

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF OSSIAN

WELLS COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
12/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary K. Shafer (deceased) Jeannette Dickey	06-01-08 to 12-31-11 01-01-12 to 12-31-19
President of the Town Council	Teresa Hughes-Lazzell W. Bradley Pursley	01-01-11 to 12-31-12 01-01-13 to 12-31-16
Town Manager	Luann J. Martin	01-01-11 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF OSSIAN, WELLS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Ossian (Town), for the period from January 1, 2011 to December 31, 2011. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Audit 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 22, 2016

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CLERK-TREASURER
TOWN OF OSSIAN

CLERK-TREASURER
TOWN OF OSSIAN
FEDERAL FINDINGS

FINDING 2011-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The Town did not have a proper system of internal control in place to prepare the Schedule of Expenditures of Federal Awards (SEFA) and to prevent, or detect and correct, errors on the SEFA.

Context

The new Clerk-Treasurer was not aware that the federal grant should have been reported in the Gateway system and also reported on a SEFA.

Criteria

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.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

CLERK-TREASURER
TOWN OF OSSIAN
FEDERAL FINDINGS
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected. The SEFA contained errors as identified in the *Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2011-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constituted material weaknesses.

Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investments. The bank reconciliations prepared by the Clerk-Treasurer were not being reviewed by another person.

Preparing Financial Statements: The Town had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The Town's financial statement was not being reviewed by another person.

Monitoring of Controls: An evaluation of the Town's system of internal control had not been conducted. Additionally, the Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control.

Context

The Town is required to report all financial information in the Annual Financial Report. This information is used to compile the financial statement. The Town's financial statement contained numerous errors.

CLERK-TREASURER
TOWN OF OSSIAN
FEDERAL FINDINGS
(Continued)

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

Criteria

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.

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)

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."

Cause

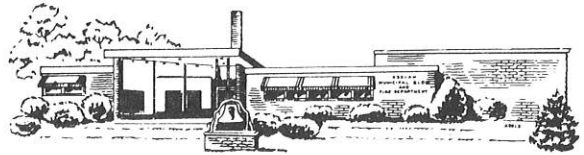
Management of the Town had not established a proper system of internal control that would have ensured accuracy in financial transactions and reporting.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The financial statement contained errors as identified in the *Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

Findings 2011-001 & 2011-002

Contact Person Responsible for Corrective Action: Jeannette Dickey
Contact Phone Number: 260-622-4251

Description of Corrective Action Plan:

Finding 2011-001: *Preparation of the Schedule of Expenditures of Federal Awards*

When the Town of Ossian shall receive federal monies in the future, records will be kept in accordance with OMB Circular A-133, Subpart C, section .310(b) Item numbers 1-6.

Finding 2011-002: *Financial Transactions Reporting*

Ordinance #16-7-1 – *An Ordinance for Compliance with the Uniform Internal Controls Standards and Procedures for Indiana Political Subdivisions Pursuant to Indiana Code #5-11-1-27* was enacted in July of 2016 to address the Internal Control Standards missing in Ossian. Specifically, we will have a policy in place regarding the lack of segregation of duties, the oversight of financial statements and the monitoring of internal controls. These policies will be in place by October 31, 2016.

Anticipated Completion Date: October 31, 2016

 _____, Clerk-Treasurer

9-15-2016

CLERK-TREASURER
TOWN OF OSSIAN
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2011 contained a number of errors and did not match the Town's records. The AFR total cash and investments at December 31, 2011 exceeded the financial records by \$56,359. Audit adjustments were proposed, accepted by the Town, and made to the Financial Statement presented in the Financial Statement and Federal Single Audit 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."

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)

PENALTIES AND INTEREST PAID

The Water Utility paid \$167 to the Indiana Department of Revenue for penalties on two late payments of utility receipts taxes during the audit period.

On August 18, 2011, the Water Utility paid \$296 to the Indiana Department of Revenue for penalties and interest on the late payment of the May 2011 sales tax liability.

On August 18, 2011, the Water Utility and Wastewater Utility paid \$260 to the Indiana Department of Revenue for penalties and interest on the late payment of the April 2011 state and county withholding taxes liability.

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 OSSIAN
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2016, with Jeannette Dickey, Clerk-Treasurer; W. Bradley Pursley, President of the Town Council; Sally Bracke, Deputy Clerk-Treasurer; and Luann J. Martin, Town Manager.