

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

COMPLIANCE ENGAGEMENT REPORT

OF

LINTON TOWNSHIP

VIGO COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

04/26/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Gloria Mount	01-01-19 to 12-31-24
Chair of the Township Board	Josh Tryon	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF LINTON TOWNSHIP, VIGO COUNTY , INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Linton Township (Township), for the period of January 1, 2019 to December 31, 2022. 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 Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the Comments section 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 Gloria Mount, Trustee, and Josh Tryon, Chair of the Township Board, on March 27, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 19, 2024

LINTON TOWNSHIP, VIGO COUNTY
COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B55784, entitled *ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The Township could not provide supporting documentation showing the adoption of the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"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 . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B55784, entitled *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The Township certified on the Annual Financial Reports that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(g); however, the Township could not provide supporting documentation showing the adoption of the minimum 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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

ANNUAL FINANCIAL REPORTS

A similar comment also appeared in prior Reports B47124 and B55784, entitled *ANNUAL REPORTS*.

Condition and Context

Due to a lack of internal controls, the Annual Financial Report (AFR) submitted in the Indiana Gateway for Government Units financial reporting system for 2019, 2020, 2021, and 2022 contained errors and did not reflect the financial activity of the Township. As such, the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis have not been included in this report. The table below shows the difference between the AFR and the Township's ledger:

LINTON TOWNSHIP, VIGO COUNTY
COMMENTS
(Continued)

Fiscal Year End	AFR Balance	Ledger Balance	Difference
December 31, 2019	\$ 72,258	\$ 85,237	\$ (12,979)
December 31, 2020	117,178	114,977	2,201
December 31, 2021	103,671	101,470	2,201
December 31, 2022	118,679	117,352	1,327

Local distributions received from the County Auditor were not posted to the correct funds on the Township's 2022 AFR. Due to erroneous posting of these receipts, the Township fund was overstated, and the Fire fund understated, by \$1,283.

The AFR for 2020 included the Township fund with a beginning balance that was \$15,175 more than the prior period ending balance. Also, the AFR for 2022 included the Rainy-Day fund with a beginning balance that was \$872 less than the prior period ending balance. Beginning and ending balances should agree.

The Township reported the Payroll fund on its AFRs throughout the engagement period and the Payroll fund was not included in the Township's ledger. However, at December 31 for all years of the engagement period, the Township's ledger reconciled to its ending bank balances. Additionally, there was no supporting documentation provided by the Township showing a ledger was maintained for the Payroll fund.

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

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.

LINTON TOWNSHIP, VIGO COUNTY
COMMENTS
(Continued)

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. . . ."

COMPENSATION AND BENEFITS

Condition and Context

Internal controls were not in place to ensure an annual salary resolution or ordinance, Township Board minutes, or other documentation that set and approved the salaries of Township officers and employees 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)

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CONTRACTS

The same comment appeared in prior Reports B47124 and B55784, entitled *CONTRACTS*.

Condition and Context

Internal controls were not in place to ensure payments for contractual services were supported by a contract. Payments were made by the Township for mowing services without a written contract in the amounts of \$7,250, \$6,290, \$8,190, and \$7,040 in years 2019, 2020, 2021, and 2022, respectively.

LINTON TOWNSHIP, VIGO COUNTY
COMMENTS
(Continued)

Payments for cleaning services were made without a written contract in the amounts of \$900, \$1,125, \$975, and \$1,075 in 2019, 2020, 2021, and 2022, respectively.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Township Trustees, Chapter 1)

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SUPPORTING DOCUMENTATION

Condition and Context

Due to a lack of internal controls, the Township could not provide supporting documentation for 3 of the 25 disbursements selected for testing. The payments with no supporting documentation were to reimburse the Trustee for paying the Township's telephone bill.

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)

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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COMMENTS
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