

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

COMPLIANCE ENGAGEMENT REPORT

OF

LIBERTY TOWNSHIP

WELLS COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

10/08/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-14
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	17-19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Trenton Markley Jack Gentis	01-01-19 to 12-31-22 01-01-23 to 12-31-24
Chair of the Township Board	Richard Borrer	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LIBERTY TOWNSHIP, WELLS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Liberty 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 Jack Gentis, Trustee; Richard Borrer, Chair of the Township Board; and Suzanne Gentis, Township Clerk, on September 11, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 31, 2024

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

The following areas did not have proper internal controls in place to ensure compliance with laws, regulations, and Guidelines.

- Monthly and Annual Uploads to the Indiana Gateway for Governmental Units (Gateway)
- Board Reorganization and Minutes
- Township Assistance Guidelines
- Prescribed Forms
- Compensation and Benefits
- Penalties, Interest, and Other Charges
- Adoption of, and Training on, Internal Control Standards
- Certification on Internal Control Standards
- Capital Assets
- Contracts
- Annual Financial Report
- Supporting Documentation
- Conflict of Interest

Internal control deficiencies resulted in noncompliance as detailed further 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. . . ."

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B55187.

Condition and Context

The Township did not adopt an internal control policy with the minimum standards of internal controls and did not complete the training on internal controls.

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B55187.

Condition and Context

The Township 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) and that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, during the engagement, the Township had not adopted the minimum internal control standards and that all personnel had not received training concerning the internal control standards.

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 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

Condition and Context

The Township did not upload into the Indiana Gateway for Government Units financial reporting system any of the required monthly and annual files for 2019 through 2023, except the funds ledger and Township Board minutes for January 2023.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconciliations
- Bank statements (effective for the required upload beginning with December 2020 information)
- Approved Township Board minutes
- Funds ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement (no longer required after 2019 annual uploads)
- Year-end outstanding check list (no longer required after 2019 annual uploads)
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance (and Amendments effective beginning with annual uploads of 2020 information)
- Annual vendor history report
- Annual employee earnings record/payroll history report without social security numbers (unless only hand posted records exist)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund (effective beginning with 2020 information)

Criteria

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)

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)

TOWNSHIP ASSISTANCE GUIDELINES

Condition and Context

The Township was unable to provide formalized standards for all years of the engagement.

Criteria

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed.

(c) The township trustee shall annually certify that the uniform written standards for the issuance of township assistance have been filed with the board of county commissioners as required under subsection (b)(2). The certification shall be noted in the township's budget submitted to the department of local government finance's computer gateway under [IC 6-1.1-17-3](#)."

Indiana Code 12-20-5.5-2 states:

"(a) Standards for the administration of township assistance must contain the following:

- (1) Criteria for determining township assistance eligibility.
- (2) Minimum requirements of township trustee accessibility.
- (3) Other information as needed, including the following:
 - (A) Township office locations, hours, and days of availability.
 - (B) Initial eligibility criteria.
 - (C) Continuing eligibility criteria.
 - (D) Workfare requirements.
 - (E) Essential and nonessential assets.
 - (F) Available resources.
 - (G) Income exemptions.
 - (H) Application process.
 - (I) Countable income.
 - (J) Countable assets.
 - (K) Wasted resources.

(b) Standards for the administration of township assistance must exclude a Holocaust victim's settlement payment received by an eligible individual from countable assets and countable income."

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

PRESCRIBED FORMS - TOWNSHIP ASSISTANCE

Condition and Context

Prescribed forms are designed to fulfill the requirements of the law. Proper forms for Township Assistance disbursements were missing for the engagement period.

During the engagement period, eight disbursements were made for Township Assistance. We selected four for testing. Three had an Application for Township Assistance (TA-1) to support the disbursement; however, the Notice of Township Assistance Action (TA-1A) or the Township Assistance Purchase Order (TA-2) was missing. The fourth item was paid in 2019 to the Trustee for a hotel in the amount of \$106 out of the Township Assistance funds without filling out the Application for Township Assistance (TA-1), the Notice of Township Assistance Action (TA-1A), or the Township Assistance Purchase Order (TA-2) to support the disbursement.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

Indiana Code 12-20-6-9 states:

"If an application for township assistance is made to the township trustee as administrator of township assistance, the township trustee, as administrator of township assistance, shall carefully investigate the circumstances of the applicant and each member of the applicant's household to ascertain the following:

- (1) Legal residence.
- (2) Names and ages.
- (3) Physical condition relating to sickness or health.
- (4) Present and previous occupation.
- (5) Ability and capacity to perform labor.
- (6) The cause of the applicant's or household member's condition if the applicant or household member is found to be in need and the cause can be ascertained.
- (7) Whether the applicant or a member of the applicant's household is entitled to income in the immediate future from any source, including the following:
 - (A) Past or present employment.
 - (B) A pending claim or cause of action that may result in a monetary award being received by any member of the applicant's household claiming to be in need.
 - (C) A pending determination for assistance from any other federal or state governmental entity.
- (8) The family relationships of the township assistance applicant.

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

- (9) Whether the township assistance applicant or members of the applicant's household have relatives able and willing to assist the applicant or a member of the applicant's household."

Indiana Code 12-20-6-8 states in part:

"(a) A township trustee shall promptly notify in writing each applicant for township assistance of action taken upon a completed application for township assistance. The trustee shall do the following:

- (1) Mail notice or provide personal notice not later than seventy-two (72) hours, excluding weekends and legal holidays listed in [IC 1-1-9](#), after the completed application is received, advising the applicant of the right to appeal an adverse decision of the trustee to the board of commissioners.
- (2) Include in the notice required under subdivision (1) the following:
 - (A) The type and amount of assistance granted.
 - (B) The type and amount of assistance denied or partially granted.
 - (C) Specific reasons for denying all or part of the assistance requested.
 - (D) Information advising the applicant of the procedures for appeal to the board of commissioners.

