

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CARR TOWNSHIP

JACKSON 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	Mary Ann Ault	01-01-11 to 12-31-18
Chairman of the Township Board	Joseph Campbell	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CARR TOWNSHIP, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of Carr 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 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 18, 2018

CARR TOWNSHIP, JACKSON COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B44311, entitled *CURRENT PERIOD COMMENTS*.

There were deficiencies in the internal control system for the Township related to financial transactions and reporting. There was a lack of segregation of duties, as the Township had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments

The Township was responsible for ensuring that the Township's records were reconciled with the depository balances. A consultant prepared the depository reconcilements without oversight or review. The lack of effective controls allowed the following:

1. Depository reconcilements were not completed in a timely manner during the audit period. The consultant prepared the depository reconcilements every six months.
2. Four months of bank statements were not presented for audit.
3. Three bank reconcilements out of eight chosen to be tested were not presented for audit.

Receipts

The Trustee performed all of the activities related to receipts without oversight or review.

Disbursements

The Trustee performed all of the activities related to disbursements without oversight or review. The lack of effective controls allowed 63 percent of the disbursements tested to be paid without supporting documentation.

Financial Reporting

A consultant prepared the financial information in the Indiana Gateway for Government Units financial reporting system, which was the source for the Township's financial statements. The Township had designed controls over the financial reporting; however no documentation was provided that the controls had been implemented.

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.

CARR TOWNSHIP, JACKSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

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."

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."

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)

DISTRIBUTIONS NOT RECORDED OR DEPOSITED

The September 2014 County Adjusted Gross Income Tax (CAGIT) distribution of \$1,527.92 was not recorded or deposited in the Township records or depository during the audit period. The Trustee verified that the check had not been deposited in the Township's bank and, subsequently, made the deposit as of December 18, 2018.

The Township had possession of the June 2017 Commercial Vehicle Excise Tax (CVET) distribution of \$386, which had not been recorded or deposited in the Township records or depository as of December 18, 2018.

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

All documents and entries to records must be done in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CARR TOWNSHIP, JACKSON COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

COMPENSATION AND BENEFITS

A similar comment also appeared in prior Report B44311, entitled *CURRENT PERIOD COMMENTS*.

The Township did not adopt a resolution establishing salaries of Township officers and employees for 2014, 2015, 2016, or 2017.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TIMELY DEPOSITS

County Adjusted Gross Income Tax (CAGIT) and Local Income Tax (LIT) distributions were not deposited timely.

Distribution	Check Date	Deposit Date	Days to Deposit
CAGIT:			
January 2014	01-07-14	03-22-14	74
February 2014	02-06-14	03-15-14	37
October 2014	10-06-14	11-06-14	31
November 2015	11-05-15	12-04-15	29
October 2016	10-05-16	11-14-16	40
LIT:			
April 2017	04-06-17	05-04-17	28
July 2017	07-06-17	08-10-17	35

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

OVERDRAWN CASH BALANCES

The Special Fire Territory General and the Withholding funds had overdrawn cash balances of \$7,958 and \$320 at December 31, 2014, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CARR TOWNSHIP, JACKSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

RECORD OF HOURS WORKED AND ADVANCE PAYMENTS

The Trustee did not maintain time records during the audit period. Payroll is generated monthly but is paid in the middle of the month. Therefore, we were unable to determine if individuals were paid in advance.

Indiana Code 5-11-9-4(b) states in part: "The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . ."

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. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Indiana Code 5-7-3-1 states in part: "Public officers may not draw or receive their salaries in advance. . . ."

INTERNAL CONTROL STANDARDS

The Township failed to adopt internal control standards as required by Indiana Code 5-11-1-27(g); therefore, Township personnel were not trained on internal controls. However, the Township certified that they had adopted minimum internal control standards, and that they had trained on those internal control standards.

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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

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

CARR TOWNSHIP, JACKSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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](#)."

PENALTIES AND INTEREST

The same comment also appeared in prior Report B44311.

The Township did not ensure that payroll taxes withheld from employees and the Township's share of payroll taxes were accurately and timely remitted to the appropriate federal and state agencies. Penalties and interest paid to federal and state agencies for late filing and late payment of taxes during the audit period was \$1,458.20, of which \$1,400.24 was attributable to the prior audit period.

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)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

MOWING CONTRACTS

The same comment also appeared in prior Report B44311.

Payments made for cemetery care in 2016 and 2017 were not supported by a written contract.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CARR TOWNSHIP, JACKSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Mary Ann Ault, Trustee, and Joseph Campbell, Chairman of the Township Board.