

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

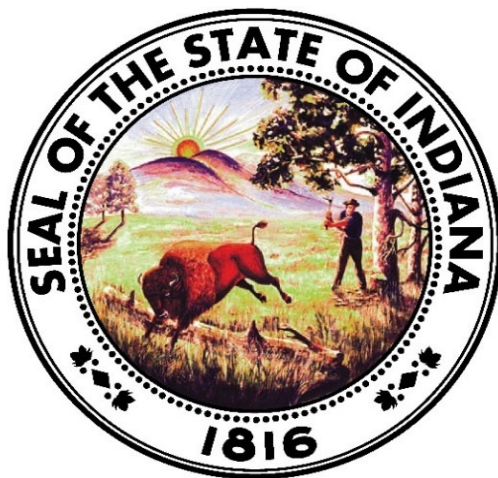
COMPLIANCE ENGAGEMENT REPORT

OF

UNION TOWNSHIP

MADISON COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
02/21/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments:	
Annual Financial Report	5
Condition of Records	5-6
Training on Internal Control Standards	6
Compensation and Benefits	6-8
Capital Assets.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	J. Michael Phillips (deceased) (Vacant) Tim Dunham	01-01-19 to 12-14-21 12-15-21 to 12-27-21 12-28-21 to 12-31-26
Chair of the Township Board	Walter Carter Jack Odle	01-01-19 to 12-31-22 01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF UNION TOWNSHIP, MADISON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Union 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.

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 Statement of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis has not been included in this report due to the issues detailed in the Comment section of this report.

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 Tim Dunham, Trustee; Jack Odle, Chair of the Township Board; and Lloyd Brown, Secretary of the Township Board, on February 1, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 1, 2024

UNION TOWNSHIP, MADISON COUNTY
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) filing system for the years ended December 31, 2021 and 2022, were incorrect. Receipts and disbursement reported for 2021 were not supported by amounts posted to the Township ledger. Both receipts and disbursements were understated; therefore, the ending balance was incorrect. The incorrect ending balance reported for December 31, 2021, was rolled forward to January 1, 2022, resulting in beginning and ending balances for the year ended December 31, 2022, to also be incorrect. The Township has been advised to make corrections to the AFR in Gateway.

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](#)."

CONDITION OF RECORDS

Condition and Context

The following funds were reported in the Township's Annual Financial Report (AFR) filed by management in Indiana Gateway for Government Units (Gateway) filing system as being overdrawn:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Township General	\$ 17,440	\$ 11,308
Firefighting	21,733	21,733

Upon further review of the Township ledger and bank transactions, it was determined that errors were made in posting receipts and disbursements. Local tax distributions received from the county were either posted incorrectly or not at all. Additionally, disbursements were either posted incorrectly or not at all. These errors caused the AFR in Gateway to be incorrect. We were able to determine that total receipts and disbursements reported for the year ended December 31, 2021, were understated by \$110,474 and \$21,100 respectively. As a result of these errors, the ending fund balances were incorrect. We recommended the Township review the errors to determine what fund they should have been posted to and make the corrections to the AFR in Gateway.

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. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

UNION TOWNSHIP, MADISON COUNTY
COMMENTS
(Continued)

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Trustee has not received training on internal control standards.

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."

COMPENSATION AND BENEFITS

Condition and Context

Pay rates for employees of the Township could not be verified. The salary resolutions provided a total amount for each position title and the number of positions within that title but did not include a detailed salary per position.

Also, the Township had not included in the salary resolution the additional compensation the Trustee and two Township Board members were receiving for work performed for the East Madison Fire Territory. A fire territory is a taxing mechanism employed by two or more units of government for fire protection and fire prevention as detailed under Indiana Code 36-8-19-5. A fire territory is not a separate unit of government.

