

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WEST LEBANON

WARREN COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED

04/07/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Penalties, Interest, and Other Charges.....	6
Bank Account Reconciliations.....	6
Overdrawn Cash Balances	7
Internal Controls.....	7
Appropriations	8
Ordinances and Resolutions.....	8
Annual Financial Report and Form 100-R	8-9
Errors on Claims	9
Utility Receipts Tax	9-10
Travel Claims	10
Prescribed Forms.....	10
Delinquent Wastewater Accounts	11
Exit Conference	12
Summary of Charges.....	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dana Craft	01-01-08 to 12-31-15
President of the Town Council	Michael J. Jackson Terry Foust	01-01-11 to 12-31-11 01-01-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF WEST LEBANON, WARREN COUNTY, INDIANA

This report is supplemental to our examination report of the Town of West Lebanon (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

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF WEST LEBANON

CLERK-TREASURER
TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

During the period of examination, the Town paid \$150.15 in penalties to the Indiana Department of Revenue for late payment of withholding taxes and \$159.14 for late payment of sales taxes. We requested that Dana Craft, Clerk-Treasurer, reimburse the Town \$309.29 for penalties paid to the Indiana Department of Revenue. Dana Craft, Clerk-Treasurer, reimbursed \$309.29 to the Town on October 23, 2015. (See Summary of Charges, page 13)

During the period of examination, the Town paid \$325.26 in penalties to the Internal Revenue Service for late payment of 941 taxes. We requested that Dana Craft, Clerk-Treasurer, reimburse the Town \$325.26 for penalties paid to the Internal Revenue Service. Dana Craft, Clerk-Treasurer, reimbursed \$325.26 to the Town on October 23, 2015. (See Summary of Charges, page 13)

During the period of examination, the Town paid \$141.89 in penalties to Ford Motor Credit for late payment on a truck lease. We requested that Dana Craft, Clerk-Treasurer, reimburse the Town \$141.89 for penalties paid to Ford Motor Credit. Dana Craft, Clerk-Treasurer, reimbursed \$141.89 to the Town on November 5, 2015. (See Summary of Charges, page 13)

Similar comments were stated in prior Reports.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance to the ledger. There were numerous errors, including deposits recorded twice, payroll disbursements not properly recorded or recorded twice, and disbursements not recorded. After identified errors were corrected, the adjusted bank balance reconciled to the ledger with only a \$27 unidentified difference remaining.

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."

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

OVERDRAWN CASH BALANCES

The financial statements presented for the Town included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn			
	2011	2012	2013	2014
Water Utility Bond and Interest	\$ 68,046	\$ 68,046	\$ 68,046	\$ 68,046
Economic Development Income Tax	-	-	-	87
Park Fund	-	1,468	-	73
Water Utility Operating	-	-	-	46,143

A similar comment was stated in prior Report B39777.

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)

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the Town were insufficient. Several local distributions were recorded in the wrong funds as noted below:

Fund	Overstated (Understated)
General	\$ 4,878
Economic Development Income Tax	43
Levy Excess Fund	736
Water Utility Operating	736
Public Safety LOIT	(6,393)
Total	\$ -

Similar comments were stated in prior Reports.

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

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

APPROPRIATIONS

Expenditures exceeded budgeted appropriations for the General Fund for 2011 by \$17,053.

Similar comments were stated in prior Reports.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ORDINANCES AND RESOLUTIONS

The Town had a rate ordinance concerning its rental of the water hydrants in Town. The Town did not comply with the ordinance; they should have paid \$28,934.82 each year; however, they paid only \$26,000 each year.

The Town Council adopted Ordinance No. 2011-01 on January 10, 2011, which raised water rates by \$.33 per 1,000 gallons each year, indefinitely. The water rates were properly increased for 2011, 2012, and 2013. However, the water rates were not increased in 2014 in accordance with the ordinance.

In addition, four employees and/or Town Council members of the Town are delinquent in paying their utility bills. One Town Council member paid their bill once during 2014; others only made payments six or seven times a year. The total outstanding balance for these four persons was \$2,129.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

ANNUAL FINANCIAL REPORT AND FORM 100-R

The Annual Financial Reports for 2011, 2013, and 2014 were not filed timely. The reports were filed from 6 to 58 days late.

The Certified Report of Names, Addresses, Duties, and Compensation of Public Employees, (Form 100-R or its equivalent) for 2011, 2012, 2013, and 2014 were not filed timely. The reports were filed from 19 to 151 days late.

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 WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

ERRORS ON CLAIMS

A review of paid claims identified the following deficiencies:

1. Accounts Payable Vouchers (Claims) were not prepared for 10 percent of disbursements reviewed. These disbursements were also not approved by the Town Council.
2. Of the claims reviewed, 12 percent were not adequately itemized or did not include supporting documentation.
3. 12 percent of claims reviewed were payments made based on summary statements with no detailed invoices.

Similar comments were stated in prior Reports.

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
- (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."

UTILITY RECEIPTS TAX

The Clerk-Treasurer did not file water utility receipts tax returns for 2013 or 2014. There were also no estimated payments made for either year.

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

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)

TRAVEL CLAIMS

The Clerk-Treasurer was reimbursed for mileage, but did not use the approved mileage rate from the Town's travel policy. The Clerk-Treasurer used the federal mileage rate instead. Also, the Town did not use the prescribed form to file the mileage reimbursement claims, nor have they requested approval for an alternative form.

City or town officers and employees may be reimbursed for actual miles traveled in their own vehicles on official business at a reasonable rate per mile as fixed by an ordinance of the city council or town council.

Reimbursed mileage shall not include travel to and from the officer's or employee's home and the governmental office in which he works. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable.

General Form No. 101 should be used for claiming mileage. The odometer reading columns on this form are to be used when distance between points cannot be determined by fixed mileage or official highway map. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The Indiana State Board of Accounts is responsible for prescribing and/or approving the accounting forms/records for all governmental units. The Town did not use the prescribed form Payroll Schedule and Voucher, General Form No. 99, nor have they requested approval for an alternative form.

In addition, receipts were not properly marked as received in check or cash. Therefore, test could not be performed to determine if receipts were deposited intact.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Similar comments were stated in prior Reports.

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes."

CLERK-TREASURER
TOWN OF WEST LEBANON
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2015, with Dana Craft, Clerk-Treasurer, and Terry Foust, President of the Town Council.

CLERK-TREASURER
TOWN OF WEST LEBANON
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dana Craft, Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 6			
Indiana Department of Revenue	\$ 309.29	\$	\$
Paid October 23, 2015; Receipt #3778		309	-
Internal Revenue Service	325		
Paid October 23, 2015; Receipt #3778		325	-
Ford Motor Credit	142		
Paid November 5, 2015; Receipt #3787		<u>142</u>	<u>-</u>
Totals	<u>\$ 776.44</u>	<u>\$ 776.44</u>	<u>\$ -</u>