

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CLERK-TREASURER
TOWN OF HUNTERTOWN
ALLEN COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
11/15/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David W. Rudolph Cathy Mittendorf	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Town Council	Jim Fortman Sue Gongwer Patricia Freck	01-01-11 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15
President of the Utility Service Board (Established January 1, 2013)	Vincent Heiny Andrew Conner	01-01-13 to 12-31-13 01-01-14 to 12-31-15
Superintendent of Utilities	Wilson Gongwer (Vacant) Don Papai	01-01-11 to 02-03-14 02-04-14 to 03-15-14 03-16-14 to 12-31-15
Utility Office Manager	Rosemary Scheele	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HUNTERTOWN, ALLEN COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Huntertown (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 HUNTERTOWN

CLERK-TREASURER
TOWN OF HUNTERTOWN
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties and interest to the Internal Revenue Service in the amount of \$1,132.78 on November 7, 2012, because the Town did not remit payments on a timely basis.

A similar comment appeared in prior Report B39733.

We requested David W. Rudolph (deceased), former Clerk-Treasurer, reimburse the Town for penalties and interest of \$1,132.78. (See Summary of Charges, page 14)

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)

SUPPORTING DOCUMENTATION

We noted the following credit card payments did not include supporting documentation to support the purchases made with the Town's credit card.

Dates	Amounts	Descriptions
10-04-11	\$ 45	Photo supplies
05-30-12	72	Printer cartridge
05-30-12	123	Pear tree replacement
04-03-13	600	Purchase from National Products
08-01-13	<u>506</u>	Purchase of American Flags
Total	<u>\$ 1,346</u>	

We also noted during the test of debt payments there was one claim unavailable for examination.

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

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)

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

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."

CUSTOMER DEPOSIT REGISTER

From June 2012 through December 2014, the Town was not posting monthly customer deposits to the Water Utility - Customer Deposit fund. These receipts were posted to the Water Utility - Operating fund. Also, water utility bill overpayments were disbursed from the Water Utility - Customer Deposit fund and not the Water Utility - Operating fund. Therefore, the customer deposit balance in the Meter Deposit Report at December 31, 2014, was \$50,850 and the Water Utility - Customer Deposit fund balance was \$33,424, a difference of \$17,426.

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)

ORDINANCES AND RESOLUTIONS

The Utilities issued the following debt: Water Works Refunding Revenue Bonds 2013; Water Works Revenue Bonds 2013; and Sewage Works Bond Anticipation Notes of 2014. Each of these debt issues had ordinances requiring monthly transfers into a bond and interest account to accumulate the amount needed to pay the next interest and principal payments. The Utilities did not make these transfers. The principal and interest payments were made out of the operating funds of each utility.

The Water Works Revenue Bonds of 2013 ordinance also required the accrued interest and premium to be deposited in the Water Utility- SRF Sinking Fund and the remaining proceeds to be deposited into a Water Utility - Construction Fund. All proceeds were deposited into the Water Utility - SRF Sinking Fund. As of August 31, 2015, the sinking fund has been spent down below the \$24,696 premium received.

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

The Town adopted Resolution No. 13-004 concerning the Wastewater Utility borrowing up to \$500,000 from the Water Utility - Cash Reserve Fund. On September 30, 2013, the Wastewater Utility borrowed \$200,000 from the Water Utility - Cash Reserve fund. On June 4, 2014, the Wastewater Utility borrowed \$300,000 from the Water Utility - Cash Reserve fund for a total of \$500,000. The Clerk-Treasurer was to prepare a repayment schedule so that the amount borrowed would be repaid in 10 equal installments over a five year period commencing not later than July 1, 2014. A repayment schedule was not prepared and no payments have been made.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained errors in 2012, 2013, and 2014. In 2012, an amount of \$70,509 on deposit at the Bank of New York was not included in the reconciliation and was not included in the Town's records. There was also an unexplained amount needed to reconcile the bank balances to the fund ledger of \$28. In 2013, there was a (\$160) reconciling item that could not be verified and an amount of \$24 required to have the bank balances reconcile to the fund ledgers. In 2014, there was a \$609 reconciling item that could not be verified and an unexplained difference of (\$501) that was needed to reconcile the bank balances to the fund ledgers.

