

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

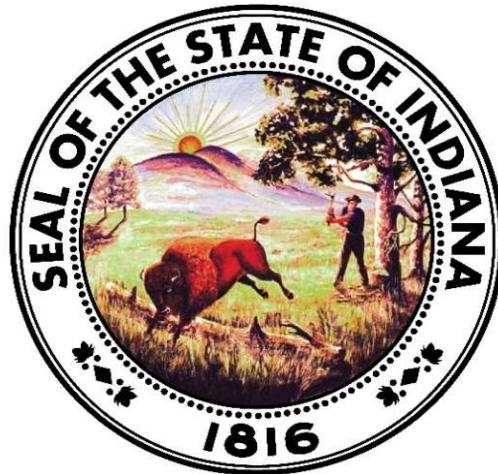
COMPLIANCE ENGAGEMENT REPORT

OF

CHESTER TOWNSHIP

WABASH COUNTY, INDIANA

January 1, 2020 to December 31, 2023



**FILED**  
07/25/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Florence Dahlstrom Becca Melton	01-01-20 to 12-31-22 01-01-23 to 12-31-24
Chair of the Township Board	Lamoine Thomas Russell Reahard	01-01-20 to 12-31-22 01-01-23 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CHESTER TOWNSHIP, WABASH COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Chester 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 Schedule of 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 Becca Melton, Trustee; Russell Reahard, Chair of the Township Board; Erin Huiras, Township Board member; and Pamela Strasser, Township Board member, on July 16, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 9, 2024

CHESTER TOWNSHIP, WABASH 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:

- Annual Financial Report
- Penalties, Interest, and Other Charges
- Bank Account Reconciliations
- Monthly and Annual Uploads
- Supporting Documentation
- Prescribed Forms
- Recording of Receipts
- 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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Township's general ledger did not support the Annual Financial Report (AFR) filed by the Township in the Indiana Gateway for Government Units financial reporting system for 2020, 2021, 2022, and 2023. Due to the nature and significance of the errors, we were unable to propose adjustments to the Township's financial statement. The following is a comparison of the Township's reported AFR amounts and the Township's general ledger amounts:

CHESTER TOWNSHIP, WABASH COUNTY  
COMMENTS  
(Continued)

	Cash and Investment Balances			
	2020	2021	2022	2023
AFR	\$ 1,227,609	\$ 1,231,907	\$ 1,047,907	\$ 1,132,936
General Ledger	1,124,571	1,124,306	1,137,932	1,224,433
Difference	\$ 103,038	\$ 107,601	\$ (90,025)	\$ (91,497)

	Receipts			
	2020	2021	2022	2023
AFR	\$ 542,701	\$ 300,147	\$ 160,739	\$ 500,294
General Ledger	507,299	259,772	353,070	465,990
Difference	\$ 35,402	\$ 40,375	\$ (192,331)	\$ 34,304

	Disbursements			
	2020	2021	2022	2023
AFR	\$ 455,779	\$ 295,849	\$ 342,513	\$ 415,265
General Ledger	514,291	267,029	341,046	379,489
Difference	\$ (58,512)	\$ 28,820	\$ 1,467	\$ 35,776

Additionally, the Township did not submit the 2021 and 2022 AFRs by the due date. The due date for these reports were March 1, 2022, and March 1, 2023, respectively. The 2021 AFR was submitted on July 7, 2022, and the 2022 AFR was submitted on March 29, 2023.

*Criteria*

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Townships, Chapter 1)

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Township did not remit payroll taxes timely to the appropriate third-party and were assessed penalties and interest charges on different occasions during the engagement period. The total penalties and interest charges identified and paid were as follows:

CHESTER TOWNSHIP, WABASH COUNTY  
COMMENTS  
(Continued)

- Indiana Department of Revenue, \$880
- United States Department of the Treasury, \$411

Additionally, the Township did not remit withholdings for the Public Employees Retirement Fund (PERF) in a timely manner in 2022. There was a payment of \$11,283 made to the Indiana Public Retirement System (INPRS) on November 15, 2022, which included withholdings for the period of May 16, 2022 through November 15, 2022. The withholding payments should be remitted monthly.

Furthermore, on three separate utility bills inspected, there were past-due balances stated. The past-due balances listed by billing date were as follows:

- February 8, 2022, for \$824
- March 10, 2022, for \$1,314
- June 9, 2022, for \$786

Based on the documentation provided, we were unable to determine if any late fees were assessed as a result of the past-due balances.

*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)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

During testing, 8 out of 12 bank reconciliations were not completely timely. According to the timestamp listed on the bank reconciliations, 8 reconciliations were performed from 1 month past the respective month end to over 12 months past month end. Additionally, the Township did not properly include the Certificate of Deposit balance in its monthly bank reconciliations.

*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."

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The Township did not comply with the State Examiner Directive 2018-1 and did not upload the following required monthly uploads:

- 2020: Bank statements for any of the 12 months
- 2021: Bank statements for any of the 12 months and 6 out of 12 monthly funds ledgers
- 2022-2023: None of the required monthly uploads

CHESTER TOWNSHIP, WABASH COUNTY  
COMMENTS  
(Continued)

The Township did not comply with the State Examiner Directive 2018-1 and did not upload the following required annual uploads:

- 2021: Receipts and Disbursements Detail, Payroll History Report
- 2022-2023: None of the required annual uploads

*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.

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)

**SUPPORTING DOCUMENTATION**

*Condition and Context*

Supporting documentation for the following items could not be provided by the Township during the engagement:

- 2022 Salary Ordinance/Resolution
- 2023 Salary Ordinance/Resolution
- Invoices for claims totaling \$8,562 in years 2020 through 2022

*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)

CHESTER TOWNSHIP, WABASH COUNTY  
COMMENTS  
(Continued)

**PRESCRIBED FORMS**

*Condition and Context*

The Township did not properly maintain prescribed forms related to Township assistance disbursements during the engagement period. Of the 16 Township assistance disbursements tested, 3 did not have a form TA-1 provided for examination. There were 2 of the disbursements tested that did not have a form TA-2 provided for examination. Additionally, no TA-1A forms were provided for any of the disbursements selected for testing.

*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)

**RECEIPT RECORDING**

*Condition and Context*

The Township did not properly record the following receipts and/or provide supporting documentation to support the receipt.

- In 2020, \$128,681 of LIT distributions were receipted into the Fire Fighting fund, instead of the Township fund.
- In 2021, \$10,834 of Property Tax distributions were erroneously receipted into the Township fund.
- In 2020, 2021, and 2023, LIT distributions of \$50,109, \$64,670, and \$59,830, respectively, were receipted into the records and deposited into the bank account, but no supporting documentation could be provided.

*Criteria*

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (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)

CHESTER TOWNSHIP, WABASH COUNTY  
COMMENTS  
(Continued)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Township certified on the Indiana Gateway for Government Units financial reporting system that personnel had received training on internal control standards. However, the current Trustee had not completed the training on internal controls. Therefore, the certification was made incorrectly, because the Trustee had not completed the internal controls training.

*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 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2)."

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](#)."