

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT TOWNSHIP

VANDERBURGH COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
10/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Bob F. Harris	01-01-11 to 12-31-18
Chairman of the Township Board	Jim McCutchan	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SCOTT TOWNSHIP, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of Scott Township (Township), for the period from January 1, 2014 to December 31, 2017. 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 opinion 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 Result and Comment contained herein describes the identified reportable instance 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

September 13, 2018

SCOTT TOWNSHIP, VANDERBURGH COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Township related to financial transactions. There were no segregation of duties as the Township had not separated incompatible activities related to cash and investments, receipts, vendor disbursements, and payroll disbursements.

Cash and Investments

The Township had internal control procedures in place over cash and investments. However, the controls were not properly documented. The Township Clerk prepared the bank reconciliation; there was no indication of a review by the Township to verify that the bank reconciliations were accurate.

Receipts

Effective controls had not been developed over the receipting process. The Chief Deputy issued the receipts, prepared and made deposits and posted receipts; there was no indication of a review by the Township to verify that the receipts were accurate or properly recorded in the ledger.

Vendor Disbursements

Effective controls had not been developed over the disbursement process. When an order was received, all items on the invoice were confirmed to verify receipt of the item and were given to the Bookkeeper to process payment. The Bookkeeper prepared all the vendor checks; there was no indication of a review by the Township to verify that the information was accurate.

Payroll Disbursements

Effective controls had not been developed over the disbursement process. The Trustee collected and approved all time cards and gave them to the Bookkeeper to prepare the payroll checks. There was no indication of a review by the Township to verify that the payroll and payroll deductions were accurate.

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. . . ."

SCOTT TOWNSHIP, VANDERBURGH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2018, with Bob F. Harris, Trustee; Jim McCutchan, Chairman of the Township Board; and Barbara J. Harris, Township Clerk.