

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

COMPLIANCE REPORT

OF

CLAY TOWNSHIP

WAYNE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
05/25/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Results and Comments:	
Annual Report Errors	4
Records Not Presented	4-5
Depository Reconciliations	5
Optical Images of the Checks	5
Annual Financial Report Not Filed Timely	5-6
Review and Approval of Annual Report	6
Annual Reports Not Published	6
Form 100-R Not Filed Timely	6
Payments Received Not in Accordance with Contracts	7
Undocumented Expenses	7
Penalties, Interest, and Other Charges	7
Failure to Withhold Correct Payroll Taxes	7-8
Overpayment Collections	8
Approval of Salaries	8
Compensation Paid in Advance	8
Record of Wages Paid.....	8-9
Appropriations.....	9
Failure to Enter into Contracts.....	9
Nepotism Policy.....	9-10
Nepotism Certification	10
Contracting Policy.....	10
Contracting Policy Certification.....	10
Township Assistance Standards	10-11
Exit Conference.....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rebecca Cool	01-01-11 to 12-31-18
Chairman of the Township Board	Louis P. Artman, Jr.	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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), Wayne County, for the period January 1, 2012 to December 31, 2015, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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.

The Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

The Annual Financial Reports filed by the Township can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

March 13, 2017

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS

ANNUAL REPORT ERRORS

The Annual Financial Report (AFR) filed on Gateway for 2014 and 2015 did not match the financial activity of the Township.

Years	Fund	Category	Amount per AFR	Amount per Ledger	Difference
2014	Township	Beginning Balance	\$ 104,942	\$ 52,471	\$ 52,471
2014	Park and Recreation	Beginning Balance	5,455	2,728	2,727
2014	Township Assistance	Beginning Balance	11,447	5,723	5,724
2014	Fire Fighting	Beginning Balance	49,987	24,993	24,994
2014	Rainy Day	Beginning Balance	4,016	2,008	2,008
2014	Levy Excess	Beginning Balance	1,735	867	868
2014	Cumulative Fire	Beginning Balance	136,140	68,070	68,070
2014	Township	Ending Balance	101,817	49,345	52,472
2014	Park and Recreation	Ending Balance	6,139	3,411	2,728
2014	Township Assistance	Ending Balance	7,776	2,053	5,723
2014	Fire Fighting	Ending Balance	54,173	29,180	24,993
2014	Rainy Day	Ending Balance	4,016	2,008	2,008
2014	Levy Excess	Ending Balance	1,741	873	868
2014	Cumulative Fire	Ending Balance	141,834	73,764	68,070
2015	Township	Beginning Balance	101,816	49,345	52,471
2015	Park and Recreation	Beginning Balance	6,138	3,411	2,727
2015	Township Assistance	Beginning Balance	7,777	2,053	5,724
2015	Fire Fighting	Beginning Balance	54,174	29,180	24,994
2015	Rainy Day	Beginning Balance	4,016	2,008	2,008
2015	Levy Excess	Beginning Balance	1,741	873	868
2015	Cumulative Fire	Beginning Balance	141,834	73,764	68,070
2015	Township	Ending Balance	103,722	51,251	52,471
2015	Park and Recreation	Ending Balance	5,083	2,356	2,727
2015	Township Assistance	Ending Balance	7,878	2,154	5,724
2015	Fire Fighting	Ending Balance	59,312	34,318	24,994
2015	Rainy Day	Ending Balance	4,016	2,008	2,008
2015	Levy Excess	Ending Balance	1,741	873	868
2015	Cumulative Fire	Ending Balance	147,873	79,803	68,070

After notification the Trustee resubmitted the 2015 AFR with corrections made.

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)

RECORDS NOT PRESENTED

The 2012 ledger was not presented for review.

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.

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

DEPOSITORY RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for review for the period August through December 2012 and for the year 2015.

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."

OPTICAL IMAGES OF THE 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 back side 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 set forth 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). . . ."

ANNUAL FINANCIAL REPORT NOT FILED TIMELY

The Annual Financial Report for 2012, 2014, and 2015 were not filed electronically until March 3, 2013, March 2, 2015, and March 25, 2016, respectively.

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

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."

REVIEW AND APPROVAL OF ANNUAL REPORT

The Township did not have the required meeting to review and adopt the Annual Report for 2012, 2013, 2014, and 2015.

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in February of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

ANNUAL REPORTS NOT PUBLISHED

The Annual Report abstracts were not published in accordance with Indiana Code 36-6-4-13 for 2012, 2013, 2014, and 2015.

