

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH TOWNSHIP

LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
03/29/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Frank J. Mrvan	01-01-11 to 12-31-18
Chairman of the Township Board	Richard Novak	01-01-14 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NORTH TOWNSHIP, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of North Township (Township), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Township, which provides our opinions on the Township's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Audit 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 16, 2015

NORTH TOWNSHIP, LAKE COUNTY  
FEDERAL FINDINGS

***FINDING 2014 - 001 - FINANCIAL TRANSACTIONS AND REPORTING***

The Township has deficiencies in their internal control system related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Township's financial statement and then determining how those identified risks should be managed. The Township has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

1. Segregation of Duties: Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The Township has not separated incompatible activities related to receipts, disbursements, and reporting.
  - a. Receipts: At the park, one individual issued receipts, prepared the bank deposit, and took the deposit to the bank. The Township did not have policies or procedures in place to verify park shelter receipts issued to the collections submitted to the township administration for recording in the financial accounting system.

Receipts are not issued at the time of the transaction for several collections points in the Township. In addition, one collection point issued receipts which were not pre-numbered. These collections are then remitted to the Township Administration Office for deposit and receipt issuance. Furthermore, collections were deposited at the bank for some types of activities before a receipt was issued.
  - b. Payroll Disbursements: The information from the Township's electronic time record cannot be downloaded into the payroll software. The time information has to be manually entered into the payroll software. The data entered is reviewed by the individual entering the information.
  - c. Poor Relief Disbursements: The purchase orders for poor relief are processed for payment and the check issued by the same individual, who also reconciles the bank account.
2. Error Correction Audit Trails: When an issued check or receipt has an error, such as being recorded to the wrong fund or account, appropriate staff will record correcting entries in the web-based electronic ledger. When an error is corrected in the software, it does not provide a visible audit trail. The web-based ledger only presents the final entry, which is the correction. The software company stated that it can provide an audit trail upon request. However, it could not be determined from observing the ledger that an audit trail would be needed as the ledger does not visibly document that any corrections had been made.
3. Monitoring of Controls: An evaluation of the Township's system of internal control has not been conducted. The failure to monitor the internal control system places the Township at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Township has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Township to monitor and assess the quality of the system of internal control.

The failure to establish adequate controls enabled material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

NORTH TOWNSHIP, LAKE COUNTY  
FEDERAL FINDINGS  
(Continued)

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

Accounting information must not be modified by computer utility programs which are not contained in the accounting application system. The accounting application system must be supported by computerized and manual procedures to assure the following error correction controls are implemented:

- The type of error condition is recorded.
- The original transaction creating the error is retained within the system.
- A reversing transaction to eliminate the effect of the error is entered and retained within the system.
- The correct transaction is entered into the system and recorded.
- Management approval for error correction is documented.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

***FINDING 2014 - 002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Township did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Township should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA remained undetected.

NORTH TOWNSHIP, LAKE COUNTY  
FEDERAL FINDINGS  
(Continued)

During the audit of the SEFA, we noted the following errors:

1. State grants totaling \$25,164 and a local distribution of \$497 were erroneously reported on the SEFA as federal funds.
2. Amounts were reported in excess of the amounts reimbursed by Northwestern Indiana Regional Planning Commission (NIRPC), the pass-through entity, resulting in a \$60,926 overstatement.

Audit adjustments were proposed, approved, and made to the SEFA presented in this report.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available . . . "

NORTH TOWNSHIP, LAKE COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-003 - FEDERAL TRANSIT\_FORMULA GRANTS***

Federal Agency: Department of Transportation  
Federal Program: Federal Transit\_Formula Grants  
CFDA Number: 20.507  
Federal Award Numbers: IN-96-X636; IN-96-X653; IN-95-X035  
Pass-Through Entity: Northwestern Indiana Regional Planning Commission

Management of the Township has not established an effective internal control system, which would include segregation of duties, related to the Grant Agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement, Suspension and Debarment, and Reporting compliance requirements.

*Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting*

One individual was solely responsible for reviewing and processing claims to the Township Administrative Offices for payment and preparing and submitting claims for reimbursement to the grantor agency. A separate individual at the Township Office was solely responsible for compiling the salary and benefits amounts to be reported within the reimbursement claim. There was no segregation of duties such as an oversight, review, or approval process.

*Procurement, Suspension and Debarment*

The Township did not have policies and procedures to determine when compliance with procurement procedures was necessary.

The failure to establish an effective internal control system places the Township at risk of noncompliance with the Grant Agreement and the Compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the Grant Agreement or a Compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

" . . . The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

NORTH TOWNSHIP, LAKE COUNTY  
FEDERAL FINDINGS  
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the Grant Agreement or the Compliance requirements could result in the loss of federal funds to the Township.

