

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EEL RIVER TOWNSHIP

HENDRICKS COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
07/21/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Joyce Greene	01-01-11 to 12-31-14
	Diane Greene	01-01-15 to 12-31-18
Chairman of the Township Board	Steven Miller	01-01-12 to 12-31-12
	Michael Schlagel	01-01-13 to 12-31-14
	Clara Thompson	01-01-15 to 12-31-15
	Michael Schlagel	01-01-16 to 12-31-16
	Steven Miller	01-01-17 to 12-31-17



STATE OF INDIANA
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TO: THE OFFICIALS OF EEL RIVER TOWNSHIP, HENDRICKS COUNTY, INDIANA

This report is supplemental to our examination report of Eel River Township (Township), Hendricks County, for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Examination Report of the Township, which provides our opinion on the Township's financial statements. This report may be found at www.in.gov/sboa/.

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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

April 6, 2017

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS

OVERPAYMENT OF COMPENSATION

In 2014, the Trustee, Diane Greene (Greene), was the Township Clerk. The budget per Gateway lists the Township Clerk's salary at \$2,933 and she was paid \$3,230.51. The total number of checks written was 13. All check payments were dated in advance of services to be provided. Total overpayment was \$237.51.

In 2015, Greene was elected Trustee. The approved budget established the Trustee's salary for 2015 as \$15,420. The entire budgeted salary amount of \$15,420 was paid out by April 26, 2015; however, Greene continued paying herself for the remainder of the year. During 2015, Greene received total salary payments of \$20,982.06. On two separate occasions, checks written for the monthly net pay amount received by Greene and identified as "payroll" in the memo section of the check, were posted to the "Capital Outlay" budget category. Additionally, Greene indicated that the last two checks written in 2015, for the same monthly net pay amount and identified as "payroll" in the memo section of the check, were actually for rent and internet reimbursement and the remainder of the pay was the Township Clerk's salary, which had been eliminated. Documentation was presented showing the internet bill to be in the Trustee and Trustee husband's name. A review of the rent payments indicated that rent was being paid to another renter for the use of office space.

Greene was requested to reimburse Eel River Township in the amount of \$5,799.57 for overpayment of salary. Reimbursement of \$5,799.57 to the Township was made on July 15, 2017. (See Summary of Charges, page 12)

Records presented show that Township Board members were paid in 2012, 2013, and 2014 the gross amount for salary without taxes being withheld. In addition, the W-2s presented for 2012, 2013, and 2014 show the salary of each Township Board member equal to the gross plus taxes that should have been withheld creating an overpayment of \$56.79 in 2012, \$198.81 in 2013, and \$208.74 in 2014. We are advising the Trustee to have the Township request reimbursement from each Township Board member in the amount of \$154.78.

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."

The State Board of Accounts is of the audit position that the compensation provided by a Township Board in accordance with Indiana Code 36-6-6-10 on the salary resolution is all inclusive for all duties performed. We will request reimbursement for any payments received above the compensation established for the trustee, board members, or other employees. (Township Bulletin and Uniform Compliance Guidelines, March 2014)

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)

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONAL EXPENSES

Payments were made to a local restaurant totaling \$3,236.40 for Fire Department Christmas dinners that are considered personal and unrelated to the operation of the Township.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses 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)

INTERNAL CONTROL DEFICIENCIES

The Trustee was responsible for all aspects of the Township's financial activity. This included preparing checks; recording financial transactions in the financial ledger; monitoring budget compliance; and reporting payroll information and remitting payroll taxes.

Due to the lack of segregation of duties, overpayment of salaries, and benefits were paid without Township Board approval and were able to occur and not identified timely. The Trustee served as the Township Executive and Township Fiscal Officer. The Trustee and Township Board did not set up a system of internal controls to ensure these overpayments did not occur. As a result, there was no oversight of Township financial activity on an ongoing basis by another official.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

COMPENSATION PAID IN ADVANCE

The Township paid \$61,547.72 of compensation in advance of the actual date the services were provided for 2012, 2013, 2014, and 2015.

Compensation and any other payments for goods and services must not be paid in advance of receipts 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)

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL DEDUCTIONS

Employees of the Township were paid without the Township withholding federal, state, and local taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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. Payments were found in 2012, 2013, 2014, and 2015 without supporting invoice documentation attached.

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)

W-2 FORMS

W-2s were not presented for all Township employees for the years of 2013 and 2015.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (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 for 2012, 2013, 2014, and 2015.

