

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

CASS TOWNSHIP

SULLIVAN COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

02/04/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Todd Talpas	01-01-20 to 12-31-25
Chair of the Township Board	Joe McCammon	01-01-20 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF CASS TOWNSHIP, SULLIVAN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Cass 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 Todd Talpas, Trustee, and Joe McCammon, Chair of the Township Board, on January 23, 2025.



Beth Kelley, CPA, CFE
Deputy State Examiner

January 15, 2025

CASS TOWNSHIP, SULLIVAN COUNTY
COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Reports B41677, entitled *ANNUAL REPORT*; B48932, entitled *GATEWAY ANNUAL FINANCIAL REPORT*; and B55956, entitled *ANNUAL FINANCIAL REPORT ERRORS*.

Condition and Context

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

Financial Statements - Receipts and Disbursements

The Township omitted the Air Pack Grant and the Smithville Grant funds resulting in under-statements of receipts and disbursements in the amount of \$105,200 in 2021, receipts in the amount of \$19,050 in 2022, and disbursements in the amount of \$19,050 in 2023.

Capital Assets

- Amounts reported for capital assets on the AFR were not supported by a detailed listing of capital assets in 2020, 2021, and 2022.
- A detailed listing of capital assets was provided for 2023, but did not agree to amounts reported on the AFR which totaled \$3,023,975. The amount reported for machinery, equipment, and vehicles was \$50,000 more than shown on the detailed listing.

Grant Schedule

The grant schedule in the AFR, which is the source of the Schedule of Expenditures of Federal Awards (SEFA), contained material errors. The grant schedule submitted in the 2021 AFR was overstated by \$1,000,000.

Leases and Debt

The leases and debt information entered into the AFR for the 2019 International pumper firetruck loan was incorrect. The following errors were noted:

- In 2020, the ending principal balance was overstated in the amount of \$31, and principal due within one year was understated in the amount of \$36,071.
- In 2021, the ending principal balance was understated in the amount of \$19,138.
- In 2022, the ending principal balance was understated in the amount of \$18,130.

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](#)."

CASS TOWNSHIP, SULLIVAN COUNTY
COMMENTS
(Continued)

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

Condition and Context

Effective internal controls were not in place to ensure bank reconciliations were properly performed. There were variances between the adjusted bank balance and the cash and investments recorded in the accounting records of the Township in the amount of \$116 at December 31, 2021; \$117 at December 31, 2022; and \$261 at December 31, 2023.

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."

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)

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:

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CASS TOWNSHIP, SULLIVAN COUNTY
COMMENTS
(Continued)

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TOWNSHIP ASSISTANCE

Condition and Context

Internal controls were not in place to ensure prescribed forms were used in the provision of Township Assistance. Form TA-1A, Notice of Township Assistance Action, was not used for the eight Township Assistance disbursements tested.

Criteria

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)

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)

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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to capital assets. The Township had not adopted a capital asset policy during the engagement period, nor conducted a physical inventory. A listing of its capital assets as of December 31, 2023, was provided, but the prescribed form Capital Asset Ledger Form 369 was not used, and it did not contain all required information. Omitted information included the date of purchase, location of asset, and estimated life of asset.

CASS TOWNSHIP, SULLIVAN 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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CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B55956.

Condition and Context

Internal controls were not in place to ensure that the information entered into the Annual Financial Report (AFR) in the Indiana Gateway for Government Units financial reporting system was accurate. The Township certified on the AFR that it had adopted the minimum internal control standards and provided training on the standards to required personnel as required by Indiana Code 5-11-1-27(g); however, there was no evidence that employees had received training concerning the standards.

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](#)."

CASS TOWNSHIP, SULLIVAN COUNTY
COMMENTS
(Continued)

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TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B55956, entitled *ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS*.

Condition and Context

Internal controls were not in place to ensure compliance with laws and regulations related to internal control standards. There was no documentation that officers whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

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."

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:

CASS TOWNSHIP, SULLIVAN COUNTY
COMMENTS
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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

CASS TOWNSHIP, SULLIVAN 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	\$ 34,647	\$ 31,396	\$ 32,900	\$ 33,143	\$ 33,976	\$ 32,639	\$ 34,480
Township Assistance	21,138	16,947	11,808	26,277	19,101	16,425	28,953
Levy Excess	507	-	-	507	-	507	-
Union Fire Protection Territory	122,239	133,581	106,115	149,705	129,934	116,612	163,027
Union Fire Equipment Replacement	25,318	39,453	49,071	15,700	37,047	49,111	3,636
Grant Fund	-	-	-	-	105,200	105,200	-
Payroll With holding-Township	1,324	4,607	5,431	500	4,607	4,615	492
Payroll With holding-Fire Territory	1,030	1,349	831	1,548	520	2,138	(70)
Totals	<u>\$ 206,203</u>	<u>\$ 227,333</u>	<u>\$ 206,156</u>	<u>\$ 227,380</u>	<u>\$ 330,385</u>	<u>\$ 327,247</u>	<u>\$ 230,518</u>

CASS TOWNSHIP, SULLIVAN 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	\$ 34,480	\$ 35,206	\$ 34,205	\$ 35,481	\$ 39,445	\$ 34,071	\$ 40,855
Township Assistance	28,953	19,069	13,840	34,182	19,015	17,283	35,914
Union Fire Protection Territory	163,027	116,688	124,952	154,763	150,161	171,958	132,966
Union Fire Equipment Replacement	3,636	36,132	39,343	425	38,635	37,633	1,427
Grant Fund	-	19,050	-	19,050	-	19,050	-
Payroll With holding-Township	492	4,607	4,728	371	4,958	4,958	371
Payroll With holding-Fire Territory	(70)	1,730	520	1,140	1,890	1,674	1,356
Totals	<u>\$ 230,518</u>	<u>\$ 232,482</u>	<u>\$ 217,588</u>	<u>\$ 245,412</u>	<u>\$ 254,104</u>	<u>\$ 286,627</u>	<u>\$ 212,889</u>