Subsequent to the period of examination, we noted the January through June 2015 reconciliations each had unidentified differences. At June 30, 2015, the reconciliation had an unidentified difference of \$10,005. The Town was unable to provide bank reconciliations for July 2015 and August 2015.

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."

DISBURSEMENT COMPLIANCE

The following issues were noted concerning disbursements:

1. Two disbursements for a total of \$134 were made for funeral flowers out of the General fund's Miscellaneous appropriation and not the Promotional appropriation.
2. The monthly retainer fee for the Town Attorney on four disbursements was paid entirely by the Water Utility for a total of \$2,650.
3. Sales tax in the amount of \$15 was paid.
4. The Water Utility paid one-half of an invoice for Wastewater Utility professional services. The invoice was for \$6,300 and the Water Utility paid \$3,150.

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

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)

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)

AUDIT TRAILS

In review of information presented for examination, the following was noted:

- In 2013, there was \$14,809 fewer disbursements in the Wastewater Utility - Operating fund on the "Fund Report With Investments" than on the "Appropriation History Report." An explanation for this difference could not be provided for examination.
- In 2014, the Water Utility - Bond & Interest fund had \$36,106 more receipts in the "Fund Report With Investments" than on the "Revenue Detail History Report." Also, there was \$36,106 more disbursements in the Water Utility - Operating fund on the "Fund Report With Investments" than on the "Appropriations History Report."

When we brought this to the attention of the officials, they searched for more detailed information in an attempt to explain the differences. The additional information provided was not considered sufficient.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTABLE ITEMS

During the review of information presented for examination, it was noted that 42 checks were not posted to the check register. It was also noted that a check in the voided check file was still on the ledger and included as an outstanding check.

When we brought this to the attention of the officials, they searched for more detailed information in an attempt to explain why checks were not posted. The additional information did not provide a sufficient explanation.

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

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)

OFFICIAL BONDS

David W. Rudolph, former Clerk-Treasurer, was covered under a Public Official Bond.

Surety:	Western Surety Company
Amount:	\$90,000 (2011); \$120,000 (2012-2014)
Bound Unto:	State of Indiana
Term:	January 1, 2011 to January 1, 2012 January 1, 2012 to January 1, 2013 January 1, 2013 to January 1, 2014 January 1, 2014 to January 1, 2015
Official Bond Number:	71050631

CLERK-TREASURER
TOWN OF HUNTERTOWN
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2015, with Cathy Mittendorf, Clerk-Treasurer; Patricia Freck, President of the Town Council; Brandon Seifert, Council member; David Garman, Council member; and Rosemary Scheele, Utility Office Manager.

The contents of this report were discussed on December 22, 2015, with Cathy Mittendorf, Clerk-Treasurer; Patricia Freck, President of the Town Council; Michael Stamets, Council member; David K. Hawk, Town Attorney; and Janine Rudolph, former Deputy Clerk-Treasurer.



TOWN OF HUNTERTOWN

15617 Lima Road ☆ P.O. Box 95 ☆ Huntertown, IN 46748
Phone: (260) 637-5058 ☆ Fax: (260) 637-5891

March 10, 2016

Sent via e-mail only - bakey@sboafe.in.gov

State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204

ATTN: Paul Joyce, CPA
State Examiner

Re: Town of Huntertown, Allen County, Indiana Audit –
January 1, 2011 to December 31, 2014

Dear Mr. Joyce:

This is a response to the Draft Examination Results and Comments regarding the Clerk-Treasurer, and contained in the Supplemental Compliance Report of the Town of Huntertown, Allen County, Indiana for the period January 1, 2011 to December 31, 2014, and additional comments related to activities in 2015:

SUPPORTING DOCUMENTATION: The documentation for credit card payments to support 5 purchases could not be located. In addition, documentation for one referenced claim could not be located. Document support for claims will be observed going forward.

