

Office Reviews and Common Compliance Findings

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Contact Information

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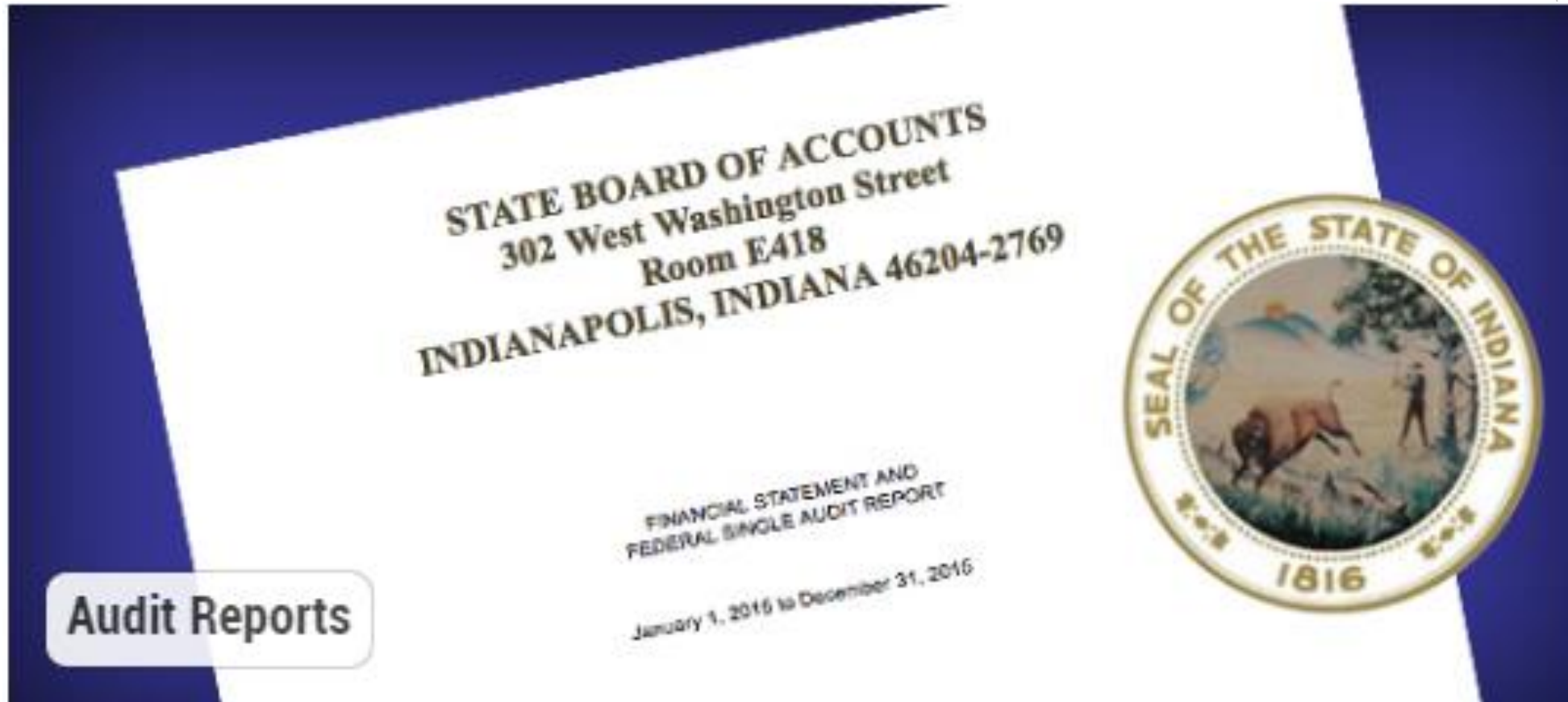
New Township Centralized Procedures

- ▶ **New Engagement Type - Streamlined Review**
 - ▶ Limited in scope compared to an Examination or Financial Statement Audit.
 - ▶ Uses information filed in Gateway and other information requested through email.
 - ▶ On-site assistance may be requested, if needed.
 - ▶ There will still be a report issued at the end of our review.
 - ▶ Only entities assessed (by the SBoA) to be low or moderate risk allowed to be reviewed in this manner.

Township Streamlined Review Letter

- ▶ *“The SBOA continues to look for ways to improve the efficiency of our operations. We are currently developing and evaluating a process in which allows Township accounts and financial affairs to be examined in our central office. The review will use information provided through the Township’s AFR and other information filed in Gateway. Additional information will likely be needed, but we will request that this information be sent to us via email. In order for the township to qualify they must be assessed a low to moderate risk, have no debt at the end of the reporting period, and have no significant prior comments. If you are selected for a centralized review, you will receive a separate email. The email should contain an engagement letter that will describe the scope of our review. Additionally, at that time, the examiner might ask for additional documentation and ask for a follow up on any prior comments. The examiner assigned will be in touch via email or phone throughout the engagement and then will send any final comments and the final report communication via email. The official will still have a chance to respond to our comments and request on site assistance during the engagement.”*

Common Compliance Review Comments



INTERNAL CONTROLS RELATED TO TOWNSHIP DISBURSEMENTS

- ▶ The Township has failed to implement the controls necessary to insure the proper disbursement of township funds. No review or control procedures have been implemented to insure the validity of the disbursements for authorized purposes.
- ▶ *Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (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)*

ANNUAL REPORT ERRORS

- ▶ The Annual Financial Report filed on Gateway for 20XX contained errors and did not match the Township's records.
- ▶ *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)*

Email AnnualReports@sboa.IN.gov - for AFR questions.

