

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

COMPLIANCE REPORT
OF
JACKSON TOWNSHIP
SULLIVAN COUNTY, INDIANA
January 1, 2012 to December 31, 2016



FILED
03/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Randy Swalls	01-01-11 to 12-31-18
Chairman of the Township Board	William Zink	01-01-12 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF JACKSON TOWNSHIP, SULLIVAN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Jackson Township (Township), Sullivan 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 Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

February 8, 2018

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS

OVERPAYMENT OF COMPENSATION

A similar comment also appeared in prior Reports B36627 and B41736.

Randy Swalls (R. Swalls), Trustee, was paid without withholding the proper amounts from his payroll checks in 2012 through 2016. In addition, in 2012, R. Swalls received additional payments above his approved salary. The total amount of overpayment of compensation is shown in the table below:

Years	Taxes Not Properly Withheld	Amount Overpaid	Totals
2012	\$ 745.50	\$ 900.00	\$ 1,645.50
2013	1,210.50	-	1,210.50
2014	497.25	-	497.25
2015	497.25	-	497.25
2016	153.00	-	153.00
Totals	<u>\$ 3,103.50</u>	<u>\$ 900.00</u>	<u>\$ 4,003.50</u>

Beth Swalls (B. Swalls), Township Clerk, was paid without withholding the proper amounts from her payroll checks in 2012 through 2016. In addition, in 2012 and 2013, B. Swalls did not receive payments up to her approved salary. The net total amount of overpayment of compensation is shown in the table below:

Years	Taxes Not Properly Withheld	Amount Underpaid	Totals
2012	\$ 667.25	\$ (100.00)	\$ 567.25
2013	1,172.25	(550.00)	622.25
2014	497.25	-	497.25
2015	497.25	-	497.25
2016	497.25	-	497.25
Totals	<u>\$ 3,331.25</u>	<u>\$ (650.00)</u>	<u>\$ 2,681.25</u>

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."

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

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 and 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 and Compliance Guidelines Manual for Townships, Chapter 1)

R. Swalls, Trustee, was requested to reimburse the Township in the amount of \$4,003.50 for overpayment of compensation. The amount requested for reimbursement was paid in full to the Township by R. Swalls on February 13, 2018. (See Summary of Charges, page 15)

B. Swalls, Township Clerk, was requested to reimburse the Township in the amount of \$2,681.25 for overpayment of compensation. The amount requested for reimbursement was paid in full to the Township by B. Swalls on February 13, 2018. (See Summary of Charges, page 15)

OVERPAYMENTS TO THE UNITED STATES DEPARTMENT OF THE TREASURY

From 2013 through 2016, payments totaling \$21,737.66 were made to the United States Department of the Treasury (USDT). For that period, the total amount due, per the employer's quarterly tax returns filed, was \$13,628, resulting in \$8,109.66 in overpayments to the USDT. On December 31, 2014, R. Swalls reimbursed the Township \$3,500, reducing the overpayment to \$4,609.66. Errors were noted in calculating payroll taxes remitted to the USDT during 2012 and 2016, contributing to the remaining overpayment of \$4,609.66. The Trustee should seek or request any refunds due from the USDT.

Check Number	Date	Amount
Bank Debit	04-22-13	\$ 831.20
4619	08-10-13	759.00
4624	08-14-13	1,138.50
4629	08-22-13	440.00
4630	08-26-13	3,750.00
Bank Debit	10-31-13	141.80
4645	10-22-13	673.20
Bank Debit	12-10-13	3,850.46
4749	02-19-14	759.00
4748	02-19-14	1,897.50
Bank Debit	08-17-15	1,989.00
5396	12-04-15	1,989.00
5521	12-31-16	<u>3,519.00</u>
Total Paid		<u>\$ 21,737.66</u>

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

Amounts Due Per Employer's Quarterly Tax Returns

	2012	\$	2,715.50
	2013		3,415.50
	2014		1,989.00
	2015		1,989.00
	2016		3,519.00
Total Amount Due			13,628.00
Total Overpayments		\$	8,109.66
Reimbursement of Overpayments by Trustee	12-31-14		(3,500.00)
Overpayments to the United States Treasury		\$	4,609.66

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 and 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 and Compliance Guidelines Manual for Townships, Chapter 1)

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)

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

CONDITION OF RECORDS

The same comment also appeared in prior Reports B36627 and B41736.

Financial records presented were incomplete and not reflective of the activity of the Township funds.

As of December 31, 2016, 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 Total All Funds cash balance. The total cash balance of individual funds was \$1,192.25 more than the Total All Funds cash balance.

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

In reviewing the financial transactions in the Township Ledger the following errors were noted, which accounted for some of the difference:

1. Mathematical errors in posting transactions.
2. Receipts and checks written not posted to an individual fund.
3. Individual fund balances were not calculated and carried forward.
4. Numerous check sequences were being used throughout 2012 to 2016, making accounting for all checks difficult.

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 Townships, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

APPROPRIATIONS

The same comment also appeared in prior Report B41736.

The Trustee did not obtain an approved budget for the Township, Township Assistance, and Fire Fighting funds for each year of the period. This was due to the Trustee not submitting the required Indiana Gateway for Government Units (Gateway) reports to the Indiana State Board of Accounts and Department of Local Government Finance, thus the Township had a \$0 budget and overspent its appropriations in the following amounts:

Years	Fund	Excess Amount Disbursed
2012	Township	\$ 20,665.73
2012	Township Assistance	11,382.55
2012	Fire Fighting	14,500.00
2013	Township	36,147.61
2013	Township Assistance	9,862.10
2013	Fire Fighting	7,000.00
2014	Township	24,101.70
2014	Township Assistance	8,341.52
2014	Fire Fighting	13,500.00
2015	Township	28,224.06
2015	Township Assistance	9,789.91
2015	Fire Fighting	15,500.00
2016	Township	19,457.57
2016	Township Assistance	11,876.77
2016	Fire Fighting	16,000.00

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

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."

Indiana Code 6-1.1-17-16.2(a) states in part: "The department of local government finance may not approve the budget of a taxing unit or a supplemental appropriation for a taxing unit until the taxing unit files an annual report under IC 5-11-1-4 or IC 5-11-13 for the preceding calendar year . . ."

RESOLUTION ESTABLISHING SALARIES

The same comment also appeared in prior Report B41736.

The Township did not adopt a resolution establishing salaries of Township officers and employees for 2012, 2013, 2014, 2015, and 2016.

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 BOARD COMPENSATION

The same comment also appeared in prior Reports B36627 and B41736.

The Township Board members were paid \$411.75 each in 2013, which was an underpayment of \$38.25 for each member.

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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The same comment also appeared in prior Report B41736.

The Township was not in compliance with the Internal Revenue Service (IRS) reporting requirements in the following manner:

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

1. FICA and Medicare taxes were not withheld on Township Board members.
2. W-2s were not in agreement with amounts paid to Trustee and Township Clerk for 2012, 2013, 2014, 2015, and 2016.
3. Form 1099s were not completed and issued for 2012, 2013, 2014, 2015, and 2016.
4. W-2s were not issued to Township Board members.

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. (Accounting and Uniform and Compliance Guidelines Manual for Townships, Chapter 1)

CONTRACTS

The same comment also appeared in prior Report B41736.

Mowing services were provided to the Township without entering into a contract.

The fire protection contract for 2013 was underpaid by \$4,500.

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 Townships, Chapter 1)

PAYMENTS TO TOWNSHIP CLERK

Payments were made to the Township Clerk for cemetery maintenance, repair, and tree removal without a contract for services provided outside her normal Township duties totaling \$4,155. The total payments to the Township Clerk for 2013, 2014, and 2015 for these services was \$2,871, \$884, and \$400, respectively. The payments to the Township Clerk were not reported on IRS Forms W-2 or 1099.

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)

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)

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

MEETING MINUTES

The same comment also appeared in prior Report B41736.

Minutes for the Township Board were not maintained and presented from January 1, 2012 through the current date. There was no indication that an organizational meeting was held for 2012, 2013, 2014, 2015, or 2016 to elect a Chairman and Secretary for the Township Board.

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."

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year."

ADOPTION OF ANNUAL REPORT

Evidence was not presented documenting that the Township Board reviewed and adopted the Annual Report for 2012, 2013, 2014, 2015, and 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."

OFFICIAL BONDS NOT PROPERLY RECORDED

A similar comment also appeared in prior Reports B36627 and B41736, entitled *OFFICIAL BOND*.

R. Swalls, Trustee, obtained an official bond for 2013, 2014, 2015, 2016, and 2017 in the amount of \$30,000 each year. However, the bonds were not recorded in the County Recorder's office.

