

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF TRAIL CREEK

LA PORTE COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**

02/12/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joshleen Denham Crystal Frever	01-01-19 to 12-31-23 01-01-24 to 12-31-25
President of the Town Council	Jennifer Heath	01-01-19 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF TRAIL CREEK, LA PORTE 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 Trail Creek (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 Joshleen Denham, former Clerk-Treasurer, on January 13, 2025.

The contents of this report were communicated to Crystal Frever, Clerk-Treasurer; Jennifer Heath, President of the Town Council; Peter Pizarek, Town Council member; Warren Schacht, Town Council member; and Laura Saenz, Town Council member, on January 14, 2025.



Beth Kelley, CPA, CFE  
Deputy State Examiner

November 6, 2024

TOWN OF TRAIL CREEK  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

The Town did not have an effective system of internal controls in place to ensure compliance with the following items detailed in the comments below:

- Penalties, Interest, and Other Charges
- Compensation in Excess of Salary Ordinance - Clerk-Treasurer
- Personal Expenses - Clerk-Treasurer
- Debit Card Policy
- Payroll Withholding Fund
- Reporting of Gross Wages
- Bank Account Reconciliations
- Investment
- Fund Sources
- Motor Vehicle Highway (MVH) - Restricted
- Annual Financial Report
- Capital Assets
- Monthly and Annual Uploads
- Errors on Claims
- Fund Uses
- Accounting for Coronavirus Relief Funds

*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.

TOWN OF TRAIL CREEK  
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. . . ."

**PENALTIES, INTEREST, AND OTHER CHARGES**

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the review period ending December 31, 2018, entitled *FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS*.

*Condition and Context*

The Town did not have internal controls over the correct reporting and timely remittance of taxes. The Town did not correctly report and timely remit federal, state, and local taxes timely, which resulted in the Town paying penalties and interest to the Internal Revenue Service and the Indiana Department of Revenue.

Due to incorrect reporting and untimely remittances of the taxes, the Town incurred and paid penalties and interest as follows:

Year	Internal Revenue Service	Indiana Department of Revenue	Total Penalties and Interest paid
2019	\$ -	\$ 399.71	\$ 399.71
2020	1,130.98	371.26	1,502.24
2021	-	268.08	268.08
2022	1,811.63	568.95	2,380.58
2023	-	146.68	146.68
Totals	<u>\$ 2,942.61</u>	<u>\$ 1,754.68</u>	<u>\$ 4,697.29</u>

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The Indiana State Board of Accounts requested Joshleen Denham reimburse the Town for the total penalties and interest paid of \$4,697.29. (See Summary of Charges, page 41)

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

**COMPENSATION IN EXCESS OF SALARY ORDINANCE - CLERK-TREASURER**

*Condition and Context*

The Town did not have internal controls to ensure compensation paid did not exceed the amount approved in the salary ordinance for the Clerk-Treasurer.

The Clerk-Treasurer was responsible for the processing and payment of compensation to all Town officials and employees. The Clerk-Treasurer's compensation was paid bimonthly; therefore, a calendar year normally would have 24 pay periods. Actual pay periods in a calendar year ranged between 23 and 25 payrolls during the period reviewed. This resulted in the over and under payments of compensation to the Clerk-Treasurer as follows:

Year	Annual Salary per Ordinance	Actual Compensation	Over (Under)
2019	\$ 38,609.00	\$ 39,361.97	\$ 752.97
2020	38,609.00	40,817.40	2,208.40
2021	40,381.00	40,448.42	67.42
2022	40,381.00	39,098.42	(1,282.58)
2023	41,592.00	43,385.22	<u>1,793.22</u>
Total			<u>\$ 3,539.43</u>

*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)

Indiana Code 36-5-3-2 states in part:

". . . (b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. An ordinance adopted under this subsection that fixes the annual compensation of an elected town officer shall provide for an annual, monthly, or biweekly salary schedule. . . ."

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year. . . ."

The Indiana State Board of Accounts requested Joshleen Denham reimburse the Town for the overpayment of compensation in the amount of \$3,539.43. (See Summary of Charges, page 41)

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

**PERSONAL EXPENSES - CLERK-TREASURER**

*Condition and Context*

The Town did not have internal controls over the payment of personal expenses from Town funds and vendor accounts.

The Town had an account with an online vendor for the purpose of purchasing supplies and other items used by the Town. The account was set up with the Town's tax-exempt status. The Town also had a debit card for use in making such purchases, which was held by the Clerk-Treasurer.

The Town's debit card was used to purchase office related items, such as an iPad, a case and screen protectors for an iPad, laptop computer case, a computer charging cable, and multiple reading glasses totaling \$458.69. These purchases were made by the Clerk-Treasurer between 2020 and 2023.

The Clerk-Treasurer's term of office ended December 31, 2023. The Town could not locate the above items after the Clerk-Treasurer left office. The Town's attorney requested the return of various items from the Clerk-Treasurer in 2024, but the items listed above were not returned.

A credit card issued by the online vendor was used to purchase personal expenses under the Town's online tax-exempt accounts. Review of the records noted the payments for the credit card purchases were not recorded to the records of the Town or paid with Town funds. However, there were 23 invoices for personal expenses that avoided sales tax totaling \$47.85 that were delivered to either the Town Hall or the Clerk-Treasurer's home.

*Criteria*

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The Indiana State Board of Accounts requested Joshleen Denham reimburse the Town for the personal expenses paid by the Town in the amount of \$458.69. (See Summary of Charges, page 41)

**DEBIT CARD POLICY**

*Condition and Context*

The Town did not have internal controls in place to ensure policies were adopted as required. The Town had a debit card for use in making small purchases, which was held by the Clerk-Treasurer. The Town had not adopted a debit card policy governing the use of the debit card.

*Criteria*

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/ resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

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

**PAYROLL WITHHOLDING FUND**

*Condition and Context*

The Town did not have internal controls over the recording of transactions to or the reconciliation of the payroll withholding fund.

