



STATE BOARD  
OF ACCOUNTS



# State Board of Accounts

Township Trustee – State Called Meetings – April 2025

Audit Expectations, Common Audit Findings, and Corrective Action  
Plans

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# ***PAUL D. JOYCE, CPA STATE EXAMINER***

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.

# ***CONTACT INFORMATION***

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# *About the State Board of Accounts*

- Created in 1909 in response to widespread corruption
- Mission Statement:
  - “We are dedicated to providing the citizens of the State of Indiana with confidence in the integrity and financial accountability of state and local government.”
- Responsibilities
  - Perform audits/examinations of all governmental units
  - Prescribe forms and procedures used by governmental units
  - Various other duties including recounts, providing training for local officials, consulting services, etc.





# ○○○○ **SBOA Staff**

- Organizational Flowchart
  - SBOA Board (State Examiner, 2 Deputy State Examiners)
  - Directors (2 per area)
    - Schools/Townships
    - Cities/Towns/Libraries/Special Districts
    - Counties
  - Audit Coordinators
  - Investigation Coordinators
  - Field Examiners



# SBÖA Engagements

- Entrance Conference
  - Examiners will explain objective of engagement
    - Testing for non-compliance, obtaining assurance, etc...
  - Explanation of Management's responsibilities
  - Inform management of fees, records to be requested, estimated timeline of engagement
  - **Please ask any questions if you are not clear on anything the examiner provides or requires!!**



# ○○○○ *Audit Documentation*

- Records that may be requested
  - Board Minutes (beginning of audit period to current date)
  - Resolutions
  - Contracts
  - Financial Records (ledger)
  - Bank Reconcilements
  - Register of Investments
  - Debt documents (amortization schedules)
  - Receipts
  - Itemized bills/invoices to support disbursements
  - Payroll records





# ○○○○ *Audit Procedures*

- Compliance Procedures to Expect
  - Comparison of Annual Financial Report to Township ledger
  - Comparison of expenditures to approved budgeted appropriations
  - Review of monthly bank reconcilements
  - Verify salaries paid in accordance with salary resolution approved by the township board
  - Verify proper payroll remittance to IDOR & IRS
  - Test disbursements to ensure the disbursements were allowable from the fund and had proper supporting documentation
  - Determine officials were properly bonded
  - Follow up on any issues from prior report to ensure the issues have been resolved



# Exit Conference

- Draft report provided and discussed
  - *Ask questions!! Make sure you completely understand any issues discussed.*
- Opportunity to respond to comments
  - 10 days to respond
  - Corrective Action Plan discussed if *repeat comments* in report



# ○○○○ *Audit Findings*

- Audit Result and Comment (ARC)
  - Written Comment
- Management Letters
  - Letter to official/board
  - Did not rise to the level of “Significant and Impactful”
- Verbal Comments
  - Verbally communicated
  - Didn’t rise to level of management letter, but still warrants attention to official
- Federal Findings







# ***Certification/Training/Adoption of Internal Controls***

- **Condition**

- Township did not adopt the minimum level of internal controls as required by statute.

- **Criteria**

- IC 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.”



# ○ ○ ○ ○ *Contracts*

- **Condition**
  - Contracts for fire protection services and mowing were not presented for audit.
- **Criteria**
  - Payment 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)





# *Advance Payments*

- **Condition**

- Payments were made in advance of services being provided. Advance payments of the salaries of the trustee, township clerk, and township board were made during the audit period.

- **Criteria**

- Compensation and any other payments for goods and services must 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)
- IC 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."







# *Bank Reconcilements*

- **Condition**

- Depository reconciliations of the fund balances to the bank account balances did not balance and were not being performed timely.

- **Criteria**

- IC 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."





# *Penalties, Interest, and Other Charges*

- **Condition**

- The township paid penalties and interest for late payments to the Internal Revenue Service. Credit card balances were not paid in full each month resulting in interest on the remaining balance being paid in subsequent months by the township.

- **Criteria**

- 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)





# *Compensation and Benefits*

- **Condition**

- The Township did not provide an annual salary resolution, Township Board minutes, or other documentation setting and approving the salaries of Township officers and employees during the engagement period.

- **Criteria**

- Indiana Code 36-6-6-10(c) states: "The township legislative body shall fix the compensation of all officers and employees of the township."
- All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)







# *Annual Financial Report*

- **Condition**

- Internal controls were not in place to ensure that accurate information was entered into the Annual Financial Report (AFR). Financial and other information is required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

- **Criteria**

- IC 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 as set forth in the uniform compliance guidelines. 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**

- The Township did not have a capital asset policy in place that specified the threshold that an item is considered a capital asset. A listing of all capital assets was not available nor was a complete physical inventory taken for any of the years of the engagement.

- **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)

# ○ ○ ○ ○ *Appropriations*

- **Condition**

- The financial records presented indicated the following expenditures in excess of budgeted appropriations:

- **Criteria**

- IC 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."







