

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF VAN BUREN

GRANT COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

01/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle M. Sexton	01-01-19 to 12-31-23
President of the Town Council	Tony E. Manry Jerry W. Caudill	01-01-19 to 12-31-22 01-01-23 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 VAN BUREN, GRANT COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Van Buren (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 20, 2023

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CLERK-TREASURER
TOWN OF VAN BUREN

CLERK-TREASURER
TOWN OF VAN BUREN
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

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:

Financial Data

The Town did not report the disbursements of the Wastewater - Construction fund for 2019 in the amount of \$315,672. The disbursements of this fund were also not reported in the Town's fund ledger. As a result, the disbursements and the ending cash and investments balance at December 31, 2019, were overstated by \$315,672.

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 for the Town.

Leases and Debt

The Town did not accurately report the following leases and debt information at December 31, 2022:

1. The Lift Station Notes and Loans Payable ending principal balance was understated by \$631,177. The principle due within one year was understated by \$74,857.
2. The Wastewater Sewer Expansion Project 92-01 Revenue Bonds ending principal balance was understated by \$77,265. The principle due within one year was overstated by \$31,066.
3. The Wastewater Sewer Expansion Project 92-03 Revenue Bonds ending principal balance was understated by \$18,402. The principle due within one year was overstated by \$7,332.
4. The Water Weaver Popcorn Expansion Revenue Bonds ending principal balance was understated by \$166,663.

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

Capital Assets

The Town did not accurately report the capital asset activity of the Town at December 31, 2022. The Town approved the omission of the Schedule of Capital Assets in the Financial Statements Audit Report for the Town.

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

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)

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. . . ."

INTERNAL CONTROLS

A similar comment appeared in prior Report B53532, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Receipts

The Clerk-Treasurer issued and posted receipts into the Town's fund ledger and prepared deposits without evidence of an oversight, review, or approval process to ensure accuracy.

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

Payroll Disbursements

The Clerk-Treasurer entered employee salaries, wages, hours, and deductions into the Town's payroll system without evidence of an oversight, review, or approval process to ensure accuracy.

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 for the Annual Financial Report (AFR) and financial statements, without a proper system of internal controls in place to prevent, or detect and correct, errors on the AFR and financial statements. The lack of internal controls allowed a material misstatement in the financial statements 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:

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

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FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Condition and Context

The accuracy of reporting required by federal and state agencies is facilitated by separation of grant funds. The Town did not create a separate fund for the Local Road and Bridge Matching Grant (Community Crossings) funds received during audit period.

The Town received Community Crossings funds in 2019 and 2020 in the amounts of \$148,865 and \$230,533, respectively. The funds were improperly receipted into the Local Road and Street fund in 2019 and Motor Vehicle Highway - Restricted fund in 2020.

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

Criteria

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)

The following prescribed fund names are required by statute or are currently in use by municipalities pursuant to annual reports filed with the State Board of Accounts. Further funds will be added as required. Fund numbers shall be used as listed. Numbers include fund type, for instance (2)01, etc. . . .

2401-2499 Grants - special revenue

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

When funds are provided by the federal government either directly to a city or town or through a state agency for any program or project, the following procedures should be followed:

A separate Fund for each grant is required.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2020)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Town did not comply with the State Examiner Directive and did not upload any of the required annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2020 and 2021. The Town also did not upload the Detail of Receipts, Detail of Disbursements, and Annual Vendor History Report on Gateway in 2019.

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.

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)

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

CAPITAL ASSETS

Condition and Context

The Town did not present a detailed listing of capital assets owned. In addition, the Town was unable to provide evidence of completion of a physical inventory of capital assets during the audit period.

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 VAN BUREN
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2023, with Michelle M. Sexton, Clerk-Treasurer; Jerry W. Caudill, President of the Town Council; and Mark Towery, Town Council member.

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TOWN COUNCIL
TOWN OF VAN BUREN

TOWN COUNCIL
TOWN OF VAN BUREN
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town did not adopt a capital assets 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)

TOWN COUNCIL
TOWN OF VAN BUREN
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2023, with Michelle M. Sexton, Clerk-Treasurer; Jerry W. Caudill, President of the Town Council; and Mark Towery, Town Council member.