



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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June 2, 2023

TO: THE OFFICIALS OF CLAY TOWNSHIP, OWEN 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), Owen County, for the period of January 1, 2019 to December 31, 2022, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Township's Annual Financial Reports filed by management can be found on the Gateway Website: [www.gateway.ifionline.org](http://www.gateway.ifionline.org).

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

***Comments***

***ADOPTION OF INTERNAL CONTROL STANDARDS***

***Condition and Context***

The Township had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

***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."

## **TRAINING ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

Documentation that Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts was not provided for the engagement period.

Communication with the Trustee confirmed that this training had not been completed by the Township officials.

### *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."

## **CERTIFICATION ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

The Township certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, documentation that all personnel had received training concerning the internal control standards was not provided during the engagement.

Communication with the Trustee confirmed that the Township had not adopted nor completed training on internal controls.

### *Criteria*

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7.](#)"

## **BANK ACCOUNT RECONCILIATIONS**

### *Condition and Context*

Bank reconciliations were performed for the audit period with differences to the financial statements.

### *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."

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Township did not comply with the State Examiner Directive and failed to upload annual bank statements for years 2019, 2020, and 2022, and failed to upload annual vendor history for years 2019, 2021, and 2022.

The Township did not comply with the State Examiner Directive and failed to upload a portion of the monthly bank reconciliations.

### *Criteria*

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)

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. . . . (State Examiner Directive 2018-1)

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.

The Schedule of Cash and Investment Balances - Regulatory Basis is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT  
BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2022

FUND	Cash and Investments 12-31-22
TOWNSHIP	\$ 35,723
TOWNSHIP ASSISTANCE	31,407
FIRE FIGHTING	55,835
RAINY DAY	10,858
CUMULATIVE FIRE	<u>137,785</u>
 Total	 <u>\$ 271,608</u>

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

The contents of this report were communicated to Debbie Keith, Trustee; Roger Daniel, former Trustee; and Donna Daniel, Township Board member, on May 11, 2023.

Respectfully,



Beth Kelley, CPA, CFE

SBOA EXIT COMMUNICATION  
/CLAY TOWNSHIP, OWEN COUNTY

May 19, 2023

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

**RE: Official Response to SBOA Exit Communication for Clay Township, Owen County**

Banking Account:

Banking not in Trustee's name only signer. Banking account name Clay Township Trustee and address.

Internal Control Standards and Pocerdures were adoped by the past Trustee and Township Board Plan was adoped August 29, 2016 and uploaded into gateway January 2017 with Annual Report. The NewTrustee confirmed this was not done without confirming info with past Trustee. We told Andra Astill that we found a copy of the Inernal Control that the Township Board signed and kept in Township minute book. But, Andrea Astill was not interest that we found the Internal Control paper work.

Bank Account Reconcilations:

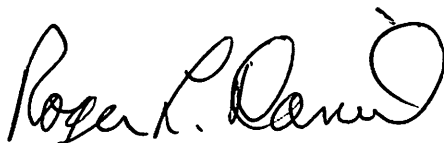
Andrea Astill said Bank Account did not Balance and she did not like the way I Balanced the /Bank Account. I followed the IN code 5-13-16 -1 (E). Many way to balance ledger and bank account. My Book always Balanced with Bank Statement.


Annual Uploads:

The Annual Bank Statements were uploaded by Past Trustee for 2019, 2020, 2021 and part of 2022. Annual Bank Statement for 2022 needed to be completed by the New Trustee. New Trustee did not ask about missing information only ask about 2019 ledger, receipts and cancelled checks. The uploads need to be looked at twice a year and catch any errors to help Trustees.

State Board of Accounts not aware of Election 2022 and may have changes of Township Trustee. State Board of Accounts waiting to do audit after election is a Hardship on new Trustees.

Cost of Audit does not help Township or taxpayers and puts heavy burden on Trustees. The uploasd was to help keep the cost down on audits.

  
Roger L Daniel  
Past Trustee

  
Donna J Daniel  
Board Member

**CLAY TOWNSHIP, OWEN COUNTY**  
**INTERNAL CONTROLS PROCEDURES**  
**Effective date: July 1, 2016**

**ACCOUNTS PAYABLE:**

**Objective**

Trustee shall devise techniques and procedures for the proper approval and payment of expenditures of public monies for goods and services incurred to support its programs. Proper internal controls effectively and efficiently minimize the risks associated with accounts payable and purchasing activities, reduce the risks of fraud and costly errors, and protect the assets of the Township.

**Risk**

- Unauthorized or fraudulent purchases/payments.
- Duplicate payments to vendors.
- Payments to vendors prior to vendor terms which negatively impact the Township's cash flows.
- Late payments to vendors resulting in late fees and loss of goodwill.
- Inefficient processing of payments.

**Definition**

The term "accounts payable refers to processing payments for invoices and contracts for goods and services incurred by Clay Township and/or Clay Township Fire Company of Owen County.

