

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WASHINGTON TOWNSHIP

DECATUR COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**  
09/25/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	James L. Stuart	01-01-18 to 12-31-18
	Christian Rust	01-01-19 to 12-31-22
	Beverly Rivera	01-01-23 to 12-31-23
Chair of the Township Board	Edward Dwenger	01-01-18 to 12-31-20
	James G. Stewart	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WASHINGTON TOWNSHIP, DECATUR COUNTY, INDIANA

This report is supplemental to the audit report of the Washington Township (Township), for the period from January 1, 2018 to December 31, 2022. 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 the 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/](http://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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 31, 2023

WASHINGTON TOWNSHIP, DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were several deficiencies in the internal control system of the Township related to financial transactions and reporting. The Township had not separated incompatible activities related to cash and investments, receipts, and disbursements, and internal controls were not effective for financial close and reporting.

*Cash and Investments*

One employee (Clerk) was responsible for performing monthly bank reconciliations. There was no documented oversight, review, or approval process to ensure bank reconciliations were performed monthly and to prevent, or detect and correct, errors.

*Receipts*

The Clerk was primarily responsible for posting receipts in the financial accounting software system. There was no documented oversight, review, or approval process to prevent, or detect and correct, errors.

*Disbursements*

The Clerk was primarily responsible for posting both vendor and payroll disbursements in the financial accounting software system, and issuing checks. There was no documented oversight, review, or approval process to prevent, or detect and correct, errors.

*Financial Close and Reporting*

The Trustee entered the financial information into the Township's Annual Financial Report (AFR), and the Township Board reviewed and approved it prior to submission, but this internal control was not effective for 2020. The Cumulative Fire fund receipts and disbursements totaling \$1,499,900 and \$556,608, respectively, were incorrectly reported in the Nonreverting Capital Projects fund on the 2020 AFR.

Audit adjustments were proposed, accepted by the Township, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements Audit Report of the Township.

*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.

WASHINGTON TOWNSHIP, DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

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](#)."

## **ANNUAL FINANCIAL REPORT ERRORS**

### *Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The leases and debt information entered into Gateway contained the following error:

- The Township misclassified the loans payable for fire trucks as general obligation bonds in the AFR for the years 2020, 2021, and 2022.

Audit adjustments were proposed, accepted by the Township, and made to the Schedule Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Township.

Additionally, the Investment Fund Statements for 2019 through 2022 were not completed despite the Township having investments for each of those years.

### *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](#)."

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The Township did not upload any annual engagement uploads to the Indiana Gateway for Government Units financial reporting system during the years 2018, 2019, 2020, 2021, or 2022.

Monthly uploads performed in 2018, 2019, 2020, 2021, and 2022 were incomplete, and uploads were not performed timely.

WASHINGTON TOWNSHIP, DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. . . a unit is encouraged to upload prior months' files beginning with the January 2018 files. Thereafter, monthly files must be uploaded no later than the 15<sup>th</sup> day of the second succeeding month, i.e., August monthly files are due on October 15. . . .

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date.

(State Examiner Directive 2018-1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. . . .

The following files and governmental unit information are required to be uploaded monthly . . .

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually . . .

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .

(Amended State Examiner Directive 2018-1)

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)

WASHINGTON TOWNSHIP, DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TIMELY RECORDING OF TRANSACTIONS**

*Condition and Context*

The following receipt and disbursement transactions were not recorded in a timely manner at the time of the transaction as required. The Township's accounting system allowed transactions to be backdated to prior accounting periods. The Township did not have a proper system of internal controls in place to ensure transactions were recorded at the time of the transaction.

*Local Tax Distributions*

Local tax distributions from 2019, 2020, 2021, and 2022 totaling \$1,219,369, were recorded to the accounting system between 7 and 309 days late. The receipts were backdated in the system to the correct receipt date.

*Loan Proceeds*

Loan proceeds from November 2020 totaling \$1,499,900, were recorded 62 days late. The receipts were backdated in the system to the correct receipt date.

*Disbursements*

Two disbursements selected for testing were recorded between 148 and 199 days late. The disbursements were backdated in the system to the correct disbursement date.

*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. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

WASHINGTON TOWNSHIP, DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TRAINING ON INTERNAL CONTROL STANDARDS**

A similar comment appeared in prior Report B51200, entitled *TRAINING ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

There was no documentation that the Township provided required training on internal controls to personnel whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township.

*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 Township incorrectly certified on the Indiana Gateway for Government Units financial reporting system for the years 2019, 2020, and 2021, that training on internal controls had been provided to required personnel.

*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](#)."

**PAYROLL DEFICIENCIES**

*Condition and Context*

The following deficiencies were noted in our review of payroll:

1. No attendance/time records were presented for one employee selected for testing.
2. The Trustee's approval of the payroll disbursements selected for testing was not documented. The prescribed Payroll Schedule and Voucher (General Form 99) was not in use by the Township, and no alternative form was presented for audit.

WASHINGTON TOWNSHIP, DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees (Accounting and Uniform Compliance Guidelines Manual for Indiana Townships, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**ERRORS ON CONTRACTS**

*Condition and Context*

The following errors were noted in our review of the Township's contracts:

*2019 Equipment Contract*

In July 2019, the Township entered into an agreement to procure and install capital equipment. Payments made during the audit period totaled \$105,866, but no contract was presented for audit.

*Contract Paid in Advance*

In September 2021, the Township entered into a contract in the amount of \$107,159, to procure a new weather siren. The contract stipulated that \$94,709 was to be paid upon the contractor's receipt of the equipment and the remaining \$12,450 was to be paid upon installation, completion, and approval of the project. The full contract amount was paid in 2022; however, the weather siren has not been installed to date.

*2022 Fire Contract*

In September 2022, the Township paid \$120,000 to the City of Greensburg for its fire protection contract. No signed contract was presented for audit.

*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)



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## OFFICIAL RESPONSE

August 31, 2023

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: Washington Township, Decatur County Official Response to 2018-2022 Audit

Beverly Rivera, Trustee  
James G. Stewart, Township Advisory Board President

Our office appreciates the expertise of the State Board of Accounts staff during this audit process. We have worked with them for several weeks, identifying areas of concern and addressing those.

We had previously identified some of these issues. At that time we contacted the State Board of Accounts and the Department of Local Government Finance, reporting a suspicion of fraud and asking for guidance.

We have had the opportunity to learn from the SBOA staff as they identified financial issues in our township along with several instances of failure to comply.

Our current township staff has gone back to the previous four years to locate or complete and upload many documents that were never filed.

There are a few documents we are still trying to locate and upload from the previous administration.

We want the community to have faith in our office as a new trustee and clerk that we will comply with all guidelines and rules of compliance. We will meet deadlines. We take our responsibility to the taxpayers seriously and will continue to work towards rebuilding the trust of our office.

Working with the auditors through this process has helped to educate us on proper and timely reporting of township finances. At this time, the township financial records are current and we are working daily to maintain that accuracy.

The citizens of Washington Township are welcome to attend our advisory board meetings and contact our office at any time with any questions or concerns.

WASHINGTON TOWNSHIP, DECATUR COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2023, with Beverly Rivera, Trustee; Lori Garringer, Clerk; and James G. Stewart, Chair of the Township Board.