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B44655

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January 5, 2015

TO: THE OFFICIALS OF JOHNSON TOWNSHIP, RIPLEY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Johnson 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/](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.

***Unresolved Comments From Prior Report***

- *As reported in the prior report, bank reconciliations of the fund balances to the bank account balances that were presented for review did not reconcile. The bank reconciliation presented at December 31, 2013, showed unidentified cash long of \$5,916.06. We noted the following errors that contributed to the reconciling variance:*
  - (1) *There were three checks listed on the outstanding checklist at December 31, 2013, that had cleared the bank in prior months.*
  - (2) *Interest earned in the amount of \$2,724.44 had not been recorded on the financial ledger.*
  - (3) *Various tax distributions had not been recorded on the financial ledger.*
  - (4) *Various other receipts recorded on the financial ledger in the wrong amounts.*

(5) A comparison of the financial ledger's December 31 ending year cash balances with the financial ledger's January 1 beginning cash balance for various individual funds for 2010, 2011, 2012, and 2013, showed variances from one year to the next as shown in the following schedule:

<u>Years</u>	<u>Fund</u>	<u>Prior Year December 31 Ending Balance</u>	<u>Current Year January 1 Beginning Balance</u>	<u>Difference</u>
2010	Township	\$ 188,106.23	\$ 126,930.91	\$ 61,175.32
2010	Township Assistance	30,126.91	34,435.95	(4,309.04)
2010	Firefighting	5,443.96	5,225.13	218.83
2010	Payroll Withholding	321.30	(1,124.55)	1,445.85
2011	Township	121,471.98	132,419.96	(10,947.98)
2011	Township Assistance	27,827.83	19,616.16	8,211.67
2011	Firefighting	6,670.62	1,407.08	5,263.54
2011	Rainy Day	2,505.17	-	2,505.17
2011	Levy Excess	144.27	-	144.27
2011	Payroll Withholding	(1,914.40)	-	(1,914.40)
2012	Township	127,987.81	113,890.57	14,097.24
2013	Township	108,263.00	141,838.25	(33,575.25)
2013	Township Assistance	28,095.56	29,176.12	(1,080.56)
2013	Firefighting	(1,859.79)	3,622.58	(5,482.37)
2013	Payroll Withholding	(4,011.50)	-	(4,011.50)

No documentation was presented for review to support the change in the cash balance amounts.

After taking into consideration the above errors, the bank reconciliation at December 31, 2013, showed a "cash necessary to balance" in the amount of \$261.04.

- The Township used a computerized financial accounting system in lieu of the prescribed Financial and Appropriation Record (Form 1C). One purpose of Form 1C is to monitor compliance with approved budgets. The financial information presented for review did not show that disbursements were recorded to the approved budget categories for the Township fund, Township Assistance fund, or Firefighting fund.

### Current Period Comments

Our comparison of disbursements to approved budgeted appropriations showed the following disbursements in excess of budgeted appropriations:

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2010	Township Assistance	\$ 2,042.92
2013	Township	59,870.11

- The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of the front side and back side of the checks. Beginning in June 2013, the financial institution stopped returning the back side or endorsement side of the checks.
- The Annual Financial Report filed on Gateway for 2011, 2012, and 2013 contained a number of errors and did not properly reflect the financial activity of the Township:

<u>Year</u>	<u>Fund</u>	<u>Category</u>	<u>Amount Per Gateway</u>	<u>Amount Per Ledger</u>	<u>Difference</u>
2011	Township	Beginning Balance	\$ 152,599.71	\$ 132,419.96	\$ 20,179.75
2011	Township Assistance	Beginning Balance	23,965.79	19,616.16	4,349.63
2011	Firefighting	Beginning Balance	6,889.45	1,407.08	5,482.37
2011	Rainy Day	Beginning Balance	2,505.17	-	2,505.17
2011	Levy Excess	Beginning Balance	144.27	-	144.27
2011	Township Assistance	Disbursements	24,823.37	21,554.30	3,269.07
2011	Payroll Withholding	Disbursements	-	1,577.79	(1,577.79)
2011	Township	Ending Balance	148,077.56	127,897.81	20,179.75
2011	Township Assistance	Ending Balance	21,925.07	20,844.51	1,080.56
2011	Firefighting	Ending Balance	4,961.39	(520.98)	5,482.37
2011	Rainy Day	Ending Balance	2,505.17	-	2,505.17
2011	Levy Excess	Ending Balance	144.27	-	144.27
2011	Payroll Withholding	Ending Balance	-	(1,577.79)	1,577.79
2012	Township	Beginning Balance	148,077.56	113,890.57	34,186.99
2012	Township Assistance	Beginning Balance	21,925.07	20,844.51	1,080.56
2012	Firefighting	Beginning Balance	4,961.39	(520.98)	5,482.37
2012	Rainy Day	Beginning Balance	2,505.17	-	2,505.17
2012	Levy Excess	Beginning Balance	144.27	-	144.27
2012	Payroll Withholding	Beginning Balance	-	(1,577.79)	1,577.79
2012	Township	Receipts	34,021.66	34,633.40	(611.74)
2012	Payroll Withholding	Disbursements	-	2,433.71	(2,433.71)
2012	Township	Ending Balance	141,838.25	108,263.00	33,575.25
2012	Township Assistance	Ending Balance	29,176.12	28,095.56	1,080.56
2012	Firefighting	Ending Balance	3,622.58	(1,859.79)	5,482.37
2012	Rainy Day	Ending Balance	2,505.17	-	2,505.17
2012	Levy Excess	Ending Balance	144.27	-	144.27
2012	Payroll Withholding	Ending Balance	-	(4,011.50)	4,011.50
2013	Rainy Day	Beginning Balance	2,505.17	-	2,505.17
2013	Levy Excess	Beginning Balance	144.27	-	144.27
2013	Rainy Day	Ending Balance	2,505.17	-	2,505.17
2013	Levy Excess	Ending Balance	144.27	-	144.27

