

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELIZABETH

HARRISON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

01/31/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6-8
Annual Financial Report - Other Information	8
Fund Sources and Uses - Waterworks Refunding Revenue Bond Payments.....	9
Motor Vehicle Highway (MVH) - Restricted Fund	9
Capital Assets	9-10
Training on Internal Control Standards	10
Certification on Internal Control Standards	10
Compensation and Benefits	11
Board Minutes Missing	11
Errors on Claims	12
Public Works Project	12-15
Bank Account Reconciliations.....	15
Exit Conference	16
Town Council:	
Audit Results and Comments:	
Capital Assets	18
Compensation and Benefits	18
Board Minutes Missing	18-19
Errors on Claims	19
Public Works Project	19-22
Exit Conference	23

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Hugh Burns	01-01-18 to 05-14-22
	(Vacant)	05-15-22 to 06-15-22
	Willard Haas	06-16-22 to 12-31-24
President of the Town Council	Alan Worrall	01-01-18 to 08-31-18
	George V. Tuell	09-01-18 to 12-31-19
	Alan Worrall	01-01-20 to 08-31-22
	Mike Sampson	09-01-22 to 12-31-24
Utility Office Manager	Hugh Burns	01-01-18 to 05-14-22
	(Vacant)	05-15-22 to 06-15-22
	Willard Haas	06-16-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF ELIZABETH, HARRISON COUNTY, INDIANA

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

January 22, 2024

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF ELIZABETH

CLERK-TREASURER
TOWN OF ELIZABETH
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

Deficiencies in the internal control system of the Town were identified as the Town had not separated incompatible activities related to all areas of the financial statements and reporting. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

There were no internal controls, which would include appropriate segregation of duties, in place to ensure monthly bank reconciliations were complete and accurate.

The Clerk-Treasurer prepared the bank account reconciliations for the Town without evidence of an oversight, review, or approval process. The Town contracted with an accountant that prepared the bank account reconciliations for the Water Utility without evidence of an oversight, review, or approval process.

Receipts

The Town had not established internal controls over receipts. The Clerk-Treasurer collected funds, issued receipts, recorded receipts in the ledger, prepared deposit tickets, and took the deposits to the bank. The Clerk-Treasurer also recorded and approved adjustments to the ledgers. There was no documented oversight, review, or approval process. A process was not in place to verify the transfer of funds collected by the Utility Clerks to the Clerk-Treasurer.

Utility - Adjustments

The Town had not established internal controls over Utility billing adjustments. Adjustments were recorded to Water Utility customer accounts by the same personnel who were responsible for handling collections, preparing the deposit tickets, and taking deposits to the bank without a documented oversight, review, or approval process.

Reconciliation of Accounts Receivable and Customer Deposits

The Town had not established internal controls over accounts receivable and utility customer deposits. A reconciliation of activity, per the Water Utility accounts receivable internal control memo account, was not reconciled with activity recorded to the ledger to ensure that all financial activity was properly recorded. Management does not have a process in place to reconcile the customer deposit internal control balance to the subsidiary record. Reconciliation of the internal control accounts to the subsidiary detail records is necessary to ensure all financial activity is properly recorded in the financial records.

Vendor Disbursements/Adjustments

The Town had not established internal controls over vendor disbursements and adjustments. The Clerk-Treasurer prepared and certified Accounts Payable Vouchers, wrote and signed checks, distributed checks, and recorded checks in the ledgers. The Clerk-Treasurer also recorded and approved adjustments. There was no documented oversight, review, or approval process.

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

Payroll Disbursements

The Town had not established internal controls over payroll disbursements. The Clerk-Treasurer entered pay rates and hours worked into the payroll accounting system, recorded payroll disbursements in the ledger, wrote and signed payroll checks, and distributed the checks. The Clerk-Treasurer also paid payroll taxes and deductions, issued W-2s, and reconciled the payroll tax forms. There was no documented oversight, review, or approval process.

Financial Close and Reporting

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Annual Financial Report (AFR) and financial statements.

The Town failed to properly review the financial information prepared and submitted in Gateway to ensure all transactions of the Town had been properly recorded and reported. The Clerk-Treasurer prepared and entered the financial information in Gateway; however, there was no oversight, review, or approval process in place to ensure financial transactions, the AFR, and the financial statements were accurate.

Due to the lack of effective internal controls, a \$184,000 transfer to the Bond and Interest fund was not reported for the early payoff of the Waterworks Refunding Revenue Bonds of 2008. A transfer should have been made from the Water Utility Operating fund to the Bond and Interest fund prior to the final payment.

