

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CENTER TOWNSHIP

HOWARD COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
01/25/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jean P. Lushin Robert A. Lee	01-01-11 to 12-31-14 01-01-15 to 12-31-18
Chairman of the Township Board	Napoleon J. Leal	01-01-14 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 CENTER TOWNSHIP, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of Center 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 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

December 6, 2018

CENTER TOWNSHIP, HOWARD COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A review of the bank reconciliations for the Township funds indicates a cash long of \$1,581 at December 31, 2014, and a cash long of \$2,173 at December 31, 2015, 2016, and 2017. This occurred due to a posting error in the Township's computerized accounting system that went undetected and has not been corrected as of the date of this report.

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."

PUBLIC RECORDS RETENTION

Bank statements for the Representative Payee Fund/Program for the year 2014 were not available for audit. Also, documentation for disbursements (invoices, receipts, paid bills) for the Representative Payee Fund/Program for the years 2014 and 2015 were not available for audit.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

1. The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
2. The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

INTERNAL CONROLS

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

CENTER TOWNSHIP, HOWARD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Township has not provided documentation that a review or oversight process exists for financial activities related to all areas of the financial statements.

The Township adopted a resolution for internal controls; however, during the audit, no evidence was provided that documented internal controls were in place over financial transactions and reporting. There was no documentation of a review or oversight procedure over the performance of bank reconciliations, the collection, deposit and recording of receipts, and the writing and posting of checks (disbursements) to the financial ledger. The website, Indiana Gateway for Government Units (Gateway), is the collection platform for local units of government to submit required data to the State of Indiana. All Townships are required to submit their Annual Financial Report via Gateway. The Township did not have documented controls in place to verify the accuracy of the financial information on the Annual Financial Report prior to submission.

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. . . ."



Robert A. Lee, Trustee

Honesty, Integrity, Sensitivity, Transparency

State Board of Accounts Official Response

302 West Washington Street, Rm E 418

Indianapolis, Indiana 46204-2765

May this serve as our "OFFICIAL RESPONSE" to our most recent audit culminating in an exit conference held on December 6, 2018

To the comments; we have and are continuing to make the necessary adjustments to solidify our Internal Control Policies with verification, and the listed reconciliations and retention of records for our Representative Payee Fund/Program.

We are further strengthening our review and oversight policies and bringing the Payee Program to the same level as our Township Assistance accountability.

Sincerely Yours,

Robert A. Lee, Trustee

Center Township, Howard County

CENTER TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2018, with Robert A. Lee, Trustee; Linda J. Koontz, Township Board member; and Andrew J. Durham, Comptroller.