



STATE BOARD OF ACCOUNTS



Common Audit Findings - Extended

2025 Indiana Township Association Education Conference

Tanner Huber, CPA

Government Technical Assistance and Compliance (GTAC) Director
Indiana State Board of Accounts



Paul D. Joyce, CPA
State Examiner

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PAUL D. JOYCE, CPA STATE EXAMINER

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.



CONTACT INFORMATION

EMAIL

schools.townships@sboa.in.gov

PHONE

317-232-2512

WEBSITE

in.gov/sboa/

GOALS OF TODAY'S PRESENTATION

- Elaborate further on common audit findings discussed during the State-Called meetings
- Discuss additional common audit findings that have been more frequent since the State-Called Meetings
- Provide information that will equip township officials in addressing these issues

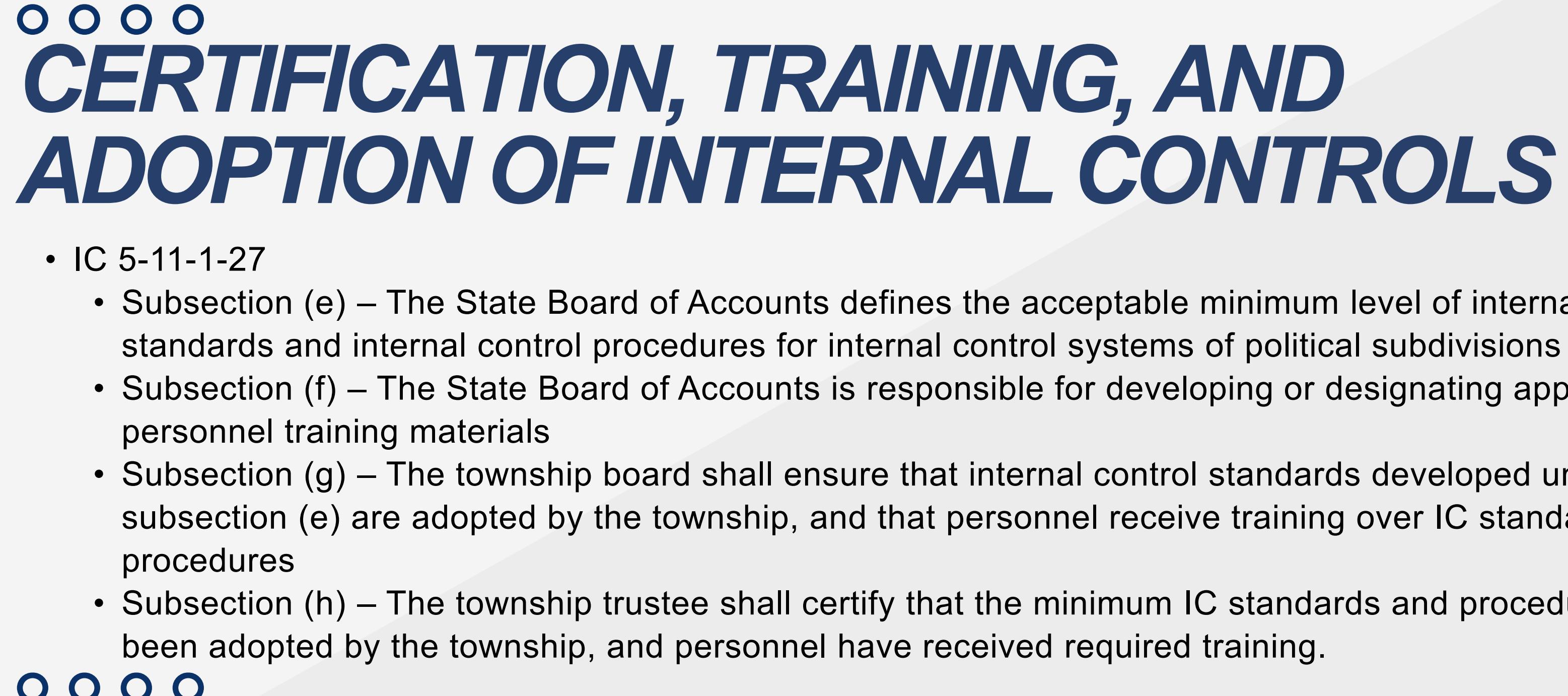




○○○ **CERTIFICATION, TRAINING, AND ADOPTION OF INTERNAL CONTROLS**

- Common Audit Issues:
 - No documentation of the adoption of the minimum internal control standards and procedures
 - Minimum internal control standards and procedures were not adopted
 - No internal control training provided and/or no documentation that internal control training was provided
 - Certification of adoption of and training on internal control standards filled out incorrectly on the AFR





CERTIFICATION, TRAINING, AND ADOPTION OF INTERNAL CONTROLS

- IC 5-11-1-27
 - Subsection (e) – The State Board of Accounts defines the acceptable minimum level of internal control standards and internal control procedures for internal control systems of political subdivisions
 - Subsection (f) – The State Board of Accounts is responsible for developing or designating approved personnel training materials
 - Subsection (g) – The township board shall ensure that internal control standards developed under subsection (e) are adopted by the township, and that personnel receive training over IC standards and procedures
 - Subsection (h) – The township trustee shall certify that the minimum IC standards and procedures have been adopted by the township, and personnel have received required training.



