

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

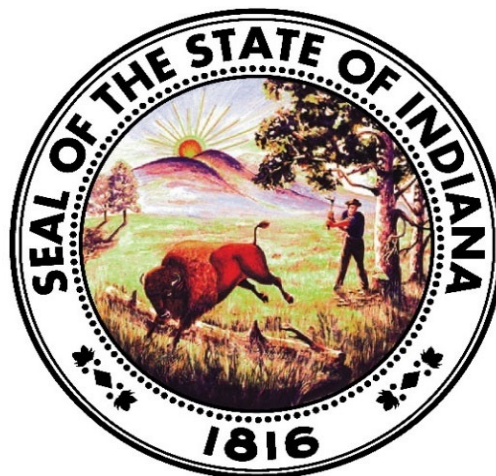
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SYRACUSE

KOSCIUSKO COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Paula Kehr-Wicker	01-01-18 to 09-30-20
	Virginia Cazier	10-01-20 to 12-31-23
President of the Town Council	William Musser	01-01-18 to 12-31-18
	Larry Martindale	01-01-19 to 12-31-19
	Paul Stoelting	01-01-20 to 12-31-20
	Larry Siegel	01-01-21 to 12-31-21
	William Musser	01-01-22 to 12-31-22
	Cindy Kaiser	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SYRACUSE, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Syracuse (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/.

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 18, 2023

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CLERK-TREASURER
TOWN OF SYRACUSE

CLERK-TREASURER
TOWN OF SYRACUSE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B51053, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial reporting. The Town had not established proper segregation of duties related to financial reporting. Year-end fund reports were reviewed by the Town Council prior to submission into the Indiana Gateway for Government Units financial reporting system, which is the source for the Annual Financial Reports (AFR) and financial statements. The Clerk-Treasurer submitted the AFR without oversight, review, approval, or other compensating internal controls to ensure the accuracy of the information submitted.

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. . . ."

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 capital assets information and debt and leases information entered into Gateway contained the following errors:

Capital Assets

The Town did not have capital asset documentation to substantiate the amounts reported in Gateway for 2020, 2021, and 2022. The Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Town.

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

Leases and Debt

1. The Town's New Athletic Field Notes and Loans Payable 2021 ending principal balance was understated by \$1,850,000, and principal due within one year was overstated by \$1,000,000.
2. The Town did not report the Sewage Works BAN 2022 for the year 2022, which understated the ending principal balance and principal due within one year by \$1,100,000 and \$20,000, respectively.
3. The Town did not report the Waterworks BAN 2022 for the year 2022, which understated the ending principal balance and principal due within one year by \$1,100,000 and \$20,000, respectively.

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 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 did not complete a physical inventory at least every two years. The Town did not have a complete detailed listing of all capital assets. Additionally, the Town did not have possession of three of the ten assets selected for physical observation. Of the ten additions and deletions selected for testing, the Town did not properly document three additions and three deletions.

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 SYRACUSE
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

Condition and Context

Town credit cards were used for various purchases throughout the audit period without a formal written credit card policy. The employee handbook references Town Credit Cards (513), but the policy is vague and does not include all of the criteria needed to be in compliance with the Indiana State Board of Accounts.

Deficiencies noted during a review of credit card claims paid during the audit period included:

1. The supporting documentation for the January 2021 credit card payment of \$9,174 was accidentally destroyed, and the Accounts Payable Voucher and supporting documentation for the November 2021 credit card payment of \$5,152 could not be located. In both cases, the credit card statements were recreated, but the documentation to support the purchases could not be recreated.
2. Various meal costs were paid based on a statement or credit card slip without adequate itemization of what was purchased.
3. Late fees and interest totaling \$266 were paid during 2022.

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.

CLERK-TREASURER
TOWN OF SYRACUSE
AUDIT RESULTS AND COMMENTS
(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)

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)

ORDINANCES AND RESOLUTIONS

Condition and Context

Included in the Employee Handbook, revised as of December 6, 2019, is section 512, Business Travel Expenses, including reimbursement of meals while on approved Town-related business. Expenses that may be reimbursed include "cost of meals, no more lavish than would be eaten at the employee's own expense and tips not exceeding 20% of the total cost of a meal."

We noted several instances where meals were purchased and included in the total price of the meal were tips in excess of 20 percent, some as much as 50 percent of the total cost of the meal.

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)

PROMOTION OF BUSINESS EXPENSES PAID

Condition and Context

A promotion of business ordinance was approved during 2012 authorizing purchases that promote business for the Town; however, the Town had not created a corresponding appropriation for these purchases. Examples of these expenditures include gift cards purchased for all full-time employees during 2021 and 2022, totaling \$2,050 and \$2,200, respectively. In addition, various meals have been paid for Town employees while not in travel status or while in meetings related to promotion of business, such as lunches paid for attendance at Rotary meetings, totaling \$349, during the year ended December 31, 2022.

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

Criteria

IC 36-7-2-7 allows cities and towns to promote economic development and tourism. . . . Accordingly, a Home Rule ordinance needs to be adopted in accordance with IC 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained. . . . Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purpose. Please note that excessive amounts expended for employee meals, awards, gifts and similar expenses could be considered an audit result and comment item in an audit. (Cities and Towns Bulletin, December 2015)

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)

SALES TAX PAID ON PURCHASES

Condition and Context

Sales taxes totaling \$446 were paid on purchases made with the Town credit cards during 2022.

Criteria

Sales taxes that are paid on qualifying purchases 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)

CLERK-TREASURER
TOWN OF SYRACUSE
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2023, with Virginia Cazier, Clerk-Treasurer; Cindy Kaiser, President of the Town Council; Nathan Scherer, Town Council member; William Musser, Town Council member; and David Wilkinson, Town Manager.