

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

COMPLIANCE ENGAGEMENT REPORT

OF

CENTER TOWNSHIP

GRANT COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

11/01/2024

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------|----------------------------------|--|
| Trustee | Bryce Coryea Deborah Cain | 01-01-20 to 12-31-22 01-01-23 to 12-31-24 |
| Chair of the Township Board | Kenneth Hussong John Holloway | 01-01-20 to 12-31-21 01-01-22 to 12-31-24 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF CENTER TOWNSHIP, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Center 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 Bryce Coryea, former Trustee; Deborah Cain, Trustee; and John Holloway, Chair of the Township Board, on October 15, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 3, 2024

CENTER TOWNSHIP, GRANT COUNTY
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, grant, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Township had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data

- For 2022, the reported Payroll Deductions fund receipts and disbursements were overstated by \$4,647 and \$507, respectively, for a net overstatement of \$4,140 at December 31, 2022.
- For 2023, the Poor Relief Loan Payback fund was not included in the presented financial statements resulting in an understatement of \$65,500 for receipts and ending cash and investments balance.

Adjustments were proposed, accepted by the Township, and made to the AFR information and the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in this report.

Capital Assets

Capital assets were reported for 2020 and 2021 as part of the AFR; however, the reported amounts were not supported by the documentation provided. Additionally, no assets were reported for 2022 or 2023, even though the Township reported assets in the prior two years and purchased a fire truck in 2022.

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:

"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.

CENTER TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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. . . ."

OVERDRAWN CASH BALANCE

Condition and Context

Internal controls were not in place to prevent overdrawn cash balances. The Rainy Day Fund was overdrawn by \$19,952 at December 31, 2023.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure that a physical inventory was performed or that the capital asset ledger was properly maintained.

The Township was unable to provide documentation that a physical inventory of capital assets was performed. The detailed listing of assets provided was last updated in 2019. The Township purchased a fire truck in 2022 for \$506,086, which was not included in the capital asset listing provided.

CENTER TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

Criteria

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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COMPENSATION AND BENEFITS

Condition and Context

Internal controls were not in place to ensure compliance with applicable laws and regulations related to compensation and benefits.

One employee was paid a total of \$3,118 for unused accrued days due to retirement in 2020. This benefit was not included in the Township's Salary Ordinance, and no other policy was provided authorizing this expenditure.

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)

CENTER TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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ERRORS IN RECEIPTS

Condition and Context

Internal controls were not in place to prevent or timely correct receipting errors. The December 2023 general property tax distribution was incorrectly recorded as follows:

- A distribution for \$33,626 should have been receipted to the Township Fund (General), but was receipted to the Township Assistance fund, and a distribution for \$65,500 should have been receipted to the Township Assistance fund, but was receipted to the Poor Relief Loan Payback fund.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

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)

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:

CENTER TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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

CENTER TOWNSHIP, GRANT 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 | \$ 191,671 | \$ 155,906 | \$ 138,332 | \$ 209,245 | \$ 139,561 | \$ 157,332 | \$ 191,474 |
| TOWNSHIP ASSISTANCE | 159,743 | 194,073 | 129,328 | 224,488 | 219,904 | 183,527 | 260,865 |
| FIRE FIGHTING FUND | 59,739 | 144,947 | 131,636 | 73,050 | 144,452 | 179,415 | 38,087 |
| RAINY DAY FUND | 83,765 | 60,000 | 50,530 | 93,235 | 151,000 | 170,080 | 74,155 |
| CUMULATIVE FIRE FUND | 69,765 | 28,703 | 30,445 | 68,023 | 28,939 | 26,722 | 70,240 |
| PAYROLL DEDUCTIONS | 2,792 | 41,960 | 41,556 | 3,196 | 40,016 | 40,011 | 3,201 |
| Totals | \$ 567,475 | \$ 625,589 | \$ 521,827 | \$ 671,237 | \$ 723,872 | \$ 757,087 | \$ 638,022 |

CENTER TOWNSHIP, GRANT 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 | \$ 191,474 | \$ 143,295 | \$ 176,176 | \$ 158,593 | \$ 153,451 | \$ 218,686 | \$ 93,358 |
| TOWNSHIP ASSISTANCE | 260,865 | 205,985 | 185,845 | 281,005 | 183,502 | 242,714 | 221,793 |
| FIRE FIGHTING FUND | 38,087 | 152,514 | 123,116 | 67,485 | 142,723 | 156,506 | 53,702 |
| RAINY DAY FUND | 74,155 | 30,041 | 61,393 | 42,803 | 30,877 | 93,632 | (19,952) |
| CUMULATIVE FIRE FUND | 70,240 | 62,467 | 72,322 | 60,385 | 53,864 | 33,689 | 80,560 |
| PAYROLL DEDUCTIONS | 3,201 | 44,390 | 42,943 | 4,648 | 36,124 | 37,797 | 2,975 |
| POOR RELIEF LOAN PAYBACK | - | - | - | - | 65,500 | - | 65,500 |
| Totals | <u>\$ 638,022</u> | <u>\$ 638,692</u> | <u>\$ 661,795</u> | <u>\$ 614,919</u> | <u>\$ 666,041</u> | <u>\$ 783,024</u> | <u>\$ 497,936</u> |