

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

POLK TOWNSHIP

MARSHALL COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED

12/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lynn L. Stull (deceased) (Vacant) Jerry L. Lamb	01-01-11 to 08-20-17 08-21-17 to 09-06-17 09-07-17 to 12-31-18
Chairman of the Township Board	Richard L. Parker	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF POLK TOWNSHIP, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Polk 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 opinion 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 14, 2018

POLK TOWNSHIP, MARSHALL COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

The Township had not separated incompatible activities related to receipts, disbursements, the bank reconciliation process, and reporting, due to the size of the office. The Trustee was primarily responsible for all areas, including receipting, disbursing, reconciling the records to the bank at the end of each month and submitting the year-end report to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Reports and financial statements. There was no documentation to support any oversight of these activities by the Township Board, nor were there other controls in place that would ensure the accuracy of these activities. Additionally, the Township did not issue receipts for collections. As a result, errors or omissions could have occurred and not have been detected or identified in a timely manner.

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. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

POLK TOWNSHIP, MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2018, with Jerry L. Lamb, Trustee, and Richard L. Parker, Chairman of the Township Board.