

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

AUDIT REPORT

OF

CLERK-TREASURER  
TOWN OF OOLITIC  
LAWRENCE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
10/24/2013



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TOWN OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terri Hackler K. James Staley	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Delvin Nikirk	01-01-11 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF OOLITIC

We have audited the records of the Clerk-Treasurer for the period from January 1, 2011 to December 31, 2012, 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 Biennial Report of the Town of Oolitic for the years ended December 31, 2011 and 2012.

STATE BOARD OF ACCOUNTS

October 2, 2013

CLERK-TREASURER  
TOWN OF OOLITIC  
AUDIT RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Town paid penalties and interest to the Internal Revenue Service in the amount of \$1,116.11 because the Town did not remit payments on a timely basis.

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)

Terri Hackler, former Clerk-Treasurer, was requested to repay \$1,116.11 to the Town of Oolitic for the penalties and interest. (See Summary of Charges, page 10)

***ANNUAL REPORT***

The following annual report errors were found:

1. The Annual Report for 2010 was not filed electronically until April 19, 2011.
2. The Annual Report for 2011 and 2012 did not include the Financial Assistance to Non-Governmental Entities.
3. The Schedule of Expenditures of Federal Awards omitted two programs: Water and Waste Disposal Systems for Rural Communities – ARRA, and Safe Routes to School.

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."

***COLLECTION OF AMOUNTS DUE***

The amount of \$53,413.87 was due to the Oolitic Water and Wastewater Utilities due to errors in billing for several years. Two large customers were not billed the proper amounts for water and wastewater because the meter readings were incorrect. The amount under billed for the past six years was calculated and resulted in \$35,675.17 due the Water Utility and \$17,738.70 due the Wastewater Utility. The customers have been billed properly since December 2012 and the Town is in the process of collecting the amounts due.

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OVERDRAWN CASH BALANCES**

The financial statement included the following fund with overdrawn cash balances on December 31, 2011 and 2012:

Fund	Amount Overdrawn Year 2011	Amount Overdrawn Year 2012
Cumulative Capital Improvement	\$ 7,076	\$ 3,935

The 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)

**APPROPRIATIONS**

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

Fund	Excess Amount Expended Year 2011	Excess Amount Expended Year 2012
General Fund	\$ 5,301	\$ -
Motor Vehicle Highway	-	6,691
Local Road and Street	27,455	-
Cumulative Capital Improvement	7,736	-
Parks and Recreation	-	3,817

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."

**OVERPAYMENT COLLECTIONS**

Payments were made to the Indiana Department of Revenue which exceeded the amount owed by the Town in the amount of \$744.82. Refunds have not been received as of September 24, 2013. The officials have not taken any action to resolve the overpayment.

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

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

**OFFICIAL BOND**

Terri Hackler, the former Clerk-Treasurer, did not obtain an individual surety bond for her second term. Instead, she renewed the bond from her first term.

Indiana Code 5-4-1-18(a) states in part:

"Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

- (2) Town judges and clerk-treasurers."

Indiana Code 5-4-18(b) states:

"The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a)."

Indiana Code 5-4-18(c) states:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

**COLLECTION OF FEES FOR MOVING TRAFFIC VIOLATIONS**

The Town is collecting fines for ordinance violations through an Ordinance Violations Bureau established in accordance with Indiana Code 33-36. If a citizen forgoes their right to a trial, the Town collects the fine. There were numerous instances where the Town collected fines for moving traffic violations through the Ordinance Violations Bureau.

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

Indiana Code 36-1-6-3 states:

"(a) Certain ordinances may be enforced by a municipal corporation without proceeding in court through:

- (1) an admission of violation before the violations clerk under IC 33-36; or
- (2) administrative enforcement under subsection 9 of this chapter.

(b) Except as provided in the subsection (a), a proceeding to enforce an ordinance must be brought in accordance with IC 34-28-5, section 4 or this chapter, or both.

(c) An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5."

***INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: The schedule omitted two programs: Water and Waste Disposal Systems for Rural Communities – ARRA, and Safe Routes to School.

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)

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

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

1. Lack of Segregation of Duties: The Clerk-Treasurer writes the receipts, writes checks, prepares the claims for board approval, posts to the ledger, and does the bank reconciliations for all of the town funds. The Deputy Clerk-Treasurer writes the receipts, writes checks, prepares the claims for board approval, posts to the ledger, prepares bills, and does the bank reconciliations for all of the utility funds.

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

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, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go 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 statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
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.

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)

**BOND INFORMATION**

Terri Hackler, former Clerk-Treasurer of the Town of Oolitic, was covered by a bond from the Cincinnati Insurance Company. Coverage was provided by bond number B8848557, in the amount of \$30,000. The term was for the period January 1, 2004 and ending December 31, 2004, or until successor is duly qualified.

CLERK-TREASURER  
TOWN OF OOLITIC  
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2013, with Terri Hackler, former Clerk-Treasurer.

The contents of this report were discussed on October 2, 1013, with K. James Staley, Clerk-Treasurer; Jessica Staggs, Utility Clerk; Delvin Nikirk, President of the Town Council; and Pauline Rowe, Town Council member.

CLERK-TREASURER  
TOWN OF OOLITIC  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Terri L. Hackler, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 4	\$ 1,116.11	\$ -	\$ 1,116.11
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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

AFFIDAVIT

STATE OF INDIANA            )  
  )  
LAWRENCE COUNTY)

I, Phyllis S. Moffatt, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Clerk-Treasurer, Town of Oolitic, Lawrence County, Indiana, for the period from January 1, 2011 to December 31, 2012, is true and correct to the best of my knowledge and belief.

Phyllis S. Moffatt  
Field Examiner

Subscribed and sworn to before me this 11 day of October, 2013

[Signature]  
Clerk of the Circuit Court