

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CLAYTON

HENDRICKS COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

12/22/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Virginia McKamey	01-01-19 to 12-31-20
President of the Town Council	Ryan Rash Shelly Ernst Doug Bignell	01-01-19 to 05-31-19 06-01-19 to 12-31-19 01-01-20 to 12-31-20
Superintendent of Utilities	George Burnett	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CLAYTON, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Clayton (Town), for the period from January 1, 2019 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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.

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

December 15, 2020

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CLERK-TREASURER
TOWN OF CLAYTON

CLERK-TREASURER
TOWN OF CLAYTON
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Town related to two areas of financial transactions and reporting. Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The Town had not separated incompatible activities related to cash and investments and receipts. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

There was no evidence of an oversight, review, or approval process of the bank reconciliations by someone other than the person who prepared them.

Receipts

There was no evidence of an oversight, review, or approval process of the daily deposits or receipt postings by someone other than the person who prepared them.

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Two checks totaling \$12,283, transferring funds from the General fund to Sewage Utility - Operating, were not included on the Town's outstanding check list at December 31, 2019. They were posted as disbursements to the ledger in December 2019, but the corresponding receipt was not posted until January 2020. In addition, certificates of deposits totaling \$29,300, along with \$2,960 in accumulated interest, were not included in the Town's bank reconciliations.

CLERK-TREASURER
TOWN OF CLAYTON
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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."

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

The following errors were noted during a review of claims:

1. Six out of twenty-two tested were not included on the APV Voucher Register (claims docket).
2. Four out of forty-four tested were paid from a statement and did not include invoices.
3. Twenty-one out of forty-four tested did not include a signature for proof of receipt.
4. Three out of forty-four tested were paid late with corresponding late fees totaling \$36.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CLERK-TREASURER
TOWN OF CLAYTON
AUDIT RESULTS AND COMMENTS
(Continued)

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 Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY RESTRICTED FUND ACTIVITY

Condition and Context

The Town did not allocate and post at least 50 percent of the distributions from the State Motor Vehicle Highway Account to the Motor Vehicle Highway - Restricted fund at the time of the receipt for July through December 2019. Those amounts, totaling \$9,929, were posted entirely to the Motor Vehicle Highway fund instead.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on the Indiana Gateway for Government Units financial reporting system that the Town had trained on internal control standards. However, no training had been performed since 2018.

Criteria

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](#)."

CLERK-TREASURER
TOWN OF CLAYTON
AUDIT RESULTS AND COMMENTS
(Continued)

OVERPAYMENT OF SALARY

Condition and Context

The Clerk-Treasurer was paid a total salary, split between Town and Sewage Utility funds, of \$41,945 in 2019. Per Salary Ordinance #2018-22, the Clerk-Treasurer was to be paid a total salary of \$40,745, resulting in an apparent overpayment of \$1,200. Based on further review, a clerical error was made on the approved Salary Ordinances for the years 2017 through 2019. The Clerk-Treasurer was paid \$41,945 during 2016, which agreed with Salary Ordinance #2015-10, but the templates used to create the Salary Ordinances for 2017 through 2019 were created from a prior template, approving \$40,745. The Town Council has subsequently approved an amended Salary Ordinance dated December 10, 2020, correcting the total salary paid to the Clerk-Treasurer for the years 2018 through 2020.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF CLAYTON
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2020, with Virginia McKamey, Clerk-Treasurer, and Doug Bignell, President of the Town Council.

TOWN COUNCIL
TOWN OF CLAYTON

TOWN COUNCIL
TOWN OF CLAYTON
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Training on internal control standards and procedures had not been provided since 2018.

Criteria

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."

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Town of Clayton

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OFFICIAL RESPONSE

Date: December 18, 2020

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: 2019 Audit, Town Council Response

To Whom It May Concern,

Thank you for the opportunity to respond to the opinion report for our audit. This audit reiterated the enormous responsibility a council member has when it comes to town finances. I appreciate the feedback related to our Internal Controls Training and the Salary Ordinances we pass. It is always good to have some guidance when details like these get missed. I am thankful that we have had the opportunity to review these areas and have the chance to work on improving our work in this area. This Town Council has worked together well, and I am confident that we will continue to improve in each of these areas. Thank you for your time.

Sincerely,

Douglas A. Bignell
Town Council President

TOWN COUNCIL
TOWN OF CLAYTON
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2020, with Virginia McKamey, Clerk-Treasurer, and Doug Bignell, President of the Town Council.