

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BROOK

NEWTON COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
05/05/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Beasley	01-01-11 to 12-31-18
President of the Town Council	Rex Chapman Jeff Laffoon Rex Chapman	01-01-12 to 12-31-12 01-01-13 to 12-31-16 01-01-17 to 12-31-17
Superintendent of Utilities and Streets	Tom Carroll Dave Whaley	01-01-12 to 03-01-14 03-02-14 to 12-31-17
Utility Office Manager	Kathy Babcock	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF BROOK, NEWTON COUNTY, INDIANA

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

March 9, 2017

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CLERK-TREASURER
TOWN OF BROOK

CLERK-TREASURER
TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for the Landfill Savings and Museum bank accounts were not presented for examination for each month during the examination period.

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."

OVERDRAWN CASH BALANCE

The financial statements presented in the Financial Statements Examination Report of the Town included an overdrawn cash balance of \$1,300, \$3,164, \$6,923, and \$7,870 for the Payroll fund at December 31, 2012, 2013, 2014, and 2015, respectively. The Payroll fund had an overdrawn cash balance that increased throughout the examination period.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the Town's records at the time the transactions occurred. We found that while cash collections were recorded and receipts had been issued when money was received, the Town and Utility officials did not consistently print and retain a physical duplicate receipt for examination documentation. Additional procedures were performed to substantiate receipts within the financial statements.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRANSFERS BETWEEN FUNDS

The transfers from the Landfill Savings fund to the Landfill/tipping fund were not properly recorded. Also, transfers occurred from the savings account to the checking account that were not properly recorded. In addition, transfers were recorded that did not actually occur. For the examination period, transfer receipts were overstated by \$5,851 and transfer disbursements were understated by \$2,474.

Vendor disbursements totaling \$64,623 were coded in the financial statements and ledgers as transfers. Furthermore, an additional \$43,454 recorded as improvements in the ledger were reported as transfers out on the financial statements.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

PAYROLL DEFICIENCIES

Department heads, the Town Marshal, and the Town Superintendent did not approve the payroll for the employees of their departments. A separate record showing hours worked for each position was not presented for examination, only documentation showing total hours was available.

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

APPROVAL OF DISBURSEMENTS

The Clerk-Treasurer did not certify any vouchers or any of the Accounts Payable Voucher (APV) registers (claims dockets). Also, a claims docket for September 2015 was not presented for examination.

Indiana Code 36-5-4-6 states:

- "(a) As used in this section, 'claim' means a bill or an invoice submitted for goods or services.
- (b) Except as provided in section 12 of this chapter, a warrant for payment of a claim against a town may be issued only if the claim is:
- (1) supported by a fully itemized invoice or bill under IC 5-11-10-1.6;
 - (2) filed with the town fiscal officer;

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

- (3) certified by the fiscal officer before payment that each invoice is true and correct; and
 - (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim.
- (c) The certification by the fiscal officer under subsection (b) (3) must be on a form prescribed by the state board of accounts."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

UTILITY COLLECTION POLICIES

The Clerk-Treasurer did not follow the established ordinances and policies related to the application of delinquent accounts during the examination period. The Clerk-Treasurer and Town employees indicated the established shut-off policy applied to accounts with 90 day delinquencies. However, Ordinance 2003-2 established the rates and charges for the use of services rendered by the waterworks system, including a delinquency charge of 10 percent to be applied to water service charges not paid within 30 days from the due date thereof. The printed bill sent to each customer stated, "If this bill is not paid by the 22nd day of the month following that which service was rendered, service will be discontinued."

Subsequent to the examination period in 2016, Town employees stated the shut-off policy was changed to follow what is written on the customer bill. Door hangers are now placed on the 30th of the month and if the accounts are not paid by the 15th of the following month, the water is shut off. This policy was not in writing and has not been approved by the Town Council.

Similar comments appeared in prior Reports B29890, B37809, and B42251.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT - SCHEDULE OF LEASES AND DEBT

The Town reported no debt on the Annual Financial Report (AFR) for 2015; however, a Water Utility revenue bond was issued in 2015. The outstanding amount at year end was \$830,000.

Audit adjustments were proposed, accepted by the Town, and made to the 2015 AFR.

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

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."

CAPITAL ASSETS

The Town, including the Water and Wastewater Utilities, did not properly maintain detailed capital assets records.

A similar comment was issued in Reports B29890, B37809, and B42251.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF BROOK
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2017, with Tammy Beasley, Clerk-Treasurer, and Rex Chapman, President of the Town Council.

TOWN COUNCIL
TOWN OF BROOK

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EXAMINATION RESULT AND COMMENT

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TOWN OF BROOK
EXIT CONFERENCE

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