



STATE OF INDIANA
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B47657

STATE BOARD OF ACCOUNTS
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February 2, 2017

TO: THE OFFICIALS OF UNION TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Union Township (Township), for the period of January 1, 2011 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 statement, 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.

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.

Current Period Comments

- *The financial institution did not return the cancelled checks with the monthly bank statements.*
- *The Annual Financial Report filed on Gateway for 2011, 2012, 2013, 2014, and 2015 did not match the financial records of the Township.*


<u>Years</u>	<u>Fund</u>	<u>Category</u>	<u>Amount per Gateway</u>	<u>Amount per Township Ledger</u>	<u>Difference</u>
2011	Township	Receipt	\$ 66,407.70	\$ 65,923.70	\$ (484.00)
2011	Township	Disbursement	105,148.37	104,664.37	(484.00)
2011	Township Assistance	Receipt	24,941.27	25,041.27	100.00
2011	Township Assistance	Disbursement	15,098.07	15,198.07	100.00
2012	Township	Receipt	103,159.30	113,329.91	10,170.61
2012	Township	Disbursement	127,666.06	108,991.06	(18,675.00)
2012	Township	Ending Balance	184,388.08	213,233.69	28,845.61
2012	Fire Territory	Disbursement	89,862.43	90,410.95	548.52
2012	Fire Territory	Ending Balance	23,016.48	22,467.94	(548.54)
2012	Fire Equipment	Receipt	13,926.11	(15,208.46)	(29,134.57)
2012	Fire Equipment	Ending Balance	63,076.90	33,942.33	(29,134.57)
2012	Payroll Deduction	Receipt	4,854.54	5,538.91	684.37
2012	Payroll Deduction	Disbursement	5,231.80	5,081.70	(150.10)
2012	Payroll Deduction	Ending Balance	882.78	1,720.28	837.50
2013	Township	Receipt	114,367.06	140,525.06	26,158.00
2013	Township	Disbursement	134,643.59	160,801.59	26,158.00
2013	Township Assistance	Receipt	18,336.74	16,636.74	(1,700.00)
2013	Township Assistance	Disbursement	15,120.72	13,420.72	(1,700.00)
2014	Rainy Day	Receipt	34,754.80	34,821.31	66.51
2014	Rainy Day	Ending Balance	90,206.05	90,272.56	66.51
2014	Fire Territory	Receipt	144,615.14	144,548.63	(66.51)
2014	Fire Territory	Ending Balance	12,431.54	12,365.03	(66.51)
2015	Township	Receipt	142,914.06	114,869.17	(28,044.89)
2015	Township	Disbursement	192,606.19	164,561.19	(28,045.00)
2015	Township Assistance	Receipt	1,599.60	(1,400.40)	(3,000.00)
2015	Township Assistance	Disbursement	9,865.73	6,865.73	(3,000.00)

- *The Township did not adopt a resolution establishing salaries of Township officers and employees for 2011, 2014, and 2015.*
- *Employees of the Township were paid without the Township withholding federal, state, and local taxes.*
- *W-2s were not issued to Township Board members for 2011, 2012, 2013, or 2014.*
- *Payments made for ambulance services and cemetery mowing were not supported by written contracts.*
- *The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) was incomplete. For 2012 and 2013, the report did not include the Township Board members.*
- *The Township paid penalties, interest, and other charges to the United States Treasury in the amount of \$301.52 because the Township did not remit payments on a timely basis.*
- *The Township did not have the required meeting to review and adopt the Annual Financial Report in accordance with Indiana Code 36-6-6-9 for 2011, 2013, or 2015.*
- *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, and 2014.*

- *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, and 2014.*

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 29, 2016, with William L. Stroup, Trustee. Any Official Response attached to this letter was not verified for accuracy.


Paul D. Joyce, CPA
State Examiner

BILL STROUP
OFFICE OF UNION TOWNSHIP TRUSTEE

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December 22, 2016

To: Kristen Campbell Email: Kcampbell@sboafe.in.gov
Mary Jo Small Email: MaSmall@sboafe.in.gov
State Board of Accounts

From: Bill Stroup

Re: Response to Audit Report for Years 2011-2015

1. The financial institution did not return the cancelled checks with the monthly bank statements.

To have checks returned with the bank statements is an extra fee. Typically, the bank statements are reconciled from the banks' websites before the statements are received in the mail.

