

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CENTER TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2013



FILED
10/16/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Eugene Akers	01-01-11 to 12-31-18
Judge	Honorable Michelle Smith-Scott (Vacant)	01-01-11 to 10-03-14 10-04-14 to 10-14-14
	Honorable Brenda Roper	10-15-14 to 12-31-18
Chairman of the Township Board	Linda Journey Phyllis Carr Linda Journey Phyllis Carr	01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CENTER TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our examination report of Center Township (Township), for the period from January 1, 2011 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Examination Report of the Township, which provides our opinion on the Township's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination 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.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 10, 2014

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TRUSTEE
CENTER TOWNSHIP, MARION COUNTY

TRUSTEE
CENTER TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports for the years 2011, 2012, and 2013 contained a number of errors and did not properly reflect the financial activity of the Township or the Small Claims Court.

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."

BANK ACCOUNT RECONCILIATIONS

The following conditions were noted with respect to the bank reconciliations for the Township.

Monthly depository reconciliations were not presented for examination for all of the Township bank accounts during the period examined. The Township reconciled only certain individual bank accounts and did not include all funds held in the reconciliation process. Additionally, Township ledgers for the period did not include funds from all depositories. Differences were identified and the balances were corrected for financial statement presentation.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

INTERNAL CONTROLS

We noted several deficiencies in the internal control system of the Township. These deficiencies included, but were not limited to, lack of segregation of duties relating to reconciling, receipting, and disbursements. For example, one employee was responsible to receive money, post payments, make bank deposits, and reconcile bank statements to ledger balances. In addition, controls over capital assets were insufficient. These deficiencies were communicated to Township officials.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TRUSTEE
 CENTER TOWNSHIP, MARION COUNTY
 EXAMINATION RESULTS AND COMMENTS
 (Continued)

Segregation of duties is achieved within information technology systems by appropriate assignment of security profiles that define the data the users can access and the functions that they can perform. Access must be restricted to the minimum required for the user to perform their job function. Access rights must be periodically reviewed and approved by management. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

COMPENSATION AND BENEFITS

Compensation and benefits were paid to at least 14 employees during 2011, 2012, and 2013 that were not included on the salary resolution. The compensation and benefits paid to these employees was \$426,612.77. Prior to 2012, it had been the practice of the Township to only include certain positions, such as, Trustee, Judge, Township Board, Small Claims Court Clerks, and Township Clerk on the salary resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUPPORTING DOCUMENTATION

We noted the following credit card purchases did not include supporting documentation to support the purchase.

Date	Vendor	Amount	Description
11-17-11	CDW Government	\$ 1,317.15	No detail
11-17-11	USPS	528.00	No detail
06-21-12	CDW Government	120.28	No detail
06-21-12	Sirius XM	187.26	No detail
06-21-12	CDW Government	44.72	No detail
06-21-12	CDW Government	44.72	No detail
06-21-12	CDW Government	177.78	No detail
10-18-12	Sirius XM	(115.95)	No detail - credit
10-18-12	Fry's.com	(96.29)	No detail - credit
10-18-12	AT&T	(18.63)	No detail - credit
10-18-12	Gold Medal	21.95	No detail
10-18-12	Hyatt Hotels - Washington, D.C.	747.75	No detail
10-18-12	Fry's.com	96.29	No detail
10-18-12	AT&T	114.92	No detail
10-18-12	Costco checks and forms	171.83	No detail
10-18-12	Sage software	150.00	No detail
10-18-12	Indianapolis Rubber Stamp	<u>64.20</u>	No detail
Total		<u>\$ 3,555.98</u>	

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

TRUSTEE
CENTER TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SALES AND RENTAL PROCEEDS

The net proceeds from the sale of Township owned real property were deposited into the accounts of a not-for-profit. The sales price was \$15,000 and the net proceeds of the sale were \$12,415.

A portion (25 percent) of the proceeds from the sale of other Township owned real property was deposited into the Fun Fest fund, instead of the Township fund. The net proceeds of this sale that were receipted into the Fun Fest fund were \$9,940.

Additionally, a portion of rental proceeds of Township owned property, refunds and reimbursements due to the Township fund were deposited into the Fun Fest fund. The proceeds from these items that were receipted into the Fun Fest fund were \$45,267.49.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TRUSTEE
CENTER TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2015, with Eugene Akers, Trustee, and Eric Bailey, Budget Director.

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SMALL CLAIMS COURT
CENTER TOWNSHIP, MARION COUNTY

SMALL CLAIMS COURT
CENTER TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS

UNTIMELY REMITTANCE OF FEES

Certain fees collected at the Marion County Small Claims Court, Center Township Division (Court), are to be paid to the State of Indiana, Marion County, and to Center Township. We observed that the Court has not remitted all fees to the State of Indiana or to Marion County during the examination period. The Court remitted a portion of the fees due to Center Township during the examination period; however, a large balance was still due to the Township. As of December 31, 2013, the Court owes the following fees to the respective governmental units:

	<u>Amount</u>
State of Indiana	\$ 2,198,444.39
Marion County	175,718.64
Center Township	<u>330,559.96</u>
Total	<u>\$ 2,704,722.99</u>

Indiana Code 33-34-8-3 (in effect during the examination period through July 1, 2015) states:

"(a) Payment for all costs made as a result of proceedings in a small claims court shall be to the _____ Township of Marion County Small Claims Court (with the name of the township inserted). The court shall issue a receipt for all money received on a form numbered serially in duplicate. All township docket fees and late fees received by the court shall be paid to the township trustee at the close of each month.

