

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

**Paul D. Joyce, CPA  
State Examiner**

COMPLIANCE ENGAGEMENT REPORT

OF

CLAY TOWNSHIP

WAYNE COUNTY, INDIANA

January 1, 2020 to December 31, 2023



**FILED**  
12/27/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rebecca Cool Mari Lynn Taube	01-01-20 to 12-31-23 01-01-24 to 12-31-24
Chair of the Township Board	Louis P. Artman, Jr.	01-01-20 to 12-31-24



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State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Clay Township (Township), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Township as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

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. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Township's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Mari Lynn Taube, Trustee, and Louis P. Artman, Jr., Chair of Township Board, on November 25, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

November 7, 2024

CLAY TOWNSHIP, WAYNE COUNTY  
COMMENTS

**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place to ensure compliance with requirements for capital assets. The Township did not provide a capital asset policy that detailed the threshold at which an item is considered a capital asset or a complete detailed listing of all capital assets owned reflecting their acquisition value. The Township reported \$20,000 in land, \$345,000 in buildings, and \$888,500 for machinery, equipment, and vehicles on its capital assets schedule reported in the Indiana Gateway for Government Units financial reporting system as of December 31, 2023.

*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)

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. . . ."

**MONTHLY AND ANNUAL UPLOADS**

A similar comment also appeared in prior Report B55508, entitled *MONTHLY ENGAGEMENT UPLOADS*.

*Condition and Context*

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1, as amended, to upload files monthly and annually. The Township did not upload any required monthly or annual files to the Indiana Gateway for Government Units financial reporting system during the engagement period.

CLAY TOWNSHIP, WAYNE COUNTY  
COMMENTS  
(Continued)

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, approved board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

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:

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CLAY TOWNSHIP, WAYNE COUNTY  
COMMENTS  
(Continued)

**ADOPTION OF, CERTIFICATION AND TRAINING ON, INTERNAL CONTROLS STANDARDS**

*Condition and Context*

Internal control were not in place to ensure the Township adopted internal controls standards as required by Indiana Code 5-11-1-27(g), provided training over internal control standards, and correctly certified in its Annual Financial Report (AFR) its compliance with Indiana Code 5-11-1-27(g). The Township did not adopt internal control standards nor did they provide documentation confirming training over internal control standards to appropriate personnel was completed.

In the AFRs for the years 2020 through 2023, the Township incorrectly certified that internal control standards had been adopted and that personnel had received training.

*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:

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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. . . ."

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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 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](#)."

CLAY TOWNSHIP, WAYNE COUNTY  
COMMENTS  
(Continued)

**PRESCRIBED FORMS**

A similar comment also appeared in a Noncompliance Management Letter addressed to the Trustee and the Township Board for the review period ending December 31, 2019, entitled *CONDITION OF RECORDS AND PRESCRIBED FORMS*.

*Condition and Context*

Internal controls were not in place to ensure compliance with the use of prescribed forms.

The Township did not properly maintain the Financial and Appropriation Record Form 1C. The Financial and Appropriation Record for the engagement period was maintained in an Excel spreadsheet that did not contain the required information. Each month was maintained separately with no cumulative totals of receipts or disbursements for the year-to-date. The Township was also not maintaining Employees' Earning Records General Form 99B as required.

*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:

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An integral part of the control activity component is segregation of duties. . . .

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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)

The State Board of Accounts prescribes the required accounting system forms but does not specify the source from which the forms must be obtained. Therefore, the State Board of Accounts will not take exception to the use of forms which provide exact replications of the prescribed forms created by computer printer or utilizing computer paper. (All prenumbered forms must still be serially prenumbered by the printing supplier prior to delivery to the township). These exact replications must be identical to the prescribed forms in format, titles and locations of data. These exact replications of prescribed forms are not required to be submitted to the State Board of Accounts for approval and each form should be identified as "PRESCRIBED BY THE STATE BOARD OF ACCOUNTS".

CLAY TOWNSHIP, WAYNE COUNTY  
COMMENTS  
(Continued)

If it is desirable to use a form other than a prescribed form that is not an exact replica, the new form must be approved. For any form that is to be approved, the unit can start using the form as they have it ready. A log of these forms must be kept indicating the form it replaced and the effective date of the new form. At the beginning of an engagement, this log must be presented to the State Board of Accounts examiner.

(Township Bulletin and Uniform Compliance Guidelines, December 2023)



STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

CLAY TOWNSHIP, WAYNE COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Township	\$ 23,246	\$ 7,097	\$ 12,636	\$ 17,707	\$ 11,261	\$ 15,168	\$ 13,800
Park And Recreation	2,672	2,053	1,077	3,648	2,065	970	4,743
Township Assistance	15,263	4,105	3,620	15,748	4,221	2,012	17,957
Fire Fighting	117,274	85,859	59,268	143,865	91,083	59,236	175,712
Rainy Day	3,899	-	-	3,899	-	-	3,899
Levy Excess	874	-	-	874	-	-	874
Cumulative Fire	<u>65,568</u>	<u>5,718</u>	<u>-</u>	<u>71,286</u>	<u>5,586</u>	<u>-</u>	<u>76,872</u>
Totals	<u>\$ 228,796</u>	<u>\$ 104,832</u>	<u>\$ 76,601</u>	<u>\$ 257,027</u>	<u>\$ 114,216</u>	<u>\$ 77,386</u>	<u>\$ 293,857</u>

CLAY TOWNSHIP, WAYNE COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
Township	\$ 13,800	\$ 10,277	\$ 14,262	\$ 9,815	\$ 12,699	\$ 19,337	\$ 3,177
Park And Recreation	4,743	2,036	2,000	4,779	2,047	1,482	5,344
Township Assistance	17,957	4,072	1,658	20,371	4,146	5,927	18,590
Fire Fighting	175,712	91,300	59,120	207,892	96,233	59,219	244,906
Rainy Day	3,899	-	-	3,899	-	-	3,899
Levy Excess	874	-	-	874	-	-	874
Cumulative Fire	<u>76,872</u>	<u>5,486</u>	<u>-</u>	<u>82,358</u>	<u>6,349</u>	<u>-</u>	<u>88,707</u>
Totals	<u>\$ 293,857</u>	<u>\$ 113,171</u>	<u>\$ 77,040</u>	<u>\$ 329,988</u>	<u>\$ 121,474</u>	<u>\$ 85,965</u>	<u>\$ 365,497</u>