

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

COMPLIANCE ENGAGEMENT REPORT

OF

HANOVER TOWNSHIP

JEFFERSON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

07/09/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-6
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	8-9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lucy J. Anderson	01-01-20 to 12-31-24
Chair of the Township Board	Ronald D. Anderson	01-01-20 to 12-31-22
	Melvin Adams	01-01-23 to 02-28-24
	(Vacant)	02-29-24 to 04-17-24
	Laura Chitwood	04-18-24 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 HANOVER TOWNSHIP, JEFFERSON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Hanover 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 Lucy J. Anderson, Trustee; Laura Chitwood, Chair of the Township Board; and Teri Kleopfer, Township Clerk, on June 20, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 15, 2024

HANOVER TOWNSHIP, JEFFERSON COUNTY
COMMENTS

COMPENSATION AND BENEFITS

Condition and Context

Compensation paid to Township officers and employees during fiscal years 2020, 2022, and 2023 could not be verified against an approved salary schedule. Due to the lack of effective internal controls, the Township did not complete Township Form No. 17 (Resolution Establishing Salaries of Township Officers and Employees) for fiscal years 2020, 2022, and 2023.

Criteria

Indiana Code 36-6-6-10(c) states in part: "The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. . . ."

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. . . ."

IC 36-6-6-10 requires the township board to set the salaries; wages; rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials and employees, for the year 1985 and each year thereafter. However, please remember the township board should RECORD THE SALARIES SO FIXED IN THE TOWNSHIP BOARD MINUTES. A type of format for recording these salaries should be the existing format of Township Form No. 17. We recommend the board set the salaries of township officials and employees, in conjunction with the preparation and completion of the township budget. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

ANNUAL UPLOADS

Condition and Context

Annual upload requirements include the year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report, annual payroll history report (without social security numbers), and an annual funds ledger.

HANOVER TOWNSHIP, JEFFERSON COUNTY
COMMENTS
(Continued)

Due to the lack of effective internal controls, the Township did not comply with the State Examiner Directive and failed to upload the following annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system:

- Detail of receipts by Fund for 2021, 2022, and 2023
- Detail of Disbursements by Fund for 2021 and 2023
- Current Year Salary Ordinance for 2020, 2022, and 2023
- Annual Vendor History Report for 2020, 2021, 2022, and 2023
- Annual Payroll History Report (without SS#) for 2021, 2022, and 2023
- Annual Funds Ledger for 2021, 2022, and 2023

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. . . ."

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)

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)

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

HANOVER TOWNSHIP, JEFFERSON 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 FUND	\$ 49,487	\$ 35,797	\$ 31,170	\$ 54,114	\$ 39,940	\$ 32,749	\$ 61,305
TOWNSHIP ASSISTANCE	42,854	25,841	25,125	43,570	25,967	19,094	50,443
FIRE FIGHTING FUND	149,776	29,582	24,150	155,208	30,588	24,150	161,646
PAYROLL DEDUCTIONS	1,401	2,948	2,801	1,548	2,989	2,950	1,587
Totals	<u>\$ 243,518</u>	<u>\$ 94,168</u>	<u>\$ 83,246</u>	<u>\$ 254,440</u>	<u>\$ 99,484</u>	<u>\$ 78,943</u>	<u>\$ 274,981</u>

HANOVER TOWNSHIP, JEFFERSON 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 FUND	\$ 61,305	\$ 42,632	\$ 31,516	\$ 72,421	\$ 44,029	\$ 38,463	\$ 77,987
TOWNSHIP ASSISTANCE	50,443	25,698	25,109	51,032	26,514	21,736	55,810
FIRE FIGHTING FUND	161,646	31,525	24,150	169,021	32,579	24,150	177,450
PAYROLL DEDUCTIONS	1,587	3,243	2,677	2,153	3,309	3,291	2,171
Totals	<u>\$ 274,981</u>	<u>\$ 103,098</u>	<u>\$ 83,452</u>	<u>\$ 294,627</u>	<u>\$ 106,431</u>	<u>\$ 87,640</u>	<u>\$ 313,418</u>