

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, 2012 to December 31, 2015



FILED
03/30/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Christa K. Acton	01-01-11 to 05-08-12
	Rebecca A. Smith	05-09-12 to 12-31-14
	John A. McDonald	01-01-15 to 12-31-18
Chairman of the Township Board	Michael A. Champlin	01-01-12 to 01-01-14
	(Vacant)	01-02-14 to 02-09-14
	John A. McDonald	02-10-14 to 12-31-14
	Frank Anderson	01-01-15 to 12-15-15
	Frank Emerson	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of Clay Township (Township), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statements Examination Report of the Township, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 22, 2016

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The backside or endorsement side of the checks was not returned.

Indiana Code 5-15-5.1-10(a) states in part:

"Each . . . local government shall:

- (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government . . . "

Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information se in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

COMPENSATION

The Township Board did not fix the salaries of Township officers and employees in 2012, 2013, 2014, and 2015. Additionally, W-2s were not presented for the years 2012, 2013, and 2014.

Indiana Code 36-6-6-10(b) states in part:

"The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay. . .

of all officers and employees of the township."

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)

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

ANNUAL REPORT

The Annual Financial Reports (AFR) filed on Gateway for 2012, 2013, and 2014 contained a number of errors and did not match the Township's records. These errors have been corrected in the AFRs filed on Gateway.

The Township did not timely file an AFR electronically for 2012 and 2013. The 2012 report was filed on July 15, 2013, which was 136 days past the due date and the 2013 report was filed on January 28, 2015, which was 333 days past the due date.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial 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."

CERTIFIED REPORT FILED AFTER DUE DATE

The Township did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for the year 2012 and 2013. The 2012 report was filed on April 3, 2013, which was 62 days past the due date and the 2013 report was filed on July 17, 2014, which was 167 days past the due date.

Furthermore, the 2012 Form 100-R was inaccurate. The Form 100-R stated the Trustee's total compensation was \$2,700, but the Trustee actually was paid \$3,900 in 2012.

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . 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 each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for January 1, 2012 through December 31, 2014.

Indiana Code 5-13-6-1(e) states: "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 respective depositories."

NEPOTISM

The Township did not have a Nepotism Policy for years 2012, 2013, and 2014.

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

Additionally, each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2012, 2013, 2014, and 2015.

Indiana Code 36-1-20.2-9(a) states:

"This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

The unit may prohibit the employment of a relative that is not otherwise prohibited by this chapter."

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

CONTRACTING

The Township did not have a Contracting Policy for years 2012, 2013, and 2014.

Additionally, each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31, 2012, 2013, 2014, and 2015.

Indiana Code 36-1-21-4(a) states:

"This chapter establishes minimum requirements regarding contracting with a unit. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

The unit may prohibit or restrict an individual from entering into a contract with the unit that is not otherwise prohibited or restricted by this chapter."

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

CONTRACTS

Payments made for fire protection in 2014 did not comply with the amount in the written contract. The contract was exceeded by \$1,862.94. A contract was not written for 2012 and 2013 for these services.

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

Payments made or received for contractual services should 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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Years	Fund	Excess Amount Expended
2012	Fire Debt	\$ 29,560.35
2014	Township	13,367.93
2015	Township	16,751.53
2015	Fire Debt	5,000.77

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN FUND BALANCES

The financial statements presented in the Financial Statements Examination Report of the Township included the Fire Debt fund with an overdrawn fund balance of \$9,773 at December 31, 2013.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PUBLIC RECORDS RETENTION

The Ledger of Receipts, Disbursements, and Balances was not presented for examination for 2012, 2013, and 2014. In addition, several receipts, invoices, and supporting documentation were not retained and available for examination.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial records or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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

TOWNSHIP ASSISTANCE STANDARDS

Township assistance standards were not established in accordance with Indiana Code 12-20-5.5-1 in 2012, 2013, or 2014.

Indiana Code 12-20-5.5-1(b) states:

"The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

CAPITAL ASSETS

The Township did not properly maintain a complete inventory of capital assets owned.

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)

ADVANCE PAYMENTS

The Township paid \$1,970.92 of compensation to the former Trustee on August 20, 2014, in advance of the actual date the services were provided in 2014.

Compensation and any other payments for goods and services should not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PAYROLL DEDUCTIONS

Payroll taxes were not properly remitted to the Indiana Department of Revenue and Internal Revenue Service for 2012, 2013, and 2014.

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

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)

CREDIT CARDS

The Township used a credit card for purchases during 2015 but did not have a credit card policy approved by the Township Board.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2016, with John A. McDonald, Trustee, and Frank Emerson, Chairman of the Township Board.