

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

COMPLIANCE ENGAGEMENT REPORT

OF

GERMAN TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

10/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Thomas McClanahan	01-01-19 to 12-31-22
	Jennifer Robinson	01-01-23 to 12-31-24
Chair of the Township Board	Leta Johnson	01-01-19 to 12-31-22
	Rudy Monterrosa	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF GERMAN TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of German 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 Jennifer Robinson, Trustee, and Mary Ellen McNeil, Township Board member, on August 29, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 20, 2024

GERMAN TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS

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

A similar comment also appeared in prior Report B55222.

Condition and Context

For all years of the engagement period, the Town certified on the Indiana Gateway for Government Units financial reporting system that the internal control standards were adopted and all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts had not been adopted and training had not been provided to necessary employees and officials.

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](#)."

RECORD OF HOURS WORKED

The same comment also appeared in prior Report B55222.

Condition and Context

Internal controls were not in place to ensure documentation to support payroll disbursements were properly maintained by the Township. The Township did not maintain documentation to support the number of hours worked for part-time employees for 2019, 2020, 2021, and 2022.

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: . . .

GERMAN TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

(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 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. . . ."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure capital assets were properly classified. The Township did not have a formalized capital assets policy with a threshold that detailed the dollar amount in which an item is considered a capital asset.

GERMAN TOWNSHIP, ST. JOSEPH 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)

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COMPENSATION AND BENEFITS

Condition and Context

Internal controls were not in place to ensure all positions were on the Salary Ordinance approved yearly by the Township Board. The Township paid personnel \$15 an hour when assisting with various clerical duties. This amount was not included in the Salary Ordinance until 2023.

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)

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:

GERMAN TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

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STALE DATED OUTSTANDING CHECKS (WARRANTS)

Condition and Context

Internal controls were not in place to ensure the Township complied with state statute related to outstanding checks over two years old. The Township had stale dated outstanding checks (warrants) present for \$245,618 and \$758 for years 2021, 2022, and 2023, respectively.

Criteria

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

GERMAN TOWNSHIP, ST. JOSEPH COUNTY
COMMENTS
(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

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

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GERMAN TOWNSHIP, ST. JOSEPH 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
GENERAL FUND	\$ 300,071	\$ 195,648	\$ 151,059	\$ 344,660	\$ 135,263	\$ 65,050	\$ 414,873
RECREATION FUND	255,042	53,941	38,051	270,932	29,846	23,443	277,335
TOWNSHIP ASSISTANCE	52,051	44,851	33,466	63,436	39,635	30,325	72,746
RAINY DAY FUND	62,115	360	-	62,475	729	-	63,204
FIRE DEBT SERVICE FUND	-	-	-	-	-	-	-
PAYROLL DEDUCTIONS	-	12,686	12,686	-	12,699	12,699	-
FIRE DEBT SERVICE FUND	<u>56,286</u>	<u>-</u>	<u>-</u>	<u>56,286</u>	<u>-</u>	<u>-</u>	<u>56,286</u>
Totals	<u>\$ 725,565</u>	<u>\$ 307,486</u>	<u>\$ 235,262</u>	<u>\$ 797,789</u>	<u>\$ 218,172</u>	<u>\$ 131,517</u>	<u>\$ 884,444</u>

GERMAN TOWNSHIP, ST. JOSEPH 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
GENERAL FUND	\$ 414,871	\$ 114,114	\$ 108,361	\$ 420,624	\$ 113,431	\$ 188,021	\$ 346,034
RECREATION FUND	277,333	34,489	27,580	284,242	74,054	25,061	333,235
TOWNSHIP ASSISTANCE	72,747	56,341	22,031	107,057	80,996	25,145	162,908
RAINY DAY FUND	63,204	132	-	63,336	1,122	-	64,458
FIRE DEBT SERVICE FUND	56,286	-	-	56,286	-	56,286	-
PAYROLL DEDUCTIONS	-	11,568	11,568	-	12,065	12,065	-
DONATIONS	-	-	-	-	1,323	88	1,235
Totals	<u>\$ 884,441</u>	<u>\$ 216,644</u>	<u>\$ 169,540</u>	<u>\$ 931,545</u>	<u>\$ 282,991</u>	<u>\$ 306,666</u>	<u>\$ 907,870</u>

GERMAN TOWNSHIP, ST. JOSEPH 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
GENERAL FUND	\$ 346,034	\$ 186,954	\$ 196,294	\$ 336,694
RECREATION FUND	333,237	92,374	24,985	400,626
TOWNSHIP ASSISTANCE	162,909	7,826	31,937	138,798
RAINY DAY FUND	64,459	3,415	-	67,874
PAYROLL DEDUCTIONS	-	11,539	11,539	-
DONATIONS	1,235	8,000	-	9,235
Totals	<u>\$ 907,874</u>	<u>\$ 310,108</u>	<u>\$ 264,755</u>	<u>\$ 953,227</u>