

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

SPECIAL COMPLIANCE REPORT  
OF  
ANDERSON TOWNSHIP  
MADISON COUNTY, INDIANA  
January 1, 2016 to December 31, 2018



**FILED**  
01/27/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter .....	2
Results and Comments:	
Background.....	3
Use of Township Assistance for Youth Center.....	3-5
Memorandum of Understanding with the City .....	5-6
Youth Center Appropriation .....	6
Salary Resolution.....	7
Payroll Deficiencies .....	7-8
Certified Report of Compensation (100R) .....	8-9
Penalties and Interest.....	9
Contracts, Receipt Issuance, and Deposits .....	9-10
Conflict of Interest.....	10
Fundraisers.....	10
Internal Controls .....	10-11
Exit Conference.....	12



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF ANDERSON TOWNSHIP, MADISON COUNTY, INDIANA

This is a special compliance report for Anderson Township, Madison County, for the period January 1, 2016 to December 31, 2018, and is in addition to any other report for the Township as required under Indiana Code 5-11-1. All reports pertaining to the Township may be found at [www.in.gov/sboa](http://www.in.gov/sboa).

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with Anderson Township Trustee Youth Center, as well as payroll, receipt, bank, and disbursement records for 2018. The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 28, 2019

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS

**BACKGROUND**

John Bostic, Jr. (Bostic) was elected as Trustee beginning January 1, 2015 through December 31, 2018.

In 2016, Bostic established and reported the Trustee Youth Center 1 fund (Youth Center 1 fund). Bostic also opened a separate bank account on August 29, 2016, called "Anderson Township Trustee Girls and Boys Club" (Girls and Boys Club 1) to account for the bank transactions associated with the Youth Center 1 fund. This account was established and continues to be maintained using the Township's employer identification number (EIN). In 2017, Bostic established and reported another fund titled "Trustee Youth Center 2" (Youth Center 2 fund). A second bank account, "Anderson Township Trustee Girls and Boys Club #2" (Girls and Boys Club 2) was also opened on April 3, 2017, to account for the bank transactions associated with the Youth Center 2 fund. This account was also established using the Township's EIN, and was maintained until December 31, 2018. In 2018, the Township continued to report the "Trustee Youth Center 1" and "Trustee Youth Center 2" funds.

Bostic established "Anderson Township Trustee Youth Center, Inc.," a Domestic Nonprofit Corporation on December 13, 2017, as registered on the Secretary of State Business Services Division. The principal office address listed for the Anderson Township Trustee Youth Center, Inc., was the office address of the Trustee's office.

**USE OF TOWNSHIP ASSISTANCE FOR YOUTH CENTER**

*Camp-Childhood*

Township Assistance was used to pay for Youth Center "Camp-Childhood" expenses totaling \$8,875.83 in 2016, \$16,352.12 in 2017, and \$24,666.63 in 2018. All of the expenses were posted as "direct poor relief." These expenses included employee payroll, insurance, transportation, and camp activities costs and fees.

*Vendors Paid Without Supporting Documentation*

In 2018, there were 11 payments made to vendors without supporting documentation, such as receipts or vendor invoices.

*Five Employees Paid from Two Funds:*

In 2018, there were five employees who were paid from the Township Assistance Fund and the Youth Center Fund for Camp-Childhood and Youth Center, respectively. Payroll taxes were not withheld from the checks paid from the Township Assistance Fund. Furthermore, the wages paid from the Township Assistance Fund were excluded in the employees Wage and Tax Statements (Federal Form W-2's).

*Payments Made to Eight Individuals from Township Assistance Fund:*

In 2018, eight individuals were paid from the Township Assistance Fund for the Youth Center "Camp-Childhood." Neither invoices, nor timesheets were retained to document the amounts paid and/or services received for two of the individuals. Three of the individuals' payments were supported by timesheets, and the remaining three had invoices. Compensation paid to the three individuals based upon timesheets was not reported on a Wage and Tax Statement (Federal Form W-2), and taxes were not withheld. Only one of the individuals paid based upon an invoice exceeded \$600, but a Miscellaneous Income (Federal Form 1099 - Misc) was not issued to that individual.

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

Indiana Code 12-20-13-1 states:

"A township trustee may, with the approval of the township board, do the following:

- (1) Conduct the following for township assistance recipients in the township:
  - (A) Rehabilitation programs.
  - (B) Training programs.
  - (C) Retraining programs.
  - (D) Work programs.
- (2) Employ personnel to supervise the programs.
- (3) Pay the costs of the programs from township assistance money."

