

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPEEDWAY

MARION 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	Sharon L. Zishka Monty W. Combs	01-01-12 to 10-31-13 11-01-13 to 12-31-15
President of the Town Council	Eileen Fisher Gary Raikes	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Superintendent of Water Utility	Stephen Hurst	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Norman Berry	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Speedway (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/.

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

October 21, 2014

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CLERK-TREASURER
TOWN OF SPEEDWAY

CLERK-TREASURER
TOWN OF SPEEDWAY
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, disbursements, payroll, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The following specific items were identified in our audit as weaknesses:
 - All of the Clerk-Treasurer's Office employees had the ability to open mail, collect money, write receipts, prepare deposit slips, and make deposits for both Town and Utility collections.
 - Physical control over the Clerk-Treasurer's signature stamp was not established. Prior to November 1, 2013, all checks were signed by the former Clerk-Treasurer using a signature stamp. Several of the Clerk-Treasurer's Office employees had access to the signature stamp.
 - During 2013, the Town contracted with Time Payroll, a vendor, to handle payroll disbursements. Certified timesheets were submitted for employees paid weekly to Time Payroll; however, salaried employees did not submit certified timesheets. Time Payroll submitted Payroll Detail Reports each month to the Clerk-Treasurer. All paid leave time was tracked manually by a Town employee. There was no evidence presented indicating that the salaried employees' time, the information submitted to Time Payroll, and the manual leave records prepared by an employee were reviewed for accuracy.
 - The Redevelopment Commission bank reconciliations were performed; however, no evidence was presented indicating these were reviewed by a separate individual.
 - The same individual was responsible for receiving monies, writing receipts, preparing deposit slips, and making deposits for the Redevelopment Commission collections.
2. Report Preparation: The Town has not established effective controls to allow for the proper reporting of the Town's receipts, disbursements, and cash and investment balances. The financial statement was compiled from information entered by the Town into the Annual Financial Report within the Gateway System. The financial statement presented for audit included the following errors and omissions:
 - The SRC/Operating Fund receipts and ending fund balance were overstated by \$6,493.
 - The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. We noted the following errors on the report:
 - The beginning cash balance of \$1,805,238 was omitted.
 - The receipts were understated by \$1,971,990.
 - The disbursements were understated by \$1,225,657.

CLERK-TREASURER
TOWN OF SPEEDWAY
FEDERAL FINDINGS
(Continued)

- The Town did not have internal controls in place to insure that accurate monthly reconciliations of the bank accounts to the records are prepared and reviewed. A financial consultant was hired by the Town in 2013 to reconcile the records to the bank statements and completed the December 2013 reconciliation in April 2014. There was no evidence presented indicating the Consultant's prepared bank reconciliations were reviewed for accuracy by the Town prior to the posting of the Consultant's recommended adjustments, which were posted to the 2013 records. The lack of timely accurate bank reconciliations can result in posting errors not being located and corrected.

The Town approved and made the necessary adjustments to the financial statement included in this 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)

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 presented by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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."

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). It was determined that no review of the preparation of the SEFA was performed. 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 Highway Planning and Construction grant was omitted from the SEFA causing an understatement in the amount of \$2,924,086.
- A grant in the amount of \$5,219 from the Department of Justice was omitted from the SEFA.

CLERK-TREASURER
TOWN OF SPEEDWAY
FEDERAL FINDINGS
(Continued)

- Two grants from the Environmental Protection Agency were omitted from the SEFA. The first was in the amount of \$18,473 and the second in the amount of \$1,543,634.

Audit adjustments were necessary to accurately reflect the federal grant activity of the Town. Audit adjustments were recommended and accepted by the Town.

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.
- (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 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.

CLERK-TREASURER
TOWN OF SPEEDWAY
FEDERAL FINDINGS
(Continued)

- (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."

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

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds
CFDA Number: 66.468
Federal Award Number and Year (or Other Identifying Number): DW11074902 and DW11074901
Pass-Through Entity: Indiana Finance Authority

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Period of Availability; Procurement, Suspension and Debarment; and Reporting. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, Procurement, Suspension and Debarment, and Reporting

The Town had not designed or implemented policies and procedures to adequately segregate duties surrounding grant expenditures and submission of timely and accurate grants reimbursement requests. The Town requested Capitalization Grants for Drinking Water State Revolving Funds (SRF) reimbursement payments by submitting SRF Disbursement Requests to the Indiana Finance Authority (IFA) through the Bank of New York. The SRF Disbursement Requests were prepared and submitted by the Town Manager based on approved invoices. No review of the preparation or submission process was performed by anyone else. An inadequate review of the SRF Disbursement Requests may cause some disbursements to be incorrectly included or excluded for reimbursement. Also, the amounts submitted for reimbursement could be incorrect or inaccurate. The Town had not implemented adequate internal controls to ensure that Town complied with these grant requirements.