The Town has a payroll withholding fund, titled Payroll Memo (806), which is to be used to account for all employee withholdings withheld for taxes for remittance to the Internal Revenue Service and the Indiana Department of Revenue. Due to the lack of internal controls, the following deficiencies were noted with the Payroll Memo (806) fund:

- All payments of employee withholdings were not consistently recorded to the Payroll Memo (806) fund. Instead, the employee withholding payments were recorded to the funds from which gross payroll was recorded, resulting in the double posting of withholdings in those funds. Thus, the disbursements for the General Fund, Motor Vehicle Highway, Refuse Removal, and Riverboat funds were overstated by \$74,268, \$21,573, \$11,103, and \$2,545, respectively, and the Payroll Memo (806) fund disbursements were understated for \$109,489 during the engagement period.
- The Payroll Memo (806) balance at the end of each month was not reconciled to ensure any balance could be identified as taxes held and not yet remitted. This fund reported the following year-end cash and investment balances:

As of December 31,	Cash and Investment Balance
2019	\$ 114,584
2020	146,150
2021	210,521
2022	156,098
2023	100,007

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

- In 2021, the Town received \$64,822 in Coronavirus Relief Funds (CRF). The grant funds were transferred from the COVID Refunds CARES Act Fund to the Payroll Memo (806) fund. The grant should have been transferred instead to the fund that paid for the payroll related to the grant. This also contributed to the inflated 2021 year-end balance of the Payroll Memo (806) fund noted above.

*Criteria*

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)

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)

**REPORTING OF GROSS WAGES**

*Condition and Context*

The Town did not have internal controls over the reporting of gross wages via the required IRS Form W-2, Wage and Tax Statement (W-2).

The quarterly payroll in December 2020 was erroneously processed twice in the payroll software and not corrected. Only one quarterly payment to employees was recorded to the funds ledger and withdrawn from the bank account. However, the payroll software, which included the additional payroll, was the basis for the compilation of the employees' W-2s and reporting to the federal government.

This resulted in the reported gross wages to the federal government to exceed the actual wages paid to employees for the 2020 W-2s by \$6,069.

*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)

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)

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)

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

**BANK ACCOUNT RECONCILIATIONS**

This same comment appeared in a Management Letter addressed to the Clerk-Treasurer for the review period ending December 31, 2018.

*Condition and Context*

The Town did not have internal controls over the accuracy, completeness, and timeliness of monthly bank reconciliations.

Monthly bank reconciliations were performed; however, the Indiana State Board of Accounts could not determine if the reconciliations were completed timely. A review of each year-end reconciliations noted the following:

- The Certificate of Deposit (CD) investment account was not included when performing the reconciliations, although the CD appeared on the monthly statements.
- The monthly interest earned on the CD was not recorded in the records nor included in any monthly reconciliation.
- For 2019 through 2022, the reconciliations included \$885 of unrecorded CD interest earned in 2017 and 2018.
- Each year-end reconciliation included a \$37,221 reconciling item labeled "Adjustment #1 Unknown Possibly Payroll 2016."
- The recorded cash and investment balance was greater than the adjusted bank balances at each year end as follows:

As of December 31,	Ledger Cash and Investment Balance	Adjusted Bank Balance	Variance
2019	\$ 1,282,379	\$ 1,249,185	\$ 33,194
2020	1,112,477	1,079,012	33,465
2021	1,745,298	1,711,716	33,582
2022	2,040,639	2,007,984	32,655
2023	2,133,257	2,081,737	51,520

*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."

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)

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

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)

**INVESTMENT**

*Condition and Context*

The Town held a 24-month Certificate of Deposit (CD) which matured on December 25, 2019, 2021, and 2023. The Town did not have internal controls over the purchasing and recording of the investment activity, which resulted in the following deficiencies:

- Quotes were not obtained to ensure the highest rate of interest was earned as required. Instead, the CD was allowed to just roll over.
- The CD earned interest monthly, increasing the principal balance each time. The monthly interest earned was not recorded in the records. As of December 31, 2023, the CD balance was \$129,417; however, the record balance was \$124,167. This resulted in unrecorded interest of \$5,250 as of December 31, 2023.

*Criteria*

Indiana Code 5-13-9-4(b) states:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under [IC 5-14-3](#). If the deposit is not placed in the designated depository quoting the highest rate of interest, the investing officer shall:

- (1) place the deposit in the depository quoting the second or third highest rate of interest; and
- (2) note the reason for placing the deposit on the memorandum of quotes."

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

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

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

**FUND SOURCES**

The same comment appeared in a Management Letter addressed to the Clerk-Treasurer for the review period ending December 31, 2018.

*Condition and Context*

The Town did not have internal controls over the recording of state and local distributions to the proper funds, which resulted in the following errors:

*Local Income Tax (LIT) Distributions*

- In 2019, \$12,795 of the LIT distributions for the General Fund were erroneously recorded to the CEDIT fund.
- The April and September 2020 LIT distributions for the CEDIT fund were incorrectly totaled by \$200.
- The October and November 2021 LIT distributions for the CEDIT fund were erroneously recorded to the General Fund.

*State Distributions*

- In 2019, a \$618 cigarette tax distribution for the General Fund was erroneously recorded to the Cumulative Capital Improvement fund.
- In 2023, \$590 of Opioid Unrestricted Settlement funds were erroneously recorded to the Opioid Restricted fund and not the Opioid Unrestricted 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)

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

*Condition and Context*

The Town did not have internal controls to ensure compliance with restricted distributions received from the State of Indiana's Motor Vehicle Highway (SMVH) Account. Due to the lack of internal controls, the following noncompliance occurred:

- The Town was to create a new sub-fund titled MVH Restricted as of January 1, 2019. The MVH Restricted fund was not created until 2022.
- For 2019, 2020, 2021, and 2023, the Town did not allocate or deposit at least 50 percent of the distributions received from the SMVH Account at the time of the receipt of funds to the MVH Restricted fund. The Town posted 100 percent of the SMVH distributions to the Motor Vehicle Highway (MVH) fund. This resulted in the MVH fund receipts to be overstated and the MVH Restricted fund receipts to be understated, each by \$170,509.

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

- For 2022, the Town recorded all the SMVH distributions into the MVH fund throughout the year. On December 31, 2022, the Town transferred the required 50 percent share to the MVH Restricted fund. The Town should have receipted the 50 percent share into the MVH Restricted fund as the MVH distributions were received monthly.

*Criteria*

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."

