

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF INGALLS

MADISON COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
01/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kip Golden	01-01-12 to 12-31-19
President of the Town Council	Cheryl Martin	01-01-12 to 12-31-12
	Jack Stout	01-01-13 to 12-31-13
	Tim Green	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF INGALLS, MADISON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Ingalls (Town), for the period from January 1, 2012 to December 31, 2015. 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 14, 2016

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CLERK-TREASURER
TOWN OF INGALLS

CLERK-TREASURER
TOWN OF INGALLS
EXAMINATION RESULTS AND COMMENTS

MOVING TRAFFIC VIOLATIONS

The Town established an Ordinance Violations Bureau to collect fines. However, the Town used the Ordinance Violations Bureau to collect fines for moving traffic violations, which cannot be enforced through an Ordinance Violations Bureau. The unit collected fines for moving traffic violations from April 2014 through December 2015. Due to the manner in which the records were kept, we were unable to determine the total amount of fines collected for moving traffic violations from April 2014 through December 2015.

Indiana Code 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5."

The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code § 36-1-6-3(c), Indiana Code Ch. 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

PAYMENTS IN LIEU OF TAXES

The Town Council had approved annual transfers for payments in lieu of taxes of \$25,000 from the Water Utility-Operating fund to the Town General fund. Payments in lieu of taxes were found to be made in only March 2012 and March 2015. The Town established a Cash Reserve Fund in April of 2014; however, the fund was not utilized for making payments in lieu of taxes.

Pursuant to IC 8-1.5-3-11, the municipal legislative body (common council or town council), with the approval of the board (see IC 8-1.5-3-2 and IC 8-1.5-3-3 for definition of board), may "transfer surplus earnings of the utility (heat, light, water or gas utility) to the general fund." The money can be transferred only if terms and conditions of any bond ordinance, resolution, indenture, contract or similar instrument binding on the utility have been satisfied. [IC 8-1.5-3-11(a)]

1. A cash reserve fund shall be established by ordinance and carried on the records of the utility or utilities. The fund shall be used to account for "monthly contributions or transfers . . . of surplus earnings of the utility or utilities." [IC 8-1.5-3-11(b)]
2. The term "surplus earnings" is defined to mean those cash earnings remaining after provision has been made to take care of current obligations such as:
 - (a) Operating expense;
 - (b) depreciation or replacement fund;
 - (c) bond and interest sinking fund;

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

- (d) retirement fund; or
 - (e) any other priority fund requirements fixed by law. [IC 8-1.5-3-11(c)]
3. After creation of the cash reserve fund, the legislative body may include in the municipal general fund budget, as revenue in lieu of taxes, an amount equal to the actual balance in the cash reserve fund as of June 30 of the current year. However, the available cash reserve fund balance may be transferred to the municipal general fund only during the calendar year for which the budget was adopted, and transfers may not be made from any utility funds to the general fund except from the cash reserve fund. [IC 8-1.5-3-11(d)] IC 8-1-5-3-8(g) and IC 36-9-23-25(d) allow for payment in lieu of taxes to be transferred from the utility to the general fund if such expense is part of the utility's approved rates and charges.
 4. If at any time after the final approval of the budget an emergency should arise for further appropriations from the general fund, the legislative body, may, by ordinance, transfer additional money from the cash reserve fund to the general fund to provide for the additional appropriations, the transfer to be limited to the accretions to the cash reserve fund since the preceding June 30. [IC 8-1.5-3-11 (e)]
 5. A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund. [IC 8-1.5-3-11(f)]

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

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Rainy Day	2013	\$ 78,172
General	2014	17,830
Cumulative Capital Development	2014	7,671

A similar comment has appeared in several prior Reports.

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

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."

TRANSFERS FROM RAINY DAY FUND

The Clerk-Treasurer made the following transfers from the Rainy Day fund to the General fund without an ordinance or resolution: \$25,000 in 2012, \$43,000 in 2013, and \$50,000 in 2014.

Indiana Code 36-1-8-5.1(g) states in part:

"A . . . town may at any time, by ordinance or resolution, transfer to:

- (1) its general fund; or
- (2) any other appropriated funds of the . . . town; money that has been deposited in the rainy day fund of the . . . town."

SUPPORTING DOCUMENTATION

Travel claims were tested for compliance with the Town's travel policy. Out of the ten travel disbursements tested, seven totaling \$1,850 did not include documentation to support the purchase. Due to the lack of supporting documentation, we could not verify the purpose of the disbursements.

The Town used two debit cards. Out of the ten debit card disbursements tested, five did not include supporting documentation. Due to the lack of supporting information, we could not verify the purpose of the disbursements.

Internal controls over the receipting, disbursing, recording, and accounting for transactions involving the use of debit cards were insufficient. The Town's policy states the Clerk-Treasurer shall maintain a log which includes, among other things, the time, date, and individual authorized to make a purchase via the Town's debit card. No maintenance log was kept during the examination period.

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 INGALLS
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.

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)

CAPITAL ASSETS

The Town did not properly maintain a complete inventory of capital assets owned. The most recent update of capital assets occurred in 2013.

Similar comments have appeared in several prior Reports.

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 applicable Capital Assets Ledger. A complete inventory should be taken 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)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

CLERK-TREASURER
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EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

COMPENSATION AND BENEFITS

The following issues were found during the testing of payroll for compliance:

- The Town Marshal was paid at a lower rate than established by the salary ordinance from January 1, 2015 to March 23, 2015. The Town Council had approved Ordinance 2014-6, setting the Town Marshal's salary at \$49,852. However, from January 1, 2015 to March 23, 2015, the Town Marshal continued to be paid the salary established in Ordinance 2013-5 of \$47,124.
- The two Water Clerk Assistants employed by the Town were paid at a lower rate than established by salary ordinances. One assistant was hired in October 2014 and the other in December 2014, both at a rate of \$12.00 per hour. Ordinance 2013-5 set the rate of pay for Water Clerk Assistants at \$12.16 per hour and Ordinance 2014-6 set the rate of pay at \$12.50 per hour, until amended with Ordinance 032315. Both assistants were paid at a rate of \$12 per hour until April 23, 2015, at which time they were paid in accordance with Ordinance 032315.

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)

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

CLERK-TREASURER
TOWN OF INGALLS
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2016, with Kip Golden, Clerk-Treasurer; Tim Green, President of the Town Council; and Tim Millikan, Town Manager.

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TOWN COUNCIL
TOWN OF INGALLS

TOWN COUNCIL
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EXAMINATION RESULT AND COMMENT

COMPENSATION AND BENEFITS

As similarly stated in prior Reports, beginning in 2009, Town Council members were reimbursed \$30 per month for cell phone use to conduct Town business. This reimbursement was approved at the July 13, 2009 Town council meeting; however, it was not included in the salary ordinances in effect during the examination period.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the governing 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 INGALLS
EXIT CONFERENCE

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