

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

FRANKLIN TOWNSHIP

GRANT COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
11/27/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-9
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	12-13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Kevin Carmichael	01-01-20 to 12-31-24
Chair of the Township Board	Pamala Buteau-Leming	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Franklin 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 Kevin Carmichael, Trustee; Pamala Buteau Leming, Chair of the Township Board; and Paul Layman Jr., Township Board member, on November 13, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 7, 2024

FRANKLIN TOWNSHIP, GRANT COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

Adequate internal controls were not in place to ensure compliance with applicable laws and regulations. The following issues were noted and detailed further in the comments below:

- Annual Financial Report
- Overdrawn Cash Balance
- Penalties and Interest
- Township Assistance Standards
- Prescribed Forms - Township Assistance
- Adoption of, and Training on, Internal Controls
- Certification on Internal Control Standards and Training

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. . . ."

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Reports B47144 and B55510.

Condition and Context

Internal controls were not in place to ensure the Annual Financial Reports (AFRs) filed on the Indiana Gateway for Government Units financial reporting system were accurate. Receipts into the Payroll Withholding Fund were not included on the AFR submitted for 2021, 2022, and 2023 as noted below. This also caused ending balances to be off for those years by the same amounts. Beginning balances for 2022 and 2023 were also inaccurately reported.

FRANKLIN TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

Years	Fund	Category	Amount per AFR	Amount per Ledger	Difference
2021	Payroll Withholdings	Receipts	\$ -	\$ 5,071	\$ (5,071)
2021	Payroll Withholdings	Ending Balance	(9,297)	(4,226)	(5,071)
2022	Payroll Withholdings	Beginning Balance	(4,226)	(4,226)	-
2022	Payroll Withholdings	Receipts	-	5,071	(5,071)
2022	Payroll Withholdings	Ending Balance	(11,337)	(6,266)	(5,071)
2023	Payroll Withholdings	Beginning Balance	(6,266)	(6,266)	-
2023	Payroll Withholdings	Receipts	-	5,271	(5,271)
2023	Payroll Withholdings	Ending Balance	(13,278)	(8,007)	(5,271)

Adjustments were proposed, approved by the Township, and made to the financial statements presented in this report.

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](#)."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B47144 and B55510.

Condition and Context

Internal controls were not in place to ensure fund balances were not overdrawn. The Payroll Withholdings Fund was overdrawn by \$2,314, \$4,226, \$6,266, and \$8,007 as of December 31, 2020, 2021, 2022, and 2023, respectively. These amounts were overstated due to receipts not being reported in the payroll fund.

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)

PENALTIES AND INTEREST

Condition and Context

Internal controls were not in place to ensure timely payments to the Indiana Department of Revenue for state and local withholdings. Penalties and interest were paid for late remittance of monthly state and local withholdings to the Indiana Department of Revenue. Penalties and interest paid were \$58, \$174, \$70, and \$72 for 2020, 2021, 2022, 2023, respectively.

FRANKLIN TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

Twenty-two out of forty-eight payments included penalties and interest and there were two additional payments for penalties and interest included in the total.

One out of twenty vendor disbursements sampled included a late fee of \$2 to AT&T.

Criteria

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)

TOWNSHIP ASSISTANCE STANDARDS

Condition and Context

Internal controls were not in place to ensure Township Assistance Standards were established in accordance with Indiana Code 12-20-5.5-1. Written standards had not been established.

Criteria

Indiana Code 12-20-5.5-1 states in part:

"(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. . . ."

FRANKLIN TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

PRESCRIBED FORMS - TOWNSHIP ASSISTANCE

Condition and Context

Internal controls were not in place to ensure required forms prescribed by the Indiana State Board of Accounts were used in accordance with Township Assistance regulations. For compliance testing, 21 Township Assistance applications were tested during the engagement period. Eleven out of the twenty-one tested had initial applications that were over 180 days and did not include the TA-1B form-Application for Additional or Continuing Township Assistance.

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)

Application for Additional or Continuing Township Assistance should be completed for additional or continuing township assistance.

The township trustee may not extend additional or continuing aid to an individual or a household unless the individual or household files an affidavit with the request for assistance affirming how, if at all, the personal condition of the individual or the household has changed from that set forth in the individual's or household's most recent application. IC 12-20-6-5

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

A similar comment appeared in prior Report B55510.

Condition and Context

Internal controls were not in place to ensure that the Township Board adopted the acceptable minimum level of internal control standards and procedures or that the appropriate personnel were properly trained as required by statute.

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."

FRANKLIN TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment appeared in prior Report B55510.

Condition and Context

Internal controls were not in place to ensure the correct certification on internal control standards and training was made. The Trustee certified on the Annual Financial Report that the Township Board had adopted internal control standards and trained required personnel. However, the Township Board had not formally adopted internal control standards, and personnel did not receive the internal control training.

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](#)."



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

FRANKLIN TOWNSHIP, GRANT 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 General Fund	\$ 186,317	\$ 6,166	\$ 33,956	\$ 158,527	\$ 125,947	\$ 180,705	\$ 103,769
Township Assistance Fund	176,504	123,059	60,744	238,819	-	51,164	187,655
Fire Fighting Fund	66,947	72,964	19,688	120,223	74,978	86,917	108,284
RAINY DAY FUND	7,867	-	7,658	209	-	-	209
Payroll Withholdings Fund	(632)	5,227	6,909	(2,314)	5,071	6,983	(4,226)
Capital Improvements	-	-	-	-	216,946	73,085	143,861
Totals	<u>\$ 437,003</u>	<u>\$ 207,416</u>	<u>\$ 128,955</u>	<u>\$ 515,464</u>	<u>\$ 422,942</u>	<u>\$ 398,854</u>	<u>\$ 539,552</u>

FRANKLIN TOWNSHIP, GRANT 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 General Fund	\$ 103,769	\$ 123,427	\$ 30,285	\$ 196,911	\$ 135,038	\$ 31,869	\$ 300,080
Township Assistance Fund	187,655	-	103,676	83,979	46	77,963	6,062
Fire Fighting Fund	108,284	76,453	72,530	112,207	80,643	24,281	168,569
RAINY DAY FUND	209	-	-	209	-	-	209
Payroll Withholdings Fund	(4,226)	5,071	7,111	(6,266)	5,271	7,012	(8,007)
Capital Improvements	143,861	-	15,518	128,343	-	21,847	106,496
Totals	<u>\$ 539,552</u>	<u>\$ 204,951</u>	<u>\$ 229,120</u>	<u>\$ 515,383</u>	<u>\$ 220,998</u>	<u>\$ 162,972</u>	<u>\$ 573,409</u>