

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

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

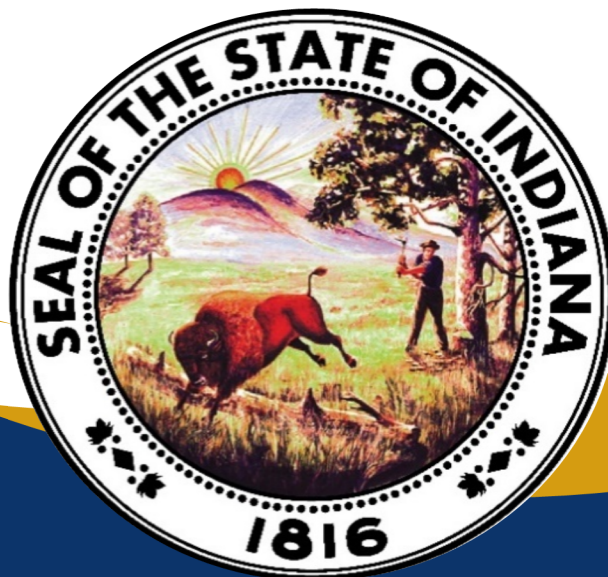
SUPPLEMENTAL COMPLIANCE REPORT

OF

STONY CREEK TOWNSHIP

MADISON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
01/07/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls	4
Capital Assets.....	5
Annual Financial Report	5-6
Adoption of, and Certification on, Internal Control Standards	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Diane Lawther	01-01-20 to 12-31-24
Chair of the Township Board	Terry Wilson	01-01-20 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF STONY CREEK TOWNSHIP, MADISON COUNTY, INDIANA

This report is supplemental to the audit report of Stony Creek Township (Township), for the period from January 1, 2020 to December 31, 2023. 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 10, 2024

STONY CREEK TOWNSHIP, MADISON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Township related to financial close and reporting and compliance with laws and regulations. The Township had not separated incompatible activities related to submission of the Annual Financial Report (AFR). The lack of established internal controls could enable material misstatements and noncompliance to occur and remain undetected.

Financial Close and Reporting

The Township had not properly designed or implemented a system of internal controls to ensure compliance with the submission of the AFR in the Indiana Gateway for Government Units financial reporting system. The Trustee was responsible for entering the Township's financial information into its AFR, which is the source of the financial statement. There was no internal control process for review, oversight, or approval to ensure the Township's financial information was accurately submitted.

Compliance

Internal controls were not in place to ensure the Township was complying with applicable laws and regulations. As a result, the following issues were identified and further explained in subsequent comments:

- Capital Assets
- Annual Financial Report
- Adoption of, and Certification on, Internal Control Standards

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.

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. . . ."

STONY CREEK TOWNSHIP, MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Township had not adopted a capital asset policy or performed a physical inventory at least every two years. Additionally, two of the ten assets selected from the capital asset listing for physical inspection could not be located.

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)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in the immediately prior Report B56471, entitled *CONDITION OF RECORDS*.

Condition and Context

The Township had not established internal controls over the financial information entered into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Township's financial statements.

Due to the lack of internal controls, the AFRs contained the following errors:

Financial Statements

- The Township reported cash and investments balances at December 31, 2020, that did not agree with the Township's financial ledger by a total of \$8,023.
- The Township reported disbursements that were overstated in 2021 totaling \$4,003, this caused the 2021 cash and investment balance to be understated by \$4,003.

Leases and Debt

The lease schedule for the Fire Station Construction (building lease) was entered as a bond on the AFRs for 2020 through 2023 instead of a lease.

Accounts Payables and Receivables

The Township did not provide records to support the amounts reported in the AFR for accounts payable and accounts receivable. The Township chose not to present the Schedule of Accounts Payable and Accounts Receivable in the Financial Statements Audit Report of the Township.

Additionally, the 2020 AFR was submitted to Gateway 15 days after the March 1, 2021 deadline.

STONY CREEK TOWNSHIP, MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

ADOPTION OF, AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B56471.

Condition and Context

The Township could not provide supporting documentation showing the adoption of the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The Township certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(g); however, during the engagement, the Township could not provide supporting documentation showing the adoption of the minimum internal control standards.

Criteria

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

"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 . . ."

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](#)."

STONY CREEK TOWNSHIP, MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2024, with Diane Lawther, Trustee, and Terry Wilson, Chair of the Township Board.