

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PIKE TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED

03/05/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lula M. Patton	01-01-11 to 12-31-18
Chairman of the Township Board	David Willis	01-01-14 to 12-31-18
Judge of the Small Claims Court	Honorable A. Douglas Stephens	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of Pike 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

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TRUSTEE
PIKE TOWNSHIP, MARION COUNTY

TRUSTEE
PIKE TOWNSHIP, MARION 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, and disbursements (including payroll). The failure to establish these controls could enable material misstatements to occur and remain undetected.

Cash and Investments

One Township employee completed the monthly bank reconciliations without a documented oversight, review, or approval process in place to ensure their accuracy.

Receipts

Township employees issued, recorded, and deposited collections without evidence of segregation of duties. There was no documented oversight, review, or approval process in place to ensure the accuracy and classification of receipts to the proper fund and account.

Disbursements (Including Payroll)

The Township had not established a documented oversight, review, or approval process to ensure that its vendors and employees are paid the correct amount or paid from the proper fund.

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.

TRUSTEE
PIKE TOWNSHIP, MARION 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. . . ."

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, cash and investment balances) related to the Small Claims Court.

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](#)."

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)

TRUSTEE
PIKE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with the Honorable A. Douglas Stephens, Judge of the Small Claims Court.

The contents of this report were discussed on December 19, 2018, with Lula M. Patton, Trustee.

SMALL CLAIMS COURT
PIKE TOWNSHIP, MARION COUNTY

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

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Small Claims Court (Court) related to financial transactions and reporting. The Court had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting. The failure to establish these controls enabled material misstatements to occur and remain undetected.

Cash and Investments

A documented review of the monthly bank reconciliation by an individual other than the preparer was not performed.

Receipts

A documented review of daily receipt postings and daily deposits by an individual other than the preparer was not performed.

Disbursements

A documented review of disbursements was not performed by an individual other than the preparer.

Financial Close and Reporting

Year-end financial information is not prepared or reviewed by any member of the Court staff. Additionally, year-end financial information is not provided to the Trustee's office for inclusion in the Annual Financial Report.

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

"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, cash and investment balances) related to the Court.

Indiana Code 5-11-1-4(a) states:

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SMALL CLAIMS COURT
PIKE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

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