The purpose of this Directive is to authorize and require counties, 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 throughout this Directive 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 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)

## **ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The Town had not established effective internal controls over the AFR information, which resulted in the following errors:

*Financial Data by Fund*

The Major Moves fund receipts and disbursements reported did not agree to the ledger in the 2022 AFR. Interest earned totaling \$194 was recorded in the ledgers properly; however, it was reported as a disbursement in the AFR. This resulted in the Major Moves fund reported cash and investment balance on December 31, 2022, to be understated by \$388. The January 1, 2023 cash and investment balance for the Major Moves fund was adjusted to agree to the fund balance per the ledger. This resulted in the 2022 AFR ending cash and investment balances to not articulate with the 2023 AFR beginning cash and investment balances for the Major Moves fund.

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

*Accounts Payable and Accounts Receivable*

Amounts were reported for accounts payable and accounts receivable in the AFRs for 2019, 2020, 2021, and 2022. However, the Indiana State Board of Accounts could not determine the validity of the amounts reported since supporting documentation was not provided for review. For 2023, no amounts were reported for accounts payable or accounts receivable.

*Leases*

- The 2019 AFR omitted the information for a vehicle lease with an annual lease payment totaling \$6,198.
- The 2020 AFR omitted the information for four vehicle leases with annual lease payments totaling \$26,524.
- The 2021 AFR omitted the information for a vehicle lease with an annual lease payment totaling \$6,198.
- The 2022 AFR omitted the information for two vehicle leases with annual lease payments totaling \$8,107.

*Capital Assets*

Amounts were reported in the annual AFRs for the value of the capital assets owned by the Town. For each AFR from 2019 through 2023, the Town reported the following same amounts:

Capital Assets	Ending Balance
Land	\$ 1,000,000
Infrastructure	1,000,000
Buildings	1,000,000
Improvements other than buildings	150,000
Machinery, equipment, and vehicles	200,000
Construction in progress	200,000
Books and other	15,000
Total capital assets	\$ 3,565,000

However, we could not determine the validity of the amounts reported since a complete detailed listing of capital assets, which included values for land, construction in progress, infrastructure, buildings, and improvements other than buildings, was not properly maintained as required.

TOWN OF TRAIL CREEK  
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 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**

*Condition and Context*

The Town did not have internal controls to ensure a complete and accurate detailed listing of capital assets was maintained and physically inventoried as required. Due to the lack of internal controls, the Town's detailed listing was determined to not be accurate and complete based on the following:

- The detailed listing did not provide a value for roads that should be classified as infrastructure owned by the Town.
- The detailed listing did not provide a value for land or buildings owned by the Town.

In addition, Ordinance Number 11-2019 adopted a Capital Asset Accounting Policy for the categorization, capitalization, depreciation, and disposition of Town owned assets. The Capital Asset Accounting Policy states in Section V: Inventory and Disposition:

"A. All Capital Assets will be physically inventoried annually at the department level by the department heads and/or their designees. The Clerk-Treasurer will conduct random inventory checks to assure ongoing compliance with this and other applicable Town policies . . ."

The Town did not perform a physical inventory annually as required by the policy.

*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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The Town did not have internal controls to ensure timely compliance with upload requirements. Amended State Examiner Directive 2018-1 requires monthly and annual documents of governmental unit information to be uploaded to the Indiana Gateway for Government Units financial reporting system.

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

The monthly documents must be uploaded by the 15<sup>th</sup> of the second month following the month they are for, and annual documents must be uploaded by March 1. The Town did not properly upload monthly and annual documents as follows.

*Monthly Uploads*

- For all months in 2019, 2020, and 2022, monthly bank reconcilements and outstanding check listings were not uploaded until July or August 2023.
- For 2019, monthly bank statements for March through July were not uploaded until September 2019 and the September through December were not uploaded until April 2022.
- For 2019, the monthly approved Town Council minutes for February through July 2019 were not uploaded until September 2019 and the September through December were not uploaded until April 2022.
- For 2020, the monthly bank statements, approved Town Council minutes, and funds ledgers were not uploaded until April 2022.
- For 2021, the monthly bank reconciliations, bank statements, outstanding check listings, approved Town Council minutes, and funds ledgers were not uploaded until April 2022.
- For 2023, the approved monthly Town Council minutes, funds ledgers, and seven monthly bank statements were not uploaded until March 2024.

*Annual Uploads*

- For 2019, 2020, and 2021, the year-end investment statements were not uploaded until 2023. In addition, the detail receipts and disbursements ledgers, current year salary ordinances and annual vendor history reports were not uploaded until 2022.
- For 2023, the year-end investment statement and current year salary ordinance were not uploaded until April 2024. In addition, the detail receipts and disbursements ledgers, and annual vendor history reports were not uploaded until March 2024.

*Criteria*

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 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)

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

***ERRORS ON CLAIMS***

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the review period ending December 31, 2018, entitled *TRAVEL CLAIMS*.

*Condition and Context*

The Town did not have internal controls over compliance with the laws and regulations related to vendor and payroll disbursements.

*Vendor*

Disbursements are to be supported by a fully itemized invoice and a claim, which is also called an Accounts Payable Voucher (APV). The APV is the required prescribed form to document the fiscal officer certification and governing board allowance. The fiscal officer and governing board have the choice to either sign each APV individually or an APV register. Of the 35 vendor payments tested for compliance, the following errors were noted:

- For all APVs tested, the invoices or bills were not approved by the officer or person receiving the goods and services as required.
- For seven claims, we could not determine if proper certifications by the fiscal officer and allowances by the Town Council were received since dockets for January through March 2022 and June and November 2023 were not provided for review.

*Payroll*

Of the five payroll APVs selected, three were not included in the APV registers for allowance by the Town Council.

Of the 25 individual paychecks tested, the following five errors were noted:

- In 2019, an employee was paid \$10 per pay greater than the approved salary ordinance rate.
- In 2020, an employee was paid \$18.99 an hour instead of the approved rate of \$18.88 per the salary ordinance.
- In 2021 and 2022, documentation could not be provided to support the overtime rates paid in two instances.
- In 2022, the President of the Town Council was overpaid \$34.

*Mileage*

Mileage reimbursement claims were not properly supported by the prescribed Mileage Claim general form no. 101 and were determined to not be sufficiently detailed. A log was kept, but it did not always detail start point or end point to ensure number of miles claimed for reimbursement were correct, odometer readings, or the nature of the business.

Furthermore, the Clerk-Treasurer was reimbursed for both gasoline and mileage on a claim. The travel policy states in part:

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

"1. An employee or council member traveling in his/her vehicle shall be paid mileage allowance at the same rate as the current federal mileage rate, as amended . . .