Beginning in 2022 the Township signed an interlocal agreement with Richland Township to establish the East Madison Fire Territory (Fire Territory). The Township was named as the provider unit. Indiana Code 36-8-19-3 states: "As used in this chapter, 'provider unit' refers to the participating unit that is responsible for providing the fire protection services within the territory." For the period January 1, 2022, to December 31, 2022, the Trustee received compensation of \$19,385 as Chairman and Chief Operating Officer of the Fire Territory; and two Township Board members received additional compensation of \$1,750 each as Fire Territory Executive Board members.

The 2022 Township Salary Resolution approved by the Township Board on January 18, 2022, did not include any compensation for additional duties performed for providing fire protection services under Indiana Code 36-8-19-3. The interlocal agreement stipulated that the Trustee would act as Chair and Chief Operating Officer of the Fire Territory, and two Township Board members would be selected as members of the Fire Territory Executive Board. The interlocal agreement stipulated those positions would be compensated as determined annually by the Fire Territory Board.

UNION TOWNSHIP, MADISON COUNTY
COMMENTS
(Continued)

As stated in Indiana Code 36-6-6-10 (referenced in the criteria below), the township legislative body shall fix the compensation of all officers and employees of the Township. Compensation is defined as the total of all money paid to an elected township officer for performing duties as township officer, regardless of the source of funds from which the money is paid. See Indiana Code 36-6-6-10(b) below.

The Fire Territory Board can provide recommendations to the Township Board on the salaries of the fire and EMS employees and compensation for the Trustee and Township Board members serving on the Fire Board, but the Township Board should include all compensation paid to the elected Township officers and employees, including the fire and EMS employees, in the Township Salary Resolution passed by the Township Board.

Criteria

Indiana Code 36-6-6-10 states:

"(a) This section does not apply to the appropriation of money to pay a deputy or an employee of a township assessor with assessment duties or to an elected township assessor.

(b) As used in this section, 'compensation' means the total of all money paid to an elected township officer for performing duties as a township officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected township officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. For purposes of determining an increase or decrease in compensation of an elected township officer, the term does not include any of the following:

(1) Payment of an insurance premium.

(2) Payments in recognition of:

(A) longevity;

(B) professional certifications; or

(C) educational advancements;

that are separately identified on a salary ordinance or resolution.

(3) Payment of a stipend or per diem allowed by statute.

(c) The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected township officer is not required to report hours worked and may not be compensated based on the number of hours worked.

(d) Subject to subsection (e), the township legislative body may reduce the salary of an elected or appointed official. However, except as provided in subsection (i), the official is entitled to a salary that is not less than the salary fixed for the first year of the term of office that immediately preceded the current term of office.

(e) Except as provided in subsection (i), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available.

UNION TOWNSHIP, MADISON COUNTY
COMMENTS
(Continued)

(f) If a change in the mileage allowance paid to state officers and employees is established by July 1 of any year, that change shall be included in the compensation fixed for the township executive and assessor under this section, to take effect January 1 of the next year. However, the township legislative body may by ordinance provide for the change in the sum per mile to take effect before January 1 of the next year.

(g) The township legislative body may not reduce the salary of the township executive without the consent of the township executive during the term of office of the township executive as set forth in [IC 36-6-4-2](#).

(h) This subsection applies when a township executive dies or resigns from office. The person filling the vacancy of the township executive shall receive at least the same salary the previous township executive received for the remainder of the unexpired term of office of the township executive (as set forth in [IC 36-6-4-2](#)), unless the person consents to a reduction in salary.

(i) In a year in which there is not an election of members to the township legislative body, the township legislative body may vote to reduce the salaries of the members of the township legislative body by any amount."

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 Cities and Townships Chapter 1)

CAPITAL ASSETS

Condition and Context

The Township did not provide a capital assets policy detailing the threshold items are considered capital assets. They did not keep a detailed listing of assets, and no documentation was provided to show a physical inventory had been conducted within the past 2 years. The Township reported \$6,613,200 of capital assets as of December 31, 2022, in its Annual Financial Report filed in Indiana Gateway for Government Units filing 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)