Indiana Code 12-20-16-13 states:

"(a) The township trustee, as administrator of township assistance, may process at the expense of the township materials provided by charitable or governmental agencies to provide any item of township assistance if the expense of the processing is less than the cost of the finished product.

(b) The township trustee, as administrator of township assistance, may buy materials and supplies of any item of relief and may process the materials for township assistance purposes.

(c) The township trustee, as administrator of township assistance, may buy garden seeds and plant and maintain gardens for township assistance purposes."

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.

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

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

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)

**MEMORANDUM OF UNDERSTANDING WITH THE CITY**

On December 5, 2017, the Township entered into a Memorandum of Understanding (MOU) with the City of Anderson for 2018. The MOU was signed by the Mayor of the City of Anderson, the City of Anderson Board of Public Works, the Trustee, and the Township Trustee Board. In accordance with the MOU, the Township received \$100,000 from the City of Anderson for the Anderson Township Trustee Youth Center. The Township receipted and deposited \$100,000 into the Youth Center 2 fund and associated bank account.

The MOU specifically stated: "The City hereby grants the sum of One hundred thousand dollars (\$100,000) to the Trustee for the sole purpose of the operation, during the year 2018, of certain recreational and educational programs generically referred to as the Anderson Township Trustee Youth Center, which premises is located at 2828 Madison Avenue, Anderson, IN 46016. . . ."

On October 1, 2018, the Township transferred \$50,000 from the Youth Center 2 fund and bank account to the Youth Center 1 fund and bank account; thereby commingling \$50,000 of the City's restricted donated funds with other donations. Expenditures from the Youth Center 2 fund totaled \$23,187.66 in 2018, and expenditures from the Youth Center 1 fund and bank account totaled \$41,966.20 from October 1, 2018 to December 31, 2018.

On December 31, 2018, Bostic transferred funds totaling \$70,583 to the "Anderson Township Trustee Youth Ctr. Inc." from both youth center funds to bring the bank account balances of the Girls and Boys Club 1 and Girls and Boys Club 2 to zero without regard for outstanding checks from either bank account. The "Anderson Township Trustee Youth Ctr. Inc." bank account was not under the control of the Trustee, and was not reported on the Township's financial statement.

The reconciled bank account balances for the Youth Center 1 and Youth Center 2 funds both had negative ending balances of \$7,764.14 and \$182, respectively.

On January 4, 2019, Bostic returned \$30,102.27 to the Anderson Township Trustee Girls and Boys Club 1 bank account. Documentation was not provided to substantiate the amount returned. Per analysis of the funds activities, we determined the amount returned to be comprised of the following, which leaves an unknown transfer amount of \$204.05:

Description	Youth Center 1	Youth Center 2	Totals
Overdrawn reconciled bank account balances	\$ 7,764.14	\$ 182.00	\$ 7,946.14
Payroll withholdings not remitted	17,980.22	3,934.86	21,915.08
Overdraft Fee	37.00	-	37.00
Totals	<u>\$ 25,781.36</u>	<u>\$ 4,116.86</u>	<u>\$ 29,898.22</u>

The "Anderson Township Trustee Youth Ctr. Inc." account retained \$40,480.73.

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

According to the MOU, Section 2. Obligations of Trustee, "The Trustee shall do the following in consideration of the grant of monies by the City: . . . 4. Maintain a separate account within the budget of the Trustee setting forth the receipt and the expenditure of all monies provided by the City hereunder this MOU, and provide such written documentation to the City as requested detailing the same."

The MOU did not address what the Trustee was to do with any unspent remaining funds. Furthermore, the MOU did not address transferring the remaining unspent funds to another entity.

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

When two or more units are authorized by statute to have the same fiscal officer, there must be separate bank accounts and accounting records for each unit unless authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

***YOUTH CENTER APPROPRIATION***

An appropriation of \$50,000 was established in the Township Assistance Fund for "Camp-Childhood" for each calendar year of the audit period. A separate fund with its own tax rate was not established by Bostic to pay the expenses of "Camp-Childhood."

Indiana Code 36-10-7-3 states:

"(a) This section to all townships.

(b) The Township executive may:

(1) Levy a tax; and

(2) Use appropriated township funds;

to pay for recreation programs, facilities (including a community center used for recreational purposes), or services."

Indiana Code 12-20-4-1 states: "The township trustee may pay out of township assistance money the necessary office expense and clerical or other help necessary to properly administer township assistance."

