

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

COMPLIANCE ENGAGEMENT REPORT

OF

WASHINGTON TOWNSHIP

PUTNAM COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

10/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John McPherson	01-01-20 to 12-31-24
Chair of the Township Board	Jason Keeney	01-01-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, PUTNAM 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, 2020 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 John McPherson, Trustee, and Stephen Blaydes Sr., Vice Chair of the Township Board, on October 10, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 10, 2024

WASHINGTON TOWNSHIP, PUTNAM COUNTY
COMMENTS

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to capital assets. A listing of the Township's capital assets was provided, but the listing does not appear to report the capital assets at historical cost. Capital assets were listed with a value behind the name of the capital asset denoted as "new" with a lesser amount reported in the amount column. Also, a detailed inventory of capital assets was not taken at least once every 2 years as required.

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 Township, 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. . . ."

COMPENSATION AND BENEFITS

Condition and Context

Internal controls were not in place to ensure that records related to employee compensation were maintained and reconciled. The amounts shown on the W-2 report for the Township Board members in 2020, 2021, and 2022 was incorrect. The approved annual salary on the salary ordinance for each Township Board member was \$700, actual net wages paid were \$609; however, the gross amount reported on the W-2 report for each Township Board member was \$757.99 with taxes totaling \$58, which would result in a net pay of \$700. Calculations to support the actual net pay, and copies of W-2 forms were not provided.

WASHINGTON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

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)

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ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure that accurate information was entered into the Annual Financial Report (AFR). Financial and other information is required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

Financial Statement

The beginning investment balance of the Cumulative Fire fund was omitted in 2022 and 2023, resulting in understatements of \$52,369 and \$52,448, respectively.

Adjustments were proposed, accepted by the Trustee, and made to the financial statement.

Other Information

Schedule of Leases and Debt

- For calendar year 2021, the reported ending principal balance was \$90,122, but should have been \$121,800, resulting in an understatement of \$31,679. The reported principal due within one year was \$90,122, but should have been \$29,649, resulting in an overstatement of \$60,473.

WASHINGTON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

- For calendar year 2022, the reported ending principal balance was \$58,443, but should have been \$92,152, resulting in an understatement of \$33,709. The reported principal due within one year was \$58,443, but should have been \$30,177, resulting in an overstatement of \$28,266.
- For calendar year 2023, the reported ending principal balance was \$60,473, but should have been \$61,974, resulting in an understatement of \$1,501. The reported principal due within one year was \$60,473, but should have been \$30,712, resulting in an overstatement of \$29,761.

Schedule of Capital Assets

The information entered into the Capital Asset Schedule was not supported by the detailed listing. Reported capital assets for 2020, 2021, 2022, and 2023 were \$882,000, \$922,000, \$922,000, and \$922,000, respectively. The listing showed \$1,773,160 in assets with no additions or deletions during the engagement period.

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](#)."

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

WASHINGTON TOWNSHIP, PUTNAM COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Township	\$ 58,454	\$ 44,279	\$ 36,368	\$ 66,365	\$ 45,741	\$ 29,279	\$ 82,827
Township Assistance	29,454	1,063	2,775	27,742	1,063	5,038	23,767
Fire Fighting	13,166	52,160	31,010	34,316	57,279	34,816	56,779
Rainy Day	1,319	10,000	1,225	10,094	-	-	10,094
Cumulative Fire	203,866	61,634	103,051	162,449	34,219	51,024	145,644
Fire Equipment Debt	-	-	-	-	37,696	31,679	6,017
Totals	<u>\$ 306,259</u>	<u>\$ 169,136</u>	<u>\$ 174,429</u>	<u>\$ 300,966</u>	<u>\$ 175,998</u>	<u>\$ 151,836</u>	<u>\$ 325,128</u>

WASHINGTON TOWNSHIP, PUTNAM COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
Township	\$ 82,827	\$ 46,286	\$ 27,750	\$ 101,363	\$ 78,755	\$ 55,324	\$ 124,794
Township Assistance	23,767	-	2,398	21,369	-	1,838	19,531
Fire Fighting	56,780	60,068	38,441	78,407	32,592	15,104	95,895
Rainy Day	10,095	-	312	9,783	-	1,071	8,712
Cumulative Fire	145,645	30,636	40,941	135,340	34,822	9,726	160,436
Fire Equipment Debt	<u>6,017</u>	<u>32,301</u>	<u>31,679</u>	<u>6,639</u>	<u>30,698</u>	<u>31,679</u>	<u>5,658</u>
Totals	<u>\$ 325,131</u>	<u>\$ 169,291</u>	<u>\$ 141,521</u>	<u>\$ 352,901</u>	<u>\$ 176,867</u>	<u>\$ 114,742</u>	<u>\$ 415,026</u>