

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ENGLISH

CRAWFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
12/20/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Annual Financial Report.....	6-7
Motor Vehicle Highway (MVH) - Restricted Fund Receipts.....	7
Internal Controls over Financial Close and Reporting	7-8
Town Manager Contract.....	8
Errors on Claims - Town Manager Contract	9
Public Works Project.....	9-11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tarra Carothers	01-01-19 to 12-31-23
President of the Town Council	Michael Benham	01-01-19 to 12-31-23
Utility Office Manager	Mike Huddleston	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE TOWN OF ENGLISH, CRAWFORD COUNTY, INDIANA

This report is supplemental to the audit report of the Town of English (Town), for the period from January 1, 2019 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

December 11, 2023

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF ENGLISH

CLERK-TREASURER
TOWN OF ENGLISH
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, 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:

Grants

A review of the grant schedule, state distributions, and the Town's grant files indicated the following errors reported on the Town's grant schedule, as there were no grants reported on the schedule for 2020, 2021, or 2022:

1. For 2020, the Highway Planning and Construction grant was omitted, which understated expenditures by \$176,530.
2. There were two additional immaterial grants for 2020, which understated expenditures by \$40,342.
3. For 2021, the Highway Planning and Construction grant was omitted, which understated expenditures by \$68,722.
4. There was one additional immaterial grant in 2021, which understated expenditures by \$1,166.
5. For 2022, the Highway Planning and Construction grant was omitted, which understated expenditures by \$135,147.
6. Other errors included incorrect program names, entity identifying numbers, and not being identified as direct grants.

Since the Town did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

Capital Assets

The amounts reported for capital assets did not agree to the detailed capital asset listing for 2019, 2020, 2021, and 2022. The Town chose not to present the Schedule of Capital Assets in the Financial Statements Audit Report of the Town.

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](#)."

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

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND RECEIPTS

Condition and Context

The Town did not allocate the required 50 percent of the State Motor Vehicle Highway (MVH) distributions to the MVH Restricted fund. In February 2021, \$1,086 was incorrectly posted to the Motor Vehicle Highway fund.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

The same comment also appeared in the prior Report B54825.

Condition and Context

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Annual Financial Reports (AFR) and financial statements.

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

The Town failed to properly review the financial information prepared and submitted in Gateway to ensure all transactions of the Town had been properly recorded and reported. The Clerk-Treasurer prepared and entered the financial information in Gateway; however, there was no oversight, review, or approval process in place to ensure financial transactions, the AFR, and the financial statements were accurate. There were immaterial errors reported on the Town's AFR submission to Gateway.

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. . . ."

TOWN MANAGER CONTRACT

Condition and Context

The Town contracted with Mike Huddleston Construction, Inc. during each year of the audit period to perform the duties of the Town Manager. Per Indiana Code 36-5-5-2, the Town Manager position should be an employee of the Town.

Criteria

Indiana Code 36-5-5-2 states:

"The town legislative body may employ a town manager to be the administrative head of the town government and may fix the manager's compensation and terms of employment. The manager may be employed to serve:

- (1) at the pleasure of the legislative body; or
- (2) for a definite tenure not to exceed the longest remaining term in office of a member of the legislative body, in which case the manager may be dismissed only for cause."

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

ERRORS ON CLAIMS - TOWN MANAGER CONTRACT

Condition and Context

During review of disbursements made to Mike Huddleston Construction, Inc., four of the five checks selected for testing were dated prior to the issuance of an Accounts Payable Voucher. Additionally, one of the disbursements was not approved by the Town Council until seven days after the check was issued.

Criteria

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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PUBLIC WORKS PROJECT

Condition and Context

The Town did not properly bid for a construction project that exceeded \$150,000. The Town received two quotes for the Bridge/Court Street Project that were over \$150,000, but did not perform the formal bid process. In addition, there was not a contract signed between the Town and the contractor after the contractor was selected for the project.

Criteria

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one of the following: . . .

- (2) One hundred fifty thousand dollars (\$150,000) . . .

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

- (b) The board must comply with the following procedure:
- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
 - (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
 - (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(6\)](#) by the office of technology.
 - (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
 - (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
 - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
 - (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
 - (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
 - (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:
 - (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
 - (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
 - (8) Except as provided in subsection (c), the board shall:
 - (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

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

- (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
 - (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
 - (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
 - (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
 - (A) The ability and capacity of the bidder to perform the work.
 - (B) The integrity, character, and reputation of the bidder.
 - (C) The competence and experience of the bidder.
- (12) The board shall require the bidder to submit an affidavit:
 - (A) that the bidder has not entered into a combination or agreement:
 - (i) relative to the price to be bid by a person;
 - (ii) to prevent a person from bidding; or
 - (iii) to induce a person to refrain from bidding; and
 - (B) that the bidder's bid is made without reference to any other bid. . . .
- (d) Notwithstanding subsection (b), a board may receive electronic bids for the public work if:
 - (1) the solicitation for bids indicates the procedure for transmitting the electronic bid to the board; and
 - (2) the board receives the bid on a facsimile machine or system with a security feature that protects the content of an electronic bid with the same degree of protection as the content of a bid that is not transmitted by a facsimile machine.
- (e) A board may select a vendor to provide an electronic platform to accommodate the electronic bidding process."

CLERK-TREASURER
TOWN OF ENGLISH
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2023, with Tarra Carothers, Clerk-Treasurer; Wayne Carothers, Volunteer Deputy Clerk-Treasurer; Michael Benham, President of the Town Council; David Sillings, Town Council member; and Mike Huddleston, Utility Office Manager.