

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

CENTER TOWNSHIP

HENDRICKS COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
01/15/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Judy White	01-01-20 to 12-31-22
	William Wright	01-01-23 to 12-31-24
Chair of the Township Board	James Disney	01-01-20 to 12-31-22
	Beth Harvey	01-01-23 to 12-31-23
	Patsy Wynn	01-01-24 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF CENTER TOWNSHIP, HENDRICKS 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 William Wright, Trustee, and Patsy Wynn, Chair of the Township Board, on December 19, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 4, 2024

CENTER TOWNSHIP, HENDRICKS COUNTY
COMMENTS

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 Township had not established effective internal controls over the information submitted in the AFR which resulted in the following errors:

Capital Assets

The capital asset amounts reported in Gateway for each year of the engagement period could not be verified because the Township did not provide an updated and complete capital asset listing. The amounts reported in Gateway for land, infrastructure, improvements other than buildings, and machinery and equipment were \$2,075,777 for December 31, 2020, and \$2,127,468 for December 31, 2021 through 2023.

Payables and Receivables

The Township did not provide supporting documentation to support the values reported for the Schedule of Payables and Receivables during the engagement period.

Leases and Debt

The Schedule of Leases and Debt information provided during the engagement period was not supported by documentation provided as the Notes and Loans Payable ending principal balance was understated by \$203,035, and the principle due within one year was overstated by \$4,632 in 2020. In addition, the Notes and Loans Payable ending principal balance was overstated by \$207,666 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.

An integral part of the control activity component is segregation of duties. . . .

CENTER TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

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. . . ."

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B55775.

Condition and Context

Internal controls did not ensure that the Township adopted internal control standards, provided training to personnel over those standards, and correctly certified in the Indiana Gateway for Government Units financial reporting system its adoption of, and training on, internal control standards.

The Township did not provide evidence of training over internal control standards to all required personnel. In the Annual Financial Report for the years 2020 through 2023, the Township incorrectly certified that internal control standards had been adopted and that all required personnel had received training.

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."

Indiana Code 5-11-1-4(a) states:

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CENTER TOWNSHIP, HENDRICKS COUNTY
COMMENTS
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ANNUAL UPLOADS

Condition and Context

Internal controls did not ensure compliance with annual upload requirements to the Indiana Gateway for Government Units (Gateway) financial reporting system during the engagement period.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, annual funds ledger, annual payroll history report, accounts payable/accounts receivable schedule support, annual vendor history report, and a personnel policy.

The Township did not comply with the State Examiner Directive and failed to upload any of the annual files in Gateway for 2022 and 2023.

Criteria

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)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

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, HENDRICKS COUNTY
COMMENTS
(Continued)

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OFFICIAL BOND

Condition and Context

Internal controls over official bond coverage were insufficient to ensure compliance with Indiana Code 5-4-1-18. The Township had insufficient bond liability coverage for each year of the four-year engagement period. A \$60,000 surety bond was obtained for each year whereas a minimum of \$90,000 in coverage was required.

Criteria

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsections (b), (c), and (d), the following individuals shall file and maintain in place an individual surety bond during each year that the individual serves as an officer, employee, or contractor:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges, town controllers and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).
- (7) Individuals:
 - (A) who are employees or contractors of a city, town, county, or township; and
 - (B) whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds:
 - (i) that belong to the federal government, the state, a political subdivision, or another governmental entity; and
 - (ii) in an amount that exceeds five thousand dollars (\$5,000) per year.

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond that:

CENTER TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

(1) is endorsed to include faithful performance to cover the faithful performance of; and

(2) includes aggregate coverage sufficient to provide coverage amounts specified for;

all employees, commission members, and persons acting on behalf of the local government unit, including the officers, employees, and contractors described in subsection (a) who are required to file a bond under this chapter.

(c) The fiscal body of a city, town, or county may by ordinance or the fiscal body of a township may by resolution authorize the purchase of a name or position schedule bond that:

(1) names each individual or each position covered under the schedule bond;

(2) is endorsed to include faithful performance to cover the faithful performance of all officers, employees, and contractors described in subsection (a) who are required to file a bond under this chapter; and

(3) includes aggregate coverage sufficient to provide coverage amounts specified for all officers, employees, and contractors described in subsection (a) who are required to file a bond under this chapter.

