



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B44193

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October 6, 2014

TO: THE OFFICIALS OF MADISON TOWNSHIP, ALLEN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Madison Township (Township), for the period of January 1, 2010 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/. 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.

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 June 4, 2014, with Troy McDonald, Trustee.


Paul D. Joyce, CPA
State Examiner

MADISON TOWNSHIP, ALLEN COUNTY
CURRENT COMMENTS

PENALTIES, INTEREST, AND FEES

Troy McDonald, Trustee, made arrangements with the Internal Revenue Service (IRS) to resolve Madison Township's failure to make the required quarterly federal tax payments (Form 941) from January 1, 2003 to September 30, 2012. From October 30, 2012 to March 11, 2014, the Township paid the IRS \$12,537.41. This amount included \$7,284.44 for liability plus \$5,252.97 in penalties, interest, and fees. We noted in prior Reports B33119 and B36693 that amounts were withheld from payroll, but the withholdings were not remitted to the proper tax collection agency. The Trustee has reimbursed the Township \$5,252.97 of the penalties that have been assessed.

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

Troy McDonald, Trustee, repaid Madison Township \$5,252.97. (See Summary of Charges)

APPROPRIATIONS

The records presented for review indicated the 2010 Fire Fighting fund expenditures were in excess of budgeted appropriations by \$28,611 and the 2013 Township fund expenditures were in excess of budgeted appropriations by \$2,313.

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."

NEPOTISM

Troy McDonald, Trustee, did not file the annual certification of compliance with the nepotism law.

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."

MADISON TOWNSHIP, ALLEN COUNTY
CURRENT COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances presented for review were incorrect. On December 31, 2013, the depository reconciliation indicated a cash necessary to balance of \$140.73. A similar comment appeared in prior Reports B33119 and B36693.

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."

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)

CONDITION OF RECORDS

Financial records presented for review contained numerous posting and addition errors. The records presented did not provide sufficient information to establish beginning balances, receipts, disbursements, ending balances, or to verify the accuracy or correctness of the transactions. A similar comment appeared in prior Reports B33119 and B36693.

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)

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)

COMPENSATION AND BENEFITS

During our review, we observed that compensation and benefits were paid to the Trustee, Board members, and a clerk whom were not included in salary ordinances or resolutions and were not issued Forms W-2.

In addition, the Trustee received payments for mowing the Township cemetery grounds, training of fire fighters of the Madison Township Volunteer Fire Department, and snow removal of the Fire Department parking lot without having an approved service contracts and was not issued Forms 1099-Misc.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolutions 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)

MADISON TOWNSHIP, ALLEN COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Troy McDonald, Trustee:			
Penalties, Interest, and Fees	<u>\$ 5,252.97</u>	<u>\$ 5,252.97</u>	<u>\$ -</u>

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