**Claim Procedures:**

- Payables, disbursements and expenditures are properly accumulated, classified and summarized in the accounting records.
- All claims should be received by the Trustee.
- Require date stamping of invoices indicating date of receipt
- Invoices must be billed to Clay Township and/or Clay Township Fire Company of Owen County.
  - Invoices should be presented in a manner which allows for the detailed examination and comparison of invoice quantities, prices and vendor terms and discounts. Invoices should be matched to a requisition ,purchase order, or receiving documents such as bill of ladings or packing slips. When an invoice presented for payment is incorrect, notify the vendor immediately and request that it be corrected and resubmitted by the vendor.
  - Perform monthly reconciliation of the subsidiary payables module to the accounts payable control account in the general ledger.

**Township Assistance Procedures/Duties:**

- Trustee must approve all orders, purchases and claims
- Claims are processed by the caseworker and reconciled by the Township Clerk then submitted for approval by the Trustee.
- The claim is submitted to the Trustee for payment

**CASH RECEIPTS and DEPOSITS:**

**Objective:**

Trustee shall devise techniques and procedures for the receipt and deposit of moneys coming into their control and custody, which are designed to adequately safeguard the assets of the Township and to minimize idle and nonproductive cash balances.

**Risks**

- Lost stolen, or misappropriated cash receipts
- Concealed errors or irregularities going unchecked
- Loss of interest revenue

**Definition:**

The term "cash receipts: as used herein includes currency, coins, checks, or other negotiable instruments.

**Procedures Include**

- Timely deposit of all cash receipts: Deposit immediately, or within 24 hours upon receipt.
- Restrictively endorse checks ("for deposit only") immediately upon receipt
- Access to and location of cash receipts should be limited and restricted to only designated employees.
- All cash receipts are to be deposited in a bank account designated and or approved by the Township Trustee
- Review checks and verify that:
  - The check has been signed and dated
  - The pre-printed name (personal checks) agrees with the signature
  - The numbered amount agrees with the written amount
  - The check amount agrees with any accompanying paperwork
  - The has not been altered
- Maintain a comprehensive cash receipts book that includes for each item:
  - The date, name, and amount of each remittance
  - The form of each remittance ( e.g. check, cash money order)
  - The check number and date
  - The purpose of the collection ( if known)
  - Make photocopy of each check or money order and a cash report for monies receipted for rental of Crisp School House, noting full name, address and phone number of remitter.

- Separate cash handling duties:
  - Township Trustee receives cash, (2) deposit cash, and (3) record transactions with Township Clerk oversight agent and Clay Township Board oversight agent.
  - Maintain and match a copy of the deposit slip with the bank deposit receipt for all bank deposits
  - Upon suspicion of fraud or theft, immediately notify the appropriate personnel (I.e. management, State Board of Accounts, law enforcement)

### Deposits

In order to insure that monies collected by the Township are properly deposited with the appropriate Bank within 24 hours of receipt (excluding holidays and weekends). Any monies collected are to be kept secured in a safe or locked box until transferred to the proper Bank.

### BANK RECONCILIATION:

#### Objective:

To eliminate risk associated with balancing errors or omissions, caused by Township Officials, and /or employees of Clay Township, or errors due to bank error, and to provide adequate security and controls, through segregation of duties for bank accounts entrusted to them.

#### Risks

- Lost, stolen, or misappropriated cash
- Concealed errors or irregularities going undetected
- Faulty expenditures associated with tax.

#### Definitions

- **Bank accounts** are generally checking accounts operated by the Township Funds disbursed must be consistent with the rules and regulations of the State.
- **Reconciliation** is the act of confirming that the account balance in Township accounting system ( General Ledger) matches the corresponding bank statement. Monthly reconciliation is crucial to ensure accurate and comprehensive financial reporting, because it identifies errors and inconsistencies requiring correction by verifying the accuracy of each account.
- **Segregation of duties**, as a security principle, has as its primary objective the prevention of fraud and errors.

#### Procedures Include:

- Bank accounts can only be established at selected banks upon approval of the Township Trustee and Township Board.
- The Township Trustee hold responsibility as custodian of the bank account with a

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designated back-up. Access to and the location of check books and other bank account records and information should be limited and restricted to only the designated custodians.

- The Trustee must maintain a register in the General Ledger, which shall list all receipts, cash and checks received, and for each disbursement, the payee, the date of disbursement, the amount, and the business purpose of the expenditure.
- The Township Clerk must maintain and match a copy of the deposit slip with bank deposit receipt for reconciliation with the monthly bank statement for all bank account deposits.
- Restrictively endorse checks "For Deposit Only" upon receipt. Make frequent deposits (at least weekly)
- The Trustee should be responsible for knowing which expenditures are allowable prior to disbursing funds, and maintaining accounts within annual budget appropriations.
- The Trustee must reconcile the bank account within 30 days of each statement
- Cutoff, sign and date the reconciliation, and submit to the Clerk for their review and approval signature.
- Checks outstanding for more than 2 years, must be receipted back into the proper account from which it came.
- Procedures should be reviewed on a regular basis for applicability and for monitoring self-compliance.
- Upon suspicion of fraud or theft notify the Township Officials, State Board of Accounts, or Law Enforcement immediately.
- No account information shall be sent over the internet, to include images of check, without prior written approval from the Trustee.

