

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

COMPLIANCE ENGAGEMENT REPORT

OF

CENTER TOWNSHIP

PORTER COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
05/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jesse Harper	01-01-19 to 12-31-24
Chair of the Township Board	Debra Fray	01-01-19 to 12-31-19
	Stephen Buck	01-01-20 to 12-31-20
	Todd Etzler	01-01-21 to 12-31-21
	Stephen Buck	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CENTER TOWNSHIP, PORTER COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Center 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 Jesse Harper, Trustee, and Stephen Buck, Chair of the Township Board, on April 24, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 15, 2024

CENTER TOWNSHIP, PORTER COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in noncompliance over supporting documentation for disbursements, adoption of, and training on, internal control standards, manual and annual uploads, compensation and benefits, and records of hours worked, 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. . . ."

SUPPORTING DOCUMENTATION

Condition and Context

Vendor disbursement testing noted 4 out of 25 disbursements tested (\$906 or 16 percent) did not have supporting documentation. Therefore, we were unable to determine if these claims were paid in the correct amount, timely, or from the proper fund.

Criteria

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)

CENTER TOWNSHIP, PORTER COUNTY
COMMENTS
(Continued)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B55108.

Condition and Context

Per the minutes of the Township Board, a resolution of internal control standards was adopted on January 5, 2021. However, the Township could only provide a draft of the resolution but not the actual resolution adopted by the Township Board. Without the adopted resolution, we were unable to determine if the Township Board had adopted the acceptable minimum level of internal control standards as required by Indiana Code 5-11-1-27(g).

The Trustee certified on the Indiana Gateway for Government Units financial reporting system that all required personnel had completed the training; however, certificates of training were provided for only three of four individuals who were required to have training.

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](#)."

MONTHLY AND ANNUAL UPLOADS

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, bank statements, outstanding check lists, approved Township Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

The files and governmental unit information that are required to be uploaded annually include the year-end investment statements, detail of receipt activity, detail of disbursement activity, current year salary ordinance and amendments, annual vendor history report, annual funds ledger, and annual payroll history report.

The Township did not comply with the amended State Examiner Directive 2018-1 and had not uploaded all of the monthly bank statements on the Indiana Gateway for Government Units (Gateway) financial reporting system for years 2019, 2020, 2021, 2022, and 2023.

CENTER TOWNSHIP, PORTER COUNTY
COMMENTS
(Continued)

The Township did not comply with the amended State Examiner Directive 2018-1 and had not uploaded all required annual files on the Gateway for year 2023. In addition, the Township failed to also upload the following annual uploads for the years noted:

- Annual vendor history reports for the years 2019 to 2022.
- The annual salary ordinances for years 2019, 2020, and 2022.
- The annual funds ledger for the years 2019 and 2020 (a monthly funds ledger for December was uploaded instead).

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)

COMPENSATION AND BENEFITS

Condition and Context

The Township did not provide a salary resolution for the years 2019, 2020, 2021, and 2023. Gross wages paid to employees without a salary resolution were as follows:

- In 2019, total gross wages were \$109,415.
- In 2020, total gross wages were \$102,641.
- In 2021, total gross wages were \$106,953.
- In 2023, total gross wages were \$138,443.

A salary resolution was provided for 2022. For two of the employees tested in 2022, their pay rates and positions were not listed in the salary resolution. The total gross wages paid to the two employees totaled \$9,522.

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)

CENTER TOWNSHIP, PORTER COUNTY
COMMENTS
(Continued)

RECORD OF HOURS WORKED

Condition and Context

The Township had four salaried employee positions that did not maintain a timecard or time record to document hours worked for the years 2019 through 2023.

Criteria

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency as described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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

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CENTER TOWNSHIP, PORTER 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 General Fund	\$ 498,680	\$ 434,985	\$ 236,718	\$ 696,947	\$ 299,108	\$ 161,972	\$ 834,083
Township Assistance Fund	500,472	187,482	353,065	334,889	332,565	361,363	306,091
Rainy Day Fund	949,999	58,541	44,523	964,017	-	163,488	800,529
Payroll Deduction Fund	(312)	20,106	19,636	158	18,050	18,238	(30)
Totals	<u>\$ 1,948,839</u>	<u>\$ 701,114</u>	<u>\$ 653,942</u>	<u>\$ 1,996,011</u>	<u>\$ 649,723</u>	<u>\$ 705,061</u>	<u>\$ 1,940,673</u>

CENTER TOWNSHIP, PORTER 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 General Fund	\$ 834,083	\$ 317,180	\$ 193,663	\$ 957,600	\$ 330,306	\$ 238,089	\$ 1,049,817
Township Assistance Fund	306,091	359,804	240,007	425,888	375,016	260,822	540,082
Rainy Day Fund	800,529	-	147,231	653,298	-	116,795	536,503
Payroll Deduction Fund	(30)	21,126	19,199	1,897	22,979	23,188	1,688
Totals	<u>\$ 1,940,673</u>	<u>\$ 698,110</u>	<u>\$ 600,100</u>	<u>\$ 2,038,683</u>	<u>\$ 728,301</u>	<u>\$ 638,894</u>	<u>\$ 2,128,090</u>

CENTER TOWNSHIP, PORTER 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 General Fund	\$ 1,049,817	\$ 379,359	\$ 269,532	\$ 1,159,644
Township Assistance Fund	540,082	395,984	375,463	560,603
Rainy Day Fund	536,503	935	220,078	317,360
Payroll Deduction Fund	1,688	33,511	33,438	1,761
Totals	<u>\$ 2,128,090</u>	<u>\$ 809,789</u>	<u>\$ 898,511</u>	<u>\$ 2,039,368</u>