

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

COMPLIANCE REPORT  
OF  
GRASS TOWNSHIP  
SPENCER COUNTY, INDIANA  
January 1, 2012 to December 31, 2015



**FILED**  
01/26/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Karen S. McCormick (deceased)	01-01-11 to 12-06-14
	(Vacant)	12-07-14 to 12-18-14
	Erica Abshire	12-19-14 to 01-21-15
	LeGeanne Thomas	01-22-15 to 12-31-18
Chairman of the Township Board	Keith Wilkerson	01-01-12 to 12-31-14
	Gary McDaniel	01-01-15 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GRASS TOWNSHIP, SPENCER COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Grass Township (Township), Spencer County, for the period January 1, 2012 to December 31, 2015, 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

November 9, 2017

GRASS TOWNSHIP, SPENCER COUNTY  
RESULTS AND COMMENTS

**OVERPAYMENT OF COMPENSATION**

Karen S. McCormick (K. McCormick), former Trustee, deceased, received \$1,652.40 in excess of the maximum compensation allowed in the budget order for the year 2012. Stephanie A. McCormick (S. McCormick), Township Clerk, received \$734.40 in excess of the maximum compensation allowed in the budget order for the year 2012. A comparison of actual to budgeted compensation is detailed in the following schedule:

	<u>2012</u>
Former Trustee:	
Board Approved Compensation	\$ 10,800.00
Actual Compensation Paid	<u>12,452.40</u>
Overpayment of Compensation - former Trustee	<u>\$ (1,652.40)</u>
Township Clerk:	
Board Approved Compensation	\$ 4,800.00
Actual Compensation Paid	<u>5,534.40</u>
Overpayment of Compensation - Township Clerk	<u>\$ (734.40)</u>

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."

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

The Estate of K. McCormick may be requested to reimburse the Township for overpayment of compensation in the amount of \$1,652.40. (See Summary of Charges, page 10)

We requested that S. McCormick reimburse the Township for overpayment of compensation in the amount of \$734.40. (See Summary of Charges, page 10)

GRASS TOWNSHIP, SPENCER COUNTY  
RESULTS AND COMMENTS  
(Continued)

**PENALTIES, INTEREST, AND OTHER CHARGES**

The Township paid penalties, interest, and other charges to the Internal Revenue Service and Indiana Department of Revenue in the amounts of \$3,880.19 and \$3,588.04, respectively, for failure to remit tax payments due for the period January 1, 2007 to June 30, 2016, on a timely basis. Penalties, interest, and other charges paid by year and taxing period are shown on the schedules below.

**Penalties, Interest, and Other Charges Paid to Internal Revenue Service**

Year Paid	Taxing Period			Totals
	2007	2008	2013	
2014	\$ 1,635.00	\$ 1,560.00	\$ 457.20	\$ 3,652.20
2015	-	227.99	-	227.99
Grand Total	<u>\$ 1,635.00</u>	<u>\$ 1,787.99</u>	<u>\$ 457.20</u>	<u>\$ 3,880.19</u>

**Penalties, Interest, and Other Charges Paid to Indiana Department of Revenue**

Year Paid	Taxing Period				Totals
	2013	2014	2015	2016	
2015	\$ 16.10	\$ 37.01	\$ 5.38	\$ -	\$ 58.49
2016	-	1,217.65	2,292.82	19.08	3,529.55
Grand Total	<u>\$ 16.10</u>	<u>\$ 1,254.66</u>	<u>\$ 2,298.20</u>	<u>\$ 19.08</u>	<u>\$ 3,588.04</u>

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)

**CONDITION OF RECORDS**

As of December 31, 2015, the depository reconciliation of the Total All Funds cash balance to the bank account balances was reconciled; however, the total of the individual funds' cash balances did not agree with the Total All Funds cash balance. The total cash balance of the individual funds was \$1,057.87 less than the Total All Funds cash balance. Individual funds were not properly posted and reconciled to the Total All Funds cash balance for 2014 and 2015. The Gateway Annual Financial Report did not agree with ledger transactions for 2014 and 2015.

GRASS TOWNSHIP, SPENCER COUNTY  
RESULTS AND COMMENTS  
(Continued)

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 Township, Chapter 1)

**OVERDRAWN CASH BALANCE**

The Township fund had an overdrawn cash balance at December 31, 2014, of \$3,398.36.

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 Township, Chapter 1)

**APPROPRIATIONS**

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

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2012	Township	\$ 398.34
2013	Cumulative Fire	2,399.97
2013	Fire Debt	1,433.23

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."

**PAYROLL DEDUCTIONS**

Township Board members were paid without the Township withholding Social Security and Medicare taxes.

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 reported required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**W-2 FORMS**

W-2s were not issued for all Township officials and employees for 2012, 2013, and 2014. The Trustee was not issued a W-2 for 2015.

GRASS TOWNSHIP, SPENCER 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)

**CONTRACTS**

Payments made for cemetery mowing and park and recreation programs were not supported by a written contract.

Payments made or received for contractual services should 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 Township, Chapter 1)

**BOARD MINUTES**

There were no minutes of meetings of the governing body presented. Meetings were held without any minutes taken which would outline the items discussed.

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in his custody."

**REVIEW AND APPROVAL OF THE ANNUAL REPORT**

The Township Board did not have the required meeting to review and adopt the Annual Report for 2012, 2013, 2014, and 2015.

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."

**INTERNAL CONTROLS**

The Trustee was responsible for all aspects of the Township's financial activity. Duties performed by the Trustee included preparing and signing checks, reporting payroll information, and remitting payroll taxes.

GRASS TOWNSHIP, SPENCER COUNTY  
RESULTS AND COMMENTS  
(Continued)

Due to the lack of segregation of duties, overpayment of compensation was able to occur and was not be identified timely. The Trustee serves as the Township Fiscal Officer and is responsible for ensuring all financial activity is properly performed. However, the Trustee or Advisory Board did not set up a system of internal controls to ensure these excess payments did not occur. There is 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. . . ."

**OFFICIAL BONDS**

The Township obtained the following official bonds.

Period	Totals
05-01-11 to 05-01-12	\$ 15,000
05-01-12 to 05-01-13	15,000
01-01-13 to 01-01-14	15,000
01-01-14 to 01-01-15	15,000

GRASS TOWNSHIP, SPENCER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2017, with LeGeanne Thomas, Trustee, and Philip W. Meyer, Township Board member.

GRASS TOWNSHIP, SPENCER COUNTY  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Karen S. McCormick (deceased), former Trustee: Overpayment of Compensation, page 4	\$ 1,652.40	\$ -	\$ 1,652.40
Stephanie A. McCormick, Township Clerk: Overpayment of Compensation, page 4	<u>734.40</u>	<u>-</u>	<u>734.40</u>
Totals	<u>\$ 2,386.80</u>	<u>\$ -</u>	<u>\$ 2,386.80</u>

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA            )  
Scott COUNTY            )

We, Richard N. Ahlrich and Jonathan H. Bennington, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Grass Township, Spencer County, Indiana, for the period from January 1, 2012 to December 31, 2015, is true and correct to the best of our knowledge and belief.

Richard N. Ahlrich

Jonathan H. Bennington  
Field Examiner

Subscribed and sworn to before me this 12 day of Dec, 2017

[Signature]  
Notary Public

My Commission Expires: 1/31/24

County of Residence: Scott

