

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ST. LEON

DEARBORN COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

12/14/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Randall Stenger	01-01-18 to 12-31-23
President of the Town Council	Andrew Bischoff	01-01-18 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ST. LEON, DEARBORN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of St. Leon (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 Statement Audit Report of the Town, which provides our opinions 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 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

December 7, 2023

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CLERK-TREASURER
TOWN OF ST. LEON

CLERK-TREASURER
TOWN OF ST. LEON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Condition and Context

The Town had not established a proper system of internal controls to prevent, or detect and correct, errors during the financial close and reporting process.

Financial information was entered by the Bookkeeper into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statements. The Clerk-Treasurer reviewed and submitted the financial information in Gateway; however, the internal control was not effective to prevent, or detect and correct, errors prior to the submission. As a result, material misstatements remained undetected. The following errors were noted:

1. The 2018 beginning cash and investments balance for the General Fund was overstated by \$176,587 due to an error in recording an investment.
2. The Revenue Sharing/Riverboat fund receipts were understated by \$3,800 and \$12,390 in 2019 and 2022, respectively. The Revenue Sharing/Riverboat fund disbursements were understated by \$3,992 and \$18,486 in 2019 and 2022, respectively.
3. The Sewer Operating Fund disbursements were understated by the following amounts: \$151,893 and \$8,299 in 2018 and 2020, respectively, and overstated by \$75,103, \$24,626, and \$54,275 in 2019, 2021, and 2022, respectively.
4. The Sewer Operating Fund receipts were overstated by \$9,733 in 2021.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and the combining schedules presented in the Financial Statements Audit Report of the Town.

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. . . ."

CLERK-TREASURER
TOWN OF ST. LEON
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Town was unable to provide a detailed listing of all capital assets owned reflecting any acquisition value or other details. Additionally, a physical inventory of capital assets had not been taken in the past two years.

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)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplementary, 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 for 2019, 2020, 2021, and 2022, which resulted in the following errors:

Financial Data

1. The 2018 beginning cash and investments balance for the General Fund was overstated by \$176,587 due to an error in recording an investment.
2. The Revenue Sharing/Riverboat fund receipts were understated by \$3,800 and \$12,390 in 2019 and 2022, respectively. The Revenue Sharing/Riverboat fund disbursements were understated by \$3,992 and \$18,486 in 2019 and 2022, respectively.
3. The Sewer Operating Fund disbursements were understated by the following amounts: \$151,893 and \$8,299 in 2018 and 2020, respectively, and overstated by \$75,103, \$24,626, and \$54,275 in 2019, 2021, and 2022, respectively.
4. The Sewer Operating Fund receipts were overstated by \$9,733 in 2021.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements Audit Report of the Town.

Accounts Payable and Accounts Receivables

The Town was unable to provide supporting documentation for the amounts reported as Accounts Payable and Accounts Receivable for 2019, 2020, 2021, and 2022. The Town has chosen to omit the Schedule of Payables and Receivables from the Financial Statements Audit Report of the Town.

CLERK-TREASURER
TOWN OF ST. LEON
AUDIT RESULTS AND COMMENTS
(Continued)

Leases and Debt

The Town did not accurately report the ending principal balances, and principal and interest due within one year for its outstanding wastewater revenue bonds for each year of the audit.

For 2022, the total ending principal balance and total principal and interest due in one year for all outstanding Wastewater Utility revenue bonds was overstated by \$771,000 and \$3,837, respectively.

Audit adjustments were proposed for 2022, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Town

Capital Assets

Capital asset information entered into Gateway could not be verified to supporting documentation. The Town has chosen to omit the Schedule of Capital Assets from 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](#)."

GATEWAY ENGAGEMENT UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Common Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and failed to upload any of the required monthly or annual financial information on the Indiana Gateway for Government Units financial reporting system for 2018, 2019, 2020, 2021, and 2022.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

CLERK-TREASURER
TOWN OF ST. LEON
AUDIT RESULTS AND COMMENTS
(Continued)

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town failed to create and report the MVH Restricted sub-fund as directed by the State Examiner. Therefore, the Town failed to allocate or deposit at least 50 percent of the distributions from the State Motor Vehicle Highway (MVH) Account at the time of the receipt, into an MVH Restricted sub-fund. Since the MVH Restricted sub-fund had not been created, we were not able to determine if the Town used at least 50 percent for the purposes specified in Indiana Code 8-14-1-5(c).

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."

The purpose of this directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and prevention purposes.

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted . . .

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. . . .

CLERK-TREASURER
TOWN OF ST. LEON
AUDIT RESULTS AND COMMENTS
(Continued)

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted: . . .

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.) . . .

(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)

CLERK-TREASURER
TOWN OF ST. LEON
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2023, with Randall Stenger, Clerk-Treasurer; Patrick Boyd, Office Manager; and Andrew Bischoff, President of the Town Council.

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TOWN COUNCIL
TOWN OF ST. LEON

TOWN COUNCIL
TOWN OF ST. LEON
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town Council had not adopted a capital asset policy detailing the threshold at which an item is considered a capital asset.

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)

TOWN COUNCIL
TOWN OF ST. LEON
EXIT CONFERENCE

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