

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BROWNSBURG

HENDRICKS COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
01/09/2015



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                        | <u>Term</u>                                                          |
|----------------------------------|----------------------------------------|----------------------------------------------------------------------|
| Clerk-Treasurer                  | Jeanette Brickler                      | 01-01-12 to 12-31-15                                                 |
| President of the<br>Town Council | Dwayne Sawyer<br>(Vacant)<br>Gary Hood | 01-01-13 to 08-18-13<br>08-19-13 to 08-19-13<br>08-20-13 to 12-31-14 |
| Utility Office Supervisor        | Debbie Bernhardt                       | 01-01-13 to 12-31-14                                                 |
| Town Court Judge                 | Charles Hostetter                      | 01-01-12 to 12-31-15                                                 |



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF BROWNSBURG, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Brownsburg (Town), for the period from January 1, 2013 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/](http://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

November 10, 2014

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CLERK-TREASURER  
TOWN OF BROWNSBURG

CLERK TREASURER  
TOWN OF BROWNSBURG  
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER PREPARATION OF THE FINANCIAL STATEMENT**

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the 2013 financial statement as generated from information entered into the Gateway Annual Report. The Town should have proper controls in place over the preparation of the Annual Report to ensure accurate reporting of financial activity. Without a proper system of internal control in place that operates effectively, material misstatements of the financial activity included in the financial statement could remain undetected.

During the audit of the financial statement, we noted the following omissions and errors:

Activity of four funds related to the 2013 Municipal Building Corporation Refunding Bonds was omitted from the financial statement presented for audit. The level of activity associated with these funds is material and omitting these funds from the financial statement would result in a financial statement that is not materially correct.

The activity that was omitted is described in the table below:

|                                        |            |            |           |
|----------------------------------------|------------|------------|-----------|
| 2013 Mun. Bldg. Corp Ref. Bonds 666794 | \$ 273,639 | \$ 203,094 | \$ 70,545 |
| 2013 Mun. Bldg. Corp Ref. Bonds 666792 | 110,837    | 108,337    | 2,500     |
| 2013 Mun. Bldg. Corp Ref. Bonds 666791 | 1,208      | -          | 1,208     |
| 2013 Mun. Bldg. Corp Ref. Bonds 666790 | 14,048,049 | 13,418,049 | 630,000   |

Activity for the 2011 Econ Dev Sinking Fund was reported twice in the financial statement presented for audit.

We recommended audit adjustments and they were accepted by the Clerk-Treasurer. The financial statement presented in this report reflects these adjustments.

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)

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. 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."

CLERK TREASURER  
TOWN OF BROWNSBURG  
FEDERAL FINDINGS  
(Continued)

**FINDING 2013-002 - INTERNAL CONTROLS OVER THE PREPARATION  
OF THE 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, misstatements of the SEFA could remain undetected.

During the audit, the following corrections were made to the SEFA:

The financial activity for two federal grants was omitted from the SEFA presented for audit. These were the Capitalization Grants for Clean Water State Revolving Funds, CFDA No. 66.458 and Capitalization Grants for Drinking Water State Revolving Funds, CFDA No. 66.468.

The SEFA also contained additional smaller errors which were also corrected:

The Alcohol Impaired Driving Countermeasures Incentive Grants I, CFDA No. 20.601, was omitted.

The federal program name was absent or incorrect for three federal grants.

Two grants were listed with incorrect CFDA numbers.

Three grants were listed with the wrong reimbursement amount.

Four state grants were listed on the schedule.

We believe the deficiencies discussed above constitute a material weakness. The errors and omissions on the SEFA were caused by a lack of sufficient internal controls over the preparation of the SEFA, lack of communication between the Clerk-Treasurer's Office and some of the Town departments, and insufficient familiarity with some of the required elements of the SEFA. Audit adjustments were proposed, accepted by the Town of Brownsburg, and made to the SEFA as presented in the report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

CLERK TREASURER  
TOWN OF BROWNSBURG  
FEDERAL FINDINGS  
(Continued)

The SEFA also contained additional smaller errors which were also corrected:

The Alcohol Impaired Driving Countermeasures Incentive Grants I was also omitted.

