

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

EXAMINATION REPORT
OF
WASHINGTON TOWNSHIP SMALL CLAIMS COURT
MARION COUNTY, INDIANA
January 1, 2011 to December 31, 2013



FILED
11/07/2014

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TOWNSHIP OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Small Claims Court Judge	Honorable Stephen G. Poore	01-01-11 to 12-31-14
Township Trustee	Frank T. Short	01-01-11 to 12-31-14
Chairman of the Township Board	Joseph Simpson David Smith	01-01-11 to 12-31-11 01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, MARION COUNTY

We have examined the records of the Washington Township Small Claims Court for the period from January 1, 2011 to December 31, 2013, 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 Annual Report of the Washington Township Trustee for the years 2011, 2012, and 2013.

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

August 21, 2014

WASHINGTON TOWNSHIP SMALL CLAIMS COURT
MARION COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Detailed bank reconcilements were not provided for examination for any month during the examination period. Court personnel compared the receipts and disbursements shown in Odyssey to deposits and checks cleared by the bank on a monthly basis. However, reconcilements between the fund balance and bank account balance were not performed.

A similar comment appeared in the prior report.

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."

TRUST FUND DETAIL

The Washington Township Court Trust Fund Balance as of December 31, 2013, was \$28,693.56, per the financial statements. The Court was unable to provide a detail of items that made up the balance.

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)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks or optical images with the monthly bank statements on the following bank accounts:

- 2012 - In October, the bank account was changed from M&I to BMO Harris Bank. The Harris bank statement did not include optical copies of checks.
- 2013 - Optical copies of checks were not included with the monthly bank statements.

WASHINGTON TOWNSHIP SMALL CLAIMS COURT
MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3 states in part:

"(a) As used in this section, '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 described in subsection (e); and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment or the depositor receives an optical image of the deposit document after the document has been processed for the deposit.

. . . (d) 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.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

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)."

WASHINGTON TOWNSHIP SMALL CLAIMS COURT
MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2014, with the Honorable Stephen G. Poore, and Beth Marsh, Accountant.



STEVEN G. POORE, JUDGE

WASHINGTON TOWNSHIP SMALL CLAIMS COURT

MARION COUNTY, INDIANAPOLIS, INDIANA

September 10, 2014

Al Marshall
State Board of Accounts
302 West Washington Street, E418
Indianapolis, Indiana 46204

Dear Mr. Marshall:

I am submitting this letter as my response to the "Examination Results And Comments" for the audit of the Washington Township Small Claims Court for the period of time between January 1, 2011 and December 31, 2013.

BANK RECONCILIATIONS

The previous audit for January 1, 2009 to December 31, 2010 revealed that a "procedure did not exist under Odyssey for reconciliation of the monthly bank statements for the Court's bank account with the monthly reconciliation reports required under Odyssey".

Following the last audit a procedure was developed by JTAC to reconcile the monthly bank statements for the Court's bank account with the fund balance reported by Odyssey.

The new procedure was followed by the Court until September 2012 when the Court administrator who participated in the creation of the procedure to reconcile accounts quit working for the Court and a new office administrator was hired. The procedure was not continued by the new administrator due to a lack of training. The successor administrator quit her position as well and a new administrator assumed her duties without knowledge of the procedure for reconciling fund balances.

The new administrator and her assistant have begun the process of preparing reconciliations for the missing months between September 2012 and December 2013.

I would like to note that during the period between January 1, 2011 and December 31, 2013 the Court successfully reconciled all monthly reports for "Odyssey" as required by JTAC.

Each day the clerk must reconcile the financial activity of the Court for that day. This is electronically stored and can be accessed. Once a month the clerk conducts a monthly reconciliation of the financial activity for the month. This is electronically stored and can be accessed. The monthly reconciliation will show the checks that cleared, the money in escrow

and the account balances for fees to be distributed and payments for judgments. We also keep a hard copy of the monthly reconciliations. After the monthly reconciliation is completed the clerk will then prepare a report for "Money in Escrow" which reflects money paid into the Court toward a judgment to be paid out to the judgment holder. After the Money in Escrow report has been prepared the clerk will then prepare a document entitled "Account Balances" which will identify the balance of money paid into the Court by category. After the "Account Balances" report is prepared the clerk will then prepare a report entitled "Disbursement Summary" which identifies fees to be distributed by a summary of the cases which fund the disbursements. After the Disbursement Summary is prepared the clerk will issue checks for disbursement of fees received by the court. To date all funds have been accounted for.

The procedure to reconcile the Odyssey fund balance with the Court's bank account is called the Depository Reconciliation and that is the last document to be prepared.

Additionally during the period between January 1, 2011 and December 31, 2013 the Court successfully reconciled all monthly bank statements for the Court's bank account and all funds have been accounted for.

TRUST FUND DETAIL

The Trust Transactions Fund is found in the Account Balances report prepared through Odyssey. The December 31, 2013 statement reflects the following accounts within the Trust Transaction Fund:

Garnishment Transactions	0.00
Judgment Transactions	20,638.09
Miscellaneous Trust Transactions	0.00
Trust Income Transactions	0.00
Trust Transactions	0.00
Refund	8,055.47
Unclaimed Funds	<u>0.00</u>
Total Trust Transactions Fund	28,693.56

The format of the December statement is different from earlier statements. In particular our hard copies of previous "Account Balances" reports include an account for Miscellaneous Trust Transactions and Unclaimed Funds but none of the other following accounts found in the December report:

- Garnishment Transactions
- Judgment Transactions
- Trust Income Transactions
- Trust Transactions
- Refund

The clerk is currently working with JTAC to obtain a detail report for the Judgment Transactions Account and the Refund account.

I would also like to note that the previous "Account Balances" reports did not include a heading for "Trust Transactions Fund" which is now included in the December 31, 2013 "Account Balances" Report along with the additional accounts.

We anticipate the Judgment Transactions account will reflect payments to the Court toward judgments and that the Refund account will reflect refunds of money previously paid into the Court for fees or toward judgments. These sums should have already been accounted for in the daily and monthly reconciliations for Odyssey as well as in the monthly bank reconciliations for the Court bank account.

I respectfully submit that an examination of the "Money In Escrow" report prepared monthly by the clerk will reflect money paid into the Court toward a judgment to be paid out to the judgment holder and that this report is actually an accurate statement of funds that we are holding in "trust".

OPTICAL IMAGES OF CHECKS

The change in ownership from M&I Bank to BMO Harris Bank caused a unilateral change in the records that were provided to the court. Prior to that change the records provided were in compliance IC 5-15-6-3 and IC 26-2-8-111. BMO Harris Bank will either agree to arrangements that will comply with IC 5-15-6-3 and IC 26-2-8-111 or we will switch the account to another bank that will allow compliance. That is an option of last resort given the difficult logistics of making that change.

Thank you for allowing an opportunity to respond to your audit.

Respectfully,



STEVEN G. POORE