

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DARMSTADT

VANDERBURGH COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
03/23/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mallory Lowe	01-01-08 to 12-31-15
President of the Town Council	Bob E. Stobbs	01-01-11 to 12-31-15
Superintendent of Wastewater Utility	Garry Sierra John Day (Interim) Jeff Goerges	01-01-11 to 11-22-13 11-23-13 to 01-29-14 01-30-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DARMSTADT, VANDERBURGH COUNTY, INDIANA

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

December 14, 2015

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CLERK-TREASURER
TOWN OF DARMSTADT

CLERK-TREASURER
TOWN OF DARMSTADT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained errors. Bank reconciliation errors included:

1. Numerous outstanding checks, some dating back to 2006.
2. Interest not posted to ledger.
3. Transfers out not recorded in ledger.
4. Posting errors not corrected.
5. Transfers between banks recorded in ledger not occurring at the bank.

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."

SUPPORTING DOCUMENTATION

During the test of claims, we noted five disbursements totaling \$578 which did not include supporting documentation to support the purchase.

During the test of travel claims, we noted three of ten disbursements totaling \$148 which did not include supporting documentation to provide evidence of business purpose.

Due to the lack of supporting information, we could not verify the purpose of the disbursement.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest, and other charges to Indiana Department of Workforce Development in the amount of \$215 because the Town did not remit payments on a timely basis.

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.

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

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)

CREDIT CARDS

The Town had an approved credit card policy; however, during testing we noted the following deficiencies:

1. The designated responsible official or employee did not maintain an accounting system or log which included the names of the individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
2. The purchases on the credit card were circumventing the claims process. The credit card was being used to automatically pay the Town's telephone and cellular phone bills and for other routine Town business purchases.
3. Five of thirteen claims tested had at least one missing receipt or did not have enough supporting documentation to identify the item(s) being purchased.
4. Two of thirteen claims tested incurred expenses greater than \$3,000. The Town's credit card policy stated the Clerk-Treasurer was authorized to incur expenditures without prior Town Council approval up to \$3,000.
5. The Town's credit card policy stated the credit card may have a credit line of not greater than \$6,000. Two of six credit cards exceeded the maximum set by the Town. Three of the six credit limits could not be identified.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

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

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTEREST ON INVESTMENTS

Interest earned on the Town certificate of deposits/investments were automatically added to the principal and not posted to the records timely.

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)

A similar comment appeared in prior Report B39813.

ADVANCE PAYMENTS

The Town paid salaries to the elected officials in advance of the actual date the services were provided. Salaries were paid on a monthly basis. During the examination, it was noted that officials received compensation for the current month before month end.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received 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 DARMSTADT
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2015, with Mallory Lowe, Clerk-Treasurer, and Bob E. Stobbs, President of the Town Council.