○○○ ***CERTIFICATION, TRAINING, AND ADOPTION OF INTERNAL CONTROLS***

- Minimum internal control standards established by SBOA – [Uniform Internal Control Standards for Indiana Political Subdivisions](#)
 - Definitions
 - Minimum Internal Control Standards
 - Training Supplements
 - Examples of Internal Control Procedures
- Training materials developed by SBOA – [Video](#)
 - Fill out [Certification Form](#) after completion and maintain locally for audit



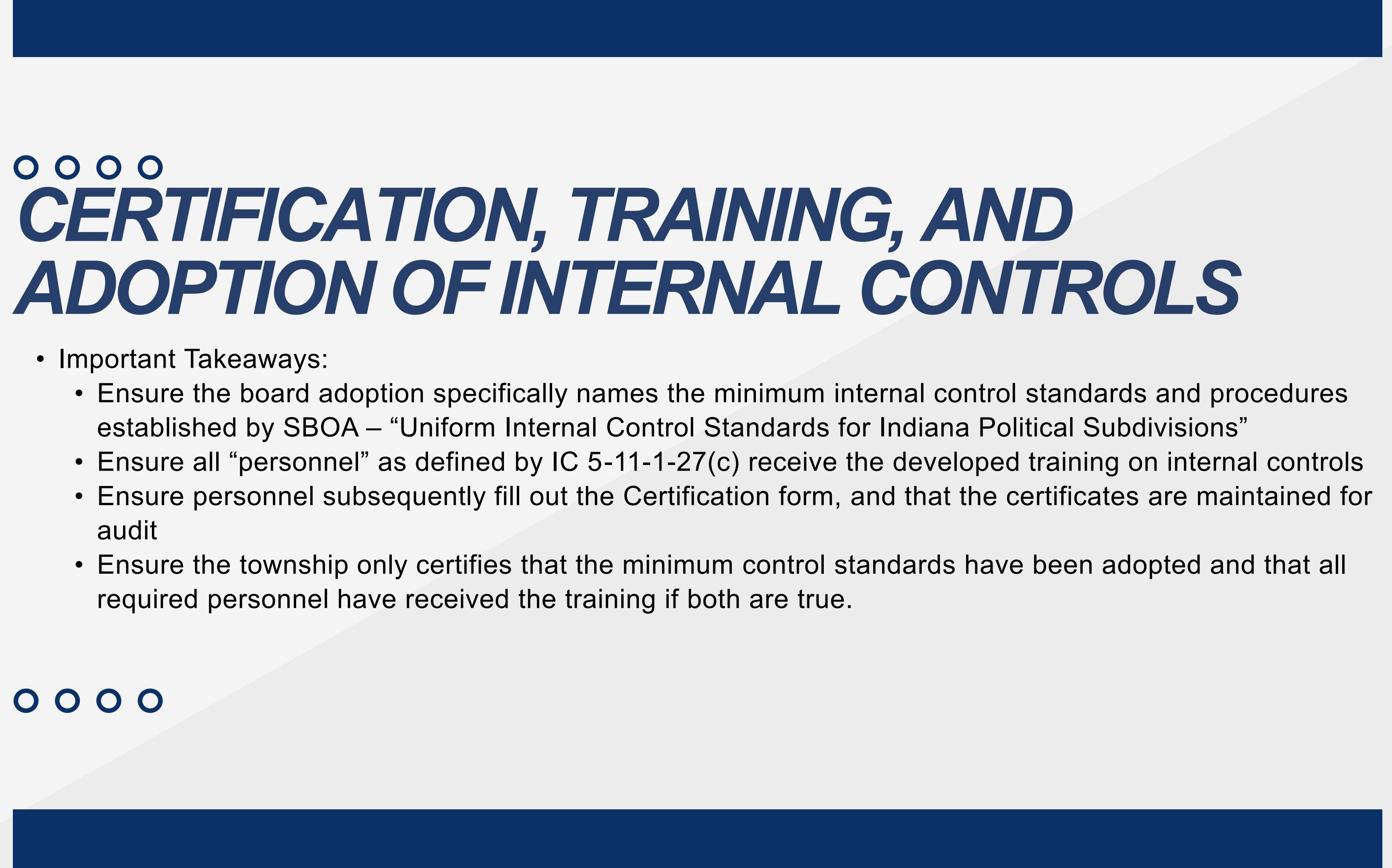
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CERTIFICATION, TRAINING, AND ADOPTION OF INTERNAL CONTROLS

