

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARREN TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED
11/13/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Steven Downey	01-01-22 to 12-31-24
Chair of the Township Board	Anthony Marvel Eric Griffin	01-01-22 to 12-31-22 01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WARREN TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to the audit report of the Warren Township (Township), for the period from January 1, 2022 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Township. It should be read in conjunction with the Financial Statement Audit Report of the Township, which provides our opinions on the Township's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 24, 2024

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B47699 and B55139, entitled *CONDITION OF RECORDS*; and B59387, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Township related to receipts and disbursements.

Receipts

An oversight or review process was not in place to ensure proper issuance, recording, and reporting of receipts. One individual collected payments, completed the deposit ticket, took the deposits to the bank, and posted the receipts to the ledger.

Disbursements (Payroll)

An oversight or review process was not documented to ensure the accuracy of the information entered into the payroll system such as pay rates, benefit changes, and deductions or when payroll was processed by the Clerk through the payroll system.

Disbursements (Vendor)

An oversight or review process was not documented over vendor disbursements to ensure accuracy. Automatic payments were made from the bank without a documented review process to ensure the accuracy of the amount paid.

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. . . ."

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MONTHLY AND ANNUAL UPLOADS

A similar comment also appeared in prior Report B59387, entitled *ENGAGEMENT UPLOADS*.

Condition and Context

Internal controls were not in place to ensure compliance with monthly and annual uploads on the Indiana Gateway for Government Units financial reporting system.

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

Annual upload requirements include the detail of receipt activity by fund, detail of disbursement activity by fund, current year salary schedule and amendments, annual funds ledger, and an annual payroll history report.

The Township did not comply with the State Examiner Directive since the following files were not uploaded:

- Bank statements for 22 of the 24 months.
- Any of the required annual files listed above.

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:

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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)

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

OVERDRAWN CASH BALANCES

Condition and Context

Internal controls were not in place to ensure compliance with cash balances. The financial statement included the following funds with overdrawn cash balances as of December 31, 2023:

Fund	Amount Overdrawn
Fire Fighting Fund	\$ 245,122
Payroll Deductions	33
Capital Projects Fund	91,033

Criteria

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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)

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Township had not established effective internal controls over the AFR information reported in the Gateway, which resulted in the following errors:

Leases and Debt

- The two leases with the Warren Township Building Corporation were erroneously classified as long-term debt obligations instead of leases. This resulted in the understatement of the Annual Lease Payment total by \$950,000 and overstatement of the governmental long-term debt ending principal balance by \$11,570,000.
- The General Obligation Bonds Ending Principal Balance and Principal Due Within One Year balances were understated by \$5,000 and \$55,000, respectively.

Capital Assets

The Township prepared and submitted the capital assets information into the Gateway. However, when compared to the detailed listing of capital assets, the ending balances for land, building, and machinery, equipment, and vehicles were overstated by \$42,000, \$183,100, and \$583,218, respectively.

Adjustments were proposed, accepted by the Township, and made to the Schedule of Leases and Debt and Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the Township.

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:

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WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

WARREN TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2024, with Steven Downey, Trustee, and Wendy Yuhasz, Township Board member.