

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OHIO TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2016 to December 31, 2019



FILED

03/15/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	JoAnne Flohr Robert Simpson	01-01-16 to 12-31-18 01-01-19 to 12-31-21
Chair of the Township Board	Kirk D. Brownfield Craig Vancuren	01-01-16 to 12-31-18 01-01-19 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OHIO TOWNSHIP, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of Ohio Township (Township), for the period from January 1, 2016 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Audit Report of the Township, which provides our opinions on the Township's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

February 22, 2021

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - SEGREGATION OF DUTIES

Condition and Context

There were no internal controls evident, such as an oversight, review, or approval process, over the cash and investments, receipts, disbursements, and financial close and reporting of Township funds. The Trustee was the sole person responsible for all financial processes. The failure to establish these internal controls could have enabled material misstatements or irregularities to remain undetected.

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. . . ."

TOWNSHIP BOARD MINUTES

A similar comment appeared in the immediately prior Report B47702.

Condition and Context

Township Board minutes were not provided for 2017 and 2018.

In addition, the Township Board had not met for its first regular meeting, or elected officers, in January for the years 2016 and 2019.

Criteria

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year."

MORTGAGE LOAN - INDEBTEDNESS

Condition and Context

The Township obtained two loans during the audit period. The Township had not obtained the proper approvals and did not adhere to statutorily prescribed procedures to incur these debts.

Effective December 28, 2017, the Township entered into a Business Loan Agreement for a variable rate loan (2017 loan) for \$149,500 to pay for improvements to the Township fire station. In addition, on April 28, 2018, the Township property was pledged as collateral for a variable rate mortgage loan (2018 loan) for \$500,000, to refinance outstanding general obligation bond debt. Township Board minutes were not provided showing approval for the 2017 loan; no Township Board minutes showing votes taken, who was present, meeting times, or any public comment, etc., were presented for either loan.

Criteria

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

Indiana Code 5-14-1.5-4(b) states:

"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 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Indiana Code 5-15-5.1-10(a) states in part:

"Each agency and local government shall:

- (1) Make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and local government to protect the legal and financial rights of the government and of persons directly affected by the agency's activities and the local government's activities. . . ."

"No municipal corporation has any power or authority to incumber its property by mortgage, in the absence of legislative authority so to do." *Fid. Tr. & Guar. Co. v. Fowler Water Co.*, 113 F. 560, 568 (Ind. C.C.D. 1902)

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Reports for 2016, 2017, 2018, and 2019 contained several errors and did not properly reflect the financial activity of the Township. The receipts, disbursements, and beginning and ending cash and investment balances reported were adjusted as follows:

<u>Years</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
2016	\$ 391	\$ 1,238	\$ -	\$ 1,629
2017	-	156,657	9,573	147,084
2018	146,341	(146,116)	-	225
2019	-	1,794	505	1,289
Totals	<u>\$ 146,732</u>	<u>\$ 13,573</u>	<u>\$ 10,078</u>	<u>\$ 150,227</u>

Audit adjustments were proposed, approved by management, and made to the financial statements.

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](#)."

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B47702.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances were not presented for 30 of 48 months audited.

In addition, bank reconcilements were prepared for all of 2019; however, the reconcilements did not reconcile the records of the Township to the depository.

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."

OPTICAL IMAGES

The same comment appeared in prior Report B47702.

Condition and Context

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The back side or endorsement side of the checks was not returned.

Criteria

Indiana Code 5-15-5.1-10(a) states in part:

"Each agency and local government shall:

- (1) Make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and local government to protect the legal and financial rights of the government and of persons directly affected by the agency's activities and the local government's activities.
- (2) Cooperate fully with the administration in implementing the provisions of this chapter.
...

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The Township had not uploaded any of the required files for the monthly and annual engagement uploads to the Indiana Gateway for Government Units financial reporting system for the years 2018 and 2019.

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The files and governmental unit information that are required to be uploaded monthly are the bank reconcilements, approved Township Board minutes and funds ledger, and summarizing total receipts, disbursements, and balances by fund. Annual upload requirements for manual records include the year-end bank statement, year-end outstanding check list, year-end investment statements, and current year salary resolution.

Criteria

"Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit." (State Examiner Directive 20178-1)

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation was not provided for review that Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

Criteria

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

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

- (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 in the Indiana Gateway for Government Units financial reporting system, during the submission of the Annual Financial Report, that training on internal control standards was provided; however, there was no documentation to support that training had taken place.

