

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

COMPLIANCE ENGAGEMENT REPORT

OF

JEFFERSON TOWNSHIP

WELLS COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

06/17/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Barry Gordon	01-01-19 to 07-29-22
	(Vacant)	07-30-22 to 08-12-22
	Larry Heckber	08-13-22 to 12-31-24
Chair of the Township Board	Dan Rupright	01-01-19 to 12-31-22
	David Haiflich	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JEFFERSON TOWNSHIP, WELLS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Jefferson 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. The Statements for the years ended December 31, 2019 and 2020, 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 Larry Heckber, Trustee; David Haiflich, Chair of the Township Board; Andrew Springer, Township Board member; and Timothy Baker, Township Board member, on June 11, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 29, 2024

JEFFERSON TOWNSHIP, 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:

- Bank Account Reconciliation
- Overdrawn Cash Balance/Appropriations
- Township Assistance
- Capital Assets
- Nepotism Policy

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. . . ."

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B55726.

Condition and Context

Timely monthly bank reconciliations were not performed during the years 2019, 2020, and 2021. In 2022, a CPA firm was hired by the Township to reconcile the prior years. Reconciliations provided for months ended December 31, 2019 and 2020, contained unidentified variances of \$8,217 and \$(22,175) respectively. Subsequent to the hiring of the CPA firm, bank reconciliations were performed monthly. The December 31, 2022 and 2023 bank balance properly reconciled to the fund balance reported in the ledger and the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system.

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."

JEFFERSON TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B55726.

Condition and Context

The Township did not adopt an acceptable minimal level of internal control standards. While an internal control policy was presented, it was not approved by the Township Board. Training on internal controls was not completed during the engagement period.

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

The same comment also appeared in prior Report B55726.

Condition and Context

The Township's Annual Financial Report certification on the adoption and training of internal control standards for the engagement period was made incorrectly. The Township certified that they had adopted internal controls and that training had been provided.

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

OVERDRAWN CASH BALANCES/APPROPRIATIONS

Condition and Context

The Township Assistance fund had an overdrawn cash balance of \$7,584 at December 31, 2023. This also resulted in an overspent appropriation for the Township Assistance fund.

JEFFERSON TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

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)

TOWNSHIP ASSISTANCE

Condition and Context

The Township did not have Township Board approved Township Assistance Standards in place throughout the engagement period to ensure all Township inhabitants were aware of the Township's ability to provide assistance and its eligibility criteria. Additionally, supporting documentation for Township Assistance payments were not presented for the years 2019, 2020, and 2021.

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.

(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](#)."

Prescribed forms to be used by the township trustee in the administration of township assistance include: TA-1, TA-1A, TA-1B, and TA-2. See Chapter III for more information. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

JEFFERSON TOWNSHIP, WELLS COUNTY
COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Township did not present a capital asset policy with a threshold at which an item is considered a capital asset. The Township did not present a list of capital assets that reflected their acquisition value or documentation that a biannual inventory of capital assets was completed during the engagement period.

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)

NEPOTISM POLICY

A similar comment also appeared in prior Report B55726.

Condition and Context

The Township did not present an approved Nepotism for Employment with its Annual Financial Report. However, the Township did provide a Nepotism for Contracting Policy that was approved in January 2024.

Criteria

Indiana Code 36-1-20.2-9(b) and Indiana Code 36-1-21-4(b) states: "The annual report filed by a unit with the State Board of Accounts under [IC 5-11-13-1](#) must include a statement by the executive of the unit stating whether the unit has implemented a policy under this chapter."

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)

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

JEFFERSON 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
General Fund	\$ 125,976	\$ 83,820	\$ 27,827	\$ 181,969	\$ 36,375	\$ 63,680	\$ 154,664
Parks And Recreation	3	-	-	3	-	3	-
Township Assistance	44,623	-	3,913	40,710	-	16,111	24,599
Fire Fighting	63,051	36,562	43,813	55,800	18,240	38,392	35,648
Rainy Day	-	-	-	-	20,609	-	20,609
Levy Excess	792	-	-	792	-	792	-
Cumulative Fire	52,352	1,136	-	53,488	25,621	-	79,109
Fire Equipment Debt	12,673	51,265	52,689	11,249	53,906	52,689	12,466
Payroll Withholding	-	-	-	-	4,407	3,603	804
Totals	<u>\$ 299,470</u>	<u>\$ 172,783</u>	<u>\$ 128,242</u>	<u>\$ 344,011</u>	<u>\$ 159,158</u>	<u>\$ 175,270</u>	<u>\$ 327,899</u>

JEFFERSON 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
General Fund	\$ 154,093	\$ 81,162	\$ 94,897	\$ 140,358
Township Assistance	24,598	10,683	42,865	(7,584)
Fire Fighting	35,650	23,053	39,069	19,634
Rainy Day	20,609	-	-	20,609
Cumulative Fire	79,109	36,312	3,500	111,921
Fire Equipment Debt	12,467	52,899	52,689	12,677
Payroll Withholding	1,377	5,410	5,410	1,377
Totals	<u>\$ 327,903</u>	<u>\$ 209,519</u>	<u>\$ 238,430</u>	<u>\$ 298,992</u>