

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

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ODON

DAVISS COUNTY, INDIANA

January 1, 2023 to December 31, 2024



FILED

04/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amanda Wilz	01-01-23 to 12-31-25
President of the Town Council	Doug Benjamin Susie Roach BJ Sanders	01-01-23 to 12-31-23 01-01-24 to 12-31-24 01-01-25 to 12-31-25
Superintendent of Utilities	Josh Kidwell	01-01-23 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF ODON, DAVIESS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Odon (Town), for the period from January 1, 2023 to December 31, 2024. 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

April 10, 2025



CLERK-TREASURER
TOWN OF ODON

CLERK-TREASURER
TOWN OF ODON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Internal controls were not in place to ensure that the Town complied with laws, regulations, and uniform compliance guidelines. Deficiencies in the Town's system of internal controls resulted in noncompliance over the Annual Financial Report, capital assets, utility operating funds used for town expenses, motor vehicle highway (MVH) - restricted fund, and allocation of compensation between funds and record of hours worked, as detailed further in the comments below.

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

A similar comment also appeared in prior Report 000000366C, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

The Town did not have effective internal controls in place to ensure compliance with requirements related to the Annual Financial Report (AFR). The AFR is required to be entered annually via the Indiana Gateway for Government Units financial reporting system. Multiple errors, as identified below, were noted with the information submitted by the Town in its AFRs for both years under audit.

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

Financial Data

The Town omitted three immaterial funds, the Park Community Building Fund, the Park - Keep Our Park Beautiful fund, and the Payroll Davies Co. fund, from its 2023 and 2024 AFRs. As a result, the beginning cash and investments balance in the 2023 AFR was overstated in total by \$2,389, and the receipts, disbursements, and ending cash and investments balance in the 2023 AFR were understated in total by \$13,907, \$7,466, and \$4,052, respectively. Accordingly, the beginning cash and investments balance in the 2024 AFR was also understated in total by \$4,052. The receipts, disbursements, and ending cash and investments balance in the 2024 AFR were understated in total by \$13,450, \$16,001, and \$1,501, respectively.

The submitted information in the AFR is used to generate the financial statement and Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town. Therefore, these errors also appear in this schedule and the financial statement. Adjustments were proposed, accepted by the Town, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town, and the financial data within the 2023 and 2024 AFRs.

Capital Assets

Due to the issues noted in the comment below entitled *CAPITAL ASSETS*, the amount reported by the Town as capital assets in the 2023 and 2024 AFRs could not be verified. The Town reported total capital assets of \$9,084,467 and \$9,363,467 at December 31, 2023 and 2024, respectively.

The financial reporting framework utilized by the Town includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the Town. The Town has elected not to present this schedule.

Accounts Payable and Receivable

The Town entered \$0 for accounts payable and accounts receivable in its 2023 and 2024 AFRs. The Town was unable to provide supporting documentation to determine the amounts that should have been reported.

The financial reporting framework utilized by the Town includes the option to present a Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the Town. The Town has elected not to present this schedule.

Leases and Debt Schedule

The Town did not accurately enter debt information into its 2023 and 2024 AFRs. The following schedule presents the differences between the information submitted by the Town and the amortization schedules provided for review.

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

	Year	Over (Under) Statement			
		Beginning Principal Balance	Reductions	Ending Principal Balance	Principal Due in One Year
Municipal Sewage Works					
Revenue Bonds	2023	\$ 397,000	\$ (53,500)	\$ 450,500	\$ (74,000)
	2024	450,500	(56,130)	506,630	(78,000)
Municipal Water Works					
Revenue Bonds	2023	29,000	3,542	25,458	(1,000)
	2024	25,458	1,399	24,059	(13,000)

The submitted information is used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town. Adjustments were proposed, accepted by the Town, and made to this schedule and the debt information within the 2023 and 2024 AFRs.

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 as set forth in the uniform compliance guidelines. 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

The same comment also appeared in prior Report 000000366C.

