

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

HARRISON TOWNSHIP

OWEN COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

12/11/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert Janke (deceased) (Vacant) Elizabeth Sutton	01-01-19 to 04-12-23 04-13-23 to 12-17-23 12-18-23 to 11-01-24
President of the Township Board	Betty Jordan (deceased) (Vacant)	01-01-19 to 12-31-22 01-01-23 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF HARRISON TOWNSHIP, OWEN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Harrison 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 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 Elizabeth Sutton, Trustee, and Dan Dalton, Township Board member, on October 24, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 16, 2024

HARRISON TOWNSHIP, OWEN COUNTY
COMMENTS

INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS

Condition and Context

The following areas did not have proper internal controls in place to ensure compliance with laws, regulations, and Guidelines:

- Condition of Records
- Bank Reconcilements
- Annual Financial Reports
- Board Minutes
- Capital Assets
- Certification and Training on Internal Control Standards
- Certified Report Filed After Due Date
- 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. . . ."

CONDITION OF RECORDS

Condition and Context

Internal controls were not in place to ensure accounting records or ledgers were complete and accurate and supporting documentation was maintained for disbursements. From January 1 through December 31, 2022, the Township recorded its receipts and disbursements in the Financial and Appropriation Record, Township Form 1C (ledger), but, as detailed in the Annual Financial Report comment, no receipts and disbursements were reported for 2022. Only December 2023 bank transactions were recorded in the ledger for the 2023 fiscal year.

For purposes of the engagement, bank transactions for 2022 and 2023 were compiled, reviewed, and compared to the ledger for fiscal years 2022 and 2023. The following table shows comparison of the bank transactions adjusted for deposits-in-transit and outstanding checks and the recorded ledger transactions for fiscal years 2022 and 2023.

HARRISON TOWNSHIP, OWEN COUNTY
COMMENTS
(Continued)

	2022		
	Receipts	Disbursements	Difference
Adjusted Bank Transactions	\$ 25,586	\$ 20,798	\$ 4,788
Ledger Transactions	17,323	19,891	(2,568)

	2023		
	Receipts	Disbursements	Difference
Adjusted Bank Transactions	\$ 27,278	\$ 7,560	\$ 19,718
Ledger Transactions	12,413	7,213	5,200

For purposes of the engagement, year-end bank reconciliations for fiscal years ended December 31, 2022, and December 31, 2023, were prepared by the Indiana State Board of Accounts using information available. The difference between the adjusted bank balances per these reconcilements and the ledger cash and investments are as follows:

	Adjusted Bank	Ledger	Difference
12-31-22	\$ 30,369	\$ 23,032	\$ 7,337
12-31-23	50,088	34,629	15,459

The Township did not provide supporting documentation for disbursements for the audit period. Disbursement amounts reported on the Township's Annual Financial Report (AFR) for fiscal years 2019 through 2021 were \$20,112, \$20,699, and \$20,180, respectively. Disbursement amounts per the Township's bank statements for fiscal years 2022 through 2023 were \$14,191 and \$14,144.

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)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

HARRISON TOWNSHIP, OWEN COUNTY
COMMENTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure compliance over bank account reconciliations, and, due to the lack of accounting records as discussed further in the Condition of Records comment for the fiscal year ended December 31, 2022, and for the period January through November 2023, the Town did not prepare a monthly reconciliation.

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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure the Annual Financial Reports (AFRs) filed on the Indiana Gateway for Government Units (Gateway) financial reporting system were submitted accurately and timely. The AFRs for fiscal years ended December 31, 2022 and 2023, were not submitted timely as noted in the following schedule.

