

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

COMPLIANCE ENGAGEMENT REPORT

OF

CLAY TOWNSHIP

HENDRICKS COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
10/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Clinton W. Stoutenour	01-01-20 to 12-31-24
Chair of the Township Board	Dawn Cline	01-01-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF CLAY TOWNSHIP, HENDRICKS 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 Clinton W. Stoutenour, Trustee, and Dawn Cline, Chair of the Township Board, on October 9, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 3, 2024

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B56014.

Condition and Context

Internal controls were not in place to ensure that the Township complied with laws regarding internal controls. The Township Board had not adopted the minimum level of internal controls as defined by the Indiana State Board of Accounts. Also, 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 were developed or approved by the Indiana State Board of Accounts.

Criteria

Indiana 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."

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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

This same comment appeared in a Management Letter addressed to the Officials of the Township for the period ending December 31, 2019.

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

Condition and Context

Internal controls were not in place to ensure that the Township complied with laws regarding internal controls. The Township certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards and that all personnel had received training concerning the internal control standards adopted by the Township as required by Indiana Code 5-11-1-27(e); however, during the engagement, the Trustee indicated that the Township had not adopted the minimum internal control standards and/or all personnel had not received training concerning the internal control standards. Since the Township did not adopt a policy or provide training, the certification provided on internal control standards was incorrect.

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 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](#)."

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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CERTIFIED REPORT FILED AFTER DUE DATE

Condition and Context

Internal controls were not in place to ensure that the Township complied with reporting requirements. The Township's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2020 and 2021 was not filed electronically until February 24, 2021, and February 1, 2022, which was 23 and 1 day(s) past the due date.

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

Criteria

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

"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 report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure the Township complied with establishing a capital asset policy. The Township had not adopted a capital asset policy during the engagement period.

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)

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

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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SUPPORTING DOCUMENTATION FOR TOWNSHIP ASSISTANCE

Condition and Context

As a result of an internal control deficiency, the Indiana State Board of Accounts prescribed Township Form TA-1 - Application for Township Assistance could not be provided for four of the applicants being tested. The Trustee disbursed payments but was unable to provide the application completed with supporting documentation. The Trustee did not use the prescribed form TA-1A - Notice of Township Assistance Action or form TA-2 - Township Assistance Purchase Order.

Criteria

Application for Township Assistance is to be completed by each person who applies for township assistance. Any person expressing a desire for assistance shall be permitted to apply, whether or not the trustee believes the person to be eligible. Each completed form must be filed in the trustee's office, whether or not relief is granted on the application. The trustee shall not extend aid to persons or families unless an affidavit setting forth the personal condition of the family has been filed within one hundred eighty (180) days prior to the date of the extension of aid.

An individual filing an application and affidavit on behalf of a household must provide the names of all household members and any information necessary for determining for household's eligibility for township assistance. The application must be on the form prescribed by the State Board of Accounts. IC 12-20-6-1.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

Immediately after any action is taken upon a completed township assistance application or, in the case of termination or reduction of existing benefits, before action is taken, a "Notice of Township Assistance Action" form shall be delivered to the applicant or recipient in person or by first class United States mail at said person's last known address. A copy of each completed "Notice" shall be filed with the applicant's application in the trustee's office. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

Township Assistance Purchase Order must be issued for each and every township assistance order for medical aid. The form is to be made out in triplicate. The original is either given the indigent to take to the doctor or vendor, or is mailed to the doctor or vendor. The duplicate is to be filed alphabetically in the assistance office, and the triplicate remains in the book in numerical order. The purchase order must be completely filled out and itemized before being issued to the doctor or vendor. The doctor or vendor must itemize fully on the reverse side the exact services rendered or items supplied, and must obtain the signature of the relief client. When more than one service is rendered on the same purchase order, a separate report (Form TA-4) must be submitted for each service showing necessary signatures. The original purchase order, signed by the recipient, must accompany the doctor's or vendor's claim when filed with the trustee for payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

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)

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 Township 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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CONTRACTS

Condition and Context

Internal controls were not in place to ensure that the Township complied with contract requirements. The Township Board made payments of \$500 each to three individuals during the engagement period for cemetery care that totaled \$1,500 without having a written contract.

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

Criteria

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. (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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ORDINANCES AND RESOLUTIONS

Condition and Context

Internal controls were not in place to ensure the Township adopted a reimbursement policy. The Township paid the Trustee's personal phone and internet expenses for the engagement period. The Township had not adopted a personal phone or internet reimbursement policy.

Criteria

The annual appropriations of a township for the expenses of renting an office and telephone expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township trustee uses a part of his residence as his office, the township board shall appropriate a reasonable sum for that office space. IC 36-6-8-3

We will take into consideration a personal phone and internet reimbursement policy that is approved by the Township Board. If there is a policy adopted by the Township Board and presented to us that allows the Trustee a full reimbursement of these expenses, even though the use of these services was not restricted to Township use, we would not take exception.

Please be advised IC 12-20-5.5-3 provides the township trustee shall ensure adequate access to township assistance services, including a published telephone number in the name of the township.

CLAY TOWNSHIP, HENDRICKS COUNTY
COMMENTS
(Continued)

Documentation should be retained to provide evidence that a personal phone number has been provided to the public as the contact number for the Township office. Common examples of acceptable documentation would include: a copy of the listing in a telephone directory, signage at the township office or a public building, listing on a governmental unit's website, etc. Using Township funds to pay for personal use of telephone, cell phone, or internet services without a documented and approved Township policy may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

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

CLAY TOWNSHIP, HENDRICKS 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	\$ 91,965	\$ 51,529	\$ 13,431	\$ 130,063	\$ 57,060	\$ 15,651	\$ 171,472
Township Assistance	21,281	3,382	1,871	22,792	3,444	800	25,436
Fire Fighting	353,157	203,156	144,860	411,453	216,470	229,306	398,617
Rainy Day Fund	28,150	-	-	28,150	-	-	28,150
Debt Service	665	-	-	665	-	-	665
	<u>495,218</u>	<u>258,067</u>	<u>160,162</u>	<u>593,123</u>	<u>276,974</u>	<u>245,757</u>	<u>624,340</u>
Totals	<u>\$ 495,218</u>	<u>\$ 258,067</u>	<u>\$ 160,162</u>	<u>\$ 593,123</u>	<u>\$ 276,974</u>	<u>\$ 245,757</u>	<u>\$ 624,340</u>

CLAY TOWNSHIP, HENDRICKS 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	\$ 171,472	\$ 55,897	\$ 13,129	\$ 214,240	\$ 61,991	\$ 13,104	\$ 263,127
Township Assistance	25,437	3,287	1,758	26,966	3,800	780	29,986
Fire Fighting	398,616	217,468	161,605	454,479	404,487	405,761	453,205
Rainy Day Fund	28,150	-	-	28,150	-	-	28,150
Debt Service	665	-	-	665	-	-	665
	<u>624,340</u>	<u>276,652</u>	<u>176,492</u>	<u>724,500</u>	<u>470,278</u>	<u>419,645</u>	<u>775,133</u>
Totals	<u>\$ 624,340</u>	<u>\$ 276,652</u>	<u>\$ 176,492</u>	<u>\$ 724,500</u>	<u>\$ 470,278</u>	<u>\$ 419,645</u>	<u>\$ 775,133</u>