

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SPARTA TOWNSHIP

NOBLE COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
08/07/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Control Deficiencies.....	4
Bank Account Reconciliations	4
Board Minutes Missing	4-5
Undocumented Disbursements	5
Annual Financial Report Errors	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Gary Lawrence	01-01-11 to 12-31-18
Chairman of the Township Board	Carroll Galloway	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SPARTA TOWNSHIP, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Sparta Township (Township), 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 and federal program compliance. 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 30, 2018

SPARTA TOWNSHIP, NOBLE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROL DEFICIENCIES

There were several deficiencies in the internal controls system of the Township related to the financial transactions.

The Township adopted an internal control policy, but no evidence was apparent of internal controls throughout the course of the audit in regards to financial transactions. There were no controls evident such as oversight, review, or approval process of the bank reconciliations, receipts, or disbursements.

The failure to establish and implement these controls could enable material misstatements to go 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. . . ."

BANK ACCOUNT RECONCILIATIONS

The same comment appeared in prior Report B43979, entitled *CURRENT PERIOD COMMENTS*.

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for 2014, 2015, 2016, and 2017.

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."

BOARD MINUTES MISSING

The Township did not provide minutes for every meeting held during 2016 and 2017.

SPARTA TOWNSHIP, NOBLE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 chair of the legislative body shall retain the record in the chair's custody."

UNDOCUMENTED DISBURSEMENTS

The Township was unable to provide supporting documentation for 10 percent of vendor disbursements tested totaling \$27,147, respectively.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Compliance Guidelines Manual for Townships, Chapter 1)

ANNUAL FINANCIAL REPORT ERRORS

The same comment appeared in prior Report B43979, entitled *CURRENT PERIOD COMMENTS*.

The Township prepared and submitted its Annual Financial Report (AFR) information online through the Indiana Gateway for Government Units (Gateway) system. The AFRs filed on Gateway for 2014, 2015, 2016, and 2017 contained a number of errors and did not properly reflect the financial activity of the Township. These errors included incorrect beginning balances and receipts and disbursements reported incorrectly. Also, the Schedule of Payables and Receivables and Schedule of Capital Assets reported were not supported by documentation.

Indiana Code 5-11-1-4(a) states:

"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 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)

SPARTA TOWNSHIP, NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 30, 2018, with Gary Lawrence, Trustee, and Carroll Galloway, Chairman of the Township Board.