

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SMITH TOWNSHIP

WHITLEY COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
06/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Patty Amber	01-01-14 to 12-31-18
Chairman of the Township Board	Robert Efolf	01-01-14 to 12-31-14
	Joyce DeHaven	01-01-15 to 12-31-15
	Carole Jacquay	01-01-16 to 12-31-16
	Kathy Shively	01-01-17 to 12-31-17
	Carole Jacquay	01-01-18 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF SMITH TOWNSHIP, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of Smith Township (Township), Whitley County, for the period from January 1, 2014 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Audit Report of the Township, which provides our opinions 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 11, 2018

SMITH TOWNSHIP, WHITLEY COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The Township did not separate incompatible activities related to processing, recording, and reporting financial transactions. The Trustee was the sole person responsible for all financial processes. There were no controls in place to monitor, review, or determine the accuracy of the financial transactions and financial statements. The failure to establish these controls could have enabled misstatements to remain undetected.

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. . . ."

INTERNAL CONTROL STANDARDS

The Township Board did not adopt minimum internal control standards and the Township personnel did not receive training on the minimum internal control standards as required by Indiana Code 5-11-1-27.

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

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

SMITH TOWNSHIP, WHITLEY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The electronic submission of the Township's 2016 and 2017 Indiana Gateway for Government Units Annual Financial Reports included certifications by the Trustee that the Township had adopted internal control standards and that Township personnel had received the required internal control training when neither of these had actually been accomplished during the reporting period.

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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)

SMITH TOWNSHIP, WHITLEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2018, with Patty Amber, Trustee, and Carole Jacquay, Chairman of the Township Board.