

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

COMPLIANCE REPORT

OF

OLIVE TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED

05/18/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Dominic F. Zarate Will Miller	01-01-17 to 12-31-18 01-01-19 to 12-31-22
Chairman of the Township Board	Carol Hesch Tom Keen	01-01-17 to 12-31-19 01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OLIVE TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Olive Township (Township), St. Joseph County, for the period of January 1, 2017 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.

The Schedule of Cash and Investment Balances, as listed in the Table of Contents, is presented as other information. It has not been subjected to any auditing procedures and, accordingly, we do not express an opinion or provide any assurance on it.

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

May 8, 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/>. The schedule presented herein is presented as other information and is derived from the Township's Annual Financial Report information and has not been subjected to any audit procedures. No adjustments have been made to the information as reported in Gateway and, as such, balances may differ.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
 SCHEDULE OF CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 12-31-18
TOWNSHIP FUND	\$ 187,010
EMERGENCY MEDICAL SERVICES	101,084
PARKS AND RECREATION	16,159
TOWNSHIP ASSISTANCE	84,552
FIRE FIGHTING FUND	25,420
RAINY DAY FUND	7,819
CUM FIRE FUND	77,371
PAYROLL DEDUCTIONS	<u>16,775</u>
Total	<u>\$ 516,190</u>

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT ERRORS

The same comment also appeared in prior Report B48601.

Condition and Context

The Annual Financial Reports (AFR) filed on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2017 and 2018 did not properly reflect the financial activity of the Township. The following schedule details the differences between the report filed and the Township ledger:

Years	Fund	Category	Amount per AFR	Amount per Township Ledger	Difference
2017	Township	Beginning Balance	\$ 67,312	\$ 143,674	\$ (76,362)
2017	Township	Receipts	66,075	64,669	1,406
2017	Township	Disbursements	54,880	55,985	(1,105)
2017	Township	Ending Balance	78,507	152,359	(73,852)
2017	Emergency Medical Services	Beginning Balance	(23,310)	(137,832)	114,522
2017	Emergency Medical Services	Receipts	250,712	165,688	85,024
2017	Emergency Medical Services	Ending Balance	33,449	(166,097)	199,546
2017	Parks and Recreation	Beginning Balance	(126)	8,768	(8,894)
2017	Parks and Recreation	Ending Balance	3,548	12,442	(8,894)
2017	Township Assistance	Beginning Balance	145,887	72,601	73,286
2017	Township Assistance	Ending Balance	155,680	82,394	73,286
2017	Fire Fighting	Beginning Balance	81,489	202,199	(120,710)
2017	Fire Fighting	Disbursements	264,748	179,724	85,024
2017	Fire Fighting	Ending Balance	(148,874)	56,859	(205,733)
2017	Cumulative Fire	Beginning Balance	169,809	89,679	80,130
2017	Cumulative Fire	Ending Balance	176,888	96,758	80,130
2017	Payroll Deductions	Beginning Balance	1,649	-	1,649
2017	Payroll Deductions	Ending Balance	1,649	-	1,649
2018	Township	Ending Balance	103,556	187,010	(83,454)
2018	Emergency Medical Services	Ending Balance	300,631	101,084	199,547
2018	Parks and Recreation	Ending Balance	7,265	16,159	(8,894)
2018	Township Assistance	Ending Balance	157,839	84,552	73,287
2018	Fire Fighting	Ending Balance	(180,314)	25,420	(205,734)
2018	Cumulative Fire	Ending Balance	157,502	77,371	80,131
2018	Payroll Deductions	Ending Balance	18,424	16,775	1,649

Additionally, a transfer from the Fire Fighting fund to the Emergency Medical Services fund was approved by the Township Board at its October 12, 2017 meeting, up to a maximum of \$109,604. The Township reported on Gateway that a transfer of \$85,024 had been made. However, the transfer was not recorded in the Township ledgers.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
RESULTS AND COMMENTS
(Continued)

Criteria

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)

CONDITION OF RECORDS

Condition and Context

The Township began using a computerized accounting system in 2018. The Payroll Deductions fund was created in the accounting system and began with a \$0 balance. This fund ended with a balance of \$16,775 as of December 31, 2018. Review of the Payroll Deductions ledgers noted the following errors:

1. Various refunds totaling \$21,377 were receipted into the fund, including sales taxes and prior year's payroll tax refunds. These refunds should not have been recorded in this fund, as it had not been used to pay the original amounts which were the basis for the refunds. These should have been receipted into the Township Fund.
2. Disbursements totaling \$3,771 were recorded in the fund for the fourth quarter of 2017, for December 2017 withholding taxes. No corresponding receipt of related withholdings was recorded in the fund.
3. Receipts for State and County tax withholdings totaling \$1,027 were recorded in the fund for 2018 taxes withheld, but the related disbursement of the withholdings was not recorded in the fund.
4. Disbursements were recorded in the fund for the employer's unemployment insurance taxes for one quarter of 2017, and three quarters of 2018, totaling \$595. No corresponding receipts were recorded in the fund.
5. Amounts paid for 2014 and 2015 state withholding taxes payments totaling \$1,783 were recorded in the fund, but no related receipt was recorded in the fund.
6. Payments for employer share of FICA and Medicaid taxes of \$397 were paid from the fund, but no related receipt was recorded in the fund.