(d) The fiscal body of a city, town, county, or township may by ordinance (or for a township, by resolution) authorize the purchase of a crime insurance policy that:

(1) provides coverage for criminal acts or omissions committed by;

(2) is endorsed to include the faithful performance to cover the faithful performance of; and

(3) includes aggregate coverage sufficient to provide coverage amounts specified for;

all officers, employees, contactors, commission members, and persons acting on behalf of the local governmental unit and required to file a bond under this chapter. For the sole purpose of recovering public funds on behalf of a local governmental unit, the state is considered to be an additional name insured on all crime insurance policies and endorsements obtained under this subsection.

(e) Except as provided in subsections (k) and (l), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county.

CENTER TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

(f) The amount of the bond of a person who is not specified in subsection (e) and is required to file an individual bond shall be fixed by the fiscal body of the unit as follows:

(1) If the person is not described in subsection (a)(7), at not less than fifteen thousand dollars (\$15,000).

(2) If the person is described in subsection (a)(7), at not less than five thousand dollars (\$5,000).

(g) Except as provided in subsection (m), a controller of a solid waste management district established under [IC 13-21](#) or [IC 13-9.5](#) (before its repeal) shall file an individual surety bond in an amount:

(1) fixed by the board of directors of the solid waste management district; and

(2) that is at least thirty thousand dollars (\$30,000).

(h) Except as provided under subsection (g), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under [IC 13-21](#) or [IC 13-9.5](#) (before its repeal) shall file a bond in an amount fixed by the board of directors. . . ."

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

CENTER TOWNSHIP, HENDRICKS 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	\$ 106,399	\$ 317,556	\$ 268,153	\$ 155,802	\$ 359,202	\$ 291,161	\$ 223,843
Township Assistance	63,988	450	22,060	42,378	25,446	11,913	55,911
Fire Fighting	907,333	1,933,168	1,876,355	964,146	2,166,497	1,851,023	1,279,620
Rainy Day	88,348	-	-	88,348	-	-	88,348
Levy Excess	97	-	-	97	-	97	-
Cumulative Fire	63,060	34,713	48,000	49,773	36,692	40,506	45,959
Payroll Deductions	-	9,546	9,546	-	9,674	9,674	-
Danville South Cemetery Fund	11,536	49,375	43,900	17,011	52,225	67,869	1,367
Emergency Loan Repayment	3,002	-	-	3,002	-	-	3,002
Covid 19 Fund	-	7,209	-	7,209	-	-	7,209
Fire Debt	7,593	203,919	211,512	-	231,741	212,404	19,337
Totals	<u>\$ 1,251,356</u>	<u>\$ 2,555,936</u>	<u>\$ 2,479,526</u>	<u>\$ 1,327,766</u>	<u>\$ 2,881,477</u>	<u>\$ 2,484,647</u>	<u>\$ 1,724,596</u>

CENTER TOWNSHIP, HENDRICKS 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	\$ 223,843	\$ 446,227	\$ 317,723	\$ 352,347	\$ 381,509	\$ 282,355	\$ 451,501
Township Assistance	55,911	25,672	55,218	26,365	11,850	18,065	20,150
Fire Fighting	1,279,620	1,990,269	1,793,678	1,476,211	2,067,452	1,807,156	1,736,507
Rainy Day	88,348	-	-	88,348	112,104	31,769	168,683
Cumulative Fire	45,959	36,468	28,869	53,558	41,096	-	94,654
Payroll Deductions	-	9,591	9,367	224	12,252	12,476	-
Danville South Cemetery Fund	1,367	61,340	59,844	2,863	46,417	44,432	4,848
Emergency Loan Repayment	3,002	-	-	3,002	-	-	3,002
Covid 19 Fund	7,209	-	7,209	-	-	-	-
Fire Debt	19,337	199,055	212,404	5,988	-	-	5,988
Totals	\$ 1,724,596	\$ 2,768,622	\$ 2,484,312	\$ 2,008,906	\$ 2,672,680	\$ 2,196,253	\$ 2,485,333