4. If the Town vehicle is used, no mileage will be paid; gasoline will be provided by Town."

Evidence that a Town vehicle was used was not documented to support the reimbursement of gasoline purchased for \$30 was not provided. Included in the \$37 reimbursement to the Clerk-Treasurer for the purchase of the gasoline was \$7 for alcohol.

*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. . . ."

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (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)

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

**FUND USES**

*Condition and Context*

The Town did not have internal controls over expenses paid from Town funds for vehicle repairs to the Marshal's personal vehicle. The Town Marshal damaged his personal vehicle with a Town police vehicle. The Town Marshal prepared a police report on this incident. Both vehicles were repaired, and both repairs were paid for by the Town from the General Fund. The Town paid \$808 for repairs to the Town Marshal's personal vehicle. Although the claim docket with this repair payment was approved by the Town Council, the minutes did not note the Town Council discussing and approving the repairs to a personal vehicle. Inquiry of the President of the Town Council determined that the Town Council was not aware that the damage and the related payment for repairs to the Town Marshal's personal vehicle had occurred.

*Criteria*

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS**

*Condition and Context*

The Town did not have internal controls over compliance with the laws and regulations. The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The Town did not account for payroll expenditures in accordance with one of the options prescribed in the Directive. Reimbursement for payroll expenditures was receipted into the CARES fund. Then a claim was created against the CARES fund in favor of the Payroll fund. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the General Fund which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

*Criteria*

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options. . . .

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

TOWN OF TRAIL CREEK  
COMMENTS  
(Continued)

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.**

(State Examiner Directive 2020-3)

**ADDITIONAL AUDIT COSTS INCURRED**

The State of Indiana incurred additional costs in the amount of \$4,074.21 due to the audit of the Town and the deficiencies concerning Joshleen Denham as noted above.

This audit involved compliance review with the aforementioned Management Letter previously sent to Joshleen Denham, covering the period ending December 31, 2018. This audit also involved reviewing payroll withholding payments made to the federal government and the State of Indiana, related accounts payable vouchers, bank statements, IRS form 941 quarterly reports, and the ledgers for the years 2019-2023, to determine the occurrence of payment for penalties and interest. The Indiana State Board of Accounts also reviewed the payment of payrolls to the Clerk-Treasurer for the years 2019-2023.

We reviewed payments made with the Town's debit card to an online vendor and the related accounts payable vouchers and invoices.

Indiana Code 5-11-1-27(m) states in part:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

(1) costs incurred by the state board of accounts; and . . ."

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Joshleen Denham to reimburse the State of Indiana for audit costs in the amount of \$4,074.21. (See Summary of Charges, page 41)

**OFFICIAL BOND COVERAGE**

Joshleen Denham was covered by public official bonds as follows:

<u>Term</u>	<u>Bond Amounts</u>
01-01-19 to 12-31-19	\$ 30,000
01-01-20 to 12-31-20	30,000
01-01-21 to 12-31-21	30,000
01-01-22 to 12-31-22	30,000
01-01-23 to 12-31-23	30,000



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



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

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
GENERAL FUND	\$ 311,254	\$ 585,478	\$ 649,177	\$ 247,555	\$ 570,785	\$ 545,065	\$ 273,275
MOTOR VEHICLE HIGHWAY	111,398	200,458	254,175	57,681	194,333	114,127	137,887
LOCAL ROAD & STREET	97,284	35,513	25,000	107,797	33,938	-	141,735
LOCAL LAW ENF CONT ED	(122)	1,920	207	1,591	2,158	50	3,699
INFRACTION DEFERRAL PRGM	6,480	280	-	6,760	-	-	6,760
RIVERBOAT	37,512	94,556	86,102	45,966	53,842	59,993	39,815
PARK DONATION/ACTIVITY	8,025	471	-	8,496	310	-	8,806
110333CEDIT	(10,675)	86,241	68,000	7,566	78,837	68,000	18,403
LOIT Special Distribution	36	-	-	36	-	-	36
MAJOR MOVES	207,529	-	25,000	182,529	750	-	183,279
CUM CAP IMP - CIG TAX	64,241	5,306	-	69,547	4,449	-	73,996
CUM CAP DEVELOPMENT	125,174	9,700	-	134,874	26,500	85,480	75,894
RADAR TRAILER DONATIONS	1,020	-	-	1,020	-	-	1,020
INDOT Community Cross Match Grant	-	252,641	252,641	-	-	279,711	(279,711)
OPERATION PULLOVER	2,645	-	-	2,645	-	-	2,645
DUI	184	-	-	184	-	-	184
REFUSE REMOVAL	278,588	223,689	210,129	292,148	193,572	208,516	277,204
VEST FUND	1,400	-	-	1,400	-	-	1,400
PAYROLL MEMO	98,234	387,730	371,380	114,584	396,286	364,720	146,150
Totals	<u>\$ 1,340,207</u>	<u>\$ 1,883,983</u>	<u>\$ 1,941,811</u>	<u>\$ 1,282,379</u>	<u>\$ 1,555,760</u>	<u>\$ 1,725,662</u>	<u>\$ 1,112,477</u>

