

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

COMPLIANCE REPORT
OF
HENRY TOWNSHIP
FULTON COUNTY, INDIANA
January 1, 2012 to December 31, 2016



FILED
04/04/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Becky L. Gearhart	01-01-11 to 12-31-18
Chairman of the Township Board	Patrick Walgamuth Michael Canada	01-01-12 to 12-31-14 01-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF HENRY TOWNSHIP, FULTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Henry Township (Township), Fulton 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. As a result of noncompliance that occurred during the engagement period, we performed procedures related to payroll and payroll withholdings through December 31, 2017.

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 Township 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

February 6, 2018

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS

LATE PAYMENT OF PAYROLL TAXES

State Payroll Withholding Taxes

The Trustee was required to pay tax withholdings to the State of Indiana on a monthly basis. The entire payroll tax amounts due to the State of Indiana for 2013 and 2014 were not paid until January 8, 2014, and January 20, 2015, respectively. The state payroll tax amounts for 2015 were not paid until February 3, 2016. Payments for taxes due for 2016 and 2017 were made haphazardly.

Federal Payroll Withholding Taxes

Federal payroll taxes for 2015, 2016, and 2017 had not been remitted to the U.S. Treasury as of November 30, 2017.

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.

PAYROLL TAX ASSESSMENT NOTICES

A similar comment was reported in previous Reports B28365, B30099, B31860, B37017, and B41513.

The Township received 35 assessment notices for failure to remit payroll taxes or failure to file payroll tax returns in a timely manner. The notices came from a variety of sources including the Internal Revenue Service, the Indiana Department of Revenue, the Fulton County Sheriff, and a collection agency contracted by the Indiana Department of Revenue. The Assessment Notices of Amounts Due included penalties and interest and in each case the assessments exceeded the amount of payroll tax actually due. The Trustee either paid the amount of the assessment or ignored them all together. Assessments that were ignored resulted in a tax warrant being issued to the Fulton County Sheriff for collection. The Indiana Department of Revenue also utilized the services of a collection agency to pursue collection of the amounts due. The following schedule details by year the amount of additional penalties, interest, and other charges paid by the Trustee.

Years	State Taxes Due	State Tax Payments Made	Penalties, Interest & Other Charges***	Total Payments	Total Excess Payments
2012	\$ 431.76	\$ 503.72	\$ -	\$ 503.72	\$ 71.96
2013	431.76	431.76	-	431.76	-
2014	431.76	431.76	-	431.76	-
2015	431.76	431.76	5,385.99	5,817.75	5,385.99
2016	431.76	431.76	7,496.27	7,928.03	7,496.27
2017	431.76	287.84	5,200.05	5,487.89	5,056.13
Totals	<u>\$ 2,590.56</u>	<u>\$ 2,518.60</u>	<u>\$ 18,082.31</u>	<u>\$ 20,600.91</u>	<u>\$ 18,010.35</u>

***Amounts include Collection Agency fees, Bank fees, and liens withdrawn from the bank account.

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS
(Continued)

Based on the information scheduled, the Township has paid amounts in excess of the amount due for payroll taxes to the State of Indiana. The Trustee has not made an effort to recover the amount of excess payments from the Indiana Department of Revenue.

Additionally, since payments have not been made for federal withholdings for 2015, 2016, or 2017 to the Internal Revenue Service, additional penalties and interest could be assessed.

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)

We requested Becky L.Gearhart, Trustee, reimburse the Township \$18,010.35 for penalties, interest, and other charges paid by the Township for failure to properly report and timely remit state taxes to the Indiana Department of Revenue. (See Summary of Charges, page 9)

ADVANCE PAYROLL PAYMENTS

A similar comment was reported in previous Reports B28365, B30099, B31860, B37017, and B41513.

The Trustee's annual salary of \$8,100 is to be paid in equal monthly payments at the end of each month. The Trustee regularly issued checks for her monthly salary in advance of the end of the month for the years 2012, 2013, and 2014. For the years 2015, 2016, and 2017, the Trustee issued multiple checks totaling her annual compensation well in advance of regularly monthly payments. This resulted in the Trustee receiving her total yearly salary for the years 2015, 2016, and 2017 by August 10, 2015, June 13, 2016, and July 31, 2017, respectively.

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)

COMPENSATION AND BENEFITS

The Township Advisory Board was paid without the Township withholding federal, state, and local taxes. Also, Form W-2 was not issued to the Township Advisory Board members.

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)

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS
(Continued)

CERTIFIED REPORT FILED AFTER DUE DATE

The Township did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for 2016. The report was not filed until April 2, 2017, which is 61 days past the due date.

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 certified report, correctly and completely showing the 4 names and business 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 . . . The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7."

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; reporting payroll information; and remitting payroll taxes. Due to the lack of any oversight, payroll taxes not being paid in a timely manner, late filing of certified reports and advance payroll payments were able to occur and not be identified timely.

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. . . ."

HENRY TOWNSHIP, FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 6, 2018, with Becky L. Gearhart, Trustee.

February 14, 2018

Becky Gearhart

Henry Township Trustee

Office Response

To Whom it May Concern:

After reviewing my audit with SBOA I was informed that over the past 4 years that I had made an over payment of \$18,010.35 to the Indiana Department of Revenue. I have contacted IDR and have found that I was making payments to estimated taxes and also paying my taxes. I have filed a form GA110L to get a refund on the over payment. Also, I am in contact with the IRS for not making payments for the federal taxes that were withheld.

Thank you,

Becky Gearhart

HENRY TOWNSHIP, FULTON COUNTY
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Becky L. Gearhart, Trustee:			
Payroll Tax Assessment Notices, pages 4 and 5	\$ 18,010.35	\$ -	\$ 18,010.35

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

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AFFIDAVIT

STATE OF INDIANA)
Cass)
 COUNTY)

I, Sandra Gerlach, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Henry Township, Fulton County, Indiana, for the period from January 1, 2012 to December 31, 2016, and the payroll and withholding records through December 31, 2017, is true and correct to the best of my knowledge and belief.

Sandra Gerlach
Field Examiner

Subscribed and sworn to before me this 19th day of March, 2018.

Daphne L. Slusher
Notary Public

My Commission Expires: July 19, 2019
County of Residence: Cass