Audit adjustments were proposed, approved 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.

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](#)."

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.

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

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. . . ."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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 financial information entered into Gateway included the following errors:

Leases and Debt

The Debt Schedule information submitted to Gateway for 2019, 2020, 2021, and 2022 was inaccurate. The only debt reported had been paid off in 2019 and should not have been reported for those years.

Capital Assets

The Town was unable to provide a detailed capital asset listing for the audit period. Therefore, the Capital Asset Schedule information submitted to Gateway for 2018, 2019, 2020, 2021, and 2022 could not be verified. The Town chose not to present the Schedule of Capital Assets 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](#)."

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

FUND SOURCES AND USES - WATERWORKS REFUNDING REVENUE BOND PAYMENTS

Condition and Context

The final bond payment for the Waterworks Refunding Revenue Bonds of 2008 was not accounted for in the Bond and Interest fund. The payment was posted directly to the Water Utility Operating fund instead of transferring the funds to the Bond and Interest fund to expend, as required by bond ordinance.

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)

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway Restricted fund (MVH Restricted fund) as required; however, the Town did not allocate or record at least 50 percent of distributions from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted fund. The Town recorded 16 percent, 0 percent, and 38 percent in 2019, 2020, and 2021, respectively, of State Motor Vehicle Highway Account distributions to the MVH Restricted fund.

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. (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)

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital assets policy detailing the threshold of capital asset items. A complete listing of the Town's capital assets was not kept. A complete physical inventory had not been taken in the last two years.

CLERK-TREASURER
TOWN OF ELIZABETH
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 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)

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B50613.

Condition and Context

The Town could not provide evidence that all required employees received training over the 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B50613.

Condition and Context

The Town certified on the Indiana Gateway for Government Units financial reporting system that internal control standards were adopted, and that training was received for the audit period. No documentation was presented for audit to document training was received by the former or current Clerk-Treasurer, Town Council members, or any other applicable employees.

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 ELIZABETH
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

A similar comment also appeared in a Management Letter addressed to the Town Council for audit period ending December 31, 2017, entitled *SALARY ORDINANCES*.

Condition and Context

Of 21 payroll disbursements tested, 2 did not have documentation presented for audit to confirm the rate paid to employees was approved in a salary ordinance.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BOARD MINUTES MISSING

Condition and Context

The Town did not provide all Town Council minutes for audit. The Town Council minutes were not provided for four months of the audit period.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

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

ERRORS ON CLAIMS

Condition and Context

Of 25 vendor disbursements tested, 3 did not have documentation presented for audit to verify approval of the Town Council. The Town has an ordinance in place to allow payment prior to approval; however, no documentation of Town Council approval was found prior to or after payment of the claims.

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. . . ."

PUBLIC WORKS PROJECT

Condition and Context

In 2019, the Town did not properly bid for a road paving project (project) whose original cost and contracted amount was \$161,482. The Town received two bids for the project that were over \$150,000, but did not perform the formal bidding process for public works projects exceeding \$150,000. The contract and supporting documentation presented for audit followed procedures for public works projects between \$50,000 and \$150,000.

The total amount paid to the contractor was \$186,674, which varied from the original quoted prices due to change in volume of supplies. No formal change orders were presented for audit substantiating the increase from the original contract amount and the amount paid.

Criteria

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one hundred fifty thousand dollars (\$150,000).

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

- (b) The board must comply with the following procedure:
- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
 - (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
 - (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(6\)](#) by the office of technology.
 - (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
 - (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
 - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
 - (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
 - (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
 - (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:
 - (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
 - (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
 - (8) Except as provided in subsection (c), the board shall:
 - (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

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

- (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
 - (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
 - (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
 - (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
 - (A) The ability and capacity of the bidder to perform the work.
 - (B) The integrity, character, and reputation of the bidder.
 - (C) The competence and experience of the bidder.
- (12) The board shall require the bidder to submit an affidavit:
 - (A) that the bidder has not entered into a combination or agreement:
 - (i) relative to the price to be bid by a person;
 - (ii) to prevent a person from bidding; or
 - (iii) to induce a person to refrain from bidding; and
 - (B) that the bidder's bid is made without reference to any other bid. . . .
- (d) Notwithstanding subsection (b), a board may receive electronic bids for the public work if:
 - (1) the solicitation for bids indicates the procedure for transmitting the electronic bid to the board; and
 - (2) the board receives the bid on a facsimile machine or system with a security feature that protects the content of an electronic bid with the same degree of protection as the content of a bid that is not transmitted by a facsimile machine.
- (e) A board may select a vendor to provide an electronic platform to accommodate the electronic bidding process."

