

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

AUDIT REPORT  
OF  
TOWN OF ADVANCE, CLERK-TREASURER  
BOONE COUNTY, INDIANA  
January 1, 2010 to December 31, 2011



**FILED**  
09/12/2012



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TOWN OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Heather Greenlee Deanna Howard	01-01-10 to 05-31-12 06-01-12 to 12-31-12
President of the Town Council	William Snodgrass Randy Hill	01-01-10 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Water Utility	Dan Wright	01-01-10 to 12-31-12
Superintendent of Wastewater Utility	Dan Wright	01-01-10 to 12-31-12
Superintendent of Electric Utility	Mike Booher Jeremy Ferguson	01-01-10 to 08-08-11 08-09-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ADVANCE, BOONE COUNTY

We have audited the records of the Town of Advance, Clerk-Treasurer for the period from January 1, 2010 to December 31, 2011, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of the Town of Advance, Boone County for the years 2010 and 2011.

STATE BOARD OF ACCOUNTS

June 18, 2012

TOWN OF ADVANCE, CLERK-TREASURER  
AUDIT RESULTS AND COMMENTS

**CAPITAL ASSET RECORDS**

The Town and Utilities are not maintaining sufficient detailed records of capital assets. Deletions or disposals and additions of capital assets are not being recorded. Furthermore, the Town and Utilities do not have an approved capital asset policy.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ANNUAL REPORT**

The annual reports for 2010 and 2011 were not submitted to the State Board of Accounts within 60 days after the end of the fiscal year. The 2010 and 2011 annual financial reports were filed on June 3, 2011 and March 22, 2012, respectively.

Indiana Code 5-3-1-3(a) states, in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

Indiana Code 5-11-1-4 states in part:

"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."

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
General	2010	\$ 70,840
Motor Vehicle Highway	2010	1,956
Park and Recreation	2010	3,240

Indiana Code 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."

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

**OVERDRAWN FUND BALANCES**

The Park Fund was overdrawn \$1,163 in 2010.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OVERPAYMENT COLLECTIONS**

Overpayments of \$59.30 and \$22.11 were made to Mike Booher, former Electric Superintendent, and Heather Greenlee, former Clerk Treasurer, for mileage driven. These overpayments occurred due to the unit not following their Travel Policy, which states they would use the State Mileage Rate. The rate used for reimbursement was not a State rate at the time mileage was paid. Refunds have not been received as of June 18, 2012.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ORDINANCES AND RESOLUTIONS**

The Town of Advance has ordinances concerning the billing of hydrant rental and street light rental; however, the Water Utility and Electric Utility did not bill the Town for those rentals in 2010 and 2011. The Town owes the Water Utility a total of \$9,202.96 for 2010 and 2011 hydrant rental, as well as owing the Electric Utility a total of \$4,400 for street light rental.

The Town of Advance also has an ordinance establishing wastewater rates and fees; however, the Town is not following the approved ordinance and some customers are not always being charged the appropriate rates and fees.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**CUSTOMER DEPOSIT REGISTER**

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. At December 31, 2011, the detail of customer deposit register shows \$352.35 more than the control for the Electric Utility and \$32.18 less than the control for the Water Utility.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

***PENALTIES AND INTEREST***

Penalties and interest totaling \$403.52 were paid, from Town funds, to the Internal Revenue Service on July 15, 2011, for an improper 941 tax deposit relating to the first quarter of 2011.

Penalties and interest totaling \$332.58 were paid, from utility funds, to the Indiana Department of Revenue for the late payment of October 2008, March 2009, and September 2010 Utility Sales Tax.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Heather Greenlee, former Clerk-Treasurer, will be requested to reimburse the Town \$403.52, the Water Utility \$75.83, and the Electric Utility \$256.75. (See Summary of Charges, page 9)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the town to reduce risks to achievement of financial reporting objectives. The town has not separated incompatible activities related to receipts, (utility billings and collections,) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the town's audited financial statements and then determining how those identified risks should be managed. The town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the town has no process to identify or communicate corrective actions to improve controls.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ADVANCE, CLERK-TREASURER  
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2012, with Deanna Howard, Clerk-Treasurer, and Randy Hill, President of the Town Council. The officials concurred with our audit findings.

The contents of this report were discussed on July 16, 2012, with Heather Greenlee, former Clerk-Treasurer. The official concurred with our audit findings.

TOWN OF ADVANCE, CLERK-TREASURER  
SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Heather Greenlee, former Clerk Treasurer:			
Penalties and Interest, page 6	\$ 736.10	\$ -	\$ 736.10

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA )  
Boone COUNTY )

I, April Boone, Field Examiner, being duly sworn on my oaths, state that the foregoing report based on the official records of the Town of Advance, Boone County, Indiana, for the period from January 1, 2010 to December 31, 2011, is true and correct to the best of my knowledge and belief.

April Boone  
Field Examiner

Subscribed and sworn to before me this 30 day of July, 2012.

Tanya Thayer  
Notary Public

My Commission Expires: 1/31/2013

County of Residence: Boone