

Indiana Code 5-15-6-3(d) states in part:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied."

RESOLUTION ESTABLISHING SALARIES

Township Form 17, Resolution Establishing Salaries of Township Officers and Employees, was not passed by the Township Board for 2010, 2011, or 2012.

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

"The township legislative body shall fix the:

- (1) salaries;

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

of all officers and employees of the township."

Indiana Code 36-6-6-10 requires the township board to set the salaries: wages: rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials and employees, for the year 1985 and each year thereafter. However, please remember the township board should RECORD THE SALARIES SO FIXED IN THE TOWNSHIP BOARD MINUTES. A type of format for recording these salaries should be the existing format of Township Form No. 17. We recommend the board set the salaries of township officials and employees, in conjunction with the preparation and completion of the township budget.

Township Form No. 17 (Revised 2008) has been prescribed to fulfill the requirements of the statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

OPTICAL IMAGES OF CHECKS

The bank account held at First Financial Bank indicated a zero balance at October 31, 2012. No financial activity occurred between October 31, 2012 and December 13, 2012. On December 7, 2012, the Township received the local county tax distribution check and opened a new bank account at Regions Bank. Bank statements presented for examination from Regions Bank did not contain cancelled checks or images.

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, Indiana Code 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)."

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ADVANCE PAYMENTS

In 2010 and 2011, the Township paid Antonnette Mejean, Township Clerk and Poor Relief Invstigator, \$11,883 and \$4,900, respectively, for mowing services in advance of the services being performed.

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 Township, Chapter 13)

PRIOR REPORTS

We have issued three prior Jefferson Township, Sullivan County, reports requesting cash repayments from Frank Mejean and Antonnette Mejean as follows:

<u>Report Number</u>	<u>Report Period</u>	<u>Responsible Party</u>	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
B21048	01-01-99 to 12-31-01	Frank Mejean	\$ 18,581.28	\$ 18,581.28	\$ -
B21048	01-01-99 to 12-31-01	Antonnette Mejean	2,456.76	2,456.76	-
B30435	01-01-05 to 12-31-06	Frank Mejean	16,797.43	16,797.43	-
B30435	01-01-05 to 12-31-06	Antonnette Mejean	650.69	650.69	-
B38022	01-01-09 to 12-31-09	Frank Mejean	44,203.13	44,203.13	-
B38022	01-01-09 to 12-31-09	Antonnette Mejean	20,128.86	20,128.86	-

FEDERAL BUREAU OF INVESTIGATIONS

Due to an ongoing Federal Bureau of Investigations case of Frank Mejean, Trustee, and Antonnette Mejean, Township Clerk and Poor Relief Investigator, more charges could be uncovered at a later date.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2013, with Frank Mejean, Trustee, and Antonnette Mejean, Township Clerk and Poor Relief Investigator. The officials declined signing an Exit Conference form on the advice of their attorneys.

The contents of this report were discussed on May 8, 2013, with Lynn A. Stanton, Township Board member; Lonnie S. Todd, Chairman of the Township Board; and Donald W. Bedwell, former Township Board member.

JEFFERSON TOWNSHIP, SULLIVAN COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Frank Mejean, Trustee:			
Compensation Overpayment, page 14	\$ 20,689.50	\$ -	\$ 20,689.50
Personal Expenses, pages 14 and 15	25,951.55	-	25,951.55
No Supporting Documentation, page 16	829.56	-	829.56
Penalties, Interest, and Other Charges, page 1	1,018.83	-	1,018.83
Bank Overdraft Fees, pages 17 and 18	2,686.00	1,836.00	850.00
Mileage Overpayments, page 18	1,341.61	-	1,341.61
Rental Overpayments, page 18	150.00	-	150.00
Additional Audit Costs, page 19	21,132.80	-	21,132.80
Repaid by Frank Mejean during 2010, 2011, and 2012	<u>-</u>	<u>30,413.92</u>	<u>(30,413.92)</u>
Totals	<u>\$ 73,799.85</u>	<u>\$ 32,249.92</u>	<u>\$ 41,549.93</u>
Antonnette Mejean, Township Clerk and Poor Relief Investigator:			
Compensation Overpayment, page 14	\$ 3,778.01	\$ -	\$ 3,778.01
Personal Expenses, pages 14 and 15	7,920.00	-	7,920.00
Mowing and Maintenance Contract Overpayments, pages 15 and 16	7,936.38	-	7,936.38
No Supporting Documentation, page 16	<u>2,390.81</u>	<u>-</u>	<u>2,390.81</u>
Totals	<u>\$ 22,025.20</u>	<u>\$ -</u>	<u>\$ 22,025.20</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
Marion COUNTY)

I, Lynne Spencer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Jefferson Township, Sullivan County, Indiana, for the period from January 1, 2010 to December 31, 2012, is true and correct to the best of my knowledge and belief.

Lynne Spencer
Field Examiner

Subscribed and sworn to before me this 9th day of May, 2013.

Linda Williamson
Notary Public

My Commission Expires: 03-02-2018

County of Residence: Putnam