Indiana Code 36-6-4-13(b) states:

"Within four (4) weeks after the third Tuesday following the first Monday in February, the executive shall publish the abstract prescribed by subsection (a) in accordance with IC 5-3-1. The abstract must state that a complete and detailed annual report and the accompanying vouchers showing the names of persons paid money by the township have been filed with the county auditor, and that the chairman of the township legislative body has a copy of the report that is available for inspection by any taxpayer of the township."

FORM 100-R NOT FILED TIMELY

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 years 2012, 2013, 2014, and 2015. The reports were filed on February 9, 2013, February 2, 2014, March 2, 2015, and March 25, 2016, which is 9, 2, 30, and 54 days, respectively, past the due date.

Indiana Code 5-11-13-1 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 written or printed certified report, correctly and completely showing the names and 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. . . ."

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

PAYMENTS RECEIVED NOT IN ACCORDANCE WITH CONTRACTS

The fire protection contract with Harrison Township, Wayne County, indicated the contract amount Harrison Township was to pay Clay Township for fire protection services was based on the assessed valuation of Harrison Township. No supporting documentation was presented to support the amount received of \$9,612, \$10,492, \$10,492, and \$10,492 from Harrison Township for the years 2012, 2013, 2014, and 2015, respectively.

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)

UNDOCUMENTED EXPENSES

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records in 2014 and 2015.

Adequate supporting documentation for payments made to fire fighters in 2012, 2013, 2014, and 2015 was not presented.

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 Townships, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

The Township paid late payment fees in the amount of \$494.77 for failure to remit payroll taxes on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

We requested the Trustee repay penalties, interest, and other charges in the amount of \$494.77. Rebecca Cool, Trustee, reimbursed the Township for penalties and interest paid in the amount of \$494.77.

FAILURE TO WITHHOLD CORRECT PAYROLL TAXES

When calculating payroll deductions for 2012, the Trustee did not use the correct tax rate for the employee's share of Social Security. As a result, \$121.95 was withheld from employee's gross pay in error and should be reimbursed to employees.

CLAY TOWNSHIP, WAYNE COUNTY
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)

OVERPAYMENT COLLECTIONS

Two payments were made in error to the Indiana Department of Revenue in June 2014 totaling \$4,887.74.

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

APPROVAL OF SALARIES

The Township Board did not establish the salaries of Township officers and employees for 2012, 2013, 2014, and 2015.

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

"The township legislative body shall fix the:

- (1) salaries,
- (2) wages . . .

of all officers and employees of the township."

COMPENSATION PAID IN ADVANCE

The Township paid the Township Clerk's compensation in advance of the actual date the services were provided. A review of payroll check dates indicated the Township Clerk was paid on July 16, 2014, for the last half of 2014; paid on March 23, 2015, for the first half of 2015 and paid on July 19, 2015, for the last half of 2015.

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

RECORD OF WAGES PAID

It could not be determined if wages reported on the W-2 agreed with the actual amounts paid to employees since Employee's Earnings Records (General Form 99B) were not maintained.

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

APPROPRIATIONS

The records presented for review indicated the following disbursements in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township	2012	\$ 275
Township	2014	3,471

Indiana Code 6-1.1.18-4 states in part: ". . . 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."

FAILURE TO ENTER INTO CONTRACTS

Payments made for mowing in 2012, 2013, 2014, and 2015 were not supported by a written contract.

The Township paid expenses of the Clay Township Volunteer Fire Department Inc., without a supporting contract.

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)

NEPOTISM POLICY

The Township did not have a Nepotism Policy for 2012, 2013, and 2014. The Township established a Nepotism Policy on January 8, 2015.

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-20.2-9(a) states in part: "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."

NEPOTISM CERTIFICATION

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

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 POLICY

The Township did not have a Contracting Policy for 2012, 2013, and 2014. The Township established a Contracting Policy on January 8, 2015.

Indiana Code 36-1-21-4(a) states in part: "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."

CONTRACTING POLICY CERTIFICATION

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, December 31, 2013, December 31, 2014, and December 31, 2015.

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."

TOWNSHIP ASSISTANCE STANDARDS

The Township Board did not establish Township Assistance Standards.

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) 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;

CLAY TOWNSHIP, WAYNE COUNTY
RESULTS AND COMMENTS
(Continued)

- (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."

CLAY TOWNSHIP, WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2017, with Rebecca Cool, Trustee.