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;

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

APPROVAL OF SALARIES

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

TOWNSHIP ASSISTANCE APPLICATIONS

A Township Assistance Application was used to pay for assistance without signatures of the Trustee or applicant in 2013.

Application for Township Assistance is to be completed by each person who applies for township assistance. The trustee has the power to administer oaths. Any person expressing a desire for assistance shall be permitted to apply, whether or not the trustee believes the person to be eligible. Each completed form must be filed in the trustee's office, whether or not relief is granted on the application. The trustee shall not extend aid to persons or families unless an affidavit setting forth the personal condition of the family has been filed within one hundred eighty (180) days prior to the date of the extension of aid. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

APPROPRIATIONS

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

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Years	Fund	Excess Amount Disbursed
2012	Fire Fighting	\$ 4,260
2012	Rainy Day	3,000
2012	Fire Debt	83,890
2013	Cumulative Fire	8,668
2013	Fire Debt	9,132
2014	Fire Debt	17

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."

OVERDRAWN CASH BALANCES

The following fund had overdrawn fund balances at December 31:

Years	Fund	Amount Overdrawn
2012	Payroll Deduction Fund	\$ 8,942
2013	Payroll Deduction Fund	7,722
2014	Payroll Deduction Fund	10,535
2015	Payroll Deduction Fund	11,919

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)

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 6, 2017, with Diane Greene, Trustee.

I am responding to the findings of Lynn Spencer for the audit of 2012 thru 2015. She has noted that the Trustee has been over paid in 2014 and 15 in the total sum of 5799.57. In 2014 I was not Trustee. I would like to respond that in 2015 I in fact paid myself the full budget amount of \$15,420 and that \$2993 above that was out of the clerical budget for work that had always been hired out to do in the past for which I had done for the past 16 plus years. It had been discussed at the beginning of the year in a board meeting that I would not hire this out for I knew the Gateway and financial program and had too many other things to learn to train anyone else. I did research information regarding Trustees being paid for employment within the office and what I found spoke about lucrative elected and appointed officials. It was brought to my attention in a meeting with Lynn that a bulletins published in 2008 and again in 2014 stated a trustee could not be paid for duties to be carried out by a Trustee such as Township assistance research for which I would agree. I do not receive "bulletins" I will research why. I simply didn't feel my situation fell into those categories right or wrong. In 2016 the budget was lowered for clerical and Trustee budget increased due to the unlikely need of clerical work in our office. There were 2 other check dispersed in my name but this was for reimbursement of internet service and compensation of work I had to do out of my home due to the unavailability of internet service within the office of my choice. Internet of course in an absolute need. These checks were noted payroll but it was a simple mistake done out of habit and no taxes were not withheld or filed through EFTPs or INTAX. I know Lynn checked with the carrier and found that in 2017 internet was available but I know it was not in 2015 and anyone in the community is aware of internet issues in this area is a constant. Basing 2017 research on 2015 is not reasonable for improvements are possible. I did have a rental contract in 2015 but in fact I had to take work home because of the lack of internet. It was decided to move the office to my home when the lease expired so I could complete my work in one place and save money by not paying electric, water and gas bills.

I respect Lynn and her position and If it is the opinion of the SBOA and Auditors office that these are non-allowable disbursements then I will respectfully reimburse the funds when requested by law but I must admit with a little confusion. It is my responsibility to know and understates the statues and knowledge is golden.

Payroll taxes have not been withheld from board members checks for several years due to a “resolution” that was signed between the former Trustee and members. I do know that Social security and Medicare were paid thru EFTPS and W-2s were given to the members not 1099s. As of 2016 taxes are being withheld.

Internal control admittedly has been practically non-existent for many years due to the fact that there is one person that works in the office but all board members have access to any and all financial records upon request. They inspect and approve the budget and year end reports every year. The Township of course now has adopted an internal control policy in order to be in compliance with the state’s new requirement. All financial reports will be inspected on a regular basis and signed.

The fire Dept. Christmas dinner has been paid from their personal services budget for many years without ever being noted in an audit but this will be discussed and corrected.

I am proud to be a part of this community and honored to serve as Trustee and trust means everything. I acknowledge my short comings and take responsibility for any mistakes I have made with every intent to learn from them and make all necessary change

Diane R Greene

EEL RIVER TOWNSHIP, HENDRICKS COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Diane Greene, Trustee:			
Overpayment of Compensation, page 4	\$ 5,799.57	\$ 5,799.57	\$ -