Davis-Bacon Act

A contractor was designated with the IFA to oversee the Davis-Bacon Act labor standard requirements for SRF grants. The Town, however, performed no oversight of the contractor's reviews of payrolls. The Town had not implemented adequate review procedures to ensure that the Town was in compliance with the Davis-Bacon Act requirements.

CLERK-TREASURER
TOWN OF SPEEDWAY
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.

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. Noncompliance of 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.

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

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES # 1172450, DES # 1173522,
FY2013

Pass-Through Entity: Indiana Department of Transportation

Internal controls and adequate oversight over Cash Management and Reporting were not always effectively implemented. The reimbursement requests were prepared by the Program Director or the Construction Engineer. The Program Director approved all reimbursement requests. In some cases, a copy of the check to the vendor was included with the supporting documentation for the reimbursement request. Other reimbursement requests did not include any proof of payment. A second review of reimbursement requests was not always documented.

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."

CLERK-TREASURER
TOWN OF SPEEDWAY
FEDERAL FINDINGS
(Continued)

Noncompliance of 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 and the Redevelopment Commission (RDC).

We recommended that the Town's and RDC's management review and monitor established controls related to the grant agreement and compliance requirements that have a direct and material effect to the program.

FINDING 2013-005 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES # 1172450, DES # 1173522,
FY2013

Pass-Through Entity: Indiana Department of Transportation

The Redevelopment Commission (RDC), a department of the Town, did not comply with the Cash Management requirement to pay vendors before being reimbursed for the Highway Planning and Construction grants. The RDC submitted reimbursement requests claiming expenses incurred for construction engineers prior to paying those expenses in 50 percent of reimbursement requests tested. In these cases, the reimbursement requests inaccurately indicated that the unit had paid these expenses; therefore, Reporting requirements for accurate reporting were not met.

The amount received prior to payment of expenses totaled \$53,797. All amounts received were paid out to the construction engineers. The Program Director was unaware the reimbursements were received prior to payment. The noncompliance was primarily due to a lack of effective oversight and internal control (as noted in Finding 2013-004) over Cash Management and Reporting procedures.

49 CFR 18.21 states in part:

"(a) *Scope.* This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) *Advances.* Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

CLERK-TREASURER
TOWN OF SPEEDWAY
FEDERAL FINDINGS
(Continued)

In addition, the Local Public Agency Project Coordination Contract with the Indiana Department of Public Transportation section VI-N states in part: "All payments made by INDOT, if any, shall be made in arrears in conformance with State fiscal policies and procedures . . ."

49 CFR 18.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

The failure to abide by the terms of the grant could result in the Town and RDC being ineligible for grants in the future. Specifically, requesting the receipt of funds prior to paying the construction engineers resulted in the grant funds being paid in advance of the expenditures and inaccurate expenditure reporting, because the funds were not spent at the time the reimbursement report was filed. Both Cash Management and Reporting requirements were not met in these instances.

We recommended that the Town's management and RDC contact INDOT to resolve the noncompliance issues related to misreporting noted above. Additionally, we recommended that the Town's management review and improve oversight, including internal controls, to effectively provide reasonable assurance for compliance with the requirements for Cash Management and Reporting requirements.



CIVIL TOWN OF SPEEDWAY

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TOWN CLERK TREASURER
MONTY W. COMBS

TOWN MANAGER
Ian Nicolini

October 3, 2014

CORRECTIVE ACTION PLAN

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

Number 1

- All of the Clerk-Treasurer's office employees had the ability to open mail, collect money, write receipts, create deposit slips, and make deposits for both town and utility collections.

Response: Separation of duties has been implemented in 2014

- Physical control over the Clerk-Treasurer's signature stamp was not established. Prior to November 1, 2013, all checks were signed by the former Clerk-Treasurer (Sharon Zishka) using a signature stamp. Several of the Clerk-Treasurer's office employees had access to the signature stamp.

Response: All checks are signed by the Clerk-Treasurer either by hand or signature stamp. Only one signature stamp exists, which is in control of the Clerk-Treasurer only.