We recommended that the Township's management establish controls, including segregation of duties, to ensure compliance related to the Grant Agreement and all Compliance requirements listed above.

# FRANK J. MRVAN

## NORTH TOWNSHIP TRUSTEE



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INDIANA

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### NORTH TOWNSHIP TRUSTEE STATE BOARD OF ACCOUNTS CORRECTIVE ACTION PLAN – DECEMBER 02, 2015

#### *Finding 2014 – 001*

We are in the process of reviewing job descriptions to further segregate duties.

1a. IT Consultant is currently getting quotes for point of sale software and computer/register. We are working in conjunction with the State Board of Accounts to properly be within the guidelines as they suggest and provide to us to set up a procedure to segregate duties and monitor internal controls.

1b. Director of Operations or the Director of Finance/Human Resources are reviewing payroll reports and time cards/sheets until the software is compatible. Payroll Clerk is signing off of the weekly sheets after reviewing them with the time cards/reports.

1c. Purchase orders are processed by casemanagers, claims are entered into the system and checks generated by Accounting Clerk after review, therefore will have different individuals checking.

2. A meeting has been set up with the software company to comply with the state requirements and shall have management approve changes in errors. It will be a prerequisite to continue to use the current vendor that is approved by the State Board of Accounts, however if the vendor is unable to make the necessary changes as needed to the software, we will seek alternative State Board of Accounts approved software vendors.

3. Pre-numbered receipts books have been issued to each point of collection. All employees have been instructed to write receipts at the time of the transaction and then reports and receipts will be checked by the accounting department. Night deposits will also be set up with the bank.

4. An evaluation of the Township's system of internal controls has been conducted and internal procedures and controls are in place and will have written procedures approved by the board.

#### *Finding 2014 – 002*

1 & 2. Knowledge of the grants disbursements and deposits will be examined. The accounting clerk shall process and the Director of Finance/Human Resources will double check to make sure all entries are correct and state grants will not be included on the SEFA. A

n individual will be placed with the Director of Transportation to oversee the process of his reports and finances for the Dial-A-Ride department.

**OMB Circular A-133.**

We shall comply with the schedule of expenditures and shall list the amounts expended per year.

**Finding 2014 – 003**

An individual will be placed in the Dial-A-Ride department to review all information with the Director of Transportation which will provide Accounting with copies of all grants, and accounting will monitor invoices and will contact the Director of Transportation if anything is questionable. Each claim will be reviewed by Accounting Clerk, Payroll Clerk will sign off on salary and benefits amounts.

We will be working with NIRPC regarding the compliance and procurement procedures and have internal controls in place immediately.

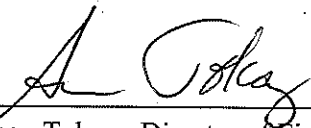
Contact person(s) responsible for preparing Corrective Action Plan:

Susan Tokarz, Director of Finance/Human Resources  
219-932-2530, ext. 340

Lori Polgar, Director of Operations  
219-932-2530, ext. 324

Anticipated Completion Date:

Internal Controls are already starting and in place  
Other items, such as software shall be by February 28, 2016  
Written procedures will be done by June 30, 2016

  
\_\_\_\_\_  
Susan Tokarz, Director of Finance/H.R.

SUSAN Tokarz  
\_\_\_\_\_  
Print Name

1/25/16  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Lori Polgar, Director of Operations

Lori Polgar  
\_\_\_\_\_  
Print Name

1-25-16  
\_\_\_\_\_  
Date

NORTH TOWNSHIP, LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

**PAYROLL ISSUES**

Longevity pay was included in the salary resolution, but as an overall total. Longevity pay by employee or position was not addressed; thus, it could not be determined if employees were paid in accordance with the salary resolution.

Furthermore, the salary resolution for the Park Department did not provide adequate detail to enable us to verify if employees were paid according to the resolution. For example, the salary resolution addressed an hourly employee rate multiple times at different hourly rates without differentiating when or how specific hourly rates would apply to specific employees.

Lastly, administrative employees who oversaw various departmental activities were paid entirely or almost entirely from Township Assistance funds.

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 statutory allowances; of all officers and employees of the township."

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 17)

**TOWNSHIP ASSISTANCE ELIGIBILITY STANDARDS**

*Eligibility Standards*

The 2014 Township Assistance Eligibility Standards provided for audit were not adopted by the Township Board as required by Indiana Code 12-20-5.5-1. The eligibility and determinations made in 2014 were based upon standards adopted in 2010.

*Assistance Provided*

Files for 28 clients were reviewed for the period of January 1, 2013 through October 30, 2015. The review indicated that 21 of the 28 clients received assistance even though their income exceeded the Township's eligibility standards. The Township paid \$181,789.37 in assistance to clients who exceeded the Township's eligibility standards. The Township assistance provided included assistance for food, shelter, utilities, dental, medical, clothing, household supplies and appliances. As stated in the policy, "appliances will be allowed according to need and eligibility." One of the clients received an air conditioner, two stoves and three refrigerators within three years. Another client received two air conditioners within three years.

Furthermore, we noted individual clients receiving in excess of \$20,000 in assistance in a single year as follows:

<u>Year</u>	<u>Clients</u>	<u>Client 1 Amount</u>	<u>Client 2 Amount</u>
2013	2	\$ 20,446.69	\$ 20,514.72
2014	2	20,236.67	24,743.49
2015	1	29,093.68	-

NORTH TOWNSHIP, LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) 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."

**CONTRACTED SERVICES**

The Township employed security officers for their Hammond and East Chicago offices. The Township did not contract for the services, but had the security officers partially complete an employment application. The security officers submitted time sheets on a bi-weekly basis, but they were paid as contractors. Federal and state taxes were not withheld or remitted for these individuals. Under the guidelines of the Internal Revenue Service, these individuals would be considered employees of the Township. The total payments made to the security officers for 2014 totaled \$122,187.

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 17)

IRS Publication 15, Part 2, states in part:

"Employee status under common law. Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed. If an employer employee relationship exists, it does not matter what it is called. The employee may be called an agent or independent contractor. It also does not matter how payments are measured or paid, what they are called, or if the employee works full or part time."

"Treating employees as nonemployees. You will generally be liable for social security and Medicare taxes and withheld income tax if you do not deduct and withhold these taxes because you treated an employee as a nonemployee. You may be able to calculate your liability using

NORTH TOWNSHIP, LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

special section 3509 rates for the employee share of social security and Medicare taxes and the federal income tax withholding. The applicable rates depend on whether you filed required Forms 1099. You cannot recover the employee share of social security, or Medicare tax, or income tax withholding from the employee if the tax is paid under section 3509. You are liable for the income tax withholding regardless of whether the employee paid income tax on the wages. You continue to owe the full employer share of social security and Medicare taxes. The employee remains liable for the employee share of social security and Medicare taxes. See Internal Revenue Code section 3509 for details. Also see the Instructions for Form 941-X."

**RECEIPTS**

*Internal Controls over Receipts - Wicker Park*

One individual was primarily responsible for preparing a summary of the receipts issued, preparing the shelter rental contracts, preparing the bank deposit and taking the collections to the bank. This individual would provide the Township Administration Office the duplicate deposit ticket, the summary of the receipts issued, and the bank receipt. The Township Administration did not have policies or procedures in place to ensure or verify park shelter collections submitted to the Township Administration for recording in the financial accounting system agreed to the receipts issued or to the contracts.

*Cemetery Receipts*

The Township Cemetery did not use the Official Township Receipt Form No. 16 or an approved receipt when issuing receipts. The Township purchased commercial receipt and plot software for the cemetery. The commercial receipts were not prenumbered, so we were unable to account for all receipts issued.

The Township Trustee's Receipt (Form 16-1997) is to be used for receipt of each item of money received. Indicate in the space "On Account Of" the fund or funds to which the receipt is to be posted and identify the receipt, such as Dog Tax, Tax Distribution, Fire Protection Agreement, Temporary Loan, Bank Loan for Equipment, etc. Give the original to the payor, and retain all duplicates in the bound record. Payment amount for cash, check, money order, credit card/bank card, EFT, and other shall be designated on each receipt. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

**CREDIT CARDS**

The Township used credit cards to purchase items without an approved credit card policy. In 2014, the Township disbursed \$29,313 for credit card payments.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.

NORTH TOWNSHIP, LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

The Township paid penalties, interest, and other charges in 2014, to a credit card company in the amount of \$64.53 because the Township did not remit payments on a timely basis.

Subsequent to the audit, a repayment of late charges was made to the Township on December 16, 2015.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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 governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

***PUBLIC PURCHASES***

During 2014, the Township purchased \$111,928 of fuel from the Transportation and Recreation Fund (WP) funds, disbursing \$79,719 and \$32,209 respectively. Evidence was not presented for audit that the Township obtained quotes for the fuel or used other purchasing methods as required by statute.

Inquiry of Township officials regarding purchasing also determined that the Township did not have a purchasing policy to guide employees making purchases of \$50,000 or less.

NORTH TOWNSHIP, LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-22-8-3 states:

"(a) This section applies only if the purchasing agent expects the purchase to be:

- (1) at least fifty thousand dollars (\$50,000); and
- (2) not more than one hundred fifty thousand dollars (\$150,000).

