

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

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

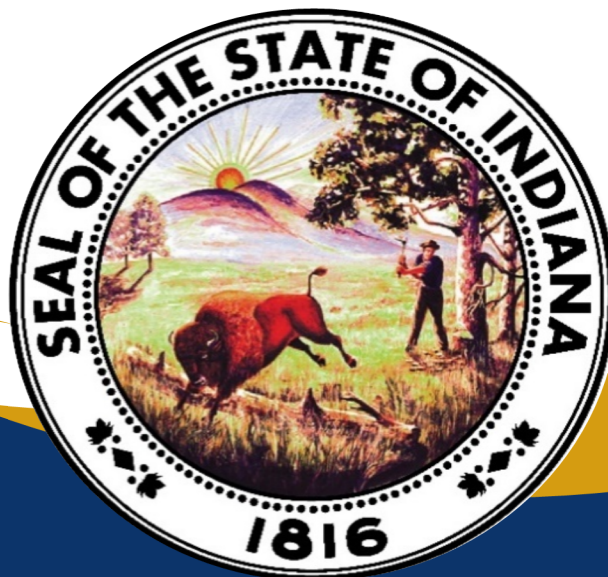
COMPLIANCE ENGAGEMENT REPORT

OF

MIAMI TOWNSHIP

CASS 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	Joseph Pear	01-01-20 to 12-31-24
Chair of the Township Board	Brady Saylor	01-01-20 to 12-31-22
	Barry M. Jones, Jr.	01-01-23 to 12-31-24



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Miami 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 Joseph Pear, Trustee; Barry M. Jones, Jr., Chair of the Township Board; Marguerite A. Field, Township Board member; and Timothy J. Buffum, Township Board member, on December 4, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

October 29, 2024

MIAMI TOWNSHIP, CASS 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:

- Advance Payments
- Payroll
- Payroll Withholding
- Use of Funds
- Prescribed Forms

*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. . . ."

**ADVANCE PAYMENTS**

*Condition and Context*

On December 22, 2023, the Township paid \$29,793 to a contractor for fencing at Township cemeteries. Four estimates, which totaled the amount paid, were provided as support for the disbursement. The Township Board approval of the advance payments or certifications that goods and services were received were not provided. As of October 24, 2024, the fencing at the cemeteries had not been completed.

*Criteria*

Indiana Code 5-11-10-1.6(d) states in part:

". . . (3) A political subdivision (as defined in [IC 36-1-2-13](#)) may make advance payments to contractors to enable the contractors to purchase materials needed for a public works project of the political subdivision. The solicitation for the public works contract providing for advance payment for contractors under this subdivision must include the following information:

MIAMI TOWNSHIP, CASS COUNTY  
COMMENTS  
(Continued)

(A) That the political subdivision will make advance payments to contractors to enable contractors to purchase materials.

(B) Any limitations on the amount of advance payments that will be made.

(C) Requirements for documentation relating to making advance payments to contractors for materials.

(D) Any other information about advance payment for materials the political subdivision considers useful to contractors that make offers.

(4) A political subdivision (as defined in [IC 36-1-2-13](#)) may make advance payments for goods or services before the goods are delivered or services are completed if the fiscal body of the political subdivision authorizes making advance payments. If the fiscal body of the political subdivision authorizes making advance payments, the local fiscal officer or the local fiscal officer's designee must do all of the following when advance payments are made:

(A) rack prepayments by defining the prepayment on a purchase order.

(B) Create a prepayment invoice that is associated with the purchase order. . . ."

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The reason SBOA guidance states that payments should not be made prior to the receipt of goods or services, except as authorized by statute, is to protect the township from paying for goods and services that they never receive. In allowing for prepayment for materials, the township needs to include requirements that substantiate that the materials were purchased for the townships project only and were used on that project. Prepayment of materials increases the townships risk for loss of funds, which can be mitigated with proper procedures and internal controls.

The township also needs to make sure the goods and services it pays for are being received. If the township board approves making a prepayment, internal controls need to be established with procedures and policies that govern how the township will track from the prepayment to the receipt of goods and any final payment due. This will require the use of purchase orders and invoices for the prepayment. The purchase needs to be tracked before the final payment is made, there should be a certification that goods and services were received.

To aid in the tracking of prepayments, we have created a new prescribed form, the Form 98P, titled, "Purchase Order Prepayment." The new prescribed form does not replace the Form 98 Purchase Order; rather, the new form is to be used when a prepayment is made to track from prepayment to receipt of goods and any final payment due. The top half of the Form 98P is the same as the Form 98, which lists: the quantity, number of units, description, unit price and total amount of the order. The bottom half of the form is what is new for prepayments, it lists; prepaid amount, prepaid check number, prepaid check date, invoice number, and total amount remaining of the order. It also has a space to document that a surety bond has been issued or is not required. The prepayments section also lists the Indiana Code for further requirements, if needed. The Form 98P can be obtained through your local print vendor, please contact us with any questions regarding the form.

