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

COMPLIANCE ENGAGEMENT REPORT

OF

ADAMS TOWNSHIP

CASS COUNTY, INDIANA

January 1, 2020 to December 31, 2023

FILED
08/07/2024

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SCHEDULE OF OFFICIALS

Office	Official	Term
Trustee	Scott Rudicel	01-01-20 to 05-08-24
	Maddie Foster	05-09-24 to 07-15-24
	(Vacant)	07-16-24 to 12-31-24
Chair of the Township Board	Brent Thomas	01-01-20 to 12-31-24

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Adams 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 Scott Rudicel, former Trustee, and Brent Thomas, Chair of the Township Board, on July 25, 2024.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

June 18, 2024

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in the noncompliance over the annual financial report, compensation, capital assets, adoption of and training on internal control standards, certification on internal control standards, and monthly and annual uploads.

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

Financial information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. The AFR is the source of the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in this report.

The AFRs for 2021, 2022, and 2023 did not properly report some receipts and disbursements. See the table below for a description of receipts and disbursement over or under reported.

Description	Year	Effect on Cash Balance			
		General	Township Assistance	Fire	Cumulative Fire
Receipt underreported	2021	$ 82	$ -	$ -	$ -
Disbursement underreported	2021	(1,688)	-	-	-
Receipt to wrong fund	2021	-	-	(9,291)	9,291
Receipt underreported	2022	2,444	-	-	-
Disbursement overreported	2022	5,000	-	-	-
Receipt underreported	2022	-	508	-	-
Disbursement underreported	2022	-	(5,000)	-	-
Disbursement overreported	2022	-	1,798	-	-
Receipt overreported	2022	-	-	(689)	-
Disbursement underreported	2023	(417)	-	-	-

Adjustments were made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis included in this report.

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."

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)

COMPENSATION

Condition and Context

The Township did not fix salaries and wages for employees and officials for 2020, 2021, 2022, or 2023 as required.

The Township reported the Trustee and Township Board members as independent contractors and issued Form 1099 instead of reporting them as W-2 employees. Due to the Township reporting them as independent contractors, the Township did not withhold any payroll withholdings.

Criteria

Indiana Code 36-6-6-10(b) states in part:

"The township legislative body shall fix the:

(1) salaries;

(2) wages; . . .

of all officers and employees of the township."

Resolution Establishing Salaries of Township Officers and Employees Township Form No. 17 (Revised 2020) has been prescribed to fulfill the requirements of the law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

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)

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 adopt a capital asset policy that establishes a threshold, nor did the Township maintain a capital asset ledger.

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)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Condition and Context

The Township could not provide documentation that they had adopted the acceptable minimum level of internal control standards.

Supporting documentation to show the Township employees had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts could not be provided by the Township.

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

Condition and Context

The Township certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e); however, during the engagement, the Township could not provide supporting documentation to show the Township adopted the minimum internal control standards.

The Township certified on Gateway 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 could not provide supporting documentation to show all personnel had 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 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."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Township did not upload annually the Resolution Establishing Salaries of Township Officers and Employees, Township Form No. 17, for 2020, 2021, 2022, and 2023.

In addition, the Township did not upload the following required monthly uploads in 2023:

- July 2023 - Failed to upload the Bank Reconciliation and Bank Statement.
- August 2023 - Failed to upload the Bank Reconciliation, Bank Statement, Township Board minutes and Fund Ledger.
- September 2023 - Failed to upload the Bank Reconciliation, Bank Statement, Township Board Minutes and Fund Ledger.
- October 2023 - Failed to upload the Bank Reconciliation, Bank Statement and Fund Ledger.

- November 2023 - Failed to upload the Bank Reconciliation, Bank Statement, Township Board Minutes and Fund Ledger.

- December 2023 - Failed to upload the Bank Reconciliation, Bank Statement, Township Board Minutes and Fund Ledger.

The Township did not upload the following required annual uploads in 2023:

- Year-End Investment Statements and Register of Investments, General Form 350

- Detail of Receipts by Fund and Account (if Data Capture Not Available)

- Detail of Disbursements by Fund and Account (if Data Capture Not Available)

- Annual Funds Ledger (beginning balance, receipts, disbursements, and ending balance by fund)

- Annual Payroll History Report - without SS#

- Excel Data Capture (data dump)

- Accounts Payable/Receivable Schedule Support

- Direct Federal Grant Agreements/Award Letters and Amendments Initiated During the Year

- Agreements for Subawards Made to Subrecipients for All Federal Grants Initiated During Year

- Personnel Policy

- Contracts for Mowing and Fire Protection

Criteria

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)

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)

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

ADAMS 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	$ 65,812	$ 10,276	$ 27,739	$ 48,349	$ 20,496	$ 16,191	$ 52,654
Township Assistance	8,991	134	1,445	7,680	4,135	4,399	7,416
Fire Fighting	32,872	25,118	17,421	40,569	11,357	19,235	32,691
Rainy Day	3,795	-	-	3,795	-	-	3,795
Cumulative fire	30,041	24,801	12,500	42,342	9,291	12,500	39,133
Totals	$ 141,511	$ 60,329	$ 59,105	$ 142,735	$ 45,279	$ 52,325	$ 135,689

ADAMS 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	$ 52,654	$ 20,048	$ 18,609	$ 54,093	$ 21,045	$ 18,907	$ 56,231
Township Assistance	7,416	5,980	1,391	12,005	5,675	4,869	12,811
Fire Fighting	32,692	20,016	23,204	29,504	21,677	18,204	32,977
Rainy Day	3,795	-	-	3,795	-	-	3,795
Cumulative fire	39,133	-	12,500	26,633	-	12,500	14,133
Totals	$ 135,690	$ 46,044	$ 55,704	$ 126,030	$ 48,397	$ 54,480	$ 119,947