



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B47232

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November 21, 2016

TO: THE OFFICIALS OF GREGG TOWNSHIP, MORGAN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Gregg 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 Trustee's Surety Bond was insufficient per the Indiana Code for 2012. The bond was for \$10,000, instead of the required \$30,000.*
- *Township Assistance payments were made without an Application for Township Assistance on file in 2012 and 2013.*
- *Payments made for fire protection in 2012 and for mowing in 2012, 2013, 2014, and 2015 were not supported by a written contract.*
- *Employees of the Township were paid without the Township withholding federal, state, and local taxes in 2012.*
- *The wages reported on the W-2s issued for 2012 did not agree with the actual amounts paid to employees.*

- Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance. Posting errors were not corrected causing depository reconciliations to not balance with the bank account balances.
- The records presented for review indicated the following disbursements in excess of budgeted appropriations:

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2012	Fire Fighting	\$ 114,408.00
2013	Fire Fighting	6,875.00
2014	Township Assistance	12,354.84
2014	Fire Fighting	397.00
2014	Fire Debt	102,507.82
2014	Rainy Day	54.00
2014	Park & Recreation	510.00
2014	Cemetery	11,769.92

Current Period Comments

- The Annual Financial Report (AFR) filed for 2012, 2013, 2014, and 2015 did not match the Township's records as shown below:

<u>Years</u>	<u>Fund</u>	<u>Category</u>	<u>Amount per Gateway</u>	<u>Amount per Township Ledger</u>	<u>Difference</u>
2012	Township	Receipt	\$ 28,056.45	\$ 30,155.27	\$ 2,098.82
2012	Township	Disb	42,398.81	40,427.02	(1,971.79)
2012	Township	End Bal	10,156.64	8,084.18	(2,072.46)
2012	Township Assistance	Receipt	29,472.33	26,584.78	(2,887.55)
2012	Township Assistance	Disb	13,097.71	13,537.71	440.00
2012	Township Assistance	End Bal	37,260.62	38,038.62	778.00
2012	Fire Fighting	Receipt	114,928.73	114,000.61	(928.12)
2012	Fire Fighting	Disb	131,000.00	150,000.00	19,000.00
2012	Fire Fighting	End Bal	31,093.73	1,093.73	(30,000.00)
2012	Cumulative Fire	Receipt	40,960.89	43,670.68	2,709.79
2012	Fire Debt	Beg Bal	102,453.82	102,454.00	0.18
2012	Fire Debt	End Bal	102,453.82	102,454.00	0.18
2012	Capital Projects	Beg Bal	853.35	853.00	(0.35)
2012	Capital Projects	End Bal	853.35	853.00	(0.35)
2012	Payroll Withholding	Receipt	3,404.46	1,993.30	(1,411.16)
2012	Payroll Withholding	Disb	3,331.41	6,920.32	3,588.91
2012	Payroll Withholding	End Bal	463.05	(2,055.97)	(2,519.02)
2012	Rainy Day	Beg Bal	48,461.73	48,462.00	0.27
2012	Rainy Day	End Bal	48,466.14	48,466.41	0.27
2012	Loan & Interest Payment	Beg Bal	11,769.92	11,770.00	0.08
2012	Loan & Interest Payment	End Bal	11,769.92	11,770.00	0.08
2013	Township	Receipt	49,904.48	25,684.01	(24,220.47)
2013	Township	Disb	44,105.59	43,394.88	(710.71)
2013	Township	End Bal	15,955.53	(4,096.81)	(20,052.34)
2013	Township Assistance	Receipt	19,880.14	33,015.32	13,135.18
2013	Township Assistance	End Bal	42056.38	52,670.22	10,613.84
2013	Fire Fighting	Receipts	250,244.06	261,328.51	11,084.45
2013	Fire Fighting	End Bal	115,337.79	125,179.40	9,841.61
2013	Cumulative Fire	Receipts	29,162.69	29,160.49	(2.20)
2013	Fire Debt	Beg Bal	102,453.82	102,454.00	0.18
2013	Fire Debt	End Bal	102,453.82	102,454.00	0.18
2013	Capital Projects	Beg Bal	853.35	853.00	(0.35)
2013	Capital Projects	End Bal	853.35	853.00	(0.35)

<u>Years</u>	<u>Fund</u>	<u>Category</u>	<u>Amount per Gateway</u>	<u>Amount per Township Ledger</u>	<u>Difference</u>
2013	Payroll Withholding	Receipts	\$ 4,478.19	\$ 3,767.48	\$ (710.71)
2013	Payroll Withholding	Disb	7,303.27	7,135.48	(167.79)
2013	Payroll Withholding	End Bal	(2,362.03)	(2,768.15)	(406.12)
2013	Rainy Day	Beg Bal	48,466.14	48,466.41	0.27
2013	Rainy Day	End Bal	48,466.14	48,466.41	0.27
2013	Loan & Interest Payment	Beg Bal	11,769.92	11,770.00	0.08
2013	Loan & Interest Payment	End Bal	11,769.92	11,770.00	0.08
2014	Township	Beg Bal	15,955.53	17,451.60	1,496.07
2014	Township	End Bal	51,847.95	53,344.02	1,496.07
2015	Township	Beg Bal	51,847.95	53,344.02	1,496.07
2015	Township	Rec	45,542.07	44,046.00	(1,496.07)

