



Audits, Resources, Twp Ledger

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Accounting and Uniform Compliance Guidelines Manual for Townships



- Chapter 1 - Prescribed Forms, Taxes, General Information, Local Policies, and Deposits and Investments (2017)
- Chapter 2 - The Township Trustee (2010)
- Chapter 3 - Description of Township and General Forms (2010)
- Chapter 4 - Use of Financial and Appropriation Record (2010)
- Chapter 5 - Budgets and Appropriation (2010)
- Chapter 6 - The Township Board (2010)
- Chapter 7 - Township Assistance (2010)

Accounting and Uniform Compliance
Guidelines Manual for Townships (Continued)



- Chapter 8 - Dogs and the Dog Fund (2010)
- Chapter 9 - Cemeteries (2010)
- Chapter 10 - Fire Protection and Emergency Services (2010)
- Chapter 11 - Township Parks Recreation-Community Centers (2010)
- Chapter 12 - Township Libraries (2010)
- Chapter 13 - Miscellaneous Duties and Other Matters Relating to the Office of the Township Trustee (2010)

Bulletins



- Quarterly Publication
 - March
 - June
 - September
 - December
- Index at end of each bulletin
- How to easily search? **Website Executables!**

Audits



- How often are you audited?
 - Risk Based Criteria IC 5-11-1-25
 - Not to exceed once every four (4) years
- Types of Engagements:
 - Financial Audit
 - Federal A-133 Audit
 - Compliance Review
 - Special Investigation

Centralized Engagements



- Engagement Strategies
 - Director: Sommer Cannon
 - Contact: EngagementStrategies@sboa.in.gov
- More efficient and less costly audits.

Audit Process



- Entrance Conference
- Request of your records
 - **Depends on engagement type**, but will probably include:
 - Bank statements/reconciliations, Receipts, Claims/Vouchers, Board Minutes, Ledgers, Assistance Applications, Etc.
- Exit Conference
 - Update you on our findings and give you a chance to respond

Findings



1. Audit Result and Comment (ARC)

- **Written Comment**

2. Management Letters

- **Letter** to official/board
- Did not rise to the level of “Significant and Impactful”

3. Verbal Comments

- **Verbally communicated**
- Didn't rise to level of management level, but still warrants attention to official

4. Federal findings

Corrective Action Plans



Corrective Action Plans (Continued)



- IC 5-11-5-1.5
 - Requires entities to take action to resolve noncompliance noted in an SBOA audit report
 - If the **same or similar noncompliance** is found in a subsequent report, then the entity must file a corrective action plan with the SBOA
 - If the corrective action plan is not submitted or **completed within 6 months**, then the SBOA is required to notify the legislative audit committee
 - Subsection (f) provides actions the legislative audit committee may take when notified

- Check to see if prior trustee had one they need to submit!

CAP Packet



- CAP Packet is now provided at exit
 - Includes exit conference form
 - Guidelines/instructions for CAP
 - Template
 - FAQ.
- Please ask questions at the Exit Conference!

CAP Template



- Clearly state the issue:
- List the requirements that were not followed:
- Unit Response:
- Identify the root cause of the issue:
- Steps to be taken to correct the issue:
- Implementation timetable:
- Summary of how the corrections will prevent future occurrence of the issue:

Clearly State the Issue



- Restate the issue identified in the repeat finding.

- Is the Who/What/When/Where/How addressed?

- **IN YOUR OWN WORDS!**

List the Requirements That Were Not Followed



- Restate each requirement not followed:
 - SBOA Uniform Compliance Guidelines (manual, bulletins, State Examiner Directives)
 - Code of Federal Regulations (CFR)
 - Local Policy
 - Administrative Regulations (Other State Agencies)
 - Indiana Code

Unit Response



- Two Options:

1. “We Agree”

Or,

2. “We do not agree because...”

Identify the Root Cause



- Do not focus on the effect!
- What created this issue, or what led to the noncompliance?
- Why do you continue to have this issue?
- 5 whys – problem solving technique

Define the problem

HIV Consent – records missing one of the following: signed consent form; documentation of verbal consent; documentation that client declined HIV testing.

Why is this happening?

1. Staff has been trained but they did not obtain consent.

Why is that?

2. There are many things to remember and staff simply forgot.

Why is that?

3. There is no process or system in place to remind staff that they need to obtain consent prior to performing an HIV test.

Why is that?

4.

Why is that?

5.

Root Cause →

Implementation Timetable



- Timeline – focus on when the action takes place, not after (or the outcome)
 - Example: Timeline of **when you put your new policy in place**. **NOT** when the next reporting requirement occurs.

Summary of How the Corrections Will Prevent Future Occurrence



- How will the items outlined in the CAP prevent this issue?
- If can't 100% ensure, detail controls to prevent, detect, and timely correct the issue



Questions?

Common Review Comments



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

Audit Reports

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W2s not issued



- *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).*
- **Must withhold taxes from employees and issue W2s**
- IRS requires a 1099 to be issued to employee that receives over \$600 of nonemployee payments – this includes the rent paid to Trustees.

