

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BATTLE GROUND

TIPPECANOE COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
07/10/2014

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Clerk-Treasurer: | |
| Federal Findings: | |
| Finding 2013-001 - Internal Controls Over Financial Transactions and Reporting..... | 6-7 |
| Finding 2013-002 - Internal Controls Over Schedule of Expenditures of Federal Awards..... | 7 |
| Finding 2013-003 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Capitalization Grants for Clean Water State Revolving Funds..... | 7-8 |
| Finding 2013-004 - Internal Controls Over and Compliance With Capitalization Grants for Clean Water State Revolving Funds - Special Tests and Provisions..... | 8-11 |
| Corrective Action Plan | 12-13 |
| Audit Results and Comments: | |
| Official's Bonds Not Recorded | 14 |
| Ordinances and Resolutions | 14 |
| Compensation and Benefits | 15 |
| Penalties, Interest, and Other Charges..... | 15 |
| Official Response..... | 16 |
| Exit Conference | 17 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|-----------------|----------------------|
| Clerk-Treasurer | Phyllis Hall | 01-01-12 to 12-31-15 |
| President of the Town Council | Steven C. Egly | 01-01-12 to 12-31-14 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF BATTLE GROUND, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Battle Ground (Town), for the period from January 1, 2012 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 28, 2014

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF BATTLE GROUND

CLERK-TREASURER
TOWN OF BATTLE GROUND
FEDERAL FINDINGS

FINDING 2013-001 - 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 the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings, payroll, and cash and investment balances.

Receipts: The Deputy Clerk-Treasurer is responsible for receiving money, issuing receipts, recording receipts to wastewater utility customer accounts, preparing deposits, and taking the deposits to the bank. The Deputy Clerk-Treasurer also has the ability to make adjustments within the wastewater utility billing/accounts receivable system.

Utility Billings: The Town has not established effective internal controls to ensure compliance with its Wastewater Utility (Utility) rate ordinances. Town officials performed no review to ensure that the Utility rate ordinances as adopted by the Town Council were properly implemented.

Payroll: There is no supervisor review or approval of the time sheets before they are submitted for payment. Payroll generated in the computerized payroll system must be manually entered into the computerized accounting system. Both of these functions are performed by the Clerk-Treasurer, and there is no documented review process to ensure the accuracy of the recording of payroll to the accounting system.

Cash and Investment Balances: The Clerk-Treasurer performs monthly bank reconciliations of the depository balances to the record balances without oversight, review, or approval.

2. Preparing Financial Statement: 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. The Clerk-Treasurer independently prepares the financial statement for inclusion in the financial report without oversight, review, or approval.
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 places 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.

The failure to establish proper internal controls could enable material misstatements or irregularities to remain undetected.

CLERK-TREASURER
TOWN OF BATTLE GROUND
FEDERAL FINDINGS
(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)

***FINDING 2013-002 - 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 Clerk-Treasurer independently prepares the SEFA for inclusion in the financial report without oversight, review, or approval. 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.

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)

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A
DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR CLEAN WATER STATE
REVOLVING FUNDS***

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW10087901
Pass-Through Entity: Indiana Finance Authority

Management of the Town of Battle Ground has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Davis-Bacon Act and Suspension and Debarment.

CLERK-TREASURER
TOWN OF BATTLE GROUND
FEDERAL FINDINGS
(Continued)

Davis-Bacon Act

The Indiana Finance Authority hired Mendenhall & Associates, LLC, to oversee compliance with the Davis-Bacon Act requirements for their recipients of State Revolving Funds. The Town, however, has not designed or implemented procedures to verify that Mendenhall & Associates, LLC, properly performs required reviews of project payrolls.

Suspension and Debarment

The Town has not designed or implemented procedures to ensure that contracts are not awarded to parties that are suspended or debarred from participation in federal programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. A lack of segregation of duties within an internal control system could also allow the misuse and mismanagement of federal funds. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

FINDING 2013-004 - INTERNAL CONTROLS OVER AND COMPLIANCE WITH CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS - SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW10087901
Pass-Through Entity: Indiana Finance Authority

The Town has not established effective internal controls to ensure compliance with the grant agreement (Financial Assistance Agreement), a Special Tests and Provisions compliance requirement regarding loan repayments. Town officials performed no review to ensure that the Sewage Works (Wastewater Utility) rate ordinances as adopted by the Town Council were properly implemented.