- The following fund had an overdrawn cash balance at December 31:

<u>Year</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2013	Township	\$ 4,096.81

- Receipts were deposited later than the first and fifteenth of the month in 2012, 2013, 2014, and 2015. Receipts were deposited up to 28 days after receiving funds.
- The Township Board did not fix the salaries of all officers and employees for 2012, 2013, 2014, and 2015.
- Compensation paid to employees was not in accordance with the budgeted salary for 2012, 2013, 2014, and 2015.
- The Township paid \$60,032.62 of compensation in advance of the actual date the services were provided for 2012, 2013, 2014, and 2015.
- Payroll taxes withheld were not remitted to the Internal Revenue Service (IRS) and Department of Revenue in 2012 and 2013 in a timely manner, resulting in penalties and interest being paid.
- The Township paid penalties, interest, and other charges for services in the amount of \$3.25 in 2012. In addition, the IRS was paid for penalties and interest in 2013 and 2014 in the amount of \$591.82 for prior period taxes because the Township did not remit payments on a timely basis.
- The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) was inaccurate. The 2013 100-R stated the Trustee's total compensation was \$10,819.78, but the Trustee actually was paid \$10,926.96 in 2013. In 2014, the 100-R stated the Trustee's total compensation was \$10,819.78 but was actually paid \$10,926.96 and the 100-R reported the Township Clerk was paid \$4,920.13 when she was actually paid \$5,000.
- The Township did not have the required meeting to review and adopt the AFR in accordance with Indiana Code 36-6-6-9 for 2012.
- The Township Board minutes for 2012 were not presented for review.
- The required abstract was not published in accordance with Indiana Code 36-6-4-13 for 2013.

- *Payment was observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. No supporting invoice or statement was available for review of a payment made in 2012. Township Assistance payments totaling \$9,402.69 were paid with no supporting documentation attached. Therefore, the validity of the payments could not be determined.*
- *Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1 for 2012, 2013, and 2014.*
- *The Township did not have a Nepotism Policy for 2012, 2013, and 2014.*
- *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, 2014, and 2015.*
- *The Township did not have a Contracting Policy for 2012, 2013, and 2014.*
- *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, 2014, and 2015.*

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 October 6, 2016, with Matt Bishop, Trustee. Any Official Response attached to this letter was not verified for accuracy.

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

The trustee's surety bond was insufficient per the Indiana code for 2012. The dollars amount was \$10,000 instead of the required \$30,000.

This was the action of the previous Trustee. Current Trustee has been fully bonded since taking office.

Township assistance payments were made without an Application for Township Assistance on file in 2012 and 2013.

This was due to the actions/inactions of the previous Trustee. Since assuming office on January 1st of 2015, all applicants have been required to submit the appropriate paperwork for assistance.

Payments made for Fire Protection in 2012 and for mowing in 2012, 2013, 2014 and 2015 were not supported by a written contract.

Failure to secure written contracts in 2012, 2013 and 2014 are due to the actions/inactions of the previous Trustee. I take full responsibility for failing to secure a contract for mowing in 2015. However, this oversight was corrected in 2016 with the hiring of a new mowing crew and will not be an issue in the future.

Employees of the township were paid without the township withholding federal, state, and local taxes in 2012.

This was due to the actions/inactions of the previous Trustee.

The wages reported on the W-2s issued for 2012 did not agree with the actual amounts paid to employees.

These were the actions/inactions of the previous Trustee.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance for 2012 and 2013. Posting errors were not corrected causing depository reconciliations to not balance with the bank account balances.

These were the actions/inactions of the previous Trustee.

The records presented for examination indicated the following disbursements in excess of budgeted appropriations:

INSERT TABLE

The issues found in 2012, 2013 and 2014 were due to the actions of the previous Trustee.

Current Period Comments

The annual financial report filed on Gateway for 2012, 2013, 2014, and 2015 contained a number of errors and did not properly reflect the financial activity of the township.

INSERT TABLE

The issues found in 2012 and 2013 were due to the actions of the previous Trustee. The single issue found in 2014 and 2015 is the result of an outstanding, uncashed check that had been on the township's ledger since 2010. In February (approximately) of 2015 after a long conversation with the

Internal Revenue Service, we were permitted to remove said outstanding check from the township ledger. This was a simple process the had not been done in the past for reasons unknown by the previous trustee. Since it was removed in 2015, the amount was reflected as a discrepancy in the ending balance for 2015. Now that this issue has been resolved, there should be no further discrepancies in the annual reports.

The following funds had overdrawn cash balances at December 31.

INSERT TABLE

This instance occurred in 2013 and was due to the actions of the previous Trustee.

Receipts were deposited later than the first and fifteenth of the month in 2012, 2013, 2014 and 2015. Receipts were deposited up to 28 days after receiving.

