

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
06/30/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance	Georgeann Ewald	01-01-22 to 12-31-23
Trustee	Lucas Hudnall	01-01-22 to 12-31-22
	Sean O'Brien	01-01-23 to 12-31-23
Chair of the Township Board	Melinda Fountain	01-01-22 to 12-31-22
	Robbie Thomas	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLAY TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to the audit report of Clay Township (Township), for the period from January 1, 2022 to December 31, 2022. 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 Statement Audit Report of the Township, which provides our opinions on the Township'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.

Beth Kelley, CPA, CFE
Deputy State Examiner

June 14, 2023

CLAY TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER RECEIPTS AND DISBURSEMENTS

Condition and Context

Internal control activities should be selected and developed at various levels to reduce the risks of error and/or fraud of the financial statement. The Township had not separated incompatible activities related to receipts and disbursements. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Receipts

One employee received collections, issued receipts, posted to the ledger, and took deposits to the bank without evidence of an oversight or review process to ensure the accuracy, completeness, timeliness, and classification of receipts.

Disbursements

One employee wrote vendor checks and posted to the ledger without evidence of an oversight or review process to ensure the accuracy, completeness, timeliness, and classification of vendor disbursements.

Additionally, the employee who entered payroll with the bank for payment also authorized the payroll to be paid by the bank without evidence of an oversight or review process to ensure the occurrence and accuracy of payroll disbursements.

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. . . ."

CLAY TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Township had not established effective internal controls over the AFR information entered into Gateway which resulted in the following:

Receivables

The Township did not prepare and submit the accounts receivable information into Gateway as required, although the Township had account receivables for ambulance services. The Township approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report.

Leases and Debt

The notes and loans payable Principal Due Within One Year was overstated by \$185,736. Adjustments were proposed, accepted by the Township, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report.

Capital Assets

The Township prepared and submitted the capital asset information into Gateway. However, the Township did not maintain appropriate detailed capital asset records to determine the accuracy of the information. The Township approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report.

Grants

One employee prepared and entered the grant information without evidence of an oversight or review process in place to prevent, or detect and correct, errors.

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:

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CLAY TOWNSHIP, ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 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](#)."

CAPITAL ASSETS

Condition and Context

The Township does not have a capital asset policy and had not completed a physical inventory every two years as required.

The Township also did not maintain a proper capital asset listing. The Township's capital asset listing did not list dates of purchase for each asset owned by the Township. Additionally, the Township did not add all qualifying assets purchased to the capital asset record. Finally, when a capital asset was disposed of, the Township removed the capital asset from the detailed listing rather than documenting the disposal of the asset.

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)

CLAY TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2023, with Sean O'Brien, Trustee; Georgeann Ewald, Director of Finance; Robbie Thomas, Chair of the Township Board; and Michelle Shaw, Township Board member.