- The following funds had overdrawn cash balances in the Township ledger at December 31:

<u>Years</u>	<u>Fund</u>	<u>Amount</u>
2011	Firefighting	\$ 520.98
2011	Payroll Withholding	1,577.79
2012	Firefighting	1,859.76
2012	Payroll Withholding	4,011.50

- Receipts are required by Indiana Code 5-13-6-1 to be deposited by the 1 and 15 of the month. Several county tax distributions were deposited from 5 days to 87 days past the required date of deposit.
- Resolutions establishing salaries of Township officers and employees were not presented for review for 2010, 2011, 2012, and 2013. Form 17 (Resolution Establishing Salaries of Township Officers and Employees) has been prescribed for this purpose.
- The Township paid the Trustee and Township Clerk in advance for 2012 and 2013 of services provided. Salary payments were made at the beginning of each month and not at the end of each month after services were provided.
- Payments were made to the following entities and individuals without the support of a written contract or the payments were in excess of the approved contract amount:


<u>Years</u>	<u>Fund</u>	<u>No Contact</u>	<u>Excess of Approved Contract</u>
2010	Ripley County Humane Society	\$ 500	\$ -
2010	Lifetime Resources	500	-
2010	New Marion Fire Volunteer Department	-	1,000
2010	New Marion Fire Volunteer Department	700	-
2011	Lifetime Resources	500	-
2011	Ripley County Humane Society	1,000	-
2011	Versailles Sports Complex	5,000	-
2011	Jerry Russell - Cemetery Mowing	325	-
2011	Donald Turner - Cemetery Mowing	500	-
2012	AYOU	1,000	-
2012	Versailles Sports Complex	5,000	-
2012	Horse Feathers	500	-
2013	Horse Feathers	2,000	-
2013	SR Ministerial Association	8,000	-
2013	Town of Versailles	5,000	-
2013	Tri Kappa	3,000	-
2013	Tyson Activity Center	4,100	-
2013	Versailles Lions Club	3,000	-
2013	Versailles Sports Complex	5,000	-
2013	Versailles Sports Complex	10,000	-
2013	AYOU	4,000	-
2013	Delaware Volunteer Fire Department	-	10,000
2013	Versailles Volunteer Fire Department	-	20,000

- *Township assistance payments were made to a local funeral home for funeral assistance without an Application for Township Assistance on file documenting that the individual died without leaving money; real or personal property, other assets that may be liquidated; or other means necessary to defray funeral expenses.*
- *Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.*
- *The Township did not have the required meeting to organize and elect its Chairman and Secretary in accordance with Indiana Code 36-6-6-7 for 2011, 2012, and 2013. Also, the minutes of the Township Board meetings for 2012, and 2013 were not approved by the Township Board in accordance with Indiana Code 36-6-6-8.*
- *The Township did not have the required meeting to review and adopt the Annual Report in accordance with Indiana Code 36-6-6-9 for 2010, 2011, and 2012.*
- *No documentation was presented for review showing that the Trustee obtained a faithful performance bond for the years 2012, 2013, and through May 8, 2014, as required by Indiana Code 5-4-1-18. The Trustee presented for review a faithful performance bond with an effective date of May 9, 2014.*

- *The Annual Report was not published in accordance with Indiana Code 36-6-4-13 for 2012.*
- *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 December 31, 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 December 31, 2013.*
- *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 2010 and 2011. The reports were filed on July 11, 2011, and February 15, 2012, which is 161 and 15 days past the due date, respectively.*

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 November 24, 2014, with Toni L. (Gray) Halcomb, Trustee, and on November 25, 2014, with Joyce A. Samples, former Trustee.

  
Paul D. Joyce, CPA  
State Examiner