The issues found in 2012, 2013 and 2014 were due to the actions/inactions of the previous Trustee. Regarding the 1 instance in 2015, the disbursements come to the Township through the USPS mail service. It is now (since January of 2015) the practice of the Township to immediately deposit any checks received by the Township on the day it is received. Being at the mercy of when and if the mail is delivered in a timely manner is the only part of this process that is out of the Township's control. Given the amount of time that had passed between when the disbursement was issued and when it was deposited, delay though the USPS mail service is the only explanation that would explain this 1 delay in 2015.

The township did not adopt a resolution establishing salaries of township officers and employees in 2012, 2013, 2014, and 2015.

Issues found in 2012, 2013 and 2014 were due to the actions of the previous Trustee and I cannot speculate as to the reason(s) for her actions. I can give a reason for this occurrence in 2015 though. Indiana code says that a yearly resolution should be adopted (not must be adopted) to establish salaries. If a resolution isn't adopted, the salaries shall stay at the amounts that were last adopted. In an effort to keep the budget and therefore taxes at the lowest amount possible, I see no reason to raise any Officers pay above the already established levels. For this reason, I didn't see the need to revisit the issue on a yearly basis. However, since the auditor deemed it to be an issue worthy of report, from here forward, yearly salary resolutions will be adopted.

Compensation paid to employees was not in accordance with the budgeted salary for 2012, 2013, 2014 and 2015.

Issues found in 2012, 2013 and 2014 were due to the actions of the previous Trustee and I cannot speculate as to the reason(s) for her actions. The reason for the occurrence in 2015 is related to not adopting a salary resolution as listed above.

The township paid \$59,570.14 of compensation to in advance of the actual date the services were provided for 2012, 2013 and 2014.

This was due to the action of the previous Trustee.

Payroll taxes withheld were not properly remitted to the IRS and Department of Revenue in 2012 and 2013 in a timely manner resulting in penalties and interest being paid.

These were due to the actions/inactions of the previous Trustee.

The certified report of compensation of officers and employees (Form 100-R or its equivalent) was inaccurate. The 2013 100R stated the trustee's total compensation was \$10,819.78, but the trustee actually was paid \$10,926.96 in 2013. In 2014, the 100R stated the trustee's total compensation was \$10,819.78 but was actually paid \$10,926.96 and the 100R reported the clerk was paid \$4,920.13 when she was actually paid \$5,000.

These were due to the actions of the previous Trustee.

The township did not have the required meeting to review and adopt the annual report in accordance with IC 36-6-6-9 in 2012.

This was due to the action/inaction of the previous Trustee.

The board minutes for 2012 were not presented for examination.

If board meeting minutes were recorded in 2012, copies were not included with other township records when they were presented to the new township administration in January of 2015.

The annual report was not published in accordance with IC 36-6-4-13 for 2013.

This was due to the action/inaction of the previous Trustee.

Payment was observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. No supporting invoice or statement was available for examination of a payment made in 2012. Township Assistance payments totaling \$9,402.69 were paid with no supporting documentation attached. Therefore, the validity of the payments could not be determined.

This was due to the action/inaction of the previous Trustee.

The township paid penalties, interest and other charges to Endeavor in the amount of \$3.25 in 2012. In addition, Internal Revenue Service was paid for penalties and interest in 2013 and 2014 in the amount of \$591.82 for prior period taxes because the township did not remit payments on a timely basis.

This was due to the actions/inactions of the previous Trustee.

Township Assistance Standards were not established in accordance with IC 12-20-5.5-1 for 2012, 2013 and 2014.

This was due to the actions/inactions of the previous Trustee.

The township did not have a nepotism Policy for 2012, 2013, and 2014.

This was due to the actions/inactions of the previous Trustee.

Each elected officer did not certify in writing that the officer had not violated IC 36-1-20.2 (Nepotism) by December 31, 2012, 2013, 2014, and 2015.

The issues found in 2012, 2013 and 2014 were due to the actions/inactions of the previous Trustee. In 2015, all officers certified in writing that they had not violated IC 36-1-20.2 with the exception of one person that joined the Township Board at a later date. This was an oversight on my part and will not occur again.

The township did not have a Contracting Policy for 2012, 2013 and 2014.

This was due to the actions/inactions of the previous Trustee.

Each elected officer did not certify in writing that the officer had not violated IC 36-1-21 (Contracting With a Unit) by December 31, 2012, 2013, 2014, and 2015.

The issues found in 2012, 2013 and 2014 were due to the actions/inactions of the previous Trustee. In 2015, all officers certified in writing that they had not violated IC 36-1-21 with the exception of one person that joined the Township Board at a later date. This was an oversight on my part and will not occur again.

I, Matt Bishop, the current Gregg Township Trustee have submitted the above responses to the SBOA. To the best of my knowledge all responses are true and accurate. In the instances of responding to issues found during the previous Trustees tenure, I did not wish to "guess" or "assume" the reasons for actions or inactions taken. While I do believe in the right of the people of this township to have a full explanation, my thoughts or assumptions of actions or inactions taken would not help to resolve said issues. With that said, I can assure the people of Gregg Township that all of the above audit "issues" will not reoccur as long as I hold the office of Township Trustee.



Matt Bishop

Gregg Township Trustee

Morgan County, Indiana