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B44935

STATE BOARD OF ACCOUNTS  
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March 16, 2015

TO: THE OFFICIALS OF MICHIGAN TOWNSHIP, LAPORTE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Michigan Township (Township), for the period of January 1, 2011 to December 31, 2013, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Our procedures were designed solely to satisfy the requirements of Indiana Code 5-11-1. Because our procedures were not designed to opine on the Township's financial statements, we did not follow *generally accepted auditing standards*. Accordingly, we do not express an opinion on any basic financial statement of the Township.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Township's Annual Financial Reports filed for years prior to 2011 can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/). For years 2011 and later, the Annual Financial Reports filed by the Township can be found on the Gateway website: <https://gateway.ifionline.org/>.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

**Current Period Comments**

- *Depository reconciliations of the fund balances to the bank account balances were not presented for review for 2011 and 2012.*
- *The Annual Financial Report filed on the Gateway for 2011 and 2012 contained a number of errors and did not properly reflect the financial activity of the Township.*

<u>Years</u>	<u>Fund</u>	<u>Category</u>	<u>Amount Per Gateway</u>	<u>Amount Per Township Ledger</u>	<u>Difference</u>
2011	Township	Beg Bal	\$ 46,798.00	\$ -	\$ 46,798.00
2011	Township	Receipt	133,344.00	-	133,344.00
2011	Township	Disb	159,750.00	-	159,750.00
2011	Township	End Bal	20,572.00	-	20,572.00
2011	Township Assistance	Beg Bal	41,843.18	41,850.23	(7.05)
2011	Township Assistance	Receipt	104,333.86	226,309.77	(121,975.91)
2011	Township Assistance	Disb	193,000.00	264,734.67	(71,734.67)
2011	Township Assistance	End Bal	(46,822.96)	203.63	(47,026.59)
2012	Township	Beg Bal	20,572.00	5,328.43	15,243.57
2012	Township	Receipt	141,363.40	180,841.46	(39,478.06)
2012	Township	Disb	191,723.52	152,742.26	38,981.26
2012	Township	End Bal	(29,788.12)	36,518.62	(66,306.74)
2012	Township Assistance	Beg Bal	(46,822.96)	203.66	(47,026.62)
2012	Township Assistance	Receipt	205,903.45	173,181.18	32,722.27
2012	Township Assistance	Disb	151,923.83	167,205.22	(15,281.39)
2012	Township Assistance	End Bal	7,156.66	6,179.59	977.07

- The following funds had overdrawn cash balances at December 31:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2011	Township Assistance	\$ 46,822.96
2011	Twp Bldg	55,189.70
2012	Township	29,788.12
2012	Twp Bldg	55,189.70
2013	Township	73,223.62
2013	Township Assistance	19,061.21
2013	Twp Bldg	55,189.70

- The records presented for review indicated the following disbursements in excess of budgeted appropriations. Budgets were not approved by the Department of Local Government Finance for the years 2011, 2012, and 2013. The Township did not pursue additional appropriations:

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2011	Township Assistance	\$ (54,734.67)
2013	Township	(15,370.17)

- The 2011 financial records of the Township were not maintained on prescribed forms.
- In 2011, the Township fund and Township Assistance funds were commingled into one fund. We were unable to determine if proper expenditures were paid from the proper fund.

- In 2012 through June 2013, the Township maintained the financial records using QuickBooks. Quickbooks is a commercial software not approved for use by Indiana State Board of Accounts.
- Beginning in 2012 and using the Quickbooks software for financial records, the Township began accounting for the Township revenues and expenditures in separate funds. We noted the following deficiencies in the recordkeeping:
  1. An appropriations ledger was not used to monitor if expenditures exceeded the budget amounts.
  2. The Township fund only received revenue from the Township's share of gaming revenue. All other tax distributions were recorded to the Township Assistance fund.
  3. Expenditures that would normally be from the Township fund were paid from the Township Assistance fund.
- The Township did not adopt a resolution establishing salaries of Township officers and employees for 2012 or 2013. The officials and employees continued to be paid in accordance with the 2011 salary resolution; however, the Trustee was not paid in accordance with this in 2012 and 2013.
- The Certified Reports of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) included a contractual employee.
- Payments were made for legal services, for cleaning services, and lawn care. The payments were not supported by a written contract nor were detailed invoices were submitted supporting the payments.
- Reimbursements are made to the Trustee and Office Manager for which either the itemized receipts do not agree to the reimbursement amounts, or in one case, an invoice was included for reimbursement, which had been paid directly by the Township as follows:

<u>Date</u>	<u>Check Number</u>	<u>Official</u>	<u>Reimbursement Amount</u>	<u>Invoices Total</u>	<u>Over (Under) Reimbursed</u>
03-13-12	1076	Trustee	\$ 200.00	\$ 45.00	\$ 155.00
07-31-12	10035	Office Manager	400.00	386.90	13.10
07-23-12	1144	Trustee	368.05	317.05	51.00
12-16-13	1330	Office Manager	50.00	37.02	12.98
09-24-13	1281	Office Manager*	200.00	167.09	32.91
08-27-13	1267	Trustee	300.00	241.15	58.85
04-05-13	10207	Trustee	500.00	503.57	(3.57)
03-08-13	10191	Trustee	300.00	317.48	(17.48)
02-01-13	10154	Office Manager	400.00	302.10	97.90
		Totals	<u>\$ 2,718.05</u>	<u>\$ 2,317.36</u>	<u>\$ 400.69</u>

\*The invoice total excludes an invoice attached for fuel for \$47, as this same invoice was attached to a vendor charge statement and paid directly by the Township.

- The Township did not have a Nepotism Policy for 2012 or 2013.

- *Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2012 and 2013.*
- *The Township did not have a Contracting Policy for 2012 or 2013.*
- *Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31, 2012 and 2013.*
- *The Township has established credit with a hardware store, an office supplier, and a gas station whereby employees of the Township make purchases that are invoiced to the Township monthly. The Township has not established a policy authorizing these lines of credit or who is authorized to make purchases against these lines of credit. Furthermore, some of the vendors are paid solely on the monthly statement. We noted instances where the itemized vendor invoices documenting the items purchased are not being retained with the monthly statements.*
- *Mileage claim forms are not used for reimbursement of travel expenses. Instead the Township has a line of credit at a local gas station. We could not determine if the purchase of gasoline at a local gas station is for the Township owned van or personal vehicles because the charge slips do not include any identification of the vehicle, i.e. license plate number.*

This letter is intended for the information and use of the governing body and management of the Township. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

The contents of this letter were discussed on October 7, 2014, with Rodney Washington, Trustee, and LaVerne Childs. Any Official Response attached to this letter was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**MICHIGAN TOWNSHIP – LAPORTE COUNTY  
RODNEY WASHINGTON, TRUSTEE  
2601 E. MICHIGAN BLVD  
MICHIGAN CITY, IN 46360  
TELEPHONE: 219-874-5201 FAX: 219-874-0089**

October 16, 2014

State Board of Accounts  
Attn: Paul Joyce  
302 W. Washington St., Room E418  
Indianapolis, IN 46204-2765

Dear Mr. Joyce,

This letter is to be served as official notice of our response to the recent audit of Michigan Township – Laporte County.

After taking office on January 3, 2011, I found several issues with this office which were revealed in the 2011 audit. The current administration did not receive any training on how to operate the Township computer program from the past administration. The operating system at that time was the AccuTerm 2000, which was not supported by Net Results due to non-payment from the previous administration.

In 2011 we ordered ledger sheets from Office Depot as an effort to have proof of receipts and disbursements. In 2012 we ordered Quick Books to have a more detailed account for the same reason. At that time, we did not know that none of the items ordered had to be approved by the SBOA.

Due to the previous administrations non-payment on a \$75,000 loan issued by Horizon Bank, all funds received were being used towards repayment of that loan. It was also discovered that the previous administration had not paid employee taxes to state and federal agencies. When payment was submitted for the current year by this administration, those funds were applied towards payments that were not received from the previous years. This neglect caused the current administration to incur fines from those agencies that we have paid.

We were able to secure funding from the Indiana Bond Bank in 2011 for \$77,062.00, in 2012 for \$61,132.00, in 2013 for \$34,703.00, and in 2014 for \$72,000.00. These loans were/have been scheduled for repayment thru property tax receipts. Currently we owe a final payment to the Indiana Bond Bank for \$36,000.

After implementing the Nepotism policy in 2011, we were unaware that this policy and the Contracting policy had to be implemented for each subsequent year. We were also unaware that the salaries had to be adopted each year. After receiving the Township Bulletin in June 2014 stating that these policies have to be completed each year, we have obtained the necessary approved SBOA forms to be in compliance.

We were not aware that contracts had to be signed by non-employees who were issued 1099's and for any company/agency that performs services for the Township. We were not aware that reimbursement had to be issued for exact amount instead of rounded off dollar amount.

At the completion of the 2010 audit, I was giving the following amounts to start each fund with by the auditor at that time for the 2011 Annual Report (Township \$46,978.00, Township Assistance \$41,843.18 and Township Building -\$55,189.70). Due to not receiving any training on the old system, these amounts caused all accounts to show as overdrawn for the subsequent years annual report. We have since purchased the current updated and approved computer system thru Net Results.

It is our goal to be in full compliance with all policies and procedures implemented by the State Board of Account and the Department of Local Government Finance.

Sincerely,

Rodney Washington