



STATE OF INDIANA
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B46213

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April 22, 2016

TO: THE OFFICIALS OF GERMAN TOWNSHIP, VANDERBURGH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of German Township (Township), for the period of January 1, 2010 to December 31, 2014, 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.

Unresolved Comments from Prior Report

- *The following are variances between the Annual Financial Reports reported on Gateway; the financial ledger and financial information determined based on procedures performed by SBoA:*

Years	Fund	Category	Amount Per Gateway	Amount Per Ledger	Amount Per SBoA
2011	Fire Fighting	Beginning Balance	\$ (91,981.00)	\$ (90,950.01)	\$ (143,421.39)
2011	Fire Loan Debt	Beginning Balance	83,347.00	80,129.23	80,129.24
2011	Township	Receipts	13,709.99	105,708.15	16,471.28
2011	Fire Fighting	Receipts	190,800.56	66,670.52	193,400.48
2011	Township	Disbursements	13,959.91	136,050.00	25,817.28
2011	Township Assistance	Disbursements	12,741.77	11,821.42	9,841.97
2011	Fire Fighting	Disbursements	177,630.50	136,050.00	94,763.97
2011	Cumulative Fire	Disbursements	66,478.74	57,645.78	44,124.69
2011	Fire Loan Debt	Disbursements	-	80,129.23	80,129.23
2011	EMS	Disbursements	88,288.01	61,655.59	54,757.01
2011	Township	Ending Balance	39,871.08	129,200.05	30,398.25
2011	Township Assistance	Ending Balance	31,646.23	32,567.23	34,167.92
2011	Fire Fighting	Ending Balance	(78,810.94)	(160,329.49)	(44,784.88)
2011	Cumulative Fire	Ending Balance	(0.51)	(11,813.79)	22,354.05
2011	Fire Loan Debt	Ending Balance	83,347.00	-	0.01
2011	EMS	Ending Balance	(64,459.81)	(63,843.55)	(30,827.79)
2012	Township	Beginning Balance	39,871.08	(3,637.45)	30,398.25
2012	Township Assistance	Beginning Balance	31,646.23	14,003.56	34,167.92
2012	Fire Fighting	Beginning Balance	(78,810.94)	-	(44,784.88)
2012	Cumulative Fire	Beginning Balance	(0.51)	1,468.73	22,354.05
2012	Fire Loan Debt	Beginning Balance	83,347.00	-	0.01
2012	EMS	Beginning Balance	(64,459.81)	1,468.72	(30,827.79)
2012	Township	Disbursements	111,504.00	112,053.99	40,726.40
2012	Fire Fighting	Disbursements	88,011.00	88,011.33	117,331.00
2012	Fire Loan Debt	Disbursements	44,331.00	44,331.31	84,582.64
2012	Township	Ending Balance	(30,539.92)	(73,967.37)	30,767.25
2012	Township Assistance	Ending Balance	19,135.38	1,943.89	22,145.30
2012	Fire Fighting	Ending Balance	(43,457.94)	35,279.01	(38,751.64)
2012	Cumulative Fire	Ending Balance	21,371.49	22,808.35	43,727.38
2012	Fire Loan Debt	Ending Balance	133,003.00	49,582.51	9,404.58
2012	EMS	Ending Balance	(47,114.81)	18,417.54	(13,482.35)
2013	Township	Beginning Balance	(30,539.92)	(73,967.37)	30,767.25
2013	Township Assistance	Beginning Balance	19,135.38	1,943.89	22,145.30
2013	Fire Fighting	Beginning Balance	(43,457.94)	35,279.01	(38,751.64)
2013	Cumulative Fire	Beginning Balance	21,371.49	22,808.35	43,727.38
2013	Fire Loan Debt	Beginning Balance	133,003.00	48,893.32	9,404.58
2013	EMS	Beginning Balance	(47,114.81)	18,417.54	(13,482.35)
2013	Fire Fighting	Receipts	117,919.57	117,920.17	224,894.99
2013	Fire Loan Debt	Receipts	205,157.35	205,157.35	98,157.35
2013	Township	Disbursements	37,792.95	37,489.29	46,375.84
2013	Fire Fighting	Disbursements	151,170.50	151,170.50	220,472.23
2013	Cumulative Fire	Disbursements	65,357.27	65,357.27	9,527.77
2013	Fire Loan Debt	Disbursements	168,128.38	168,128.38	48,303.36
2013	EMS	Disbursements	-	18,417.54	18,417.54
2013	Township	Ending Balance	(2,537.36)	(45,661.15)	50,180.91
2013	Township Assistance	Ending Balance	22,489.20	5,297.71	25,499.12
2013	Fire Fighting	Ending Balance	(76,708.87)	2,028.68	(34,328.88)
2013	Cumulative Fire	Ending Balance	(1,436.85)	-	76,748.53
2013	Fire Loan Debt	Ending Balance	170,031.97	85,922.29	59,258.57
2013	EMS	Ending Balance	(47,114.81)	-	(31,899.89)

