

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

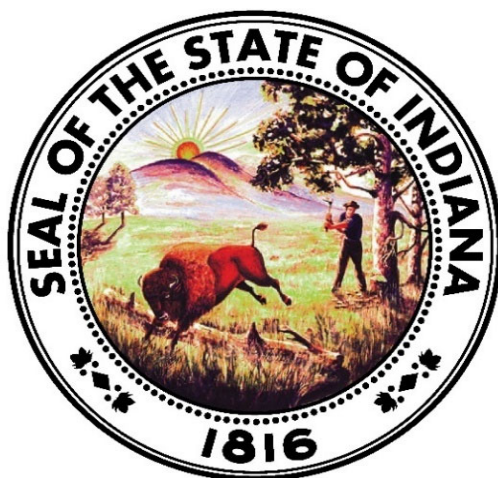
COMPLIANCE ENGAGEMENT REPORT

OF

FAYETTE TOWNSHIP

VIGO COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

04/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Paul Allsup	01-01-19 to 12-31-24
Chair of the Township Board	Craig Bales	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FAYETTE TOWNSHIP, VIGO COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Fayette Township (Township), for the period of January 1, 2019 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 Paul Allsup, Trustee, and Craig Bales, Chair of the Township Board, on April 4, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 4, 2024

FAYETTE TOWNSHIP, VIGO COUNTY
COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

The same comment also appeared in the prior Report B56160.

Condition and Context

The Township had not adopted 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:

"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."

ADVANCE PAYMENTS

Condition and Context

Internal controls were not in place to ensure salaries were not paid in advance. The Trustee and Township Clerk were paid quarterly. We reviewed quarters ended March 2019, March 2020, December 2021, June 2022, and December 2023. All were paid during the last month of the quarter except June 2022, which was paid in August of 2022. The process resulted in the Trustee and Township Clerk being paid in advance of work performed in the last month of the quarter.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Township, 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.

FAYETTE 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 the Township properly remitted required contributions to the Indiana Public Employees' Retirement Fund. Contributions from June 30, 2021 to December 31, 2023, were not remitted until the Township was notified by the Indiana Public Retirement System. The Township resolved the issue on February 5, 2024, before penalties were assessed.

Criteria

Indiana Code 5-10.3-7-12.5 states:

"(a) An employer or department shall make the reports, membership records, or payments required by [IC 5-10.3-6](#) or by sections 10 through 12 of this chapter:

- (1) not more than thirty (30) days after the end of the calendar quarter, if applicable;
- (2) by another due date specified in section 10 of this chapter; or
- (3) by an alternate due date established by the rules of the board.

(b) If the employer or department does not make the reports, records, or payments within the time specified in subsection (a):

- (1) the board may fine the employer or department one hundred dollars (\$100) for each additional day that the reports, records, or payments are late, to be withheld under [IC 5-10.3-6-7](#); and
- (2) if the employer or department is habitually late, as determined by the board, the board shall report the employer or the department to the auditor of state for additional withholding under [IC 5-10.3-6-7](#).

(c) An employer or department shall submit:

- (1) the reports and records described in subsection (a) in a uniform format through a secure connection over the Internet or through other electronic means specified by the board in accordance with [IC 5-10.2-2-12.5](#); and
- (2) both:
 - (A) employer contributions determined under [IC 5-10.2-2-11](#), [IC 5-10.3-12-24](#), [IC 5-10.3-12-24.5](#), or [IC 5-10.3-12-24.7](#); and

FAYETTE TOWNSHIP, VIGO COUNTY
COMMENTS
(Continued)

(B) contributions paid by or on behalf of a member under section 9 of this chapter or [IC 5-10.3-12-23](#);

by electronic funds transfer in accordance with [IC 5-10.2-2-12.5](#)."

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

A similar comment also appeared in prior Reports B47132 and B56160.

Condition and Context

Internal controls were not in place to ensure all contractual services paid with Township funds were supported by written contracts. Payments for Fire Protection were not supported by a written contract in 2021, 2022, and 2023.

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 Townships, Chapter 1)

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FAYETTE TOWNSHIP, VIGO COUNTY
COMMENTS
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MONTHLY AND ANNUAL UPLOADS

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1. The Trustee failed to upload into the Indiana Gateway for Governmental Units financial reporting system the required monthly and annual files for 2019 through 2023.

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Township Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report and contracts for Mowing and Fire Protection.

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)

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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FAYETTE TOWNSHIP, VIGO COUNTY
COMMENTS
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TOWNSHIP ASSISTANCE REIMBURSEMENTS

Condition and Context

Internal controls were not in place to ensure all Township Assistance payments were supported by the required prescribed forms. Of the 15 Township Assistance disbursements tested, 2 were missing the Application for Township Assistance TA-1, 5 were missing Township Assistance Purchase Order TA-2, and 5 were missing supporting documentation. There was no documentation of an investigation performed. Additionally, the Township did not use Notice of 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.

(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](#)."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

FAYETTE TOWNSHIP, VIGO COUNTY
COMMENTS
(Continued)

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

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FAYETTE TOWNSHIP, VIGO COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
Township	\$ 78,295	\$ 88,851	\$ 61,223	\$ 105,923	\$ 86,269	\$ 63,868	\$ 128,324
Township Assistance	29,861	1,578	2,452	28,987	10,384	2,973	36,398
Fire Fighting	18,690	43,757	26,621	35,826	49,517	48,621	36,722
Rainy Day	4,306	-	-	4,306	-	-	4,306
Levy Excess	476	-	-	476	-	-	476
Cumulative Fire	690	5,201	3,294	2,597	5,572	707	7,462
Totals	<u>\$ 132,318</u>	<u>\$ 139,387</u>	<u>\$ 93,590</u>	<u>\$ 178,115</u>	<u>\$ 151,742</u>	<u>\$ 116,169</u>	<u>\$ 213,688</u>

FAYETTE TOWNSHIP, VIGO COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
Township	\$ 128,324	\$ 89,509	\$ 61,611	\$ 156,222	\$ 96,336	\$ 61,340	\$ 191,218
Township Assistance	36,397	10,548	1,315	45,630	10,410	2,238	53,802
Fire Fighting	36,722	44,887	28,659	52,950	51,233	30,194	73,989
Rainy Day	4,306	-	-	4,306	-	-	4,306
Levy Excess	476	-	-	476	-	-	476
Cumulative Fire	7,462	4,913	-	12,375	5,256	-	17,631
Totals	<u>\$ 213,687</u>	<u>\$ 149,857</u>	<u>\$ 91,585</u>	<u>\$ 271,959</u>	<u>\$ 163,235</u>	<u>\$ 93,772</u>	<u>\$ 341,422</u>

FAYETTE TOWNSHIP, VIGO COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
Township	\$ 191,218	\$ 103,030	\$ 62,366	\$ 231,882
Township Assistance	53,802	10,219	1,680	62,341
Fire Fighting	73,989	50,705	30,154	94,540
Rainy Day	4,306	-	-	4,306
Levy Excess	476	-	-	476
Cumulative Fire	<u>17,631</u>	<u>5,372</u>	<u>3,181</u>	<u>19,822</u>
Totals	<u>\$ 341,422</u>	<u>\$ 169,326</u>	<u>\$ 97,381</u>	<u>\$ 413,367</u>