The federal program name was absent or incorrect for three federal grants.

Two grants were listed with incorrect CFDA numbers.

Three grants were listed with the wrong reimbursement amount.

Four state grants were originally listed on the schedule.

We believe the deficiencies discussed above constitute a material weakness. The errors and omissions on the SEFA were partially caused by lack of sufficient internal controls over the preparation of the SEFA, lack of communication between the Clerk-Treasurer's Office and some of the Town departments and also due to insufficient familiarity with some of the required elements of the SEFA. Audit adjustments were necessary to accurately reflect the federal grant activity of the Town of Brownsburg. Audit adjustments were proposed, accepted by the Town of Brownsburg, and made to the SEFA as presented in the report. As adjusted, the SEFA is materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

CLERK TREASURER  
TOWN OF BROWNSBURG  
FEDERAL FINDINGS  
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

CORRECTIVE ACTION PLAN dated October 20, 2014

**Finding 2013-001 – Internal Controls Over Preparation of the Financial Statements.**

Contact Person: Jeanette M. Brickler  
Title: Clerk-Treasurer  
Phone Number: 317-852-1126

The bond debts are tracked in separate binders that Susan keeps; 2013 had a lot of activity and we worked together to check off the information as it was entered in the annual report. Bond funds that we keep track of will be more closely monitored when preparing the annual report.

However, these are mostly lease purchase bonds and only the lease payment is made by the Town, not principal and interest; the banks pay themselves from funds sent to them monthly for principal and interest and those payments are not a part of our check and deposit postings or even money in our bank, but those record are kept in a binder and reconciled.

Since the bonds are Lease-Purchase bonds, we did not realize they should be classified as Debt Service. We have made note of that for the next annual report. The debt reports were prepared and filed electronically as required, to the best of my knowledge.

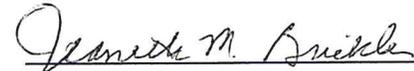
**Finding 2013-002 Internal Controls Over the Preparation of the SEFA**

Contact Person: Jeanette M. Brickler  
Title: Clerk-Treasurer  
Phone Number: 317-852-1126

The office will check with all departments that apply for and spend SEFA funds and make sure they provide this office with a complete packet of grant documents, including CFDA numbers and official and correct titles to their awarded grant. The Council may be required to set a town-wide policy for any department that applies for funding to require the information be first

filed in the Clerk-Treasurer's office. A copy of OMB Circular A-133 Subpart C will be provided to all departments of the procedure they must follow when receiving or expending grant funds.

I believe both the office staff and I will make every effort possible to report accurate and detailed information as outlined in your findings. A review of what has been done in 2014 to date is going to be done to make sure they are corrected before year end and each year thereafter.

  
\_\_\_\_\_  
Jeanette M. Brickler, Clerk-Treasurer

Town of Brownsburg Audit 2013.docx  
Microsoft Word

CLERK-TREASURER  
TOWN OF BROWNSBURG  
AUDIT RESULTS AND COMMENTS

**OVERPAYMENT COLLECTIONS**

During 2013, overpayments were made on three debt service issues.

There were two overpayments made to U.S. Bank. The first overpayment in the amount of \$99,000 was made for debt service payments related to the First Mortgage Bonds of 2005. The second overpayment in the amount of \$87,500 was made for debt service payments related to the 2013 Fire Training Facility Lease. Both overpayments were made on December 20, 2013. The total amount overpaid and not returned by U.S. Bank was \$186,500. The Town withheld their July 1, 2014 scheduled payments on these two debt issues. The remaining amount of monies owed to the Town by U.S. Bank is \$79,420.

Overpayments were made to the Bank of New York Mellon for debt service payments related to the First Mortgage Refunding Bonds of 2004 in the amount of \$226,000. The overpayments were made on June 13, 2013, and subsequently, discovered by the Town staff. The excess monies were returned to the Town by the Bank of New York Mellon and deposited on July 3, 2013.

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

**COMPENSATION AND BENEFITS POLICE PENSIONERS**

The retirees (and one surviving spouse) participating in the 1925 Police Officers Pension Plan who converted to the State 1977 Fund did not receive their cost of living adjustment (as determined by the state) effective in July of 2013.

The Town also has one surviving spouse participating in the traditional 1925 Police Officers Pension Plan. The 2013 benefit amount did not agree to an amount fixed by ordinance or 30 percent of a first class patrolman's salary.

Indiana Code 36-8-8-15 states:

"Each year the system board shall determine if there has been an increase or decrease in the consumer price index (United States city average) prepared by the United States Department of Labor by comparing the arithmetic mean of the consumer price index for January, February, and March of that year with the arithmetic mean for the same three (3) months of the preceding year. If there has been an increase, or a decrease, it shall be stated as a percentage of the arithmetic mean for the preceding three (3) month period. The percentage shall be rounded to the nearest one-tenth of one percent (0.1%) and may not exceed three percent (3%). If there is a percentage increase of the arithmetic mean for the preceding three (3) month period, a fund member's or survivor's monthly benefit, beginning with the July payment, shall be increased by an amount equal to the June payment times the percentage increase."

Indiana Code 36-8-6-9.6(b) states in part:

"A payment shall be made to the surviving spouse of a deceased member in an amount fixed by ordinance, but at least an amount equal to the following:

- (1) To the surviving spouse of a member who died before January 1, 1989, an amount equal to thirty percent (30%) of the monthly pay of a first class patrolman per month during the surviving spouse's life . . ."

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

**COMPENSATION AND BENEFITS LUCRATIVE OFFICE**

There were two Town Council members that also served on the Board of the Redevelopment Commission and were compensated for both positions. One member served and received compensation in 2013 for serving on the Redevelopment Board for seven meetings. The other member served and received compensation for 24 meetings in 2012, 2013, and 2014. Because both members held a lucrative office as a Town Council member and simultaneously held the position of Redevelopment Commissioner, neither should have received a salary or per diem as a Redevelopment Commissioner.

Both Town Council members opted to have their 2014 Town Council member compensation reduced for the amount of the compensation received for serving on the Redevelopment Commission for the number of meetings noted. We verified that the normal compensation that these two individuals would have received for their 2014 Town Council salary was reduced.

A Town board member is a lucrative office as determined by 1980 Op. Att'y Gen. No. 3 and 1987-88 Op. Att'y Gen. No. 88-2. (Indiana Attorney General Dual Office Holding Guide, Revised March 2014)

Indiana Code 36-7-14-7(g) states the following:

"A redevelopment commissioner who does not otherwise hold a lucrative office for the purpose of Article 2, Section 9 of the Indiana Constitution may receive:

- (1) a salary; or
- (2) a per diem;

and is entitled to reimbursement for expenses necessarily incurred in the performance of the redevelopment commissioner's duties."

**FUND SOURCES AND USES**

Receipts for fire territory service charges were incorrectly recorded in the Fire Service Fee fund. These receipts should have been recorded in the Fire Territory fund.

Indiana Code 36-8-19-8(b) states in part:

"The fund consists of the following: . . .

- (3) Any receipts from a false alarm fee or service charge imposed by the participating units under IC 36-8-13-4."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF BROWNSBURG  
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2014, with Jeanette Brickler, Clerk-Treasurer, and Gary Hood, President of the Town Council.

TOWN COURT  
TOWN OF BROWNSBURG

TOWN COURT  
TOWN OF BROWNSBURG  
AUDIT RESULT AND COMMENT

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were conducted; however, a review of the Town Court reconciliation at December 31, 2013, revealed cash short in the amount of \$1,243.95. The staff at the Town Court have reconciled to the same cash short amount of \$1,243.95 between the months of May 2013 and September 2014.

A similar comment appeared in the prior Report B42681.

Indiana Code 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."

TOWN COURT  
TOWN OF BROWNSBURG  
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2014, with Charles Hostetter, Judge, and Stephanie Shaw, Court Administrator.