CUSTOMER DEPOSIT REGISTER: Since the audit, customer deposit register has been corrected, and will not be a problem going forward.

ORDINANCES AND RESOLUTIONS: The issues noted by this comment regarding monthly transfers to bond and accounts for interest and principal payments are noted and will be observed going forward. Likewise the requirement to observe sinking fund and construction fund deposits will be observed going forward. Resolution No. 13-004 concerning water utility borrowing has been corrected, and a payment was made on 12/21/2015. A repayment schedule was prepared that will be observed going forward.

BANK ACCOUNT RECONCILIATIONS: Matters raised in this comment have been or are in the process of being corrected. The Town does not receive a monthly statement from the Bank of New York (this account is set up as cash reserve for a bond issue) but will request one in June and December to assure the appropriate Fund Balance balances with the Bank of New York. During the audit, documentation was provided the 2013 reconciling item (\$160) attributable to a credit card payment on 12/28/13 which was not paid by the bank until shortly after the first of 2014 which corrected the bank balances. The absence of monthly bank reconciliations in 2015 is noted and being addressed.

PENALTIES, INTEREST, AND OTHER CHARGES: The extenuating circumstances regarding the now-deceased Clerk-Treasurer's significant life-threatening medical issues and hospitalizations which contributed to Department of Revenue penalties noted in 2011 and 2012 were explained in detail in the exit conference. Procedures have been instituted to insure remittance on a timely basis to avoid penalties and interest charges in the future.

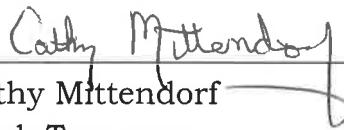
DISBURSEMENT COMPLIANCE: The comments in this section are noted and will be corrected going forward.

AUDIT TRAILS: Subsequent to the exit conference, documentation was provided that demonstrated that there were no discrepancies in the items noted in this comment. Specifically, documentation was provided from the computerized accounting system that demonstrated that ; a) for 2013, the Utility Operating Fund Report indicates that year-to-date disbursement correspond exactly to Appropriation Report disbursements

for the same year; b) the 2104 Water Utility Bond & Interest Fund and the Revenue Report for the same year correspond exactly; and, c) the 2014 Water Utility Operating fund disbursement for the year correspond exactly to the Appropriation Report for the same period. It is respectfully requested that the comments in this section be deleted at this time.

ACCOUNTABLE ITEMS: Based upon a review of records and documentation provided subsequent to the exit conference, all of the checks were accounted for and there were no discrepancies as suggested in this comment. Again, it is respectfully requested that this comment be deleted from the final audit report comments.

Town of Huntertown, Indiana

By: 
Cathy Mittendorf
Clerk Treasurer

cc: Paul Lottes, Esq. (plottes@sboa.in.gov)
William Akey, Audit Coordinator (bakey@sboafe.in.gov)

CLERK-TREASURER
TOWN OF HUNTERTOWN
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
David W. Rudolph (deceased), former Clerk-Treasurer: Penalties, Interest, and other Charges, page 6	<u>\$ 1,132.78</u>	<u>\$ -</u>	<u>\$ 1,132.78</u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA)
)
Allen COUNTY)

I, Cheryl Phillips, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Clerk-Treasurer, Town of Hometown, Allen County, Indiana, for the period from January 1, 2011 to December 31, 2014, is true and correct to the best of my knowledge and belief.

Cheryl Phillips CPA
Field Examiner

Subscribed and sworn to before me this 28 day of October, 2014

Maureen A. Smith
Notary Public

My Commission Expires: 06-06-2019
County of Residence: Allen

