



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B58962

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March 31, 2022

TO: THE OFFICIALS OF UNION TOWNSHIP, JOHNSON COUNTY, INDIANA

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

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Township's Annual Financial Reports filed by management can be found on the Gateway Website: [www.gateway.ifionline.org](http://www.gateway.ifionline.org).

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

**Comments**

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in prior Report B48214, entitled *DEPOSITORY RECONCILIATIONS*.

*Condition and Context*

Depository reconciliations of the fund balances to the bank account balances were not presented for January 1, 2017 through December 31, 2018.

In addition, depository reconciliations of the fund balances to the bank account balances were conducted for December 31, 2017, and December 31, 2018; however, the reconciliations contained errors and did not balance. We noted a cash long of \$186 as of December 31, 2017, and December 31, 2018.

*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)

### **OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B48214.

#### *Condition and Context*

The Township Assistance fund had an overdrawn cash balance, as of December 31, 2017 and 2018, of \$20,847 and \$26,183, respectively.

#### *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)

### **NEPOTISM POLICY AND CERTIFICATION**

Similar comments appeared in prior Report B48214, entitled *NEPOTISM POLICY* and *NEPOTISM CERTIFICATION*.

#### *Condition and Context*

The Township had not adopted a Nepotism (Employment) Policy during the engagement period. In addition, each elected officer had not certified in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2017 and 2018.

#### *Criteria*

Indiana Code 36-1-20.2-9(a) states:

"This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter. The unit may prohibit the employment of a relative that is not otherwise prohibited by this chapter."

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."

## **TOWNSHIP ASSISTANCE STANDARDS**

The same comment also appeared in prior Report B48214.

### *Condition and Context*

The Township had not adopted Township Assistance Standards in accordance with Indiana Code 12-20-5.5-1 during the engagement period.

### *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."

## **FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

A similar comment appeared in prior Report B48214, entitled *APPROVAL OF SALARIES*.

### *Condition and Context*

Federal tax Forms (W2s and/or 1099s) for the engagement period had not been provided for review.

### *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)

## **CONTRACTS**

The same comment also appeared in prior Report B48214.

### *Condition and Context*

Payments made for mowing throughout the engagement period were not supported by a written contract.

### *Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

### **SUPPORTING DOCUMENTATION**

The same comment also appeared in prior Report B48214.

### *Condition and Context*

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records throughout the engagement period. Of the 17 total disbursements tested, 11 lacked adequate supporting documentation.

In addition, of the 9 Township Assistance fund disbursements tested, none contained a Township Assistance application, and 6 lacked adequate supporting documentation.

### *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)

### **ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B48214, entitled *ANNUAL FINANCIAL REPORT ERRORS*.

### *Condition and Context*

The Township's financial information was entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement.

The Township had not properly recorded Commercial Vehicle Excise Tax and Local Income Tax distributions from the County Treasurer in its AFR. Failure to include these distributions led to a \$505 understatement of receipts in the Township fund in 2018.

In addition, disbursements in the Township fund did not tie to the unit records and were overstated by \$209 in 2018. Combined, the aforementioned misstatements led to a \$714 understatement of the financial statement cash and investment balance on December 31, 2018.

Additionally, the Township's AFR for 2018 was not filed electronically until August 21, 2019, which was 173 days past the due date.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

**ORDINANCES AND RESOLUTIONS**

A similar comment appeared in prior Reports B39507 and B48214, entitled *TEMPORARY LOAN*.

*Condition and Context*

A temporary loan of \$20,000 was made in January 2010 from the Township fund to the Township Assistance fund and had not been repaid as of December 31, 2018.

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

## **BOARD MINUTES MISSING**

### *Condition and Context*

All requested minutes of the Board of Township Trustees (Board) were not provided for review; in addition, of the minutes that were provided, they did not include clear and complete documentation of actions taken by the Board, including the organization of Board officers. This was a systemic issue both during and subsequent the engagement period.

### *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."

## **ADOPTION OF, AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS**

### *Condition and Context*

The Township had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

In addition, the Township certified on Gateway that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e); however, during the engagement, the Trustee indicated that the Township had not adopted the minimum internal control standards.

### *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:

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

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

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and; . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

## **MONTHLY AND ANNUAL ENGAGEMENT UPLOADS**

### *Condition and Context*

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 2018-1)

The files and governmental unit information that are required to be uploaded monthly are the bank reconciliations, approved board minutes and funds ledger, 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.

The Township had not complied with the directive and failed to upload any of the monthly or annual files on Gateway for 2018, 2019, 2020, and 2021.

### *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 - SCOPE LIMITATION**

### *Condition and Context*

The Township failed to provide sufficient supporting documentation for Township disbursements throughout the engagement period; as a result, our procedures were limited exclusively to compliance testing. Due to this lack of documentation, and performance of limited compliance procedures, we cannot conclude on the financial position of the unit.

### *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)

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The Schedule of Cash and Investment Balances - Regulatory Basis, 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.

SCHEDULE OF CASH AND INVESTMENT  
BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2020

Fund	Cash and Investments 12-31-18
Township	\$ 30,661
Township Assistance	(26,183)
Rainy Day	1,570
Payroll Withholding	<u>22</u>
Total	<u>\$ 6,070</u>

Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

On January 1, 2022, Union Township merged with Franklin and Needham Townships to create the Franklin Union Needham Township, Johnson County.

The contents of this report were communicated to Dawn Barr, Union Township Board member (pre-merger); Lydia Wales, Franklin Union Needham Township Trustee; and Ollie Jean Barnett, Chair of the Franklin Union Needham Township Board, on March 16, 2022. Annette Barr, Union Township Trustee (pre-merger), did not attend the meeting.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner