

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

COMPLIANCE REPORT
OF
NORTH BEND TOWNSHIP
STARKE COUNTY, INDIANA
January 1, 2016 to December 31, 2018



FILED
04/29/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rutherford Walters	01-01-16 to 12-31-20
Chairman of the Township Board	Samuel Bailey	01-01-16 to 12-31-16
	Joseph Walters	01-01-17 to 12-31-17
	Paul Sellers	01-01-18 to 12-31-19
	Richard Wieczorek	01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NORTH BEND TOWNSHIP, STARKE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of North Bend Township (Township), Starke County, for the period of January 1, 2016 to December 31, 2018, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of non-compliance 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

April 21, 2020

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OTHER INFORMATION - UNAUDITED

The Township's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in the prior Report B47660.

Condition and Context

Monthly depository reconciliations of the fund balances to the bank account balance were not presented. In an attempt to reconcile the fund balances to the bank account balances, we prepared reconcilements at each year end of the report period, which may or may not have included all reconciling adjustments. Our reconciled cash and investment balances, the Annual Financial Report (AFR) cash and investment balances, and the differences between them were as follows:

Years	Balance per FE Prepared Bank Reconciliation	Balance per AFR	Cash Long (Short)
2016	\$ 52,231	\$ 44,567	\$ 7,664
2017	87,409	80,454	6,955
2018	131,040	126,536	4,504

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CONDITION OF RECORDS

A similar comment appeared in the prior Report B47660.

Condition and Context

The Township records did not accurately reflect the financial activity during the engagement period. There were a considerable number of posting errors. These errors included, but were not limited to: the Township did not always use the correct beginning balances; amounts were posted to the "All Funds" (control account) but were not posted to a fund (detail); some disbursements were posted twice; some checks recorded in the ledger did not agree to the amount that cleared the bank; and fund transfers were posted incorrectly. In addition, the monthly transactions were not added correctly so the balances carried forward to the next month were incorrect. This caused the receipts, disbursements, and ending balances to be incorrect in many instances.

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

Due to the many errors, the Township ledgers did not accurately reflect the financial activity during the engagement period as follows:

Years	Fund	Category	Amount Per Ledgers	Amount per FE Calculations	Difference
2016	"All Funds"	Beginning Balance	\$ 74,201	\$ 60,096	\$ 14,106
2016	"All Funds"	Receipts	45,845	53,627	(7,782)
2016	"All Funds"	Disbursements	67,373	69,155	(1,782)
2016	"All Funds"	Ending Balance	52,673	44,567	8,106
2016	Township	Ending Balance	26,212	26,399	(187)
2016	Levy Excess	Beginning Balance	7,595	7,596	(1)
2016	Levy Excess	Disbursements	-	7,595	(7,595)
2016	Rainy Day	Disbursements	9,987	9,887	100
2017	"All Funds"	Beginning Balance	52,673	44,567	8,106
2017	"All Funds"	Receipts	102,384	102,426	(41)
2017	"All Funds"	Ending Balance	88,519	80,454	8,065
2017	Township	Beginning Balance	26,212	26,399	(187)
2017	Township	Receipts	23,360	23,401	(41)
2017	Township	Ending Balance	24,052	24,280	(228)
2017	Township Assistance	Disbursements	2,449	2,619	(170)
2017	Township Assistance	Ending Balance	11,152	10,982	170
2018	"All Funds"	Beginning Balance	88,519	80,454	8,065
2018	"All Funds"	Receipts	118,738	122,038	(3,300)
2018	"All Funds"	Disbursements	72,698	75,956	(3,258)
2018	"All Funds"	Ending Balance	134,560	126,536	8,023
2018	Township	Beginning Balance	24,052	24,280	(228)
2018	Township	Receipts	9,502	35,179	(25,678)
2018	Township	Disbursements	9,491	28,763	(19,273)
2018	Township	Ending Balance	21,372	30,696	(9,323)
2018	Fire	Beginning Balance	44,909	44,908	1
2018	Township Assistance	Beginning Balance	10,982	11,152	(170)
2018	Township Assistance	Receipts	17,533	17,523	10
2018	Township Assistance	Disbursements	1,190	5,892	(4,703)
2018	Township Assistance	Ending Balance	22,783	22,613	170
2018	Cemetery	Disbursements	-	3,300	(3,300)
2018	Cemetery	Ending Balance	-	(3,300)	3,300

