

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PLAINVILLE

DAVISS COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
04/14/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angelia Shake	01-01-08 to 12-31-19
President of the Town Council	Lee E. Coffman	01-01-11 to 12-31-16
Wastewater Superintendent	John Berry (Vacant) Rex Thompson	01-01-11 to 02-14-14 02-15-14 to 03-09-14 03-10-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PLAINVILLE, DAVIESS COUNTY, INDIANA

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

January 28, 2016

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CLERK-TREASURER
TOWN OF PLAINVILLE

CLERK-TREASURER
TOWN OF PLAINVILLE
EXAMINATION RESULTS AND COMMENTS

CREDIT CARD PURCHASES

The following deficiencies were noted relating to credit card purchases:

- Credit card payments totaling \$12,148 were made without supporting documentation.
- Credit card payments were made for purchases prior to the actual purchase posting to the credit card account.
- Prior month unpaid balances were presented for payment twice, resulting in credit balances on the monthly credit card statements.
- Purchases made during months with a credit balance were not presented to the Board for approval.

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)

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."

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 PLAINVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS - WAGE REPORTING

The following deficiencies were noted with payroll records and reporting:

- The wages reported on the Wage and Tax Statement (Internal Revenue Service Form W-2) for 2012 and 2013 for one employee were overstated due to posting errors.
- Bonuses paid to the Wastewater Superintendent were not reported on the Wage and Tax Statements (Internal Revenue Service Form W-2). The amounts not reported were \$500 for 2011 and 2013, respectively, and \$2,000 for 2014.
- The Town's salary ordinances provided for a Relief Sewer Operator to be paid at \$10 per hour, or \$25 per day for two trips per day. Town council members provided services for the relief position as needed throughout the examination period. However, the income earned was not reported on the official's Wage and Tax Statements (Internal Revenue Service Form W-2) for any of the years examined.

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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid interest and other charges totaling \$360 to credit card companies due to not remitting credit card payments on a timely basis.

The Town paid penalties, interest, and other charges of \$61 in 2011 to the Indiana Department of Revenue for late remittance of state withholding taxes.

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)

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

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2013	\$ 34,219
Cumulative Capital Improvement	2014	855

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."

CAPITAL ASSET RECORDS

The Town and Utility do not maintain sufficient detailed records of capital assets.

A similar comment appeared in prior Report B39396.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTEREST ON INVESTMENTS

Interest earned on several investments was automatically added into the investment balance.

A similar comment appeared in prior Report B39396.

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)

INVESTMENT MATURITY LIMITATIONS

The Town purchased certain investments which have a stated maturity in excess of two years.

A similar comment appeared in prior Report B39396.

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

Indiana Code 5-13-9-5.6 states in part:

"Except for investments allowed under section 2(f) or 2(g) of this chapter, investments made under this chapter must have a stated final maturity of not more than:

- (1) five (5) years after the date of purchase or entry into a repurchase agreement for a conservancy district located in a city having a population of more than five thousand (5,000) but less than five thousand one hundred (5,100);
- (2) five (5) years after the date of purchase or entry into a repurchase agreement for investments made from a host community agreement future fund established by ordinance of a town with a population of more than five thousand (5,000) but less than ten thousand (10,000) located in a county having a population of more than one hundred forty thousand (140,000) but less than one hundred fifty thousand (150,000); or
- (3) two (2) years after the date of purchase or entry into a repurchase agreement for:
 - (A) a fund not described in subdivision (1) or (2); or
 - (B) a political subdivision that:
 - (i) is not described in subdivision (1) or (2);
 - (ii) ; does not have in effect an investment policy and ordinance under section 5.7 of this chapter."

OVERDRAWN CASH BALANCES

The financial statements presented for the examination included overdrawn cash balances for the Park fund as follows:

<u>Years</u>	<u>Amount Overdrawn</u>
2011	\$ 1,709
2012	813

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)

CLERK-TREASURER
TOWN OF PLAINVILLE
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2016, with Angelia Shake, Clerk-Treasurer, and Lee E. Coffman, President of the Town Council.

TOWN COUNCIL
TOWN OF PLAINVILLE

TOWN COUNCIL
TOWN OF PLAINVILLE
EXAMINATION RESULTS AND COMMENTS

CREDIT CARD POLICY

The Town used credit cards to purchase items without an approved credit card policy.

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.
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)

COMPENSATION

Year-end bonuses of \$500 were paid to the Wastewater Superintendent in 2011 through 2014. The bonuses paid for 2011, 2012, and 2013 were approved by the Town Council at the December Council meeting of each respective year. The year-end bonus for 2014 was not approved at the December 2014 Council meeting. None of these bonuses were included in the Town's salary ordinance.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative 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)

TOWN COUNCIL
TOWN OF PLAINVILLE
EXIT CONFERENCE

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