

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ODON

DAVISS COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

09/11/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth Haseman	01-01-18 to 12-31-19
	Amanda Wilz	01-01-20 to 12-31-23
President of the Town Council	Charles G. Krieg, Jr.	01-01-18 to 12-31-19
	Doug Benjamin	01-01-20 to 12-31-20
	Susie Roach	01-01-21 to 12-31-21
	BJ Sanders	01-01-22 to 12-31-22
	Doug Benjamin	01-01-23 to 12-31-23
Superintendent of the Water Utility	Josh Chesley	01-01-18 to 11-19-18
	(Vacant)	11-20-18 to 04-21-19
	Josh Kidwell	04-22-19 to 12-31-23
Superintendent of the Wastewater Utility	Josh Chesley	01-01-18 to 11-19-18
	(Vacant)	11-20-18 to 04-21-19
	Josh Kidwell	04-22-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF ODON, DAVIESS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Odon (Town), for the period from January 1, 2018 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 8, 2023

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TOWN COUNCIL
TOWN OF ODON

TOWN COUNCIL
TOWN OF ODON
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B52168, entitled *INTERNAL CONTROL STANDARDS*.

Condition and Context

The Town Council had not adopted the minimum internal control standards as required by Indiana Code.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision . . ."

CAPITAL ASSETS

Condition and Context

The Town Council has not adopted a capital asset policy.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B42463 and B52168, entitled *INTERNAL CONTROLS*.

TOWN COUNCIL
TOWN OF ODON
AUDIT RESULTS AND COMMENTS
(Continued)

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established effective internal controls over vendor and payroll disbursements. As a result, of the 51 vendor disbursements selected for compliance testing, 17 could not be traced to Town Council approval. Of the 10 payroll disbursements selected for compliance testing, 2 could not be traced to Town Council approval. Claim dockets for these disbursements were either not approved by the Town Council or could not be located.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

TOWN COUNCIL
TOWN OF ODOM
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2023, with Amanda Wilz, Clerk-Treasurer; Doug Benjamin, President of the Town Council; Susie Roach, Town Council member; BJ Sanders, Town Council member; and Shaeanna Knepp, Deputy Clerk-Treasurer.

CLERK-TREASURER
TOWN OF ODON

CLERK-TREASURER
TOWN OF ODON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Capital Assets

The Town did not maintain an adequate detail listing of capital assets. As a result, the capital assets entered into Gateway could not be verified, and the Schedule of Capital Assets was not presented as Other Information in the Financial Statement Audit Report.

Leases and Debt

The Sewage System Improvement bond ending principal balance and principal and interest due within one year were overstated in the amount of \$397,000 and \$2,289,000, respectively. The Water Improvements bond ending principal balance and principal and interest due within one year were overstated in the amount of \$29,000 and \$90,458, respectively.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report.

Payable and Receivables

The Town did not maintain documentation to support the accounts payables and receivables entered into Gateway. As a result, the payables and receivables could not be verified, and the Schedule of Payables and Receivables was not presented as Other Information in the Financial Statement Audit Report.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

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There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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

A similar comment also appeared in prior Reports B42463 and B52168, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

Depository reconcilements of the fund balances to the bank account balances were not being properly performed for all funds and bank accounts during 2018 and 2019. In 2019, the Town hired a consultant to help the Town prepare the reconcilements. The reconcilements performed by the consultant had reconciling items totaling \$76,403 that could not be verified to any supporting documentation. It was determined that the variance was due to numerous posting errors occurring as far back as 2014 through December 2017.

On January 20, 2020, the Town Council approved an adjustment to the January 1, 2018 record balances of certain Town funds in the amount of \$39,817, the Water Utility funds in the amount of \$18,705, and the Sewage Utility funds in the amount of \$17,881, to bring the fund balances in agreement with the Town and the Utility bank account balances.

Criteria

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BOARD MINUTES

A similar comment also appeared in prior Report B52168, entitled *BOARD MINUTES*.

Condition and Context

Minutes of the meetings of the Town Council for July through September 2018, and August through December 2019, were not presented for audit.

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

Criteria

Indiana Code 36-5-6-6(a) states in part:

". . . The clerk-treasurer shall do the following: . . .

- (9) Serve as clerk of the legislative body by attending meetings and recording its proceedings. . . ."

