

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPENCER

OWEN COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
12/22/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Annual Financial Report.....	6
Credit Cards	6-7
Errors on Disbursements	7-8
Exit Conference	9
Town Board:	
Examination Result and Comment:	
Appropriations	12
Exit Conference	13
Police Department:	
Examination Result and Comment:	
Deposits	16
Exit Conference	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cheryl Moke	06-27-11 to 12-31-19
President of the Town Council	Cynthia Hyde	01-01-12 to 12-31-14
	Dean Bruce	01-01-15 to 12-31-15
	Jon Stantz	01-01-16 to 12-31-16
Superintendent of Wastewater Utility	John Hodge	01-01-13 to 12-31-16



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 SPENCER, OWEN COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Spencer (Town), for the period from January 1, 2013 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 Statement Examination Report of the Town, which provides our opinion on the Town's financial statement. 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 3, 2016

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF SPENCER

CLERK-TREASURER
TOWN OF SPENCER
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Town did not have adequate controls in place concerning the financial reporting of all activity. The Clerk-Treasurer is required to report all financial information in the Annual Financial Report (AFR). This information is used to compile the financial statement. The financial statement presented for audit included the following errors:

1. The Bond and Interest Cash fund activity is detailed in a Bank of New York Mellon Trust account. This trust account was not reported in the Town's financial records and was not reported in the AFR. This resulted in the understatement in the Town's financial statement of the January 2013 beginning balance of \$448,956; receipts of \$474,780 and \$465,915; disbursement of \$466,983 and \$466,672; and December 31 cash balances of \$456,753 and \$455,996 for the years 2013 and 2014, respectively.
2. The Debt Reserve fund activity is detailed in a Bank of New York Mellon Trust account. This trust account was not reported in the Town's financial records and was not reported in the AFR. This resulted in an understatement in the Town's financial statement of the January 2013 beginning balance of \$402,176; receipts of \$35,328 for both years; and December 31 cash balances of \$437,504 and \$472,832 for the years 2013 and 2014, respectively.

Examination adjustments were proposed, accepted by the Town, and made to the financial statement.

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."

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 for Cities and Towns, Chapter 7)

CREDIT CARDS

The Town of Spencer was using credit cards to purchase items with an approved credit card policy; however, the policy was not being followed. The designated official did not retain custody of all cards when not in use and supporting documentation was not always attached to credit card claims for payments.

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

We noted the following disbursements did not include supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
06-13-13	\$ 15.34	Bizcard	meal receipt for training/travel
08-05-13	36.00	Bizcard	vehicle registration
10-22-13	19.25	Bizcard	meal receipt for training/travel
11-07-14	<u>36.00</u>	Bizcard	vehicle registration
Totals	<u>\$ 106.59</u>		

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

The Town's credit card policy states in part:

"(C) Physical possession of the credit cards shall be placed with the Clerk-Treasurer, who shall authorize the use thereof by the Clerk-Treasurer, Chief of the Spencer Police Department, the Street Department Supervisor and Sewer Department Supervisor for the payment of authorized travel expenses and the authorized purchase of goods and services directly related to the operation of their specific department. In each instance of the use of a credit card, once the authorized purpose for which the use of the card is accomplished, physical possession of the card shall be returned to the Clerk-Treasurer."

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

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:

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. . . .

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

ERRORS ON DISBURSEMENTS

Tests of claims and payroll disbursements identified the following deficiencies with an error rate greater than 10 percent:

1. Of the 25 disbursement claims tested, 21 did not have proper approval by the fiscal officer.
2. Of the 11 payroll items tested, 9 did not have proper approval by the fiscal officer.

CLERK-TREASURER
TOWN OF SPENCER
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."

CLERK-TREASURER
TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2016, with Cheryl Moke, Clerk-Treasurer, and Jon C. Stantz, President of the Town Board.

(This page intentionally left blank.)

TOWN BOARD
TOWN OF SPENCER

TOWN BOARD
TOWN OF SPENCER
EXAMINATION RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated the following expenditures for the Local Road and Street fund were in excess of budgeted appropriations for 2013 in the amount of \$1,625.

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."

TOWN BOARD
TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2016, with Cheryl Moke, Clerk-Treasurer, and Jon C. Stantz, President of the Town Board.

(This page intentionally left blank.)

POLICE DEPARTMENT
TOWN OF SPENCER

POLICE DEPARTMENT
TOWN OF SPENCER
EXAMINATION RESULT AND COMMENT

DEPOSITS

Receipts were deposited later than the next business day in 70 percent of the Police Department receipts tested during the examination.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town;
and
- (2) approved as depositories of state funds."

POLICE DEPARTMENT
TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2016, with Cheryl Moke, Clerk-Treasurer; Jon C. Stantz, President of the Town Board; Richard L. Foutch, Chief Marshal; and Rannix Tinsley, Assistant Chief Marshal.