

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

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

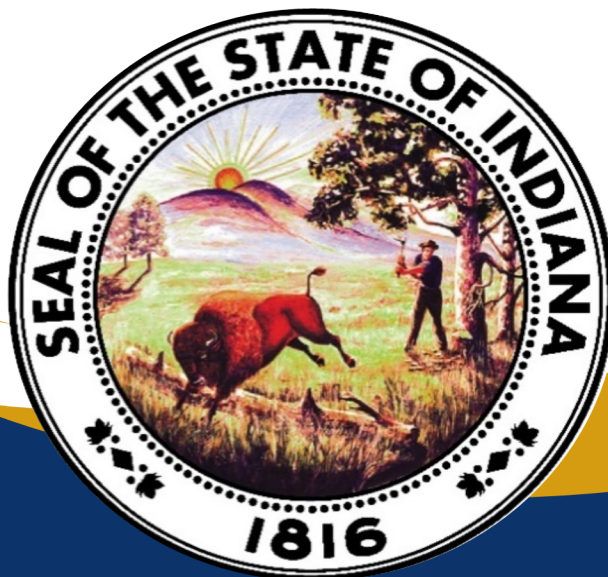
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WESTVILLE

LAPORTE COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
12/03/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lori Hunt	01-01-20 to 12-31-24
President of the Town Council	Michael Albert	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF WESTVILLE, LAPORTE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Westville (Town), for the period from January 1, 2020 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 19, 2024



CLERK-TREASURER
TOWN OF WESTVILLE

CLERK-TREASURER
TOWN OF WESTVILLE
AUDIT RESULTS AND COMMENTS

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. Effective internal controls were not established to ensure the accuracy and completeness of the information in the AFR, which resulted in the following errors:

Financial Data by Fund

In December 2021, the Town issued a forgivable Bond Anticipation Note (BAN) and State Revolving Fund (SRF) Series 21A and 21B bonds for sewer infrastructure improvements and additions. The Town did not record the SRF, which included the BAN, financial activity to the records or report in the AFR for the SRFWW 21A and SRFWW 21B funds. This resulted in the 2021, 2022, and 2023 receipts and disbursements to each be understated by \$2,927,009, \$9,026,160, and \$4,328,423, respectively.

The AFR is the basis for the financial statements and other information presented for audit. Adjustments were proposed, accepted by the Town, and made to the financial statements and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town.

Capital Assets

The Town's detailed listing had not been updated for constructed assets through the debt issuance for the Wastewater Utility infrastructure improvements and additions noted above. This resulted in a material understatement of the capital assets information reported in the AFR.

The AFR is the basis for the other information presented. Due to the material errors noted, the Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Town.

Grants

The grants reported in the AFR had the following errors:

- For 2020, \$182,820 of Coronavirus Relief Fund grant disbursements were omitted.
- The Coronavirus State and Local Fiscal Recovery Funds grant disbursements were omitted for 2021, 2022, and 2023 totaling \$15,674, \$461,143, and \$378,943, respectively.

Adjustments were proposed, accepted by the Town, and made to the AFR.

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:

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

"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. . . ."

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](#)."

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

CAPITAL ASSETS

A similar comment appeared in a Management Letter addressed to Officials for the audit period ending December 31, 2019.

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 Town approved a \$5,000 threshold on March 8, 2016, which was memorialized in the Town Council minutes. However, a formal written capital asset policy defining what should be recognized as a capital asset and what should be considered as a repair, especially for infrastructure items, had not been determined and approved.
- The detailed listing does not provide a value for roads that should be classified as infrastructure owned by the Town.
- The detailed listing for the wastewater utility assets were not updated for the acquisitions and improvements done with the project financed by the SRF bonds.

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

In addition, documentation to support a physical inventory of capital assets was performed at least once every two years as required was not provided.

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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.

The list of capital assets should include the following categories:

Land

The records of each unit must include a description of land owned by the unit, its location, amount of acreage (if relevant), its acquisition date and the purchase price. If the purchase price is not available, appraised value may be used.

Infrastructure

A capital asset account for the cost of infrastructure must reflect the location and brief description identifying each road, bridge, tunnel, drainage system, storm water system, dam, or lighting system owned by the unit.

Buildings

A capital asset account for buildings must reflect the location of each building and the purchase price or construction cost and the cost of improvements, if applicable. If a building is acquired by gift, the account must reflect its appraised value at the time of acquisition.

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

Improvements Other than Buildings

A capital asset account must reflect the acquisition value of permanent improvements, other than buildings, which have been added to the land. Examples of such improvements are fences, retaining walls, sidewalks, and gutters. The improvements must be valued at the purchase or construction cost.

Equipment

Tangible property of a permanent nature (other than land, buildings, and improvements) must be inventoried. Examples include machinery, trucks, cars, furniture, office equipment including but not limited to computers and data processing equipment, and desks, safes, cabinets, books, cellphones, etc. The value of such items must be carried in the inventory at the purchase cost.

Construction Work in Progress

Where construction work has not been completed in the current reporting fiscal year, the cost of the project must be carried as "construction work in progress." When the project is completed, it must be placed on the inventory applicable to the assigned asset account.

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

TOWN OF WESTVILLE
100 SETSER DRIVE
WESTVILLE, INDIANA 46391

PHONE: (219) 785-2123

OFFICIAL RESPONSE

Date: 11/21/2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Responses to audit comments for 2020-2023

In regards to the understated SRFWW 21A and 21B funds; The Town recognizes the need for these funds to be reported in our accounting system even though the paying agent (Bank of New York) handles all of the receipts and disbursements and the monies do not ever come into or out of the Town clerk's office. We also understand that beginning and ending balances for these funds will always be zero. We have created funds for these accounts to properly track Bank of New York's activity in these accounts moving forward.

In regards to the Capital Assets and construction in progress; We have put a plan in place to ensure that 2024 reporting will have a correct beginning balance and ending balance and will carry over year to year appropriately.

Lori Hunt, IAMC
Clerk Treasurer

PROGRESS from WORK ■ WORK from PLANNING ■ PLANNING from THOUGHT

CLERK-TREASURER
TOWN OF WESTVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2024, with Lori Hunt, Clerk-Treasurer; Michael Albert, President of the Town Council; and Jim Bechinske, Town Council member.