

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF WEST LEBANON

WARREN COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

05/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cynthia Williams	01-01-19 to 12-31-24
President of the Town Council	Marty Kutsenkow	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF WEST LEBANON, WARREN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of West Lebanon (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Cynthia Williams, Clerk-Treasurer; Marty Kutsenkow, President of the Town Council; and Jim Kiger, Town Council member, on May 22, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 13, 2024

TOWN OF WEST LEBANON
COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B39777, B46099, and B53272.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts and payroll disbursements.

Receipts

One employee was responsible for collecting money, posting it to the ledger, and making the daily bank deposits for the Town. There was no documentation of an internal control in place, such as a review, oversight, or approval process, to ensure the receipts were properly recorded and deposited.

Payroll Disbursements

One employee was responsible for reviewing timecards, entering payroll information into the computer system, and generating/disbursing payroll checks to the Town employees. There was no documentation of an internal control in place, such as a review, oversight, or approval process, to ensure the timecards and information entered into the system was accurate. The Town Council reviewed the weekly payroll total on the accounts payable vouchers presented to them at the monthly meetings but those did not include detailed information.

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. . . ."

CAPITAL ASSETS

This same comment appeared in a Management Letter addressed to the Officials of the Town for the period ending December 31, 2018.

TOWN OF WEST LEBANON
COMMENTS
(Continued)

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to capital assets. The Town did not maintain a detailed listing of capital assets as required, or that a physical inventory had been taken at least every two years. The Schedule of Capital Assets reported as part of the 2023 Annual Financial Report via the Indiana Gateway for Government Units financial reporting system in the amount of \$5,670,933, which was unable to be substantiated.

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 Indiana Cities and Towns, Chapter 1)

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ORDINANCES AND RESOLUTIONS

Condition and Context

Internal controls were not in place to ensure the Town's utility rate ordinances were followed. The Town's water and wastewater rate ordinances were each established in 2011. The water ordinance stated that each step of the rate should increase by \$0.33 each year and the minimum charge for each meter size should increase by \$0.99 per year. The wastewater ordinance stated that the base charge should increase by \$0.99 in 2012 and then freeze, and the per 1000-gallon charge should increase by \$0.33 per year indefinitely.

However, the Town increased rates for 2019 and 2020, but did not increase rates for 2022 until the utility rate tax was repealed in July of 2022. Rates were not increased per the ordinance in 2023.

TOWN OF WEST LEBANON
COMMENTS
(Continued)

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)

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OVERDRAWN CASH BALANCES

This same comment appeared in a Management Letter addressed to the Officials of the Town for the period ending December 31, 2018. It also appears in prior Reports B39777 and B46099.

Condition and Context

Internal controls were not in place to ensure the Town didn't have overdrawn cash balances. The following Town funds had overdrawn cash balances that were not related to a reimbursable grant.

Years	Fund	Amount Overdrawn
2019	Payroll Fund	\$ 181
2019	Sewage Utility Operating Fund	6,155
2021	Payroll Fund	3,022
2022	Payroll Fund	4,013
2023	Payroll Fund	4,874

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Cities and Towns, Chapter 1)

TOWN OF WEST LEBANON
COMMENTS
(Continued)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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TOWN OF WEST LEBANON
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-19	Receipts	Disbursements	12-31-19	Receipts	Disbursements	
GENERAL FUND	\$ 193,547	\$ 228,097	\$ 250,902	\$ 170,742	\$ 234,844	\$ 206,758	\$ 198,828
MOTOR VEHICLE HIGHWAY	34,338	15,559	25,746	24,151	13,722	12,983	24,890
LOCAL ROAD & STREET	10,132	5,123	5,593	9,662	4,710	2,867	11,505
GARBAGE REVENUE	10,218	46,661	46,440	10,439	50,958	51,034	10,363
PARK & RECREATION do not use	(477)	477	-	-	-	-	-
RAINY DAY FUND	21,686	6,562	10,217	18,031	6,500	6,562	17,969
ECONOMIC DEV INCOME TAX	-	10,126	301	9,825	13,932	-	23,757
CUM CAP IMP - CIG TAX	12,040	1,652	-	13,692	1,568	1,969	13,291
COVID CARES ACT	-	-	-	-	19,757	19,757	-
MVH RESTRICTED	-	35,559	-	35,559	13,722	24,000	25,281
PUBLIC SAFETY LOIT	31,693	16,872	15,992	32,573	20,607	26,643	26,537
PAYROLL FUND	21,270	230,969	252,420	(181)	230,810	226,273	4,356
DONATION - 150TH CELEBRATION	-	6,650	6,650	-	-	-	-
STORM WATER	17,727	15,480	545	32,662	17,514	14,380	35,796
SEWAGE UTILITY OPERATIN	(3,401)	181,390	184,144	(6,155)	204,520	173,407	24,958
SEWAGE UTL BOND & INT	(29,988)	104,095	38,565	35,542	21,240	56,782	-
SEWAGE MATCH FUND	6,753	-	-	6,753	-	6,753	-
SEWAGE UTL DEBT SERVICE	92,389	-	63,030	29,359	-	29,359	-
WATER UTILITY OPERATING	(7,448)	237,139	163,577	66,114	219,105	171,583	113,636
WATER UTL METER DEPOSIT	57,336	3,865	2,741	58,460	6,415	1,248	63,627
SEWAGE UTILITY DEPRECIATION	-	-	-	-	24,056	-	24,056
WATER UTL DEPRECIATION	-	-	-	-	6,000	-	6,000
Totals	<u>\$ 467,815</u>	<u>\$ 1,146,276</u>	<u>\$ 1,066,863</u>	<u>\$ 547,228</u>	<u>\$ 1,109,980</u>	<u>\$ 1,032,358</u>	<u>\$ 624,850</u>