### Notices

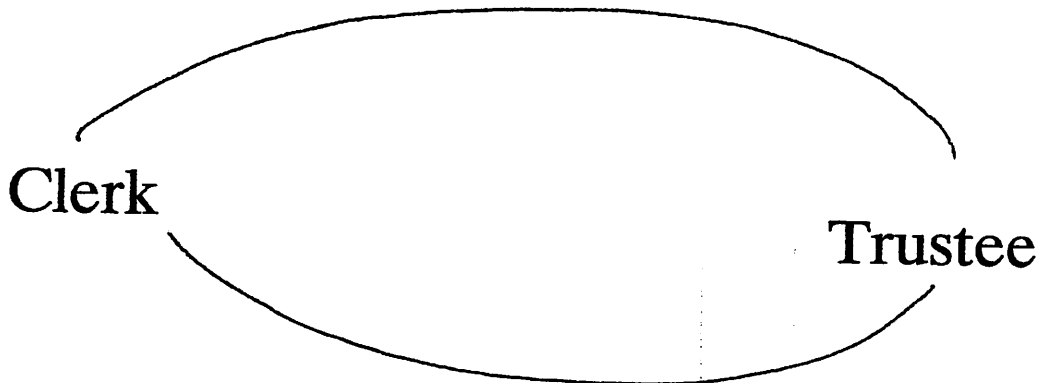
- These internal control procedures are intended to support and comply with the State Board of Accounts "Uniform Internal Control Standards for Indiana Political Subdivisions"
- In consideration of these practices, the objective should be on adherence and not on rationalizing way and means for circumvention.
- Nothing in this document shall limit or supersede any applicable Federal, State or Local Laws, statutes, bulletins or regulations.

Copies and Documents receipts  
Sorts and Mails Checks  
Reviews bank reconciliation  
Reviews and documents payroll  
Distributes Payroll Checks  
Prepares and reports Payroll taxes  
Orders office and maintenance supplies, with approval of trustee  
Compiles Assistance Reports

Opens all mail, sorts and date stamps all mail  
approves Purchases and pledges for assistance  
Writes all Checks  
Reconciles Bank Statement  
Enters Disbursements into General Ledger  
Review incoices for discrepancies  
Write payroll checks  
Reviews Payroll taxes  
Reports Discrepancies of invoices to vendors  
Complies annaual reports from ledger, bank staments and reports  
Enters Township Assistance into General Ledger  
Manitains office Inventory

Clerk

Trustee



**Notices**

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Adopted this 29 day of August, 2016, by the Board of  
Clay Township, Owen County.

**Board Members**

Julie Hickman  
Donna Daniel  
Kevin Oaly

Attest:

Roger R. Daniel

Trustee

<u>Clay</u> Township <u>Owen</u> County	
Chapter:	Internal Controls
Subject:	Employee acknowledgement
Authorized by:	Township Trustee and Board Members

On this date, the 29<sup>th</sup> day of August, 2016, the following Representative of Clay Township, acknowledges to have read and understood these are the current Internal Control Procedures of said Township. These procedures are effective July 1, 2016, and will be reviewed and updated regularly.

Name: Danna J. Daniel  
 Position held: Board Member  
 Beginning date of Service to Township: JAN 1, 2015

Employee Signature: Danna J. Daniel  
 Trustee Signature: Roger L. Daniel

**Notices**

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_____ Township _____ County	
Chapter:	Internal Controls
Subject:	Employee acknowledgement
Authorized by:	Township Trustee and Board Members

On this date, the 29<sup>th</sup> day of AUGUST, 2016, the following Representative of CLAY Township, acknowledges to have read and understood these are the current Internal Control Procedures of said Township. These procedures are effective July 1, 2016, and will be reviewed and updated regularly.

Name: Kerrin Daley  
 Position held: BOARD MEMBER  
 Beginning date of Service to Township: JAN / - 2015

Employee Signature: Kerrin Daley  
 Trustee Signature: Regan L. Daniel

**Notices**

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<u>Clay</u> Township <u>Dwen</u> County	
Chapter:	Internal Controls
Subject:	Employee acknowledgement
Authorized by:	Township Trustee and Board Members

On this date, the 29 day of August, 2016, the following Representative of Clay Township, acknowledges to have read and understood these are the current Internal Control Procedures of said Township. These procedures are effective July 1, 2016, and will be reviewed and updated regularly.

Name: Julie Hickam

Position held: Chairman

Beginning date of Service to Township: January 1, 2015

Employee Signature: Julie Hickam

Trustee Signature: Regan L. Demil

**Notices**

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