

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BURNETTSVILLE

WHITE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
11/06/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Disclaimer of Opinion - Condition of Records	6-7
Bank Reconcilements	7-8
Penalties, Interest, and Other Charges.....	8
Payroll Fund	9
Payroll Taxes	9
Late Bond Payments.....	9-10
Disbursements	10-11
Receipt Recording.....	11
Investments.....	11-12
Official Bond Recorded	12
Appropriations	12
Overdrawn Cash Balances	13
Bad Debts and Uncollectible Accounts	13
Lowest Bid.....	13
Exit Conference	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary K. Caudle Diana M. Sundy	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Eugene Broughton Tiffany Crowell	01-01-11 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BURNETTSVILLE, WHITE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Burnettsville (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

July 1, 2015

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CLERK-TREASURER
TOWN OF BURNETTSVILLE

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS

DISCLAIMER OF OPINION - CONDITION OF RECORDS

The Clerk-Treasurer did not properly maintain accounting records related to the financial activity of the Town funds. The following describes the condition of the Town's recordkeeping that resulted in the inability to obtain sufficient competent evidential matter to render an opinion on the financial statements.

1. The Clerk-Treasurer did not maintain the ledgers related to the financial activity of the Wastewater Operating fund for 2012.
2. The detail ledger for the General fund was not presented for examination for the first six months of 2012.
3. An adjusting entry to the beginning balance was recorded on December 31, 2013, to the revenues in the General fund and Wastewater Operating fund for \$3,599 and \$41,381, respectively. The Town did not provide any detail on how this amount was determined by an independent consultant.
4. Activities posted to the ledgers were not done on a timely basis. There were instances when checks that cleared the bank were posted up to five months later.
5. The Annual Financial Report filed on Gateway did not properly reflect the financial activity of the Town for 2013 and 2014. The cause of the differences was due to the Payroll Fund and the wastewater investment. The differences are detailed in the following table:

<u>Years</u>	<u>Fund</u>	<u>Category</u>	<u>Amount Per Gateway</u>	<u>Amount Per Ledgers</u>	<u>Difference</u>
2013	General	Receipts	\$ 51,089	\$ 37,019	\$ 14,070
2013	General	End. Balance	61,530	47,460	14,070
2013	Payroll Fund	Receipts	-	14,070	(14,070)
2013	Payroll Fund	Disbursements	-	18,354	(18,354)
2013	Payroll Fund	End. Balance	-	(4,284)	(4,284)
2013	Wastewater Operating	Beg. Balance	344,143	219,143	125,000
2013	Wastewater Operating	End. Balance	372,083	247,084	124,999
2014	General	Beg. Balance	61,530	47,460	14,070
2014	General	Receipts	47,632	29,842	17,790
2014	General	Disbursements	49,216	31,693	17,523
2014	General	End. Balance	59,946	45,609	14,337
2014	Payroll Fund	Beg. Balance	-	(4,284)	(4,284)
2014	Payroll Fund	Receipts	-	17,790	17,790
2014	Payroll Fund	Disbursements	-	17,523	17,523
2014	Payroll Fund	End. Balance	-	(4,016)	(4,016)
2014	Wastewater Operating	Beg. Balance	372	247,084	124,999
2014	Wastewater Operating	End. Balance	383,274	258,274	125,000

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK RECONCILEMENTS

The Town has three separate bank accounts that are associated to specific funds recorded in the ledgers. The General bank account is for the funds associated with the Town, and the Sewer bank account is for the funds associated with the Wastewater Operating fund and a park savings account for park donations opened in April of 2012.

The depository reconcilements of the fund balance to the bank account balances had the following errors:

1. The December 2011 bank reconciliation included a deposit that had not been posted to the records and a local property tax distribution that was recorded for \$510 more than the amount actually received. These errors were not corrected in the Town's records.
2. Electronic fund transfers (EFT's) between the General bank account and the Sewer bank account were not properly recorded in the Town's records.
3. Some of the adjustments included on the Town's bank reconciliation were noted as: unknown error for \$3,988, an adjustment needed for \$225, EFT's from July - October for (\$1,090) and October - November for (\$545). Additional explanation for these adjustments was not provided.
4. The bank reconciliation for the Sewer account included outstanding checks that were issued to the Town representing transfers that had not cleared the bank.
5. At December 31, 2014, the combined bank balances did not reconcile to the ledger balances, after adjustment for errors that we found. The ledger balance was in excess of the bank balance by \$694.
6. Bank reconcilements were not performed on a timely basis and any differences and/or errors found were not investigated or corrected.

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."

The record balance at the end of every month shall be reconciled with the bank balance. [IC 5-13-6-1] Thus, any errors may be discovered and adjusted monthly. This procedure will localize any errors within the month and will prevent the necessity of a long and tedious search to trace errors covering over a long period of time and will serve to expedite audits by the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Internal Revenue Service - U.S. Department of the Treasury

Penalties and interest totaling \$54 were incurred by the Town and paid to the Internal Revenue Service (U.S. Department of the Treasury) for late payment and late filing of Federal withholdings.

Indiana Department of Revenue

During the period of examination, the Town paid the Indiana Department of Revenue penalties and interest assessed for State and County withholdings totaling \$114. Also, during 2014, the Clerk-Treasurer did not timely file the appropriate tax forms and the Town was assessed and subsequently paid an additional \$500 estimated withholding tax on two occasions. In total, the Town overpaid for State and County withholdings by a total of \$997 as shown by year:

<u>Years</u>	<u>Amount Withheld</u>	<u>Withheld Amount Paid</u>	<u>Amount Over/(Under) Paid</u>	<u>Penalties/ Interest Paid</u>
2011	\$ 817	\$ 817	\$ -	\$ 5
2012	804	796	(8)	-
2013	794	794	-	-
2014	<u>810</u>	<u>1,815</u>	<u>1,005</u>	<u>109</u>
Totals	<u>\$ 3,225</u>	<u>\$ 4,222</u>	<u>\$ 997</u>	<u>\$ 114</u>

The Town also paid the Indiana Department of Revenue \$665 that included \$600 in sales tax, \$65 in penalties and interest.