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

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
GENERAL FUND	\$ 273,275	\$ 652,438	\$ 599,918	\$ 325,795	\$ 682,579	\$ 600,731	\$ 407,643
MOTOR VEHICLE HIGHWAY	137,888	204,218	141,071	201,035	220,928	206,110	215,853
LOCAL ROAD & STREET	141,735	36,929	12,502	166,162	38,102	50,000	154,264
MVH RESTRICTED	-	-	-	-	43,498	2,304	41,194
LOCAL LAW ENF CONT ED	3,699	1,309	-	5,008	3,697	150	8,555
INFRACTION DEFERRAL PRGM	6,760	-	-	6,760	-	-	6,760
RIVERBOAT	39,815	42,713	24,762	57,766	105,137	61,732	101,171
PARK DONATION/ACTIVITY	8,806	710	-	9,516	587	-	10,103
110333CEDIT	18,403	82,591	71,000	29,994	82,517	70,000	42,511
LOIT Special Distribution	36	-	-	36	-	-	36
Opioid UnRestricted	-	-	-	-	1,129	-	1,129
Opioid Restricted	-	-	-	-	2,633	-	2,633
MAJOR MOVES	183,278	-	-	183,278	194	-	183,472
CUM CAP IMP - CIG TAX	73,997	4,216	8,767	69,446	3,739	29,890	43,295
CUM CAP DEVELOPMENT	75,896	29,204	76,083	29,017	29,532	40,360	18,189
American Rescue Act Fund	-	224,869	-	224,869	226,572	10,571	440,870
RADAR TRAILER DONATIONS	1,020	-	-	1,020	-	-	1,020
INDOT Community Cross Match Grant	(279,711)	285,187	-	5,476	-	-	5,476
COVID REFUNDS CARES ACT	-	64,822	64,822	-	-	-	-
OPERATION PULLOVER	2,645	-	-	2,645	-	-	2,645
DUI	184	-	-	184	-	-	184
REFUSE REMOVAL	277,204	226,407	288,241	215,370	221,760	240,992	196,138
VEST FUND	1,400	-	-	1,400	-	-	1,400
PAYROLL MEMO	146,151	474,454	410,084	210,521	390,871	445,294	156,098
Totals	<u>\$ 1,112,481</u>	<u>\$ 2,330,067</u>	<u>\$ 1,697,250</u>	<u>\$ 1,745,298</u>	<u>\$ 2,053,475</u>	<u>\$ 1,758,134</u>	<u>\$ 2,040,639</u>

TOWN OF TRAIL CREEK  
 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	\$ 407,645	\$ 667,594	\$ 588,578	\$ 486,661
MOTOR VEHICLE HIGHWAY	215,854	216,120	123,829	308,145
LOCAL ROAD & STREET	154,264	38,876	50,000	143,140
MVH RESTRICTED	41,195	3,809	1,107	43,897
LOCAL LAW ENF CONT ED (233)	8,556	5,216	2,486	11,286
INFRACTION DEFERRAL PRGM (239)	6,760	-	-	6,760
RIVERBOAT (242)	101,170	69,751	98,394	72,527
PARK DONATION/ACTIVITY (211)	10,103	902	-	11,005
CEDIT (110333CEDIT -444)	42,512	101,697	74,500	69,709
LOIT Special Distribution (257499)	36	-	-	36
Opioid UnRestricted (2256315.00)	1,129	202	590	741
Opioid Restricted (2257315)	2,633	590	-	3,223
MAJOR MOVES (450)	183,472	-	-	183,472
CUM CAP IMP - CIG TAX (401)	43,294	3,739	11,136	35,897
CUM CAP DEVELOPMENT (402)	18,188	34,256	39,550	12,894
American Rescue Act Fund (176)	440,870	-	16,713	424,157
RADAR TRAILER DONATIONS (258370)	1,020	-	-	1,020
INDOT Community Cross Match Grant (278)	5,476	234,870	234,870	5,476
LIT - Public Safety	-	108,109	94,360	13,749
OPERATION PULLOVER (276)	2,645	-	-	2,645
PCB Settlement (MS4 Permittees)	-	17,414	12,168	5,246
ALCOHOL & DRUG SRVCS (DUI -213)	184	-	-	184
REFUSE REMOVAL (225)	196,137	204,846	211,003	189,980
VEST FUND (510)	1,400	-	-	1,400
PAYROLL MEMO (806)	156,098	394,069	450,160	100,007
Totals	<u>\$ 2,040,641</u>	<u>\$ 2,102,060</u>	<u>\$ 2,009,444</u>	<u>\$ 2,133,257</u>

Indiana State Board of Accounts  
302 W Washington St.  
Indianapolis, Indiana 46204  
Attn: Paul Joyce, State Examiner

RE: OFFICIAL RESPONSE: SBOA Audit Findings: January 1, 2019 – December 31, 2023 (Exit Conference date: January 13, 2025)

*I am writing to provide my response to the audit findings regarding my tenure as Clerk-Treasurer of the Town of Trail Creek. While I acknowledge the concerns outlined in the report, I believe it is important to provide context regarding the circumstances and challenges faced during my time in the office.*

- 1) Impact of COVID-19 Pandemic: The pandemic brought unprecedented disruptions, requiring my office to shift to remote operations and adjust workflows quickly. These changes created challenges in maintaining normal procedural and financial processes.*
- 2) Hostile work environment. Marshal Steve Dick and Council President, Jennifer Heath created a very hostile work environment for myself and my assistant during the time frame of this audit. They provided zero communication, put roadblocks in the way of performing and took away resources needed. They bullied, harassed and intimidated me. I have audio recordings and recorded meetings to prove this. Ms. Jennifer Heath did not fulfill her duties as the council president as she only listened to the Marshal.*
- 3) Staffing Shortages: My office operated with limited personnel for much of this audit period, which significantly impacted on our ability to meet deadlines and fulfill all administrative requirements. Despite my repeated requests for additional support, the council did not provide the resources necessary to address these gaps. These budgetary line items for extra staff were accounted for but the governing body chose not to provide me with the critical resources needed. There are recorded meetings showing I was raising my white flag.*
- 4) Personal Health Challenges: During this time, I was undergoing treatment for cancer. While I remained committed to fulfilling my duties, this inevitably added to the difficulty of managing an already demanding workload.*

*Any errors or oversights in the audit were unintentional and arose from these combined challenges. At all times, I acted in good faith, prioritizing the needs of the community and doing my best under difficult circumstances.*

*I hope this response provides clarity and context for the findings. While I am no longer in the office, I remain available to provide additional details or documentation to assist in resolving these concerns. Please feel free to contact me at (219) 210-8886 or [joshleen\\_1021@yahoo.com](mailto:joshleen_1021@yahoo.com) if further discussion is needed.*

*Thank you for the opportunity to address these matters.*

*Sincerely,*

*Joshleen M. Denham*

#### **INTERNAL CONTROLS**

The Town does have an internal control policy, those records were left in the custody of the Town when I left on December 31, 2023. However, this ordinance and many others are uncodified due to budget constraints and decisions by the town council. Those uncodified ordinances could not be located by the current clerk-treasurer. The standards of internal controls were followed to the best of my ability and with what limited staff and resources I had.

#### **PENALTIES, INTEREST AND OTHER CHARGES:**

These delays in payments to the IRS and Internal Revenue service were due to the enormous workload with limited staffing and support from the council. I want to stress that these payments for taxes were made but considered late by the payee.

