

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

COMPLIANCE ENGAGEMENT REPORT

OF

PORTAGE TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

05/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Sean Coleman Jason Critchlow	01-01-19 to 12-31-22 01-01-23 to 12-31-24
Chair of the Township Board	Richard Hunt Cheryl Ashe Muhammad Shabazz	01-01-19 to 06-08-21 06-09-21 to 12-31-22 01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF PORTAGE TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Portage 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 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 Jason Critchlow, Trustee; Lana Cleary, Deputy Trustee; Muhammad Shabazz, Chair of the Township Board; and Ryan Hill, Secretary of the Township Board, on May 6, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 25, 2024

PORTAGE TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS

FUND SOURCES AND USES

Condition and Context

Due to a lack of internal controls, the Township incorrectly recorded \$539,926 from the County Auditor for Local Income Tax Supplemental Certified Shares in the Township Assistance fund. The funds should have been posted to the Township fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure compliance with laws, regulations, and Guidelines over monthly bank reconciliations and the timely correction of errors identified in that process. Ten monthly bank reconciliations during the engagement were reviewed and compared to the Township's accounting records. The following table shows the reconciled bank accounts, the Township's cash and investment balances per its accounting records, and the variances between each. The Township did not provide evidence that it investigated these variances and took the necessary actions to correct errors identified timely.

PORTAGE TOWNSHIP, ST. JOSEPH COUNTY
 COMMENTS
 (Continued)

Month/Year	Reconciled Bank Balance	Cash and Investment Balances per Accounting Records	Variance
August 2019	\$ 1,476,348	\$ 1,476,730	\$ (382)
December 2019	1,709,046	1,708,544	502
March 2020	1,137,416	1,142,845	(5,429)
October 2020	1,290,634	1,291,189	(555)
December 2020	1,964,701	1,964,773	(72)
April 2021	1,344,349	1,345,661	(1,312)
December 2021	1,760,035	1,759,947	88
June 2022	1,140,464	1,146,272	(5,808)
November 2022	769,646	769,670	(24)
December 2022	1,125,302	1,131,947	(6,645)

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."

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)

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)

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PORTAGE TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

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STALE DATED OUTSTANDING CHECKS (WARRANTS)

Condition and Context

The Township Trustee had stale dated outstanding checks over two years old in the bank reconciliements as of December 31, 2022, totaling \$3,170. Funds from stale dated checks should be receipted back into the appropriate funds the checks were disbursed from.

Criteria

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

PORTAGE TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

PRESCRIBED FORMS

Condition and Context

Internal controls were not in place to ensure compliance with laws, regulations, and Guidelines over Township Assistance. The Township did not properly maintain the prescribed form Notice of Township Assistance Action (TA-1A). During testing of Township Assistance disbursements, four of the eight disbursements tested for Township Assistance did not properly use the prescribed form TA-1A. The Township uses this form to inform potential recipients of the action taken on their request for assistance; their appeal rights and procedures; and provide the potential recipient the appeal request form.

Criteria

Indiana Code 12-20-6-8 states in part:

"(a) A township trustee shall promptly notify in writing each applicant for township assistance of action taken upon a completed application for township assistance. The trustee shall do the following:

- (1) Mail notice or provide personal notice not later than seventy-two (72) hours, excluding weekends and legal holidays listed in [IC 1-1-9](#), after the completed application is received, advising the applicant of the right to appeal an adverse decision of the trustee to the board of commissioners.
- (2) Include in the notice required under subdivision (1) the following:
 - (A) The type and amount of assistance granted.
 - (B) The type and amount of assistance denied or partially granted.
 - (C) Specific reasons for denying all or part of the assistance requested.
 - (D) Information advising the applicant of the procedures for appeal to the board of commissioners.

(b) A copy of the notice described in subsection (a) shall be filed with the recipient's application and affidavit in the trustee's office. . . ."

Indiana Code 12-20-15-1 states: "If an applicant for or recipient of township assistance is not satisfied with the decision of the township trustee, as administrator of township assistance, the applicant or recipient may appeal to the board of commissioners."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

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PORTAGE TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

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CAPITAL ASSETS

Condition and Context

The Township provided a listing of capital assets; however, due to the lack of internal controls, the listing was not adequately updated with additions or deletions during the audit period. Additionally, no documentation was provided to show a physical inventory had been conducted within the past two years.

The Township reported \$1,880,000 in capital assets at December 31, 2022.

Criteria

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)

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:

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PORTAGE TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, during the engagement, the Township could not provide supporting documentation showing all personnel had received training concerning the internal control standards.

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."

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](#)."

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

PORTAGE TOWNSHIP, ST. JOSEPH 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	\$ 633,236	\$ 563,228	\$ 179,011	\$ 1,017,453	\$ 490,250	\$ 185,296	\$ 1,322,407
Township Assistance	620,551	441,637	452,194	609,994	423,796	462,581	571,209
Rainy Day	16	81,081	-	81,097	70,800	79,984	71,913
Fire Territory	1,928,579	-	1,928,579	-	-	-	-
COVID Fund	-	-	-	-	22,460	22,460	-
Equipment Replacement Fund	311,983	-	311,983	-	-	-	-
Totals	<u>\$ 3,494,365</u>	<u>\$ 1,085,946</u>	<u>\$ 2,871,767</u>	<u>\$ 1,708,544</u>	<u>\$ 1,007,306</u>	<u>\$ 750,321</u>	<u>\$ 1,965,529</u>

PORTAGE TOWNSHIP, ST. JOSEPH 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			Cash and Investments			Cash and Investments
	01-01-21	Receipts	Disbursements	12-31-21	Receipts	Disbursements	
Township	\$ 1,322,407	\$ 205	\$ 482,763	\$ 839,849	\$ 15,780	\$ 249,228	\$ 606,401
Township Assistance	571,208	771,556	491,679	851,085	233,952	661,533	423,504
Rainy Day	71,913	67,900	70,800	69,013	100,000	67,000	102,013
Totals	<u>\$ 1,965,528</u>	<u>\$ 839,661</u>	<u>\$ 1,045,242</u>	<u>\$ 1,759,947</u>	<u>\$ 349,732</u>	<u>\$ 977,761</u>	<u>\$ 1,131,918</u>