

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

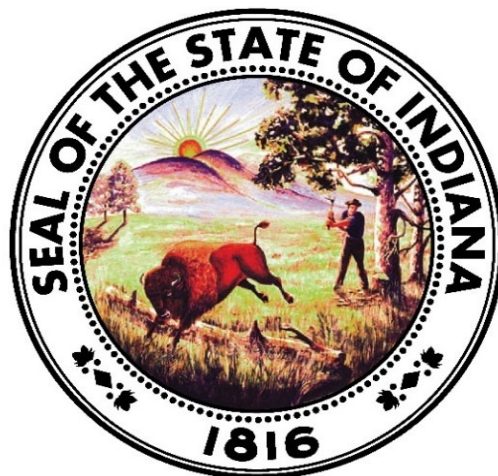
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NORTH WEBSTER

KOSCIUSKO COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**

10/23/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Alice E. Luce Leigh Anne Jessop	01-01-18 to 12-31-22 01-01-23 to 12-31-23
President of the Town Council	Jon W. Sroufe Lisa Strombeck Dan Thystrup	01-01-18 to 10-01-18 10-02-18 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 NORTH WEBSTER, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Town of North Webster (Town), for the period from January 1, 2018 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

October 17, 2023

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TOWN COUNCIL  
TOWN OF NORTH WEBSTER

TOWN COUNCIL  
TOWN OF NORTH WEBSTER  
AUDIT RESULTS AND COMMENTS

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town did not provide audit evidence that all of the appropriate personnel received the required training on internal control standards.

*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."

**CAPITAL ASSETS POLICY**

*Condition and Context*

The Town did not have a capital assets policy that detailed the threshold at which an item is considered a capital asset.

*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 NORTH WEBSTER  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2023, with Leigh Anne Jessop, Clerk-Treasurer, and Dan Thystrup, President of the Town Council.

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CLERK-TREASURER  
TOWN OF NORTH WEBSTER

CLERK-TREASURER  
TOWN OF NORTH WEBSTER  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORTS**

*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 Statements*

The following errors were identified in the AFR and financial statements:

1. Payroll fund receipts, disbursements, and cash and investments balances were understated or overstated as follows:

Year	Cash and Investments (Overstatement) January 1	Receipts Understatement (Overstatement)	Disbursements Understatement (Overstatement)	Cash and Investments (Overstatement) December 31
2018	\$ -	\$ 255,527	\$ 255,527	\$ -
2019	-	(41,548)	(41,548)	-
2020	-	(215,647)	(211,835)	(3,812)
2021	(3,812)	(310,424)	(314,236)	-
2022	-	(321,139)	(319,004)	(2,135)

2. Financial activity for the Bond and Interest BNY fund was omitted from the Town's funds ledger, resulting in cash and investments balances, receipts, and disbursements being understated as follows:

Year	Cash and Investments January 1 Understatement	Receipts Understatement	Disbursements Understatement	Cash and Investments December 31 Understatement
2018	\$ 47,840	\$ 91,411	\$ 93,231	\$ 46,020
2019	46,020	104,637	97,349	53,308
2020	53,308	107,162	105,365	55,105
2021	55,105	272,403	190,690	136,818
2022	136,818	272,752	272,169	137,401

3. Additionally, the errors noted above also occurred in the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and 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.

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

*Capital Assets*

The Town prepared and submitted the capital assets information into Gateway as of December 31, 2022. However, the Town did not maintain appropriate detailed capital asset records to determine the accuracy of the information. The Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit 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. . . ."

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](#)."

**INTERNAL CONTROLS**

*Condition and Context*

*Cash and Investments (Bank Reconciliations)*

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

There was no documented review of the monthly bank reconciliations by someone other than the preparer.

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

*Financial Close and Reporting*

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to financial 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 Reports (AFRs) and financial statements, without a proper system of internal controls in place to prevent, or detect and correct, errors on the AFRs and financial statements. The lack of internal controls allowed a material misstatement in the financial statement as reported in the above comment titled *Annual Financial Reports*.

*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. . . .

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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town certified on the Annual Financial Reports submitted on the Indiana Gateway for Government Units financial reporting system, that employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts for the years 2018-2022; however, there was no documentation of training for the required employees.

CLERK-TREASURER  
TOWN OF NORTH WEBSTER  
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](#)."

**CAPITAL ASSETS**

*Condition and Context*

The Town did not maintain a complete detailed listing of all capital assets owned and had not performed a complete physical inventory of the Town's capital assets 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)

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

*Condition and Context*

The Town did not create a MVH Restricted fund with the correct fund number and present it separately on the Annual Financial Report as required by State Examiner Directive 2018-2.

*Criteria*

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund . . . will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shows as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

**Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report . . .

(State Examiner Directive 2018-2)

CLERK-TREASURER  
TOWN OF NORTH WEBSTER  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2023, with Leigh Anne Jessop, Clerk-Treasurer, and Dan Thystrup, President of the Town Council.