

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIDDLEBURY TOWNSHIP

ELKHART COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Ruth Eash	01-01-19 to 12-31-23
Chair of the Township Board	Jerry Weaver	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MIDDLEBURY TOWNSHIP, ELKHART COUNTY, INDIANA

This report is supplemental to the audit report of Middlebury Township (Township), for the period from January 1, 2019 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/.

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

December 12, 2023

MIDDLEBURY TOWNSHIP, ELKHART COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Township related to financial close and reporting, receipts, and disbursements.

Financial Close and Reporting, Receipts, and Disbursements

Payroll clearing activity was posted as negative disbursements, understating both receipts and disbursements reported for the Payroll fund for the years 2019, 2020, 2021, and 2022 by approximately \$358,746, \$405,732, \$423,628, and \$392,134, respectively.

Adjustments were proposed, accepted by the Township, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances presented as Required Supplementary Information in the Financial Statements Audit Report of the Township.

Receipts

A documented oversight or review process was not in place to ensure the proper recording and reporting of receipts received for ambulance fees. The vendor that collected ambulance fees and deposited them through electronic funds transfer (EFT) into the Township's bank account sent various reports to the Township Trustee. The amounts received were based on the amounts received via the EFT payments and not verified or reconciled to the reports.

Receipts received by the Township for ambulance fees were not receipted into the Township's record at the time of the transaction. The Township used the bank statement to determine amounts received and post receipts for ambulance fees to the Township's financial system, often at the end of each month as a total of all fees received within that month.

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. . . .

MIDDLEBURY TOWNSHIP, ELKHART COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

COMPENSATION AND BENEFITS

Condition and Context

Some compensation and benefits paid to employees were not included in a labor contract, salary ordinance, resolution, or salary schedule adopted by the governing board. Compensation and benefits paid to employees which were not adopted by the governing board included incident pay, EMT/FF pay, clothing allowance, and training pay.

Additionally, there was no supporting documentation provided for audit to show that time records were approved by the appropriate official/department head.

The Deputy Trustee, who is also employed by two other Townships, did not maintain a time record for the hours worked in that position.

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

2. employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

MIDDLEBURY TOWNSHIP, ELKHART COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Township was not in compliance as follows:

Receivables

The Township prepared and submitted the accounts receivable information into Gateway. However, the Township did not maintain appropriate detailed accounts receivable records to determine the accuracy of the information submitted. The Township approved the omission of the Schedule of Payables and Receivables from the Financial Statements Audit Report of the Township.

Capital Assets

The Township prepared and submitted the capital asset information into Gateway. However, the Township did not maintain appropriate detailed capital asset records to determine the accuracy of the information submitted. The Township approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Township.

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](#)."

MIDDLEBURY TOWNSHIP, ELKHART COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Township did not maintain a proper detailed listing of capital assets owned or complete a physical inventory of assets at least every two years.

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)

MIDDLEBURY TOWNSHIP, ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Ruth Eash, Trustee, and Kris Mueller, Deputy Trustee.