

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

COMPLIANCE REPORT
OF
UNION TOWNSHIP
JOHNSON COUNTY, INDIANA
January 1, 2011 to December 31, 2016



FILED
05/25/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Results and Comments:	
Annual Financial Report Errors	4-5
Depository Reconciliations	5
Condition of Records	5
Optical Image of Checks	5-6
Overdrawn Cash Balances	6
Temporary Loan	6-7
Approval of Salaries	7
Payroll Deductions	7-8
Supporting Documentation	8
Penalties, Interest, and Other Charges	8
Contracts	8
Township Assistance Standards	8-9
Certified Report Filed After Due Date	9
Public Records Retention	9-10
Nepotism Policy	10
Nepotism Certification	10
Contracting with a Unit Policy	10
Contracting with a Unit Certification	11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert Campbell (deceased)	01-01-11 to 12-31-14
	Annette Barr	01-01-15 to 12-31-18
Chairman of the Township Board	Steve Miller	01-01-11 to 12-31-11
	Steve Shaul	01-01-12 to 12-31-12
	Steve Miller	01-01-13 to 12-31-15
	Jessica Legan	01-01-16 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 UNION TOWNSHIP, JOHNSON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Union Township (Township), Johnson County, for the period January 1, 2011 to December 31, 2016, 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.

Any 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

March 23, 2017

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT ERRORS

The Annual Financial Reports (AFR) filed on Gateway for 2011, 2012, 2013, 2014, 2015, and 2016 did not match the Township's records. In addition, the Payroll Withholdings fund was not included on the report. These errors have been corrected in the Annual Financial Reports filed on Gateway.

Years	Fund	Category	Amount per AFR	Amount per Corrected Township Ledger	Difference
2011	Township	Beginning Balance	\$ 143,860.41	\$ 130,262.32	\$ 13,598.09
2011	Township Assistance	Beginning Balance	32,491.76	31,773.66	718.10
2011	Township	Receipts	1,809.00	2,406.24	(597.24)
2011	Payroll Withholding	Receipts	-	967.77	(967.77)
2011	Township	Disbursements	34,106.28	16,576.80	17,529.48
2011	Township Assistance	Disbursements	5,289.42	9,452.43	(4,163.01)
2011	Payroll Withholding	Disbursements	-	1,075.17	(1,075.17)
2011	Township	Ending Balance	111,563.13	116,091.76	(4,528.63)
2011	Township Assistance	Ending Balance	27,202.34	22,321.23	4,881.11
2011	Payroll Withholding	Ending Balance	-	(107.40)	107.40
2012	Township	Beginning Balance	111,563.13	116,091.76	(4,528.63)
2012	Township Assistance	Beginning Balance	27,202.34	22,321.23	4,881.11
2012	Payroll Withholding	Beginning Balance	-	(107.40)	107.40
2012	Township	Receipts	2,635.32	3,146.93	(511.61)
2012	Payroll Withholding	Receipts	-	1,088.25	(1,088.25)
2012	Township	Disbursements	15,150.93	15,129.73	21.20
2012	Payroll Withholding	Disbursements	-	984.83	(984.83)
2012	Township	Ending Balance	99,047.52	104,108.96	(5,061.44)
2012	Township Assistance	Ending Balance	19,081.91	14,200.80	4,881.11
2012	Payroll Withholding	Ending Balance	-	(3.98)	3.98
2013	Township	Beginning Balance	71,736.59	104,108.96	(32,372.37)
2013	Township Assistance	Beginning Balance	34,212.66	14,200.80	20,011.86
2013	Payroll Withholding	Beginning Balance	-	(3.98)	3.98
2013	Township	Receipts	1,545.14	2,061.95	(516.81)
2013	Payroll Withholding	Receipts	-	653.07	(653.07)
2013	Township	Disbursements	13,695.47	13,571.20	124.27
2013	Payroll Withholding	Disbursements	-	627.00	(627.00)
2013	Township	Ending Balance	59,586.26	92,599.71	(33,013.45)
2013	Township Assistance	Ending Balance	27,929.18	7,917.32	20,011.86
2013	Payroll Withholding	Ending Balance	-	22.09	(22.09)
2014	Township	Beginning Balance	71,738.16	92,599.71	(20,861.55)
2014	Township Assistance	Beginning Balance	27,929.18	7,917.32	20,011.86
2014	Payroll Withholding	Beginning Balance	-	22.09	(22.09)
2014	Township	Receipts	787.90	1,040.89	(252.99)
2014	Township	Disbursements	13,974.68	14,311.05	(336.37)
2014	Township Assistance	Disbursements	8,168.48	8,182.17	(13.69)
2014	Township	Ending Balance	58,551.38	79,329.55	(20,778.17)
2014	Township Assistance	Ending Balance	19,760.70	(264.85)	20,025.55
2014	Payroll Withholding	Ending Balance	-	22.09	(22.09)
2015	Township	Beginning Balance	58,551.38	79,329.55	(20,778.17)
2015	Township Assistance	Beginning Balance	19,760.70	(264.85)	20,025.55
2015	Payroll Withholding	Beginning Balance	-	22.09	(22.09)
2015	Township	Receipts	178.08	781.15	(603.07)
2015	Township	Disbursements	11,910.62	11,810.68	99.94
2015	Township	Ending Balance	46,818.84	68,300.02	(21,481.18)
2015	Township Assistance	Ending Balance	7,886.30	(12,139.25)	20,025.55
2015	Payroll Withholding	Ending Balance	-	22.09	(22.09)
2016	Township	Beginning Balance	46,818.84	68,300.02	(21,481.18)
2016	Township Assistance	Beginning Balance	7,886.30	(12,139.25)	20,025.55
2016	Payroll Withholding	Beginning Balance	-	22.09	(22.09)
2016	Township	Receipts	581.16	607.52	(26.36)
2016	Township	Ending Balance	36,521.82	58,029.36	(21,507.54)
2016	Township Assistance	Ending Balance	4,321.30	(15,704.25)	20,025.55
2016	Payroll Withholding	Ending Balance	-	22.09	(22.09)

