



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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August 4, 2022

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Union Township, Adams County, for the period of January 1, 2018 to December 31, 2021, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Township's Annual Financial Reports filed by management can be found on the Gateway Website: www.gateway.ifionline.org.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Comments

CAPITAL ASSETS

Condition and Context

The Township did not have a capital asset policy that details the threshold at which an item is considered a capital asset. The Township did not maintain a detailed listing of their capital assets that reflected the acquisition value, nor did the Township complete a physical inventory every two years.

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

A similar comment also appeared in prior Reports B42879, entitled *BANK ACCOUNT RECONCILIATIONS*; and B52609 entitled, *DEPOSITORY RECONCILIATIONS*.

The Township had not established an effective system of internal control that would have ensured compliance related to bank account reconciliations.

Monthly depository reconciliations of the fund balances to the bank account balances were not conducted during the engagement period. Variances were identified between the adjusted bank balance and the fund balances as of December 31, 2018, 2019, 2020, and 2021. For December 31, 2018, the variance indicated a cash shortage of \$81. For December 31, 2019, 2020, and 2021, the variance indicated a cash long in the amounts of \$2,654, \$309, and \$2,166, respectively.

In addition, the Township did not retain, nor provide for examination, the December 31, 2018 bank statement.

Criteria

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."

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 for Townships, Chapter 1)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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. . . ."

APPROVED DEPOSITORIES

Condition and Context

The Township deposited public funds into a financial institution that was not an eligible depository to receive public funds.

Criteria

Indiana Code 5-13-8-1 states:

"(a) A political subdivision may deposit public funds in a financial institution only if the financial institution:

- (1) is a depository eligible to receive state funds; and
- (2) has a principal office or branch that qualifies under section 9 of this chapter to receive public funds of the political subdivision.

(b) The state board of finance shall make available information concerning financial institutions eligible to receive state funds as may be requested by a local board of finance. A local board of finance may rely on certificates described in [IC 5-13-9.5-1\(d\)](#) in determining to deposit public funds or reinvest public funds in the financial institution."

RECEIPT ISSUANCE

Condition and Context

The Township collected rental fees for use of Union Township Hall; however, receipts were not issued for rental fees collected during the engagement period. The Township held rental fee collections for an undisclosed amount of time prior to posting and depositing. Multiple days' rental fee collections were combined when posted to the ledger and when deposited into the bank. Therefore, we were unable to determine if rental fees were recorded in a timely manner, from an allowable source, or posted to the correct fund.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

All receipts must be either in duplicate or recorded in a prescribed or approved register of receipts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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.

The Schedule of Cash and Investment Balances - Regulatory Basis, is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT
BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2021

Fund	Cash and Investments 12-31-21
Township	\$ 28,938
Recreation	14,973
Township Assistance	18,445
Fire Fighting	24,548
Cumulative Fire	<u>14,055</u>
Total	<u>\$ 100,959</u>

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

The contents of this report were communicated to Nathan Mihm, Township Trustee, and Rex Mihm, Chair of the Township Board, on July 25, 2022.

Respectfully,



Beth Kelley, CPA, CFE
Deputy State Examiner