

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CLERK-TREASURER
TOWN OF ANDREWS
HUNTINGTON COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
03/30/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William K. Johnson	01-01-08 to 12-31-15
President of the Town Council	Karl Shockome John Harshbarger Michael Rohler Raymond Tackett	01-01-11 to 12-31-11 01-01-12 to 12-31-13 01-01-14 to 08-30-15 08-31-15 to 12-31-15
Superintendent of Utilities	Colin Bullock	05-14-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ANDREWS, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Andrews (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 27, 2015

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CLERK-TREASURER
TOWN OF ANDREWS

CLERK-TREASURER
TOWN OF ANDREWS
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest were paid to the Internal Revenue Service in 2013 totaling \$795.96 as a result of payments not made on a timely basis in 2012.

Penalties and interest were paid to the Indiana Department of Revenue in 2013 totaling \$73.88 as a result of late remittance of sales tax collected on the Water Utility sales in 2013.

Interest and fees totaling \$89.65 were paid as a result of payments not made on a timely basis for credit card purchases in 2013 and 2014.

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)

William K. Johnson, Clerk-Treasurer, reimbursed the Town \$959.49 for the above mentioned penalties, interest, and fees on September 29, 2015. (See Summary of Charges, page 11)

CONDITION OF RECORDS

In 2013, a new accounting software system was implemented. The following errors occurred due to the implementation of the new system:

1. At January 1, 2013, the following funds were never entered into the General Ledger: Water Utility - Escrow Fund for \$4,413, and Wastewater Utility - Customer Deposit Fund for \$10,000. This issue was not corrected during the examination period.
2. The Water Utility - Customer Deposit Fund was understated by \$8,000. This issue was not corrected during the examination period.
3. Payroll activity reported in the 2013 General Ledger was not reflective of the activity in the Payroll Fund. This created incorrect Payroll Fund balances at December 31, 2013, and were carried forward through December 31, 2014.

In 2014, the Levy Excess Fund was not recorded in the General Ledger.

Adjustments for the above noted errors were proposed, accepted by the Town and made to the financial statements contained in the Financial Statements Examination Report of the Town of Andrews.

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 ANDREWS
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the December 31, 2013 and the December 31, 2014, reconciliations contained numerous reconciling items. At December 31, 2013, the fund balances exceeded the bank account balances by \$469 and at December 31, 2014, by \$56.

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."

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)

ANNUAL FINANCIAL REPORT

The January 1, 2011 fund balances of the Water Utility - Operating, Water Utility - Customer Deposit, Water Utility - Escrow, Wastewater Utility - Operating and the Wastewater Utility - Customer Deposit Funds did not agree with the December 31, 2010 fund balances as reported in prior Report B39812.

The Wastewater Utility - Customer Deposit Fund and the Water Utility - Escrow Fund were not reported on the 2011, 2012, 2013, and 2014 Annual Financial Reports.

The 2013 Annual Financial Report contained numerous errors in the reporting of disbursements. Voided checks were included in the disbursements of various funds.

Payroll activity reported in 2013 was not reflective of the activity in the Payroll Fund.

The 2013 and 2014, grant information did not include the Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii that the Town received on behalf of the Andrews-Dallas Township Public Library in the amounts of \$73,796 and \$187,306, respectively.

The Levy Excess Fund was not included in the 2014 Annual Financial Report.

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."

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

PUBLIC RECORDS RETENTION

The 2012 W-2 Wage and Tax Statement Forms were not presented for examination.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

OVERDRAWN CASH BALANCES

The financial statements presented in the Financial Statements Examination Report of Town of Andrews included the following funds with overdrawn cash balances at December 31:

Fund	2012 Amount Overdrawn	2013 Amount Overdrawn	2014 Amount Overdrawn
Wastewater Utility - Operating	\$ 15,673	\$ -	\$ -
Community Building	-	23	827

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)

MOTOR VEHICLE HIGHWAY FUND USED FOR UTILITY EXPENSES

The Utility Superintendent's salary was paid entirely from the Motor Vehicle Highway Fund in 2013 and 2014.

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)

PUBLIC PURCHASES

In 2011, the Town paid \$136,598 for the purchase of a fire truck. The Town and Local Township together, shared the cost of the fire truck. The Town's share of the fire truck was to be \$136,000, and the Township's share was to be \$44,000, for a total cost of \$180,000. The Town did not issue an invitation for bids.

Indiana Code 5-22-7-2 states:

- "(a) A purchasing agent shall issue an invitation for bids.
- (b) An invitation for bids must include the following:

CLERK-TREASURER
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EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) A purchase description.
- (2) All contractual terms and conditions that apply to the purchase.
- (3) A statement of the evaluation of criteria that will be used, including any of the following:
 - (A) Inspection.
 - (B) Testing.
 - (C) Quality.
 - (D) Workmanship.
 - (E) Delivery.
 - (F) Suitability for a particular purpose.
 - (G) The requirement imposed under IC 5-22-3-5.
- (4) The time and place for opening the bids.
- (5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body.
- (6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in parts as specified under IC 5-22-18-2."

Indiana Code 5-22-7-5(a) states: "The purchasing agency shall give notice of the invitation for bids in the manner required by IC 5-3-1."

CLERK-TREASURER
TOWN OF ANDREWS
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2015, with William K. Johnson, Clerk-Treasurer, and Raymond Tackett, President of the Town Council.

CLERK-TREASURER
TOWN OF ANDREWS
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
William K. Johnson, Clerk-Treasurer			
Penalties, Interest, and Other Charges - Internal Revenue Service, page 6	\$ 795.96	\$	\$
Penalties, Interest, and Other Charges - Indiana Department of Revenue, page 6	73.88		
Penalties, Interest, and Other Charges - Credit Card purchases, page 6	89.65		
Reimbursed by William K. Johnson on September 29, 2015, Receipt Number 2091	<u> </u>	<u>959.49</u>	<u>-</u>
Totals	<u>\$ 959.49</u>	<u>\$ 959.49</u>	<u>\$ -</u>