

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PAOLI

ORANGE COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
02/21/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Appropriations	6
Annual Financial Report.....	6
Penalties, Interest, and Other Charges.....	7
Official Response.....	8
Exit Conference	9
Town Council:	
Examination Results and Comments:	
Credit Cards	12-13
Compensation and Benefits.....	13
Official Response.....	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amy J. Morris	01-01-12 to 12-31-19
President of the Town Council	Mark A. Jones	01-01-12 to 12-31-12
	Gary Barnett	01-01-13 to 12-31-13
	Mark A. Jones	01-01-14 to 12-31-14
	Michael Harkness	01-01-15 to 12-31-15
	William E. Chastain	01-01-16 to 12-31-16
Utility Office Manager	Cindy Padgett	01-01-12 to 02-28-13
	(Vacant)	03-01-13 to 08-01-16
	Amy J. Morris	08-02-16 to 12-31-16



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF PAOLI, ORANGE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Paoli (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 Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Examination Report of the Town, which provides our opinion on the Town's financial statement. This report may be found at www.in.gov/sboa/.

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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 22, 2016

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CLERK-TREASURER
TOWN OF PAOLI

CLERK-TREASURER
TOWN OF PAOLI
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Corporation	2012	\$ 6,243
Motor Vehicle Highway	2012	1,307
Corporation	2013	5,200

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."

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2013 did not match the accounting records of the Town. The Riverboat Casino Fund disbursements were understated \$9,000 and the ending cash and investments balance was overstated \$9,000.

The information on the AFR for the Town's Supplemental Schedules for capital assets, debt, and accounts receivable did not agree with the supporting documentation maintained by the Clerk-Treasurer.

Audit adjustments for the Financial Statement and Supplemental Schedules were proposed, approved by management, and made to the Financial Statement and Schedules presented for examination.

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."

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)

CLERK-TREASURER
TOWN OF PAOLI
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town did not submit the Indiana Utility Receipts Tax Return (IDOR Form URT-1) to the Indiana Department of Revenue (IDOR) timely for the years 2009, 2010, 2011, and 2012. In addition, quarterly Utility Receipts Tax payments for the 3rd quarter of 2009 and the 4th quarter of 2012 were not paid in a timely manner.

The reports for 2009 through 2012 were submitted on May 28, 2013. On May 28, 2013, the Town submitted a payment of \$4,585 for any unpaid taxes due plus penalties and interest. On October 31, 2013, the Town paid an additional \$3,311 for late payment penalties and interest. The detail for the payments was identified as follows:

Balance of unpaid taxes as of December 31, 2012	\$ 4,505
Penalty for late payment of third quarter 2009 Utility Receipts Tax	1,492
Penalty for late payment of fourth quarter 2012 Utility Receipts Tax	1,203
Unidentified penalty and interest by IDOR	616
Interest for late payment assessment dated August 5, 2013	57
Interest for late payment assessment after August 5, 2013	<u>23</u>
 Total taxes, penalties, and interest due	 7,896
Online payment made May 30, 2013	(4,585)
Online payment made Oct. 31, 2013	<u>(3,311)</u>
 Balance due	 <u><u>\$ -</u></u>

In 2012, the Town paid finance charges of \$29 for two late payments of credit card charges.

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 PAOLI

110 North Gospel Street,
Paoli, Indiana 47454
Phone: 812.723.2739
Fax: 812.723.5834

February 3, 2017

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE - CLERK-TREASURER 2012-2013-2014 AUDIT

We wish to file an official response to the results and comments in the form of a letter to be bound in the report. We understand that the letter itself will be made part of the report and any attachment or exhibit that is included and referred to in our response may not be but will be held on file with SBOA and will be made available to the public upon request. We also understand that if such response is not received by the State Board of Accounts within ten (10) days of this date, the State Board of Accounts cannot guarantee that the response will be included in the report.

Annual Financial Report Section: The information entered into Gateway for the Town's Supplemental Schedules for capital assets, debt and accounts receivable did not agree with the supporting documentation maintained by the Clerk-Treasurer.

Response: The capital assets preparation is an outside agency hired by the Town. In the future the Town will schedule the outside agency to prepare the prior year's asset schedule before the annual report is to be submitted. There will be a spreadsheet kept on the accounts receivables. This will reflect the correct information matches the supporting documentation.

Penalties, Interest and Other Charges Section: In 2012, the Town paid finance charges of \$29.00 to FIA Business Card for two late payments of credit card charges.

Response: These charges are the result of waiting for the proper documentation from the department heads in order to process correctly and avoid the risk of invalid transaction or incorrect decision making.

CLERK-TREASURER

Amy J. Morris
clerk@paoli.in.gov

TOWN COUNCIL

Carolyn N. Clements - President, Steven L. Hankins - Vice President
Gary N. Barnett, William E. Chastain, Michael A. Harkness

GENERAL FOREMAN

Roger Livingston
rlivingston@paoli.in.gov

CLERK-TREASURER
TOWN OF PAOLI
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2016, with Amy J. Morris, Clerk-Treasurer; William E. Chastain, President of the Town Council; Michael Harkness, Town Council member; and Carolyn N. Clements, Town Council member.

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TOWN COUNCIL
TOWN OF PAOLI

TOWN COUNCIL
TOWN OF PAOLI
EXAMINATION RESULTS AND COMMENTS

CREDIT CARDS

The Town used credit cards to purchase items without a credit card policy approved by the Town Council.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

TOWN COUNCIL
TOWN OF PAOLI
EXAMINATION RESULTS AND COMMENTS
(Continued)

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

COMPENSATION AND BENEFITS

Compensation and benefits in the amounts of \$32,400 for 2012 and \$32,369 for 2013 were paid to two employees of the Paoli Airport. These employees were not included in the salary ordinance or resolution approved by the Town Council for either year. The Aviation Board minutes indicated that the Airport Manager was to receive a two dollar an hour raise as of January 1, 2012. However, the board minutes did not indicate what the prior rate of pay was or what the new rate would be. The board minutes did not indicate any approved rate of pay for the other employee.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing 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)

TOWN OF PAOLI

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February 3, 2017

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RE: OFFICIAL RESPONSE - TOWN COUNCIL 2012-2013-2014 AUDIT

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Credit Cards Section: The Town was using credit cards to purchase items without a credit card policy approved by the Town Council.

Response: The Town Council has passed an Ordinance to set a credit card policy in place.

Compensation and Benefits: Compensation and benefits in the amounts of \$32,400.00 for 2012 and \$32,369.00 for 2013 were paid to two (2) employees of the Paoli Airport. These employees were not included in the salary ordinance or resolution approved by Town Council for either year. The aviation Board minutes indicated that the Airport Manager was to receive a two dollar an hour raise as of January 1, 2012. However, the board minutes did not indicate what the prior rate of pay was or what the new rate would be.

Response: The Aviation Board will be addressing the salaries amounts in their minutes and the Town Council will add it to the Town's Salary Ordinance to be passed.

CLERK-TREASURER

Amy J. Morris
clerk@paoli.in.gov

TOWN COUNCIL

Carolyn N. Clements - President, Steven L. Hankins - Vice President
Gary N. Barnett, William E. Chastain, Michael A. Harkness

GENERAL FOREMAN

Roger Livingston
rlivingston@paoli.in.gov

TOWN COUNCIL
TOWN OF PAOLI
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2016, with William E. Chastain, President of the Town Council; Michael Harkness, Town Council member; and Carolyn N. Clements, Town Council member.