

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WAKARUSA

ELKHART COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
11/01/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Katie J. Fromer	01-01-21 to 12-31-23
President of the Town Council	Matthew S. Moyer Rocco Rigsby	01-01-21 to 12-31-21 01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WAKARUSA, ELKHART COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Wakarusa (Town), for the period from January 1, 2021 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

October 25, 2023

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CLERK-TREASURER
TOWN OF WAKARUSA

CLERK-TREASURER
TOWN OF WAKARUSA
AUDIT RESULTS AND COMMENTS

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED RECEIPTS

A similar comment also appeared in prior Report B57639, entitled *MVH RESTRICTED RECEIPTS*.

Condition and Context

The Town did not allocate the required 50 percent of the State Motor Vehicle Highway (MVH) distribution to the MVH - Restricted fund. Amounts were incorrectly recorded in the Motor Vehicle Highway fund for 2021 and 2022 totaling \$9,659 and \$13,565, respectively.

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, letter, 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 actions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B57639, entitled *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:

Financial Data

The Town incorrectly receipted in advance a material portion of the Sewage Works Revenue Bonds of 2021 proceeds. Therefore, the Wastewater Bond Proceeds fund receipts and ending cash and investments balance were each overstated by \$2,797,000 for 2021, and the beginning cash and investments balance was overstated, and the receipts were understated, by \$2,797,000 for 2022.

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

Leases and Debt

The ending principal balance, as of December 31, 2022, of the Sewage Works Revenue Bonds of 2021 was understated by \$2,569,893.

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

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

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](#)."

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)

CAPITAL ASSETS

A similar comment also appeared in prior Report B57639, entitled *CAPITAL ASSETS*.

Condition and Context

The Town could not provide evidence to support that a complete physical inventory of capital assets was taken every two years. Additionally, a skid steer, with a historical cost of \$16,500, was not removed from the detailed listing of capital assets after it was disposed of, through trade, in 2019.

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 Report B57639, 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 internal controls, which would include appropriated segregation of duties, over receipts and financial close and reporting.

Receipts

The Town incorrectly receipted in advance \$2,797,000 in bond proceeds from the Sewage Works Revenue Bonds of 2021. The proceeds were receipted into the ledger in 2021 but were not actually received by the Town until 2022.

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

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement without a proper system of internal controls in place to prevent, or detect and correct, errors on the AFR and financial statement. The lack of internal controls allowed a material misstatement in the financial statement as reported in the above comment titled *Annual Financial 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.

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 WAKARUSA
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2023, with Katie J. Fromer, Clerk-Treasurer; Rocco Rigsby, President of the Town Council; Lisa Marker, Deputy Clerk-Treasurer; and Holly Landis, Town Manager.