Due to the condition of the financial records for the year 2014, it was not practical to make a comparison between the Annual Financial Report reported on Gateway and the financial ledger. Current Township officials used the amounts determined by SBoA procedures in the preparation of the 2014 Gateway Annual Financial Report.

- The following funds had overdrawn cash balances at December 31:

<u>Year</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2010	Fire Fighting	\$ 143,421.39
2010	EMS	32,989.97
2011	Fire Fighting	44,784.88
2011	EMS	30,827.79
2012	Fire Fighting	38,751.64
2012	EMS	13,482.35
2013	Fire Fighting	34,328.88
2013	EMS	31,899.89
2014	Fire Fighting	44,156.03
2014	Fire Debt	3,651.14
2014	EMS	31,899.89

Current Period Comments

- The records presented for review showed the following disbursements in excess of budgeted appropriations:

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2010	Township	\$ 39,387.40
2010	Township Assistance	11,047.08
2010	Fire Fighting	166,262.00
2010	Cumulative Fire	4,315.00
2010	Fire Debt Loan	3,277.78
2010	EMS	63,062.00
2011	Fire Debt Loan	80,129.23
2011	Rainy Day	2,470.91
2012	Fire Fighting	8,827.00
2012	Fire Debt Loan	1,078.64
2012	EMS	13,787.00
2013	Township	17,419.84
2013	Fire Fighting	44,088.23
2014	Fire Fighting	249,170.50
2014	Cumulative Fire	13,746.50
2014	Fire Debt Loan	44,246.84

- The Township began using an excel spreadsheet in July 2011 to record the financial activity of the Township in lieu of prescribed form, Financial and Appropriation Record (Form 1C). Form 1C has been prescribed as the control document to record all financial activity for a Township. The Township did not obtain approval to use a substitute form. The spreadsheets did not contain month and year to date totals for receipts and disbursements. Individual disbursement transactions were not recorded to the portion of the record utilized to monitor compliance with approved budgets. In addition, payroll payments were not entered in a manner that clearly showed the amount of gross pay and individual withholding amounts. In some instances, reimbursements for mileage and payments for cemetery care were combined with salary payments.

- *Depository reconcilements were presented examination; however, the reconcilements did not reconcile record balances of cash and investments with depository balances. As a result, the reconcilements did not identify posting errors made to the ledger.*
- *The Township Board did not fix the salaries of Township officers and employees for 2010, 2011, 2012, 2013, and 2014. In lieu of approving salaries by a resolution, salaries were approved in the Township budget.*
- *Instances were noted where salaries were paid in advance of service. The annual salary of the Township Trustee was paid in full by December 2, 2010, December 20, 2012, December 5, 2013, and December 3, 2014. The annual salary of the Township Clerk was paid in full by December 2, 2010, November 28, 2011, December 20, 2012, November 26, 2013, and December 1, 2014. The annual salary of the Township Board was paid in full by December 2, 2010, December 6, 2011, December 3, 2012, December 23, 2013, and December 3, 2014.*
- *Our review of disbursements to various vendors identified 23 payments totaling \$6,082.25 which were not supported with any documentation. These disbursements were to various vendors known to provide goods or services to the Township including an accounting firm that provides accounting services related to a debt issues; local newspaper; office supply store; insurance company; etc*
- *Payments for cemetery care totaled \$14,850 during the years 2010 through 2014. Of this amount, \$12,350 was paid from the Township Assistance Fund. Cemetery care is not an allowable expenditure of the Township Assistance Fund.*
- *Cemetery care payments did not agree to the contract amounts for 2010, 2011, 2013, and 2014. Although there were written contracts for cemetery care (mowing) for each year, no itemized invoices or other supporting documentation was presented for review to document when the services were provided.*
- *The former Township Trustee entered into contracts with his daughter and three grandchildren for the years 2013 and 2014 for cemetery care in the amount of \$3,500 for each year. All checks for the payment of cemetery care were endorsed by the former Trustee's daughter.*

No written disclosure describing the relationship between the former Trustee and his daughter and no certified statement of the reasons why the contractor was selected were presented to the Township Board as required by Indiana Code 36-1-21-5.