#### **COMPENSATION IN EXCESS OF SALARY ORDINANCE – CLERK TREASURER**

Town employees as well as myself were paid two times per month (1<sup>st</sup> & 15) Due to the pay schedule, there were times that I would need to pay January prior to the January 1<sup>st</sup> date so that employees could receive their paychecks on time due to the holiday. I realize now that in my attempt to pay employees on time, the payroll should have been dated January instead of December. That was my oversight. The audit findings: there were 23-25 payments. All employees including myself were paid twenty-four times per year. I would never intentionally overcompensate myself or any employee for more than the salary ordinance.

### **PERSONAL EXPENSES – CLERK-TREASUER**

The town had an Amazon Account which was used to purchase supplies. I purchased an IPAD to be used for training, a laptop computer, charging cable, a case and other supplies needed. The laptop, charging cables, a cell phone and cases were returned and left on my desk December 31, 2023. The IPAD unfortunately broke after about a year and I no longer have this. The current clerk has acknowledged that those items were returned with the exception of the IPAD. I don't feel I should be charged for these items, as they are in the town's custody. The attorney did NOT write a letter requesting them back because they were already returned on my last day.

Personal Amazon purchases were made when Amazon had a box that you checked for tax exempt or items to be charged sales tax. I was checking the box marked "items to be charged tax" When this was brought to my attention, I contacted State Board of Accounts and spoke with either Beth Goss or Mitch Wilson and was told that the State Board of Accounts would not take exception to this and that I needed to contact the Department of Revenue.

Delivery of purchased items, for all departments, was frequently delivered to my house as the town hall hours were 8-2pm. This has always been the practice for deliveries, even with the previous clerk-treasurer.

### **DEBIT CARD POLICY**

The Town does have a credit card policy. Again, the records were left in the custody of the town. All uncodified ordinances are in a white two-inch binder marked "Uncodified Ordinances" To my knowledge the credit card policy does cover debit cards when ran with a credit authorization. All purchases made with this card were ran as a credit authorization. All purchases are approved by the council with the use of the APV register in the Fund Keystone Program. This credit/debit card was utilized by members of both the police department and street department thought-out my tenure. I kept a log of who had the card, however there were only two cards.

### **PAYROLL WITHOLDING FUND**

This account was set up prior to my time in the office. I set up everyone after that the same way. During the other two audits this was not mentioned. However, I now see that it was set up incorrectly causing the payroll fund not to balance. Yearly budgets and financial challenges throughout the year were looked over by Cender and Dalton, the payroll fund was never mentioned.

### **REPORTING GROSS WAGES**

I am unaware of running the quarterly payroll twice and not correcting it. If an employee had an issue with their W2 it should have been brought to my attention and corrected. I was never made aware of this. I took payroll very seriously and pulled all necessary reports to verify payroll was done correctly. If there was an error, it was an honest oversight and should have been brought to myself or my staff for correction.

### **BANK ACCOUNT RECONCILIATIONS**

Bank Reconciliation and month end were done in a timely manner; however, the State Board of Accounts admitted they do not look in the FUND program used for reconciliation, they instead look at the date of paperwork that is uploaded to Gateway in the Gateway Monthly Engagements tab. I was unaware that those needed to be uploaded on the 15<sup>th</sup> day on the following month. Having been working remotely from March 2020 – June of 2021 due to the pandemic and chemo treatments I did not upload those on time, but reconciliation was done timely in FUND.

Adjustments to the Bank Reconciliation: “Unknow Possibly Payroll” in the amount of \$37,221.00. This amount was noted in my last audit, I was asked to see if I could find it. This amount showed up in 2016 when Boyce did the rollover from Budget to Fund. I was told it was possibly a payroll clearing entry” that didn’t get washed out.

### **INVESTMENT**

The Town did have a CD, but it was to just continue to rollover as it was suggested by Cender and Dalton, to put it under the Major Moves investment column. Most of that CD money was spent as approved by the council per the fund uses. The interest on the CD was not included in the bank statement. I worked with Cender and Dalton on this. There were receipts done for the interest but because it was not tied to the bank account it was very difficult to track.

### **FUND SOURCES**

State and Local distributions in these cases were incorrectly put into wrong funds by an oversight that was unintentional.

The Opioid Unrestricted Funds show a \$590.00 shortfall is due to LaPorte County halting all unrestricted payments for towns with less than 5000 in population. But the county had already made the payments, and towns were asked to repay the county. I then called County Treasurer, Joie Winski and was told to send a check in the amount of \$590.00 back to the county, and I did. However, I took the payment from the incorrect line item unintentionally.

**MOTOR VEHICLE HIGHWAY RESTRICTED**

I did create a new fund for MVH Restricted once more training and understanding was given via the SBOA. I worked with Trista Hudson, Cender and Dalton to help with the understanding of this. I was unclear how to track items for the restricted fund.

**ANNUAL FINANCIAL REPORT**

Financial Data by Fund: See response under INVESTMENT

Accounts Payable and Accounts Receivable:

These were honest, unintentional oversights as I didn't realize I omitted them. Again, those three critical challenges had an effect on this. I didn't use the function of the mag media files and instead manually entered all disbursements and receipts. I was very particular in making sure the fund report matched the annual report. I should have used the upload option with the mag media files.

Capitol Assests: The town council should have hired a professional to decide these amounts but would not. I got those numbers from the insurance paperwork which covered infrastructure.

The town suffered a communication breakdown. The marshal and council put up roadblocks and prohibited me from doing this and many parts of my job where communication was critical.

**CAPITOL ASSESTS:** See above

**MONTHLY AND ANNUAL UPLOADS:**

Truly, I was unaware of there was a timeline for the uploads. However, I did the best I could with all of the challenges, lack of support, resources and personal health struggles.

**ERRORS ON CLAIMS**

2019 \$10.00 overpay: This unintentional oversight unfortunately was not brought to my attention.

2020: Paid 0.10 per hour more (there was a memo by the department head I'm sure)

2021 & 2022: No records on the overtime paid out in two instances. There is always paperwork to support this. The town and current clerk have custody of the records. Overtime was paid out to police officers and was always noted with a memo or on the timesheet approved by the marshal.

2022: Council President overpaid \$34.00. She did not bring this to my attention otherwise a correction would have been made immediately.