- Certification is filed with the Annual Financial Report as required by IC 5-11-1-27(h)

The following must be filed with the Annual Report per IC 5-11-1-27 (h).	
I certify that my unit has adopted the minimum internal control standards as required per IC 5-11-1-27(e).	<input checked="" type="radio"/> Yes <input type="radio"/> No
If yes, I certify that all personnel defined by IC 5-11-1-27(c) received training concerning the internal control standards adopted by my unit.	<input checked="" type="radio"/> Yes <input type="radio"/> No

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CERTIFICATION, TRAINING, AND ADOPTION OF INTERNAL CONTROLS

- Important Takeaways:
 - Ensure the board adoption specifically names the minimum internal control standards and procedures established by SBOA – “Uniform Internal Control Standards for Indiana Political Subdivisions”
 - Ensure all “personnel” as defined by IC 5-11-1-27(c) receive the developed training on internal controls
 - Ensure personnel subsequently fill out the Certification form, and that the certificates are maintained for audit
 - Ensure the township only certifies that the minimum control standards have been adopted and that all required personnel have received the training if both are true.



CONTRACTS

- Common Audit Issues:
 - Contracts not presented for audit
 - Contracts for fire and mowing are not uploaded into the Annual Engagement Uploads
 - Disbursements are not in accordance with contract





CONTRACTS

- [Chapter 1 of the Accounting and Uniform Compliance Guidelines for Townships](#)
 - “Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts.”
 - “Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments and services must be supported by a written contract.”
 - “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.”





CONTRACTS

- IC 5-14-3.8-3.5
 - Township is required to upload a digital copy of a contract to the Indiana transparency website one time if the total cost of the contract exceeds \$50,000 during the term of the contract
 - If the contract is related to the provision of fire or EMS services, or is entered into with another unit or entity that provides fire or EMS services, the township is required to upload a digital copy of the contract to the Indiana transparency website regardless of cost
 - If a participating unit of a fire protection territory submits the agreement to establish the territory, then each of the participating units of the fire protection territory are considered compliant with this statute
 - Uploads are required within 60 days after the execution of the contract





CONTRACTS

- Important Takeaways:
 - Ensure that contracts are entered into for services
 - Ensure that contracts entered into are available for audit
 - Ensure that all contracts over \$50,000 and all contracts for fire and EMS are uploaded onto Gateway
 - Ensure that all disbursements have adequate supporting documentation, including contracts





COMPENSATION

- Common Audit Issues:
 - No Form 17
 - No evidence of compensation being set by the township board within the board minutes
 - Salary payments made in advance of hours worked/time period per the Form 17
 - Salary payments do not align to what is approved on the Form 17
 - Changing the salaries of elected officials during the years for which they are fixed
 - Inadequate time records for non-elected employees





COMPENSATION

- IC 36-6-6-10
 - Subsection (c) – Requires the township board to fix the compensation of all officers and employees of the township using an annual, monthly, or biweekly salary schedule
 - Subsection (b) – “Compensation” means all money paid to an elected township officer for performing duties as a township officer, including employee benefits (life insurance, health insurance, disability insurance, retirement benefits, and pension benefits).
 - Subsection (e) – Township board may not alter salaries of elected or appointed officers during the fiscal year for which they are fixed
 - Can add, eliminate, or change the salary of any other employee if the necessary funds and appropriations are available





COMPENSATION

- IC 5-7-3-1 – “Public officers may not draw or receive their salaries in advance.”
- [Chapter 1 of the Accounting and Uniform Compliance Guidelines for Townships](#)
 - “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.”
 - “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.”





COMPENSATION

- Important Takeaways:
 - Ensure a Form 17 or an identical equivalent is used to establish compensation for all officials and employees
 - Ensure the salaries are recorded in the board minutes
 - Ensure compensation does not exceed amounts listed in the Form 17
 - Benefits are included in the salary amount listed in the Form 17 unless excluded by statute
 - Ensure salary payments are not made in advance of hours worked
 - Townships are not allowed to change salaries for elected officials in the year for which they are fixed
 - Ensure that time records and other supporting documentation are kept for non-elected employees to support payroll disbursements





oooo **BANK RECONCILEMENTS**

- Common Audit Issues:
 - No bank reconcilements performed
 - All public funds not included within monthly reconcilements
 - Unexplained variances and adjustments
 - Check images not available for audit





ooo **BANK RECONCILEMENTS**

- IC 5-13-6-1(e) – “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 local depositories.”
- Required at least monthly – also part of the required monthly uploads per State Examiner 2018-1
- Balance of public funds = Balance of **ALL** public funds including
 - CDs and other investments
 - Monies in TrustINDiana
- Some investments only provide balance statements every few months – use the balance on the most recent statement





