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November 10, 2016

TO: THE OFFICIALS OF FRANKLIN TOWNSHIP, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Franklin Township (Township), for the period of January 1, 2012 to December 31, 2015, 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 auditing standards generally accepted in the United States of America. 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.

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 Township did not perform monthly bank reconciliations in 2013 and 2014. As a result, numerous unrecorded transactions were not timely detected and corrected. Adjustments were made to the records without any supporting documentation provided. Monthly bank reconciliations were performed in 2015; however, the reconciliations contained errors. An adjustment receipt dated December 31, 2014, and a direct debit payment on January 13, 2015, were listed as an outstanding transactions throughout 2015. As a result of these errors, the Township's cash and investment balance at December 31, 2015, was overstated by \$6,490.*
- *Evidence of the Township Board's approval of clerical salaries for the years 2012, 2013, and 2014 was not presented for review.*

- The Township received numerous notices from the Internal Revenue Service (IRS) and the Indiana Department of Revenue for the years 2012, 2013, and 2014 indicating unpaid payroll taxes, failure to file various payroll tax forms, and discrepancies among the forms that were filed. Some of these notices included assessments of penalties and interest. Due to accounting practices (backdating paychecks) and lack of supporting documentation for 34 of 60 payments made via the State's INTAX web portal, the amount of penalty and interest paid for those years could not be determined. Payments for those years combined, including any amounts attributable to penalty and interest, were still \$186 less than the federal liability and \$244 less than the state liability. The Township paid \$104.84 in penalty and interest to the IRS for late payment of 2015 first quarter payroll taxes. The Township did not pay 2015 state withholding taxes until March 31, 2016. The amount owed for 2015 was miscalculated, resulting in an overpayment of \$1,304 plus penalties and interest of \$245.
- The Annual Financial Reports filed on Gateway did not match the Township's records as follows:

Years	Fund	Category	Amount Per Gateway	Amount Per Township Ledger	Difference
2012	Township Assistance	Beginning Balance	\$ 165,538	\$ 145,858	\$ 19,680
2012	Fire Fighting	Beginning Balance	47,878	67,557	(19,679)
2012	Payroll Withholding	Beginning Balance	-	(85)	85
2012	Township	Receipts	69,272	71,126	(1,854)
2012	Township Assistance	Receipts	68,712	70,722	(2,010)
2012	Payroll Withholding	Receipts	-	4,218	(4,218)
2012	Township	Disbursements	37,669	32,552	5,117
2012	Township Assistance	Disbursements	76,913	77,985	(1,072)
2012	Payroll Withholding	Disbursements	-	5,562	(5,562)
2012	Township	Ending Balance	57,316	64,287	(6,971)
2012	Township Assistance	Ending Balance	157,338	138,596	18,742
2012	Fire Fighting	Ending Balance	50,995	70,674	(19,679)
2012	Payroll Withholding	Ending Balance	-	(1,428)	1,428
2013	Township	Beginning Balance	57,316	64,287	(6,971)
2013	Township Assistance	Beginning Balance	157,338	138,596	18,742
2013	Fire Fighting	Beginning Balance	50,995	70,674	(19,679)
2013	Payroll Withholding	Beginning Balance	-	(1,428)	1,428
2013	Township	Receipts	76,447	39,658	36,789
2013	Township Assistance	Receipts	17,168	7,153	10,015
2013	Fire Fighting	Receipts	13,773	6,871	6,902
2013	Payroll Withholding	Receipts	-	3,991	(3,991)
2013	Township	Disbursements	34,908	35,020	(112)
2013	Township Assistance	Disbursements	89,580	79,771	9,809
2013	Fire Fighting	Disbursements	16,308	20,232	(3,924)
2013	Payroll Withholding	Disbursements	-	3,489	(3,489)
2013	Township	Ending Balance	98,855	68,925	29,930
2013	Township Assistance	Ending Balance	84,926	65,978	18,948
2013	Fire Fighting	Ending Balance	48,460	57,312	(8,852)
2013	Payroll Withholding	Ending Balance	-	(926)	926
2014	Township	Beginning Balance	98,855	99,841	(986)
2014	Township Assistance	Beginning Balance	84,926	84,720	206
2014	Fire Fighting	Beginning Balance	48,460	37,633	10,827
2014	Payroll Withholding	Beginning Balance	-	502	(502)
2014	Township	Receipts	77,620	43,526	34,094
2014	Township Assistance	Receipts	55,452	90,574	(35,122)
2014	Fire Fighting	Receipts	19,831	11,995	7,836
2014	Payroll Withholding	Receipts	-	4,075	(4,075)
2014	Township	Disbursements	33,976	36,393	(2,417)
2014	Township Assistance	Disbursements	105,580	105,649	(69)
2014	Payroll Withholding	Disbursements	-	5,655	(5,655)
2014	Township	Ending Balance	142,499	106,974	35,525
2014	Township Assistance	Ending Balance	34,799	69,646	(34,847)
2014	Fire Fighting	Ending Balance	51,621	32,958	18,663
2014	Payroll Withholding	Ending Balance	-	(1,078)	1,078
2015	Payroll Withholding	Beginning Balance	1,841	(1,078)	2,919
2015	Payroll Withholding	Receipts	857	7,058	(6,201)
2015	Payroll Withholding	Ending Balance	(585)	2,698	(3,283)

- *The Township did not timely file a Certified Report Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the Indiana State Board of Accounts for the years 2013 and 2014. The reports were filed on March 13, 2014, and March 15, 2015, 41 days and 43 days past the respective due dates.*

**Current Period Comments**

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

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2012	Payroll Withholding	\$ 1,428
2013	Payroll Withholding	926
2014	Payroll Withholding	1,077

- *The Township deposited, but did not record receipts totaling \$51,603 and \$7,156 for the years 2013 and 2014. The Township improperly recorded a 2015 County Option Income Tax distribution of \$2,689 as a receipt in the Payroll Withholdings fund.*
- *W-2s for the year 2012 were not presented for review.*
- *The Township did not have a nepotism policy for the years 2012, 2013, and 2014.*
- *The Township elected officers did not each certify that they had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2012, 2013, 2014, and 2015.*
- *The Township did not have a contracting policy for the years 2012, 2013, and 2014.*
- *The Township elected officers did not each certify that they had complied with Indiana Code 36-1-21, (Contracting With a Unit) by December 31, 2012, 2013, 2014, and 2015.*
- *The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) filed for 2013 was inaccurate. The 2013 100-R understated the Trustee's total compensation by \$461 and understated the total compensation of two clerks by \$346 and \$339.*

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 September 27, 2016, with Kevin D. Carmichael, Trustee. Any Official Response attached to this letter was not verified for accuracy.

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