

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

COMPLIANCE ENGAGEMENT REPORT

OF

MADISON TOWNSHIP

MONTGOMERY COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

08/07/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Greg Fuller	01-01-19 to 12-31-24
Chair of the Township Board	Gary Blankenship	01-01-19 to 06-28-20
	Robert King	06-29-20 to 12-31-20
	Gary Blankenship	01-01-21 to 12-31-21
	Robert King	01-01-22 to 12-31-22
	William Fugate	01-01-23 to 12-31-23
	Gary Blankenship	01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MADISON TOWNSHIP, MONTGOMERY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Madison 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 Greg Fuller, Trustee, and Gary Blankenship, Chair of the Township Board, on July 25, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 29, 2024

MADISON TOWNSHIP, MONTGOMERY COUNTY
COMMENTS

ADOPTION OF, AND TRAINING AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B55086.

Condition and Context

Internal controls were not in place to ensure the Township had adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

Internal controls were not in place to ensure the Township correctly certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e); however, during the engagement, the Trustee did not provide documentation that the Township had adopted, or trained on, the minimum 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](#)."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure the Township followed Uniform Compliance Guidelines on capital assets. The Township had not adopted a capital asset policy that details the threshold at which an item is considered a capital asset.

Additionally, the Schedule of Capital Assets reported as part of the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system did not agree to the detailed capital asset listing maintained by the Township. The detailed capital asset listing was not updated for the years 2021-2023; therefore, we could not verify if the amounts reported in the AFR were correct.

MADISON TOWNSHIP, MONTGOMERY COUNTY
COMMENTS
(Continued)

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)

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. . . ."

TOWNSHIP ASSISTANCE

Condition and Context

Internal controls were not in place to ensure Township Assistance payments were supported by the required forms. The Indiana State Board of Accounts prescribed Township Forms TA-1 - Application for Township Assistance and TA-1A - Notice of Township Assistance Action were not properly completed and sent to the applicant. Applications were not fully completed by all applicants and proper investigation documentation did not exist. The Township did not complete a TA-1A for any application during the engagement period.

Criteria

Immediately after any action is taken upon a completed township assistance application or, in the case of termination or reduction of existing benefits, before action is taken, a "Notice of Township Assistance Action" form shall be delivered to the applicant or recipient in person or by first class United States mail at said person's last known address. A copy of each completed "Notice" shall be filed with the applicant's application in the trustee's office. In those cases where the trustee has determined to terminate or reduce benefits, if an appeal is requested within ten (10) days, assistance shall be continued to those recipients until a decision by the county commissioners is made. . . .

MADISON TOWNSHIP, MONTGOMERY COUNTY
COMMENTS
(Continued)

In a nonemergency request for township assistance, the trustee shall act on the completed application not later than seventy-two (72) hours after receiving the completed application, excluding weekends and legal holidays listed in IC 1-1-9. The trustee's office shall retain a copy of each completed application and affidavit whether or not relief is granted.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

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)

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PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Internal controls were not in place to ensure the Township paid withholdings timely. The Township did not pay multiple payroll withholding payments timely throughout the engagement period. The Township was charged \$427 for penalties and interest fees for late payments to the Internal Revenue Service.

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)

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MADISON TOWNSHIP, MONTGOMERY COUNTY
COMMENTS
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RECORD OF HOURS WORKED

Condition and Context

The Township had not designed or implemented internal controls to ensure that detailed records reflecting specific days or hours worked were maintained for the Financial Clerk during the engagement period, and no such records were maintained.

Criteria

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

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

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

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 Special Districts, 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:

MADISON TOWNSHIP, MONTGOMERY COUNTY
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BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure the Township performed bank reconciliations in a timely manner. Of the six months tested during the engagement period, four were not performed timely.

- March 2021 was performed on July 22, 2021.
- March 2022 was performed on July 20, 2022.
- November 2022 was performed on January 10, 2023.
- April 2023 was performed on June 29, 2023.

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."

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MADISON TOWNSHIP, MONTGOMERY COUNTY
COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Condition and Context

Internal controls were not in place to ensure compliance over compensation paid to officials and employees. The Township was unable to provide a salary ordinance or any documentation adopted by the Township Board for all years of the engagement period.

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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SUPPORTING DOCUMENTATION

Condition and Context

Internal controls were not in place to ensure supporting documentation was provided for claims. The Township reimburses the Madison Township Volunteer Fire Department (Fire Department) yearly for expenses. The Township was unable to provide supporting documentation to support the reimbursement amounts for any of the five reimbursement claims tested. In addition, the Township was unable to provide a contract to support the amount the Fire Department should receive.

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:

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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)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ADVANCE PAYMENTS

Condition and Context

Internal controls were not in place to ensure employees were not paid in advance. Payroll checks are written the day of the end of the pay period.

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:

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MADISON TOWNSHIP, MONTGOMERY COUNTY
COMMENTS
(Continued)

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (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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MADISON TOWNSHIP, MONTGOMERY 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	\$ 98,838	\$ 56,888	\$ 50,985	\$ 104,741	\$ 76,806	\$ 27,307	\$ 154,240
Park And Recreation	17,758	9,715	2,950	24,523	27,298	-	51,821
Township Assistance	83,183	-	1,034	82,149	-	1,691	80,458
Fire Fighting	461,149	152,895	78,546	535,498	161,929	135,819	561,608
Rainy Day	25,767	-	-	25,767	-	-	25,767
Payroll	1,131	-	-	1,131	-	-	1,131
Totals	<u>\$ 687,826</u>	<u>\$ 219,498</u>	<u>\$ 133,515</u>	<u>\$ 773,809</u>	<u>\$ 266,033</u>	<u>\$ 164,817</u>	<u>\$ 875,025</u>

MADISON TOWNSHIP, MONTGOMERY 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	\$ 154,240	\$ 91,580	\$ 24,670	\$ 221,150	\$ 48,543	\$ 24,248	\$ 245,445
Park And Recreation	51,821	16,189	2,250	65,760	8,297	3,650	70,407
Township Assistance	80,458	-	1,500	78,958	-	779	78,179
Fire Fighting	561,608	175,940	293,352	444,196	184,279	143,090	485,385
Rainy Day	25,767	-	-	25,767	-	-	25,767
Payroll	1,131	-	-	1,131	-	-	1,131
Totals	<u>\$ 875,025</u>	<u>\$ 283,709</u>	<u>\$ 321,772</u>	<u>\$ 836,962</u>	<u>\$ 241,119</u>	<u>\$ 171,767</u>	<u>\$ 906,314</u>

MADISON TOWNSHIP, MONTGOMERY 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	\$ 245,445	\$ 107,921	\$ 32,869	\$ 320,497
Park And Recreation	70,407	8,101	2,950	75,558
Township Assistance	78,179	-	-	78,179
Fire Fighting	485,385	122,825	61,677	546,533
Rainy Day	25,767	-	-	25,767
Payroll	1,131	-	-	1,131
Totals	<u>\$ 906,314</u>	<u>\$ 238,847</u>	<u>\$ 97,496</u>	<u>\$ 1,047,665</u>