NEPOTISM POLICY CERTIFICATION

- ▶ Each elected officer did not certify in writing that they had not violated IC 36-1-20.2 (Nepotism) by December 31, 20XX.
- ▶ *Indiana Code 36-1-20.2-16 states: “Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year .”*

CONTRACTING WITH A UNIT POLICY CERTIFICATION

- ▶ Each elected officer did not certify in writing that they had not violated IC 36-1-21 (Contracting With a Unit) by December 31, 20XX.
- ▶ *Indiana Code 36-1-21-6 states: “Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year .”*

PENALTIES, INTEREST AND OTHER CHARGES

- ▶ **The Township paid penalties, interest, and other charges to various vendors in the amount of \$_____ because the Trustee did not remit payments to vendors on a timely basis.**
- ▶ 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)

ESTABLISHMENT OF SALARIES

- ▶ The Township Board did not fix the salaries of the Township officials and employees for the year 20XX, as required by Indiana Code 36-6-6-10(b).
- ▶ IC 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. 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 . (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OPTICAL IMAGES OF CHECKS

- ▶ The Financial Institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The back side of the checks was not returned.
- ▶ Indiana Code 5-15-5.1-10(a) states in part: “Each ... local government shall: (1) Make and preserve records containing adequate and proper documentation of ... essential transactions of the ... local government to protect the legal and financial rights of the government...”
- ▶ 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 se 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).”

PAYROLL COMMENTS

- ▶ **Employees of the Township were paid without the Township withholding federal, state, and local taxes.**
- ▶ **The wages reported on the W-2s issued for 20XX did not agree with the actual amounts paid to employees.**
- ▶ **W-2s were not issued for all Township employees.**

RECEIPTS - NOT DEPOSITED TIMELY

- ▶ Tax distributions were not always deposited timely in 20XX. Receipts were deposited later than the first and fifteen of the month received. During testing, we noted that _____ tax distributions had not been deposited in the bank. These checks were deposited in the Township's bank account in 20XX.
- ▶ *Indiana Code 5-13-6-1(c) states in part: ". . . public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."*

TIMELY FILING OF THE AFR AND 100-R

- ▶ **The Annual Financial Report (AFR) for 20XX was not filed electronically until March 31, 20XX, which was 30 days past the due date.**
- ▶ **The Township did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the Indiana State Board of Accounts for 20XX. The report was filed on February 19, 20XX, which was 19 days past the due date.**

TOWNSHIP ASSISTANCE STANDARDS

- ▶ Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.
- ▶ *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 household.*
- ▶ *(b) The township's standards for 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."*

SURETY BONDS

- ▶ The Trustee's Surety Bond was insufficient per the Indiana Code 5-4-1-1. The bond recorded in the County Recorder's office for 20XX was for \$_____ instead of the required \$30,000. In addition, no bond was recorded for 20XX.
- ▶ The Trustee did not record an individual Surety Bond in the County Recorder's office for 20XX.

LACK OF SUPPORTING DOCUMENTATION

- ▶ **Payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records for 20XX.**
- ▶ **Payments made to the fire department were not supported by a written contract for 20XX.**
- ▶ **Township Assistance payments were made without an Application for Township Assistance on file in 20XX. In addition, Township Assistance payments were made without supporting documentation.**

POLICIES

- ▶ The Township did not have a Contracting Policy for 20XX.
- ▶ The Township did not have a Materiality Policy for 20XX.
- ▶ The Township did not have a Credit/Debit/Gift Card Policy for 20XX.
- ▶ The Township did not have a Travel Policy for 20XX.
- ▶ The Township did not have a Investment Policy for 20XX.
- ▶ The Township did not have a Employee Benefits Policy for 20XX.
- ▶ The Township did not have a Overtime Policy for 20XX.
- ▶ The Township did not have a Bad Debt Policy for 20XX.

BANK RECONCILIATIONS

- ▶ **Depository reconciliations of the fund balances to the bank account balances were not presented for review for ____months during the review period. Records do not indicate reconcilements were done for 20XX.**
- ▶ **The December reconciliations should be uploaded in Gateway under the Risk Assessment area of the AFR.**

FINANCIAL AND APPROPRIATION RECORD

- ▶ Financial records presented for examination were incomplete and not reflective of the activity of the Township. Deficiencies included: 1. Transactions not recorded. 2. Receipts/Expenditures posted to incorrect funds.
- ▶ *Indiana Code 36-6-4-5 states: "The executive shall maintain: (1) a general account showing the total of all township receipts and expenditures; and (2) the financial and appropriation record of the township, which must include an itemized and accurate account of the township's financial affairs."*
- ▶ *Indiana Code 36-6-4-6(a) states: "For each sum of money received by the executive, the financial and appropriation record must show: (1) the date it was received; (2) from whom it was received; and (3) to what account it was credited. (b) For each sum of money paid by the executive, the financial and appropriation record must show: (1) the date it was paid; (2) to whom it was paid; (3) from what account it was paid; and (4) why it was paid."*

OTHER COMMON COMMENTS

- ▶ Advance Payments
- ▶ Cash Disbursements
- ▶ Correction of Errors
- ▶ Disbursements in Excess of Budgeted Appropriations
- ▶ Funds Sources and Uses
- ▶ Incorrect Posting Issues
- ▶ Overpayment Collections
- ▶ Prescribed Forms

Questions?