

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SUGAR CREEK TOWNSHIP

HANCOCK COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**  
08/25/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert E. Boyer	01-01-11 to 12-31-18
Chairman of the Township Board	Doug Dugger	01-01-12 to 12-31-14
	Matthew Holland	01-01-15 to 12-31-16
	Ronnie L. Sanders	01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SUGAR CREEK TOWNSHIP, HANCOCK COUNTY, INDIANA

This report is supplemental to our examination report of Sugar Creek Township (Township), Hancock County, for the period from January 1, 2012 to December 31, 2016. 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](http://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

May 24, 2017

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY  
EXAMINATION RESULTS AND COMMENTS

**ADJUSTING ENTRIES**

The records presented for examination included adjustments to receipts and disbursements without supporting documentation to substantiate the need for the adjustments. Therefore, the Indiana State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements.

A similar comment was made in prior Report B41538.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were conducted; however, explanations and supporting documentation were not provided for reconciling items affecting 2012, 2013, 2014, 2015, and 2016. The reconciliations did not provide a detailed listing of outstanding checks and deposits in transit as of December 31, 2012.

Furthermore, the Township did not establish a sufficient internal controls system or mitigating controls over the bank reconciling process.

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."

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. . . ."

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ANNUAL NEPOTISM CERTIFICATION**

The elected officials did not file an annual certification of compliance with the nepotism law with the unit executive for years 2012, 2013, 2014, 2015, or 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."

**ANNUAL CONTRACTING CERTIFICATION**

The elected officials did not file an annual certification of compliance with the contracting law with the unit executive for years 2012, 2013, 2014, 2015, or 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."

**OPTICAL IMAGES 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.

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

"Each agency and local government shall:

- (1) Make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and local government to protect the legal and financial rights of the government and of persons directly affected by the agency's activities and the local government's activities.
- (2) Cooperate fully with the administration in implementing the provisions of this chapter.  
. . ."

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 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). . . ."

**ROBERT E. BOYER  
SUGAR CREEK TOWNSHIP  
HANCOCK COUNTY  
TRUSTEE**

P.O. BOX 417  
NEW PALESTINE, IN 46163  
PHONE: 317.861.6148  
FAX: 317.861.0415

July 18, 2017

State Board of Accounts  
302 Washington Street, Room E418  
Indianapolis, IN 46204-2765

Gentlemen;

This letter is the Township's response to the Independent Accountant's Report from the State Board of Accounts for the period of January 1, 2012 to December 31, 2016. The Township acknowledges the adjustments to the accounting records that caused the inability of the State Board of Accounts to issue an opinion on the financials.

The Township had engaged an outside firm to assist in keeping financial records and preparing annual financial reports. In early 2013, the Township changed firms for this service. The Trustee was concerned that the original firm that had been engaged was not doing what needed to be done to properly reconcile the accounts. The new firm determined that the 2012 financials were missing several payroll expenses being recorded to the ledger. The Township, in consultation with the new financial advisory firm, determined that the cost to have the new firm re-create each of the payroll entries individually from the Township's records would be cost prohibitive. The decision was made to reconcile the Township's accounts as of December 31, 2012 to determine the total of the payroll entries missing. Upon recommendation of the Township's financial advisor, the entry to correct these errors was made to the Township's 2012 financial records.

Since the correction was made, the Township and its financial advisor have reconciled all accounts monthly, and ensured that the payroll entries are being properly expensed and recorded to the Township ledgers. Based on the Township's balanced records from 2013 through present, we are confident that the adjustment made was necessary and correct. We acknowledge that there were errors in 2012, and also in the documentation of the adjusting entry; however, we contend that without this adjusting entry, the Township would not have been able to reconcile its financial statements from calendar year 2012 to the present.

Sincerely,



Robert E. Boyer  
Sugar Creek Township Trustee

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2017, with Robert E. Boyer, Trustee, and Ronnie L. Sanders, Chairman of the Township Board.