BANK RECONCILEMENTS

- Important Takeaways:
 - Ensure reconcilements are performed monthly
 - Ensure reconcilements include **ALL** public funds
 - Maintain documentation to explain any variances
 - Ensure complete bank statements are maintained for audit
 - If statement does not include check images (front and back), the township will need to request those from their respective financial institutions





○○○ *PENALTIES, INTEREST, AND OTHER CHARGES*

- Common Audit Issues:
 - IRS penalties
 - Credit card interest on unpaid balances
 - Late fees



○○○ **PENALTIES, INTEREST, AND OTHER CHARGES**

- Chapter 1 of the Accounting and Uniform Compliance Guidelines for Townships
 - “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.”





○○○ *PENALTIES, INTEREST, AND OTHER CHARGES*

- Important Takeaways:
 - Ensure vendors are paid timely
 - Ensure proper amounts are remitted to the proper authorities in a timely manner
 - Ensure the township does not incur unnecessary charges with other regulatory agencies
- Common Question: What do I do if I receive notice of a penalty that was incurred during the last trustee's tenure?





ANNUAL FINANCIAL REPORT (AFR)

- Common Audit Issues
 - Inaccurate information entered into the AFR
 - Late submission of the AFR





ANNUAL FINANCIAL REPORT (AFR)

- IC 5-11-1-4(a) – “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 as set forth in the uniform compliance guidelines. 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.”
- [Chapter 1 of the Accounting and Uniform Compliance Guidelines for Townships](#)
 - “The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not less than sixty (60) days after the close of each fiscal year.”
 - “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





ANNUAL FINANCIAL REPORT (AFR)

- Important Takeaways:
 - Ensure AFR is submitted timely
 - Start sooner rather than later
 - Use Tanner and Jonathan as a resource
 - Ensure the data submitted reflects the township ledger and other supporting documentation
- Pro tip: Utilize the “Review Submission” feature within the AFR





CAPITAL ASSETS

- Common Audit Issues:
 - No capital asset policy
 - Inaccurate or nonexistent capital asset listing
 - No physical inventory
 - Partial ownership of assets not considered





CAPITAL ASSETS

- [Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual](#)
 - “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.”





CAPITAL ASSETS

- The threshold detailed in the township capital asset policy is the townships decision
- Capital asset policy should detail depreciation schedules (consistent at least by asset type)
- Physical inventory every two years is the minimum
 - If township capital asset policy or other policy requires a more frequent inventory, then we will audit to that standard
- Township may use its own form in lieu of the Form 369. If it is not identical to the Form 369, it would follow the process for prescribed forms per Chapter 1 of the Accounting and Uniform Compliance Guidelines for Townships.





CAPITAL ASSETS

- Important Takeaways:
 - Ensure the township has adopted a capital asset policy that establishes the threshold at which an item is a capital asset
 - If the township cannot find the policy or a policy has not been established, establish this policy at the next board meeting
 - If depreciation is not considered within the policy, consider the need to amend your policy
- Ensure the township maintains a capital asset listing that aligns with the SBOA-prescribed Form 369
 - Consider partially-owned assets
- Ensure the township takes a physical inventory at least every 2 years
 - If township policy requires a more frequent physical inventory, then we will audit to the policy



CAPITAL ASSETS – FORM 369



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APPROPRIATIONS

- Common Audit Issues:
 - Appropriations are overspent
 - Appropriations are transferred between funds
 - Transfer of appropriations within funds not being done properly



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APPROPRIATIONS

- IC 6-1.1-18-4 – Township shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year
- No statutory or other authority that would suggest that a township is allowed to transfer appropriations between funds
- [Chapter 4 of the Accounting and Uniform Compliance Guidelines Manual for Townships](#)
 - “If the proper legal officers of any township determine that it is necessary to transfer an appropriation from one major budget classification to another, the transfer of appropriation is made by resolution of the township board of the township at a regular public meeting. A transfer may be made under IC 6-1.1-18-6 without notice and without approval of the Department of Local Government Finance.”

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APPROPRIATIONS

- Townships can transfer within the same major budget category of the same fund freely
- IC 6-1.1-17-5(f) – If the township board does not fix the budget, tax rate, and tax levy of the township for the ensuing budget year as required by IC 6-1.1-17-5, then the most recent annual appropriations and annual tax levy are continued for the ensuing budget year.
- IC 6-1.1-18-7 – Township may appropriate funds received from a person if the funds are received as a result of damage of property of the township, and if the funds are expended to repair or replace the property within 12 months from when they are received.

