

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

LIBERTY TOWNSHIP

GRANT COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

04/16/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Gregory Thompson	01-01-20 to 12-31-25
President of the Township Board	Sherry French Patricia Stinger	01-01-20 to 12-31-20 01-01-21 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF LIBERTY TOWNSHIP, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Liberty 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 is informational only. The Statements of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis 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 Gregory Thompson, Trustee; Patricia Stinger, President of the Township Board; and Michael Keller, Township Board member, on March 25, 2025.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 24, 2025

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

Effective internal controls were not in place to ensure compliance with applicable laws and regulations related to:

- Condition of Records
- Bank Account Reconciliations
- Annual Financial Report
- Sources and Uses of Funds
- Supporting Documentation
- Capital Assets
- Certified Report Filed After Due Date
- Monthly and Annual Uploads
- Adoption of, and Training on, Internal Control Standards
- Certification on Internal Control Standards
- Federal and State Agencies - Compliance Requirements
- Advance Payments

The noncompliance issues are explained in more detail in the comments below.

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. . . ."

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

CONDITION OF RECORDS

A similar comment appeared in prior Report B55994.

Condition and Context

The Township did not maintain the Financial and Appropriation Record Form 1C or a similar financial ledger of receipts, disbursements, and cash balances by fund as prescribed for January 1, 2020 to December 31, 2023. The Township used an Excel spreadsheet to document receipt and disbursement transactions for the period. The spreadsheet only included transaction dates, receipt and/or check numbers, and amounts. The spreadsheet was not organized by fund, did not include totals by fund or for all funds, and did not include cash balances by fund or for all funds. These spreadsheets were provided for review as printed documents, and the Trustee stated they no longer had the electronic version.

Criteria

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)

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)

Form 1C includes a record of receipts, disbursements and balances by fund; a control of all funds and a control of expenditures by appropriation. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B55994, entitled *CONDITION OF RECORDS*.

Condition and Context

The Township did not provide evidence that bank reconciliations for all of 2020 or 2021 were prepared. In 2022 and 2023, the Township only prepared December bank reconciliations, and there was no evidence that bank reconciliations for January through November, 2022 and 2023, were prepared. Additionally, the bank reconciliations presented for December 2022 and 2023 included amounts for outstanding checks, but detailed listings of outstanding checks were not provided for review.

Based on information available and comparison to the cash balances reported in the Annual Financial Report filed in the Indiana Gateway for Government Units financial reporting system. We noted the following:

- At December 31, 2020, the cash and investments balance reported was \$39,258 more than the adjusted bank balance.
- At December 31, 2021, the cash and investments balance reported was \$27,850 more than the adjusted bank balance.
- At December 31, 2022, the cash and investments balance reported was \$45,692 more than the adjusted bank balance.

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

- At December 31, 2023, the cash and investments balance reported was \$30,818 more than the adjusted bank balance.

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."

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B55994, entitled *LATE SUBMISSION OF ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system, which is the source of the Township's Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis. The following issues were identified with the AFRs:

Late Submission

The Township filed its 2020, 2021, 2022, and 2023 AFR after the due date. The AFR was due 60 days after fiscal year end. The Township submitted its reports for 2020, 2021, 2022, and 2023 on April 15, 2021 (45 days late), April 7, 2022 (37 days late), April 5, 2023 (35 days late), and April 9, 2024 (40 days late).

Financial Data

The Township did not maintain an appropriate financial ledger and was not able to provide adequate documentation to support the amounts reported in the AFR for 2020, 2021, 2022, or 2023.

Capital Assets

The Township was unable to provide capital assets records to support the amounts to support the amounts reported in the AFR for 2020, 2021, 2022, or 2023.

Accounts Payable & Receivable

The Township was unable to provide documentation to support the accounts payable and accounts receivable amounts reported in the AFR for 2020, 2021, 2022, or 2023.

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](#)."

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Townships, Chapter 1)

SOURCES AND USES OF FUNDS

Condition and Context

The Township did not maintain a financial ledger by fund; however, based on the information entered into the Annual Financial Report (AFR), some local property taxes were reported to the funds incorrectly as follows:

- General fund 2020 - Local property taxes reported on the AFR were \$20,605; Grant County (County) distributed \$6,323 for the General fund, resulting in an overstatement of \$14,282.
- General fund 2021 - Local property taxes reported on the AFR were \$8,676; the County distributed \$6,347 for the General fund, resulting in an overstatement of \$2,329.
- General fund 2022 - Local property taxes reported on the AFR were \$16,601; the County distributed \$6,003 for the General fund, resulting in an overstatement of \$10,598.
- Township Assistance fund 2022 - Local property taxes reported on the AFR were \$25,894; the County distributed \$5,665 for the Township Assistance fund, resulting in an overstatement of \$20,229.
- Township Assistance fund 2023 - Local property taxes reported on the AFR were \$18,658; the County distributed \$8,364 for the Township Assistance fund, resulting in an overstatement of \$10,294.
- Firefighting fund 2022 - Local property taxes reported on the AFR were \$1,008, the County distributed \$25,894 for the Firefighting fund, resulting in an understatement of \$24,886.

