

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

COMPLIANCE ENGAGEMENT REPORT

OF

DEER CREEK 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	Stephany Prather	01-01-20 to 12-31-24
Chair of the Township Board	John Hardy	01-01-20 to 12-31-22
	Scott Hardy	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 DEER CREEK TOWNSHIP, CASS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Deer Creek 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 Stephany Prather, Trustee; Scott Hardy, Chair of the Township Board; Dennis Crum, Township Board member; and Spenser Forgey, Township Board member, on October 30, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 23, 2024

DEER CREEK 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:

- Payroll
- Prescribed Forms
- Use of Funds

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. . . ."

PAYROLL

Condition and Context

Internal controls were not in place to ensure compliance with laws, regulations, and Guidelines over payroll. 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 Deputy Township Clerk as required. The Deputy Township Clerk was paid a total of \$14,400 from 2020 to 2023.

Advance Payments

For three out of the four pay dates tested, compensation was paid on the first or second day of the last month in the quarter. This resulted in the Trustee and the Deputy Township Clerk to be paid in advance of hours worked.

DEER CREEK TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

Compensation

The compensation paid to the Trustee in 2023 did not agree to the amount in the provided salary resolution. This resulted in a \$101 underpayment to the Trustee.

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."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PRESCRIBED FORMS

Condition and Context

Internal controls were not in place to ensure use of prescribed forms. The Township disbursed a total of \$6,135 in assistance from 2020 to 2023.

The Township did not properly maintain the prescribed form TA-1A Notice of Township Assistance Action or the prescribed form TA-2 Township Assistance Purchase Order for the administration of Township Assistance as required.

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)

USE OF FUNDS

Condition and Context

Internal controls were not in place to ensure use of funds in compliance with state statute and Guidelines. On December 30, 2022, the Township receipted a \$10,297 transfer to the Cemetery fund from the Township Assistance and Fire Fighting funds of \$5,000 and \$5,297, respectively, for stone clean up. The transfers from the Township Assistance and Fire Fighting funds were not within the restricted uses authorized by state statute.

DEER CREEK TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

Criteria

Indiana Code 12-20-21-3 states:

"(a) Except as provided in section 3.2 of this chapter, a township trustee and township board may levy a specific tax for the purpose of providing money for the payment of township assistance expenses in the following year. The tax may be sufficient to meet the entire requirement of the township in the following year or the part that is determined to be proper.

(b) Except as provided in section 3.2 of this chapter, if a tax levy is established under subsection (a), all proceeds derived from the tax levy shall be distributed to the township at the same time and in the same manner as proceeds from other property tax levies are distributed to the township. The proceeds of the tax levy shall be held by the township in its township assistance account free and available for the payment of township assistance obligations of the township. The funds are continuing funds and do not revert to any other fund at the end of the year."

Indiana Code 36-8-13-4(a) states:

"Each township shall annually establish a township firefighting fund which is to be used by the township for the payment of costs attributable to providing fire protection or emergency services under the methods prescribed in section 3 of this chapter and for no other purposes. The money in the fund may be paid out by the township executive with the consent of the township legislative body."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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

DEER CREEK 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	\$ 92,620	\$ 30,234	\$ 14,547	\$ 108,307	\$ 29,130	\$ 15,506	\$ 121,931
Township Assistance	20,599	6,443	1,859	25,183	2,115	1,834	25,464
Fire Fighting	35,216	43,863	40,912	38,167	45,374	48,700	34,841
Rainy Day	5,152	-	5,152	-	-	-	-
Cemetery	17,842	5,435	1,821	21,456	1,057	3,326	19,187
Totals	<u>\$ 171,429</u>	<u>\$ 85,975</u>	<u>\$ 64,291</u>	<u>\$ 193,113</u>	<u>\$ 77,676</u>	<u>\$ 69,366</u>	<u>\$ 201,423</u>

DEER CREEK 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	\$ 121,931	\$ 37,488	\$ 87,973	\$ 71,446	\$ 18,994	\$ 17,878	\$ 72,562
Township Assistance	25,464	2,110	6,500	21,074	-	942	20,132
Fire Fighting	34,841	120,201	111,823	43,219	49,224	46,503	45,940
Cemetery	19,187	12,407	20,098	11,496	5,465	7,233	9,728
Totals	<u>\$ 201,423</u>	<u>\$ 172,206</u>	<u>\$ 226,394</u>	<u>\$ 147,235</u>	<u>\$ 73,683</u>	<u>\$ 72,556</u>	<u>\$ 148,362</u>

Deer Creek Township, Cass County, Indiana

OFFICIAL RESPONSE

10/30/2024

Indiana State Board of Accounts
302 West Washington St. Room E418
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Re: 1/1/2020-12/31/2023 File Audit

Thank you for the opportunity to explain the findings from the above audit period.

Payroll –

The Deputy Clerk position is a salaried position that is included on the salary resolution form that is signed by the board each year. I was unaware that a record of hours needed to be kept for a salary position. I will correct moving forward.

Quarterly Payroll Payments- All payments were made in the final month of the quarter and was made in time that the check would clear and taxes would be figured for the current quarter. Moving forward I will issue the check in the last week of the final month of the quarter, so it does not appear that payment was made in advance of hours worked.

Compensation – I found the error in my compensation for 2023 when I was completing the annual report in 2024. It was an error in favor of the township, I was not sure how to correct the \$101 error after the fact so I just accepted less than what was on the salary resolution form.

Prescribed Forms –

I was not aware of the TA-1A or TA-2 forms. It would be nice if the State Board of Accounts would include all necessary forms for the township assistance requirements with the Township Assistance Applications in a bundle when purchased from the designated supplier, Boyce.

Use of Funds –

The Township Board voted and approved the transfer of funds from the fire fund and township assistance fund to be used for cemetery repairs. The amount was within the budgeted amount that was not needed for the fiscal year so we stayed within our budgeted amount for 2022.

Thank you for your time.

Stephany Prather
Deer Creek Township, Trustee