

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

COMPLIANCE REPORT

OF

WALNUT TOWNSHIP

MONTGOMERY COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
07/10/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Michelle Kinhead	01-01-12 to 12-31-18
Chairman of the Township Board	Will Crook	01-01-12 to 12-31-13
	Cheryl McClaskey	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WALNUT TOWNSHIP, MONTGOMERY COUNTY, INDIANA

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

May 25, 2017

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS

DEPOSITORY RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance.

Years	Balance per Ledger	Reconciled Balance	Difference
2012	\$ 132,070.97	\$ 131,630.71	\$ 440.26
2013	90,254.39	84,214.12	6,040.27
2014	57,991.31	51,523.25	6,468.08
2015	43,065.53	36,848.74	6,216.79
2016	68,180.82	61,964.23	6,216.59

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."

OPTICAL IMAGE OF CHECKS

The financial institution did not return the actual canceled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The back side or endorsement side of the checks was not returned.

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(a) states in part:

"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 forth 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). . . ."

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT ERRORS

The Annual Financial Report (AFR) filed on Gateway for 2012, 2013, 2014, 2015, and 2016 did not match the Township's records.

<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	Beginning Balance	\$ 42,127.80	\$ 20,918.90	\$ 21,208.90
2012	Township	Receipts	7,451.79	16,603.86	(9,152.07)
2012	Township	Disbursements	17,864.81	19,259.61	(1,394.80)
2012	Township	Ending Balance	31,714.78	18,263.15	13,451.63
2012	Township Assistance	Beginning Balance	28,308.14	27,806.21	501.93
2012	Township Assistance	Disbursements	14,987.41	15,738.81	(751.40)
2012	Township Assistance	Ending Balance	20,772.52	19,519.19	1,253.33
2012	Fire Territory Operating	Beginning Balance	138,568.68	69,221.34	69,347.34
2012	Fire Territory Operating	Disbursements	15,153.67	15,290.83	(137.16)
2012	Fire Territory Operating	Ending Balance	123,415.01	53,930.51	69,484.50
2012	Cumulative Fire	Beginning Balance	109,199.48	54,560.73	54,638.75
2012	Cumulative Fire	Ending Balance	92,962.08	38,323.34	54,638.74
2012	Rainy Day	Beginning Balance	3,759.56	1,879.78	1,879.78
2012	Rainy Day	Ending Balance	3,759.56	1,879.78	1,879.78
2012	Levy Excess	Beginning Balance	168.34	155.00	13.34
2012	Levy Excess	Receipts	70.83	-	70.83
2012	Levy Excess	Ending Balance	239.17	155.00	84.17
2013	Township	Beginning Balance	31,714.78	18,263.15	13,451.63
2013	Township	Disbursements	15,598.06	15,650.06	(52.00)
2013	Township	Ending Balance	31,437.81	17,934.18	13,503.63
2013	Township Assistance	Beginning Balance	20,772.52	19,519.19	1,253.33
2013	Township Assistance	Disbursements	17,505.83	18,524.11	(1,018.28)
2013	Township Assistance	Ending Balance	10,741.06	8,469.45	2,271.61
2013	Fire Territory Operating	Beginning Balance	123,415.01	53,930.51	69,484.50
2013	Fire Territory Operating	Ending Balance	107,992.53	38,508.03	69,484.50
2013	Cumulative Fire	Beginning Balance	92,962.08	38,323.34	54,638.74
2013	Cumulative Fire	Ending Balance	77,946.69	23,307.95	54,638.74
2013	Rainy Day	Beginning Balance	3,759.56	1,879.78	1,879.78
2013	Rainy Day	Ending Balance	3,759.56	1,879.78	1,879.78
2013	Levy Excess	Beginning Balance	239.17	155.00	84.17
2013	Levy Excess	Ending Balance	239.17	155.00	84.17
2014	Township	Beginning Balance	31,437.81	17,934.18	13,503.63
2014	Township	Receipts	10,568.05	9,918.05	650.00
2014	Township	Disbursements	20,919.23	21,569.23	(650.00)
2014	Township	Ending Balance	21,086.63	6,283.00	14,803.63
2014	Township Assistance	Beginning Balance	10,741.06	8,469.45	2,271.61
2014	Township Assistance	Ending Balance	10,507.22	8,235.31	2,271.91

