

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

COMPLIANCE ENGAGEMENT REPORT

OF

OLIVE TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**  
11/14/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Willbur D. Miller, Jr.	01-01-19 to 12-31-24
Chair of the Township Board	Carol Hesch	01-01-19 to 12-31-19
	Thomas Keen	01-01-20 to 12-31-20
	Carol Hesch	01-01-21 to 12-31-22
	Robert Middlebrook	01-01-23 to 12-31-23
	Keith Batzel	01-01-24 to 12-31-24



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF OLIVE 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 Olive 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 Keith Batzel, Chair of the Township Board, and Tina Scott, Township Clerk, on October 30, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

August 20, 2024

OLIVE TOWNSHIP, ST. JOSEPH COUNTY  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal controls were not in place resulting in noncompliance in the following engagement areas:

- Capital Assets
- Bank Account Reconciliations
- Training and Certification on Internal Control Standards
- Annual Financial Reports
- Contracts

*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. . . ."

**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place to ensure compliance with guidelines over capital assets. The Township had not adopted a capital asset policy and did not properly maintain a complete listing of all capital assets owned which reflected their acquisition value. Additionally, the Township did not complete a physical inventory at least every two years. The Township reported \$3,601,769 in capital assets as of December 31, 2023, in its Annual Financial Report (AFR) filed in the Indiana Gateway for Government Units financial reporting system. Without a capital asset listing, the amounts reported could not be verified.

*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)

OLIVE TOWNSHIP, ST. JOSEPH COUNTY  
COMMENTS  
(Continued)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Internal controls were not in place to ensure the Township properly reconciled all bank accounts during the engagement period and recorded all transactions in its accounting records. The Township used three separate bank accounts but only reconciled one of the accounts to the funds ledgers. The other two bank accounts were used as clearing accounts for payroll and EMS billing/activity but were not included on the funds ledgers and were not reconciled.

A bank reconciliation which included all three bank accounts of the Township was prepared as of December 31, 2023, for purposes of the engagement. It showed the adjusted bank balances had \$3,763 more than the funds ledger. The variance includes a payment posting error of \$2,954.

*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."

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)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B55269, entitled *ADOPTION OF AND TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

Internal controls were not in place to ensure compliance with training over and certification on internal control standards. The Township could not provide documentation that officers whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

The Township's Indiana Gateway for Government Units financial reporting system certification of the training on the acceptable minimum level of internal control standards was made incorrectly for each year of the engagement period. The Township certified that they had adopted and received training on internal control standards; however, the Township was unable to provide evidence supporting these certifications.

*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

OLIVE TOWNSHIP, ST. JOSEPH COUNTY  
COMMENTS  
(Continued)

(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](#)."

### **ANNUAL FINANCIAL REPORTS**

A similar comment also appeared in prior Report B55269, entitled *ANNUAL FINANCIAL REPORT ERRORS*.

#### *Condition and Context*

Internal controls were not in place to ensure accurate reporting of financial and other information. Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

#### *Financial Statement*

The Township did not record the financial activity of the payroll and EMS billing/activity in its funds ledger. It also did not report these funds on its AFR in Gateway, which is the source of the financial statements. As a result, the receipts and disbursements of the AFR and financial statement were understated by \$5,714,478 and \$5,406,550 for the combined years, respectively. The December 31, 2023 cash and investment balance was understated by \$10,378 for the payroll fund and \$297,437 for the EMS billing/activity fund.

Adjustments were proposed, accepted by the Township, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented 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](#)."

OLIVE TOWNSHIP, ST. JOSEPH COUNTY  
COMMENTS  
(Continued)

**CONTRACTS**

*Condition and Context*

Internal controls were not in place to ensure compliance with guidelines over contractual services. The Township could not provide contracts to support payments for fire station renovations. Seven different vendors were paid \$1,462,399 for the renovation work.

*Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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

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OLIVE 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			Cash and Investments			Cash and Investments
	01-01-19	Receipts	Disbursements	12-31-19	Receipts	Disbursements	12-31-20
Township	\$ 187,010	\$ 35,101	\$ 46,375	\$ 175,736	\$ 181,114	\$ 131,042	\$ 225,808
Emergency Medical Service	101,084	221,196	245,720	76,560	-	76,560	-
Parks and Recreation	16,159	-	-	16,159	2,939	96	19,002
Township Assistance	84,552	10,253	18,675	76,130	17,635	17,180	76,585
Fire Fighting	25,419	156,836	163,904	18,351	-	18,351	-
Rainy Day	7,819	-	-	7,819	21,697	-	29,516
Fire Territory General	-	-	-	-	2,379,955	1,802,355	577,600
Cumulative Fire	77,371	26,883	102,084	2,170	-	2,170	-
Fire Territory Equipment Replacement	-	-	-	-	136,663	85,287	51,376
Fire - Emergency Loan	-	347,467	333,245	14,222	-	14,222	-
Payroll Deductions	16,775	6,282	11,792	11,265	5,933	17,198	-
Construction	-	-	-	-	750,000	20,500	729,500
Payroll Clearing	-	26	16	10	973,287	970,047	3,250
EMS Clearing	-	25	-	25	138,869	114,878	24,016
<b>Totals</b>	<b>\$ 516,189</b>	<b>\$ 804,069</b>	<b>\$ 921,811</b>	<b>\$ 398,447</b>	<b>\$ 4,608,092</b>	<b>\$ 3,269,886</b>	<b>\$ 1,736,653</b>

OLIVE 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			Cash and Investments			Cash and Investments
	01-01-21	Receipts	Disbursements	12-31-21	Receipts	Disbursements	
Township	\$ 225,807	\$ 246,667	\$ 67,476	\$ 404,998	\$ 192,624	\$ 79,928	\$ 517,694
Parks and Recreation	19,002	2,444	190	21,256	-	-	21,256
Township Assistance	76,585	17,379	20,996	72,968	4,968	20,799	57,137
Rainy Day	29,516	-	-	29,516	-	-	29,516
Fire Territory General	577,601	2,387,434	2,101,724	863,311	2,487,267	2,320,430	1,030,148
Fire Territory Equipment Replacement	51,377	112,065	115,810	47,632	98,767	102,790	43,609
Construction	729,500	-	446,173	283,327	672,253	953,479	2,101
Cemetery	-	13,386	9,199	4,187	53,446	5,749	51,884
Payroll Deductions	-	-	-	-	1,384	-	1,384
EMS Emergency Medical Service	-	-	-	-	102,056	-	102,056
Payroll Clearing	3,251	1,118,674	1,113,713	8,212	1,288,144	1,295,017	1,339
EMS Clearing	24,016	204,992	209,289	19,719	224,718	228,939	15,498
<b>Totals</b>	<b>\$ 1,736,655</b>	<b>\$ 4,103,041</b>	<b>\$ 4,084,570</b>	<b>\$ 1,755,126</b>	<b>\$ 5,125,627</b>	<b>\$ 5,007,131</b>	<b>\$ 1,873,622</b>

OLIVE 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
Township	\$ 517,695	\$ 726,409	\$ 617,795	\$ 626,309
Parks and Recreation	21,256	-	-	21,256
Township Assistance	57,137	4,565	21,225	40,477
Rainy Day	29,516	-	-	29,516
Fire Territory General	1,030,149	2,338,225	2,492,263	876,111
Fire Territory Equipment Replacement	43,611	147,705	99,730	91,586
Construction	2,101	-	-	2,101
Cemetery	51,884	50,434	7,575	94,743
Payroll Deduction	1,384	39,166	12,324	28,226
EMS Emergency Medical Service	102,056	68	-	102,124
Payroll Clearing	1,340	1,483,654	1,474,651	10,343
EMS Clearing	15,497	282,089	-	297,586
Totals	<u>\$ 1,873,626</u>	<u>\$ 5,072,315</u>	<u>\$ 4,725,563</u>	<u>\$ 2,220,378</u>