

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SWITZ CITY

GREENE COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/06/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carla Porter	01-01-19 to 12-31-23
President of the Town Council	Glenda Sue Headley	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SWITZ CITY, GREENE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Switz City (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

November 29, 2023

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CLERK-TREASURER
TOWN OF SWITZ CITY

CLERK-TREASURER
TOWN OF SWITZ CITY
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 via the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the financial statements. The following errors were noted:

Financial Data

1. The Sewage Bond & Int fund receipts and ending cash and investments balance were understated by \$2,000 in 2019. Additionally, disbursements were understated, and ending cash and investments balance was overstated by \$25,700 in 2022.
2. The General Fund receipts and ending cash and investments balance were understated by \$9,082 in 2021.
3. The Water Utility Operating fund disbursements were overstated, and the ending cash and investments balance was understated by \$5,441 in 2022.
4. The BNY SRF DW fund was not reported for 2019, 2020, and 2022. Receipts and disbursements were each understated in the amounts of \$11,921, \$14,886, and \$14,886 for 2019, 2020, and 2022, respectively.

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.

Capital Assets

The capital asset information entered into Gateway was not accurate since a detailed listing of all capital assets had not been properly maintained. The Town approved the omission of 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](#)."

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

CAPITAL ASSETS

This same comment appeared in a Management Letter addressed to the OFFICIALS OF THE TOWN OF SWITZ CITY, for the audit period ending December 31, 2018.

Condition and Context

The Town had a capital assets policy that detailed the threshold at which an item was to be considered a capital asset. However, the Town did not maintain a complete detailed listing of all capital assets. In addition, the Town did not complete a physical inventory at least every two years, as required.

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 OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment also appeared in prior Report B54833.

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 an effective internal control system that separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash and Investments

There was no documentation presented of an oversight, review, or approval process of the bank reconciliations to ensure that all accounts were reconciled accurately.

Receipts

There was no documentation presented of an oversight, review, or approval process over the receipts to ensure that all receipt activity was accurately recorded and deposited.

Financial Close and Reporting

The Town did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors. Due to the lack of effective internal controls over the information entered into the Annual Financial Report, which was the source of the Town's financial statements, errors occurred and were not detected.

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

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway (MVH) - Restricted fund as required. However, the Town did not allocate or deposit at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH - Restricted fund during 2019, 2020, and 2022.

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.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.***

(State Examiner Directive 2018-2)

CLERK-TREASURER
TOWN OF SWITZ CITY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2023, with Carla Porter, Clerk-Treasurer; Glenda Sue Headley, President of the Town Council; Levi Lundy, Town Council member; and Tammy D. Woodall, Town Council member.