- During 2013, the Town contracted with Time Payroll, a vendor, to handle payroll disbursements. Certified time sheets were submitted for employees paid weekly to Time Payroll, however, salaried employees did not submit certified time sheets. Time Payroll submitted Payroll Detail Reports each month to the Clerk-Treasurer. All paid leave time was tracked manually by a Town employee. There was no evidence presented indicating that the salaried employees' time, the information submitted to Time Payroll, and the manual leave records prepared by an employee were reviewed for accuracy.

Response: Each Department maintains the times worked and leave time taken for their Salaried Personnel, which is reviewed by the Clerk-Treasurer's Office.

- The Redevelopment Commission bank reconciliations were performed; however, no evidence was presented indicating these were reviewed by a separate individual.

Response: As of July 1, 2014 all bank activity and reconciliations are handled by the Clerk-Treasurer's Office per change in State Statute.

- The same individual was responsible for receiving monies, writing receipts, writing deposit slips, and making deposits for the Redevelopment Commission collections.

Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.

2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING:
Number 2

- The SRC/Operating Fund receipts and ending fund balance were overstated by \$6,493.
- The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. We noted the following errors on the report:
 - The beginning cash balance of \$1,805,238 was omitted.
 - The receipts were understated by \$1,971,990.
 - The disbursements were understated by \$1,225,657.

Response: These were one-time errors and have been resolved.

- The Town did not have internal controls in place to insure monthly accurate record to bank reconciliations are prepared and reviewed. A financial consultant was hired by the Town in 2013 to reconcile the records to the bank statements and completed the December 2013 reconciliation in April 2014. There was no evidence presented indicating the Consultant's prepared bank reconciliations were reviewed for accuracy by the Town prior to the posting of the Consultant's recommended adjustments which were posted to the 2013 records. The lack of timely accurate bank reconciliations can result in posting errors not being located and corrected.

Response: The result from the Consultant's work was reviewed by the current Clerk-Treasurer before adjustments were made. However, the Clerk-Treasurer was without knowledge of the activity for late 2012 and 2013, of which the Consultant corrected.

The Town approved and made the necessary adjustments to correct these errors which resulted in a financial statement that is fairly presented.

2013- 002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- The Highway Planning and Construction grant was omitted from the SEFA causing an understatement in the amount of \$2,924,086.
- A grant in the amount of \$5,219 from the Department of Justice was omitted from the SEFA.
- Two grants from the Environmental Protection Agency were omitted from the SEFA. The first was in the amount of \$18,473 and the second in the amount of \$1,543,634.

Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.

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

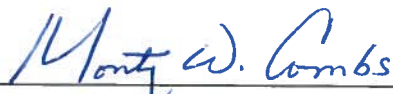
Response: Internal Controls have been implemented to correct this issue.

2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION


Response: Due to the statutory changes in 2014, this Internal Control issue has been corrected.

2013-005 - CASH MANAGEMENT AND REPORTING

Response: Due to the statutory changes in 2014, this issue has been corrected.



Monty W. Combs, CFE
Clerk-Treasurer



Date



CLERK-TREASURER
TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Report for 2013 contained a number of errors and did not properly reflect the financial activity of the Town of Speedway. The following issues were noted:

- The Town's Schedule of Leases and Debt contained the following issues:
 - The Redevelopment Bond Series 2009-A Principal and Interest Due within One Year was over reported by \$11,069.
 - The Redevelopment Bond Series 2009-B Principal and Interest Due within One Year was over reported by \$5,650.
 - The Redevelopment Bond Series 2010 Principal and Interest Due within One Year were underreported by \$402,403.
- The Town did not include amounts for the Schedule of Payables and Receivables.
- The Town's Schedule of Capital Assets was not adequately supported. It could not be determined if these amounts were reasonable or not. The Schedule of Capital Assets was, subsequently, excluded from the Financial Statement and Federal Single Audit Report.

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."

BANK ACCOUNT RECONCILIATIONS

The Town's depository reconciliations of the fund balances to the bank account balances were conducted; however, the bank reconciliations were not performed timely. The December 31, 2013 reconciliations were completed in April 2014, contained numerous errors, and exceeded the fund balances by \$321,953. Errors noted were incorrect outstanding check lists and transfers between bank accounts not being included on both affected individual bank account reconciliations.