Cancelled checks for the last 500 transactions are readily available off of the website. Usually, cancelled checks can be located off the website with both the front and back copied faster than locating them through envelopes returned in the mail. 500 transaction cover approximately 15 months of activity. If a cancelled check is needed that is more than 15 months old, it still can be recovered from the bank for a fee.

2. The annual financial report filed on Gateway for 2011, 2012, 2013, 2014, and 2015, contained a number of errors and did not properly reflect the financial activity of the township.

These are not errors and would not be an issue but for computer software limitations. All of the accounts are accurate and in balance. The following explanations cover all of the items listed as errors:

1) The most significant items are transfers between bank accounts and a specific fund. These are recorded as a receipt and disbursement and do not affect the fund balance. This does over state receipts and disbursements.

2) Each year in December, the total interest from money market account is prorated between all of the funds based on average balance for the year. Since the interest is only \$20 to \$30 per month, it is put in the general fund monthly and prorated to other funds before year end. This is treated as a transfer and over states receipts and disbursements, as well as makes minor changes to fund balances.

Beginning in 2016, a different method will be used to record this pro-
ration, which should avoid over statement of receipts and disbursements.

3) Transfers to the Rainy Day Fund have been made through the
transfers, which not only over stated receipts and disbursements, but does
affect the account balances; but the account balances are correct.

4) In 2012, after the books were closed, an error was observed and
a post closing correcting entry was made, but the ledgers could not be re-run
because the computer does not accept entries when the books have been
closed. The correct balances were reported to Gateway and advertised in the
South Bend Tribune.

The fact that the adjustment was made is proven by the fact that the
ledger shows the correct balance on January 1, 2013, which ties to the ending
balance of Gateway and the South Bend Tribune on December 31, 2012.

5) The only reason the differences in the Audit Report do not offset
is because the Gateway columns are rounded to the nearest dollar.

3. The township did not adopt a resolution establishing salaries of
township officers and employees for 2011, 2014, and 2015.

We only made resolutions when there was a change in rate. We will do
it annually in the future, even if there is no change.

4. ~ Employees of the township were paid without the township
withholding federal, state, and local taxes.

~ W-2s were not issued to board members for 2011, 2012, 2013, or
2014.

These two items are the same. Until 2015, board members were issued
1099s and paid taxes with their returns. Beginning in 2015, we began issuing
W-2s.

5. Payments made for ambulance services and cemetery mowing were
not supported by written contracts.

Contracts do exist for the cemeteries, but have not been rewritten
annually when there were no changes in the terms.

Ambulance contract compensation is changed annually based on same
percentage as the levy increases. The contract was also rewritten in 2014, due
to the fact that we bought a new ambulance. A new contract was written in
2016, and from now on, we will write a contract each year.

6. The certified report of compensation of officers and employees (Form
100-R or its equivalent) was incomplete. For 2012 and 2013, the report did not
include the board members of the township.

We will make sure to include the board members in the future.

7. The township paid penalties, interest, and other charges to the United
States Treasury in the amount of \$301.52, because the township did not remit

payments on a timely basis.

This is the result of an embarrassing computation error and oversight by the trustee. The \$301.52 is being reduced from the trustee's compensation to repay the township.

8. The township did not have the required meeting to review and adopt the annual report in accordance with IC-36-6-6-9 for 2011, 2013, or 2015.

The board has reviewed the annual report every year. We will make sure the minutes use the word "adopt" in the future.

9. ~ 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 IC 36p-1-20.2 (Nepotism) by December 31 in 2012, 2013, and 2014.

~ 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 IC 36-1-21 (Contracting With a Unit) by December 31 in 2012, 2013, and 2014.

We have complied with the spirit of nepotism legislation in practice, and will put the employment and contracting policies in writing in the future.