

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PENN TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2019 to December 31, 2020



**FILED**

12/14/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Doris J. Portolese	01-01-19 to 12-31-21
Chair of the Township Board	Kent Hizer	01-01-19 to 12-31-19
	David Schmidt	01-01-20 to 12-31-20
	Kent Hizer	01-01-21 to 12-31-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PENN TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of Penn Township (Township), for the period from January 1, 2019 to December 31, 2020. 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 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/](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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

December 2, 2021

PENN TOWNSHIP, ST. JOSEPH COUNTY  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS**

*Condition and Context*

There were several deficiencies in the internal control system of 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 had designed a process of review and oversight over the bank account reconciliations; however, the internal control was not consistently applied throughout the audit period, and, therefore, was determined to be ineffective.

The Township's reconciliations were performed separately by each bank and were not compared to the financial system's fund balances. The combined bank account reconciliation contained a cash long variance of \$1,074 since 2014; however, this variance was not identified on the Township's reconciliations.

*Receipts*

The Trustee was responsible for completing the deposit ticket, taking the deposit to the bank, and preparing the list of deposits to be posted to the financial system by an outside consultant.

The internal control over classification assertion that the receipt was posted to the correct fund could not be verified since the receipt report provided for audit did not contain the fund information.

PENN TOWNSHIP, ST. JOSEPH COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

*Payroll Disbursements*

A documented oversight or review process was not in place over payroll disbursements after they were recorded to the financial system by an outside consultant.

*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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."



## PENN TOWNSHIP TRUSTEE

**Doris J. Portolese**

### *OFFICIAL RESPONSE*

*Date: December 9, 2021*

*Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis IN 46204-2765*

*RE: Official Response to the 2020 State Board of Accounts Internal Control Finding*

*Please accept this letter as Penn Township's (St. Joseph County) official response to the 2020 State Board of Accounts finding related to internal controls, specifically relating to the bank reconciliation process.*

*We agree that the internal control process for bank reconciliations was not consistently applied and followed during the audit period under review. There were extenuating circumstances as we sadly lost our key financial clerk to cancer and needed some time to train new internal staff. During that transition we contracted for outside assistance, a process that created delays. We have chosen and begun the training of that internal staff person to both follow the process more consistently and provide for effective monthly review by the Trustee on a timely basis.*

*Doris J. Portolese*

*Trustee, Penn Township  
St. Joseph County Indiana*

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[www.penn township-sjcin.org](http://www.penn township-sjcin.org)

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PENN TOWNSHIP, ST. JOSEPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2021, with Doris J. Portolese, Trustee, and Kent Hizer, Chair of the Township Board.