

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

COMPLIANCE ENGAGEMENT REPORT

OF

CHESTER TOWNSHIP

WELLS COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

06/26/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Steve Studebaker	01-01-19 to 12-31-24
Chair of the Township Board	Stan Bales	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CHESTER TOWNSHP, WELLS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Chester Township (Township), for the period of January 1, 2019 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 Steve Studebaker, Trustee, and James Blevins, Township Board member, on June 24, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 20, 2024

CHESTER TOWNSHP, WELLS COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

The following areas did not have proper internal controls in place to ensure compliance with laws, regulations, and Guidelines:

- Monthly and annual uploads to the Indiana Gateway for Government Units financial reporting system
- Capital assets
- Prescribed Forms - Township Assistance Standards
- Certified report filed after due date

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. . . ."

PRESCRIBED FORMS - TOWNSHIP STANDARDS

Condition and Context

The Township did not have Township Board approved Township Assistance Standards in place during the engagement period.

Criteria

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

CHESTER TOWNSHP, WELLS COUNTY
COMMENTS
(Continued)

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed.

(c) The township trustee shall annually certify that the uniform written standards for the issuance of township assistance have been filed with the board of county commissioners as required under subsection (b)(2). The certification shall be noted in the township's budget submitted to the department of local government finance's computer gateway under [IC 6-1.1-17-3](#)."

Indiana Code 12-20-5.5-2 states:

"(a) Standards for the administration of township assistance must contain the following:

- (1) Criteria for determining township assistance eligibility.
- (2) Minimum requirements of township trustee accessibility.
- (3) Other information as needed, including the following:
 - (A) Township office locations, hours, and days of availability.
 - (B) Initial eligibility criteria.
 - (C) Continuing eligibility criteria.
 - (D) Workfare requirements.
 - (E) Essential and nonessential assets.
 - (F) Available resources.
 - (G) Income exemptions.
 - (H) Application process.
 - (I) Countable income.
 - (J) Countable assets.

CHESTER TOWNSHP, WELLS COUNTY
COMMENTS
(Continued)

(K) Wasted resources.

(b) Standards for the administration of township assistance must exclude a Holocaust victim's settlement payment received by an eligible individual from countable assets and countable income."

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)

CERTIFIED REPORT FILED AFTER DUE DATE

Condition and Context

The Township did not submit the 100R information timely in four out of five years of the engagement period. The only report filed timely was the one for 2019.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be 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 and annual files for 2019 through 2023.

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

- Bank reconciliations
- Bank statements (effective for the required upload beginning with December 2020 information)
- Approved Township Board minutes
- Funds ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

CHESTER TOWNSHP, WELLS COUNTY
COMMENTS
(Continued)

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

- Year-end bank statement (no longer required after 2019 annual uploads)
- Year-end outstanding check list (no longer required after 2019 annual uploads)
- 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 hand posted records exist)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund (effective beginning with 2020 information)

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)

CAPITAL ASSETS

Condition and Context

The Township did not have a capital asset policy in place during the engagement period that detailed the threshold at which an item is considered a reportable capital asset. A physical inventory was not completed during the engagement period. The Township was unable to provide a complete capital asset listing for 2023 to support the amount reported into the Indiana Gateway for Government Units financial reporting system for \$672,400.

CHESTER TOWNSHP, WELLS 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)

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

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CHESTER TOWNSHIP, WELLS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
Township	\$ 92,259	\$ 6,001	\$ 15,100	\$ 83,160	\$ 3,742	\$ 25,073	\$ 61,829
Township Assistance	8,848	-	879	7,969	-	-	7,969
Fire Fighting	5,589	33,874	20,826	18,637	34,143	8,580	44,200
Rainy Day	3,308	-	-	3,308	9,716	-	13,024
Levy Excess	1,039	-	-	1,039	-	562	477
Cumulative Fire	<u>89,697</u>	<u>33,190</u>	<u>23,625</u>	<u>99,262</u>	<u>32,103</u>	<u>-</u>	<u>131,365</u>
Totals	<u>\$ 200,740</u>	<u>\$ 73,065</u>	<u>\$ 60,430</u>	<u>\$ 213,375</u>	<u>\$ 79,704</u>	<u>\$ 34,215</u>	<u>\$ 258,864</u>

CHESTER TOWNSHIP, WELLS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
Township	\$ 61,830	\$ 9,325	\$ 13,956	\$ 57,199	\$ 19,094	\$ 16,383	\$ 59,910
Township Assistance	7,968	-	1,415	6,553	1,606	620	7,539
Fire Fighting	44,200	29,411	16,704	56,907	24,684	9,524	72,067
Rainy Day	13,025	-	-	13,025	-	-	13,025
Levy Excess	477	-	-	477	-	477	-
Cumulative Fire	<u>131,365</u>	<u>47,156</u>	<u>-</u>	<u>178,521</u>	<u>48,521</u>	<u>1,818</u>	<u>225,224</u>
Totals	<u>\$ 258,865</u>	<u>\$ 85,892</u>	<u>\$ 32,075</u>	<u>\$ 312,682</u>	<u>\$ 93,905</u>	<u>\$ 28,822</u>	<u>\$ 377,765</u>

CHESTER TOWNSHIP, WELLS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
Township	\$ 59,910	\$ 38,729	\$ 24,370	\$ 74,269
Township Assistance	7,540	-	349	7,191
Fire Fighting	72,066	8,234	1,824	78,476
Rainy Day	13,025	-	-	13,025
Cumulative Fire	<u>225,226</u>	<u>61,208</u>	<u>-</u>	<u>286,434</u>
Totals	<u>\$ 377,767</u>	<u>\$ 108,171</u>	<u>\$ 26,543</u>	<u>\$ 459,395</u>