

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

COMPLIANCE REPORT

OF

WEBSTER TOWNSHIP

HARRISON COUNTY, INDIANA

January 1, 2010 to December 31, 2015



**FILED**  
03/20/2017



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#### SCHEDULE OF OFFICIALS

| <u>Office</u>                     | <u>Official</u>                    | <u>Term</u>                                  |
|-----------------------------------|------------------------------------|--|
| Trustee                           | Merlin G. Lillpop<br>Isaac Brown   | 01-01-07 to 12-31-14<br>01-01-15 to 12-31-18 |
| Chairman of the<br>Township Board | Daniel McPhillips<br>Steve Bachman | 01-01-10 to 12-31-15<br>01-01-16 to 12-31-17 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WEBSTER TOWNSHIP, HARRISON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Webster Township (Township), Harrison County, for the period January 1, 2010 to December 31, 2015, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of non-compliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The Township Annual Financial Reports filed for years prior to 2011 can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://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/>.

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

January 31, 2017

WEBSTER TOWNSHIP, HARRISON COUNTY  
RESULTS AND COMMENTS

**OVERPAYMENT OF COMPENSATION**

Merlin G. Lillpop (Lillpop), Trustee, and Doris R. Bliss (Bliss), Township Clerk, were paid their wages for 2010, 2011, 2012, 2013, and 2014 without federal, Social Security, and Medicare taxes being withheld. The Township paid the employee share of withholding taxes to the IRS for the Trustee totaling \$4,874.32 and the Township Clerk totaling \$417.62. Payments by year are documented in the schedule below.

| <u>Years</u> | <u>Lillpop</u>     | <u>Bliss</u>     |
|--------------|--------------------|------------------|
| 2010         | \$ 898.72          | \$ 115.28        |
| 2011         | 918.28             | 107.56           |
| 2012         | 1,381.22           | 81.29            |
| 2013         | 1,331.04           | 113.49           |
| 2014         | <u>345.06</u>      | <u>-</u>         |
| Totals       | <u>\$ 4,874.32</u> | <u>\$ 417.62</u> |

Indiana Code 36-6-6-10(b) states:

"The township legislative body shall fix the:

- (1) Salaries;
- (2) Wages;
- (3) Rates of hourly pay; and
- (4) Remuneration other than other than statutory allowances;

of all officers and employees of the township."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

On January 31, 2017, Lillpop was requested to reimburse the Township \$4,874.32 for the employee's share of withholding taxes paid by Township. Reimbursement totaling \$4,874.32 to the Township was made by Lillpop on January 31, 2017. (See Summary of Charges, page 11)

On January 31, 2017, Bliss was requested to reimburse the Township \$417.62 for employee's share of withholding taxes paid by Township. Reimbursement totaling \$417.62 to the Township was made by Biss on January 31, 2017. (See Summary of Charges, page 11)

WEBSTER TOWNSHIP, HARRISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

**BANK RECONCILEMENTS**

Depository reconciliations of the fund balances to the bank account balances were not completed from October 2014 to December 2015.

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."

**ANNUAL REPORT ERRORS**

The Annual Financial Reports (AFR) filed on Gateway for 2011 and 2015 did not match the Township's records.

| Years | Fund                | Category      | Amount<br>per<br>AFR | Amount<br>per<br>Ledger | Difference     |
|-------|---------------------|---------------|----------------------|-------------------------|----------------|
| 2011  | Riverboat           | Beg. Balance  | \$ -                 | \$ 22,162.36            | \$ (22,162.36) |
| 2011  | Riverboat           | Receipts      | 27,902.36            | 5,740.00                | 22,162.36      |
| 2015  | Township            | Receipts      | 35,457.11            | 38,237.28               | (2,780.17)     |
| 2015  | Township Assistance | Receipts      | 3,127.08             | 3,488.04                | (360.96)       |
| 2015  | Township            | Disbursements | 18,390.21            | 15,783.09               | 2,607.12       |
| 2015  | Township            | End. Bal.     | 31,551.47            | 36,938.76               | (5,387.29)     |
| 2015  | Township Assistance | End. Bal.     | 68,544.65            | 68,905.61               | (360.96)       |

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The adjustments in the above schedule were presented and approved by the Trustee. Adjustments were made to the 2015 AFR on January 31, 2017.

