

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VERNON TOWNSHIP

HANCOCK COUNTY, INDIANA

January 1, 2017 to December 31, 2018



**FILED**

11/15/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Supporting Documentation .....	4
Fund Sources and Uses .....	4-5
Debit Card Policy .....	6
Prescribed Forms .....	6-7
Internal Controls .....	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	James Nolte Florence May	01-01-15 to 12-31-18 01-01-19 to 12-31-22
Chairman of the Township Board	Andrew Smith Gary Sharrett	01-01-17 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VERNON TOWNSHIP, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of Vernon 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](http://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

October 10, 2019

VERNON TOWNSHIP, HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS

**SUPPORTING DOCUMENTATION**

*Condition and Context*

Supporting documentation was not provided for three claims paid in 2017 and seventeen claims paid in 2018, totaling \$175 and \$10,359, respectively. Due to the lack of supporting documentation, we were unable to determine if these disbursements were a proper use of funds.

*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)

**FUND SOURCES AND USES**

*Condition and Context*

We were unable to determine if several disbursements in the amount of \$12,995 were a proper use of Township funds. Questionable disbursements from several Township funds were made, including, but not limited to, the following transactions:

- Five donations, totaling \$11,000, paid from the Township fund in 2018 without a supporting contract.
- Seven purchases of gift cards, totaling \$875, paid from the Township Assistance and EMS funds.

*Criteria*

Indiana Code 36-6-4-8 states in part:

"(a) The executive may use the township's share of state, county, and township tax revenues and federal revenue sharing funds for all categories of community services, if these funds are appropriated for these services by the township legislative body. The executive may use these funds for both operating and capital expenditures.

(b) With the consent of the township legislative body, the executive may contract with corporations for health and community services not specifically provided by another governmental entity. . . ."

Indiana Code 12-20-20-1 states in part:

"(a) If a township trustee, as administrator of township assistance, grants township assistance to an indigent individual or to any other person or agency on a township assistance order as provided by law or obligates the township for an item properly payable from township assistance money, the claim against the township must be:

- (1) itemized and sworn to as provided by law;

VERNON TOWNSHIP, HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (2) accompanied by the original township assistance order, which must be itemized and signed; and
- (3) checked with the records of the township trustee, as administrator of township assistance, and audited and certified by the township trustee.

(b) The township trustee shall pay claims against the township for township assistance in the same manner that other claims against the township are paid. . . ."

Public aid by the administrator of township assistance may provide and shall extend township assistance only when the personal effort of the applicant fails to provide one (1) or more of the basic necessities. "Basic necessities," for purposes of IC 12-20, includes those services or items essential to meet the minimum standards of health, safety, and decency, including the following:

- 1. Medical care described in IC 12-20-16-2.
- 2. Clothing and footwear.
- 3. Food.
- 4. Shelter.
- 5. Transportation to seek and accept employment on a reasonable basis.
- 6. Household essentials.
- 7. Essential utility services.
- 8. Other services or items the township trustee determines are necessities. IC 12-7-2-20.5

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law.

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.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

VERNON TOWNSHIP, HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**DEBIT CARD POLICY**

A similar comment also appeared in prior Report B48590, entitled *CREDIT AND DEBIT CARDS*.

*Condition and Context*

The Township used a debit card to purchase items without an approved debit card policy. Due to the lack of a debit card policy, we were unable to determine which individual made purchases with a debit card, or that debit card purchases were authorized by the fiscal officer.

*Criteria*

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

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

**PRESCRIBED FORMS**

*Condition and Context*

The Township did not issue the required Township Trustee's Receipt forms or any alternative approved form for any money received during the audit period.

*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)

VERNON TOWNSHIP, HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

**INTERNAL CONTROLS**

*Condition and Context*

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

*Receipts*

The Township had not established an effective internal control system that separated incompatible activities related to receipts. One employee was responsible for collecting, depositing, and recording receipts with no documented oversight, review, or approval process in place.

*Disbursements*

The Township had not properly designed and implemented internal controls over disbursements. Claims were prepared for payment by a clerk and authorized by the Trustee; however, there was no documented evidence to determine this process was consistently followed, and the procedures were not implemented for purchases made with a debit card. Additionally, the Township did not regularly maintain timecards for salaried and hourly employees during the audit period.

*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.

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. . . ."

VERNON TOWNSHIP, HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2019, with Florence May, Trustee; Amanda Fronek, Deputy Trustee; Gary Sharrett; Chairman of the Township Board; Marybeth Sears, Township Board member; and Timothy Plank, Township Board member.