

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OREGON TOWNSHIP

STARKE COUNTY, INDIANA

January 1, 2016 to December 31, 2019



**FILED**  
05/13/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mark Allen	01-01-16 to 12-31-22
Chairman of the Township Board	Paul Cleveland Carole Noble	01-01-16 to 12-31-18 01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OREGON TOWNSHIP, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of Oregon Township (Township), for the period from January 1, 2016 to December 31, 2019. 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 our Financial Statements Audit Report of the Township, which provides our opinions on the Township's financial statements. This report may be found at [www.in.gov/sboa/](http://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.

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

May 7, 2020

OREGON TOWNSHIP, STARKE COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS**

*Condition and Context*

There were deficiencies in the internal control system at the Township related to financial transactions. The Township had not separated incompatible activities related to cash and investments, receipts, and payroll disbursements.

*Cash and Investments*

The Township did not have documented controls in place to ensure that someone other than the preparer reviewed the bank reconciliements for accuracy.

*Receipts*

The Township did not have effective controls in place to ensure compliance with the laws and regulations related to receipts. There were no documented controls to ensure that collections were properly receipted into the correct fund or for the correct amount. One person prepared the deposit and took the deposit to the bank; another individual recorded the receipt into the ledgers. However, there was no documented oversight or review to ensure that collections were properly posted to correct fund or for the correct amount.

The Township had not maintained the necessary supporting documentation for receipts. For some of the Township receipts tested (Cemetery and the sale of assets), the Township had only the bank deposit ticket as the receipt. The deposit ticket had not included the form in which the monies were received (i.e., check, cash, etc.) or the name of the payer.

In 2018 and 2019, the Township receipted some state distributions into the incorrect fund. LIT Distributions (50/50) were receipted into the Township fund and Fire Fighting fund; however, the total amount received should have been receipted into the Township fund.

There was one instance in which the Township did not receipt monies into the correct fund for the sale of an asset. The Township sold an asset which was originally purchased from the Cumulative Fire fund; however, the Township receipted the sales proceeds into the Rainy Day fund.

*Payroll Disbursements*

The Township did not have effective controls in place to ensure compliance with the laws and regulations related to payroll disbursements. The Township had not ensured that nonelected employees maintained a timesheet/attendance sheet.

*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:

OREGON TOWNSHIP, STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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. . . ."

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the units. The deposit ticket or attached documentation must provide a detail listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Township, Chapter 1)

Indiana Code 6-3.6-9-15 requires the State Budget Agency to provide the amount of supplemental distributions for qualifying counties to the Department of Local Government Finance before May 2nd. The supplemental distribution is disbursed to counties that have a balance in the county trust account exceeding fifteen percent (15%) of the certified distribution to be made to the county in the year of determination. It is our understanding that for Townships, LIT distributions will primarily be made up of Certified Shares and possibly Public Safety dollars. We have found Certified Shares are unrestricted in statute and the expectation would be that the distributions are receipted into the Township General Fund unless the Township Board has restricted the funds further by resolution. The Public Safety distributions are restricted in statute and must be receipted into the Fire or Cumulative Fire fund. The Department of Local Government Finance (DLGF) has requested that we notify taxing units that these supplemental distributions should be tracked separately and provided to the DLGF for budgeting purposes. These supplemental distributions are in addition to the normal LIT distributions. Only two Counties have been provided these supplemental LIT distributions this year (Kosciusko and Owen County). (Township Bulletin, Volume 317)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Proceeds generated by the sale or rental of property must be receipted into the fund which originally purchased the property unless otherwise provided by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

OREGON TOWNSHIP, STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Township failed to ensure that training was provided for all applicable personnel over internal control standards as required by Indiana Code 5-11-1-27(g); however, the Township incorrectly certified on the Indiana Gateway for Government Units financial reporting system that the Township had provided employees with internal control training.

*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: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

**COMPENSATION AND BENEFITS**

The same comment also appeared in prior Report B47713.

*Condition and Context*

The Form 100R reported on the Indiana Gateway for Government Units financial reporting system did not agree to the Townships Salary Ordinance and/or the employees pay during the audit period. Total wages paid in 2019 by the Township totaled \$24,376; however, per the 2019 salary ordinance, the total wages should have totaled \$24,450; the Form 100R for 2019 reported \$22,400. The Form 100R also did not include all employees paid during the year.

*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)

OREGON TOWNSHIP, STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

OREGON TOWNSHIP, STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2020, with Mark Allen, Trustee, and Carole Noble, Chairman of the Township Board.