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

The Annual Financial Report generated from the Indiana Gateway for Governments Units financial reporting system did not accurately report the financial activity during the engagement period as follows:

Years	Fund	Category	Amount Per AFR	Amount per FE Calculations	Difference
2016	Rainy Day	Beginning Balance	\$ 9,525	\$ 9,684	\$ (159)
2017	Township	Receipts	23,360	23,401	(41)
2017	Fire Fund	Receipts	64,941	64,947	(6)
2018	Township	Beginning Balance	24,239	24,280	(40)
2018	Township	Receipts	31,274	35,179	(3,905)
2018	Township	Disbursements	30,021	28,763	1,258
2018	Fire	Beginning Balance	44,902	44,908	(6)
2018	Fire	Receipts	69,319	69,336	(17)
2018	Rainy Day	Beginning Balance	124	283	(159)
2018	Rainy Day	Ending Balance	124	283	(159)
2018	Township Assistance	Receipts	17,511	17,523	(12)
2018	Township Assistance	Disbursements	5,558	5,892	(334)
2018	Cemetery	Disbursements	-	3,300	(3,300)

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in the prior Report B47660.

Condition and Context

The Annual Financial Report reported an overdrawn cash balance in the Township Assistance fund of \$477 as of December 31, 2016, and the Cemetery fund of \$3,300 as of December 31, 2018.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

The same comment also appeared in the prior Report B47660.

Condition and Context

There were several instances throughout the engagement period in which the Township had not maintained adequate supporting documentation. The Township had not maintained all necessary documentation to verify that receipts were posted to the proper funds. The Township also had not always maintained supporting documentation for claims/invoices paid during the period to ensure that payments were made to the correct vendor and for the correct amount.

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 Township, Chapter 1)

COMPENSATION

The same comment also appeared in the prior Report B47660.

Condition and Context

The Township was not in compliance with the laws and regulations related to payment of compensation. The Township had not adopted a salary ordinance for Township employees and elected officials. They also failed to maintain timesheets/record of hours worked for nonelected employees.

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)

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.

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

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)

INTERNAL CONTROL POLICY AND TRAINING

Condition and Context

The Township Board had not adopted the minimum internal control standards and procedures or ensured that personnel were properly trained as required under Indiana Code 5-11-1-27(g).

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

REORGANIZATION OF THE GOVERNING BOARD

Condition and Context

The Township Board minutes had not reflected the Township Board organizing at the beginning of each year as required by law for two of the three years in the engagement period.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

TOWNSHIP ASSISTANCE STANDARDS

The same comment also appeared in the prior Report B47660.

Condition and Context

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1 for 2016, 2017, and 2018.

Criteria

Indiana Code 12-20-5.5-1(b) states:

"The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

ADOPTION OF ANNUAL REPORT

The same comment also appeared in the prior Report B47660.

Condition and Context

The Township did not have the required meeting to review and adopt the Annual Financial Report in accordance with Indiana Code 36-6-6-9 for every year during the engagement period.

Criteria

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in February of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under [IC 36-6-4-12](#)."

NORTH BEND TOWNSHIP, STARKE COUNTY
RESULTS AND COMMENTS
(Continued)

ANNUAL NEPOTISM CERTIFICATION

The same comment also appeared in the prior Report B47660.

Condition and Context

Each elected official did not annually certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2016, 2017, and 2018.

Criteria

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

ANNUAL CONTRACTING POLICY CERTIFICATION

The same comment also appeared in the prior Report B47660.

Condition and Context

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21-6 (Contracting With a Unit) by December 31, 2016, 2017, and 2018.

Criteria

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

NORTH BEND TOWNSHIP, STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 21, 2020, with Rutherford Walters, Trustee, and Lynn Vesely, Clerk.

The contents of this report were discussed on April 22, 2020, with Richard Wiczorek, Chairman of the Township Board.