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APPROPRIATIONS

- Important Takeaways:
 - Stay within the confines of the Board-approved budget
 - Additional appropriations
 - Insurance Proceeds
 - Ensure that the township completes the budget process timely
 - You can transfer appropriations within funds, but not among funds



OOOO MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Common Audit Issues:
 - Uploads are not being completed timely, if at all
 - Check images are not included with the bank statements

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○○○ MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- State Examiner Directive 2018-1
 - Most recently amended in April 2025
 - Monthly Engagement Uploads due on the 15th of the second following month
 - Ex. August 2024 Monthly Engagement Uploads due on October 15th
 - Annual Engagement Uploads due on March 1st for the preceding year
 - Ex. 2024 Annual Engagement Uploads were due on March 1st, 2025



○○○ MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Required Monthly Uploads
 - Bank Reconcilement
 - Reconcilements need to include all public funds
 - Bank Statements
 - All bank accounts
 - Include images of both sides of checks
 - Outstanding Check Lists
 - Board Minutes
 - Funds Ledger – summarizes beginning balances, total receipts, total disbursements, and ending balance of each fund as of the end of the month



○○○ MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Required Annual Uploads
 - Year-End Investment Statements and Register of Investments, General Form 350
 - Excel Data Capture (Data Dump)
 - Receipts include receipt numbers, date received, amount of receipt, fund posted to, and who it was received from
 - Disbursements include check numbers, date disbursed, amount of disbursement, fund posted to, and vendor/payee names
 - Excel preferred, but PDF is allowable
 - If no data dump available, township is required to upload the Detail of Receipts by fund and account report and Detail of Disbursements by fund and account report if you have computerized records



○○○ MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Required Annual Uploads (continued)
 - Current Year Salary Schedule (Form 17) and Amendments
 - Annual Funds Ledger – summary of the beginning balance, total receipts, total disbursements, and ending balance of each fund for the year
 - Excel preferred, but a PDF or photo is acceptable
 - Annual Payroll History Report without SSNs
 - Should include, at a minimum, the date, employee name, gross wages, and check number for all payroll checks issued for the year
 - Excel preferred, but a searchable PDF is allowable
 - Upload NOT required for townships with hand-posted records



○○○ MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Required Annual Uploads (continued)
 - Accounts Payable/Receivable Schedule Support
 - List of Accounts Payable items by vendor and amount totaling the amount listed on the AFR
 - List of Accounts Receivable items by vendor and amount totaling the amount listed on the AFR
 - Direct Federal Grant Agreements/Award Letters and Amendments initiated during the year
 - Agreements for Subawards made to Subrecipients for all Federal Grants initiated during the year
 - Personnel Policy
 - Upload these three when enacted and as updated
 - Recommend uploading every other year with no changes





MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Required Annual Uploads (Continued)
 - Township-Specific Requirements
 - Mowing Contracts
 - Fire and EMS Contracts





○○○ *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*

- Important Takeaways:
 - Complete the Monthly and Annual Engagement Uploads timely
 - Ensure the correct documents are included for each upload requirement
 - Ensure images of both sides of checks are included in the bank statement upload





TOWNSHIP ASSISTANCE

- Common Audit Issues:
 - Incomplete Forms TA-1 and TA-1A
 - No documentation of investigation
 - No documentation of action taken by the township
 - TA-1 and TA-1A not presented for audit
 - No Township Assistance Standards



OOOO TOWNSHIP ASSISTANCE

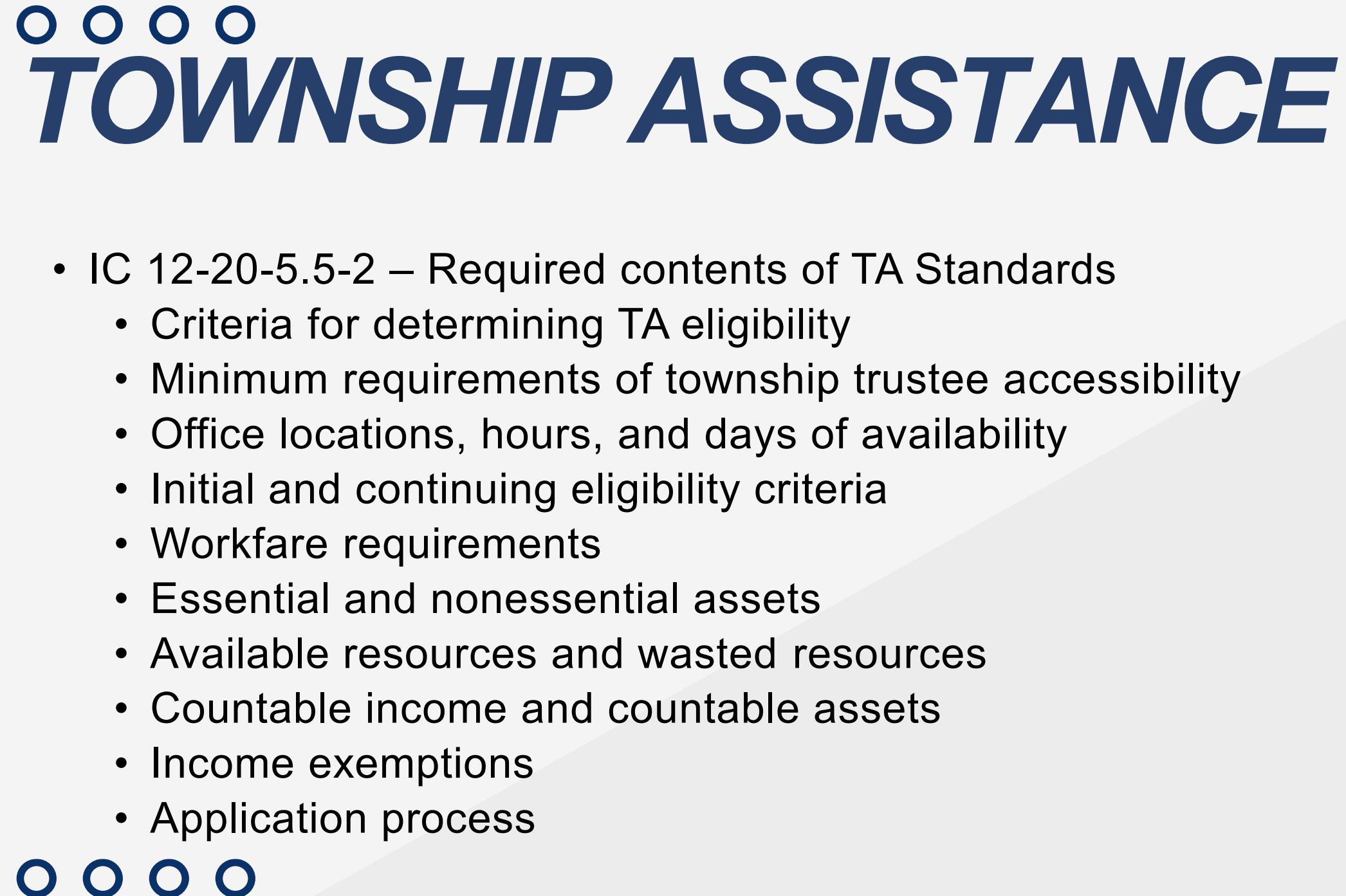
- IC 12-20-5.5-1
 - Required to process all applications according to uniform written standards without consideration of race, creed, nationality, or gender
 - TA Standards for the issuance of TA and processing of applications must be:
 - Governed by IC 12-20
 - Proposed by the trustee, adopted by the township board, and filed with the county commissioners
 - Reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in law
 - Published in a single written document, including addenda attached to the document
 - Posted in a place prominently visible to the public in all offices of the trustee where applications are taken or processed



ooo TOWNSHIP ASSISTANCE

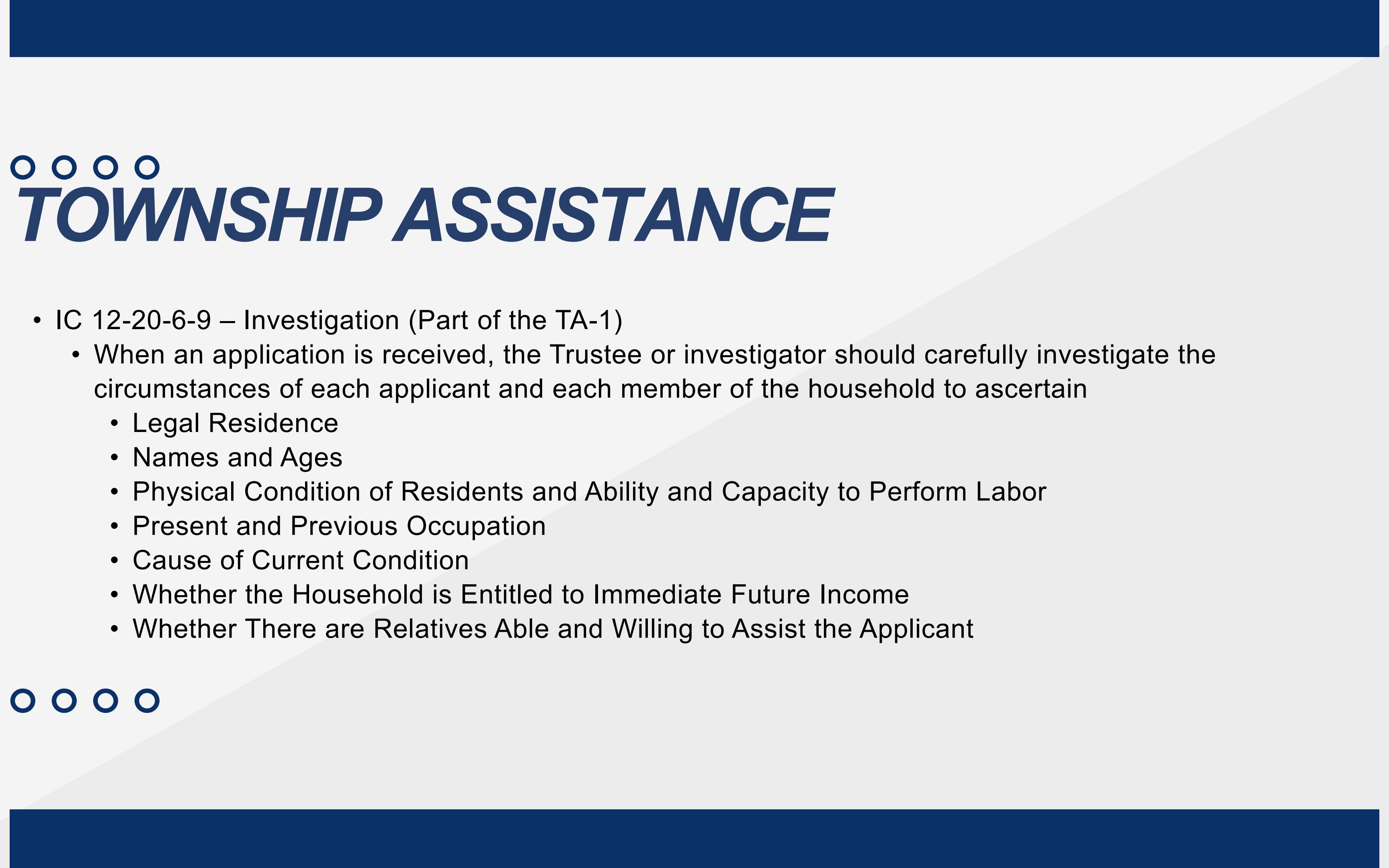
- IC 12-20-5.5-1 (Continued)
 - Trustee shall annually certify the uniform written standards for the issuance of township assistance has been filed with the board of county commissioners
 - Certification is required to be noted in the township's budget submitted to the DLGF via Gateway under IC 6-1.1-17-3

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TOWNSHIP ASSISTANCE

- IC 12-20-5.5-2 – Required contents of TA Standards
 - Criteria for determining TA eligibility
 - Minimum requirements of township trustee accessibility
 - Office locations, hours, and days of availability
 - Initial and continuing eligibility criteria
 - Workfare requirements
 - Essential and nonessential assets
 - Available resources and wasted resources
 - Countable income and countable assets
 - Income exemptions
 - Application process



TOWNSHIP ASSISTANCE

- IC 12-20-6-9 – Investigation (Part of the TA-1)
 - When an application is received, the Trustee or investigator should carefully investigate the circumstances of each applicant and each member of the household to ascertain
 - Legal Residence
 - Names and Ages
 - Physical Condition of Residents and Ability and Capacity to Perform Labor
 - Present and Previous Occupation
 - Cause of Current Condition
 - Whether the Household is Entitled to Immediate Future Income
 - Whether There are Relatives Able and Willing to Assist the Applicant





TOWNSHIP ASSISTANCE

- IC 12-20-6
 - Emergency situations require immediate action. For nonemergency situations, the trustee has up to 72 hours after receiving the application, excluding weekends and legal holidays, to act.
 - Notice of action must be in writing, provided in person or mailed within 72 hours, and include the option of the applicant to appeal a denial with the county board of commissioners





○○○ **TOWNSHIP ASSISTANCE**

- Prescribed Forms
 - TA-1 – Application for Township Assistance
 - TA-1A – Notice of Township Assistance Action
 - TA-1B – Application for Additional or Continuing Township Assistance
 - TA-2 – Township Assistance Purchase Order – **FOR MORE THAN MEDICAL AID**

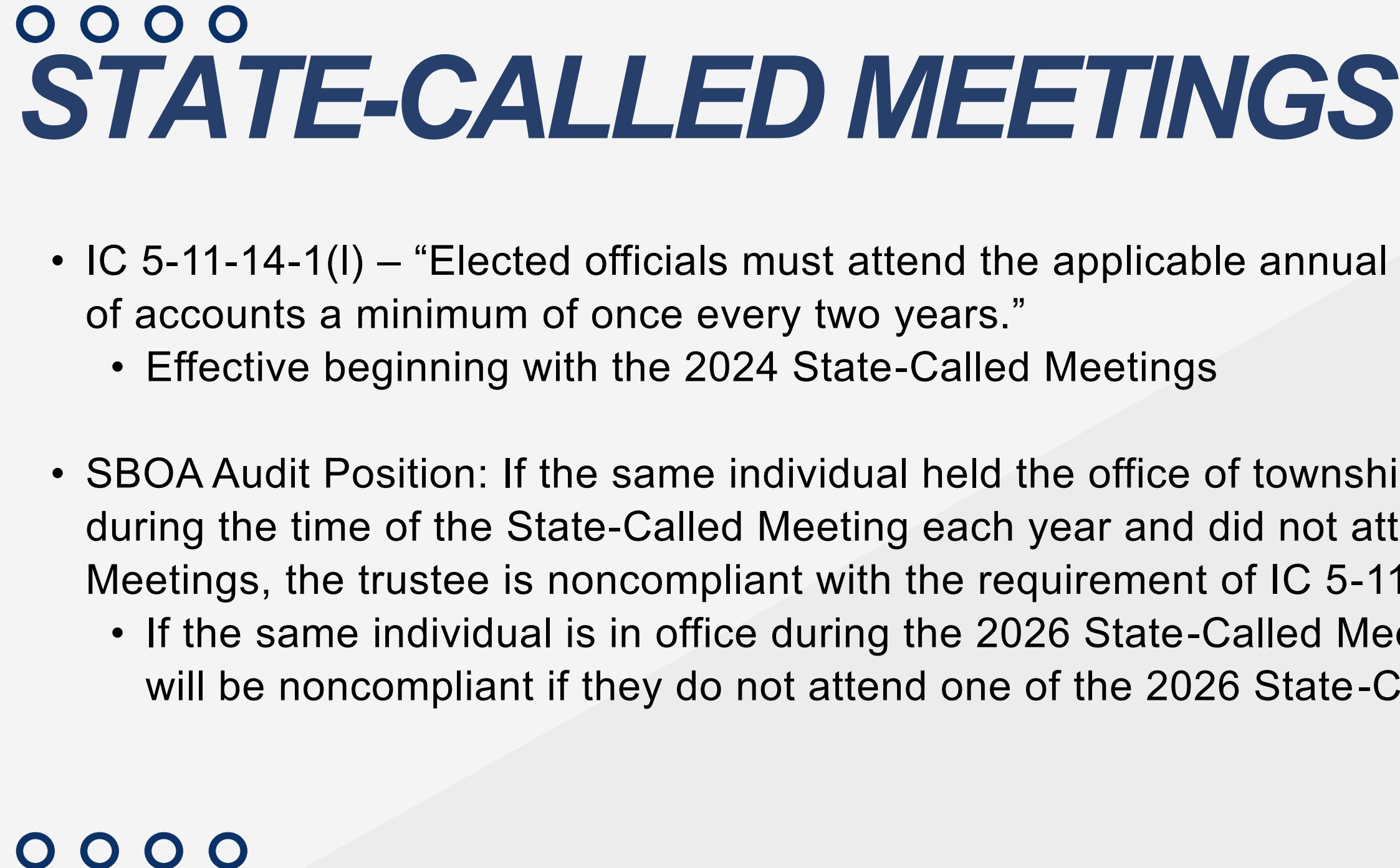




○○○ **TOWNSHIP ASSISTANCE**

- Important Takeaways:
 - Complete all prescribed forms as required
 - Conduct an adequate investigation into each application
 - Ensure that the notice of action taken is in writing
 - Ensure the township has adequate township assistance standards that are reviewed annually





STATE-CALLED MEETINGS

- IC 5-11-14-1(I) – “Elected officials must attend the applicable annual conference called by the state board of accounts a minimum of once every two years.”
 - Effective beginning with the 2024 State-Called Meetings
- SBOA Audit Position: If the same individual held the office of township trustee for both 2024 and 2025 during the time of the State-Called Meeting each year and did not attend at least one of the State-Called Meetings, the trustee is noncompliant with the requirement of IC 5-11-14-1.
 - If the same individual is in office during the 2026 State-Called Meetings and only attended in 2024, they will be noncompliant if they do not attend one of the 2026 State-Called Meetings.



THANK YOU

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schools.townships@sboa.in.gov



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