

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

COMPLIANCE REPORT

OF

HARMONY TOWNSHIP

UNION COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
06/20/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lillie J. Kuhlenbeck	01-01-12 to 12-31-18
Chairman of the Township Board	Bonnie R. Keasling Betty L. Lake	01-01-12 to 02-28-14 03-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HARMONY TOWNSHIP, UNION COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Harmony Township (Township), Union County, for the period January 1, 2012 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 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 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

May 4, 2017

HARMONY TOWNSHIP, UNION COUNTY
RESULTS AND COMMENTS

SALARY OVERPAYMENTS

Due to an error in the withholding rate, Lillie J. Kuhlenbeck, Trustee, and Roland K. Kuhlenbeck, Township Clerk, received salary overpayments in 2013, 2014, 2015, and 2016. Lillie J. Kuhlenbeck, Trustee, received a total of \$520 in excess of the salaries appropriated by the Township Board for the years 2013, 2014, 2015, and 2016. Roland K. Kuhlenbeck, Township Clerk, received a total of \$240 in excess of the salaries appropriated by the Township Board for the years 2013, 2014, 2015, and 2016. On May 2, 2017, Lillie J. Kuhlenbeck, Trustee, and Roland K. Kuhlenbeck, Township Clerk, reimbursed the Township for the salary overpayments.

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)

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

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports (AFR) filed on Gateway for 2012 and 2016 did not match the Township's records. These errors have been corrected in the AFRs filed on Gateway.

<u>Years</u>	<u>Fund</u>	<u>Category</u>	<u>Amount per AFR</u>	<u>Amount per Township Ledger</u>	<u>Difference</u>
2012	Township	Receipts	\$ 12,987.14	\$ 14,677.80	\$ 1,690.66
2012	Township	Ending Balance	(4,125.63)	(2,434.97)	1,690.66
2016	Fire Fighting	Disbursements	14,696.00	18,896.00	4,200.00
2016	Fire Fighting	Ending Balance	59,928.21	55,728.17	(4,200.04)

Indiana Code 5-11-1-4(a) states in part:

"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. . ."

HARMONY TOWNSHIP, UNION COUNTY
RESULTS AND COMMENTS
(Continued)

DEPOSITORY RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were only presented for June 30 and December 31 each year from 2012 through 2016.

A similar comment appeared in prior Report B41333.

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."

OVERDRAWN CASH BALANCE

The Township fund had an overdrawn cash balance at December 31, 2012, 2013, 2014, and 2015.

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2012	Township	\$ 2,435
2013	Township	4,470
2014	Township	1,396
2015	Township	3,237

A similar comment appeared in prior Report B41333.

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)

APPROPRIATIONS

The records presented indicated the following disbursements in excess of budgeted appropriations:

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2012	Fire Fighting	\$ 220
2016	Fire Fighting	196

A similar comment appeared in prior Report B41333.

Indiana Code 6-1.1-18-4 states in part: ". . . 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."

HARMONY TOWNSHIP, UNION COUNTY
RESULTS AND COMMENTS
(Continued)

TIMELY RECORDKEEPING

Receipts were not properly posted to the Township Ledger. Receipts were only posted in June and December each year from 2012 through 2016.

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

DEPOSITS

Receipts were deposited later than the first and fifteenth of the month. Monthly county tax distribution checks were deposited only twice a year for 2012 through 2016.

A similar comment appeared in prior Report B41333.

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

NEPOTISM

The Township did not have a Nepotism Policy for years 2012 and 2013.

Additionally, 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, and 2013.

Indiana Code 36-1-20.2-9(a) states in part: "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. . . ."

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

The Township did not have a Contracting Policy for years 2012 and 2013.

Additionally, 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 and 2013.

Indiana Code 36-1-21-4(a) states in part: "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. . . ."

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."

HARMONY TOWNSHIP, UNION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 4, 2017, with Lillie J. Kuhlenbeck, Trustee.