(b) A copy of the notice described in subsection (a) shall be filed with the recipient's application and affidavit in the trustee's office. . . ."

Indiana Code 12-20-20-1(a) states:

"(a) If a township trustee, as administrator of township assistance, grants township assistance to an indigent individual or to any other person or agency on a township assistance order as provided by law or obligates the township for an item properly payable from township assistance money, the claim against the township must be:

- (1) itemized and sworn to as provided by law;
- (2) accompanied by the original township assistance order, which must be itemized and signed; and
- (3) checked with the records of the township trustee, as administrator of township assistance, and audited and certified by the township trustee."

COMPENSATION AND BENEFITS

Condition and Context

The yearly salaries paid to the employees of the Township were not approved by the Township Board for all five years of the engagement.

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

The Township was unable to provide timecards for the Township Clerks, for review for the five years of the engagement.

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)

CAPITAL ASSETS

Condition and Context

The Township did not have a capital asset policy in place that specified the threshold that an item is considered a capital asset. A listing of all capital assets was not available nor was a complete physical inventory taken for any of the years of the engagement.

No amount was reported on the Schedule of Capital Assets on the Indiana Gateway for Government Units financial reporting system.

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)

SUPPORTING DOCUMENTATION

Condition and Context

Check images were not presented on the bank statements for the engagement years 2021, 2022, and 2023. The fire checking bank statements for 2019 and 2020 were unavailable for review; therefore, we were unable to perform a bank reconciliation for 2019 and 2020.

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)

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

BOARD REORGANIZATION AND MINUTES

Condition and Context

The Township Board did not reorganize for two out of the five-year engagement period. The Township Board reorganized a month late in one of the remaining three years of the engagement period.

Criteria

Indiana Code 36-6-6-7 states:

"(a) The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year.

(b) If a newly elected legislative body holds a special meeting before the first Tuesday after the first Monday in the January following its election, it shall elect a chair and a secretary before conducting any other business. The chair and secretary elected at the special meeting retain those positions until the first Tuesday after the first Monday in January of the year following the special meeting."

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B55187, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The Payroll Withholding fund was not properly reported on the financial statements for all five years of the engagement period. The improper reporting led to two of the five years to appear to have negative ending cash balances on the face of the financial statements.

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](#)."

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

The same comment also appeared in prior Report B55187.

Condition and Context

The Township paid late fees and penalties incurred by the Trustees totaling \$411 for 2019-2022 and \$72 for 2023.

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)

RELATED-PARTY TRANSACTIONS

Condition and Context

The former Trustee was paid \$639 in 2020 and \$530 in 2022 for maintenance services on the Township's firetrucks. Only the payment in 2020 was approved by the Township Board. Based upon the circumstances, the Indiana State Board of Accounts would have expected to receive a conflict of interest disclosure for this related-party transaction. There was not one on file during the audit period that covered this matter.

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

LIBERTY TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

Conflict of interest disclosures must be completed on Gateway. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (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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LIBERTY TOWNSHIP, WELLS 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	\$ 73,973	\$ 26,120	\$ 19,104	\$ 80,989	\$ 26,582	\$ 19,507	\$ 88,064
Township Assistance Fund	22,721	-	514	22,207	-	1,880	20,327
Fire Fighting Fund	61,382	35,383	34,396	62,369	33,187	33,790	61,766
Rainy Day Fund	8,402	-	-	8,402	-	-	8,402
Levy Excess Fund	586	-	586	-	-	-	-
Cumulative Fire Fund	50,056	9,611	6,042	53,625	10,152	11,345	52,432
Debt Service	35,211	54,493	59,528	30,176	56,442	57,743	28,875
Payroll Withholdings Fund	2,018	-	-	2,018	-	2,888	(870)
Construction Fund	8,168	-	2,449	5,719	-	3,000	2,719
Totals	<u>\$ 262,517</u>	<u>\$ 125,607</u>	<u>\$ 122,619</u>	<u>\$ 265,505</u>	<u>\$ 126,363</u>	<u>\$ 130,153</u>	<u>\$ 261,715</u>

LIBERTY TOWNSHIP, WELLS 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	\$ 88,063	\$ 18,974	\$ 21,568	\$ 85,469	\$ 18,424	\$ 19,841	\$ 84,052
Township Assistance Fund	20,327	386	343	20,370	-	1,220	19,150
Fire Fighting Fund	61,766	42,835	28,345	76,256	43,525	28,173	91,608
Rainy Day Fund	8,402	-	-	8,402	-	-	8,402
Cumulative Fire Fund	52,432	9,609	-	62,041	10,313	5,174	67,180
Debt Service	28,874	58,367	56,078	31,163	61,443	59,412	33,194
Construction Fund	2,719	-	2,719	-	-	-	-
Totals	\$ 262,583	\$ 130,171	\$ 109,053	\$ 283,701	\$ 133,705	\$ 113,820	\$ 303,586

LIBERTY TOWNSHIP, WELLS 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	\$ 84,051	\$ 19,655	\$ 24,229	\$ 79,477
Township Assistance Fund	19,150	-	-	19,150
Fire Fighting Fund	91,609	45,789	40,258	97,140
Rainy Day Fund	8,402	-	-	8,402
Cumulative Fire Fund	67,181	12,164	-	79,345
Debt Service	33,194	44,222	61,790	15,626
Payroll Withholdings Fund	-	-	182	(182)
Totals	<u>\$ 303,587</u>	<u>\$ 121,830</u>	<u>\$ 126,459</u>	<u>\$ 298,958</u>