

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

SPECIAL COMPLIANCE REPORT
OF

RAILROAD TOWNSHIP VOLUNTEER FIRE
DEPARTMENT, INCORPORATED
STARKE COUNTY, INDIANA

January 1, 2017 to April 30, 2020



FILED
12/11/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Record Retention.....	3-4
Contract Compliance Related to Annual Service Fee	4-5
Reporting Requirements.....	5
Internal Controls	5
Exit Conference.....	6



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 THE RAILROAD TOWNSHIP VOLUNTEER FIRE
DEPARTMENT, INCORPORATED, STARKE COUNTY, INDIANA

This is a special compliance report for the Railroad Township Volunteer Fire Department, Incorporated (Fire Department), for the period January 1, 2017 to April 30, 2020, and is in addition to any other report for the Fire Department as required under Indiana Code 5-11-1. All reports pertaining to the Fire Department may be found at 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 financial activity recorded in the ledgers, reported information, and bank activity. 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

September 17, 2020

RAILROAD TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INCORPORATED
RESULTS AND COMMENTS

BACKGROUND

The Railroad Township Volunteer Fire Department, Incorporated (Fire Department) was established in January 2017, in response to Railroad Township (Township) entering into a contract with the Fire Department for fire protection. The Township contracted for fire service with the Fire Department for 2017 and 2018. In 2019, due to the lack of a contract for services, the Fire Department became inactive. A Fire Department bank statement dated April 30, 2020, was presented to the Indiana State Board of Accounts auditors during the audit of the Township. The bank statement showed recent activity; however, the Township stated that the Fire Department was dissolved.

With the Fire Department thought to be dissolved, a special investigation was started to determine the legitimacy of the bank account activity. Although the Fire Department is inactive, the Fire Department has yet to be dissolved. The Fire Department has a pending lawsuit with the Township.

RECORD RETENTION

For the years beginning January 1, 2017 to current, multiple persons have served as treasurers for the Fire Department. With each transition, custody of records changed, with no one individual ensuring records were properly maintained, complete, and balanced to bank statements. Furthermore, there was not any assurance that all records were transferred from one treasurer to the next.

Ledgers were provided for 2017, which included activity from February 23, 2017 to January 17, 2018. The first recorded activity for the Fire Department was made on February 23, 2017. Recorded collections consisted of donations, fundraiser collections, collections for filling swimming pools, table and chair rentals, and a collection of \$12,500 on November 15, 2017, from the Township for the 2017 fire contract. Recorded disbursements consisted of "squad," "BMV for squad," training, supplies for fundraisers, and payments to firefighters in January 2018 after receipt of the contract collection.

A partial ledger was provided for 2018, which began with entries on July 31, 2018 through October 27, 2018. Collections and disbursements were similar to the collections and disbursements recorded for 2017, except there was not a collection on any contractual obligations. Ledger activity was not available from January 18, 2018 to July 30, 2018, and from October 27, 2018 to current.

Bank statements were not available for review from September 1, 2017 to March 31, 2018. The bank balance on August 31, 2017 was \$1,655.

On March 5, 2018, a new bank account was opened at a different bank with an initial deposit of \$2,728. A former treasurer stated the original bank account was closed.

Bank statements for this second account were available for review from March 1, 2018 to April 30, 2020. Review of these statements confirmed that there was not a deposit for a 2018 fire contract, and there were not payments to the firefighters.

The Indiana State Board of Accounts *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

". . . Entities receiving financial assistance from the state or local governments are subject to the following general requirements:

Existence of contracts with grantor agencies for all assistance received.

RAILROAD TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INCORPORATED
RESULTS AND COMMENTS
(Continued)

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at three years.

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

CONTRACT COMPLIANCE RELATED TO ANNUAL SERVICE FEE

The Fire Department provided a contract for fire protection services dated January 1, 2018, that was signed by Mandy Thomason, Township Trustee, and Trask Darabaris, Fire Chief for the Fire Department. The contract stated the following, in part:

". . . TERM OF AGREEMENT. This agreement shall be effective the 1st day of January, 2018 and shall continue through the 31st of December 2018.

ANNUAL SERVICE FEE. The Township shall pay to the Department, as consideration for said personnel services, an Annual Service Fee in the amount of Twelve Thousand Five Hundred and 00/100 Dollars (\$12,500.00), payable as follows: a. Each member of the Department . . . shall be paid a clothing and vehicle allowance . . . b. The remaining sum shall be divided and prorated among members of the Department in a formula recommended by the Chief of the Department and accepted or as determined by the Trustee . . . c. The service fee will be paid to the Department on December 30, 2018."

No record of receipt of payment was found in the records of the Fire Department. The Fire Department has a pending lawsuit with the Township.

Indiana Code 36-8-12-4 states: "The contract between a unit and a volunteer fire department must provide that the unit pay to the department, as consideration for the contract, an amount of money that is determined by negotiation between them. This consideration must include the amount that the unit is required to pay under this chapter for insurance premiums and clothing, automobile, and other allowances."

The Indiana State Board of accounts *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

". . . Entities receiving financial assistance from the state or local governments are subject to the following general requirements: . . .

RAILROAD TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INCORPORATED
RESULTS AND COMMENTS
(Continued)

Maintaining a financial management system that provides:

- a. Accurate, current, and complete disclosure of the financial results of each government-sponsored project or program.
- b. Records that adequately identify the source and application of funds for government-sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, and income.
- c. Effective control over and accountability for all funds, property, and other assets.
- d. Procedures for determining reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement. . . ."

REPORTING REQUIREMENTS

The Fire Department filed an incomplete Entity Annual Report (E-1) for 2017. The E-1 filed for 2017 only reported the disbursement of the contract amount, the total funds disbursed for the year was left blank. No E-1 was filed for 2018; however, the Fire Department did disburse funds.

The Indiana State Board of accounts *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section B, states in part:

"Entities are required pursuant to IC 5-11-1-4 to file an entity annual report with the Indiana State Board of Accounts annually. The Entity Annual Report (E-1) is due within 60 days after the entity's year and requests unaudited (cash or accrual basis) information regarding the source and use of financial assistance provided by government funding agencies and the entity's total disbursements regardless of source. . . ."

INTERNAL CONTROLS

The Treasurers were responsible for all aspects of the Fire Department financial activity. This included preparing checks, depositing collections, recording financial transactions, reporting financial activities, and reconciling the bank accounts.

The required oversight and monitoring of the financial activity was not effective. The lack of oversight and monitoring allowed for incomplete documentation of financial activities, reporting, reconcilments to bank statements, and transfer of a complete set of records.

The Indiana State Board of accounts *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

". . . Entities receiving financial assistance from the state or local governments are subject to the following general requirements: . . .

Maintaining a financial management system that provides: . . .

- c. Effective controls over accountability for all funds, property and other assets. . . ."

RAILROAD TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INCORPORATED
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2020, with Andy Tilleraas, President of the Fire Board.