

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

COMPLIANCE ENGAGEMENT REPORT

OF

MADISON TOWNSHIP

CLINTON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
10/23/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chair of the Township Board	Daniel Lahrman John Meyer	01-01-20 to 12-31-22 01-01-23 to 12-31-24
Trustee	Andrea Huber	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MADISON TOWNSHIP, CLINTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Madison 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 Andrea Huber, Trustee, on October 1, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 27, 2024

MADISON TOWNSHIP, CLINTON COUNTY
COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B55440.

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to training on internal control standards. The Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township are required to receive training over internal control standards that were developed or approved by the Indiana State Board of Accounts. Training certifications over internal control standards developed and approved by the Indiana State Board of Accounts were not provided for review; therefore, it could not be determined that training had been completed.

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."

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. . . ."

MADISON TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B55440.

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to the certification on internal control standards. The Trustee had not properly certified on the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system that internal control standards had not been adopted and that internal control training had not been provided for employees on the internal control standards as required during the engagement period.

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 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:

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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with capital asset requirements. The Township did not provide a capital asset policy for review which included a minimum dollar threshold for what was considered a capital asset. Therefore, it could not be determined that the Township had a capital asset policy. The Township reported \$950,359 in capital assets as of December 31, 2023, in its Annual Financial Report on the Indiana Gateway for Government Units financial reporting system.

MADISON TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

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)

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. . . ."

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

MADISON TOWNSHIP, CLINTON 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 FUND	\$ 75,759	\$ 83,294	\$ 70,708	\$ 88,345	\$ 54,851	\$ 26,729	\$ 116,467
TOWNSHIP ASSISTANCE	47,622	1,042	3,484	45,180	-	4,398	40,782
FIRE FIGHTING FUND	161,411	78,531	115,998	123,944	70,147	36,325	157,766
RAINY DAY FUND	17,629	-	13,372	4,257	-	-	4,257
CUMULATIVE FIRE	69,005	186,669	247,376	8,298	16,179	-	24,477
PAYROLL DEDUCTIONS	891	1,126	394	1,623	1,044	937	1,730
Totals	<u>\$ 372,317</u>	<u>\$ 350,662</u>	<u>\$ 451,332</u>	<u>\$ 271,647</u>	<u>\$ 142,221</u>	<u>\$ 68,389</u>	<u>\$ 345,479</u>

MADISON TOWNSHIP, CLINTON 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 FUND	\$ 116,467	\$ 32,771	\$ 35,957	\$ 113,281	\$ 84,915	\$ 39,750	\$ 158,446
TOWNSHIP ASSISTANCE	40,782	291	589	40,484	-	1,734	38,750
FIRE FIGHTING FUND	157,764	51,284	33,788	175,260	74,426	73,146	176,540
RAINY DAY FUND	4,257	-	-	4,257	-	-	4,257
CUMULATIVE FIRE	24,478	23,270	-	47,748	34,289	49,571	32,466
PAYROLL DEDUCTIONS	1,730	1,700	107	3,323	1,886	1,043	4,166
Totals	<u>\$ 345,478</u>	<u>\$ 109,316</u>	<u>\$ 70,441</u>	<u>\$ 384,353</u>	<u>\$ 195,516</u>	<u>\$ 165,244</u>	<u>\$ 414,625</u>