<u>Year</u> <u>End</u>	<u>Due</u> <u>Date</u>	<u>Date</u> <u>Submitted</u>	<u>Days Passed</u> <u>Due Date</u>
12-31-22	03-01-23	05-15-24	441
12-31-23	02-29-24	05-28-24	89

HARRISON TOWNSHIP, OWEN COUNTY
COMMENTS
(Continued)

The following schedule shows the differences between the cash and investment balances reported by fund in the AFR from the end of one fiscal year to the beginning of the next fiscal year. It also shows differences between AFR reported receipts and disbursements and those posted in the accounting records (Ledger) of the Township that were \$50 or more. As described further in the Condition of Records comment, only December 2023 bank transactions were posted in the Township accounting records so the amounts reported in the AFR are not reflective of the entire fiscal year.

Fiscal Year 2020			
Disbursements			
	AFR	Ledger	Difference
Fund:			
Fire Fighting	\$ 4,264	\$ 4,525	\$ (261)

Fiscal Year 2021			
Cash and Investment Balance per AFR			
	January 1, 2021	December 31, 2020	Difference
Fund:			
Township	\$ 7,801	\$ 7,143	\$ 658

Fiscal Year 2022			
Receipts			
	AFR	Ledger	Difference
Fund:			
Township	\$ -	\$ 13,981	\$ (13,981)
Township Assistance	-	1,656	(1,656)
Fire Fighting	-	1,686	(1,686)
Totals	\$ -	\$ 17,323	\$ (17,323)

Disbursements			
	AFR	Ledger	Difference
Fund:			
Township	\$ -	\$ 16,291	\$ (16,291)
Township Assistance	-	600	(600)
Fire Fighting	-	3,000	(3,000)
Totals	\$ -	\$ 19,891	\$ (19,891)

Fiscal Year 2023			
Cash and Investment Balance per AFR			
	January 1, 2023	December 31, 2022	Difference
Fund:			
Township	\$ 14,865	\$ 11,604	\$ 3,261
Township Assistance	10,974	8,653	2,321
Fire Fighting	1,301	3,054	(1,753)
Rainy Day Fund	2,289	2,289	-
Totals	\$ 29,429	\$ 25,600	\$ 3,829

HARRISON TOWNSHIP, OWEN COUNTY
COMMENTS
(Continued)

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)

BOARD MINUTES

Condition and Context

Internal controls were not in place to ensure Township Board minutes were available for review. Except for one meeting on September 22, 2022, the Township did not provide documentation to support that the legislative body of the Township, the Township Board, met and fulfilled their statutory duties in fiscal years 2021 through October 16, 2024. The Township Board is required to keep a permanent record of its proceedings per Indiana Code 36-6-6-8.

Townships Boards are required to meet to organize by electing a chairman and secretary for the year, approve the annual report, organize as a board of finance, and adopt the annual budget.

Criteria

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year."

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in February of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under [IC 36-6-4-12](#)."

Indiana Code 5-13-7-6(a) states in part:

"Each local board of finance shall meet annually after the first Monday and on or before the last day of January. At the annual meeting the board of finance shall do the following:

HARRISON TOWNSHIP, OWEN COUNTY
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(1) Elect from the board's membership:

(A) a president; and

(B) a secretary.

Indiana Code 36-6-6-11(a) states:

The legislative body shall meet annually in accordance with [IC 6-1.1-17](#), to adopt the township's annual budget. The legislative body must meet and adopt the annual budget even if the legislative body intends for the most recent annual appropriations and annual tax levy of the township to be continued for the ensuing budget year.

CAPITAL ASSETS

Condition and Context

Due to a lack of internal controls, the Township had not adopted a capital asset policy nor was a detailed capital asset ledger maintained.

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)

CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township incorrectly certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that it had received training on internal controls; however, there was no documentation provided that verified appropriate personnel received training over 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](#)."

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

HARRISON TOWNSHIP, OWEN COUNTY
COMMENTS
(Continued)

- (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."

CERTIFIED REPORT FILED AFTER DUE DATE

Condition and Context

The Township did not have internal controls in place to ensure the certified report was filed on time. For the year 2023, the Township submitted its certified report 49 days after the due date.

Criteria

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Township did not comply with the State Examiner Directive and failed to upload any of the monthly and annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2019-2023.

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)