

**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

PULASKI 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	Betty Kruger	01-01-20 to 12-31-24
Chair of the Township Board	Carl Kopka	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF JEFFERSON TOWNSHIP, PULASKI 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 Betty Kruger, Trustee; Jim Pierrou, Township Clerk; and Steve Sommers, Township Board member, on December 3, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

December 3, 2024

JEFFERSON TOWNSHIP, PULASKI 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:

- Bank Reconciliations
- Prescribed Forms
- Payroll
- Capital Asset Policy

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. . . ."

BANK RECONCILIATIONS

Condition and Context

The Township completed monthly bank reconcilements as required. However, variances were noted when the adjusted bank balance was compared to the record balance at year end for two of the four years reviewed. The record balance was greater than the adjusted bank balance by \$1,144 and \$357 at December 31, 2020 and 2023, respectively. Checks were issued and dated in December of each year but not timely posted to the record until they cleared the bank the following month.

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."

JEFFERSON TOWNSHIP, PULASKI COUNTY
COMMENTS
(Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PRESCRIBED FORMS

Condition and Context

The Township maintained and provided computerized records in Excel. However, the computerized records did not include the receipt number issued nor dates of when collections were received, or when the payment was made as required. As a result, we could not determine if any financial transactions were recorded in a timely manner.

In addition, the Township disbursed a total of \$2,900 in assistance from 2020 to 2023.

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) for the administration of Township Assistance as required. In a review of seven Township Assistance disbursements, the Township did not provide the required form TA-1A for any of the seven disbursements or the form TA-2 for three of the disbursements as required.

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PAYROLL

Condition and Context

The following deficiencies were noted during the testing of payroll.

Record of Hours Worked

The Township did not maintain a record of hours worked for the Township Clerk as required. The Township Clerk was paid a total of \$6,700 from 2020 to 2023.

JEFFERSON TOWNSHIP, PULASKI COUNTY
COMMENTS
(Continued)

Advance Payments

For payments made at year end in 2020, 2022, and 2023, compensation was determined to be paid between the 3rd and 11th day of the last month in the year based on the date reviewed from the returned canceled check from the bank. This resulted in the Trustee, Township Clerk, and Township Board members to be paid in advance of hours worked.

For 2021, we could not determine if payroll was made in advance of hours worked. The cancelled checks were not presented for review.

Criteria

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)

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

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)

CAPITAL ASSET POLICY

Condition and Context

The Township did not provide a capital asset policy that detailed the threshold at which an item is considered a capital asset. The Township did not have any capital assets to report.

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)



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

JEFFERSON TOWNSHIP, PULASKI 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 General	\$ 26,150	\$ 7,833	\$ 11,331	\$ 22,652	\$ 11,313	\$ 10,692	\$ 23,273
Township Assistance	8,852	2,118	350	10,620	100	1,200	9,520
Fire Fighting Fund	51,712	12,859	12,747	51,824	15,517	17,852	49,489
Rainy Day	5,630	-	-	5,630	5,000	265	10,365
Hoffman Irrevocable Trust	57,188	978	5,000	53,166	910	-	54,076
Cemetery Fund	2,997	7,201	1,237	8,961	1,000	2,238	7,723
Totals	<u>\$ 152,529</u>	<u>\$ 30,989</u>	<u>\$ 30,665</u>	<u>\$ 152,853</u>	<u>\$ 33,840</u>	<u>\$ 32,247</u>	<u>\$ 154,446</u>

JEFFERSON TOWNSHIP, PULASKI 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 General	\$ 23,273	\$ 12,687	\$ 7,663	\$ 28,297	\$ 12,713	\$ 8,724	\$ 32,286
Township Assistance	9,520	-	850	8,670	2,315	500	10,485
Fire Fighting Fund	49,489	15,576	12,852	52,213	18,509	18,074	52,648
Rainy Day	10,365	-	-	10,365	5,000	5,000	10,365
Hoffman Irrevocable Trust	54,076	925	-	55,001	941	-	55,942
Cemetery Fund	7,723	1,150	2,644	6,229	1,073	2,373	4,929
Totals	\$ 154,446	\$ 30,338	\$ 24,009	\$ 160,775	\$ 40,551	\$ 34,671	\$ 166,655

**Jefferson Township Trustee's Office
Pulaski County, Indiana**

OFFICIAL RESPONSE

December 7, 2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Official Response to Jefferson Township Audit and December 3rd Exit Interview

Betty Kruger, Jefferson Township Trustee
Jim Pierrou, Jefferson Township Clerk

Item 1 – Bank Reconciliations

The audit contends that there were two variances on December 31, 2020 and December 31, 2023 between the adjusted bank statement records and the township records when outstanding checks were considered. We have provided proof to the auditors that our records show the actual bank balances on the township's financial records for each of those months. In the lower right hand corner of the report, all outstanding checks or deposits are shown, with the adjusted bank book balance shown. The report, for clarification, actually shows the bank statement balance and the check book balance, which account for any outstanding checks or deposits at the time when the bank statement is generated. We contend that this standard is met with our current controls.

Item 2 – Prescribed Forms

Due to a lack of recording receipt numbers and date of payments and receipts in our monthly financial report, the auditor could not determine if transactions were conducted in a timely manner. We have now added that information to our reports to clarify this information.

It was also noted that we were not using the prescribed forms for Township Assistance. We cannot find any of the required forms anywhere in the Indiana Gateway site or State of Indiana websites. We challenged the auditors to locate these forms and they failed to find them also. We cannot comply with this requirement without assistance from the state to locate these required forms.

Item 3 – Payroll

The auditor noted that there was no record of hours worked for the clerk. When we set the budget, it determines the compensation for the Trustee, Clerk, and the Township Board. These are noted as "salary" positions, and as such, compensation reflects complete execution of the requirements of the job, regardless of hours worked. In addition, the auditor also notes that the

proper forms were not used to report the hours the clerk worked. Again, we contend that we cannot use the required forms if we cannot locate them anywhere in the state's archives.

It was also noted that payment to the clerk, trustee, and board members was paid in mid-December, which in the auditor's opinion, is prior to the execution of all duties. We are a very small rural township that contains no businesses, and one church. As you can imagine our budget is very small, with the trustee and clerk working from their homes. Because of our small size, all township business is completed well in advance of the end of December; therefore the execution of duties is complete prior to payment of compensation. It is also important to note that all salaries are paid at one time, in a lump sum at the end of the year.

This concludes the Jefferson Township official response to the audit and exit interview.

Thank you,

Betty Kruger, Trustee

Jim Pierrou, Clerk