Marshal Steve Dick refused to come into my office to sign off on claims or advise which appropriation to put the expense to. My staff and I were finding it difficult to get invoices in a timely manner. In January of 2021, I met with the Marshal Steve Dick and Council President Jennifer Heath and was told all invoices will be going to the Marshal. I explained, the Marshals Dept does not pay the bills, I offered him to be cc'd on emails for invoices. This did not help as we were still forced to run in circles to get invoices on time. I was not getting support or resources during this time, and it was a hostile work environment.

#### Mileage

Reimbursement claims were filled out as the previous auditor asked. State approved form 101 was used. In the previous audit I was told I could not use quotations when expressing the same name or address, for instance, Horizon Bank on the first line and " " on the second. Moving forward I did not use this.

I, Joshleen Denham did not use any town vehicles. The reimbursement check for gasoline should have omitted the alcohol. That was an oversight and was unintentional. Again, I was not afforded the opportunity to view this or any document used in the audit findings.

#### **FUND USES**

Town Marshal Steve Dick was home for lunch and stated he forgot to put the emergency brake on his town owned police vehicle. Due to this, the squad hit his personal vehicle. Marshal Dick did NOT provide a police report to myself or my assistant. As part of the town's employee policy, if an employee forgets to put the safety apparatus on, the employee is responsible for the cost over \$1000.00. I expressed concern to both Marshal Dick and Council President Heath and was told to pay both. This is not in the meeting minutes as this was a discussion held in my office. The council approved the claims for both his personal vehicle and the town owned police vehicle. I did put a note on the APV expressing my concern. I was bullied, harassed and intimidated during this time by both the Marshal and the Council President.

**ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS:** Covid Cares Act; A fund was created in accordance with SBOA; however, I did make an error with the fund and payroll. I contacted Trista Hudson, from Cender and Dalton for directions on how to fix this and to my knowledge this was corrected.

**ADDITIONAL AUDIT COSTS:**

I feel that much of this “extra” cost was because the town chose to move forward with a complete townhall remodel and SBOA would not wait to do the audit when asked to delay until the town hall remodel was complete due records being “packed away” and the office running out of the police department.

I did not contract with the SBOA. I was not involved in the entrance interview, nor was I contacted at any time during the audit, which took almost ten months to complete. I contacted Cynthia David in December 2024 and was told that the audit was put on hold due to having to get to other units that had federal funding.

I did have a public official bond up to thirty thousand per year for the years of this audit.

I took serving the residents of the Town of Trail Creek with great dedication. My assistant and I were subjected to the lack of resources, exhausting harassment and bullying during the time of this audit. It is concerning and should be looked into. I wanted to work as a team for our residents, but with the challenges I found it difficult. However, my concern was always with the residents of our town.

# Town of Trail Creek

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211 Rainbow Trail • Trail Creek, Indiana 46360 • (219) 872-2422

## TOWN COUNCIL MEMBERS

January 23, 2025

Indiana State Board of Accounts  
Attn: Paul D. Joyce, CPA, State Examiner  
301 W. Washington St.  
Room E418  
Indianapolis, IN 46204-2765

Jennifer Heath  
Brian Vedo  
Peter Pizarek  
Laura Saenz  
Warren Schacht  
Crystal Frever, Clerk Treasurer

Re: Town of Trail Creek, Indiana – Official Response  
2019-2023 Audit – Compliance Engagement Report Results and Comments

Dear Mr. Joyce,

Please let the following serve as the Official Response to the Town Council, Town of Trail Creek, Audit Results and Comment for the period of January 1, 2019, through December 31, 2023.

### *INTERNAL CONTROLS*

Condition: “The Town did not have an effective system of internal controls in place to ensure compliance with the following items detailed in the comments.”

Response: The Town and the new Clerk-Treasurer began addressing various concerns in relation to Internal Controls as of January 2, 2024. Improvements have already been made in relation to many of the items listed, with several more improvements planned. The remedies include a variety of actions including, but not limited to, calendaring, reporting and assigned segregation of duties. See below for discussion for specific actions to be addressed for the areas identified.

*(Remainder of this page is blank.)*

*PENALTIES, INTEREST AND OTHER CHARGES*

Condition: “The Town did not have internal controls over the correct reporting and timely remittance of taxes.”

Response: The Town will continue to receive from the Clerk-Treasurer monthly reporting on the remittance of federal and state taxes during the monthly Council meetings. The Clerk-Treasurer has already prepared a calendar that includes the due dates for remitting payroll taxes and payroll tax returns in a timely manner.

*COMPENSATION IN EXCESS OF SALARY ORDINANCE – CLERK-TREASURER*

Condition: “The Town did not have internal controls to ensure compensation paid did not exceed the amount approved in the salary ordinance for the Clerk-Treasurer.”

Response: The Town Council and new Clerk-Treasurer have already addressed this matter through the 2025 Salary Ordinance approved in December 2024 wherein payroll dates are specifically listed.

*PERSONAL EXPENSES – CLERK-TREASURER*

Condition: “The Town did not have internal controls over the payment of personal expenses from Town funds and vendor accounts.” This was done via a specific on-line vendor with a vendor specific credit card, although no Town funds were used to make the credit card payments.

Response: The Town canceled the credit card when it learned of its existence back in January 2024. Additionally, the Clerk-Treasurer has already been more descriptive in the APV Description and the Town will continue to review the purchases from this on-line vendor in the monthly APV Register at Council meetings.

*DEBIT CARD POLICY*

Condition: “The Town did not have controls in place to ensure policies were adopted as required. [...] The Town had not adopted a debit card policy governing the use of the debit card.”

Response: The new Clerk-Treasurer already has plans to review Ordinance 3-2017, the Credit Card Policy, and present any suggested amendments to the Town Council to include Debit Cards and Vendor Cards.

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*PAYROLL WITHHOLDING FUND*

Condition: “The Town did not have internal controls over the recording of transactions to or the reconciliation of the payroll withholding fund.”

Response: The Town Council and new Clerk-Treasurer will develop a procedure to report on and review the reconciled balance of the Payroll Fund. Also, the suggested adjustments will be made to the various Fund cash balances as identified.

*REPORTING OF GROSS WAGES*

Condition: “The Town did not have internal controls over the reporting of gross wages via the required Form W-2, Wage and Tax Statement (W-2).”

Response: The Town and new Clerk-Treasurer will develop a policy for a secondary review of the W-2s once prepared and prior to distribution.

