

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CHANDLER

WARRICK COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

07/17/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brian Pace	01-01-23 to 12-31-24
President of the Town Council	Tonya Wester	01-01-23 to 12-31-24
Utility Administrator	Misty R. Denk	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CHANDLER, WARRICK COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Chandler (Town), for the period from January 1, 2023 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

June 20, 2024

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CLERK-TREASURER
TOWN OF CHANDLER

CLERK-TREASURER
TOWN OF CHANDLER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the Town complied with laws, regulations, and uniform compliance guidelines. Noncompliance over the annual financial report - other information and contracts occurred as detailed further in the comments below.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the audit period ending December 31, 2022.

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The capital assets, payables and receivables, and leases and debt information entered into Gateway contained the following errors:

Capital Assets

The Schedule of Capital Assets was overstated in the amount of \$7,151,208 due to over-reporting the Water utility construction in progress.

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

An adjustment was proposed, accepted by the Town, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the Town.

Payables and Receivables

No amounts were reported in Gateway for accounts payable for the Town or utilities. Review of the Town's records, amortization schedules, and payroll records identified approximately \$578,889 which should have been reported in Gateway as accounts payable. The Town has determined that the Schedule of Payables and Receivables will not be presented as Other Information in the Financial Statement Audit Report of the Town.

Leases and Debt

The Redevelopment District Bonds Series 2014 principal due within one year was overstated by \$25,000.

An adjustment was proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

CONTRACTS

Condition and Context

Of the 40 vendor disbursements that were tested, 14 were for services that should have been supported by a contract, and, of those, 4 were not supported by a contract or written agreement. The Town obtained quotes; however, the Town never entered into a formal contract after accepting the quote. The Town made total payments of \$505,644 to these four vendors.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



Town Hall

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Chandler, IN 47610
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We value the transparency and accountability of our town's finances and operations. That is why we welcome the review and recommendations of the State Board of Accounts (SBOA), which conducted an audit of our town for the year 2023. We would like to share with you, our citizens, the findings of the audit and explain the actions we have taken or plan to take to correct them.

- The capital asset and bonds overstatement were not a reflection of our internal records, which are accurate and up to date. It was a clerical error that occurred when filling out the annual report on Gateway. We have corrected the error in the report. We plan to rely on an accounting firm for a review process to avoid future clerical errors.
- The town operates on a cash basis and does not record payables until they are paid. However, reporting requirements are changing and we've already established a process to report accounts receivable. We will develop a process to report payables for the 2024 annual report.
- The missing contracts were for vendors that we have used for ongoing maintenance and repair services for many years. We trusted their quality and price and did not see the need to enter into a formal contract. However, we acknowledge the importance of having written agreements for all contractual services. We will establish contracts with these vendors before we use their services again.

We thank the SBOA for their assistance and guidance in improving our accounting practices and ensuring compliance with state standards. We also thank you, our citizens, for your trust and support. We are committed to serving you with integrity and excellence.

Sincerely,

Brian Pace
Clerk-Treasurer

Cheryl Amos
Council Member

Sandy Elder
Council Member

Tonya Wester
Council President

Tom Burnett
Council Member

Ron Whitledge
Council Member

CLERK-TREASURER
TOWN OF CHANDLER
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2024, with Brian Pace, Clerk-Treasurer; Tonya Wester, President of the Town Council; Ron Whittedge, Town Council member; and Misty R. Denk, Utility Administrator.