

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SANDBORN

KNOX COUNTY, INDIANA

January 1, 2019 to December 31, 2022



**FILED**

12/04/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dana Wright Kellie Cazel	01-01-19 to 09-30-22 10-01-22 to 12-31-23
President of the Town Council	J. Nate Yagle Joe Boone (Vacant) Patricia Perkins	01-01-19 to 12-31-19 01-01-20 to 10-19-22 10-20-22 to 03-14-23 03-15-23 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SANDBORN, KNOX COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Sandborn (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/](http://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 SANDBORN

CLERK-TREASURER  
TOWN OF SANDBORN  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B54868, 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 designed or implemented a system of effective internal controls over financial close and reporting and payroll disbursements.

*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. The Clerk-Treasurer entered the information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statements. There was no evidence of an oversight, review, or approval process of the information prior to it being submitted to Gateway to ensure its accuracy.

*Payroll Disbursements*

The Town did not have a proper system of internal controls in place over payroll disbursements to prevent, or detect and correct, errors. The Clerk-Treasurer received all the timecards and processed payroll without an oversight, review, or approval process.

*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 SANDBORN  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Financial 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. The following errors were noted:

*Capital Assets*

The capital asset information entered into Gateway was not accurate since the capital asset ledger had not been properly maintained. The capital asset ledger did not include any additions or deletions for 2019, 2021, or 2022. The Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Town.

*Investment Fund Statement*

Investments were not reported on the Investment Fund Statement in Gateway for 2019, 2020, 2021, and 2022.

*Leases and Debt*

The Town improperly reported the ending principal balance for its Sewage Revenue Bond for 2019, 2021, and 2022. In addition, the Water Tower Loan was not reported for 2021.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt reported as Other Information 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](#)."

**MONTHLY AND ANNUAL ENGAGEMENT UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, bank statements and outstanding check lists, approved Town Council minutes and the funds ledger summarizing total receipts, disbursements, and beginning and ending balances by fund.

Annual upload requirements include the year-end investment statements, detail of receipts, detail of disbursements, current year salary ordinance, annual vendor history report, annual payroll history report without social security numbers, annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements and beginning and ending balances by fund and excel data capture/data dump.

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

The Town did not comply with the State Examiner Directive and failed to upload a portion of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2019, 2020, and 2021. In 2022, less than half of the monthly files were uploaded and no annual files were uploaded.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

During the audit period, the Town certified in the Indiana Gateway for Government Units financial reporting system that all required personnel had received the training over internal control standards; however, documentation could not be provided to support that the required employees had completed the training.

*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](#)."

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Town was responsible for paying bills timely. Three disbursements were made that included penalties and interest totaling \$28 during the audit period.

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

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

A review of disbursements paid from the MVH Restricted fund were for supplies instead of construction, reconstruction, and preservation of the Town's highways as required. The MVH Restricted fund disbursements were for nonrestricted purposes for two of the seven disbursements made from this fund.

*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."

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)

**UTILITY BILLING**

*Condition and Context*

The following issues were noted concerning the utility billing process:

1. The Town did not charge penalties to customers that were employees.
2. The Town did not properly charge the flat rates for water and sewer during the audit period. While an ordinance was amended in 2022 for the URT tax repeal, the unit did not properly decrease its rates on that ordinance to document the decrease. Instead, it was just credited to each customer's monthly bill for the URT savings.
3. There was no audit evidence that adjustments to monthly bills were approved by the Town Council.

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

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CAPITAL ASSETS**

The same comment also appeared in prior Report B54868.

*Condition and Context*

The Town did not properly maintain a complete inventory of capital assets owned.

*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 SANDBORN  
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2023, with Kellie Cazal, Clerk-Treasurer, and Patricia Perkins, President of the Town Council.

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TOWN COUNCIL  
TOWN OF SANDBORN

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AUDIT RESULTS AND COMMENTS

**CREDIT CARDS**

*Condition and Context*

The Town had credit cards in use throughout the audit period without an approved credit card policy in place.

*Criteria*

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

TOWN COUNCIL  
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(Continued)

7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

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

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town did not ensure that all applicable personnel had received training concerning the internal control standards. Documentation of personnel that received the internal control training was not presented for audit.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL  
TOWN OF SANDBORN  
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2023, with Kellie Cazal, Clerk-Treasurer, and Patricia Perkins, President of the Town Council.