

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

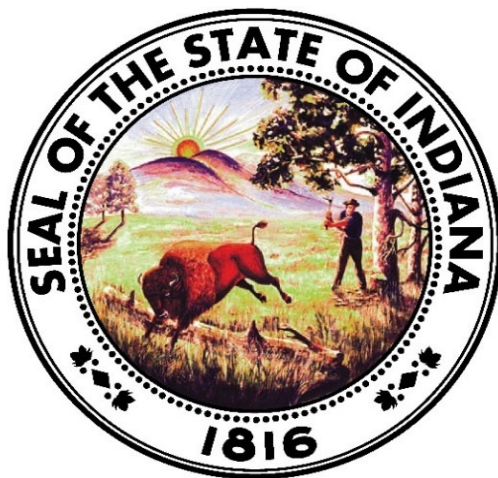
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PATRIOT

SWITZERLAND COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
11/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Fisk	01-01-18 to 12-31-23
President of the Town Council	Elizabeth Thomas	01-01-18 to 12-31-21
	Tony Rider	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF PATRIOT, SWITZERLAND COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Patriot (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

November 15, 2023

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CLERK-TREASURER
TOWN OF PATRIOT

CLERK-TREASURER
TOWN OF PATRIOT
AUDIT RESULTS AND COMMENTS

ADVANCE GRANTS

Condition and Context

The Town was awarded a Community Crossing grant in which the funds were advanced to the Town. The Town failed to properly account for the grant proceeds and expenditures, including the required local matching funds, in a separate fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

During the testing of disbursements, we noted that disbursements for all state and federal payroll taxes, as well as bank fees, were not properly supported by an Accounts Payable Voucher (APV). Additionally, the disbursements were not certified by the fiscal officer; however, they were all included on the Accounts Payable Voucher Register (General Form 364) and allowed by the Town Council.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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

ANNUAL FINANCIAL REPORT

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2017, entitled *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:

Leases and Debt

- Ending principal balance reported for the Water Utility Revenue Bonds was overstated by \$1,170,231.
- Principal due within one year reported for the Water Utility Revenue Bonds was understated by \$5,000.

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 for the Town.

Payables and Receivables

The amounts reported for account receivables for 2018, 2019, 2020, 2021, and 2022 did not agree to the supporting documentation provided. The Town has chosen to omit the Schedule of Payables and Receivables from the Financial Statements Audit Report for the Town.

Capital Assets

The amounts reported for capital assets did not agree to the supporting documentation for 2018, 2019, 2020, 2021, and 2022. The Town has chosen to omit the Schedule of Capital Assets from the Financial Statements Audit Report for the Town.

Financial Assistance to Non-Governmental Entities

The information entered for 2019, 2020, 2021, and 2022 for financial assistance to non-governmental entities was not complete. Based on our review of the Town's financial records, payments were made to the Posey Township Volunteer Fire Department that should have been reported in Gateway.

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 PATRIOT
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B43425, entitled *FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*, and in prior Report B51184, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The Town did not have a proper system of internal controls in place related to financial transactions and reporting. The Town had not established internal controls over receipts or effective internal controls over financial close and reporting.

Receipts

The Deputy Clerk-Treasurer received money, wrote the receipts, and made up the daily deposit documentation, and the Clerk-Treasurer took the deposits to the bank and posted the receipt to the ledger. There was no documentation of an oversight or review process to ensure that the amount deposited to the bank agreed with the amount posted to the ledger.

Financial Close and Reporting

The Clerk-Treasurer compiled the information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system which is the source of the Annual Financial Report (AFR). A member of the Town Council reviewed and approved the information prior to the Clerk-Treasurer submitting the information. The internal control was not effective as it allowed material errors in the amounts reported in relation to Payables and Receivables, Capital Assets, and Financial Assistance to Non-Governmental Entities as reported in the above comment entitled *ANNUAL FINANCIAL 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. . . ."

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

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not establish a Motor Vehicle Highway (MVH) - Restricted fund as required by State Examiner Directive 2018-2, and as necessary for compliance with the provisions of Indiana Code 8-14-1-5(c).

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."

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 referred to . . . as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

Starting on January 1, 2019, the political subdivision must post at the time of the receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

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)

CLERK-TREASURER
TOWN OF PATRIOT
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2023, with Linda Fisk, Clerk-Treasurer; Tony Rider, President of the Town Council; and Joey Duckworth, Utilities Superintendent.