Criteria

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)

SUPPORTING DOCUMENTATION

Condition and Context

The Township did not provide adequate supporting documentation for some disbursements.

The Township did not properly complete the Application for Township Assistance Form TA-1 and provide supporting documentation of investigation for 10 of 30 Township Assistance disbursements tested during the engagement period. The total amount without supporting documentation was \$3,682.

The Township was unable to provide a cancelled check for 1 of 20 payroll disbursements tested during the engagement period. The total amount of the cancelled check not provided was \$1,500.

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

Some payments made to the Internal Revenue Service during the engagement period did not have supporting documentation to determine what the payments were for.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

CAPITAL ASSETS

Condition and Context

The Township did not maintain a complete, detailed listing of all capital assets owned, which reflected their acquisition value during the engagement period. Additionally, the Township did not complete a physical inventory of capital assets at least every two years.

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)

CERTIFIED REPORT FILED AFTER DUE DATE

A similar comment appeared in prior Report B55994, entitled *LATE SUBMISSION OF CERTIFIED REPORT*.

Condition and Context

The Township's Certified Report of Names, Addresses, Duties and Compensation of Public Employees Form 100R for 2021 and 2022 was not filed electronically until April 5, 2022, and April 3, 2023, which was 64 and 62 days past the due date, respectively.

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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 comply with State Examiner Directive 2018-1 as amended. For 2020, 2021, 2022, and 2023, the Township did not upload any of the required monthly files into the Indiana Gateway for Government Units (Gateway) financial reporting system, which included approved Township Board minutes, funds ledger, summarizing total receipts, disbursements, beginning and ending balances by fund, and bank reconcilements with outstanding checklists.

The Township did not upload any of the required annual files into Gateway for 2020, 2021, 2022, and 2023. The following files and governmental unit information are required to be uploaded annually:

- Year-end investment statements
- Current year salary ordinance (and Amendments)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Accounts Payable/Accounts Receivable Schedule support
- Personnel Policy

Criteria

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; Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B55994.

Condition and Context

The Township had not adopted the minimum level of internal control standards as required by statute. Additionally, the Township did not provide training over internal control standards to employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township.

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 appeared in prior Report B55994.

Condition and Context

The Township incorrectly certified on the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system for 2022 and 2023 that the required internal control standards had been adopted and that training had been provided to personnel. However, the Township had not adopted the internal control standards or trained personnel as required by Indiana Code 5-11-1-27(h).

Criteria

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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](#)."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The same comment appeared in prior Report B55994.

Condition and Context

The Township did not properly remit payroll taxes during the engagement period. The following issues were noted:

- Payroll taxes totaling \$134 for January 1, 2020 to December 31, 2020, were due January 31, 2021, but not paid until February 1, 2021.
- Payroll taxes totaling \$49 for January 1, 2021 to December 31, 2021, were due January 31, 2022, but not paid until February 18, 2022.
- Payroll taxes totaling \$29 for January 1, 2023 to December 31, 2023, were due January 31, 2024, but not paid until February 1, 2024.

Additionally, the prior report indicated there was a balance due for taxes for 2018 and 2019 totaling \$1,025 and \$1,597, respectively, in which there was no evidence provided that these taxes were paid. However, there were payments made to the Internal Revenue Service for amounts that did not have adequate documentation to determine what the payments were for.

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)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

LIBERTY TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

ADVANCE PAYMENTS

Condition and Context

The Township Board members were paid in advance of services completed for all four years of the engagement period. Per the salary resolution, the Township Board members were to be paid \$500 annually. The Township Board members were paid \$500 in early to mid-December each year rather than December 31 of each year.

The Trustee was paid in advance of services completed for all four years of the engagement period. Per the salary resolution, the Trustee was to be paid \$6,000 each year of the engagement period that was paid on a quarterly basis. However, the Trustee was paid prior to the end of each quarter for each pay during the engagement period.

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)

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."