

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

COMPLIANCE ENGAGEMENT REPORT

OF

WASHINGTON TOWNSHIP

BLACKFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

11/08/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Amy Payne Courtney Lechien	01-01-19 to 12-31-22 01-01-23 to 12-31-24
Chair of the Township Board	James Thurman	01-01-19 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Washington Township (Township), for the period of January 1, 2019 to December 31, 2023. 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 and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

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 Courtney Lechien, Trustee, and James Thurman, Chair of the Township Board, on October 15, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 12, 2024

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place resulting in noncompliance in the following engagement areas:

- Adoption of, and Training on, Internal Control Standards
- Certification on Internal Control Standards
- Annual Financial Report
- Appropriations
- Bank Account Reconciliations
- Capital Assets
- Monthly and Annual Uploads
- Overdrawn Cash Balances
- Payroll Withholdings
- Prescribed Forms
- Township Board Minutes and Reorganization

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. . . ."

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS
(Continued)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54941.

Condition and Context

Due to internal control deficiencies, the Township did not comply with laws and regulations concerning internal controls. The Township had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The Township could not provide documentation that officers whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

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 B54941.

Condition and Context

Due to internal control deficiencies, the Township's certification of the adoption of and training on the acceptable minimum level of internal control standards in the Indiana Gateway for Government Units financial reporting system was made incorrectly for all five years of the engagement period. The Township certified that they had adopted and received training on internal control standards; however, the Township was unable to provide the ordinance or training certifications on the internal control standards for the Township and Trustee, respectively.

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 as set forth in the uniform compliance guidelines. 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](#)."

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B54941.

Condition and Context

Due to internal control deficiencies, financial and other information required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system were incorrect. The information entered into Gateway contained the following errors:

Financial Statement

The following variances between the AFR and the Township's financial records were identified in 2019, 2020, 2021, 2022, and 2023:

- The Township fund had beginning balances that were overstated in 2019 and 2023 by \$2,420 and \$1,010, respectively; receipts that were understated in 2020 by \$93; and disbursements that were understated for 2019, 2020, 2021, and 2022 by \$497, \$505, \$505 and \$505, respectively, while overstated in 2023 by \$8,601.
- The Payroll Deduction fund had beginning balances that were overstated in 2019 and 2023 by \$110 and \$1,498, respectively; no receipt data entered for 2019, resulting in an understatement of \$496; and disbursements that were understated in 2023 by \$1,010.
- The Fire Fighting fund had disbursements that were overstated in 2020 by \$4,289 and understated in 2023 by \$15,036.

Adjustments were proposed, accepted by the Township, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in this report.

Capital Assets

The Township reported \$104,900 in assets for 2023 but was unable to provide documentation to support the amount reported.

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 as set forth in the uniform compliance guidelines. 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](#)."

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
 COMMENTS
 (Continued)

APPROPRIATIONS

The same comment also appeared in prior Report B54941.

Condition and Context

Internal controls were not in place to ensure overspent appropriations did not occur. The records presented for review indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Fire Fighting	2019	\$ 7,120
Fire Fighting	2020	920
Township	2020	1,028
Fire Fighting	2021	27,800
Township	2021	2,420
Fire Fighting	2022	21,499
Fire Fighting	2023	28,248

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the 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."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure all bank account reconciliations prepared during the engagement period were available for review or agreed to the accounting records. Bank account reconciliations for 2019 were not made available for review. The bank account reconciliation of December 31, 2019, prepared for the engagement and those presented by the Township for the fiscal years ended December 31, 2020, 2021, 2022, and 2023, showed the reconciled bank accounts were less than the recorded cash and investment balances by \$1,151, \$1,487, \$1,487, \$1,459, and \$1,458, respectively.

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)

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with capital asset Guidelines. The Township did not have a capital asset policy detailing the threshold at which an item is considered a capital asset. In addition, a complete physical inventory of capital assets had not been performed every two years as required. The Township reported \$104,900 in assets as of December 31, 2023, in its Annual Financial Report filed in the Indiana Gateway for Government Units financial reporting system.

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)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with the State Examiner Directive 2018-1 as amended. The Township did not upload into the Indiana Gateway for Government Units financial reporting system some of the required monthly and annual files for 2019 through 2023.

The Township did not upload the following files and governmental unit information that are required to be uploaded monthly:

- Bank reconcilements, Bank Statements (effective for monthly uploads for December 2020), and Outstanding Check Lists (effective for monthly uploads for December 2020):
 - None for 2019, 2020, and 2021.
- Approved Township Board minutes:
 - One for 2019, none for 2020 and 2021, and one for 2022.

The Township did not upload the following files and governmental unit information that are required to be uploaded annually:

- Year-end investment statements:
 - 2019, 2020, 2021, 2022, and 2023.

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS
(Continued)

- Detail of disbursements for the year:
 - 2019, 2020, 2021, 2022, and 2023.
- Current year salary ordinance (and Amendments effective for annual uploads for 2020):
 - 2019, 2020, 2021, 2022, and 2023.
- Annual vendor history report:
 - 2019, 2020, 2021, 2022, and 2023.