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 governmental 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 governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL FUND

Transfers were made from the Motor Vehicle Highway fund and the Wastewater Operating fund to the Payroll Fund; however, the transfers were not recorded in the Payroll Fund.

The Town did not include the Payroll Fund's activity on their financial statement for 2012. In 2013, the financial statement included the Payroll Fund's receipt activity within the General fund but did not include the disbursements. In 2014, the financial statement included both the payroll receipt and disbursement activity within the General fund. The Payroll Fund activity was subsequently added to the financial statements and adjustments were made out of the General fund as approved by management.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL TAXES

The following noncompliance issues were found relating to payroll taxes:

1. Taxes were not withheld from the salaries paid to members of the Town Council.
2. Taxes were not withheld from hourly laborers who were temporarily employed to perform street repairs.
3. There were instances where 1099's were not issued to individual contractors who received over \$600 in compensation.
4. W-2s issued for 2012 did not include the wages that were paid on January 3, 2012.
5. The Internal Revenue Service Form 941s (Employer's Quarterly Federal Tax Return) were filed from 2 to 381 days late.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LATE BOND PAYMENTS

Bond payments were due on January 1 of each year as noted on the amortization schedule and the invoice from the bank. Payments were made on January 8, 2013, and February 4, 2014, which were 7 and 34 days after the due date, respectively.

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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 governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISBURSEMENTS

The following are discrepancies related to the Town disbursements:

1. Payments were made based on estimates and not supported by a detailed invoice.
2. Some individual contractors did not provide a detailed itemized invoice. The invoice only included a "lump sum" amount to be paid.
3. Purchases were being made that benefit both the Town and Wastewater Utility but the cost is only paid from the Wastewater Operating fund. For example, the total cost of the computerized software program and related maintenance fees were paid from the Wastewater Operating fund. However, the Town records were also maintained using the computer software. Part of the cost of the computer software was not allocated to the General fund.
4. Prescribed Mileage Claim (General Form 101) was not used for reimbursement of mileage expenses. The accounts payable voucher only listed the mileage traveled, rate, and total to be paid.
5. Payments for hotel accommodations were based on a reservation and not an invoice.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A claim to be properly itemized should show the kind of service, where performed, date service rendered, by whom, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

General Form No. 101 should be used for claiming mileage. The odometer reading columns on this form are to be used when distance between points cannot be determined by fixed mileage or official highway map. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT RECORDING

During January and December of 2012, the Town received distributions totaling \$2,550 from the State of Indiana in the form of electronic fund transfers that were not receipted or recorded in the ledgers.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENTS

During the period of examination, the Town had investments in certificate of deposits (CD). An investment register was not maintained documenting the redemption and purchase activity of the investment. The Town did not include the CD or document the activity in the ledgers. For instance, a \$175,000 CD was redeemed but only \$50,000 of the CD was deposited in the bank account. Upon further investigation, it was determined that the Town had purchased another CD for the remaining balance of \$125,000. There were no records maintained to record the flow of these transactions.

Interest earned on the CD was automatically added to the principal during 2013 and 2014 and was not recorded in the ledgers.

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. At the time investments are purchased, the treasurer and/or bookkeeper should enter the full cost of the securities (purchase price plus accrued interest) as a disbursement from the fund or funds from which the investment is made. . . .
2. . . . The Investment Register, General Form 350, should be used for keeping a record of all investments purchased by the political subdivision. . . .
4. When the investments by fund are sold, the full amount of such sale should be entered as receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. At this time, the net purchase price (purchase price less accrued interest) should also be entered as a disbursement from the "Investments Fund."

Interest on investments should not be automatically added into 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 7)

OFFICIAL BOND RECORDED

The Clerk-Treasurer's official bonds for 2014 and 2015 were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder in the county of residence of the officer, official, deputy, or employee. The county recorder and deputies and employees of the recorder shall file their bonds in the office of the clerk of the circuit court."

APPROPRIATIONS

The records presented for examination indicated the following expenditures were in excess of budgeted appropriation:

Fund	Year	Excess Amount Expended
Cumulative Capital Improvement	2014	<u>\$ 518</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The financial statements presented for examination included the following fund with overdrawn cash balances at December 31, 2014:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll Fund	<u>\$ 1,833</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Town did not have a written policy or procedures for writing off of bad debts, uncollectible accounts receivable, or adjustments to the record balances.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LOWEST BID

The Town received quotes for stop signs and posts from three different vendors. The Town accepted the offer of the second to the lowest quote with no explanation as to why the lowest quote was not accepted.

Indiana Code 5-22-8-3(d) states: "If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required."

Indiana Code 5-22-17-12(c) states: "If the purchasing agent awards a contract for a line or class of supplies or services, or any combination of lines or classes, to an offeror, other than the lowest offeror, the purchasing agent must make a written determination stating the reasons for awarding a contract to that offeror."

CLERK-TREASURER
TOWN OF BURNETTSVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2015, with Diana M. Sundy, Clerk-Treasurer; Tiffany Crowell, President of the Town Council; and Mary K. Caudle, former Clerk-Treasurer.