**INACCURATE WAGES REPORTED ON FORM W-2**

The wages reported on the W-2s issued for 2010, 2011, 2012, and 2013 did not agree with the actual amounts paid to the Trustee. Wages reported on the W-2 for 2012 did not agree with the actual amounts paid to the Township Clerk.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

WEBSTER TOWNSHIP, HARRISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

***FORM W-2 NOT ISSUED TO EMPLOYEES***

Township Board members were not issued W-2s for 2010, 2011, 2012, and 2013. The Township Clerk was not issued a W-2 for 2013.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Township paid penalties, interest, and other charges to the Internal Revenue Service during 2012 in the amount of \$25.06 because the Township did not remit a payment on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

***TOWNSHIP ASSISTANCE STANDARDS NOT ESTABLISHED***

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1 for 2010, 2011, 2012, and 2013.

Indiana Code 12-20-5.5-1(b) states:

"The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

WEBSTER TOWNSHIP, HARRISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

***NEPOTISM POLICY***

The Township did not have a Nepotism Policy for 2012, 2013, or 2014.

Indiana Code 36-1-20.2-9(a) states:

"This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

The unit may prohibit the employment of a relative that is not otherwise prohibited by this chapter."

***NEPOTISM POLICY CERTIFICATION***

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.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

***CONTRACTING WITH A UNIT POLICY***

The Township did not present a Contracting With a Unit Policy for 2012, 2013, or 2014.

Indiana Code 36-1-21-4(a) states:

"This chapter establishes minimum requirements regarding contracting with a unit. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

The unit may prohibit or restrict an individual from entering into a contract with a unit that is not otherwise prohibited or restricted by this chapter."

WEBSTER TOWNSHIP, HARRISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

***CONTRACTING WITH A UNIT POLICY CERTIFICATION***

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.

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

***UNTIMELY FILING OF ANNUAL REPORT***

The Annual Financial Report (AFR) for 2010 was not filed electronically until March 7, 2011, which was six days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***UNTIMELY FILING OF 100-R REPORT***

The Township did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the Indiana State Board of Accounts for 2011. The report was filed on April 30, 2012, which was 89 days past the due date.

Indiana Code 5-11-13-1(a) states in part:

"Every . . . township . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees."

***INTERNAL CONTROL DEFICIENCIES***

The Trustee was responsible for all aspects of the Township's financial activity. Duties related to the approval and payment of payroll was not in place allowing for the overpayment of compensation for the Trustee and the Township Clerk due to Township payment of employee withholdings.

WEBSTER TOWNSHIP, HARRISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

The State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. An integral part of the control activity component is segregation of duties. . . . There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**OFFICIAL BONDS**

The Township obtained the following official bonds:

| <u>Period</u>        | <u>Amount</u> |
|----------------------|---------------|
| 01-01-10 to 12-31-10 | \$ 30,000     |
| 01-01-11 to 12-31-11 | 30,000        |
| 01-01-12 to 12-31-12 | 30,000        |
| 01-01-13 to 12-31-13 | 30,000        |
| 01-01-14 to 12-31-14 | 30,000        |

WEBSTER TOWNSHIP, HARRISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2017, with Isaac Brown, Trustee.

WEBSTER TOWNSHIP, HARRISON COUNTY  
SUMMARY OF CHARGES

|                                     | <u>Charges</u>            | <u>Credits</u>            | <u>Balance Due</u> |
|-------------------------------------|---------------------------|---------------------------|--------------------|
| Merlin G. Lillpop, Trustee:         |                           |                           |                    |
| Overpayment of Compensation, page 4 | \$ 4,874.32               | \$ 4,874.32               | \$ -               |
| Doris R. Bliss, Township Clerk:     |                           |                           |                    |
| Overpayment of Compensation, page 4 | <u>417.62</u>             | <u>417.62</u>             | <u>-</u>           |
| Totals                              | <u><u>\$ 5,291.94</u></u> | <u><u>\$ 5,291.94</u></u> | <u><u>\$ -</u></u> |