

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

COMPLIANCE REPORT

OF

ADDISON TOWNSHIP

SHELBY COUNTY, INDIANA

January 1, 2011 to December 31, 2015



FILED
05/11/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	James E. Garrett, Jr.	01-01-11 to 12-31-18
Chairman of the Township Board	Jack Banker	01-01-11 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF ADDISON TOWNSHIP, SHELBY COUNTY, INDIANA

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

The Results and Comments contained herein describe the identified reportable instances of noncompliance 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 Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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 19, 2017

ADDISON TOWNSHIP, SHELBY COUNTY
RESULTS AND COMMENTS

OVERPAYMENTS

Overpayments of payroll taxes withheld were noted as follows by year:

<u>Tax Period</u>	<u>Overpayments for Federal Withholding and Social Security Tax</u>	<u>Overpayments for State and County Withholding</u>	<u>Total Overpayments</u>
2008	\$ -	\$ 5,651.00	\$ 5,651.00
2009	-	2,667.30	2,667.30
2010	-	41.32	41.32
2011	1,695.93	39.53	1,735.46
2013	3,065.47	2,554.59	5,620.06
2014	680.73	1,380.06	2,060.79
2015	-	136.65	136.65
2016	-	1,932.21	1,932.21
Totals	<u>\$ 5,442.13</u>	<u>\$ 14,402.66</u>	<u>\$ 19,844.79</u>

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Every effort should be made by the unit to avoid unreasonable or excessive costs. Unreasonable or excessive costs may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

The payment of penalties, interest, and other charges were noted as follows by year:

<u>Tax Period</u>	<u>Penalties and Interest for Federal Withholding and Social Security Tax</u>	<u>Penalties and Interest for State and County Withholding</u>	<u>Other</u>	<u>Total Penalties, Interest, and Other Charges</u>
2011	\$ -	\$ 90.73	\$ -	\$ 90.73
2012	-	26.91	64.12	91.03
2013	-	318.88	-	318.88
2014	15.44	142.98	-	158.42
2016	<u>344.25</u>	<u>53.49</u>	<u>-</u>	<u>397.74</u>
Totals	<u>\$ 359.69</u>	<u>\$ 632.99</u>	<u>\$ 64.12</u>	<u>\$ 1,056.80</u>

ADDISON TOWNSHIP, SHELBY COUNTY
RESULTS AND COMMENTS
(Continued)

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 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)

We requested that James E. Garrett, Jr., Trustee, reimburse the Township \$1,056.80 for the payment of penalties, interest, and other charges. Reimbursement of \$1,056.80 to the Township was made on April 3, 2017. (See Summary of Charges, page 11)

COMPENSATION AND BENEFITS

The Township Board did not fix the salaries of Township officers and employees in 2011, 2013, 2014, and 2015. W-2s were not issued to Township Board members in 2011, 2012, 2013, and 2014.

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

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay . . .

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)

CERTIFIED REPORT OF COMPENSATION OF OFFICERS AND EMPLOYEES

The Certified Report of Names, Addresses, Duties and Compensation of Officers and Public Employees (Form 100-R) was inaccurate for 2012, 2013, 2014, and 2015. It appeared that in some instances that budgeted amounts were used, instead of actual compensation. Additionally, the Township did not file the Form 100-R in a timely manner. The reports for 2011 (90 days late), 2014 (58 days late) and 2015 (24 days late) were filed past the due date.

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

"Every state, county, city, town, township, or school official . . . 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 . . . 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. . . ."

ADDISON TOWNSHIP, SHELBY COUNTY
RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

The Township did not timely file the Annual Financial Report with the Indiana State Board of Accounts for the year 2012. The report was filed on March 19, 2013, which was 18 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."

PAYROLL DEDUCTIONS

Township Board members were paid in 2011, 2012, 2013, and 2014 without the Township withholding Medicare and Social Security taxes.

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)

APPROPRIATIONS

The records presented indicated the Township Fund had \$1,302 disbursements in excess of budgeted appropriations for the year 2014.

Indiana Code 6-1.1-18-4 states: "Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The backside or endorsement side of the checks was not returned.

