

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DECATUR TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
08/09/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Township Trustee:	
Audit Result and Comment:	
Internal Controls	6
Official Response.....	7
Exit Conference	8
Township Small Claims Court:	
Audit Results and Comments:	
Internal Controls	10
Stale Dated Outstanding Checks	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Stephen Rink	01-01-15 to 12-31-22
Chairman of the Township Board	David Knight	01-01-17 to 12-31-19
Judge	The Honorable Myron Hockman	01-01-17 to 12-31-19



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 DECATUR TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of Decatur Township (Township), for the period from January 1, 2017 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 Statement Audit Report of the Township, which provides our opinion on the Township's financial statement. 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

July 11, 2019

(This page intentionally left blank.)

TOWNSHIP TRUSTEE
DECATUR TOWNSHIP, MARION COUNTY

TOWNSHIP TRUSTEE
DECATUR TOWNSHIP, MARION COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

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

The Township relied on one employee to prepare the bank reconciliation. The Trustee maintains a cash flow analysis, which is then used to verify the reconciliation. There was not any documented oversight or review of the bank reconciliations to verify that the control process was in place.

The Township also relied on one employee to process Township receipts. The Trustee maintains a cash flow analysis, which is then used to verify the receipts. There was not any documented oversight or review of the receipts to verify that the control process was in place.

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. . . ."

Clerk
S. Jeanne Bain
Township Board
Sandra J. Filipovich
LuCinda S. Freund
Joseph L. Griffith
David E. Knight
Michael L. Kugelman
Stephanie S. McGaha
Martha Fisher-Vaughn



Stephen C. Rink

Decatur Township Trustee

5410 South High School Road
Indianapolis, Indiana 46221

Phone: (317) 856-6600
Fax: (317) 856-1434

email: srink@decaturfire.org

**TOWNSHIP TRUSTEE
DECATUR TOWNSHIP
OFFICIAL RESPONSE
2017 Audit Comments**

INTERNAL CONTROLS

IC 36-6-4-5 The Executive shall maintain:

1. A general ledger showing the total of all township receipts and expenditures; and
2. The financial and appropriation record of the township, which must include an itemized and accurate account of the township's financial affairs.

State Board of Accounts, published Township Manual:

Chapter 2, Duties of the Township Trustee:

- (5) Receive and pay out township funds.
- (6) Examine and settle all account and demands chargeable against the township.
- (19) The trustee shall maintain general accounts showing the total of all township receipts and expenditures

1. I fulfill all of these requirements
2. Decatur Township is a small township and does not have the financial capabilities of hiring additional personal to oversee or duplicate work loads.
3. I do have one employee who is responsible to prepare the bank reconciliation. I, as Trustee, then review the bank reconciliation and match it to my cash flow analysis to make sure all figures agree.
4. I do have one person that processes receipts. 89% of our receipts are ACH, or direct deposits which are easily confirmed thru bank statements. Again, these are all reviewed by me and confirmed thru my financial cash flow analysis and matching bank statement.
5. We also have in place our Internal Control Structure of the Township which was approved by our Township Board in 2016 that explains the importance of segregation of duties and if such segregation is not possible, there is a reliable cross-check to identify errors in a timely fashion. We have a cross-check in place.
6. Each employee that has any contact with receipts or disbursements has watch the video produced by the State Board of Accounts and has been trained by the Trustee as to our Internal Control Structure.

Sincerely,

Stephen C. Rink
Trustee

TOWNSHIP TRUSTEE
DECATUR TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2019, with Stephen Rick, Trustee; David Knight, Chairman of the Township Board; and Pascal Arnes, Fire Chief.

TOWNSHIP SMALL CLAIMS COURT
DECATUR TOWNSHIP, MARION COUNTY

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

INTERNAL CONROLS

There were deficiencies in the internal control system for the Township Small Claims Court (Court) related to cash and investments, and disbursements. The Court had not separated incompatible activities related to cash and investments, and disbursements. The failure to establish and maintain internal controls could have enabled material misstatements or irregularities to remain undetected.

The Court relied on one employee to prepare the bank reconciliations each month. There was no oversight or review of the bank reconciliations.

The Court also relied on one employee to process Township Small Claims Court disbursements. There was no oversight or review of disbursements before payment was made.

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. . . ."

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

STALE DATED OUTSTANDING CHECKS

A similar comment also appeared in prior Reports B41303 and B48880, entitled *OLD OUTSTANDING CHECKS*. There has been continued reporting of this and related compliance issues in six audit reports preceding the ones referenced.

The bank reconciliation as of December 31, 2017, included 529 checks, totaling \$45,269.32, which were outstanding in excess of a period of two or more years as of December 31 of the preceding year.

Since these old checks represents unclaimed money dating back to 1991, these checks should be receipted in the Cash Book as trust and accounted for on Register of Trust Funds, General Form No. 102. Once these are five years old, they should be reported and disbursed to the Indiana Attorney General as unclaimed property.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Decatur Township Small Claims Court

Of Marion County, Indiana
3730 S. Foltz Street
Indianapolis, IN 46221
(317) 241-2854

Myron Hockman, Judge
Darrell McGaha, Constable

TOWNSHIP SMALL CLAIMS COURT
DECATUR TOWNSHIP
OFFICIAL RESPONSE

INTERNAL CONTROLS

The Court acknowledges this discrepancy and has taken corrective action to come into compliance with the requirement.

STALE DATED OUTSTANDING CHECKS

The Court acknowledges this issue and admits it has been long term. We are in the process of searching the method by which to transfer this money to the State and will begin that process in the near future.

Myron Hockman

(Signature)

Judge

(Title)

7-10-19

(Date)

TOWNSHIP SMALL CLAIMS COURT
DECATUR TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2019, with Stephen Rick, Trustee; The Honorable Myron Hockman, Judge; David Knight, Chairman of the Township Board; Pascal Arnes, Fire Chief; and Pam Ricker, Small Claims Court Office Manager.