

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

JEFFERSON TOWNSHIP

CASS COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

12/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mark Cotner	01-01-20 to 12-31-24
Chair of the Township Board	Craig Kennell	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF JEFFERSON TOWNSHIP, CASS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Jefferson 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 Mark Cotner, Trustee, and Kane Smiley, Township Board member, on November 13, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 18, 2024

JEFFERSON TOWNSHIP, CASS COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

The Township did not have segregation of duties. The Township did not have an effective system of internal controls in place to ensure compliance with the following items detailed in the comments below:

- Compensation and Benefits
- Annual Gateway Uploads
- Prescribed Forms
- Contracts
- Condition of Records
- Adoption of, and Training and Certification on, Internal Control Standards

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. . . ."

COMPENSATION AND BENEFITS

Conditions and Context

Compensation paid to Township officers and employees during fiscal years 2020, 2021, and 2022 could not be verified against an approved salary schedule. Amounts paid to the Township Board members and Trustee had not changed since 2015. The Township did not complete Township Form No. 17 (Resolution Establishing Salaries of Township Officers and Employees) for fiscal years 2020, 2021, and 2022.

In 2023, the Trustee received a total of \$2,109 for office rent and utility payment reimbursements that were paid quarterly. The Township Board approved \$1,800 in office rent and \$800 in utility payments for the year within the budget provided; however, there was no resolution provided which included the amounts to be reimbursed. Reimbursement payments for rent and utility payments were made quarterly to the Trustee and included quarterly payroll payments as well. Supporting documentation for the reimbursements paid for office rent and utility payments was not provided.

JEFFERSON TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

Additionally, in 2023, the Township hired an assistant for the Trustee. The assistant was not included in the 2023 Salary Resolution. The assistant was paid \$847 in 2023. A record of hours worked was not provided to support the amount compensated.

Criteria

Indiana Code 36-6-8-3(a) states:

"The annual appropriations to a township executive for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township executive uses a part of the executive's residence for an office, the township legislative body shall appropriate a reasonable sum for that office space."

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)

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)

The type of format for recording these salaries should be the existing form of Township Form 17 Resolution Recommending Salaries of Township Officers and Employees. The salaries so fixed shall be recorded in the township board minutes. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

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)

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)

JEFFERSON TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

ANNUAL GATEWAY UPLOADS

Condition and Context

Annual upload requirements 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 Amended State Examiner Directive 2018-1 and did not upload the annual files on the Indiana Gateway for Government Units financial reporting system for any of the years in the engagement period (2020, 2021, 2022, or 2023).

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)

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)

PRESCRIBED FORMS

Condition and Context

The Township did not properly maintain the prescribed form Notice of Township Assistance Action (TA-1A) or the prescribed form Township Assistance Purchase Order (TA-2) during testing of Township assistance disbursements. The Township did not use a form TA-1A or TA-2 during the engagement period.

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 1)

JEFFERSON TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

CONTRACTS

Conditions and Context

Out of the 20 disbursements tested during the engagement period, there were 2 for contracted payments for a mowing contract. Each payment was \$700, and this amount has not changed since 2015. A contract was requested; however, there were no contracts presented for review.

Criteria

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)

CONDITION OF RECORDS

Condition and Context

Payroll checks were not presented for review for each year of the engagement (2020, 2021, 2022, and 2023). Net payments made to employees could not be verified as a result. The Township did not receive optical images or copies of the cancelled checks from its bank. Additionally, the Township did use the form 6, "Township Trustee Check"; however, the Township did not provide the Trustee's copies of the form 6 when requested.

Criteria

Indiana Code 26-2-8-111(e) states: "If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

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)

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

Conditions and Context

The Township did not adopt the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. Additionally, 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.

JEFFERSON TOWNSHIP, CASS 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."

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](#)."



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

JEFFERSON TOWNSHIP, CASS 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	\$ 1,958	\$ 12,072	\$ 9,878	\$ 4,152	\$ 7,816	\$ 8,714	\$ 3,254
Township Assistance	7,138	6,857	4,931	9,064	3,922	2,467	10,519
Fire Fighting	5,826	24,007	28,000	1,833	31,191	28,000	5,024
Rainy Day	4,510	117	1,250	3,377	-	-	3,377
Cumulative Fire	<u>3,496</u>	<u>9,505</u>	<u>-</u>	<u>13,001</u>	<u>8,984</u>	<u>-</u>	<u>21,985</u>
Totals	<u>\$ 22,928</u>	<u>\$ 52,558</u>	<u>\$ 44,059</u>	<u>\$ 31,427</u>	<u>\$ 51,913</u>	<u>\$ 39,181</u>	<u>\$ 44,159</u>

JEFFERSON TOWNSHIP, CASS 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	\$ 3,254	\$ 8,616	\$ 9,185	\$ 2,685	\$ 16,387	\$ 13,216	\$ 5,856
Township Assistance	10,519	3,355	5,670	8,204	4,538	3,087	9,655
Fire Fighting	5,023	31,006	28,000	8,029	26,208	28,000	6,237
Rainy Day	3,377	1,000	-	4,377	-	-	4,377
Cumulative Fire	<u>21,985</u>	<u>8,384</u>	<u>-</u>	<u>30,369</u>	<u>10,701</u>	<u>-</u>	<u>41,070</u>
Totals	<u>\$ 44,158</u>	<u>\$ 52,361</u>	<u>\$ 42,855</u>	<u>\$ 53,664</u>	<u>\$ 57,834</u>	<u>\$ 44,303</u>	<u>\$ 67,195</u>