

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

COMPLIANCE ENGAGEMENT REPORT

OF

JACKSON TOWNSHIP

BLACKFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
08/14/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Judith Morris	01-01-19 to 01-04-23
	(Vacant)	01-05-23 to 01-11-23
	Cassandra Thomas	01-12-23 to 12-31-24
Chair of the Township Board	Betty Jo Armstrong	01-01-19 to 04-30-19
	Vicki Armstrong	05-01-19 to 12-31-19
	Karen Gruwell	01-01-20 to 12-31-20
	Vicki Armstrong	01-01-21 to 12-31-23
	Judi Crouch	01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF JACKSON TOWNSHIP, BLACKFORD COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Jackson Township (Township), for the period of January 1, 2019 to December 31, 2022. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Township as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials is informational only. The Statements of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the Comments below.

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. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Township's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Cassandra Thomas, Trustee; Judi Crouch, Chair of the Township Board; and Denise Hile, Township Board member, on August 5, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 27, 2024

JACKSON TOWNSHIP, BLACKFORD TOWNSHIP
COMMENTS

INTERNAL CONTROLS

Condition and Context

An effective internal control system was not designed or implemented by the Township to ensure compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The lack of internal controls resulted in noncompliance over public records retention; bank account reconciliations; penalties and interest paid; capital assets; ordinances and resolutions; monthly and annual uploads; and the adoption of, training and certification on, internal control standards as detailed further in the comments below.

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. . . ."

PUBLIC RECORDS RETENTION

A similar comment also appeared in prior Report B54882, entitled *BOARD MINUTES*.

Condition and Context

The Township was unable to provide, or locate, the Township Board minutes and a funds ledger for the engagement period. In addition, the Township was unable to provide, or locate, proper supporting documentation, such as receipts, canceled checks, invoices, bills, contracts, or other public records for 19 of the 27 disbursements tested during the engagement period. As a result, additional procedures were performed to review tax collections and cleared checks for proper usage of funds. Furthermore, due to the failure to retain these public records, the Statements of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis were not presented in the Compliance Engagement Report for the Township.

JACKSON TOWNSHIP, BLACKFORD TOWNSHIP
COMMENTS
(Continued)

In 2023, the Township implemented an accounting program to generate fund ledgers and bank reconcilements from posted transactions. The Township also maintained the Township Board minutes for the Township Board meetings held in 2023.

Criteria

Indiana Code 5-15-5.1-10(a) states in part:

"Each agency and local government shall:

- (1) Make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and local government to protect the legal and financial rights of the government and of persons directly affected by the agency's activities and the local government's activities. . . .
- (5) Establish necessary safeguards against the removal, alteration, or loss of records; safeguards shall include notification to all officials and employees of the agency or local government that records in the custody of the agency or local government may not be alienated or destroyed except in accordance with:
 - (A) the provisions of this chapter; and
 - (B) if applicable, an order of the county commission of public records under [IC 5-15-6](#)."

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)

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Township had not provided documentation that bank reconcilements were being prepared for five of the nine months tested. At December 31, 2022, the adjusted bank balance was \$23,329 more than the ending cash and investments balance reported on the Township's Annual Financial Report via the Indiana Gateway for Government Units financial reporting system.

JACKSON TOWNSHIP, BLACKFORD TOWNSHIP
COMMENTS
(Continued)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The Township paid penalties and interest to the Internal Revenue Service in the amount of \$81 due to untimely tax payments.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Township had not adopted a capital asset policy that detailed the threshold at which an item is considered a capital asset. Additionally, the Township did not maintain a complete detailed listing of all capital assets, or perform a physical inventory 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)

JACKSON TOWNSHIP, BLACKFORD TOWNSHIP
COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

Condition and Context

The Township did not adopt a salary ordinance for 2019 through 2022.

Criteria

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)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Township did not comply with the Amended State Examiner Directive 2018-1, by failing to upload all of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2019 through 2022.

Criteria

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. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54882.

Condition and Context

No evidence was provided, including the Township Board minutes, as described in the previous comment entitled *PUBLIC RECORDS RETENTION*, to determine whether the Township Board adopted the acceptable minimum level of internal control standards or provided the required training on internal control standards to appropriate personnel.

JACKSON TOWNSHIP, BLACKFORD TOWNSHIP
COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-27(g) states:

"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
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54882.

Condition and Context

The Township certified on the Indiana Gateway for Government Units financial reporting system for 2021 and 2022 that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) and that personnel defined by Indiana Code 5-11-1-27(c) received training concerning the internal control standards adopted by the Township. However, during the engagement, evidence of the adopted standards or completed training was not provided.

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](#)."