

**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 SELLERSBURG

CLARK COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED
12/20/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle D. Miller	01-01-22 to 12-31-24
President of the Town Council	Brad J. Amos	01-01-22 to 12-31-24
Utility Office Manager	Paula King	01-01-22 to 12-31-24
Town Manager	Charlie Smith	01-01-22 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF SELLERSBURG, CLARK COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Sellersburg (Town), for the period from January 1, 2022 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at www.in.gov/sboa/.

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

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

Beth Kelley, CPA, CFE
Deputy State Examiner

December 10, 2024



CLERK-TREASURER
TOWN OF SELLERSBURG

CLERK-TREASURER
TOWN OF SELLERSBURG
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60351, entitled *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 information submitted in the AFR, which resulted in the following errors for 2022 and 2023:

Grant Information

Federal grant information reported by the Town was incorrect. The following errors were noted:

- The Coronavirus State and Local Fiscal Recovery Funds program expenditures were overstated by \$3,000,000 for 2022 and understated by \$500,720 for 2023.
- The Edward Byrne Memorial Justice Assistance Grant Program expenditures were understated by \$20,302 and \$7,526 for 2022 and 2023, respectively.
- The State and Community Highway Safety program expenditures were understated by \$73,083 and \$71,632 for 2022 and 2023, respectively.
- The Minimum Penalties for Repeat Offenders for Driving While Intoxicated program expenditures were understated by \$7,508 and \$64,020 for 2022 and 2023, respectively.
- The National Priority Safety Programs expenditures were understated by \$23,079 and \$18,954 for 2022 and 2023, respectively.
- The Outdoor Recreation Acquisition, Development and Planning program expenditures were understated by \$218,119 for 2023.

Adjustments were proposed, accepted by the Town, and made to the grant schedules within the AFRs.

Leases and Debt

- Debt ending principal balances reported in the AFR for 2022 and 2023 were overstated by \$113,644 and \$37,597, respectively.
- Debt principal due within one year reported in the AFR for 2022 and 2023 were overstated by \$252,181 and \$278,872, respectively.

CLERK-TREASURER
TOWN OF SELLERSBURG
AUDIT RESULT AND COMMENT
(Continued)

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

Capital Assets

- The Town's capital asset information submitted for 2022 was overstated by \$2,142.
- The Town's capital asset information submitted for 2023 was understated by \$955,887.

The submitted information is used to generate the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the Town. Adjustments were proposed, accepted by the Town, and made to this schedule and to the capital asset information within the AFRs.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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. . . ."

CLERK-TREASURER
TOWN OF SELLERSBURG
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2024, with Brad J. Amos, President of the Town Council; Michelle D. Miller, Clerk-Treasurer; Charlie Smith, Town Manager; and Michelle Medcalf, Executive Secretary.

TOWN MANAGER
TOWN OF SELLERSBURG

TOWN MANAGER
TOWN OF SELLERSBURG
AUDIT RESULT AND COMMENT

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Internal controls were not in place to ensure payments to the Indiana Department of Revenue for utility receipts tax owed by the Town's Water Utility were properly calculated and remitted timely.

The Town's Water Utility was delinquent in filing the Indiana Utility Receipts Tax Returns for the years 2018 through 2021. The Clerk-Treasurer first became aware in October 2020 that the returns for 2018 and 2019 had not been filed and then notified the Utility Office Manager, who was responsible for filing the returns. Shortly afterwards, the Utility Office Manager took a different position within the Town, and a new Utility Office Manager was hired, who was also informed by the Clerk-Treasurer concerning the delinquent tax returns. However, the delinquent returns for 2018 and 2019 were not filed at that time, nor were the returns for 2020 and 2021 filed by the April 15 deadline. Also, no quarterly estimated tax payments for the utility receipts tax for the period September 2018 through January 2022 were made as required.

In January 2023, an accounting firm engaged by the Town prepared the Utility Receipts Tax Returns for the years 2018 through 2021. The returns were then electronically filed by the Utility Office Manager on January 17, 2023. Because the returns were filed late with no required quarterly estimated tax payments made, except for the first two quarters of 2018, penalties and interest were calculated and included with the taxes paid when the returns were filed. A total of \$18,373 of interest and penalties were paid, as summarized in the schedule below.

<u>Year</u>	<u>Penalties</u>	<u>Interest</u>	<u>Total Paid</u>
2018	\$ 1,329	\$ 1,287	\$ 2,616
2019	2,839	3,312	6,151
2020	3,320	2,648	5,968
2021	<u>2,860</u>	<u>779</u>	<u>3,639</u>
Totals	<u>\$ 10,348</u>	<u>\$ 8,026</u>	<u>\$ 18,374</u>

The Utility Receipts Tax Return for 2022 was timely filed, and quarterly estimated tax payments were made as required. However, the initial return that was filed contained errors. The initial return was based on water utility receipts for the entire year, even though the state legislature had repealed the tax effective July 1, 2022. The balance due on the return also did not reflect a total of \$38,000 in quarterly estimated tax payments that had been made. As a result of these errors, the 2022 tax was overpaid by \$57,173. An amended return was filed by the Town to correct these errors, and the Town subsequently received refunds from the Indiana Department of Revenue, totaling \$57,154. The \$19 difference between what was overpaid and what was refunded remains unaccounted for.

TOWN MANAGER
TOWN OF SELLERSBURG
AUDIT RESULT AND COMMENT
(Continued)

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)

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TOWN COUNCIL
TOWN OF SELLERSBURG

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TOWN OF SELLERSBURG
AUDIT RESULT AND COMMENT

CONFLICT OF INTEREST DISCLOSURE OF RELATED-PARTY TRANSACTIONS

Condition and Context

Internal controls were not in place to ensure that conflict of interest disclosures were properly prepared, presented, approved, and filed when required in accordance to Indiana Code 35-44.1-1-4.

Town Council members Brad Amos (Amos) and Randall Mobley (Mobley) are employed by two separate vendors who provided goods and services to the Town during both 2022 and 2023. Both Amos and Mobley work as salesman and, in conflict of interest disclosure statements filed with the Indiana State Board of Accounts (SBOA) in 2020 and 2021, each identified "commission" as their respective "pecuniary interest" from sales made to the Town. Based upon the identified continued transactions both Amos and Mobley had with the Town in 2022 and 2023, the SBOA would have expected to receive full and complete conflict of interest disclosure statements from each "public servant," which set forth their financial interest for those transactions for each year that transactions occurred.

A review of December 28, 2021 Town Council minutes, noted that the Town Council approved the "uniform conflict of interest disclosure statements for Brad Amos and Randall Mobley" for 2022. The 2022 disclosure statement for Mobley was located, but the 2022 disclosure for Amos was not able to be located. For 2023, there was no evidence presented to support that a conflict of interest disclosure was completed and filed with the SBOA or with the Clerk of the Circuit Court of Clark County. During 2022, transactions between the Town and the vendors who employ Amos and Mobley totaled \$1,526 and \$17,793, respectively. During 2023, transactions between the Town and the vendors who employ Amos and Mobley totaled \$1,016 and \$20,357, respectively.

TOWN COUNCIL
TOWN OF SELLERSBURG
AUDIT RESULT AND COMMENT
(Continued)

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ." (Insert Year of Statute Relevant to Audit Period)

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

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

TOWN COUNCIL
TOWN OF SELLERSBURG
EXIT CONFERENCE

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