Indiana Code 12-20-5-2 states:

"The township trustee, as administrator of township assistance, in each township is responsible for the oversight and care of all poor individuals in the township as long as the individuals remain in the trustee's charge. The township trustee shall see that the individuals are properly taken care of in the manner required by law."

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

**SALARY RESOLUTION**

The Township Board approved a resolution establishing the compensation of Township officers and employees for 2018.

The following deficiencies were noted:

1. The resolution excluded rates of pay for the positions of education and arts and crafts coordinators.
2. The resolution included a stated rate of \$10 per hour for part-time youth center staff, and compensation was stated at a monthly rate for various other youth center staff; however, youth center staff were paid at hourly rates ranging from \$7.75 to \$16.00 per hour at the discretion of the Trustee.

Indiana Code 36-6-6-10(b) states:

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay; and
- (4) remuneration other than statutory allowances;

of all officers and employees of the township."

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)

**PAYROLL DEFICIENCIES**

*Township Excluding Youth Center - Time Records*

The following payroll deficiencies were noted regarding the 356 employee compensation payments made in 2018:

1. Of the 356 employee payments, 43 time records were not on file for Township employees; 26 of the 43 were for the Township Assistance Program Director whose compensation totaled \$29,978.
2. There were 45 time records that were not signed by an employee or their supervisor.
3. There were an additional 69 time records that were signed by the employee, but were not signed by the supervisor.

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

*Youth Center - Time Records*

The following payroll deficiencies were noted regarding the 290 employee compensation payments from the Trustee Youth Center 1 and 2 Funds for 2018:

1. There were no time records on file for 8 payments.
2. There were 104 time records that were not signed by either the employee or their supervisor.
3. There were an additional 24 time records that were signed by the employee, but were not signed by the supervisor.

*Holiday Bonus Pay*

The 2018 Resolution Establishing Salaries of Township Officers and Employees authorized a "Holiday Bonus" of \$500. All employees received the holiday bonus; however, payroll taxes were not withheld, and the bonus was not reported on the employee's Wage and Tax Statement (Federal Form W-2).

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)

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)

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)

***CERTIFIED REPORT OF COMPENSATION (100R)***

The Trustee was required to submit the Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (100R) annually. For 2018, the Township underreported employee compensation by \$50,949.05. The Trustee omitted reporting the names and compensation of two individuals who submitted timesheets and were paid from the Township Assistance Fund.

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-13-1(a) states:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

***PENALTIES AND INTEREST***

In 2018, the Township paid penalties and interest in the amount of \$586.38 because the Township failed to make proper tax deposits.

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)

***CONTRACTS, RECEIPT ISSUANCE, AND DEPOSITS***

In 2018, the Township received \$4,625 in rent payment for use of a Township building.

Per the receipt report, deposit slips, and bank statements, a check for rent was receipted and deposited on December 13, 2018; however, the copy of the check was dated October 26, 2018. The deposit slip indicated the rent was from July.

A lease or contract was not presented for audit.

Indiana Code 5-13-6-1(c) states:

"Except as provided in subsections (d) and (g), all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**CONFLICT OF INTEREST**

Bostic established "Anderson Township Trustee Youth Center, Inc.," a Domestic Nonprofit Corporation on December 13, 2017, as registered on the Secretary of State Business Services Division. Bostic was listed as the registered agent, as well as the Incorporator of the "Anderson Township Trustee Youth Center, Inc."

For 2018, neither a conflict of interest disclosure statement was filed on the Indiana Gateway for Government Units (Gateway) financial reporting system, nor was documentation provided that Bostic consulted an attorney regarding disclosure for his interest in the "Anderson Township Trustee Youth Center, Inc."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**FUNDRAISERS**

Bostic solicited donations for the Youth Center from governmental agencies, not-for-profits, and residents. The Township Board minutes did not indicate their approval for the fundraising.

Units which conduct fund raising events must have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. The Ghost Employment law [IC 35-44.1-1-3] should be considered when conducting a fundraiser. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**INTERNAL CONTROLS**

*Deficiency in Internal Control - Segregation of Duties*

There were no controls evident such as an oversight, review, or approval process over the receipt and disbursement of Township funds. The Trustee was the sole person responsible for all financial processes.

The failure to establish these controls could have enabled material misstatements or irregularities to go undetected.

ANDERSON TOWNSHIP, MADISON COUNTY  
RESULTS AND COMMENTS  
(Continued)

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. . . ."

ANDERSON TOWNSHIP, MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Michael Shively, Trustee; Jan Mansfield-Stith, Township Board member; and Larry Russell, Township Board member.