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, employee, or contractor of a political subdivision who is required by section 18 of this chapter to file an official bond for the faithful performance of duty . . . shall file the bond with the fiscal officer of the political subdivision and in the office of the county recorder in the county of office or employment of the officer, official, deputy, employee, or contractor."

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

REPORT ADVERTISEMENT

The same comment also appeared in prior Report B41736.

The abstract required in Indiana Code 36-6-4-13(a) for 2012, 2013, 2014, 2015, and 2016 were not advertised.

The annual budgets for 2012 and 2013 were not advertised.

Indiana Code 36-6-4-13(b) states:

"Within four (4) weeks after the third Tuesday following the first Monday in February, the executive shall publish the abstract prescribed by subsection (a) in accordance with IC 5-3-1. The abstract must state that a complete and detailed annual report and the accompanying vouchers showing the names of persons paid money by the township have been filed with the county auditor, and that the chairman of the township legislative body has a copy of the report that is available for inspection by any taxpayer of the township."

During 2012 and 2013, Indiana Code 6-1.1-17-3(a) stated in part:

". . . The political subdivision . . . shall give notice by publication to taxpayers of:

- (1) the estimated budget; . . ."

FORM 100-R REPORT ERRORS

The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) was incomplete. In 2013 and 2016, Township Board members were excluded from the report and the Township Clerk was excluded in 2013. Errors in wages reported ranged from \$4,500 overreported to \$4,000 underreported during the period reviewed.

The Township did not timely file a Form 100-R with the Indiana State Board of Accounts for the years 2013 and 2014. The reports were not filed until April 3, 2014, and May 14, 2015, which were 62 and 103 days past the due date, respectively.

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Reports B36627 and B41736.

The Annual Financial Report (AFR) for 2012, 2013, and 2014 was not filed electronically until July 25, 2013, June 2, 2014, and April 29, 2015, which is 146, 93, and 59 days, respectively, past the due date. The 2015 and 2016 AFR were not filed until September 18, 2017, which is 567 and 202 days, respectively, past the due date.

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

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 . . ."

BOND INFORMATION

The Township obtained the following official bonds.

<u>Bond Period</u>	<u>Amount</u>
01-01-13 to 12-31-13	\$ 30,000
01-01-14 to 12-31-14	30,000
01-01-15 to 12-31-15	30,000
01-01-16 to 12-31-16	30,000

INTERNAL CONTROLS

The Trustee was responsible for all aspects of the Township's financial activity. However, the Township Clerk performed most of the financial duties, which included: preparing checks, recording financial transactions in the financial ledger, reporting payroll information, and remitting payroll taxes.

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

JACKSON TOWNSHIP, SULLIVAN COUNTY
RESULTS AND COMMENTS
(Continued)

ADOPTION OF INTERNAL CONTROL STANDARDS

The Township had not developed or adopted internal control standards and procedures as required by Indiana Code 5-11-1-27(g) after June 30, 2016.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

The officials of the Township had not received training on internal control standards and procedures after June 30, 2016.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

ADDITIONAL AUDIT COSTS

The State of Indiana incurred additional costs in the acquisition of records from the Trustee to perform the audit of the Township. Records were requested for audit on July 20, 2017, and not received until September 18, 2017. Audit time was spent in communications with officials, documenting efforts in obtaining records, and assisting with officials to submit Gateway reports. A total of 20 hours of audit time was spent due to the records not being timely maintained and ready for audit. That is a total cost of \$466.67.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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 IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

R. Swalls, Trustee, was requested to reimburse the State of Indiana \$466.67 for additional audit costs incurred. Amount requested for reimbursement was paid in full to the State of Indiana by R. Swalls on February 13, 2018. (See Summary of Charges, page 15)

JACKSON TOWNSHIP, SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2018, with Beth E. Swalls, Township Clerk, and William Zink, Chairman of the Township Board.

JACKSON TOWNSHIP, SULLIVAN COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Randy Swalls, Trustee:			
Overpayment of Compensation, pages 4 and 5	\$ 4,003.50	\$ 4,003.50	\$ -
Due State of Indiana:			
Additional Audit Costs, page 13	466.67	466.67	-
Total Due from R. Swalls, Trustee	\$ 4,470.17	\$ 4,470.17	\$ -
Beth Swalls, Township Clerk:			
Overpayment of Compensation, pages 4 and 5	\$ 2,681.25	\$ 2,681.25	\$ -
Grand Total	\$ 7,151.42	\$ 7,151.42	\$ -