



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B45982

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 11, 2016

TO: THE OFFICIALS OF THE TOWN OF MOUNT AYR, NEWTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Mount Ayr (Town), for the period of January 1, 2010 to December 31, 2012, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Our procedures were designed solely to satisfy the requirements of Indiana Code 5-11-1. Because our procedures were not designed to opine on the Town's financial statements, we did not follow auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any basic financial statement of the Town.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Town's Annual Financial Reports filed for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/. For years 2011 and later, the Annual Financial Reports filed by the Town can be found on the Gateway website: <https://gateway.ifionline.org/>.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Current Period Comments

- *The Annual Financial Report for 2010 was not filed until July 20, 2011, which was 141 days after the due date. The Annual Financial Reports for 2011 and 2012 were not filed until December 16, 2014, which were 1,020 and 655 days, respectively, after the due date.*
- *The Town donated \$17,000 in 2010, \$16,600 in 2011, and \$17,250 in 2012 to the Mount Ayr Projects Committee without an invoice or contract for services rendered.*
- *Employees were paid without federal, state, or local taxes being withheld.*
- *Monthly bank reconciliements were not performed beginning with December 2010.*
- *Ledgers were not maintained beginning July 2011. In 2014, the Town hired an outside consultant to recreate the ledgers for 2011 through 2014.*

- Starting in April 2011, the financial institution did not provide the back side or endorsement of the checks but only the optical image of the front side of the checks.
- The financial amounts reported in Gateway did not agree to the ledgers. The difference was caused from investment not included in the ledger balance.
- The following funds had overdrawn cash balances at December 31:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2011	MVH	\$ 1,040
2012	MVH	756

- The records presented for review indicated the following disbursements in excess of budgeted appropriations:

<u>Year</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2011	General	\$ 362
2011	MVH	1,020


- The Town did not have an approved budget for 2012.
- Receipts were not issued after July 2011.
- State Distributions were not posted to the correct funds in 2011.
- In 2012, local tax distributions were deposited up to 260 days after the issue of the check from the County.
- The Town did not pass a salary ordinance in 2010 or 2012. A salary ordinance was passed for 2011 per the minutes but was not presented for examination.
- W-2's or 1099's were not issued for all employees and contractors for 2010, 2011, and 2012.
- Payments were made for a new roof but were not supported by a written contract.
- Checks were issued to individuals rather than in the name of the company providing the goods or services.
- Payments for maintenance services were made based on a proposal rather than a detailed invoice.
- Payments were made to vendors that did not have a claim or invoice to support the payment.
- There were instances where a claim did not include an invoice to support the payment.
- The Annual Financial Report was not published in accordance with Indiana Code 5-3-1-2 for 2010, 2011, and 2012.

- *The Town did not approve a Nepotism or Contracting Policy for 2012.*
- *The Clerk-Treasurer or Council member did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism or Contracting) by December 31, 2012.*
- *The Town officials did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the Indiana State Board of Accounts for 2010, 2011, and 2012. The reports were filed up to 551 days after the due date.*

This letter is intended for the information and use of the governing body and management of the Town. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

The contents of this letter were discussed on November 9, 2015, with Karen S. Warne, Clerk-Treasurer; and Larry Berenda, President of the Town Council. Any Official Response attached to this letter was not verified for accuracy.

The contents of this letter were sent on November 18, 2015, to Dudley Vaughn, former Clerk-Treasurer.


Paul D. Joyce, CPA
State Examiner

TOWN OF MOUNT AYR

101 East Rensselaer Street, P. O. Box 216

Mount Ayr, Indiana 47964

Phone (219) 394-2460

Council President: Larry Berenda

Council Member: Phyllis Smith

Clerk-Treasurer: Karen Warne

Council Member: William Turner

BUILDING COMMISSIONER: JOHN SMITH

State Board of Accounts

302 West Washington Street

Room E 418

Indianapolis, Indiana 46204-2765

To Whom It May Concern:

I took over as Clerk/Treasurer this past April 2015. I have had little to no training and have tried to contact other clerks from other towns to help me. I appreciate Karen Tetrault taking the extra time to explain some things to me so that I can start doing things the correct way. The person that was here before me has been fighting an illness and kept it well hidden from everyone for several years until it managed to get the best of him this past year.

In response to comments made during our exit conference with Karen I would like to say that I have been working the last several months at trying to do a budget for the town. I submitted everything into Gateway to the best of my knowledge.

I have contacted our Financial Institution to make sure both sides of checks are provided when we are sent the bank statements.

From now on we will have contracts for any and all improvements made to our facility.

Hourly laborers will have a timesheet in which to sign with their time of day, date, and number of hours worked per day.

All claims will have invoices attached to them and filled out with all pertinent information.

The annual report will be published.

There has been a Nepotism policy approved by the Town Board for 2015.

**Any donations will require a receipt for the amount donated.
Form 100-R has been filed for this year.
We purchased Keystone Software to hopefully help with maintaining
ledgers and accurate financial statements.**

Thank you,

Karen Warne

Karen Warne

Clerk/Treasurer

Town of Mount Ayr, Newton County, Indiana