Advance payments



- *Compensation and any other payments for goods and services must not be paid in advance of receipts 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)*
- Cannot pay for goods/services in advance!
- Exception **if normal industry practice** /w controls implemented

Township Telephone, Cellular, and
Internet Expenses



- Prior Position – 50% reimbursable
- Effective October 5, 2017
- Local policy adopted

AFR and 100R Not Filed Timely



- 1-5 days late → Verbal Comment
- 6-29 days late → Management Letter
- 30+ days late → Audit Comment

- Report Assistance → Gateway@sboa.in.gov

Penalties, Interest, and Other Charges



- *The Township paid penalties, interest, and other charges to various vendors in the amount of \$_____ because the Trustee did not remit payments to vendors on a timely basis.*

Establishment of Salaries



- *The Township Board **did not fix the salaries** of the Township officials and employees for the year 20XX, as required by Indiana Code 36-6-6-10(b).*
- **Trustee's annual salary covers all the duties listed in IC 36-6-4-3.**

Surety Bonds



- *The Trustee's Surety Bond was insufficient per the Indiana Code 5-4-1-1. The bond recorded in the County Recorder's office for 20XX was for \$_____ instead of the **required \$30,000**. In addition, no bond was recorded for 20XX.*

Lack of Supporting Documentation



- *Payments were observed which did not contain adequate **supporting documentation**, such as receipts, invoices, and other public records for 20XX.*

Disbursements in Excess of Budget Appropriations



- *Indiana Code 6-1.1-18-4 states in part:
“...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.”*

Funds Sources and Uses



- *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)*

Overpayment Collections



- *Units must **collect any overpayments** made.
(Accounting and Uniform Compliance
Guidelines Manual for Townships, Chapter 1)*

Overdrawn Cash Balances



- *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)*

Depository Reconciliations



- *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."*

Receipts Not Deposited Timely



- *Indiana Code 5-13-6-1(c) states in part: "... public funds collected by township trustees shall be deposited in the designated depository on or **before the first and fifteenth day of each month.**"*

Rainy Day Funds



- Cannot be transferred to RDF:
 - Township Assistance
 - Fire Protection Territory funds
 - Cemetery funds Conveyed under IC 23-14-64-3
- Can be transferred to RDF:
 - Township/General
 - Fire and Fire Cumulative
 - Local funds w/o restrictions
 - Park and Recreation*
- Transfers limited to 10% of total budget IC 36-1-8-5.1

Internal Control Related to Township Disbursements



- *“The Township has **failed to implement the controls** necessary to insure the proper disbursement of township funds. No review or control procedures have been implemented to insure the validity of the disbursements for authorized purposes.”*

Internal Controls



Step 1:

1. Adopt minimum standards
2. Internal Control Training – IC 5-11-1-27

Step 2:

Create internal control policies!!

Internal Controls (Continued)



- Logical Process when designing controls:
 1. Identify an Objective (Risk Assessment)
 2. Determine the level of risk you are willing to accept
 - Any potential material errors should be addressed!
 3. Design Controls to accomplish Objective
 4. Put Controls in place
 5. Monitor that the controls are achieving the objective
 6. Revise controls based upon monitoring assessment

Internal Control Resources



- SBOA Internal Controls Standards webpage
 - www.in.gov/sboa/5072.htm and/or www.in.gov/sboa/4445.htm
- SBOA Internal Controls webinar
 - Embedded on above pages and can be found on YouTube:
 - <https://www.youtube.com/watch?v=L0N80PBbPHQ>
- Standards for Internal Control in the Federal Government (the Green Book)
 - www.gao.gov/assets/670/665712.pdf

Policies



- Nepotism
- Contracting with a Unit
- Internal Control
- Purchasing/Procurement
 - IC 5-22, 2 CFR 300.318
- Travel
 - Includes lodging/meal reimbursements
- Capital Asset
 - Must take inventory once every two years
- Employee Benefit
- Bad Debt
- Investment policy
 - If you want to invest for longer than 2 years
- Leave and Overtime Pay
 - If offered, if not, negotiated labor contracts suffice
- Materiality Threshold
 - IC 5-11-1-27
- Debit/Credit Cards
 - Bulletin (next slide)

Credit Cards



1. The governing **board must authorize** credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and **use should be handled by an official or employee designated** by the board.
3. The **purposes** for which the credit card may be used must be **specifically stated in the ordinance or resolution.**
4. When the purpose for which the credit card has been issued has been accomplished, **the card should be returned** to the custody of the responsible person.

Credit Cards (Continued)



5. ...Should **maintain an accounting system or log** which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards should **not be used to bypass the accounting system**. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. **Payment should not be made on the basis of a statement or a credit card slip only**. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, **an annual fee may be paid**.

Forms



- SBOA Does not provide forms directly
 - Available for **purchase from Public Printer** (such as Boyce Forms)
- Chapter 3 Township Manual
 - Includes: Ledger (Township Form 1-C), Form 17 (Salary Resolution), Mileage Claim, Checks, Receipts, Purchase Order, Employee Earnings Record, Township Assistance Applications, Receipt Register, Capital Asset Ledger, Contractor Bid Forms, Etc.
- Appendix: https://www.in.gov/sboa/files/twp2010_a01.pdf

Prescribed Forms



- Exact Replica or create your own.
- Create your own?
 - Form approval process
 - https://www.in.gov/sboa/files/tsb2014_304.pdf

Township Ledger



Township Form 1-C



- Spreadsheet software utilization

http://www.in.gov/sboa/files/tsb2012_298.pdf

- Excel spreadsheets may NOT be used as the official TWP record

Computer System vs Manual Ledger



- Manual Ledgers
- Computer Software
 - Needs to comply with Chapter XIV (14) of the Township Manual
 - Output forms need to be consistent with approved forms

Ledger Entries



- **Entries:**

- <https://www.in.gov/sboa/files/Example%20Situations.pdf>

- **Ledger:**

- <https://www.in.gov/sboa/files/Township%20Ledger%20Examples.pdf>

Indiana Code



- How do I look up State Statutes?

- <http://iga.in.gov/>



Questions?