The Redevelopment Commission's depository reconciliations of the fund balances to the bank account balances were conducted; however, not all bank reconciliations were performed timely. Monthly bank reconciliations for January-June 2013 were prepared in August 2013, July-September 2013 were prepared in November 2013, and November 2013 was prepared in January 2014.

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."

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

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
2013 Street Improvement	\$ 152,716
Parks & Recreation	3,028
SW/2013 Bond	124,972
Water Bond & Interest	31,042

The cash 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)

CONDITION OF RECORDS - PAYROLL

Payroll records presented for audit were incomplete. The records provided sufficient documentation to enable auditing of the payroll transactions for 2013, but the following deficiencies were noted:

- Weekly and bi-weekly payroll records for January through March 2013 could not be located. Weekly and bi-weekly payroll records for other months in 2013 were often incomplete.
- Salary ordinances for 2013 could not be found. One amendment was located.
- Detailed bi-weekly payroll information could not be found for salaried employees, with the exception of payrolls for policemen or firefighters.
- Upon separation, a Deputy Clerk-Treasurer was paid \$8,444 for earned compensated time. This was a salaried position that was not eligible for earned compensated time pay.

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)

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 AND INTEREST

The Town paid penalties and interest to the Indiana Department of Revenue in the amount of \$4,670. They did not remit sales tax payments for January, February, or March on a timely basis.

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

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)

FUND SOURCES AND USES

The Town Manager's salary was paid on a 50-50 ratio by the Water Utility and Wastewater Utility with none paid by the Town. No documentation was provided to support this ratio. The Town Manager's salary should be prorated based on the percentage of job duties and assigned responsibilities performed for each Utility and the Town separately.

A similar comment appeared in several previous reports, most recently Report B43202.

The salaries for the four employees in the Clerk-Treasurer's Office were also paid 50 percent from Water Utility and 50 percent from Wastewater Utility funds during the first half of 2013. In June of 2013, an ordinance was passed to have these employees' payroll percentages changed to 33.3 percent each from the Water Utility, the Wastewater Utility, and the Town General Funds. No basis for the current or prior percentages determination for the four employees was provided. Employees' salaries should be prorated based on the percentage of the employees' duties spent for each activity.

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)

APPROPRIATIONS

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

Fund	Excess Amount Expended
General Fund	\$ 568,908
Local Road & Street	41,870
Cum Cap Development	188,955
Police Pension	33,553
Fire Pension	32,434
Stormwater Management	27,586

As similar comment appeared in prior Report B43202.

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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."

OFFICIAL BONDS

As stated in prior Report B43202, the former Clerk-Treasurer did not obtain an individual Surety Bond. The Town purchased a crime insurance policy instead. The crime insurance policy provided coverage in the amount of \$50,000 and included an endorsement to include the faithful performance of any employee. There was no evidence provided that the alternate use of a crime insurance policy rather than an individual Surety Bond was approved by the Town Council.

The current Clerk-Treasurer obtained an individual Surety Bond in the amount of \$150,000; however, the coverage amount was insufficient based on statutory requirements. The official bond coverage amount should have been \$300,000, based on 2012 receipts totaling approximately \$59 million.

Indiana Code 5-4-1-18 states in part:

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

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) 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).

(c) 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).

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- (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). . . ."

PUBLIC RECORDS RETENTION

Some public records were not retained or presented for audit. The following exceptions were noted for receipt and accounts payable records:

- From a sample of receipts, 13 percent were voided but the voided receipts could not be located. A list of voided receipts was not available.
- Another receipt in the sample was posted in the revenue listing but the supporting receipt duplicate with documentation could not be located. We were not able to verify the amount.
- One receipt written in April for utility credit card payments in the amount of \$787 could not be traced to the bank statement. This was a batch receipt for utility escrow payments. All amounts were from credit card payments. The supporting information showing which individual receipts made up the batch was not available. The April bank statement was observed with credit card deposits occurring almost daily, however, we could not trace this receipt amount to an actual credit due to lack of supporting documentation.
- The 2013 Accounts Payable Voucher Registers (APV Register) were not presented for audit. The Board minutes indicated that APV Registers were regularly approved at meetings. We could not verify that specific claims tested were properly approved by the fiscal officer and Town Council, since no APV Registers were presented.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

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EXIT CONFERENCE

The contents of this report were discussed on October 21, 2014, with Monty W. Combs, Clerk-Treasurer; Gary Raikes, President of the Town Council; and David Lindsey, Vice President of the Town Council.