Condition and Context

The Town did not have effective internal controls in place to ensure compliance with requirements related to capital assets. The detailed, capital asset listing provided by the Town was based upon a list of assets provided by the Town's insurance company which valued the assets at replacement value instead of historical cost. The Town used this list to take an annual inventory of assets, to add asset purchases, and remove assets no longer owned by the Town to report the changes in the Town's Annual Financial Report filed in the Indiana Gateway for Government Units financial reporting system each year. The listing of capital assets maintained did not provide a clear audit trail showing how the capital asset totals were accumulated, and we were unable to determine if the listing was complete in order to perform testing of the Town's capital assets.

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

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 detailed 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)

UTILITY OPERATING FUNDS USED FOR TOWN EXPENSES

Condition and Context

The Town did not have effective internal controls in place to ensure compliance with requirements related to utility operating funds. The salary ordinances adopted for both years under audit stated that the Town Marshal's and the Deputy Town Marshal's compensation would be paid 10 percent from the water utility and 25 percent from the wastewater utility. Compensation for these positions should have been paid entirely from Town funds since the positions were not directly related to the operation of the utilities.

Criteria

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose.

(The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2021)

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)

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

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

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report 000000366C, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS*.

Condition and Context

The Town did not have effective internal controls in place to ensure compliance with requirements related to the MVH Restricted fund. As a result, the following errors were noted:

- The Town did not allocate or deposit at least 50 percent of its February and March 2023 distributions from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted Fund. A total of \$5,159 should have been allocated to the MVH Restricted Fund.
- Ten MVH Restricted fund disbursements were selected for testing. Of those, three disbursements, totaling \$22,321, were used for preliminary engineering costs related to the Town's water improvement project which did not constitute construction, reconstruction, or preservation of the Town's roadways.

Criteria

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. (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), 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."

ALLOCATION OF COMPENSATION BETWEEN FUNDS AND RECORD OF HOURS WORKED

A similar comment appeared in a management letter addressed to Officials of the Town, period ending December 31, 2022.

Condition and Context

The Town did not have effective internal controls in place to ensure compliance with requirements related to allocation of compensation and record of hours worked. The salary ordinances adopted by the Town Council for both years under audit stated that the compensation for multiple positions would be paid from more than one fund as follows:

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

		Fund and Percentage of Pay					
		General Fund	Motor Vehicle Highway	Park & Recreation	Park Community Building Fund	Water Utl Operating	Sewage Utl Operating
2023	Clerk-Treasurer	20%				30%	50%
	Deputy Clerk-Treasurer	20%				30%	50%
	Council	20%				30%	50%
	Utility Supervisor	20%				30%	50%
	Laborer	20%				30%	50%
	Marshal/Deputy Marshall	65%				10%	25%
	Park Custodian	15%		75%	10%		
2024	Clerk-Treasurer	20%				30%	50%
	Deputy Clerk-Treasurer	20%				30%	50%
	Council	20%				30%	50%
	Utility Supervisor	20%				30%	50%
	Laborer	20%				30%	50%
	Marshal/Deputy Marshall	65%				10%	25%
	Park Custodian	15%		75%	10%		

There was no documentation to substantiate that the proration of compensation for these positions was done in a rational manner. Additionally, the time records maintained by employees did not detail the hours worked to support the amount paid from each fund.

Criteria

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

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

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF ODON
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2025, with Amanda Wilz, Clerk-Treasurer; BJ Sanders, President of the Town Council; and Susie Roach, Town Council member.



TOWN COUNCIL
TOWN OF ODON

TOWN COUNCIL
TOWN OF ODON
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The same comment also appeared in prior Report 000000366C, entitled *CAPITAL ASSETS*.

Condition and Context

Internal controls were not in place to ensure that the Town complied with laws, regulations, and uniform compliance guidelines. Deficiencies in the Town's system of internal controls resulted in noncompliance over capital assets. The Town had not adopted a capital assets policy that detailed the threshold at which an item is considered a capital asset.

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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TOWN COUNCIL
TOWN OF ODON
EXIT CONFERENCE

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