CLERK-TREASURER
TOWN OF BATTLE GROUND
FEDERAL FINDINGS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented or detected and corrected on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The officials of the Town (Participant) executed a Financial Assistance Agreement on June 21, 2012, with the Indiana Finance Authority (Finance Authority) for the funding of the wastewater treatment plant rehabilitation project and main lift station replacement project through the State of Indiana's Wastewater Revolving Fund Loan Program. Sewage Works Revenue Bonds, Series 2012, dated June 21, 2012, for \$2,825,000 were issued pursuant to the IFA Program Bond Authorizing Instrument.

The Town Council had adopted Ordinance No. 12-495 (Bond Ordinance) on May 14, 2012, authorizing the execution of the Financial Assistance Agreement with the Indiana Finance Authority for the bonds and project. The Ordinance also authorized the acquisition, construction, installation, and equipping by the Town of certain improvements and extensions to the Town's Sewage Works; the issuance and sale of revenue bonds to provide funds for the payment of the costs thereof; and the collection, segregation, and distribution of the revenues of the Sewage Works.

For the purpose of negotiating the sale of the bonds, the Town engaged the services of a certified public accounting firm to project debt service coverage and issue a report for presentation to the Indiana State Revolving Fund. The report issued May 29, 2012, projected operating receipts, operation and maintenance disbursements, nonoperating receipts, and debt service coverage based upon Ordinance No. 2009-471 passed by the Town Council on October 13, 2009. That Ordinance approved the modification of the schedule of rates and charges to be collected by the Sewage Works of the Town and the implementation of a 19.5 percent rate increase effective July 1, 2011. However, the Town Council delayed the increase until July 1, 2012. The projections were further based upon a planned 10 percent rate increase to become effective on July 1, 2013.

Ordinance No. 2009-471, an ordinance amending the schedule of rates and charges, was adopted by the Town Council on October 13, 2009. That Ordinance called for a Phase III increase in rates and charges of 19.5 percent to be effective July 1, 2011. However, on March 29, 2011, the Town Council approved the deferral of the rate increase until further notice. On May 14, 2012, the Town Council approved the Phase III rate increase set forth in Ordinance No. 2009-471 to become effective as of June 1, 2012. The Town implemented the rate increase as of July 1, 2012, one month later than as approved by the Town Council.

Ordinance No. 12-498, an ordinance amending the schedule of rates and charges, was adopted by the Town Council on June 4, 2012. The revised schedule of rates and charges called for an increase of 10 percent to become effective July 1, 2013. This increase had not been implemented as May 28, 2014.

The execution of the Financial Assistance Agreement by the Indiana Finance Authority was predicated upon the Sewage Works of the Town generating sufficient revenue to repay the bonds. The Town did not implement rates and charges in compliance with its Ordinances and has jeopardized its ability to repay the loan and the bonds evidencing it. As a result, the Town has failed to comply with its own Bond Ordinance, Ordinance No. 12-495, and with the Financial Assistance Agreement.

CLERK-TREASURER
TOWN OF BATTLE GROUND
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The Town Council adopted the Bond Ordinance on May 14, 2012. The Ordinance in Section 16 Rates and Charges states in part:

"The Town covenants and agrees that it shall, by ordinance of the Town Council and to the fullest extent permitted by law, establish and maintain just and equitable rates or charges for the use of and the services rendered by said works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses said sewage works by or through any part of the sewage works system of the Town, or that in any way uses or is served by such works, at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the Town) to provide for the proper Operation and Maintenance (as defined in the Financial Assistance Agreement) of the works, to comply with and satisfy all covenants contained in this Ordinance and the Financial Assistance Agreement, and for the payment of the sums required to be paid into the Sewage Works Sinking Fund by the Act and this Ordinance.

Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of Operation and Maintenance of the Sewage Works and the requirements of the Sewage Works Sinking Fund."

The Ordinance in Section 26 Rates and Charges further states:

"The estimate of rates and charges which will be needed and charged to the general classes of users of property to be served by the Sewage Works in order to provide sufficient moneys to make payments of principal of and interest on the Bonds, along with the other payments identified in this Ordinance, is set forth in the Town Council's Ordinance No. 2009-471, adopted by the Town Council on September 14, 2009, as the same may be amended prior to the issuance of the Bonds."

The Financial Assistance Agreement, Article II Purpose of Borrowing and Loan Terms, Section 2.03 Disbursement Conditions, states in part:

"Each of the following shall be a condition precedent to the disbursement of the Loan or any portion thereof (including from the Construction Fund): . . .

(g) In the event the Bonds are payable from rates and charges of the Treatment Works and if requested by the Finance Authority, the Participant shall provide evidence satisfactory to the Finance Authority demonstrating that such rates and charges are at a level adequate to produce and maintain sufficient net revenue after providing for the proper Operation and Maintenance of the Treatment Works, on a proforma basis consistent with SRF Policy Guidelines, to provide 1.25x coverage on all obligations of the Treatment Works (including the Bonds)."

CLERK-TREASURER
TOWN OF BATTLE GROUND
FEDERAL FINDINGS
(Continued)

Further, the Financial Assistance Agreement, Article III Representations, Warranties and Covenants of the Participant, Section 3.02 General Covenants, states in part:

"The Participant hereby covenants and agrees with the Finance Authority that the Participant will:

. . .

(h) (1) Establish and maintain just and equitable rates and charges for the use of and the service rendered by the Treatment Works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the Treatment Works, or that in any way uses or is served by the Treatment Works, (2) establish, adjust and maintain rates and charges at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the Participant) to provide for the proper Operation and Maintenance of the Treatment Works, to comply with and satisfy all covenants contained herein and to pay all obligations of the Treatment Works and of the Participant with respect thereto, and . . ."

The failure to establish internal controls could enable material noncompliance to go undetected. A lack of segregation of duties within an internal control system could also allow the misuse and mismanagement of federal funds. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

Failure to comply with ordinances establishing rates and charges of the Sewage Works may result in funds insufficient to operate and maintain said Sewage Works and to pay into the Sewage Works Sinking Fund as required by the Bond Ordinance and the Financial Assistance Agreement as well as the Sewage Works Revenue Bonds, Series 2012.

We recommended that the Town establish controls, including segregation of duties, related to the grant agreement and the compliance requirement noted above that has a direct and material effect on the program.

We recommended that the Town comply with its ordinances establishing the rates and charges for its Sewage Works to comply with its Bond Ordinance and the Financial Assistance Agreement.

Town of Battle Ground

Box 303

Battle Ground, Indiana 47920

Phone (765) 567-2603

Corrective Action Plan

Contact Person: Phyllis Hall

Contact Information: Phone: 765-567-2603; Email: treasurer@battleground.in.gov

Section II-Financial Statement Findings

FINDING 2013-001- INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Battle Ground has implemented the following internal controls in compliance to requirements:

1. Lack of Segregation of Duties:

Receipts: The Deputy Clerk-Treasurer will be responsible for receiving money, issuing and recording receipts to customer accounts, prepare deposits and the Clerk-Treasurer will take deposit to the bank. The Clerk-Treasurer will continue to approve any adjustments to customer accounts and the Deputy Clerk-Treasurer will review and then enter the corrections into the account. The clerk will then check the corrections in the accounts. The council believes it would be cost prohibited to hire additional office staff to achieve further segregation of these duties.

Utility Billings: In the future the council will be reviewing an ordinance for rate increases again prior to implementing an increase to insure the time frame and amount is correct.

Payroll: The council will be looking into purchasing a program for payroll that will work with the current budget program that will lower the chance of mistakes up to 50%. The Street Supervisor will sign off on the laborer's time cards. Total hours will be figured by the Clerk-Treasurer and reviewed by her Deputy Clerk-Treasurer. Once hours are entered into the payroll program by the Clerk- Treasurer the Deputy Clerk-Treasurer will review for accuracy.

Bank Reconcilements: The clerk is going to have the Farmers State Bank send a monthly statement to the council president so it can be compared to the figures that the Clerk-Treasurer is using. The Clerk-Treasurer will continue to perform the bank reconcilements and will have the Deputy Clerk-Treasurer review the records to confirm they are accurate.

2. Preparing Financial Statement: The Clerk-Treasurer prepares the reports to be submitted to Gateway and in the future the clerk will have a council member review what is entered to help prevent or find any errors.
3. Monitoring of Controls: The Clerk-Treasurer in the future intends to print the Gateway report for the council to review before it is submitted. The council intends to have one of the councilmembers

Town of Battle Ground

Box 303

Battle Ground, Indiana 47920

Phone (765) 567-2603

review bank statements, payroll entry, utility entries, revenue entries and other financial reports available monthly or semi-annual bases.

FINDING 2013-002-INTERNAL CONTROLS OVER SCHEDULED OF EXPENDITURES OF FEDERAL AWARDS

The Clerk-Treasurer intends to print the Gateway report of the expenditures for the council to review before it is submitted. The council intends to have one of the councilmembers review the expenditures.