Indiana Code 5-15-5.1-10(a) states in part:

"Each agency and local government shall:

- (1) Make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and local government to protect the legal and financial rights of the government and of persons directly affected by the agency's activities and the local government's activities.
- (2) Cooperate fully with the administration in implementing the provisions of this chapter.
...

ADDISON TOWNSHIP, SHELBY COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set in the record after it was first generated in its final form as an electronic records or otherwise; and
- (2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

OVERDRAWN CASH BALANCE

The Payroll Withholdings fund had an overdrawn fund balance at December 31, 2015, in the amount of \$513.34.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ANNUAL NEPOTISM CERTIFICATION

Each elected officer did not annually certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31 of each year.

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."

ANNUAL CONTRACTING CERTIFICATION

Each elected officer did not annually certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31 of each year.

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."

CONTRACTS

Payments made for mowing in 2012 and fire protection in 2013 were not supported by written contracts.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ADDISON TOWNSHIP, SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2017, with James E. Garrett, Jr., Trustee.

Addison Township Trustee
210 Columbia Avenue
Shelbyville, Indiana 46176
317 398-6896

March 15, 2017

Mr. David Bixler, Auditor
Indiana State Board of Accounts
302 W. Washington Street, Suite E418
Indianapolis, IN 46204

Dear Auditor Bixler,

Pursuant to Indiana Code, IC 5-11-1 and the audit performed on the Addison Township Trustee office; this correspondence serves as the response to the audit findings and comments.

Those charges identified in the summary report relating to penalties, interest and other charges will be reimbursed to the Township. It was noted that the Township has funds owed to the Trustee that have not been expended. The issue with State, Federal and Workforce Development taxes not being paid or in a timely manner relate to the former Clerk making the payments but apparently not submitting the supporting tax form(s). The 941 federal taxes paid by the Township, actually is an overpayment as the Internal Revenue Service at some point in time confused Trustee James E. Garrett Jr., and Addison Township with James F. Garrett and Addison Civil Township. Therefore, the Township has been making double payments to the IRS or paying the Quarterly 941 and a demand late payment.

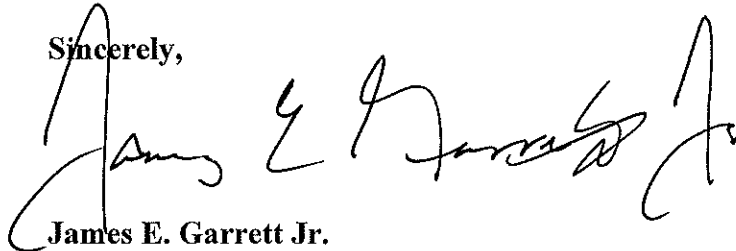
To correct the problem the Clerk has gone back to 2008 to request a 4506-T Request of Transcript of Tax Return to discern when the confusion first occurred and how much overpayment was made. The Department of Revenue for the State of Indiana has been overpaid too and in January the Township submitted the necessary forms to request approximately \$9000.00 in overpayments be returned to the Township.

As the period covered by the audit were January 1, 2011 to December 31, 2015, I question why the amounts of \$135.45, \$249.75, \$89.49 and \$397.74 were included in the personal amount due for reimbursement? In 2010 the Trustee reimbursed the Township via a cashier's check \$3, 525.00 which included the aforementioned amounts except for the \$397.74 penalties and interest for 2016.

The penalties, interest and other charges reimbursed previously should bring the new total due from the audit to \$1,056.80. Please advise regarding this discrepancy so the reimbursement may be provided to finalize the audit of Addison Township.

The other issues cited were interpretation issues regarding statute and code. The Township Advisory Board going forward will fix the salaries of all Township employees each year by a motion. Also all contracts, nepotism certification and internal controls will be yearly approved by motion of the Advisory Board. Finally, the financial institution for the Township, Chase Bank, will be required to provide optical images of all checks written by the Township.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Garrett Jr.", written over a horizontal line.

James E. Garrett Jr.
Addison Township Trustee

ADDISON TOWNSHIP, SHELBY COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
James E. Garrett, Jr., Trustee:			
Penalties, Interest, and Other Charges, pages 4 and 5	<u>\$ 1,056.80</u>	<u>\$ 1,056.80</u>	<u>\$ -</u>