(b) A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased.

(c) The purchasing agent shall mail an invitation to quote to the persons described in subsection (b) at least seven (7) days before the time fixed for receiving quotes.

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required.

(e) The purchasing agent may reject all quotes.

(f) If the purchasing agent does not receive a quote from a responsible and responsive offeror, the purchasing agent may purchase the supplies under IC 5-22-10-10."

Indiana Code 5-22-8-2 states:

"(a) This section applies only if the purchasing agent expects the purchase to be less than fifty thousand dollars (\$50,000).

(b) A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body."

Indiana Code 5-22-3-3 states:

"(a) A governmental body may adopt rules to regulate purchases of the governmental body. A rule adopted under this subsection may:

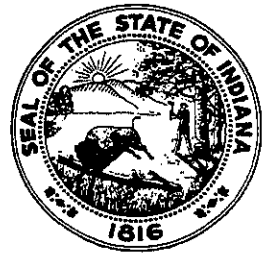
- (1) supplement this article; and
- (2) not be inconsistent with this article.

(b) The purchasing agency of a governmental body may establish written policies for purchases made by the purchasing agency. The written policies may apply to all purchases generally or to a specific purchase as stated in the solicitation for the purchase. A written policy established under this subsection may:

- (1) supplement this article or a rule adopted by the purchasing agency's governmental body; and
- (2) not be inconsistent with this article or a rule adopted by the purchasing agency's governmental body."

# FRANK J. MRVAN

## NORTH TOWNSHIP TRUSTEE



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January 6, 2016

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

**Re: OFFICIAL RESPONSE**

Dear State Board of Accounts:

The purpose of this letter is to respond to the Examination and Audit observations and comments found in the Examination and Audit Reports covering periods January 1, 2011- December 31, 2013 and January 1, 2014 –December 31, 2014.

### Payroll Issues

Additional detail has been added to the reporting of longevity pay in accordance with the Salary Resolution. Also, the proper apportioning of administrative employee pay among the various funds according to the employees' duties is being currently addressed. Administrative employees will be paid appropriately pursuant to I.C. 36-6-6-10(b) and I.C. 12-20-4-3 for all future reporting periods. Compensation is being made in a manner that facilitates compliance with both the state and federal reporting requirements as set forth in the Accounting and Uniform Compliance Guidelines Manual for Townships, chapter 17.

### Township Assistance

Township assistance eligibility standards have been updated and their approval is anticipated pursuant to I.C. 12-20-5.5-1. Furthermore, immediate remedial action, including termination of the employee responsible for the issuance of unauthorized aid outside the standards established by I.C. 12-20-5-1, et seq., has been taken. Internal controls have been modified to address and prohibit assistance from being given outside the constraints of the standards when it is not warranted. A large portion of the reported \$181,789.37 in assistance given to clients who exceeded the Township eligibility standards was authorized as a result of emergent client situations that were investigated by the Township with the decision being made to give the assistance on a temporary/emergency basis in accordance with I.C. 12-20-17-1, et seq.

### Receipts

A new computer system has been implemented in Wicker Park for recording shelter rental contracts, deposits and collections. Duties have been segregated and internal controls have been put in place with appropriate policies and procedures to allow for appropriate monitoring to verify that park shelter collections submitted to the

Township are recorded in an appropriate manner and reconciled with receipts issued or contracts executed. The Township Cemetery is using official township receipt form number 16 when issuing receipts.

#### **Contracted Services**

Contracts are being drafted for security officers who are hired on an independent contractor basis to provide appropriate security for township employees.

#### **Credit Cards**

A credit card policy was approved by the Township Board and is in place providing for appropriate internal controls of credit card use.

#### **Penalties and Interest**

Frank Mrvan Jr. personally indemnified the Township for penalties, interest and other charges incurred due to untimely payments. The amounts were de minimis.

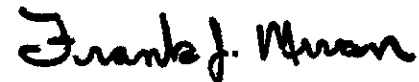
#### **Public Purchases**

An appropriate purchasing policy is being prepared and will be implemented in compliance with I.C. 5-22-8-3.

#### **Information Technology**

Deficiencies in the information technology control system identified are being addressed with the software provider so that appropriate error correction audit trails are maintained. If the software provider cannot correct the audit trail problem, new software with appropriate error correction audit trails will be acquired and implemented.

Sincerely Yours,



Frank J. Mrvan.

NORTH TOWNSHIP, LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 16, 2015, with Frank J. Mrvan, Trustee; Richard Novak, Chairman of the Township Board; Lisa Salinas-Matonovich, Township Board Member; Lori Polgar, Director of Operations; Douglas Walker, Legal Counsel; Barbara Caldwell, Consultant; and Jim Bennett, Financial Consultant.