

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

COMPLIANCE REPORT

OF

HENRY TOWNSHIP

FULTON COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
07/20/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Other Information - Unaudited:	
Schedule of Cash and Investment Balances.....	6
Results and Comments:	
Late Submission of Certified Report.....	7
Adoption of and Training on Internal Control Standards	7
Certification on Internal Control Standards	7-8
Internal Controls	8
Condition of Records	8-9
Advance Payments.....	9
Compensation and Benefits	9
Deposit of Accountable Items.....	9-10
Supporting Documentation	10
Exit Conference.....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Becky Gearhart	01-01-17 to 12-31-18
	Kara Robison	01-01-19 to 01-10-19
	(Vacant)	01-11-19 to 02-04-19
	Ron Woodruff	02-05-19 to 12-31-20
Chair of the Township Board	Michael Canada	01-01-17 to 12-31-20



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

TO: THE OFFICIALS OF HENRY TOWNSHIP, FULTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Henry Township (Township), Fulton 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

June 3, 2020

(This page intentionally left blank.)

OTHER INFORMATION - UNAUDITED

The Township's Annual Financial Report information can be found on the Indiana Gateway for Government Units (Gateway) 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.

HENRY TOWNSHIP, FULTON COUNTY
 SCHEDULE OF CASH AND INVESTMENT
 BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 12-31-18
Township	\$ 67,490
Direct Poor Relief	50,201
Fire Fighting	206,767
PAYROLL DEDUCTIONS	<u>4,571</u>
Total	<u>\$ 329,029</u>

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS

LATE SUBMISSION OF CERTIFIED REPORT

A similar comment appeared in the prior Report B49830, entitled *CERTIFIED REPORT FILED AFTER DUE DATE*.

Condition and Context

The Township's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2018 was not filed electronically until April 9, 2019, which was 68 days past the due date.

Criteria

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

"Every . . . township . . . 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 . . . 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 certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township Board failed to adopt the acceptable minimum level of internal control standards, and failed to ensure that training was provided for all personnel over internal control standards required by 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Trustee certified on the Indiana Gateway for Government Units financial reporting system that the Township had adopted an internal control policy, and that the appropriate personnel were trained on internal control standards. Since they had not adopted a policy or provided training, the certification provided on internal control standards was incorrect.

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS
(Continued)

Criteria

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](#)."

INTERNAL CONTROLS

The same comment also appeared in the prior Report B49830.

Condition and Context

The Trustee was responsible for all aspects of the Township's financial activity. This included preparing checks, recording financial transactions in the financial ledger, monitoring budget compliance, reporting payroll information, and remitting payroll taxes. Due to the lack of any oversight, late filing of certified reports and advance payroll payments were able to occur and not be identified timely.

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. . . ."

CONDITION OF RECORDS

Condition and Context

The Township was unable to provide financial reports for January 1, 2017, that agreed to the financial statement reported in the Indiana Gateway for Government Units financial reporting system. Adjustments to the beginning balances were made in the records without documentation of the purpose of the adjustments.

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS
(Continued)

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)

ADVANCE PAYMENTS

The same comment also appeared in the prior Report B49830.

Condition and Context

The Trustee's annual salary of \$8,100 was to be paid in equal monthly payments at the end of each month. The Trustee paid the 2017 entire annual salary amount on, or before, July 31, 2017, with seven months paid during the month of January 2017. The Trustee paid her 2018 salary each month, as required, but payments for August through December were issued on, or prior to, the 16th of each month.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

COMPENSATION AND BENEFITS

The same comment also appeared in the prior Report B49830.

Condition and Context

The Township Board (Board) members were paid without the Township withholding federal, state, and local taxes. Also, Forms W-2 were not issued to the Board members.

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)

DEPOSIT OF ACCOUNTABLE ITEMS

Condition and Context

The Township made two deposits where a receipt was not issued and no documentation was presented to support the deposit amounts. There were deposits on May 8, 2017, for \$4,000, and on December 28, 2017, for \$8,000, that had no supporting documentation.

HENRY TOWNSHIP, FULTON COUNTY
RESULTS AND COMMENTS
(Continued)

Criteria

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

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the units. The deposit ticket or attached documentation must provide a detail listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

SUPPORTING DOCUMENTATION

Condition and Context

The Township did not provide supporting documentation for disbursements. There were no invoices, contracts, or statements to demonstrate that disbursements were the obligation of the Township.

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)

HENRY TOWNSHIP, FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2020, with Ron Woodruff, Trustee, and Michael Canada, Chair of the Township Board.