



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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December 4, 2023

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Edwardsport (Town), Knox County, for the period of January 1, 2017 to December 31, 2022, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Town's Annual Financial Reports filed by management can be found on the Gateway Website: [www.gateway.ifionline.org](http://www.gateway.ifionline.org).

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

***Comments***

**BACKGROUND**

For the reports issued during the period of January 1, 2012 to December 31, 2016, the Indiana State Board of Accounts (SBOA) was unable to obtain sufficient competent evidential matter over receipts, disbursements, and ending cash and investment balances in order to express an opinion on whether the financial statements presented, in all material respects, the financial position and results of operations of the Town.

A special investigation report (Report B59240) was issued by the SBOA for the period of January 1, 2017 to December 31, 2019, in which the former Clerk-Treasurer, Connie Dinkens, was requested to reimburse the Town \$122,159 for overpayment of salaries, disbursements made without supporting documentation, penalties, interest, and other charges, and utility payment discrepancies. The Town received payment in the amount of \$101,188 during 2022 through the bonding company. On November 20, 2023, the Town received an additional payment in the amount of \$34,995, through the bonding company.

During the current engagement period of January 1, 2017 to December 31, 2022, the SBOA noted that no financial information was filed on the Indiana Gateway for Government Units financial reporting system (Gateway) for 2017, 2018, or 2019. Receipts and disbursements were entered into Gateway for 2020; however, beginning cash and investment balances were not correct. The Town entered new beginning cash and investment figures to start January 1, 2021, that agreed to the Town's fund ledger. The receipts and disbursements entered into Gateway for 2021 and 2022 agreed to the transactions posted to the Town's funds ledger. The total ending cash and investment balance for all Town funds as of December 31, 2022, could not be verified to a combined bank reconciliation.

The Town hired a consultant to perform bank reconciliations and correct the Town's funds ledger. Reconciliations were performed, and a list of adjustments was provided to the Town. However, the adjustments did not identify the individual funds requiring the adjustment. Therefore, the Clerk-Treasurer was unable to make the adjustments to correct the individual fund balances. This resulted in overdrawn cash balances being reported for some Town funds as of December 31, 2022.

### **ADVANCE PAYMENTS**

A similar comment appeared in prior Report B50493, entitled *ADVANCE PAYMENTS*.

#### *Condition and Context*

Eight of the ten Town Council members' payrolls tested and five of the ten Clerk-Treasurer's payrolls tested showed payments made in advance of the period for which the pay covered.

#### *Criteria*

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

### **BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in prior Reports B49357, B50304, and B50493, entitled *BANK ACCOUNT RECONCILIATIONS*.

#### *Condition and Context*

Bank reconciliations were not being correctly performed on a timely basis during the engagement period. The reconciliations that were presented for review showed numerous adjustments that needed to be made for the current year and previous years. However, the adjustments did not identify what individual fund the adjustment needed to be made to in order to enable corrections to be made. All reconciliations for December 31 of each year of the engagement period were reviewed and the total adjustments ranged from \$82,513 to \$124,081. These adjustments reflected an increase to the bank balance to agree with the total funds ledger balance. Due to the condition of the records, we could not determine that the balances of the individual funds on the Town's ledger were accurate or that the adjusted bank balance was materially correct as of December 31, 2022. Therefore, the cash and investment fund balances will not be reported as part of this report.

In accordance with IC 36-5-4-13(a), the Town Council adopted Resolution 2023-8-1 to adjust beginning cash and investment balances for all Town funds as of January 1, 2023. The total beginning cash and investment balances agree to the combined reconciled bank balance without consideration of the adjustments that could not be verified and made.

### *Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 36-5-4-13(a) states:

"Except as provided in subsection (c), this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

The financial information entered into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system for 2017 through 2020 was incomplete and not reflective of the transactions 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](#)."

## **CAPITAL ASSETS**

### *Condition and Context*

The Town Council approved a capital assets threshold of \$500 in the March 19, 2018 Town Council minutes. However, a capital assets policy could not be located for review.

The Town did not maintain a complete and detailed listing of capital assets and no evidence that a physical inventory was performed during the engagement 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)

### **INTERNAL CONTROLS**

The same comment appeared in prior Reports B50303 and B50493.

#### *Condition and Context*

There was no evidence that a proper internal control structure existed in the Town. A proper internal control structure would include adequate control activities, a control environment, performance of risk assessment procedures, information and communication, and monitoring of internal controls. The Town had not separated incompatible activities related to receipts, disbursements, cash and investment balances, and financial close and reporting.

The Clerk-Treasurer was solely responsible for all transactions related to receipts, disbursements, cash and investments, and financial close and reporting. There were no internal controls in place to monitor, review, or determine the accuracy of the financial transactions and reporting. The failure to establish these internal controls enabled material errors to occur and remain undetected.

### *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. . . ."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing.

. . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The Town did not comply with the State Examiner Directive and failed to upload any of the monthly files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2018, 2019, and 2022. The Town only uploaded Town Council minutes for 2020 and did not upload any bank statements or all of the December monthly files for 2021. The Town failed to upload any of the annual files on Gateway 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.

