

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BUCK CREEK TOWNSHIP

HANCOCK COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED

11/04/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Melvin Branson	01-01-15 to 12-31-22
Chairman of the Township Board	Gene Springer	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 BUCK CREEK TOWNSHIP, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of Buck Creek Township (Township), for the period from January 1, 2017 to December 31, 2018. 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

September 18, 2019

BUCK CREEK TOWNSHIP, HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Township related to cash and investments, receipts, and disbursements.

Cash and Investments

The Township had not properly implemented internal controls over cash and investments. The Trustee completed the monthly bank reconciliations and a Township Board member was to review and approve them; however, no evidence to support the review and approval was presented for audit.

Receipts

The Township had not established an effective internal control system that separated incompatible activities related to receipts. The Trustee was responsible for collecting, depositing, recording, and reconciling receipts without any documented oversight, review, or approval process in place.

Disbursements

The Township had not properly designed and implemented internal controls over disbursements. Claims paid by check were prepared and recorded by the Township Clerk and given to the Trustee to approve and sign prior to payment; however, there was no tangible evidence to determine who prepared the claims for payment.

The Trustee made two debt payments through electronic funds transfers during the audit period. The Trustee initiated the payments and posted them to the ledger with no documented oversight, review, or approval process.

Payroll claims paid via direct deposit for full-time employees were processed by the Payroll Clerk and submitted to the Trustee for review and approval; however, no evidence to support the review and approval was presented for audit.

Criteria

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.

BUCK CREEK TOWNSHIP, HANCOCK 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."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Trustee and the Township Board members signed a certification stating they had received training over the minimum internal controls standards as defined by the Indiana State Board of Accounts. However, signed certifications for other Township employees required to receive the training were not presented for audit.

Criteria

Indiana 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Trustee incorrectly certified on the Annual Financial Report that the Township had provided personnel with training over the minimum internal control standards.

Context

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](#)."

COMPENSATION AND BENEFITS

Condition and Context

Salaries and wages paid to five employees in 2017 and six employees in 2018 did not agree with the salary resolutions adopted by the governing board.

BUCK CREEK TOWNSHIP, HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The Trustee was paid \$27,000 in 2018, which was \$1,000 less than the Trustee's approved salary. However, it was found that the Trustee received an additional payment of \$1,000, which was paid by check and did not go through the normal payroll process. Upon inquiry, it was stated that the \$1,000 additional payment was related to hurricane relief work, which was not approved by the governing board.
- The Township Clerk was paid \$15,000 in 2017, which was \$2,500 more than the Township Clerk's approved salary. Upon inquiry, it was stated that the \$2,500 in additional wages were related to hurricane relief work, which was not approved by the governing board.
- The Township Clerk was paid \$12,300 in 2018, which was \$700 less than the Township Clerk's approved salary. It was determined that \$300 in wages were comprised of additional payments stated to be related to hurricane relief work, which was not approved by the governing board.
- The governing board approved a salary for a part-time Township Clerk in both 2017 and 2018 in the amount of \$10,000 per year. However, it was found that the Township Clerk was paid a rate of \$15 per hour. The Township Clerk's annual earnings did not exceed the salary approved in either year.
- The three members of the governing board were paid \$1,500 each in 2017 and 2018, which exceeded the salary resolutions in both years of the audit period. The approved salaries for the governing board were \$1,300 in 2017 and \$1,200 in 2018.

Criteria

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)

RECORD OF HOURS WORKED

Condition and Context

There were no time records or service records kept for one of the Township Clerks during the audit period. The Township Clerk was a salaried employee.

Criteria

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: . . .

- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

BUCK CREEK TOWNSHIP, HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

PRESCRIBED FORMS

Condition and Context

The Township did not issue the required receipts for any money received during the audit period. No prescribed or approved form was used.

Criteria

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)

The Township Trustee's Receipt (Form 16-1997) is to be used for receipt of each item of money received. Indicate in the space "On Account Of" the fund or funds to which the receipt is to be posted and identify the receipt, such as Dog Tax, Tax Distribution, Fire Protection Agreement, Temporary Loan, Bank Loan for Equipment, etc. Give the original to the payor, and retain all duplicates in the bound record. Payment amount for cash, check, money order, credit card/bank card, EFT, and other shall be designated on each receipt. (Accounting and Uniform Compliance Guidelines for Townships, Chapter 3)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Late fees and finance charges were incurred and paid on two credit cards owned by the Township. The Township paid \$433 in late fees to SuperFleet and \$39 in finance charges to Office Depot during the audit period.

Criteria

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)

BUCK CREEK TOWNSHIP, HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

LEAVE AND OVERTIME POLICY

Condition and Context

No written overtime policy adopted by the Township was presented for audit. During the testing of payroll, inconsistencies in the calculation of overtime rates paid to firefighters were identified throughout the audit period. The correct method for calculating overtime was unable to be determined.

Criteria

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

SUPPORTING DOCUMENTATION

Condition and Context

During a test of vendor disbursements, supporting documentation was not provided for the following payments made to the Trustee and Township Clerk:

- Four claims paid to the Trustee and Township Clerk for medical insurance totaling \$4,108.
- One claim paid to the Trustee for work related to hurricane relief in the amount of \$1,000.
- One claim paid to the Trustee for mileage reimbursement in the amount of \$200.

Criteria

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)

BUCK CREEK TOWNSHIP, HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Melvin Branson, Trustee, and Gene Springer, Chairman of the Township Board.