

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

MICHIGAN TOWNSHIP

CLINTON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
12/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Nicholas K. Bales	01-01-20 to 12-31-24
Chair of the Township Board	Matthew Mennen	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF MICHIGAN TOWNSHIP, CLINTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Michigan 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 Nicholas K. Bales, Trustee, and Matthew Mennen, Chair of the Township Board, on November 19, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 21, 2024

MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure the Township complied with capital asset requirements. The Township had not adopted a capital asset policy during the engagement period. In addition, the Township had not conducted a physical inventory or maintained a detailed capital asset listing for the engagement period. The Township reported \$464,000; \$464,000; \$470,500; and \$470,500 in capital assets for 2020, 2021, 2022, and 2023, respectively, in its Annual Financial Report filed via the Indiana Gateway for Government Units financial reporting system.

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)

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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls over the preparation and submission of the Annual Financial Report (AFR) were not in place to ensure that information entered was accurate.

There was no supporting documentation for the capital asset information entered into the Indiana Gateway for Government Units financial reporting system, which is the basis for the Schedule of Capital Assets. The Township reported \$464,000; \$464,000; \$470,500; and \$470,500 in capital assets for 2020, 2021, 2022, and 2023, respectively, in the AFR.

MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

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TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure that the Township complied with laws regarding internal control standards. The Township Board members had not 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:

MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

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CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure the Township complied with requirements related to internal control standards. The Township certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, during the engagement, the Trustee indicated that all personnel had not received training concerning the internal control 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](#)."

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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MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1 as amended. The Township did not upload into the Indiana Gateway for Government Units financial reporting system the required monthly and annual files for 2020 through 2023.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Bank Statements (effective for the required upload beginning with December 2020 information)
- Outstanding Check Lists (effective for the required upload beginning with December 2020 information)
- Approved Township Board minutes
- Funds ledger summarizing total receipts, disbursements, and beginning and ending balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

The following files and governmental unit information are required to be uploaded annually:

- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance (and Amendments effective beginning with annual uploads of 2020 information)
- Annual vendor history report
- Annual employee earnings record/payroll history report without social security numbers (unless only hand posted records exist)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund (effective beginning with 2020 information)

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)

MICHIGAN TOWNSHIP, CLINTON COUNTY
 COMMENTS
 (Continued)

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)

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BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure the Township complied with requirements to reconcile bank accounts with the records of the Township. A voided check originally written for \$12,000 was incorrectly included on the list of outstanding checks at December 31, 2022. Of the 12 bank reconciliations tested, there were 7 that were not timely reconciled per date of reconciliation, per the Township, as noted below.

<u>Month End</u>	<u>Reconcilement Date</u>
01-31-20	04-28-20
11-30-20	01-16-21
02-28-21	05-18-21
07-31-21	10-28-21
10-31-21	01-05-22
04-30-22	07-22-22
09-30-22	12-16-22

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."

MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

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TOWNSHIP ASSISTANCE

Condition and Context

Internal controls were not in place to ensure the Township complied with the Township Assistance requirements. The Township had not adopted Township Assistance Standards for the engagement period. The Trustee did not document the investigation of the applications. Of the 20 applications tested, there were 13 that did not use the prescribed form Township Assistance Action (TA-1A).

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.

MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

(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 subsections (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](#)."

Standards for the administration of township assistance must contain the following:

1. Criteria for determining township assistance eligibility.
2. Minimum requirements of township trustee accessibility.
3. Other information as needed, including the following:
 - A. Township office locations, hours, and days of availability.
 - B. Initial eligibility criteria.
 - C. Continuing eligibility criteria.
 - D. Workfare requirements.
 - E. Essential and nonessential assets.
 - F. Available resources.
 - G. Income exemptions.
 - H. Application process.
 - I. Countable income.
 - J. Countable assets.
 - K. Wasted resources.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

Indiana Code 12-20-6-9 states:

"If an application for township assistance is made to the township trustee as administrator of township assistance, the township trustee, as administrator of township assistance, shall carefully investigate the circumstances of the applicant and each member of the applicant's household to ascertain the following:

- (1) Legal residence.
- (2) Names and ages.
- (3) Physical condition relating to sickness or health.
- (4) Present and previous occupation.

MICHIGAN TOWNSHIP, CLINTON COUNTY
COMMENTS
(Continued)

- (5) Ability and capacity to perform labor.
- (6) The cause of the applicant's or household member's condition if the applicant or household member is found to be in need and the cause can be ascertained.
- (7) Whether the applicant or a member of the applicant's household is entitled to income in the immediate future from any source, including the following:
 - (A) Past or present employment.
 - (B) A pending claim or cause of action that may result in a monetary award being received by any member of the applicant's household claiming to be in need.
 - (C) A pending determination for assistance from any other federal or state governmental entity.
- (8) The family relationships of the township assistance applicant.
- (9) Whether the township assistance applicant or members of the applicant's household have relatives able and willing to assist the applicant or a member of the applicant's household."

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)

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

MICHIGAN TOWNSHIP, CLINTON 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			Cash and Investments			Cash and Investments
	01-01-20	Receipts	Disbursements	12-31-20	Receipts	Disbursements	
TOWNSHIP FUND	\$ 70,302	\$ 43,530	\$ 33,486	\$ 80,346	\$ 52,298	\$ 40,371	\$ 92,273
TOWNSHIP ASSISTANCE	31,080	8,874	5,488	34,466	6,905	5,549	35,822
RAINY DAY FUND	9,660	4,000	-	13,660	9,500	-	23,160
EXCESS LEVY	189	-	-	189	-	-	189
GENERAL FIRE TERRITORY FIRE FIGHTING FUND	86,166	201,297	179,260	108,203	211,521	181,787	137,937
SPECIAL FIRE TERRITORY EQUIPMENT&BUILDING FUND	390,636	77,282	85,000	382,918	72,494	167,815	287,597
PAYROLL DEDUCTIONS	366	3,692	3,364	694	3,463	4,026	131
Totals	<u>\$ 588,399</u>	<u>\$ 338,675</u>	<u>\$ 306,598</u>	<u>\$ 620,476</u>	<u>\$ 356,181</u>	<u>\$ 399,548</u>	<u>\$ 577,109</u>

MICHIGAN TOWNSHIP, CLINTON 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			Cash and Investments			Cash and Investments
	01-01-22	Receipts	Disbursements	12-31-22	Receipts	Disbursements	
TOWNSHIP FUND	\$ 92,273	\$ 52,920	\$ 33,262	\$ 111,931	\$ 50,101	\$ 43,170	\$ 118,862
TOWNSHIP ASSISTANCE	35,822	22	8,788	27,056	-	7,568	19,488
RAINY DAY FUND	23,160	-	-	23,160	9,000	-	32,160
EXCESS LEVY	189	-	-	189	-	-	189
GENERAL FIRE TERRITORY FIRE FIGHTING FUND	137,937	211,958	224,806	125,089	222,437	238,626	108,900
SPECIAL FIRE TERRITORY EQUIPMENT&BUILDING FUND	287,597	74,299	110,132	251,764	90,160	141,103	200,821
PAYROLL DEDUCTIONS	131	4,057	3,946	242	3,916	4,035	123
Totals	<u>\$ 577,109</u>	<u>\$ 343,256</u>	<u>\$ 380,934</u>	<u>\$ 539,431</u>	<u>\$ 375,614</u>	<u>\$ 434,502</u>	<u>\$ 480,543</u>