B45258

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

EXAMINATION REPORT
OF

MARION COUNTY SMALL CLAIMS COURT
FRANKLIN TOWNSHIP DIVISION
MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2013

FILED
07/23/2015

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COURT OFFICIALS

Office	Official	Term
Judge of the Small Claims Court	Honorable John A. Kitley, Jr.	01-01-11 to 12-31-18
Chairman of the Township Board	Paige Green	01-01-11 to 12-31-15

STATE OF INDIANA

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TO: THE OFFICIALS OF MARION COUNTY SMALL CLAIMS
COURT, FRANKLIN TOWNSHIP DIVISION

We have examined the records of the Marion County Small Claims Court, Franklin Township Division 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 Report of Franklin Township for the years 2011, 2012, and 2013.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

February 26, 2015

BANK ACCOUNT RECONCILIATIONS

A detailed bank reconcilement for the Marion County Small Claims Court, Franklin Township Division (Court) as of December 31, 2013, was not provided for examination. Court personnel compared the receipts and disbursements shown in Odyssey, the Court's software system, 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. During the course of the examination, multiple Odyssey reports were used to determine if the fund balance reconciled to the bank balance as of December 31, 2013. As of December 31, 2013, we identified cash short in the amount of $2,107; however, there could have been several other reconciling items that we could not identify based on the reports that were provided.

Similar comments appeared in prior Reports B30096, B35415, and B39297.

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 balances 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)

FRAUDULENT CHECKS

In December of 2012, five fraudulent checks manufactured by unknown persons totaling $3,704 were charged to the Court's bank account. These checks were not discovered by Court personnel until October of 2014 and the theft was reported to the Indiana State Board of Accounts, as required by Indiana Code 5-11-1-27. A police report was filed on October 8, 2014, reporting the fraudulent checks. As of the date of this report, no recovery of these funds has been made.

Internal controls over Court cash and investments were insufficient. Timely bank reconcilements were not performed by Court personnel during the examination period. As a result, this theft was not discovered until 22 months after its occurrence.

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 the respective depositories. IC 5-13-6-1 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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.

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)

UNDOCUMENTED ADJUSTMENTS

The Court maintains a list of adjustments which were used in performing month-end bank reconcilements. A $2,104 adjustment described as "bank account discrepancies" was made on October 3, 2011, to bring the net of all adjustments back to zero. The Township could not explain the exact nature of this adjustment.

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)

The accounting application system must be supported by computerized and manual procedures to assure the following error correction controls are implemented:

- The type of error condition is recorded.
- The original transaction creating the error is retained within the system.
- A reversing transaction to eliminate the effect of the error is entered and retained within the system.
- The correct transaction is entered into the system and recorded.
- Management approval for error correction is documented.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

STALE DATED OUTSTANDING CHECKS (WARRANTS)

The bank reconcilement as of December 31, 2013, included checks outstanding in excess of two years. The oldest outstanding checks were written in 2005.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

(1) board of finance of the political subdivision; or

(2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

MARION COUNTY SMALL CLAIMS COURT, FRANKLIN TOWNSHIP DIVISION
EXIT CONFERENCES

The contents of this report were discussed on February 26, 2015, with Keith Smith, Trustee; Debbie Civils, Township Administrator; Honorable John A. Kitley, Jr., Judge of the Small Claims Court; and Paige Green, Chairman of the Township Board.

The contents of this report were discussed on March 6, 2015, with Ross Hughes, former Trustee.