Criteria

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)

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B54941.

Condition and Context

Internal controls were not in place to ensure funds were not reduced below zero or overdrawn. The cash balance of the Fire Fighting fund was overdrawn by \$35,257, \$40,621, \$48,759, \$48,131, and \$50,566 on December 31, 2019, 2020, 2021, 2022, and 2023, respectively.

Criteria

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)

PAYROLL WITHHOLDINGS

A similar comment also appeared in prior Report B54941, entitled *UNPAID PAYROLL TAXES*.

Condition and Context

Internal controls were not in place to ensure timely remittance of payroll withholdings. The Township did not remit withheld payroll taxes for 2019, 2020, 2021, the second half of 2022, and 2023. The Township did not timely remit payroll taxes withheld in the first half of 2022 until March 4, 2023.

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS
(Continued)

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)

PRESCRIBED FORMS

Condition and Context

Internal controls were not in place to ensure use of prescribed forms. The Township did not properly maintain the prescribed forms Notice to Township Assistance Action (TA-1A) and Township Assistance Purchase Order (TA-2). All disbursements that were tested in 2019, 2020, 2021, 2022, and 2023 did not include completed TA-1A and TA-2 forms. Total Township Assistance disbursements tested for that period amounted to \$3,459.

Criteria

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)

TOWNSHIP BOARD MINUTES AND REORGANIZATION

The same comment also appeared in prior Report B54941.

Condition and Context

Internal controls were not in place to ensure Township Board minutes were available for review and organization meetings were held in accordance with statute. No minutes of Township Board meetings were presented for review for 2020 and 2021. Minutes for meetings on May 14, 2019, and October 7, 2022, were the only minutes presented for review for 2019 and 2022.

The minutes of the meeting in 2019 on May 14, 2019, and the meeting in 2023 on February 20, 2023, document reorganization of the Township Board by election of one (1) member as chair for that year. This meeting should have occurred on the first Tuesday after the first Monday in January.

Criteria

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
COMMENTS
(Continued)

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year."

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in February of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under [IC 36-6-4-12](#)."

Indiana Code 36-6-6-11(a) states:

"The legislative body shall meet annually in accordance with [IC 6-1.1-17](#), to adopt the township's annual budget. The legislative body must meet and adopt the annual budget even if the legislative body intends for the most recent annual appropriations and annual tax levy of the township to be continued for the ensuing budget year."

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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WASHINGTON TOWNSHIP, BLACKFORD COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
Township	\$ 21,873	\$ 19,010	\$ 14,440	\$ 26,443	\$ 18,997	\$ 15,888	\$ 29,552
Township Assistance	9,951	2,010	1,200	10,761	1,972	-	12,733
Fire Fighting	(23,905)	19,736	31,088	(35,257)	19,524	24,888	(40,621)
Rainy Day	1,835	-	-	1,835	-	-	1,835
Levy Excess	344	-	-	344	-	-	344
Payroll Deductions	3,731	496	-	4,227	428	-	4,655
Fire Debt	201	-	-	201	-	-	201
Totals	<u>\$ 14,030</u>	<u>\$ 41,252</u>	<u>\$ 46,728</u>	<u>\$ 8,554</u>	<u>\$ 40,921</u>	<u>\$ 40,776</u>	<u>\$ 8,699</u>

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
Township	\$ 29,552	\$ 19,591	\$ 17,280	\$ 31,863	\$ 22,297	\$ 20,752	\$ 33,408
Township Assistance	12,733	1,946	817	13,862	2,030	-	15,892
Fire Fighting	(40,621)	19,662	27,800	(48,759)	24,554	23,926	(48,131)
Rainy Day	1,835	-	-	1,835	-	-	1,835
Levy Excess	344	-	-	344	-	-	344
Payroll Deductions	4,655	505	-	5,160	478	3,970	1,668
Fire Debt	201	-	-	201	-	-	201
Totals	<u>\$ 8,699</u>	<u>\$ 41,704</u>	<u>\$ 45,897</u>	<u>\$ 4,506</u>	<u>\$ 49,359</u>	<u>\$ 48,648</u>	<u>\$ 5,217</u>

WASHINGTON TOWNSHIP, BLACKFORD COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
TOWNSHIP FUND	\$ 33,408	\$ 26,997	\$ 19,244	\$ 41,161
TOWNSHIP ASSISTANCE	15,892	2,032	1,442	16,482
FIRE FIGHTING FUND	(48,131)	25,813	28,248	(50,566)
RAINY DAY FUND	1,835	-	-	1,835
EXCESS LEVY	344	-	-	344
FIRE DEBT	201	-	-	201
PAYROLL DEDUCTIONS	1,668	505	1,010	1,163
Totals	<u>\$ 5,217</u>	<u>\$ 55,347</u>	<u>\$ 49,944</u>	<u>\$ 10,620</u>