Section III- Federal Award Findings and Questioned Costs

FINDING 2013-003 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLING FUNDS

Davis Bacon Act

The Clerk-Treasurer nor the council have the training to “verify” that the Federal Davis-Bacon wages are being paid properly. Therefore this is the reason a qualifying firm should be hired. Even though a professional is hired the council will start reviewing the records to look for error and to confirm that the firm that was hired is doing their job at checking into issues.

Suspension and Debarment

In the future the Town of Battle Ground plans to investigate all parties to insure they are not suspended or debarred before awarded a contract that includes federal funds. The council will in the future insert a paragraph that will ask the construction company to assure they are not suspension or disbarred.

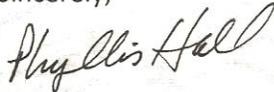
FINDING 2013-004- CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLING FUNDS- SPECIAL TESTS AND PROVISIONS

The council will in the future review requirements that are needed before making motions to change an ordinance and enlist advice from their attorney.

The Council President intends to implement the 10% rate increase from Ordinance No 12-498 no later than the August 1, 2014 billing based on the approval at the Battle Ground Town Council’s meeting on June 9, 2014.

The Clerk-Treasurer and Town Council intends to implement the above mentioned internal controls immediately.

Sincerely,



Phyllis Hall

Clerk-Treasurer, Town of Battle Ground

May 28, 2014

CLERK-TREASURER
TOWN OF BATTLE GROUND
AUDIT RESULTS AND COMMENTS

OFFICIAL'S BONDS NOT RECORDED

The Clerk-Treasurer's bonds for the period since May 4, 2011, to the present have not been filed in the Office of the County Recorder:

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder in the county of residence of the officer, official, deputy, or employee."

ORDINANCES AND RESOLUTIONS

The rates and charges for the use of and services rendered by the Town's sewage works system (wastewater utility) are established by ordinance. However, we noted that the Town did not comply with its ordinances as follows:

A rate increase was established by Ordinance No. 2009-471 (Phase III) effective July 1, 2011, for July usage to be billed on August 1, 2011. However, per motion made, seconded, and passed on March 29, 2011, the Town Council postponed that rate increase until further notice. On May 14, 2012, the Phase III rate increase was approved for implementation as of June 1, 2012, for the June usage to be billed on July 1, 2012. Our testing indicated that the implementation of this rate increase did not occur until the August 1, 2012 billing for July usage, one month after the effective date per the Ordinance.

A rate increase was to have taken effect on July 1, 2013, for July usage to be billed on August 1, 2013, per Ordinance No. 12-498. That rate increase has not been implemented.

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)

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

COMPENSATION AND BENEFITS

Compensation paid to part-time employees in 2012 was not included in the salary ordinance.

No executed salary ordinance was presented for audit to support the compensation and benefits paid to the Town and Wastewater Utility employees in 2013.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties and interest to the Internal Revenue Service in 2013 in the amount of \$1,763 because the Town did not remit payroll withholding 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)

Town of Battle Ground

Box 303

Battle Ground, Indiana 47920

Phone (765) 567-2603

May 28, 2014

Battle Ground Clerk-Treasurer

Response to Audit Results and Comments

OFFICIAL'S BONDS NOT RECORDED

The town's liability insurance company had been recording the bond and it got missed by mistake. I do however acknowledge it is my responsibility as Clerk-Treasurer to verify that it has been recorded.

ORDINANCES AND RESOLUTIONS

The ordinance passed to do the July 1, 2012 rate increase was stated in the ordinance as "Phase III rates will be effective July 1, 2012". Since it did not state effective on July 1, 2012 billing it was misinterpreted.

COMPENSATION AND BENEFITS

Compensation was added to the 2012 Budget for General Part-Time help at the council's request but was not entered in the Salary Ordinance.

The council approved part-time help for 2013 in a motion on February 11, 2013 although it wasn't put in the Salary Ordinance and the Salary Ordinance for 2013 was passed but not signed by the council.

As Clerk-Treasurer I do realize an amendment should have been made to both years ordinances and the ordinance signed.

PENALTIES, INTEREST AND OTHER CHARGES

Payroll withholdings are due weekly once the weekly payroll is over \$50,000 otherwise it is due monthly. The town's employees are paid out of three different funds, General, MVH and Sewage. I believe this is why I didn't notice the total had reached over \$50,000.

Sincerely,



Phyllis Hall

Clerk-Treasurer for the Town of Battle Ground

CLERK-TREASURER
TOWN OF BATTLE GROUND
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2014, with Phyllis Hall, Clerk-Treasurer, and Steven C. Egly, President of the Town Council.