

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

JACKSON TOWNSHIP

PUTNAM COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

05/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Michael Fritz	01-01-20 to 10-11-21
	Jacob Lucas	10-12-21 to 12-05-22
	John Harnishfeger	12-06-22 to 12-31-25
Chair of the Township Board	Scott Turner	01-01-20 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF JACKSON TOWNSHIP, PUTNAM COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Jackson 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 is informational only. The Statements of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the comments below.

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 John Harnishfeger, Trustee, and Scott Turner, Chair of the Township Board, on May 13, 2025.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 7, 2025

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

The Township had not implemented internal controls that would ensure compliance with laws and regulations. Due to a lack of internal controls, the following instances of noncompliance occurred:

- Annual Financial Report
- Condition of Records
- Bank Account Reconciliations
- Funds Sources and Uses
- Errors on Claims
- Reorganization of the Board
- Monthly and Annual Uploads
- Training on Internal Control Standards
- Certification on Internal Control Standards
- Compensation and Benefits
- Advance Payments
- 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. . . ."

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFR is the source of financial statements. The financial information submitted in Gateway for 2021, 2022, and 2023 was not complete. No receipts were entered for any of the funds.

Because of the results of these errors, the AFR is considered materially inaccurate, and the financial statements derived from the AFR will not be included 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](#)."

CONDITION OF RECORDS

Condition and Context

The December 2021 county tax distribution in the amount of \$4,980 was received and deposited into the bank; however, it was not recorded in the Financial and Appropriation Report Township Form 1C (Ledger). Additionally, in 2022, the monthly local income tax distributions from the county for January, March, April, May, and October totaling \$2,921 were not recorded to the Ledger.

A comparison of the Ledger to bank statements for 2021, 2022, and 2023 by the Indiana State Board of Accounts revealed recording errors such as receipts and disbursements recorded twice in the Ledger and bank account interest for most of 2022 and 2023 not recorded in the Ledger.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

There was no documentation that the monthly bank reconciliations were performed during 2021, 2022, and 2023. Bank reconciliations were prepared for December 31, 2021, 2022, and 2023, by the Indiana State Board of Accounts for purposes of the engagement. These reconciliations supported the Financial and Appropriation Report Township Form 1C (Ledger) cash and investment balances as adjusted for errors, including those noted in the previous comment entitled *CONDITION OF RECORDS*.

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."

FUND SOURCES AND USES

Condition and Context

In December 2023, the entire local tax distribution was recorded in the General fund, but half of the distribution (\$2,708) should have been recorded in the Township Assistance fund.

Criteria

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)

ERRORS ON CLAIMS

Condition and Context

For 13 of 18 vendor disbursements selected for testing, there was not a properly itemized receipt or invoice.

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)

REORGANIZATION OF THE BOARD

Condition and Context

There was no evidence of the Township Board reorganizing at the beginning of each year as required.

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

Criteria

Indiana Code 36-6-6-7 states:

"(a) The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year.

(b) If a newly elected legislative body holds a special meeting before the first Tuesday after the first Monday in the January following its election, it shall elect a chair and a secretary before conducting any other business. The chair and secretary elected at the special meeting retain those positions until the first Tuesday after the first Monday in January of the year following the special meeting."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Bank Statements (effective for the required upload beginning with December 2020 information)
- Outstanding Check Lists (effective for the required upload beginning with December 2020 information)
- Approved Township Board Minutes
- Funds ledger, summarizing total receipts, disbursements, and beginning balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

The following files and governmental unit information are required to be uploaded annually:

- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance (and Amendments effective beginning with annual uploads of 2020 information)
- Annual vendor history report
- Annual employee earnings record/payroll history report without social security numbers (unless only had posted records exist)

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

- Annual funds ledger summarizing year-to-date receipts, year-to-date disbursements, and beginning and ending balances by fund (effective beginning with 2020 information)

None of the required monthly and annual files for 2018-2023 were uploaded into the Indiana Gateway for Government Units financial reporting system as required.

Criteria

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)

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

There was no documentation that the Trustee or Assistant Trustee (Clerk) had received training on 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

As a part of the AFR submission, the Trustee certified that all personnel whose duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township had received training; however, there was no documentation that the relevant personnel had received training.

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

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](#)."

COMPENSATION AND BENEFITS

Condition and Context

Annual salary resolutions were not provided for 2021 through 2023. Township Form No. 17 (Revised 2020) has been prescribed to fulfill the requirements of the law. The Trustee's pay was increased in 2021 and kept at that level for the duration of the engagement period, but no salary resolution was provided. The Trustee's pay for each year agreed to the budgeted amount.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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

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)

ADVANCE PAYMENTS

Condition and Context

The cemetery mowing contracts stated that payment would be made in three equal installments on May 1, August 1, and October 1. In 2020, the contractors were paid on April 20, July 13, and September 10.

In 2021, the original contractors were paid on April 24 and July 11. The mowing contractor for all cemeteries except Biddle Cemetery was paid in full with the July 11 payment.

For Biddle Cemetery, the original contractor was replaced on July 11. A new contract was executed which stated that the contract was for mowing the cemetery for August through November. The contractor was paid in full on July 11.

Township Board members received their annual salary for 2020, 2022, and 2023 on September 8, 2021, September 8, 2022, and August 18, 2023, respectively.

JACKSON TOWNSHIP, PUTNAM COUNTY
COMMENTS
(Continued)

Criteria

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)

PRESCRIBED FORMS

Condition and Context

The following prescribed forms for Township Assistance payments were not in use:

- TA-1A - Notice of Township Assistance Action
- TA-2 - Township Assistance Purchase Order

Additionally, the TA-1 - Application for Township Assistance did not show evidence of an investigation.

Criteria

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)