



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B60097

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October 25, 2022

TO: THE OFFICIALS OF FAIRFIELD TOWNSHIP, DEKALB COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Fairfield Township (Township), DeKalb County, for the period of January 1, 2016 to December 31, 2020, 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](http://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***

***TIMELY DEPOSITS***

The same comment also appeared in prior Report B47003.

***Condition and Context***

Receipts for rental of the Township's community center were routinely deposited later than the first and fifteenth of the month.

***Criteria***

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

***RECEIPT ISSUANCE***

***Condition and Context***

The Township did not issue receipts for all monies collected at the time of the transaction. Receipts were not issued in sequential order throughout the engagement.

In addition, deposits were noted that did not have corresponding receipts or supporting documentation to support the deposited amounts.

*Criteria*

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

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 unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Depository reconciliations of the fund balances to the bank account balances were not performed during the engagement period.

*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 Manual for Townships, Chapter 1)

**FAILURE TO REPORT MISAPPROPRIATION OF FUNDS**

*Condition and Context*

The Township had not approved a materiality threshold; therefore, the Township is required to report all irregular variances, losses, shortages, and thefts to the Indiana State Board of Accounts.

*Criteria*

Indiana Code 5-11-1-27(l) states:

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

Political subdivisions must recognize that variances, losses, shortages, and thefts may occur. If an incident occurs, it is imperative that the political subdivision have a policy in place that outlines the steps to be taken. Such a policy must include a materiality threshold at which point the political subdivision reports incidents to the State Board of Accounts.

The policy must be detailed, and it is essential that materiality thresholds distinguish between incidents involving cash and other types of assets. The policy needs to address maintenance of documentation and resolution of incidents that do not meet the materiality threshold. . . .

If a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision is required to report *all* irregular variances, losses, shortages, and thefts to the State Board of Accounts. . . . (Amended State Examiner Directive 2015-6)

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Township paid penalties, interest, and other charges totaling \$529 as a result of not submitting payments in a timely manner as follows:

<u>Penalties, Interest, and Other Charges</u>	<u>2019</u>	<u>2020</u>	<u>Totals</u>
IRS Penalties and Interest	\$ 418	\$ 13	\$ 431
Property Tax Penalties	-	5	5
Late Fees	<u>33</u>	<u>60</u>	<u>93</u>
Total Penalties, Interest, and Late charges	<u>\$ 451</u>	<u>\$ 78</u>	<u>\$ 529</u>

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**SALARY RESOLUTION**

*Condition and Context*

Salary resolutions were not presented for review during the engagement period. However, the January 2017 Township Board meeting minutes contained the Township Board approval of the Trustee and Township Board member's salary.

*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)

## **TOWNSHIP BOARD MINUTES**

### *Condition and Context*

The Township Board minutes for 2016 were not presented for audit. The minutes of the meetings of the Township Board were presented for the remainder of the engagement period; however, actions of the Township Board were not clear.

In addition, it was unclear if the Township Board met in January of 2018 and 2019 to elect officers or to approve the annual report of the Trustee.

### *Criteria*

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

The township board shall meet annually on or before the first Tuesday after the first Monday in January at the office of the township trustee. The board shall meet and organize annually on the above date by electing one of its members chairman and one of its member's secretary for that year. Any two members shall constitute a quorum. IC 36-6-6-4; IC 36-6-6-7 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 5)

The board shall meet annually on or before the third Tuesday after the first Monday in February to consider and approve in whole or in part the annual report of the township trustee. IC 36-6-6-9 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 5)

## **INCORRECT REPORTING OF COMPENSATION ON FORM 100R**

### *Condition and Context*

The Township included payments to contractors on the 2019 and 2020 Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R), overstating the report by \$2,714 for 2019 and 2020.

In addition, the Trustee's income was under-reported by \$10,000 for 2019 and 2020, and the Township Board salaries were under-reported by \$100 each in 2019.

### *Criteria*

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

"Each audited entity 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 the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the 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](#)."

## **TRAINING ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

### *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."

## **CERTIFICATION ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

The Township certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, during the engagement, required personnel had not received training concerning the internal control standards.

### *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](#)."

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, 2020

Fund	Cash and Investments 12-31-20
Township	\$ 107,726
Township Assistance	43,401
Fire Fighting	101,923
Rainy Day Fund	9,115
Levy Excess	<u>492</u>
Total	<u>\$ 262,657</u>

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

The contents of this report were communicated to Darin Yarian, Trustee, and Marvin Skelly, Chair of the Township Board, on September 13, 2022.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner