



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

December 27, 2022

TO: THE OFFICIALS OF PAOLI TOWNSHIP, ORANGE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Paoli Township (Township), Orange 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](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***

***BANK ACCOUNT RECONCILIATIONS***

A similar comment appeared in a Management Letter addressed to the Trustee and Township Board for the engagement period ending December 31, 2017.

***Condition and Context***

Depository reconciliations of the Township's fund balances to its bank account balances were not consistently conducted on a monthly basis throughout the engagement period. As a result, year-end bank account reconciliations did not balance, as the Township did not reconcile all depository accounts, including its Certificates of Deposit, to the ending cash and investments balance reported in its Annual Financial Reports (AFR) throughout the engagement period.

In addition, the Township did not ensure that fund balances reported in its AFRs agreed to the fund balances in the Township ledger or to the prior period fund ending balances.

*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)

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](#)."

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)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The following fund had overdrawn cash balances as of December 31 as follows:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2018	Payroll Deductions	\$ 5,132
2019	Payroll Deductions	11,029
2020	Payroll Deductions	16,883
2021	Payroll Deductions	23,775

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

**TOWNSHIP ASSISTANCE**

*Condition and Context*

The Township did not provide adequate supporting documentation for all Township Assistance fund disbursements tested throughout the engagement period. Purchase orders, invoices and Township Assistance applications provided did not support the total amount disbursed in 3 of 7 (42%) disbursements tested.

In addition, the Township did not provide its Township Board approved Township Assistance Standards for review.

## Criteria

Indiana Code 12-20-20-1 states:

"(a) If a township trustee, as administrator of township assistance, grants township assistance to an indigent individual or to any other person or agency on a township assistance order as provided by law or obligates the township for an item properly payable from township assistance money, the claim against the township must be:

- (1) itemized and sworn to as provided by law;
- (2) accompanied by the original township assistance order, which must be itemized and signed; and
- (3) checked with the records of the township trustee, as administrator of township assistance, and audited and certified by the township trustee.

(b) The township trustee shall pay claims against the township for township assistance in the same manner that other claims against the township are paid. The township trustee, when authorized to pay claims directly to vendors, shall pay a claim within forty-five (45) days. The township trustee shall pay the claim from:

- (1) any balance standing to the credit of the township against which the claim is filed; or
- (2) from any other available fund from which advancements can be made to the township for that purpose.

(c) A township assistance claim for prepaid electric service shall be paid in accordance with [IC 12-20-16-3.5](#)."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Indiana Code 12-20-5.5-1 states in part:

". . . (b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

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  
As of December 31, 2021

Fund	Cash and Investments 12-31-21
Township General	\$ 145,963
Township Assistance	126,205
Rainy Day	3,789
Payroll Deductions	<u>(23,775)</u>
Total	<u>\$ 252,182</u>

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

The contents of this report were communicated to Deborah Giles, Trustee, and James Daugherty, Chair of the Township Board, on November 17, 2022.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner