

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John A. McDonald	01-01-19 to 12-31-22
	Robert V. Kittle	01-01-23 to 12-31-23
Chair of the Township Board	Frank Anderson	01-01-19 to 12-31-19
	Jeff Schroer	01-01-20 to 12-31-20
	Frank Anderson	01-01-21 to 12-31-21
	Jeff Schroer	01-01-22 to 12-31-22
	Steven Bush	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLAY TOWNSHIP, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to the audit report of Clay Township (Township), for the period from January 1, 2019 to December 31, 2022. 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 the 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

December 18, 2023

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Condition and Context

The Township had not established an adequate system of internal controls related to financial transactions and reporting. The Township had not separated incompatible activities related to receipts and disbursements. The failure to establish a proper system of internal controls could have enabled material misstatements or irregularities to occur and remain undetected.

Receipts

Throughout the audit period, the Trustee received collections, posted to the ledger, and took deposits to the bank without evidence of an oversight or review process to ensure the accuracy, completeness, timeliness, and classification of the receipts.

Disbursements

Throughout the audit period, the Trustee was primarily responsible for posting both vendor and payroll disbursements in the financial accounting software system and issuing checks. There was no documented oversight, review, or approval process to prevent, or detect and correct, errors.

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.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFR information entered into Gateway included the following error:

Payables and Receivables

The Township did not report any amounts for the schedule of accounts payable and accounts receivable and did not maintain any supporting documentation. The Township chose to not present the Schedule of Payables and Receivables in the Financial Statements Audit Report of the Township.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited unit 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](#)."

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2023, with Robert V. Kittle, Trustee; Steven Bush, Chair of the Township Board; and Roger Fromer, Township Board member.