

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VAN BUREN TOWNSHIP

MONROE COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
02/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rita Barrow	01-01-14 to 12-31-22
Chairman of the Township Board	John Wilson	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VAN BUREN TOWNSHIP, MONROE COUNTY, INDIANA

This report is supplemental to our audit report of Van Buren 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 19, 2018

VAN BUREN TOWNSHIP, MONROE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Township related to financial transactions and reporting. The Township had not separated incompatible activities related to cash and investments, receipts, payroll and vendor disbursements, and financial reporting. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

Cash and Investments

The Claims Processing Clerk performed the monthly reconciliations and the Chairman of the Township Board reviewed the reconciliation; however, there was no evidence of this review until 2018.

Receipts

The Claims Processing Clerk posted the receipts into the accounting system and created the bank deposits. The Trustee reviewed receipts posted in the system and determined whether they were posted for the correct amount and in the correct fund; however, there was no evidence of the review.

Payroll

The Township had not established controls to ensure that the employees' supervisors reviewed and approved their timesheet each pay. None of the employees tested had their payroll claims or time records approved by the appropriate officials or department head.

Vendor Disbursements

The Township had established controls to ensure that someone separate from the creator of the purchase order request reviewed and approved the request; however, the control did not always operate effectively. There were instances in which the purchase order request was approved by the same individual who requested them. Additionally, there were instances where no request form was provided. We were unable to determine that there was a separate preparer and reviewer of the expenditure.

VAN BUREN TOWNSHIP, MONROE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Reporting

The Trustee entered the Annual Financial Report information into the Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports (AFRs) and the financial statements. The Claims Processing Clerk verified the information entered into Gateway with the ledger to ascertain whether all entries were correct; however, there was no evidence of review, oversight, or approval of the AFRs and financial statements.

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. . . ."

RECORD OF HOURS WORKED

A review of payroll indicated that one employee did not have an accurate timecard. The employee's time information was maintained in an excel spreadsheet.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. (Accounting and Uniform Compliance Guidelines for Townships, Chapter 1)

Rita Barrow, *Trustee*

Van Buren Township

December 20, 2018

State Board of Accounts Audit and Comments:

Internal Controls Starting Immediately:

Cash and Investments – Controls implemented

- Board President will continue to receive and initial all monthly bank statements from 2018 going forward.
- Receipts – All receipts will be signed by the Trustee/Deputy Trustee noting receipts are placed in the right fund and the amount is correct.
- Payroll – All-time records will be approved by the Trustee or Deputy Trustee.
- Vendor Disbursements – All purchase orders are now required to be signed by the requestor and approved by the individual Trustee/Deputy Trustee or Fire Chief/Deputy Fire Chief.
- Financial Close and Reporting – Information entered into Gateway will be reviewed by the Processing Clerk and a PDF file will be electronically stored with the Trustee id in the heading.
 - In addition, the Trustee will review weekly the fund reports and keep them in an electronic file

Record of Hours Worked:

- All-time records must now be signed by the Employee, the Trustee/Deputy Trustee and given to the Deputy Chief to record for the payroll clerk.

Van Buren Township Trustee, Rita Barrow agrees with the comments noted during the audit and has set standards for employees to follow starting December 19, 2018.

Thank you,

Rita Barrow, Van Buren Twp Trustee
Monroe County
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VAN BUREN TOWNSHIP, MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2018, with Rita Barrow, Trustee, and John Wilson, Chairman of the Township Board.