# *Corrective Action Plans*

- IC 5-11-5-1.5(b)
  - If an examination report contains a finding that an audited entity failed to observe a uniform compliance guideline established under [IC 5-11-1-24](#)(a) or to comply with a specific law, the audited entity shall take action to address the audit finding.
- IC 5-11-5-1.5(c)
  - If a subsequent examination report of the audited entity contains a finding that is the same as or substantially similar to the finding contained in the previous examination report described in subsection (b), the public officer of the audited entity shall file a corrective action plan as a written response to the report under section 1(b) of this chapter.





# ***Corrective Action Plans***

- IC 5-11-5-1.5(d)
  - The state board of accounts shall create guidelines for use by an audited entity to establish a corrective action plan described in subsection (c). The guidelines must include a requirement that the issue that is the subject of a finding described in subsection (c) must be corrected not later than six (6) months after the date on which the corrective action plan is filed.
- IC 5-11-5-1.5(e)
  - After the successful completion of a corrective action plan by an audited entity that was required to file a corrective action plan under subsection (c), the audited entity shall notify the state board of accounts. The state board of accounts shall review each corrective action plan. If a corrective action plan is not implemented or the issue that is the subject of the finding is not corrected within six (6) months, the state board of accounts shall prepare a memorandum summarizing:
    - (1) the examination report finding;
    - (2) the corrective action plan;
    - (3) the manner by which the examination report finding was or was not addressed; and
    - (4) a recommended course of action.





# *Corrective Action Plans*

- IC 5-11-5-1.5(f)
  - The state board of accounts shall present to the audit committee established by [IC 2-5-1.1-6.3](#) a memorandum described in subsection (e). If the audit committee determines that further action should be taken, the audit committee may do any of the following:
    - (1) Request a written statement from the public officer of the audited entity.
    - (2) Request the personal attendance of the public officer of the audited entity at the next audit committee meeting.
    - (3) Request that the public officer of the audited entity take corrective action.





# *Corrective Action Plans*

- IC 5-11-5-1.5(f) continued

(4) Notify the:

(A) office of management and budget (in the case of an audited entity that is a state agency, a body corporate and politic, or a state educational institution); or

(B) officer or chief executive officer, legislative body, and fiscal body of the audited entity and the department of local government finance (in the case of any other audited entity);

that the audited entity refused to correct the audited entity's failure to observe a uniform compliance guideline established under [IC 5-11-1-24\(a\)](#), or refused to comply with a specific law, with notice of the recommendation described in subsection (e)(4) published on the general assembly's Internet web site.





# ***Corrective Action Plans***

IC 5-11-5-1.5(f) continued

(5) Refer the facts drawn from the examination and the actions taken under this section for investigation and prosecution of a violation of [IC 5-11-1-10](#) or [IC 5-11-1-21](#) to the:

(A) inspector general, in the case of an audited entity that is a state agency, a body corporate and politic, or a state educational institution; or

(B) prosecuting attorney of the county in which a violation of [IC 5-11-1-10](#) or [IC 5-11-1-21](#) may have been committed, in the case of any other audited entity;

with notice of the referral published on the general assembly's Internet web site. Notice of a referral described in clause (B) must be sent to the officer or chief executive officer, legislative body, and fiscal body of the audited entity.

(6) Recommend that legislation be introduced in the general assembly to amend any statute under which the audited entity is found to be noncompliant.

(7) Recommend that the state board of accounts examine the audited entity within the calendar year following the year in which the audited entity was required to file a corrective action plan under subsection (c)







# *Corrective Action Plans*

## **Corrective Action Plan (CAP) – Repeat Findings ▼**

Effective July 1, 2017, IC 5-11-5-1.5 (House Bill 1031) went into effect that requires entities audited by the SBOA to submit a Corrective Action Plan for any noncompliance issues that have been repeated from prior reports.

We have created the following guidelines and FAQs in regards to this: [1031 Guidelines](#)

If you need to submit a CAP, please [click here](#).

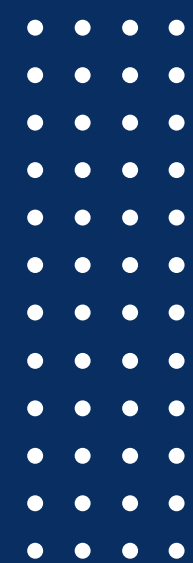
[CAP Template](#) – This is a template of the CAP for your reference, but please remember, you have to submit it online via the link above. For any modifications that are requested by the SBOA, we will contact the submitter via email.

[CAP Instructions](#)

Please submit any questions you have related to this process to [CAP@sboa.in.gov](mailto:CAP@sboa.in.gov).

<https://www.in.gov/sboa/political-subdivisions/townships/>





# THANK YOU

## OFFICE



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