

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

EXAMINATION REPORT
OF

MARION COUNTY SMALL CLAIMS COURT,
PERRY TOWNSHIP DIVISION

MARION COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED

01/03/2011

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COURT OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Judge of the Small Claims Court	Hon. Robert Spear	01-01-07 to 12-31-10
Chairman of the Township Board	Michael L. Kalscheur Cindy Kirchhofer Pat Russell	01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MARION COUNTY

We have examined the records of the Marion County Small Claims Court, Perry Township Division for the period from January 1, 2008, to December 31, 2009, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments. The financial transactions of this office are reflected in the Examination Report of Perry Township, Marion County, for the years 2008 and 2009.

STATE BOARD OF ACCOUNTS

October 21, 2010

MARION COUNTY SMALL CLAIMS COURT, PERRY TOWNSHIP DIVISION
MARION COUNTY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The Register of Trust Funds (General Form 102) was not in use. The cashbook trust balance was not supported by a subsidiary listing.

A similar comment has appeared in several prior reports, most recently Report B34159.

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)

BANK ACCOUNT RECONCILIATIONS

During the examination of Perry Township Small Claims Court, we identified several concerns with their recordkeeping as follows:

- Several problems were identified with the attempted bank reconciliations. The unposted interest and/or adjustments were identified in 2005 at \$17,207.84 which increased to \$17,799.44 in 2007, then to \$21,003.20 in 2008, and to \$23,603.23 in 2009. The Court's accountant indicated that the amounts listed consist of bank fees that have not been reimbursed by the Township, nonsufficient fund checks, and outstanding checks that are not presented on the outstanding check list. At the present time, the attempted bank reconciliation is only to the cash book balance and not to the computer balance; therefore, we have concerns as to why the unidentified balance keeps increasing.
- Bank reconciliations are not being completed timely. The bank reconciliations are sometimes being completed as much as four months late. The December 2008 reconciliation was completed in March 2009 and the December 2009 reconciliation was completed in May 2010.
- The reconciliations are not being conducted properly. The monthly reconciliations do not reconcile to the total of the fees and trust funds. The accountant only reconciles to the trust funds.

IC 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."

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)

INTERNAL CONTROLS OVER DEPOSITS

During the course of the examination, we identified several concerns related to internal controls and proper handling of deposits as follows:

MARION COUNTY SMALL CLAIMS COURT, PERRY TOWNSHIP DIVISION
MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- Some receipts were written for amounts which could not be verified to bank deposits in total. Further examination disclosed that the Court does not have a properly established cash change fund and that change was being made from daily cash receipts. Therefore, some receipts could not be verified to a deposit due to checks being cashed for change instead of deposited in the same form as received.
- Deposits are not being taken to the bank in a timely manner. Some receipts were held for up to 12 days before deposit. Additionally, October 2008 deposit slips were not presented for examination. We also observed several instances for which the accountant noted on the bank statement that she could not find deposit tickets for certain deposits.
- We identified 15 deposit corrections on monthly bank statements during our examination period. Further review revealed these deposit corrections were for various reasons. Listed below is a summary of the corrections and problem identified. There were 3 corrections which we were unable to trace to a specific deposit.

Month	Correction Amount	Correction Date	Problem Identified
January 08	\$ 10.00	01-10-08	FE was not able to connect to a specific deposit
October 08	81.00	10-22-08	Deposit was more than receipts
March 09	10.00	02-27-09	Deposit was more than receipts
March 09	1,000.00	03-06-09	Error when transferring total to deposit slip
March 09	(48.64)	03-24-09	Traced to a single check
April 09	(152.20)	04-27-09	FE was not able to connect to a specific deposit
June 09	(100.00)	06-01-09	Receipts were more than deposit
June 09	(25,015.90)	06-16-09	Bank error - made deposit twice
July 09	(312.80)	07-28-09	Traced to a single check
August 09	(118.60)	08-21-09	Traced to a single check
August 09	10.00	08-25-09	FE was not able to connect to a specific deposit
November 09	(61.00)	10-30-10	Receipts equaled bank deposit amount
December 09	(291.24)	12-03-09	Traced to a single check
December 09	(132.33)	12-11-09	Traced to a single check

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

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)

MARION COUNTY SMALL CLAIMS COURT, PERRY TOWNSHIP DIVISION
MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2010, with Hon. Robert Spear, Judge of the Small Claims Court; Daniel T. Moriarty, Trustee; and Scott Collins, Deputy Trustee. The official response has been made a part of this report and may be found on pages 7 and 8.

PERRY TOWNSHIP OF MARION COUNTY
SMALL CLAIMS COURT
4925 SHELBY STREET, SUITE 100
INDIANAPOLIS, INDIANA 46227
Robert S. Spear, Judge

October 29, 2010

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765
Attention: Mr. Charles Nemeth

Re: OFFICIAL RESPONSE
Audit Period 2008-2009

Dear Mr. Nemeth:

This letter is the official response of the Perry Township of Marion County Small Claims Court to the discussion draft of the audit results tendered by Ms. Lori Allen on October 21, 2010. Each response is to a specific topic addressed by the proposed report.

OFFICIAL BOND

This has been corrected.

OLD OUTSTANDING CHECKS (WARRANTS)-COURT

This is the first of four audits during the current Judge's tenure that the audit has requested that a separate report should be created for outstanding checks. A Small Claims Court Judge in Marion County is also the clerk and controls the court bank account, sending funds to the township, the county, the State, the Constable, and various successful litigants. It was the Court's previous understanding that such a report was made to the Judge. This will be altered as requested.

PRESCRIBED FORMS

The Register of Trust form was used only posting bond for appeals to Superior Court. Bond is no longer required for an appeal. Thus, General Form No. 102 is no longer used. All accounting entries are supported by detail if appropriate inquiry is made.

BANK ACCOUNT RECONCILIATIONS

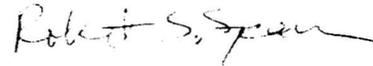
This is the first of four audits during the current Judge's tenure that the methodology of reconciling the cash book and the bank statements was questioned. As an internal control, this process is performed by an outside accounting firm. The auditor suggested a different and more timely method of reconciliation to the Court's outside accountant. This will be adopted.

INTERNAL CONTROLS OVER DEPOSITS

This topic concerning next day deposit of public funds has been addressed to the Court staff and has been corrected. Change for fee overpayments by check will be refunded by check, as suggested. The problem of deposit corrections is troubling and has been addressed to an executive vice president of the Court's present bank for appropriate corrections. It would appear that the discrepancies revolve around the loss of a single check in a daily batch in the bank's clearing house, the bank's error. It is noteworthy that no cash corrections on a deposit slip were ever noted. The bank then sends a corrected deposit slip days later. A later deposit correction will now be addressed immediately, as this appears to be an internal bank error caused by the sheer volume of the Court's deposits.

I trust this addresses each issue raised by the current audit. The Court staff and I wish to note and commend the courtesy, professional attitude, and the helpful suggestions made by Auditor Lori Allen.

Very truly yours,



Robert S. Spear