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)

## **ORDINANCES NOT PRESENTED**

A similar comment appeared in prior Reports B33391 and B41365, entitled *COMPENSATION AND BENEFITS*, and in prior Reports B49357, B50304, and B50493, entitled *ORDINANCES NOT PRESENTED*.

### *Condition and Context*

There were 6 of 23 ordinances, resolutions, and policies known to have been adopted by the Town Council during the compliance engagement period that were not recorded or retained by the Clerk-Treasurer. There were 4 salary ordinances for the years 2018, 2019, 2020, and 2022, an ordinance dissolving hydrant rental charges, and the capital asset policy establishing the capitalization threshold were the items not available for review.

### *Criteria*

Indiana Code 36-5-2-10.2 states:

"Within a reasonable time after an ordinance of the legislative body is adopted, the clerk-treasurer shall record it in a book kept for that purpose. The record must include:

- (1) the signature of the executive;
- (2) the attestation of the clerk-treasurer; and
- (3) the date of each recorded item.

The record or a certified copy of it constitutes presumptive evidence of the adoption of the ordinance."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report is satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written permission of the administration."

## **PENALTIES, INTEREST, AND OTHER CHARGES**

A similar comment appeared in prior Reports B49357, B50304, and B50493, entitled *TAXES NOT PAID*.

### *Condition and Context*

Penalties, interest, and other charges, in the amount of \$26,246, paid during the period of January 1, 2017 to December 31, 2019, were reported in the Special Investigation Report B59240 and charged to the prior Clerk-Treasurer, Connie Dinkens.

The following lists all penalties, interest, and other charges paid by the Town during the period of January 1, 2020 to December 31, 2022:

<u>Schedule of Penalties, Interest, and Other Charges Paid</u>	<u>Totals</u>	<u>Period Incurred</u>	
		<u>2014-2019</u>	<u>2020-2021</u>
Penalties and Interest Paid - Federal 941 Taxes	\$ 1,047	\$ 915	\$ 132
Penalties and Interest Paid - State W/H Taxes	207	207	-
Penalties and Interest Paid - State Sales Tax Remittance	212	-	212
Late Fees and Finance Charges - Other Charges	88	80	8
<b>Total</b>	<b>\$ 1,554</b>	<b>\$ 1,202</b>	<b>\$ 352</b>

*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)

**PUBLIC RECORDS RETENTION**

A similar comment appeared in prior Reports B29063, B33391, and B41365, entitled *PRESCRIBED FORMS*, and in prior Reports B49357, B50304, and B50493, entitled *PUBLIC RECORDS RETENTION*.

*Condition and Context*

The following prescribed forms were either not in use or not presented for examination:

- Employee's Service Record (General Form No. 99A)
- Employee's Earnings Record (General Form No. 99B)
- Mileage Claim (General Form No. 101)
- Capital Assets Ledger (City and Town Form No. 211)
- Guarantee Deposit Receipt (Utility Form No. 310)
- Guarantee Deposit Register (Utility Form No. 314)
- Simplified Cash Journal - Water Utility - Class C (Utility Form No. 319)

The following prescribed forms were not used in the prescribed manner:

- Payroll Schedule and Voucher (General Form 99A)
- Clerk-Treasurer's, City Controller's and City Treasurer's Monthly Financial, Depository Statement and Cash Reconciliation (City and Town Form No. 206)
- Ledger of Receipts, Disbursements, and Balances (City and Town Form No. 208)
- Ledger of Appropriations, Encumbrances, Disbursements, and Balances (City and Town Form No. 209)
- Consumer's Ledgers (Utility Form No. 321)

In addition to the prescribed forms listed above, the Internal Revenue Service Wage and Tax Statement (Form W-2) and Employer's Quarterly Federal Tax Return (Form 941) from 2017 to 2019 were not presented for review.

#### *Criteria*

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### **UNRESOLVED SALES AND USE TAX AND UTILITY RECEIPTS TAX**

#### *Condition and Context*

The Town had a number of significant issues related to required tax filings with state agencies. Details related to these issues are discussed below:

#### *Sales and Use Tax*

The Town did not remit state sales tax for the months of January 2020 to July 2021. No penalties or interest have been applied or remittance letters sent to the Town for the unfiled taxes.

#### *Utility Receipts Tax*

The Town failed to file Form URT-1 for 2017, 2018, 2019, and 2022. The Indiana Department of Revenue has not applied any penalties or interest charges to these remittances. Utility Receipts Tax was eliminated as of July 1, 2022, but the first half of 2022 is still due.

#### *Criteria*

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns Chapter 7)

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

The contents of this report were communicated to Patricia Roark, Clerk-Treasurer; Kimberly Robbins, former Clerk-Treasurer; Earl Martin, Jr., President of the Town Council; Keith Martin, Town Council member; and Lonny Saucerman, Town Council member, on November 28, 2023.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner