

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LEAVENWORTH

CRAWFORD COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
03/03/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Bonnie Young	01-01-08 to 12-31-11
	Lucinda Purcell	01-01-12 to 09-01-12
	(Vacant)	09-02-12 to 10-03-12
	Bonnie Young	10-04-12 to 12-31-15
Town Council President	John Stutzman	01-01-11 to 12-31-11
	Whitney Timberlake	01-01-12 to 12-31-15
Utilities Superintendent	Jeff LaHue	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF LEAVENWORTH, CRAWFORD COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Leavenworth (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

November 18, 2015

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CLERK-TREASURER
TOWN OF LEAVENWORTH

CLERK-TREASURER
TOWN OF LEAVENWORTH
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Reports (AFR) for 2011, 2012, 2013, and 2014, contained a number of errors and did not properly reflect the financial activity of the Town of Leavenworth.

When the Crawford County library system closed in 2011, the Town acquired the local library. The financial activity of the library was conducted through the Town's bank account, but the library's activity was not reflected in the Town's ledger or on the AFR for the entire examination period.

For the years 2011, 2012, and 2013, the Town owned a \$1,000 Certificate of Deposit that was not reflected in the fund balances on the AFR.

For 2011, the AFR did not reflect the receipts and disbursements of the Local Road and Street fund.

For 2012 and 2013, the Cemetery Operating fund balance in the AFR was not accurate as the balance did not properly reflect the penalty incurred when two Certificates of Deposit were cashed in early.

The following funds were not included on the respective AFR: Fire Grant - 2011; Wastewater Escrow Account - 2014; Water Meter Deposits and Wastewater Utility - Depreciation for 2011, 2012, 2013, and 2014.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."

COMPENSATION AND BENEFITS

The Town acquired the local library in 2011 when the County library system closed. The Town paid the salary of the Librarian in 2011. The compensation and benefits paid to the Librarian during the period examined totaled \$55,939. Payroll taxes were not withheld for this employee, nor was an Internal Revenue Service Wage and Tax Statement Form W-2 was issued.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS

The Surety Bonds obtained for the Clerk-Treasurer's position were insufficient per the Indiana Code, which required a minimum \$30,000 bond. The bond coverage was only \$15,000.

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

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following . . . town . . . officers and employees shall file an individual surety bond: . . .

(2) Town judges and clerk-treasurers. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) . . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

DEBIT CARD PURCHASES

The Town used a debit card to make \$5,178 in purchases for items such as postage and office supplies for the Town and supplies for the Water and Wastewater Utilities during the period examined. Supporting documentation was not available for 4 of the 26 disbursements made. The governing board's approval was not obtained prior to the disbursements being made.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

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

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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)

CLERK-TREASURER
TOWN OF LEAVENWORTH
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2015, with Bonnie Young, Clerk-Treasurer, and Whitney Timberlake, President of the Town Council.

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TOWN COUNCIL
TOWN OF LEAVENWORTH

TOWN COUNCIL
TOWN OF LEAVENWORTH
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Compensation and benefits were paid to six employees that were not included on the salary ordinance. The Town paid the salary of the Librarian for the library acquired from the county library system in 2011. The compensation and benefits paid to the Librarian during the period examined totaled \$55,939. The other five employees served as part-time maintenance employees. The salary ordinance did not include a pay rate for maintenance positions. The compensation and benefits paid to the maintenance employees totaled \$18,895 for the period examined.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS

The Surety Bonds obtained for the Clerk-Treasurer's position were insufficient per the Indiana Code, which required a minimum \$30,000 bond. The bond coverage was only \$15,000.

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TOWN COUNCIL
TOWN OF LEAVENWORTH
EXAMINATION RESULTS AND COMMENTS
(Continued)

(c) . . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . as follows:

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- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

DEBIT CARD PURCHASES

The Town used a debit card to make \$5,178 in purchases for items such as postage and office supplies for the Town and supplies for the Water and Wastewater Utilities during the period examined. An ordinance or resolution had not been adopted authorizing the use of a debit card and specifying what controls would be in place concerning its use.

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 objectives, 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)

TOWN COUNCIL
TOWN OF LEAVENWORTH
EXIT CONFERENCE

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