

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EAST GERMANTOWN

WAYNE COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**

11/20/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carleene Collins	01-01-18 to 12-31-23
President of the Town Council	Steve Mills	01-01-18 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF EAST GERMANTOWN, WAYNE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of East Germantown (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

November 8, 2023

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CLERK-TREASURER  
TOWN OF EAST GERMANTOWN

CLERK-TREASURER  
TOWN OF EAST GERMANTOWN  
AUDIT RESULTS AND COMMENTS

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Clerk-Treasurer incorrectly certified on the Annual Financial Reports submitted on the Indiana Gateway for Government Units financial reporting system that the internal control standards training was completed by all required personnel.

*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 have a capital assets policy that detailed the threshold at which an item is considered a capital asset or a complete detailed listing of all capital assets owned. In addition, a complete physical inventory of capital assets was not taken at least every two years.

*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)

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial, supplemental, 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 Data*

1. The Community Development fund receipts and disbursements were understated by \$117,825 and \$118,161, respectively, and the ending cash and investments balance was overstated by \$336 for 2018.

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

2. The Wastewater Bond & Interest fund receipts and disbursements were each understated by \$23,735 for 2019.
3. The Co Economic Development Income Tax fund disbursements were understated, and the ending cash and investments balance was overstated by \$5,449 for 2019.
4. The Capital Community Improvement fund receipts and disbursements were overstated by \$434 and \$4,367, respectively, and the ending cash and investments balance was understated by \$3,933 for 2020.
5. The Wastewater Debt Reserve fund receipts, disbursements, and ending cash and investments balance were understated by \$33,876, \$32,076, and \$1800, respectively, for 2020.
6. The Co Economic Development Income Tax fund beginning cash and investments balance and disbursements were each overstated by \$5,449 for 2020.
7. The Capital Community Improvement fund beginning cash and investments balance was understated by \$3,933, receipts and disbursements were overstated by \$7,253 and \$6,939, respectively, and the ending cash and investments balance was understated by \$3,619 for 2021.
8. The Capital Community Improvement fund receipts were overstated by \$243 for 2022.

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.

*Grants*

1. The Part 1774 Special Evaluation Assistance for Rural Communities and Households expenditures were understated by \$82,625 in 2018.
2. The Town reported \$113,476 in grants expended in 2019 for an unidentified Assistance Listings Number, but there was no documentation that federal funds were expended in 2019.

Since the Town did not expend the requisite amount of Federal dollars during the audit period, a Schedule of Expenditures of Federal Assistance was not reported.

*Capital Assets*

There was no supporting documentation provided for the amounts reported on the AFR for the capital assets schedules.

CLERK-TREASURER  
TOWN OF EAST GERMANTOWN  
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](#)."

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in prior Report B51095, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

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 receipts, cash and investments, and financial close and reporting.

*Receipts*

The same individual entered all receipts into the accounting system, took deposits to the bank and prepared the bank reconcilements for the Town. No documentation was presented indicating that the receipt postings were reviewed by another individual.

*Cash and Investments*

No documentation was presented for audit indicating that the bank reconcilements were reviewed by an individual other than the preparer.

*Financial Close and Reporting*

The Town's financial information was prepared and electronically submitted by the Clerk-Treasurer to the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statement. An oversight or review process had not been designed or implemented that would likely prevent, or detect and correct, errors on the financial statement. Due to the lack of internal controls the errors in the financial statements occurred as reported in the *ANNUAL FINANCIAL REPORTS* comment.

*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 EAST GERMANTOWN  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

## **CONTRACTS**

### *Condition and Context*

Payments made during the audit period for contractual services were not supported by a written contract.

### *Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The files and governmental unit information that are required to be uploaded monthly to the Indiana Gateway for Government Units (Gateway) financial reporting system include the bank reconciliations, approved Town Council minutes, and the funds ledger summarizing total receipts, disbursements, and balances by fund.

1. Three months of required monthly Gateway uploads were uploaded late or were incorrect during 2018.
2. Five months of required monthly Gateway uploads were uploaded late or were incorrect during 2019.
3. Six months of required monthly Gateway uploads were uploaded late during 2020.
4. Eight months of required monthly Gateway uploads were uploaded late or were incorrect during 2021.

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AUDIT RESULTS AND COMMENTS  
(Continued)

5. Ten months of required monthly Gateway uploads were uploaded late or were incorrect during 2022.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

1. None of the required annual Gateway uploads were uploaded for 2018.
2. All of the required annual Gateway uploads were uploaded late or were incorrect for 2022.

The Town did not comply with the State Examiner Directive and failed to upload a portion of the monthly and annual files on Gateway.

*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)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15<sup>th</sup> of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1<sup>st</sup> . . . for the prior year end unless the SBOA establishes a different date. . . . (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)

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

*Condition and Context*

The Town failed to post at least 50 percent of the distributions received from the State Motor Vehicle Highway account at the time of the distribution to the MVH - Restricted fund for 26 of the 48 months.

Amounts posted to the MVH - Restricted fund were in excess of 50 percent for three of the four years. An ordinance or resolution was not presented for audit which would have allowed an excess to be allocated to the MVH - Restricted fund. The amounts posted in error are as follows:

- In 2019, \$4,569 was erroneously posted to the MVH - Restricted fund due to half of the July - December receipts being transferred to MVH - Restricted fund, and the April, June, and August receipts posted 100 percent to the Motor Vehicle Highway (MVH) fund, and the December receipt being posted 100 percent to the MVH - Restricted fund.

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AUDIT RESULTS AND COMMENTS  
(Continued)

- In 2020, the January and August receipts were posted 100 percent to the MVH fund and the December receipt was posted 100 percent to the MVH - Restricted fund causing an underpayment of \$328 to the MVH - Restricted fund.
- In 2021, the March, April, May, September, October, and November receipts were posted 100 percent to the MVH - Restricted fund, and the February and August receipts were posted 100 percent to the MVH fund causing an overpayment of \$3,453.
- In 2022, the January, March, April, May, September, October, and November receipts were posted 100 percent to the MVH - Restricted fund, and the August receipt was posted 100 percent to the MVH fund causing an overpayment of \$1,874.

In addition, the Town used the MVH - Restricted fund to pay for unallowable expenses such as transfers to the Community Development, Rainy Day, and MVH funds in the amount of \$11,580, and for utility payments and supplies in the amount of \$1,000.

*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."

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.***

***Any amounts allocated in excess of the required 50% of distributions which remain in MVH Restricted at the end of the fiscal year must remain in MVH Restricted until expended for construction, reconstruction, or preservation.***

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted: . . .

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.) . . .

(State Examiner Directive 2018-2)

CLERK-TREASURER  
TOWN OF EAST GERMANTOWN  
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2023, with Carleene Collins, Clerk-Treasurer, and Steve Mills, President of the Town Council.

TOWN COUNCIL  
TOWN OF EAST GERMANTOWN

TOWN COUNCIL  
TOWN OF EAST GERMANTOWN  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

Training on internal control standards was not provided to all required personnel.

*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 EAST GERMANTOWN  
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2023, with Carleene Collins, Clerk-Treasurer, and Steve Mills, President of the Town Council.