Differences were also noted for the Township Fund when comparing the December 31, 2017 and January 1, 2018 ledger balances. The January 1, 2018 balance for the Township fund was \$9,602 greater than the ending balance at December 31, 2017. This was due to amounts being included in the January 1 beginning balance without recording a receipt, or any adjustment to the fund.

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)

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

The same comment also appeared in prior Report B48601.

Condition and Context

The records presented indicated the following disbursements in excess of the budgeted appropriations:

Fund	Years	Excess Amount Expended
Township	2017	\$ 13,445
Township Assistance	2017	2,212
Emergency Medical Services	2017	193,953
Emergency Medical Services	2018	65,085
Fire Fighting Fund	2018	19,100

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWNSHIP ASSISTANCE STANDARDS

A similar comment also appeared in prior Report B48601, entitled *TOWNSHIP ASSISTANCE*.

Condition and Context

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

Criteria

Indiana Code 12-20-5.5-1 states:

- "(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.
- (b) The township's standards for the issuance of township assistance and the processing of applications must be:

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
RESULTS AND COMMENTS
(Continued)

- (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 AND TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

At the October 12, 2017 Township Board meeting, the Township Board adopted the minimum internal control standards and procedures, but did not provide a copy of the policy adopted.

The Township Board did not provide documentation that they ensured that personnel were properly trained, as required under Indiana Code 5-11-1-27(g). Only the certification of the one Township Board member that had received the training was provided.

The Trustee certified on the Indiana Gateway for Government Units financial reporting system that the Township Board had adopted internal control standards, and that appropriate personnel were trained on the internal control standards for 2017 and 2018. However, the Township Board did not provide the documentation to support that they had adopted internal control standards, or that personnel had received the internal control training; therefore, the certifications were incorrect.

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."

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](#)."

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
RESULTS AND COMMENTS
(Continued)

NEPOTISM CERTIFICATION

The same comment also appeared in prior Report B48601.

Condition and Context

The Township did not provide documentation that each elected officer had certified in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2017, or 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."

CONTRACTING CERTIFICATION

The same comment also appeared in prior Report B48601.

Condition and Context

The Township did not provide documentation that the elected officials had certified in writing that they had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31, 2017, or 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."

Olive Township Trustee

102 South Arch Street, PO Box 214, New Carlisle, IN 46552

OFFICIAL RESPONSE

To Whom it May Concern;

Olive Township participated in a review by State Board of Accounts (SBOA). This review covered dates January 1, 2017 through December 31, 2018. We also submitted documents requested through present date as needed. This is Olive Township's response to the review findings.

In 2017 and 2018 the Annual Financial Report filed in Gateway showed differences between the financial activity in Gateway compared to the Township Ledger. This is due to the balances in Gateway being previously incorrect due to the former clerk not maintaining accurate records. The current clerk contacted Gateway in 2019 to request an update to the balances to reflect what is in the Township Ledger and what matches the SBOA balances upon completion of their audit in 2017. Moving forward, the Township Ledger and Gateway should match.

The Township will request approval from the board to make an adjustment to zero the balance of the Payroll Deductions fund, as it is no longer needed. As of January 1, 2020, a third party payroll company handles the withholding, filing and any liability associated with payroll.

In regards to appropriations in 2017, the DLGF had not approved a budget over \$0 for each fund due to the Annual Financial Report for previous years not being filed, nor was the budget approval form submitted to DLGF. Additional Appropriations were requested after the new clerk was hired, however the bills paid were more than was approved by DLGF. In 2018, an emergency loan was obtained due to a deficit in the Fire & EMS funds. The 4th quarter of 2017 was paid in 2018, which created an overspending, with having five quarters paid within the same year. The loan was to bring the balances current and to cover the costs of the remainder of 2018. In 2019, the trustee, clerk and township board members carefully watch the budget and review the financial reports monthly. The costs incurred for each quarter in the year, are now paid for out of that year only. The Emergency Loan satisfied the overdrawn cash balance of the related funds.

Township Assistance Standards, Internal Control Standards, Nepotism Certification and Contracting Certification were all reviewed by the 2018 Township Board and Trustee. Moving forward, the current Trustee and Township Board will complete this on a yearly basis at the end of each year.

The Trustee has routinely been paid on the 15th of each month, however this date will change to the end of each month. This will satisfy the criteria of not paying any services or goods in advance.

The Trustee, Township Board Members and clerk are working diligently to correct any mistakes prior to their positions and to be actively involved on a regular basis with the operations of the office and how they may best serve their community's interest.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2020, with Will Miller, Trustee, and Carol Hesch, Township Board member.