

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, 2019 to December 31, 2021



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Steven Downey	01-01-19 to 12-31-22
Chair of the Township Board	Anthony VanOverberghe	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Warren Township (Township), for the period from January 1, 2019 to December 31, 2021. 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/.

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

June 27, 2022

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Reports B47699 and B55139, entitled *CONDITION OF RECORDS*.

Condition and Context

There were deficiencies in the internal control system of the Township related to cash and investments, receipts, and disbursements. Furthermore, the Township failed to monitor the internal control system. Effective internal controls over financial activity and reporting required the Township to monitor and assess the quality of the system of internal controls.

The Township Trustee (Trustee) maintains a manual detailed ledger for all township funds, which is the official records of the Township. In addition, the Township Clerk (Clerk) maintained a separate spreadsheet which summarized the monthly financial activity as well as reconciled the bank account. At year end, the Clerk provided a summarized spreadsheet to the Trustee with year-to-date totals. The spreadsheet totals were then entered into the manual ledger. However, the totals recorded in the ledger did not agree to the totals reported in the financial statements. We had to perform additional procedures to determine that the totals reported in the financial statements were materially correct based on the activity of the Township.

Cash and Investments

The Clerk prepared monthly bank reconciliations; however, an oversight or review process was not documented by the Trustee.

The Township did not maintain an accurate detailed ledger to support the reconciled cash and investment balances on bank reconciliations or amounts reported on the financial statements. For example, on December 31, 2019, the Township ledger showed a \$35,778 recorded cash and investments balance for the Township fund; however, the reconciled cash and investments balance was \$67,778, which was properly reported in the financial statements.

Receipts and Disbursements

Grant receipts, rebates, refunds, returns, and insurance claims were posted as negative disbursements, understating both receipts and disbursements for the years 2019, 2020, and 2021 by approximately \$3,281, \$42,235, and \$3,500, respectively.

The receipts and disbursements in the manual ledgers were not recorded properly. Most of the transactions posted in the manual ledgers did not include all the information such as date, source, and description, and we were unable to determine if transactions were recorded timely. In addition, the manual ledger totals for receipts, disbursements, and balances were not mathematically correct.

Transfers were not recorded properly in the ledger. For example, \$50,000 was transferred in 2019 and 2021 from the Township fund to the Rainy Day fund. The Township fund receipts and disbursements were incorrectly reduced by the \$50,000, and the Rainy Day fund receipts properly included the \$50,000. This incorrect recording resulted in the understatement of receipts and disbursements by \$50,000 in the Township fund for both 2019 and 2021 in the ledger. However, the Township reported the correct amount in the Indiana Gateway for Government Units financial reporting system Annual Financial Report for both years.

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

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. When the Township Trustee received collections, receipts were not issued.

Disbursements (Payroll)

An oversight or review process was not in place 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.

In addition, effective controls were not in place to ensure that payroll disbursements were posted timely, properly, and accurately. Of the 79 payroll registers (payrolls), 10 were not recorded in the manual detailed ledger, and 54 of the 79 did not include a date in the ledger. The payrolls that were not recorded in the Trustee's detail ledger were included in the Clerk's separate spreadsheet used for reconciling and determination of the year-end disbursement totals. Therefore, the disbursement amounts reported in the financial statements included the payroll disbursement totals.

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. . . .

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

WARREN TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Township's capital asset detail did not include the land it owns. In addition, the capital asset detail did not agree to what the Township reported in the Indiana Gateway for Government Units financial reporting system Annual Financial Report (AFR) for 2021. Buildings were reported on the AFR at a total cost of \$1,883,100; however, the capital asset detail reported a building total of \$1,700,000.

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](#)."

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)

ENGAGEMENT UPLOADS

Condition and Context

The Township did not comply with the Amended State Examiner Directive 2018-1, regarding monthly and annual engagement uploads. The Township failed to upload all the annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2021. The Township failed to upload any of the monthly files on Gateway after February 2021.

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AUDIT RESULTS AND COMMENTS

Annual records required to be uploaded include the year-end bank statement, year-end outstanding check list, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report. Monthly records required to be uploaded include bank reconciliements, bank statements, outstanding check lists, approved board minutes, and a funds ledger that summarizes total receipts, disbursements, and beginning and ending balances by fund.

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)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year unless the SBOA establishes a different date.

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.

A user guide for the Engagement Uploads is available and located at:
<https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents. . . . (Amended State Examiner Directive 2018-1)

WARREN TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2022, with Steven Downey, Trustee; Wendy Yuhasz, Township Board member; and Chris Antonucci, Fire Chief.