(b) The court shall:

(1) semiannually distribute to the auditor of state:

(A) all automated record keeping fees (IC 33-37-5-21) received by the court for deposit in the homeowner protection unit account established by IC 4-6-12-9 and the state user fee fund established under IC 33-37-9;

(B) all public defense administration fees collected by the court under IC 33-37-5-21.2 for deposit in the state general fund;

(C) sixty percent (60%) of all court administration fees collected by the court under IC 33-37-5-27 for deposit in the state general fund;

(D) all judicial insurance adjustment fees collected by the court under IC 33-37-5-25 for deposit in the judicial branch insurance adjustment account established by IC 33-38-5-8.2;

(E) seventy-five percent (75%) of all judicial salaries fees collected by the court under IC 33-37-5-26 for deposit in the state general fund; and

(F) one hundred percent (100%) of the pro bono legal services fees collected before July 1, 2017, by the court under IC 33-37-5-31; and

SMALL CLAIMS COURT
CENTER TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(2) distribute monthly to the county auditor all document storage fees received by the court. The remaining twenty-five percent (25%) of the judicial salaries fees described in subdivision (1)(E) shall be deposited monthly in the township general fund of the township in which the court is located. The county auditor shall deposit fees distributed under subdivision (2) into the clerk's record perpetuation fund under IC 33-37-5-2.

(c) The court semiannually shall pay to the township trustee of the township in which the court is located the remaining forty percent (40%) of the court administration fees described under subsection (b)(1)(C) to fund the operations of the small claims court in the trustee's township."

Effective July 1, 2015, Indiana Code 33-34-8-3 was amended, and now states:

"(a) Payment for all costs made as a result of proceedings in a small claims court shall be to the _____ Township of Marion County Small Claims Court (with the name of the township inserted). The court shall issue a receipt for all money received on a form numbered serially in duplicate.

(b) This subsection applies only to a low caseload court (as defined in sections 5 and 5.1 of this chapter). All township docket fees and late fees received by the court shall be paid to the township trustee at the close of each month.

(c) This subsection does not apply to a low caseload court. This subsection applies to all other township small claims courts in Marion County. One dollar and fifty cents (\$1.50) of the township docket fee shall be paid to the township trustee of each low caseload court at the end of each month. The remaining township docket fees and late fees received by the court shall be paid to the township trustee at the close of each month.

(d) The court shall:

(1) semiannually distribute to the auditor of state:

(A) all automated record keeping fees (IC 33-37-5-21) received by the court for deposit in the homeowner protection unit account established by IC 4-6-12-9 and the state user fee fund established under IC 33-37-9;

(B) all public defense administration fees collected by the court under IC 33-37-5-21.2 for deposit in the state general fund;

(C) sixty percent (60%) of all court administration fees collected by the court under IC 33-37-5-27 for deposit in the state general fund;

(D) all judicial insurance adjustment fees collected by the court under IC 33-37-5-25 for deposit in the judicial branch insurance adjustment account established by IC 33-38-5-8.2;

(E) seventy-five percent (75%) of all judicial salaries fees collected by the court under IC 33-37-5-26 for deposit in the state general fund; and

(F) one hundred percent (100%) of the pro bono legal services fees collected before July 1, 2017, by the court under IC 33-37-5-31; and

SMALL CLAIMS COURT
CENTER TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) distribute monthly to the county auditor all document storage fees received by the court. The remaining twenty-five percent (25%) of the judicial salaries fees described in subdivision (1)(E) shall be deposited monthly in the township general fund of the township in which the court is located. The county auditor shall deposit fees distributed under subdivision (2) into the clerk's record perpetuation fund under IC 33-37-5-2.

(e) The court semiannually shall pay to the township trustee of the township in which the court is located the remaining forty percent (40%) of the court administration fees described under subsection (d)(1)(C) to fund the operations of the small claims court in the trustee's township."

Indiana Code 33-34-8-4 states:

"Fees, costs, and any other amounts collected by the courts shall be accounted for quarterly to the clerk of the circuit court on:

- (1) March 31;
- (2) June 30;
- (3) September 30; and
- (4) December 31; of each year."

BANK ACCOUNT RECONCILIATIONS

The following conditions were noted with respect to the bank reconciliations for the Court.

- A. Monthly depository reconciliations of the Small Claims Court fund balances were not presented for examination for periods after January 31, 2012.
- B. The Township did not have accurate bank reconciliations for the months prior to January 2012 for the Small Claims Court fund balances.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SMALL CLAIMS COURT
CENTER TOWNSHIP, MARION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for examination were incomplete for the Small Claims Court. The records presented did not provide sufficient information to verify beginning balances or the accuracy or correctness of the transactions and ending balances for the examination period.

The prescribed form, Court Cash Book of Receipts and Disbursements (Township Form 25M), was not maintained during the examination period. The Court started using the state approved Odyssey system in September 2008; however, the financial module of the software has not been implemented. As a result, the Odyssey court reports were not completely reconciled to depository balances and did not reflect all financial activity of the Court. Not having a reconciled Cash Book or equivalent means that management could not expediently review the overall activity of the Court, and increases the likelihood that errors or fraud may not be detected timely.

Due to the condition of records described above for the Small Claims Court fund, the Indiana State Board of Accounts was unable to provide an unqualified opinion on the accuracy of the financial statements.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SMALL CLAIMS COURT
CENTER TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2015, with Honorable Brenda Roper, Judge; Eugene Akers, Trustee; and Eric Bailey, Budget Director.