

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

COMPLIANCE ENGAGEMENT REPORT

OF

TIPTON TOWNSHIP

CASS COUNTY, INDIANA

January 1, 2020 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	Marcia Harness	01-01-20 to 12-31-24
Chair of the Township Board	Joyce Beechy	01-01-20 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Tipton 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 Marcia Harness, Trustee, and Joyce Beechy, Chair of the Township Board, on October 30, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 24, 2024

TIPTON 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:

- Bank Reconciliations
- Township Board Organization
- Capital Assets
- Adoption of, and Training and Certification on, Internal Control Standards
- 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. . . ."

BANK RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure errors identified by monthly bank reconciliations were investigated and corrected timely. The Township completed a monthly bank reconciliation. For two out of the four years in the engagement period, there were unexplained differences between the reconciled balance and the Township's records. The differences between the Township's records and the reconciled balances totaled \$1,002 as of December 31, 2022, and \$1,002 as of December 31, 2023.

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."

TIPTON TOWNSHIP, CASS 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)

TOWNSHIP BOARD ORGANIZATION

Condition and Context

Internal controls were not in place to ensure compliance with state statute over the Township Board. For 2021, 2022, and 2023, the Township only had two members on the Township Board.

Criteria

Indiana Code 36-6-6-2 states:

"(a) Except as provided in subsection (b) and section 2.1 of this chapter, a three (3) member township board shall be elected under [IC 3-10-2-13](#) by the voters of each township.

(b) The township board in a county containing a consolidated city shall consist of five (5) members elected under [IC 3-10-2-13](#) by the voters of each township.

(c) The township board is the township legislative body.

(d) The term of office of a township board member is four (4) years, beginning January 1 after election and continuing until a successor is elected and qualified."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with guidelines concerning capital assets. The Township had not adopted 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)

TIPTON TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

ADOPTION OF, AND TRAINING AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure compliance with laws and guidelines over the adoption of internal control standards and training over such standards and accurate certification of the internal control adoption and training. The Township did not adopt the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. Additionally, the Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had not received training over internal control standards that was adopted by the Township.

Furthermore, the Trustee improperly certified on the Annual Financial Report filed in the Indiana Gateway for Government Units financial reporting system that the Township had adopted the minimum internal control standards as required and that all appropriate personnel received training concerning the internal control standards adopted 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."

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 into the Indiana Gateway for Government Units financial reporting system any of the required monthly or annual files for 2020, 2021, 2022, or 2023.

Annual upload requirements include the detail of receipt activity, detail of disbursement activity, current year salary ordinance and amendments, annual vendor history report, annual funds ledger, and annual payroll history report.

Monthly upload requirements include bank reconciliements, bank statements (effective for the required upload beginning with the December 2020 information), outstanding check listings (effective for the required upload beginning with the December 2020 information), approved Township Board minutes, and funds ledgers (effective for the required upload beginning with the December 2020 information).

TIPTON TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

Criteria

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)

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

TIPTON 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
General	\$ 54,119	\$ 14,859	\$ 14,472	\$ 54,506	\$ 18,119	\$ 15,094	\$ 57,531
Township Assistance	11,202	-	2,117	9,085	6,532	317	15,300
Fire Fighting	115,350	46,297	29,434	132,213	42,110	30,017	144,306
Rainy Day	5,797	-	-	5,797	-	-	5,797
Totals	<u>\$ 186,468</u>	<u>\$ 61,156</u>	<u>\$ 46,023</u>	<u>\$ 201,601</u>	<u>\$ 66,761</u>	<u>\$ 45,428</u>	<u>\$ 222,934</u>

TIPTON 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
General	\$ 57,531	\$ 17,299	\$ 14,545	\$ 60,285	\$ 12,479	\$ 15,595	\$ 57,169
Township Assistance	15,300	6,847	1,080	21,067	6,339	2,748	24,658
Fire Fighting	144,306	42,276	44,809	141,773	50,749	44,700	147,822
Rainy Day	5,797	-	-	5,797	-	-	5,797
Totals	<u>\$ 222,934</u>	<u>\$ 66,422</u>	<u>\$ 60,434</u>	<u>\$ 228,922</u>	<u>\$ 69,567</u>	<u>\$ 63,043</u>	<u>\$ 235,446</u>