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

CAPITAL ASSETS

Condition and Context

The Town and Utilities did not maintain adequate capital asset records. There was not a clear audit trail showing how the capital asset totals were accumulated or a detailed listing that could be tested. A physical inventory had not been taken during the audit period to verify that the capital asset records were correct.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

During each year of the audit period, the Town certified in the Indiana Gateway for Government Units financial reporting system, when completing the Annual Financial Report, that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(g); however, this certification was incorrect. As of December 31, 2022, the Town had not adopted internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

CONTRACTS

Condition and Context

Contracts were not provided for audit for two of the construction projects that were approved during the audit period. Per the Town Council meeting minutes, the combined contract cost was \$418,100.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS

Condition and Context

Of the ten MVH Restricted fund disbursements selected for compliance testing, four were for activities not specifically related to construction, reconstruction, or preservation of the Town's highways. The disbursements not in compliance included replacing truck parts, street mirrors, layout and striping parking spaces, and dust control.

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

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B42463 and B52168, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established effective internal controls over vendor and payroll disbursements. As a result, the following exceptions were noted:

1. Of the 141 vendor disbursements tested, 5 disbursements, totaling \$4,463, did not have any supporting documentation to determine that the expenditure was for Town business and 9 of the credit card disbursements, totaling \$1,115, were paid based on supporting documentation that was not properly itemized to support the validity of the disbursement.
2. Of the 34 payroll disbursements tested, 5 did not have adequate supporting documentation. There was 1 disbursement paid a rate that exceeded the salary ordinance, and 1 disbursement was not paid from the correct funds established by the salary ordinance.
3. Of the 51 vendor disbursements selected for compliance testing, 17 could not be traced to Town Council approval. Of the 10 payroll disbursements selected for compliance testing, 2 could not be traced to Town Council approval. Claim dockets for these disbursements were either not approved by the Town Council or could not be located.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Reports B42463 and B52168, entitled *PENALTIES AND INTEREST*.

Condition and Context

As Clerk-Treasurer, Beth Haseman was responsible for the correct and timely payment of Town bills and payment of federal and state withholding taxes, utility receipt taxes, and state sales taxes during the audit period.

The Town incurred penalties, interest, and other charges as follows:

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

Payee	Penalty	Interest	Other Charges	Totals
Indiana Department of Revenue, Sales Tax (January 1, 2018 through November 30, 2019)	\$ 1,489.07	\$ 147.49	\$ -	\$ 1,636.56
Indiana Department of Revenue, Utility Receipt Tax (For tax period ending December 31, 2019)	511.38	27.01	-	538.39
Internal Revenue Service, 941 Tax (For tax period ending September 30, 2014)	1,140.34	2,272.00	-	3,412.34
Internal Revenue Service, Civil Penalty (For tax period ending September 30, 2013)	1,200.00	115.89	-	1,315.89
Elan Card Member Services (December 2019)	19.00	2.00	-	21.00
Allied Benefit Systems Inc (Reinstatement Fee December 2019)	-	-	250.00	250.00
Totals	<u>\$ 4,359.79</u>	<u>\$ 2,564.39</u>	<u>\$ 250.00</u>	<u>\$ 7,174.18</u>

Criteria

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Beth Haseman, former Clerk-Treasurer, to reimburse the Town \$7,174.18 for the penalties, interest, and other charges paid during the audit period. (See Summary of Charges, page 18)

OFFICIAL BOND COVERAGE

Condition and Context

The Town had a Public Official Bond for the Clerk-Treasurer, Beth Haseman, as follows:

Term	Company	Amount
01-01-18 to 12-31-18	Western Surety Company	\$ 50,000
01-01-19 to 12-31-19	Western Surety Company	50,000

CLERK-TREASURER
TOWN OF ODON
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2023, with Amanda Wilz, Clerk-Treasurer; Doug Benjamin, President of the Town Council; Susie Roach, Town Council member; BJ Sanders, Town Council member; and Shaeanna Knepp, Deputy Clerk-Treasurer.

TOWN OF ODON
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Beth Haseman, former Clerk-Treasurer: Penalties, Interest, and Other Charges, pages 15 and 16	<u>\$ 7,174.18</u>	<u>\$ -</u>	<u>\$ 7,174.18</u>

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA)
Vanderburgh (COUNTY)

I, Toni Roberts, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Odon, Daviess County, Indiana, for the period from January 1, 2018 to December 31, 2022, is true and correct to the best of my knowledge and belief.

Toni Roberts
Field Examiner

Subscribed and sworn to before me this 1st day of September, 2023

Megan Dill
Notary Public

My Commission Expires: 01-25-2029

County of Residence: Posey



MEGAN DILL
Notary Public, State of Indiana
Vanderburgh County
My Commission Expires: January 25, 2029
Commission Number NP0731236