

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WASHINGTON TOWNSHIP

MARION 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>
Small Claims Court Judge	Steven G. Poore	01-01-14 to 12-31-18
Trustee	Frank T. Short	01-01-14 to 12-31-18
Chairman of the Township Board	David Smith Emily Denton	01-01-14 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of Washington 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 11, 2018

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TRUSTEE
WASHINGTON TOWNSHIP, MARION COUNTY

TRUSTEE
WASHINGTON TOWNSHIP, MARION COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The Township could not provide documentation that their employees had taken the required internal control training.

Due to the employees not receiving the internal control training, the certification on the Indiana Gateway for Government Units financial reporting system was not made correctly.

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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

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

- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2)."

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](#)."

TRUSTEE
WASHINGTON TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2018, with Frank T. Short, Trustee; Lori McQueary, Chief of Staff; Emily Denton, Chairman of the Township Board; and Steven G. Poore, Small Claims Court Judge.

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SMALL CLAIMS COURT
WASHINGTON TOWNSHIP, MARION COUNTY

SMALL CLAIMS COURT
WASHINGTON TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Small Claims Court (Court) related to financial transactions and reporting.

Cash

There was no evidence to indicate that the bank reconciliements for the Court were being reviewed by someone else other than the preparer.

Disbursements

There was no evidence to indicate that the checks written from the Court were being reviewed by someone else other than the person writing the checks.

The Township should have proper controls in place over the preparation of the financial statements to ensure accurate and reliable reporting of the Township's financial activity as it relates to the financial statements. Adequate internal controls require sufficient oversight, review, and approval to ensure complete and accurate financial reporting. We believe these deficiencies in the internal control system constitute material weaknesses.

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. . . ."

ANNUAL FINANCIAL REPORT

The Annual Financial Reports submitted through the Indiana Gateway for Government Units financial reporting system for 2014, 2015, 2016, and 2017, did not include any of the financial transactions (receipts, disbursements, and cash and investment balances) related to the Court.

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)

SMALL CLAIMS COURT
WASHINGTON TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

TRUST FUND DETAIL

The same comment also appeared in prior Report B44417.

The Washington Township Court Trust Fund balance as of December 31, 2017, was \$10,870. The Court was unable to provide a detail of items that made up that balance.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

The Township could not provide documentation that their employees had taken the required internal control training. However, the Township certified that they had trained on those internal control standards.

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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STEVEN G. POORE, JUDGE

WASHINGTON TOWNSHIP SMALL CLAIMS COURT

MARION COUNTY, INDIANAPOLIS, INDIANA

OFFICIAL RESPONSE

December 20, 2018

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

RE: Response to audit conducted in Washington Township Small Claims Court in December 2018

Please accept this letter as my response to the audit report for the audit conducted at the Washington Township Small Claims Court in December 2018.

INTERNAL CONTROLS [CASH]

IC 33-34-7-4 provides that a small claims court "shall use a centralized case management system approved by the division of state court administration." The Indiana Office of Judicial Administration requires that the Washington Township Small Claims Court participate in and use the Odyssey case management system. The court is completely reliant upon that system for the operation of the court.

The court is dependent on Odyssey to manage cases including collection of fees, collection of payments toward judgments, disbursement of funds and access to information and reports for this activity.

The audit report does not assert that the court is non-compliant with the Odyssey system which the court is required by law to follow.

The court maintains a bank account independent of the virtual Odyssey financial accounts. The court maintains independent records of direct payments to the court and deposits into the court bank account.

Each day the court prepares a bank deposit by reconciling the activity for that day in Odyssey with funds paid into the court as fees or payments toward judgments.

Each month the court reconciles the monthly bank statement against the virtual accounts in Odyssey and prepares a reconciliation for that event.

The monthly reconciliation is prepared by the office administrator within 5 days of the end of the month. The court has employed a trained accountant who observes this process and provides an internal audit of this process while it is being conducted. The monthly report is given to me so that I can verify that the process has been completed. At the time of the examination the court was up to date with its monthly reconciliations and provided hard copies of all requested reconciliations to the examiners.

The court interprets the comment to be that the court failed to independently document this process and not that the court was non-compliant with providing the reports. In order to comply with SBOA

SMALL CLAIMS COURT
WASHINGTON TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

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