(Township Bulletin and Uniform Compliance Guidelines, December 2023)

MIAMI TOWNSHIP, CASS COUNTY  
COMMENTS  
(Continued)

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)

**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 Deputy Township Clerk was paid a total of \$12,000 from 2020 to 2023.

*Advance Payments*

For one out of the four pay dates tested, compensation was paid on the 11th day of the last month in the quarter. As a result, the Trustee, Deputy Trustee, and three Township Board members were paid in advance of hours worked.

*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."

**PAYROLL WITHHOLDING**

*Condition and Context*

The Township did not provide supporting documentation for one of the four payroll withholding disbursements tested. As a result, we could not verify that the amounts withheld and paid were accurate. Additionally, one of the four payroll withholding disbursements tested was not paid timely. The quarterly payment for the pay period ending September 30, 2022, which totaled \$312, was not made until January 30, 2023.

MIAMI TOWNSHIP, CASS COUNTY  
COMMENTS  
(Continued)

*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)

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)

**USE OF FUNDS**

*Condition and Context*

On May 31, 2020, the Township made a \$32,428 transfer to the Fire Fighting fund from the Emergency Fire Fund to close the fund. The transfer was not approved by the Township Board nor was it made to either the Township fund, which is the equivalent to a general fund, nor the Rainy Day fund.

Additionally, on September 2, 2021, the Township made a \$250,000 transfer to the Township fund from the Fire Fighting Fund as a one-time transfer. The transfer was allowed per Indiana statute; however, it occurred one day after the statutory deadline.

*Criteria*

Indiana Code 36-1-8-5(b) states in part:

"Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise: . . .

- (4) Funds of any other political subdivision, to the general fund or rainy day fund of the political subdivision, as provided in section 5.1 of this chapter. . . ."

Indiana Code 36-6-6-16(c) states:

"Notwithstanding any other law, a township legislative body, in a public meeting, may authorize a one (1) time transfer of any excess balance or part of an excess balance from any township fund to any other township fund. A township legislative body may transfer excess balances from multiple township funds; however, all transfers must be authorized by the township legislative body at one (1) time. Subject to subsection (d), a township must complete all transfers that are authorized by this section not later than September 1, 2021. Any money transferred under this section may be used for any lawful purpose for which money in the fund to which the balance is transferred may be used."

MIAMI TOWNSHIP, CASS COUNTY  
COMMENTS  
(Continued)

**PRESCRIBED FORMS**

*Condition and Context*

The Township disbursed a total of \$12,121 in assistance from 2020 to 2023.

The Township did not properly maintain the prescribed form Notice of Township Assistance Action (TA-1A) as required. The Township did not use the required form for Township Assistance disbursements made during the engagement period.

*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)



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

MIAMI 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	\$ 184,532	\$ 71,797	\$ 16,223	\$ 240,106	\$ 73,676	\$ 41,112	\$ 272,670
Township Assistance	30,188	1,879	3,397	28,670	1,869	1,191	29,348
Fire Fighting	312,782	281,742	243,026	351,498	265,063	220,268	396,293
Rainy Day	28,107	-	-	28,107	-	-	28,107
Cumulative Fire	26,114	17,526	20,000	23,640	17,682	15,000	26,322
Emergency Fire Fund	32,428	-	32,428	-	-	-	-
Totals	<u>\$ 614,151</u>	<u>\$ 372,944</u>	<u>\$ 315,074</u>	<u>\$ 672,021</u>	<u>\$ 358,290</u>	<u>\$ 277,571</u>	<u>\$ 752,740</u>

MIAMI 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	\$ 272,670	\$ 324,498	\$ 15,533	\$ 581,635	\$ 74,442	\$ 51,353	\$ 604,724
Township Assistance	29,348	6,235	3,525	32,058	47,115	4,008	75,165
Fire Fighting	396,293	257,268	459,480	194,081	284,712	170,000	308,793
Rainy Day	28,107	-	-	28,107	-	-	28,107
Cumulative Fire	<u>26,322</u>	<u>19,808</u>	<u>-</u>	<u>46,130</u>	<u>23,655</u>	<u>-</u>	<u>69,785</u>
Totals	<u>\$ 752,740</u>	<u>\$ 607,809</u>	<u>\$ 478,538</u>	<u>\$ 882,011</u>	<u>\$ 429,924</u>	<u>\$ 225,361</u>	<u>\$ 1,086,574</u>