- *Payments made for fire protection and emergency medical services did not agree with approved contract amounts as shown in the following schedule:*

	<u>2011</u>	<u>2013</u>	<u>Total</u>
<i>Contract Amount</i>	<u>\$ 209,304.94</u>	<u>\$ 300,150.00</u>	<u>\$ 509,454.94</u>
<i>Payments From:</i>			
<i>Fire Fighting Fund</i>	90,770.77	271,642.73	362,413.50
<i>Cumulative Fire Fund</i>	44,124.69	65,357.27	109,481.96
<i>EMS Fund</i>	<u>54,757.01</u>	-	<u>54,757.01</u>
<i>Total Payments</i>	<u>189,652.47</u>	<u>337,000.00</u>	<u>526,652.47</u>
<i>Underpayment (Overpayment)</i>	<u>\$ 19,652.47</u>	<u>\$ (36,850.00)</u>	<u>\$ (17,197.53)</u>

- In order to pay the remaining \$86,000 owed to the German Township Volunteer Fire Department in December of 2012, the Township obtained a loan for that amount. However, the proceeds of the loan were paid directly to the Volunteer Fire Department and were not recorded on the Township's Ledger and were not reported as a receipt and disbursement on the Gateway Annual Report.
- Township Board members were issued Internal Revenue Service form 1099-Misc. (Miscellaneous Income) instead of form W-2 (Wage and Tax Statement) during the years 2010 through 2014. As a result, the Township did not withhold and match social security and Medicare taxes as required.

The Township Assistance Investigator was not issued a W-2 for the year 2010.

The Township did not present for review form 1099-Misc. showing payments to the Township Trustee for office rent were reported to the Internal Revenue Service and the Indiana Department of Revenue for the years 2010, 2011, 2012, 2013, and 2014. Payments totaled \$20,839.44 for the five years.

The Township did not present for review form 1099-Misc. showing payments to the Township Clerk for cemetery care were reported to the Internal Revenue Service and the Indiana Department of Revenue for the years 2010, 2011, 2012, 2013, and 2014. Payments totaled \$14,850.00 for the five years.


- Five Township assistance payments were made during the years 2010, 2011, and 2014 without an Application for Township Assistance.
- The Township did not have a Nepotism Policy for 2012 or 2013 as required by Indiana Code 36-1-20.2-9.
- 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, 2013, or 2014.
- The Township did not have a Contracting Policy for 2012 or 2013 as required by Indiana Code 36-1-21-4.
- 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, 2013, or 2014.
- The Annual Financial Report for 2011 was not filed electronically until April 3, 2012, which was 34 days past the due date.
- The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) was incomplete for years 2012 and 2013, and was inaccurate for years 2012, 2013, and 2014 as shown in the following schedule:

<u>Position</u>	<u>Years</u>	<u>Reported Compensation</u>	<u>Actual Compensation</u>	<u>Variance</u>
Trustee	2012	\$ 15,000.00	\$ 15,489.66	\$ 489.66
Clerk/Investigator	2012	12,000.00	18,986.34	6,986.34
Trustee	2013	14,314.00	17,481.42	3,167.42
Clerk/Investigator	2013	11,692.00	18,123.35	6,431.35
Trustee	2014	14,750.00	16,896.61	2,146.61
Clerk/Investigator	2014	17,050.00	20,198.41	3,148.41

In addition to this report, a Special Investigation Report on the Township Trustee has been issued for German Township. This report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.

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 February 3, 2016, with Fred L. Happe, former Trustee, and in a separate discussion on February 3, 2016, with Sherri Schlitt, Trustee, and John Bassemier, Township Board member.


Paul D. Joyce, CPA
State Examiner