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT 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](#)."

CAPITAL ASSETS

A similar comment appeared in prior Report B47702.

Condition and Context

The Township did not have a capital asset policy and had not properly maintained a complete inventory of capital assets owned.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

SUPPORTING DOCUMENTATION

Condition and Context

The Township could not provide fire contracts for 2016, 2017, and 2018, or Township Assistance documentation for 2017.

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)

LATE SUBMISSION OF CERTIFIED REPORT

Condition and Context

The Township's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R), for 2016 and 2019 were not filed electronically until February 16, 2017 and March 31, 2020, respectively, which was 16 days and 60 days past the due date, respectively.

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORTS

Condition and Context

The Township's Annual Financial Reports for 2016, 2017, 2018, and 2019 were not filed electronically until March 2, 2017, March 12, 2018, September 4, 2019, and March 31, 2020, respectively, which were 1, 11, 187, and 30 days past the due date, respectively.

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](#)."

Ohio Township

Bartholomew County Indiana

This letter is intended to respond to an audit performed by the Indiana State Board of Accounts (SBOA). The Ohio township trustees office provided all documents available to the SBOA's for review that they were in possession of. In addition, all financials from the banking institution were provided for the requested period. In the final report from the SBOA's, it was stated, "The Township did not provide accounting records to support the disbursement amount reported for three out of four years of the audit period". This is an inaccurate statement as a detailed ledger was supplied along with the new electronic recording keeping ledger now used by the Trustee's office. SBOA's did not request any documentation from the Southwest Volunteer Fire Department's accounting firm to support contract expenditures for this period in question. Ohio township maintains cases files to document township assistance. At no time were a case jackets requested to support every township assistance request during this three year period. While this office recognizes the need for improvements' in recorded keeping, the current Trustee was not the Trustee during the period in question. However, the current Trustee believes the SBOA's disclaimer is an unfair and inaccurate reflection of the previous Trustee.

Ohio Township Trustees office is a public office and is always open for an open review from any constituent to ensure transparency of expenditures.

Thank you,



Ohio Township Trustee

2019-Present

INDIANA STATE BOARD OF ACCOUNTS COMMENT ON THE OFFICIAL RESPONSE

To provide clarity and perspective, the Indiana State Board of Accounts (SBOA) is commenting on the Official Response to Supplemental Report B56467. An Official Response was submitted by Ohio Township Trustee, Robert Simpson.

The Official Response states in part,

"In the final report from the SBOA's, it was stated, "The Township did not provide accounting records to support the disbursement amount reported for three out of four years of the audit period". This is an inaccurate statement as a detailed ledger was supplied along with the new electronic recording keeping ledger now used by the Trustee's office. SBOA's did not request any documentation from the Southwest Volunteer Fire Department's accounting firm to support contract expenditures for this period in question. Ohio township maintains cases files to document township assistance. At no time were a case jackets requested to support every township assistance request during this three year period."

SBOA COMMENT:

The Official Response refers to a detailed ledger that was supplied along with the new electronic record keeping ledger. This is true, however documents supporting the entries for all cash disbursement in the ledger were not provided. As part of auditing procedures, the SBOA requested supporting documents for significant cash disbursements posted to the ledger, as well as randomly selected remaining cash disbursements posted to the ledger. Supporting documentation for the items selected, such as contracts, invoices, or other evidence, was not provided for all items requested, to allow us to verify the amounts posted to the ledger and therefore reported on the financial statement.

The Official Response also refers to SBOA not requesting any documentation from the Southwest Volunteer Fire Department's (SVFD) accounting firm to support the contract expenditures. The SBOA was auditing Ohio Township and not the SVFD, and therefore it is the responsibility of the Ohio Township official to obtain the documents requested for audit.

Lastly, the Official Response stated, "Ohio township maintains cases files to document township assistance. At no time were a case jackets requested to support every township assistance request during this three year period." While it is true that SBOA did not request every case file, we randomly selected eleven township assistance payments and requested the case files to support those payments. Out of the eleven requested, case files were not provided for five.

Due to the lack of documenting provide for audit to support the amounts reported on the financial statement for disbursements, we were unable to determine the financial statements were materially correct and therefore did not provide an opinion, which is indicated as a "Disclaimer of Opinion" in our Independent Auditors Report.

OHIO TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2021, with Robert Simpson, Trustee, and Craig Vancuren, Chair of the Township Board.