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

Years	Fund	Category	Amount per AFR	Amount per Township Ledger	Difference
2014	Fire Territory Operating	Beginning Balance	107,992.53	38,508.03	69,484.50
2014	Fire Territory Operating	Ending Balance	92,493.32	23,008.82	69,484.50
2014	Cumulative Fire	Beginning Balance	77,946.69	23,307.95	54,638.74
2014	Cumulative Fire	Ending Balance	73,068.14	18,429.40	54,638.74
2014	Rainy Day	Beginning Balance	3,759.56	1,879.78	1,879.78
2014	Rainy Day	Ending Balance	3,759.56	1,879.78	1,879.78
2014	Levy Excess	Beginning Balance	239.17	155.00	84.17
2014	Levy Excess	Ending Balance	239.17	155.00	84.17
2015	Township	Beginning Balance	27,821.71	6,283.00	21,538.71
2015	Township	Receipts	8,991.30	10,875.80	(1,884.50)
2015	Township	Disbursements	14,147.47	16,005.47	(1,858.00)
2015	Township	Ending Balance	22,665.54	1,153.33	21,512.21
2015	Township Assistance	Beginning Balance	5,570.22	8,235.31	(2,665.09)
2015	Township Assistance	Ending Balance	13,709.43	16,374.52	(2,665.09)
2015	Fire Territory Operating	Beginning Balance	92,293.16	23,008.82	69,284.34
2015	Fire Territory Operating	Ending Balance	76,957.46	7,673.12	69,284.34
2015	Cumulative Fire	Beginning Balance	69,029.14	18,429.40	50,599.74
2015	Cumulative Fire	Ending Balance	66,429.52	15,829.78	50,599.74
2015	Rainy Day	Beginning Balance	3,759.56	1,879.78	1,879.78
2015	Rainy Day	Ending Balance	3,759.56	1,879.78	1,879.78
2015	Levy Excess	Beginning Balance	239.17	155.00	84.17
2015	Levy Excess	Ending Balance	239.17	155.00	84.17
2016	Township	Beginning Balance	22,665.54	1,153.33	21,512.21
2016	Township	Receipts	19,403.82	19,409.69	(5.87)
2016	Township	Ending Balance	32,713.16	11,207.12	21,506.04
2016	Township Assistance	Beginning Balance	13,709.43	16,374.52	(2,665.09)
2016	Township Assistance	Ending Balance	15,992.32	18,657.41	(2,665.09)
2016	Fire Territory Operating	Beginning Balance	78,417.82	9,133.48	69,284.34
2016	Fire Territory Operating	Ending Balance	78,417.82	9,133.48	69,284.34
2016	Cumulative Fire	Beginning Balance	66,429.52	15,829.78	50,599.74
2016	Cumulative Fire	Ending Balance	77,747.77	27,148.03	50,599.74
2016	Rainy Day	Beginning Balance	3,759.56	1,879.78	1,879.78
2016	Rainy Day	Ending Balance	3,759.56	1,879.78	1,879.78
2016	Levy Excess	Beginning Balance	239.17	155.00	84.17
2016	Levy Excess	Ending Balance	239.17	155.00	84.17

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)

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

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	Cumulative Fire	\$ 4,050.00
2013	Cumulative Fire	3,400.00
2014	Township	569.23
2015	Township	533.47
2016	Fire Territory Operating	1,115.07

Indiana Code 6-1.1.18-4 states: "Except as otherwise provided in this chapter, 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."

DEPOSITS

Receipts were deposited later than the first and fifteenth of the month. A COIT distribution from the Montgomery County Auditor was distributed November 6, 2015, and was not deposited until January 28, 2016.

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. . . ."

APPROVAL OF SALARIES

The Township Board did not establish the salaries of Township officers and employees for 2012, 2013, 2014, or 2015.

Indiana Code 36-6-6-10(b) states in part:

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages; . . .

of all officers and employees of the township."

ADVANCE PAYMENTS

The Trustee and the Township Board were paid compensation more than one month in advance in 2015.

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received 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 and 4-H Leaders in 2012 were not supported by written contracts. Payments made for mowing in 2015 and 2016 exceeded the amount of the contracts.

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. In 2012, disbursements of \$44,795.05 did not have adequate documentation. In 2013, 2014, 2015, and 2016 similar amounts of disbursements were undocumented.

<u>Check #</u>	<u>Date</u>	<u>Amount</u>
810	06-26-12	\$ 650.00
806	06-09-12	156.00
802	05-21-12	524.99
790	03-01-12	650.00
784	02-03-12	366.78
778	01-15-12	59.90
782	01-31-12	820.29
783	01-31-12	404.25
789	02-16-12	50.00
793	03-12-12	90.01
794	03-12-12	145.00
800	04-21-12	565.45
807	06-11-12	18.00
809	06-19-12	1,932.37
811	07-09-12	595.00
813	07-30-12	650.00
819	09-06-12	280.67
820	09-10-12	18.00

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

<u>Check #</u>	<u>Date</u>	<u>Amount</u>
822	09-16-12	100.00
827	10-10-12	352.29
828	10-12-12	310.00
829	10-20-12	720.00
830	10-28-12	550.00
831	11-05-12	373.61
834	11-14-12	166.09
835	11-19-12	1,147.00
837	11-19-12	154.35
838	11-19-12	6,000.00
839	11-19-12	450.00
840	11-19-12	350.00
841	11-22-12	595.00
842	12-08-12	<u>25,550.00</u>
Total		<u>\$ 44,795.05</u>

Payments totaling \$1,805.68 to the IRS and \$1,344.76 to the Indiana Department of Revenue were observed which did not contain adequate supporting documentation.

<u>Check Date</u>	<u>Check Number</u>	<u>IRS Payment</u>	<u>Indiana Department of Revenue Payment</u>
01-31-12	782	\$ 820.29	\$
01-31-12	783		404.25
04-21-12	800	565.45	
11-19-12	837	154.35	
05-08-15	1069	265.59	
12-20-15	1101		554.68
02-01-17	1045		<u>385.83</u>
Total		<u>\$ 1,805.68</u>	<u>\$ 1,344.76</u>

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 1)

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

TOWNSHIP ASSISTANCE APPLICATION

Township Assistance payments were made without an Application for Township Assistance on file. We noted that an Township Assistance payment in October 2013 for \$400 was not supported by an Township Assistance application.

Application for Township Assistance is to be completed by each person who applies for township assistance. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

TOWNSHIP ASSISTANCE STANDARDS

The Township Board did not establish Township Assistance Standards for 2012, 2013, 2014, 2015, or 2016.

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."

ABSTRACT REPORT NOT ADOPTED

The Township did not have the required meeting to review and adopt the Annual Report for 2015 or 2016.

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in February of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

NEPOTISM POLICY

The Township did not have a Nepotism Policy for 2012 or 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. . . ."

WALNUT TOWNSHIP, MONTGOMERY COUNTY
RESULTS AND COMMENTS
(Continued)

NEPOTISM CERTIFICATION

Each elected officer did not annually certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2012, 2013, 2015, 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 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. . . ."

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, 2015, 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."

WALNUT TOWNSHIP, MONTGOMERY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2017, with Michelle Kinkead, Trustee.