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

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

In total, the Town had 2 bank accounts throughout the audit period which should have been reconciled monthly to the Town's ledgers. Of the 120 monthly reconcilements required during the audit period, 18 were selected for testing. Of the 18 reconcilements tested, 8 were not completed timely.

The bank reconcilements for December 31, 2021, and December 31, 2022, included reconciling items from up to two years prior in its adjustment listings. The adjustment listings should be further investigated, items identified, and corrections made in order to remove the adjustments from the list in a timely manner.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CLERK-TREASURER
TOWN OF ELIZABETH
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2024, with Willard Haas, Clerk-Treasurer; Mike Sampson, President of the Town Council; Bethany Allen, Utility Clerk/Deputy Clerk-Treasurer; and Alan Worrall, Town Council member.

TOWN COUNCIL
TOWN OF ELIZABETH

TOWN COUNCIL
TOWN OF ELIZABETH
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital assets policy detailing the threshold of capital asset items. A complete listing of the Town's capital assets was not kept. A complete physical inventory had not been taken in the last 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)

COMPENSATION AND BENEFITS

A similar comment also appeared in a Management Letter addressed to the Town Council for audit period ending December 31, 2017, entitled *SALARY ORDINANCES*.

Condition and Context

Of 21 payroll disbursements tested, 2 did not have documentation presented for audit to confirm the rate paid to employees was approved in a salary ordinance.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BOARD MINUTES MISSING

Condition and Context

The Town did not provide all Town Council minutes for audit. The Town Council minutes were not provided for four months of the audit period.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.

TOWN COUNCIL
TOWN OF ELIZABETH
AUDIT RESULTS AND COMMENTS
(Continued)

- (3) The general substance of all matters proposed, discussed, or decided.
 - (4) A record of all votes taken by individual members if there is a roll call.
 - (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

ERRORS ON CLAIMS

Condition and Context

Of 25 vendor disbursements tested, 3 did not have documentation presented for audit to verify approval of the Town Council. The Town has an ordinance in place to allow payment prior to approval; however, no documentation of Town Council approval was found prior to or after payment of the claims.

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. . . ."

PUBLIC WORKS PROJECT

Condition and Context

In 2019, the Town did not properly bid for a road paving project (project) whose original cost and contracted amount was \$161,482. The Town received two bids for the project that were over \$150,000, but did not perform the formal bidding process for public works projects exceeding \$150,000. The contract and supporting documentation presented for audit followed procedures for public works projects between \$50,000 and \$150,000.

TOWN COUNCIL
TOWN OF ELIZABETH
AUDIT RESULTS AND COMMENTS
(Continued)

The total amount paid to the contractor was \$186,674, which varied from the original quoted prices due to change in volume of supplies. No formal change orders were presented for audit substantiating the increase from the original contract amount and the amount paid.

Criteria

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one hundred fifty thousand dollars (\$150,000).

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(6\)](#) by the office of technology.
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
 - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
 - (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:

TOWN COUNCIL
TOWN OF ELIZABETH
AUDIT RESULTS AND COMMENTS
(Continued)

- (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
 - (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
- (8) Except as provided in subsection (c), the board shall:
- (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
 - (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
- (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
 - (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
 - (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
- (A) The ability and capacity of the bidder to perform the work.
 - (B) The integrity, character, and reputation of the bidder.
 - (C) The competence and experience of the bidder.
- (12) The board shall require the bidder to submit an affidavit:
- (A) that the bidder has not entered into a combination or agreement:
 - (i) relative to the price to be bid by a person;
 - (ii) to prevent a person from bidding; or
 - (iii) to induce a person to refrain from bidding; and
 - (B) that the bidder's bid is made without reference to any other bid. . . .

TOWN COUNCIL
TOWN OF ELIZABETH
AUDIT RESULTS AND COMMENTS
(Continued)

(d) Notwithstanding subsection (b), a board may receive electronic bids for the public work if:

- (1) the solicitation for bids indicates the procedure for transmitting the electronic bid to the board; and
- (2) the board receives the bid on a facsimile machine or system with a security feature that protects the content of an electronic bid with the same degree of protection as the content of a bid that is not transmitted by a facsimile machine.

(e) A board may select a vendor to provide an electronic platform to accommodate the electronic bidding process."

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)

TOWN COUNCIL
TOWN OF ELIZABETH
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2024, with Willard Haas, Clerk-Treasurer; Mike Sampson, President of the Town Council; Bethany Allen, Utility Clerk/Deputy Clerk-Treasurer; and Alan Worrall, Town Council member.