



STATE OF INDIANA

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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

July 1, 2016

TO: THE OFFICIALS OF LANCASTER TOWNSHIP, JEFFERSON COUNTY, INDIANA

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

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 statements, 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 Township's Annual Financial Reports filed for years prior to 2011 can be found on the Indiana Transparency Portal website: 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/>.

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.

- *Bank reconciliations between record balances of cash to the bank balances were not presented for review for any months during the review period. Our initial comparison of the record balance of cash to the bank account balance showed a "cash necessary to balance" in the amount of \$6,432.70. However, further review of the records identified numerous posting errors reducing the "cash necessary to balance" to \$88.75 at December 31, 2015.*

The following are examples of posting errors and/or omissions to the financial ledger:

- (a) There were interest earned; checks; bank withdrawals; and bank service charges not posted to the financial ledger.*
- (b) There were disbursements recorded on the financial ledger; however, no checks were written to support these disbursements.*
- (c) There were bank deposits that were not recorded on the financial ledger as receipts.*
- (d) There were posting and addition errors in the financial ledger.*

- *Township Board approval salaries was not presented for review for the years 2010, 2011, 2012, 2013, 2014, and 2015.*
- *The Trustee was paid her monthly compensation on or before day 12 of the month in 40 of the 48 months during the years 2010 to 2013 and in 8 of the 12 months for 2015. These payments were in advance of the actual date that the services were provided.*
- *Payroll taxes withheld were not timely remitted to the IRS. The following quarterly payroll tax remittance were paid after the required IRS due date:*

| <u>Years</u> | <u>Quarter</u> | <u>Date Due</u> | <u>Date Paid</u> |
|--------------|----------------|-----------------|------------------|
| 2010 | 1st quarter | 4-30-10 | 06-01-10 |
| 2011 | 1st quarter | 4-30-11 | 12-30-11 |
| 2011 | 2nd quarter | 07-31-11 | 12-30-11 |
| 2011 | 3rd quarter | 10-31-11 | 12-30-11 |
| 2011 | 4th quarter | 01-31-12 | 10-09-12 |
| 2012 | 1st quarter | 04-30-12 | 05-17-12 |
| 2012 | 2nd quarter | 07-31-12 | 10-12-12 |
| 2013 | 1st quarter | 04-30-13 | 07-12-13 |
| 2013 | 2nd quarter | 07-31-13 | 03-05-14 |
| 2013 | 3rd quarter | 10-31-13 | 03-05-14 |
| 2013 | 4th quarter | 01-31-14 | (1) |
| 2014 | 1st quarter | 04-30-14 | (1) |
| 2014 | 2nd quarter | 07-31-14 | (1) |
| 2014 | 3rd quarter | 10-31-14 | (1) |
| 2014 | 4th quarter | 01-31-15 | (1) |
| 2015 | 1st quarter | 04-30-15 | 12-30-15 |
| 2015 | 2nd quarter | 07-31-15 | 12-30-15 |
| 2015 | 3rd quarter | 10-31-15 | 12-30-15 |

(1) As of February 29, 2016, quarter 4 of the 2013 and the 4 quarters for 2014 have not been paid.

IRS Form 941 which is submitted with the quarterly payment of the payroll tax was not presented for examination for 17 of the 24 quarters of the examination period.

- *There was no accounting for payroll deductions on the financial ledger for payroll taxes. Accordingly, Social Security/Medicare taxes reported on W-2 forms submitted to the Internal Revenue Service could not be substantiated.*
- *Payroll Schedule and Voucher (Form 99) was not used to process payroll payments made to Township officials and employees. This form is required so that payroll payments are properly certified by the Trustee as required by Indiana Code 5-11-9-3 and to also show payroll deductions for individual officials and employees.*
- *Payments made for fire protection for the years 2010, 2012, 2013, 2014, and 2015 and cemetery mowing for the years 2010, 2011, 2012, 2013, 2014, and 2015 were not supported by a written contract.*
- *During the year 2014 and 2015, several payments from the Township fund and the Township Assistance fund were observed which were not supported by adequate documentation such as receipts, invoices, and other public records including Township Assistance Purchase Order (Form TA-2). These disbursements were to various vendors known to provide goods or services to the Township.*

- *Applications for Township Assistance (Form TA-1) were not presented for all Township assistance payments made during 2012, 2013, 2014, and 2015. Township purchase orders and poor relief claims were presented to support assistance disbursements.*
- *Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.*
- *The Trustee's Surety Bonds for the years 2010, 2011, 2012, and 2013 were insufficient in the amount of bond coverage. The amount of coverage was \$15,000 instead of \$30,000 as required by Indiana Code 5-4-1-18.*

For the year 2014, the Trustee did not obtain an individual Surety Bond.

- *The Township did not have a Nepotism Policy for 2012, 2013, 2014, and 2015.*
- *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, December 31, 2013, December 31, 2014, and December 31, 2015.*
- *The Township did not have a Contracting Policy for the years 2012, 2013, 2014, and 2015.*
- *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, December 31, 2013, December 31, 2014, and December 31, 2015.*
- *The Annual Financial Reports for the years 2012 and 2013 were not filed electronically until March 22, 2013 and March 7, 2014, which is 21 days and 6 days past the due date, respectively.*
- *The Township did not timely file a Certified Reports of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2010, 2011, 2012, 2013, 2014, and 2015. The reports were filed on February 2, 2011, April 2, 2012, June 27, 2013, March 7, 2014, February 27, 2015, and February 21, 2016, which is 2 days, 62 days, 147 days, 35 days, 27 days, and 21 days past the due date, respectively.*
- *The Certified Reports of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) was inaccurate. The 2013 100-R stated the Trustee's total compensation was \$14,800, but the Trustee actually was paid \$19,210.75. Also, the 2014 100-R stated the Trustee's total compensation was \$15,000, but the Trustee actually was paid \$12,339.93.*

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. In addition to this report, a Special Investigation Report on the Township Trustee has been issued. This report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.

The contents of this letter were discussed on April 20, 2016, with Betty Scully, Trustee. Any Official Response attached to this letter was not verified for accuracy.

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