

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

**Paul D. Joyce, CPA
State Examiner**

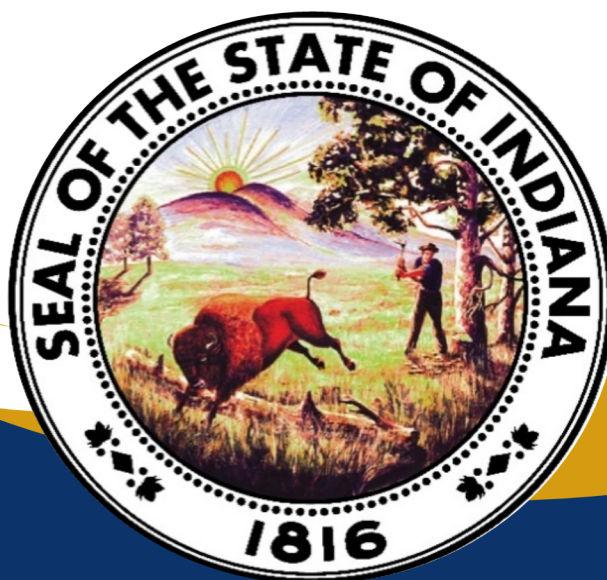
COMPLIANCE ENGAGEMENT REPORT

OF

HENRY TOWNSHIP

HENRY COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
12/27/2024

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------|-----------------|----------------------|
| Trustee | Nancy Webb | 01-01-20 to 12-31-22 |
| | Travis Lyall | 01-01-23 to 12-31-24 |
| Chair of the Township Board | Ashley Huffman | 01-01-20 to 12-31-20 |
| | Lee Walker | 01-01-21 to 12-31-21 |
| | Ashley Huffman | 01-01-22 to 12-31-22 |
| | Lee Walker | 01-01-23 to 12-31-24 |



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF HENRY TOWNSHIP, HENRY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Henry 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 is informational only. The Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the Comments below.

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 Travis Lyall, Trustee, and Lee Walker, Chair of the Township Board, on December 4, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 18, 2024

HENRY TOWNSHIP, HENRY COUNTY
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to the Annual Financial Report (AFR). Financial and other information are required to be entered annually into the AFR via the Indiana Gateway for Government Units financial reporting system. The AFR contained the following errors.

Financial Data

2020

- The Custodial Payee Account fund disbursements were understated \$119, and the ending cash and investments balance was overstated by \$119.

2021

- The Custodial Payee Account fund disbursements were overstated by \$50, and the ending cash and investments balance was overstated by \$69.

2022

- The Payroll Taxes fund beginning cash and investments balance and ending cash and investments balance were overstated by \$23,108.
- The Township did not report activity related to the Custodial Payee Account fund, which resulted in understatements in beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance of \$23,039, \$7,331, \$27,015, and \$3,355, respectively.

2023

- The Payroll Withholding fund ending cash and investments balance was overstated by \$919.
- The Payroll Taxes fund ending cash and investments balance was overstated by \$22,189.
- The Township did not report activity related to the Custodial Payee Account fund, which resulted in understatements in beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance of \$3,355, \$15,166, \$12,166, and \$6,355, respectively.

Capital Assets

Amounts reported for capital assets at December 31, 2021 and 2022, were not supported by capital asset records. Amounts reported for capital assets, as of 2023 year end, were overstated by \$50,000 when compared to capital asset records provided during the audit.

HENRY TOWNSHIP, HENRY COUNTY
COMMENTS
(Continued)

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:

"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

A similar comment appeared in the prior engagement's noncompliance Management Letter for the year ended December 31, 2020, entitled *CONDITION OF RECORDS*.

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to bank account reconciliations. There were unidentified variances between the Township's records and bank balance via bank statements in the amounts of \$119 cash-long, \$69 cash-long, \$217 cash-short, and \$267 cash-short for 2020, 2021, 2022, and 2023, respectively.

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."

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:

HENRY TOWNSHIP, HENRY COUNTY
COMMENTS
(Continued)

"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.

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TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to training on internal control standards. The Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, are required to receive training over internal control standards that were developed or approved by the Indiana State Board of Accounts. Training certifications over internal control standards developed and approved by the Indiana State Board of Accounts were not provided for review; therefore, it could not be determined that training had been completed.

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."

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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HENRY TOWNSHIP, HENRY COUNTY
COMMENTS
(Continued)

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CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to the certification on internal control standards. The Trustee certified on the Annual Financial Report that internal control standards had been adopted and that internal control training had been provided; however, documentation of standards and training was not provided.

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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