

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF VAN BUREN

GRANT COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
02/15/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle M. Sexton	01-01-08 to 12-31-15
President of the Town Council	Tony E. Manry Marvin N. Surber	01-01-11 to 12-31-11 01-01-12 to 12-31-15
Superintendent of Utilities	James R. Webb (Vacant) Robert B. Reeder Donald W. Plummer	01-01-11 to 03-02-12 03-03-12 to 03-04-12 03-05-12 to 05-31-14 06-01-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF VAN BUREN, GRANT COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Van Buren (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

October 14, 2015

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CLERK-TREASURER
TOWN OF VAN BUREN

CLERK-TREASURER
TOWN OF VAN BUREN
EXAMINATION RESULTS AND COMMENTS

TIMELY RECORDKEEPING OF UTILITY COLLECTIONS

Utility collections were not receipted on a daily basis. Collections tested were posted to the Register of Daily Cash Receipts - Consumer ledger up to six days later.

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)

CONDITION OF PAYROLL RECORDS

Payroll records presented for examination were incomplete and not reflective of the activity of the Payroll Fund. The records presented did not provide sufficient information to examine the accuracy or correctness of the transactions.

Some of the deficiencies include:

1. Time records were not provided for two employees in 2012.
2. Employee earnings record (hand-written) was incomplete for two employees in 2014. The fourth quarter was not completed and annuals totals were not footed.
3. Employee earnings records were inaccurate. One pay was missing for an employee and one pay amount was inaccurate.
4. Payments were made without the proper supervisory approvals. Department head's approval signatures were not always on employees' timesheets. Also, approval signatures were not on the Utilities Superintendent's timesheet.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE

The amount of \$1,291 was due to the Water Utility at the beginning of the year for hydrant rental from a commercial vendor for the year 2014. The Water Utility has not received this collection. The Water Utility also has not received this collection for the year 2015 as of September 17, 2015.

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 VAN BUREN
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting.

A similar comment appeared in the prior Report B38704.

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, (utility billings and collections), disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's examined financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF VAN BUREN
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2015, with Michelle M. Sexton, Clerk-Treasurer, and Marvin N. Surber, President of the Town Council.