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

The Township did not timely file an AFR electronically for 2012 or 2015. The 2012 report was filed on March 20, 2013, which was 19 days past the due date and the 2015 report was filed on April 11, 2016, which was 41 days past the due date.

A similar comment appeared in prior Report B39507.

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."

DEPOSITORY RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for January 1, 2015 through December 31, 2016.

Depository reconciliations of the fund balances to the bank account balances were conducted for January 1, 2011 to December 31, 2014; however, the reconciliations contained errors and did not balance. We noted a Cash Necessary to Balance in the amount of \$751.66 at December 31, 2011, 2012, 2013, 2014, 2015, and 2016.

A similar comment appeared in prior Report B39507.

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."

CONDITION OF RECORDS

There were several posting errors in the ledger. These included receipts, disbursements, and balances that did not total correctly, interest not posted, and payroll disbursements not always properly recorded in the Payroll Withholdings fund.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

OPTICAL IMAGE 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.

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

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

"Each . . . local government shall:

- (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government . . ."

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 record 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 BALANCES

The Township Assistance fund had an overdrawn cash balance at December 31, 2014, 2015, and 2016 of \$264.85, \$12,139.25, and \$15,704.25, respectively.

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)

TEMPORARY LOAN

A temporary loan of \$20,000 was made in January 2010 from the Township fund to the Township Assistance fund and has not been repaid.

A similar comment appeared in prior Report B39507.

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

APPROVAL OF SALARIES

The Township Board did not fix the salaries of Township officers and employees in 2011, 2012, 2013, 2014, 2015, or 2016. Additionally, W-2s were not presented for the years 2011, 2012, 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."

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

PAYROLL DEDUCTIONS

Payroll taxes were withheld but were not remitted to the Indiana Department of Revenue and Internal Revenue Service for 2014, 2015, and 2016.

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records for 2011, 2012, 2013, 2014, 2015, and 2016.

A similar comment appeared in prior Report B39507.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

PENALTIES, INTEREST, AND OTHER CHARGES

On June 6, 2011, the Township made a payment for tax and penalty to the U.S. Treasury in the amount of \$181.91. On May 21, 2012, a payment for tax and penalty was made to the U.S. Treasury in the amount of \$124.07. There was no supporting documentation to support these payments.

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)

CONTRACTS

Payments made for mowing in 2011, 2012, 2013, 2014, 2015, and 2016 were not supported by a written contract.

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)

TOWNSHIP ASSISTANCE STANDARDS

Township assistance standards were not established in accordance with Indiana Code 12-20-5.5-1 in 2011, 2012, 2013, and 2014.

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

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."

CERTIFIED REPORT FILED AFTER DUE DATE

The Township did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for the years 2011 and 2013. The 2011 report was filed on March 6, 2012, which was 34 days past the due date and the 2013 report was filed on February 8, 2014, which was 8 days past the due date.

Furthermore, the 2013, 2015, and 2016, Form 100-Rs were inaccurate. The 2013 Form 100-R did not include the Township Clerk, who was paid \$786.67 in 2013. The 2015 and 2016 Form 100-Rs did not include the Trustee, who was paid \$6,000 each year.

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 written or printed certified report, correctly and completely showing the names and 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. . . ."

PUBLIC RECORDS RETENTION

Township Assistance Applications and Purchase Orders were not presented for 2011, 2012, and 2013. In addition, several receipts, invoices, and supporting documentation were not retained and available for review.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial records or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

NEPOTISM POLICY

The Township did not have a Nepotism Policy for years 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 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 2016.

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 have a Contracting Policy for years 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 the unit that is not otherwise prohibited or restricted by this chapter."

UNION TOWNSHIP, JOHNSON COUNTY
RESULTS AND COMMENTS
(Continued)

CONTRACTING WITH A UNIT 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 2016.

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."

UNION TOWNSHIP, JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2017, with Annette Barr, Trustee.