

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTAGE TOWNSHIP

PORTER COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
11/19/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Result and Comment: Financial Transactions and Reporting	4-5
Official Response	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Brendan Clancy	01-01-15 to 12-31-22
Chairman of the Township Board	Lori J. Wilkie	01-01-17 to 12-31-18
	Terry Whitten	01-01-19 to 03-19-19
	(Vacant)	03-20-19 to 09-16-19
	Lori J. Wilkie	09-17-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTAGE TOWNSHIP, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of Portage 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 10, 2019

PORTAGE TOWNSHIP, PORTER COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

Receipts

Departments outside of the Trustee's office collected money for various activities and issued manual receipts. These departments deposited their collections and submitted the supporting documentation and bank receipt to the Bookkeeper at the Trustee's office. The Bookkeeper posted all receipts to the financial system without oversight or review. The lack of effective controls allowed noncompliance to go undetected.

Not all receipts and supporting documentation agreed with the daily deposits. There were incorrect manual receipts submitted as supporting documentation within daily batches.

Disbursements

The Bookkeeper performed all of the activities related to disbursements without oversight or review. The lack of effective internal control allowed noncompliance to go undetected. The fiscal officer did not certify vendor or payroll claims before payment as required by Indiana Code 5-11-10-1.6.

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.

PORTAGE TOWNSHIP, PORTER COUNTY
AUDIT RESULT AND COMMENT
(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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

PORTAGE



TOWNSHIP

BRENDAN CLANCY - TRUSTEE

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Portage, Indiana 46368

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November 13, 2019

State Board of Accounts
302 W Washington Street
Indianapolis, IN 46204

Re: Portage Township, Porter County Audit, 2017-2018

Due to the omission of township government in IC 5-11-10-1.6 and lack of SBoA prescribed form for townships by the SBoA, we disagree with the audit comment *"the bookkeeper performed all of the activities related to disbursements without oversight or review. The lack of internal control allowed noncompliance to go undetected. The fiscal officer did not certify vendor or payroll claims before payment as required by C 5-11-10-1.6."* We do not believe that the deficiencies noted in the Audit Result and Comment rise to the level of noncompliance. However, we appreciate the importance of strengthening our internal control policies and have created an internal form that will be used similarly to General Form No. 364 (1997) found in the Cities and Towns Manual.

Portage Township has been proactive in regards to its Internal Control Policy. While developing the policy in 2016, we discovered what we considered to be a material weakness concerning departments outside of the Trustee's Office. In an effort to eliminate any weaknesses we customized our receipt books to include triplicate receipts. Because of this, we disagree with the comment *"lack of effective controls allowed noncompliance to go undetected" in relation to receipts.* Moving forward, we have taken the steps to increase segregation of duties by increasing accounting staff and each department's manual receipts will be reviewed prior to posting in our financial system.

Respectfully,



Brendan Clancy
Portage Township Trustee

PORTAGE TOWNSHIP, PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2019, with Brendan Clancy, Trustee; Nina Rivas, Chief of Staff; Lori J. Wilkie, Chairman of the Township Board; Nikita A. Momola, Township Board member; and Eva Cloyd, Bookkeeper.