TOWN OF WEST LEBANON
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-21	Receipts	Disbursements	12-31-21	Receipts	Disbursements	
GENERAL FUND	\$ 198,828	\$ 251,644	\$ 225,526	\$ 224,946	\$ 257,734	\$ 194,924	\$ 287,756
MOTOR VEHICLE HIGHWAY	24,890	15,166	1,838	38,218	14,680	33,802	19,096
LOCAL ROAD & STREET	11,505	5,125	975	15,655	5,166	1,711	19,110
ECONOMIC DEV INCOME TAX	23,757	21,895	-	45,652	15,870	42,000	19,522
GARBAGE REVENUE	10,363	51,956	52,405	9,914	55,970	54,465	11,419
RAINY DAY FUND	17,969	26,482	5,000	39,451	-	-	39,451
OPIOID RESTRICTED	-	-	-	-	1,119	-	1,119
OPIOID UNRESTRICTED	-	-	-	-	480	-	480
CUM CAP IMP - CIG TAX	13,291	1,485	230	14,546	1,231	6,275	9,502
COVID CARES ACT	-	2,242	2,242	-	-	-	-
IPEP SAFETY GRANT	-	6,334	6,334	-	-	-	-
A.R.P.	-	79,891	73,610	6,281	78,413	84,694	-
MVH RESTRICTED	25,281	15,165	-	40,446	14,680	47,152	7,974
Planning Grants	-	-	-	-	87,300	87,300	-
PUBLIC SAFETY LOIT	26,537	27,156	26,574	27,119	23,609	3,548	47,180
COMMUNITY CROSSING GRANTS	-	-	-	-	142,254	142,254	-
TRUST IN - TRECS	-	2,650	2,650	-	1,058	1,058	-
PAYROLL FUND	4,356	243,471	250,849	(3,022)	210,001	210,992	(4,013)
STORM WATER	35,796	17,655	11,705	41,746	17,176	30,888	28,034
SEWAGE UTILITY OPERATIN	24,958	175,578	180,180	20,356	167,529	173,248	14,637
SEWAGE UTILITY DEPRECIATION	24,056	12,000	5,425	30,631	12,000	900	41,731
WATER UTILITY OPERATING	113,636	230,249	227,011	116,874	213,468	242,930	87,412
WATER UTL METER DEPOSIT	63,627	8,995	1,652	70,970	7,100	1,419	76,651
WATER UTL DEPRECIATION	6,000	12,000	1,787	16,213	12,000	39	28,174
Totals	\$ 624,850	\$ 1,207,139	\$ 1,075,993	\$ 755,996	\$ 1,338,838	\$ 1,359,599	\$ 735,235

TOWN OF WEST LEBANON
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
GENERAL FUND	\$ 287,756	\$ 275,013	\$ 213,549	\$ 349,220
MOTOR VEHICLE HIGHWAY	19,096	14,600	90	33,606
LOCAL ROAD & STREET	19,110	5,253	3,207	21,156
ECONOMIC DEV INCOME TAX	19,522	19,204	2,624	36,102
GARBAGE REVENUE	11,419	56,808	56,680	11,547
RAINY DAY FUND	39,451	-	-	39,451
OPIOID RESTRICTED	1,119	251	1,370	-
OPIOID UNRESTRICTED	480	86	480	86
CUM CAP IMP - CIG TAX	9,502	1,231	2,276	8,457
A.R.P.	-	235	-	235
MVH RESTRICTED	7,974	14,600	22,519	55
PUBLIC SAFETY LOIT	47,180	28,733	16,345	59,568
COMMUNITY CROSSING GRANTS	-	74,710	74,710	-
PAYROLL FUND	(4,013)	222,111	222,972	(4,874)
SEWAGE UTILITY OPERATIN	14,637	175,206	170,506	19,337
SEWAGE UTILITY DEPRECIATION	41,731	12,000	-	53,731
WATER UTILITY OPERATING	87,412	234,019	218,670	102,761
WATER UTL METER DEPOSIT	76,651	5,600	1,081	81,170
WATER UTL DEPRECIATION	28,174	12,000	111	40,063
STORM WATER	28,034	17,243	1,812	43,465
Totals	<u>\$ 735,235</u>	<u>\$ 1,168,903</u>	<u>\$ 1,009,002</u>	<u>\$ 895,136</u>