*BANK ACCOUNT RECONCILIATIONS*

Condition: “The Town did not have internal controls over the accuracy, completeness and timeliness of monthly bank reconciliations.”

Response: The new Clerk-Treasurer has already been completing the monthly bank reconciliations in a timely fashion and will begin providing the finalized reconciliation reports to Council for the monthly meetings. The reconciliations will include all investment accounts. In addition, the Clerk-Treasurer will work to finalize any correcting entries prior to closing out the Town ledgers for 2024. The monthly bank reconciliations are already being posted to Gateway as required.

*INVESTMENT*

Condition: “The Town held a 24-month Certificate of Deposit (CD) which matured on December 25, 2019, 2021 and 2023. The Town did not have internal controls over the purchasing and recording of the investment activity which resulted in deficiencies [,,].”

Response: The Town plans to establish an investment policy to address the recording of investment activity.

*(Remainder of this page is blank.)*

### *FUND SOURCES*

Condition: “The Town did not have internal controls over the recording of state and local distributions to the proper fund which resulted in [...] errors” in the Local Income Tax (LIT) Distributions and state distributions.

Response: The new Clerk-Treasurer began receipting LIT distributions and state distributions correctly in January 2024, but will reinforce a receipting process which includes segregation of duties within her office. The monthly receipts will then be available for review by the Town during the monthly meetings.

### *MOTOR VEHICLE HIGHWAY RESTRICTED*

Condition: “The Town did not have internal controls to ensure compliance with restricted distributions received from the State of Indiana’s Motor Vehicle Highway (SMVH) Account.”

Response: The new Clerk-Treasurer has since January 2024 been directly receipting the restricted distribution into the MVH-Restricted Fund on a monthly basis and will continue to do so. This monthly receipt will be available as listed above.

### *ANNUAL FINANCIAL REPORT*

Condition: “The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Unites financial reporting system. The Town had not established effective internal controls over the AFR information which result in [...] errors.”

Response: The Town will work with the new Clerk-Treasurer to establish a procedure for timely completion and review of the Annual Financial Report prior to a timely upload into the SBOA Gateway portal. Specifically as to Context related to:

Financial Data by Fund – the new Clerk-Treasurer has made the adjustment on the 2022 AFR referenced in the Comments and resubmitted the AFR.

Accounts Payable and Accounts Receivable – Information provided to the Council for review of the AFR will include this supporting documentation.

Leases – The Town will ensure the Leases portion of the AFR is complete and supported with documentation.

Capital Assets - The Town will ensure the Capital Asset portion of the AFR is complete and supported with documentation. Also, see below.

### *CAPITAL ASSETS*

Condition: “The Town did not have internal controls to ensure a complete and accurate detail listing of capital assets was maintained and physically inventoried as required.”

Response: The new Clerk-Treasurer has already begun working with the department heads to update the inventory listing in preparation to include the appropriate information in the year-end 2024 Annual Financial Report. Furthermore, the Town will work with the new Clerk-Treasurer to review the current policy in Ordinance 11-2019 and re-establish proper procedures and reporting.

### *MONTHLY AND ANNUAL UPLOADS*

Condition: “The Town did not have internal controls to ensure timely compliance with upload requirements.”

Response: The new Clerk-Treasurer has already undertaken a procedure by which monthly uploads will be completed within two weeks of bank reconciliations. In addition, the annual uploads will be uploaded by or at the time of the filing of the AFR. The reporting on both of these actions can be shared with the Town during the monthly meetings.

### *ERRORS ON CLAIMS*

Condition: “The Town did not have internal controls over compliance with the laws and regulations related to vendor and payroll disbursements.”

Response: As to Vendor, the Town will support the new Clerk-Treasurer’s process requiring department heads to submit claims with proper signatures and identified line items for payments. Further, the new Clerk-Treasurer has already been keeping an organized filing system which includes the monthly APV Registers as approved by the Town. As to Payroll, the Town will support the new Clerk-Treasurer’s suggestion to re-establish the process requiring department heads to submit and sign-off on time sheets which list applicable rates and hours worked during the pay period. As to Mileage, the Town will review mileage claims forms when mileage is a claim included on the APV Register.

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*FUND USES*

Condition: “The Town did not have internal controls over expenses paid from Town funds for vehicle repairs to the Marshal’s personal vehicle. [...]”

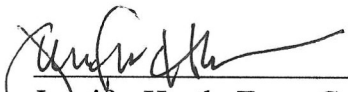
Response: The Town will review controls regarding the APV Register process, including the claims’ descriptions listed and review the expenditures to ensure that the invoices are for valid Town expenditures.

*ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS*

Condition: “The Town did not have internal controls over compliance with the laws and regulations. The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).”

Response: The Town acknowledges the CRF program has expired, but also acknowledges that any current and/or future federal grant programs have rules and regulations which must be followed. The Town has complied with current programs and will monitor future compliance.

Respectfully submitted,

  
\_\_\_\_\_  
Jennifer Heath, Town Council President  
Town of Trail Creek, Indiana

TOWN OF TRAIL CREEK  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Joshleen Denham, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 6	\$ 4,697.29	\$ -	\$ 4,697.29
Compensation in Excess of Salary			
Ordinance - Clerk-Treasurer, page 7	3,539.43	-	3,539.43
Personal Expenses - Clerk-Treasurer, page 8	458.69	-	458.69
Additional Audit Costs Incurred, page 21	<u>4,074.21</u>	<u>-</u>	<u>4,074.21</u>
 Totals	 <u>\$ 12,769.62</u>	 <u>\$ -</u>	 <u>\$ 12,769.62</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.



AFFIDAVIT

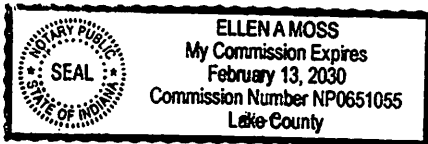
STATE OF INDIANA )  
La Porte COUNTY )

We, Alison Foster and Cynthia David, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Trail Creek, La Porte County, Indiana, for the period from January 1, 2019 to December 31, 2023, is true and correct to the best of our knowledge and belief.

Alison C Foster  
Field Examiner

Cynthia David  
Field Examiner

Subscribed and sworn to before me this 4 day of February, 2025



Ellen A. Moss  
Notary Public

My Commission Expires: 2/13/2030

County of Residence: Lake