

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF TRAIL CREEK

LAPORTE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
05/24/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joshleen Denham	01-01-12 to 12-31-19
President of the Town Council	Warren Schacht	01-01-12 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF TRAIL CREEK, LAPORTE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Trail Creek (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

December 20, 2016

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TOWN COUNCIL
TOWN OF TRAIL CREEK

TOWN COUNCIL
TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS

TRAVEL POLICY

Town employees were reimbursed the Federal mileage rate instead of the mileage rate approved by the Council and addressed in the Employee Handbook. Mileage reimbursement rates ranged from \$0.555 to \$0.575 between 2012 through 2015.

The Town's Employee Handbook addressed reimbursement for transportation. According to the handbook, "An employee traveling in his/her vehicle shall be paid mileage allowance at the rate of \$.45 per mile. A mileage sheet is required before reimbursement will be issued."

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)

CREDIT CARDS

The Town did not have a credit card policy; however purchases were made on Town credit cards.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must 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 may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

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

TOWN COUNCIL
TOWN OF TRAIL CREEK
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2016, with Jennifer Heath, Vice President of the Town Council, and Joshleen Denham, Clerk-Treasurer.

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CLERK-TREASURER
TOWN OF TRAIL CREEK

CLERK-TREASURER
TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS

FINANCIAL STATEMENTS

The Annual Financial Reports (AFR) used to prepare the financial statements for 2012, 2014, and 2015 did not agree to the ledgers and other supporting documents. Examination adjustments were proposed and accepted by the Clerk-Treasurer to bring receipts and disbursements into agreement with the ledgers and other supporting documents as follows:

Years	Increase (Decrease)		Net Increase Decrease to Cash and Investments
	Receipts	Disbursements	
2012	\$ 356,269	\$ 320,684	\$ 35,585
2014	(123,202)	775	(123,977)
2015	(564)	(119,914)	119,350

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."

BANK ACCOUNT RECONCILEMENTS

Monthly reconcilements of depository balances to fund balances were performed; however, the reconcilements had errors and did not balance at year end. Errors included checks on the outstanding check lists, which were dated and cleared the bank in the subsequent period and bank account interest and service charges not posted and not carried as reconciling items.

The following schedule is a comparison of reconciled bank balances to the financial statement balances after examination adjustments:

	2012	2013	2014	2015
Reconciled Bank and Investment Balance	\$ 836,104	\$ 846,569	\$ 1,408,717	\$ 1,774,639
Financial Statement Cash and Investment Balance	<u>837,582</u>	<u>826,980</u>	<u>1,385,085</u>	<u>1,658,071</u>
Cash Long (Short)	<u>\$ (1,478)</u>	<u>\$ 19,589</u>	<u>\$ 23,632</u>	<u>\$ 116,568</u>

The 2012 and 2015 reconciled bank and investment balances were adjusted for ten checks in 2012, totaling \$5,966, and three checks in 2015, totaling \$121,992, that were included by the Clerk-Treasurer on the outstanding check lists, which were dated and cleared the bank in 2013 and 2016, respectively. Checks were not issued in numerical order.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town incurred and paid penalties, interest, and other charges in 2012 and 2014 in the amount of \$94 and \$121, respectively, for late remittance of credit card payments and payroll withholding taxes.

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REPORTING

The Clerk-Treasurer did not remit the Internal Revenue Service Form 941 - Employer's Quarterly Federal Tax Return (Form 941) timely. The Form 941s were remitted between 20 and 224 days late. Untimely filing of Federal Forms for withholding taxes may result in the Town's incurring penalties, which have not been assessed as of the date of this report.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRAVEL CLAIMS

Mileage claims submitted for reimbursement were not sufficiently detailed. The mileage claim only included the cumulative number of times the Clerk-Treasurer went to the bank and the total miles.

In 2014 and 2015, claims were not signed by the employee receiving the mileage reimbursement. Additionally, mileage claim forms were not used; employees printed trip directions from internet mapping programs.

Employees were reimbursed mileage at the federal mileage rate in effect in each of the years examined, which exceeded the mileage rate established by the Town's Travel Reimbursement for Transportation Policy.

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

Per the Town's Travel Reimbursement for Transportation Policy, "an employee traveling in his/her vehicle shall be paid mileage allowance at the rate of \$.45 per mile. A mileage sheet (mileage claim) is required before reimbursement will be issued."

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(2) the invoice or bill is approved by the officer or person receiving the goods and services; . . ."

Officers and employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the city or town at a reasonable rate per mile as fixed by ordinance or resolution of the board. Reimbursement mileage shall not include travel to and from the officer's or employee's home and the office. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The speedometer reading columns on this form are to be used only when distance between points cannot be determined by fixed mileage or official state highway map. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

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)

OVERDRAWN CASH AND INVESTMENT BALANCES

The following funds had overdrawn cash and investment balances at December 31:

Fund	Years	Amount Overdrawn
General	2012	\$ (157,706)
General	2013	(103,954)
Local Road & Street	2013	(9,377)

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)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Local Road & Street	2012	\$ 4,831

CLERK-TREASURER
TOWN OF TRAIL CREEK
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."

OFFICIAL BOND

The Clerk-Treasurer did not obtain individual Surety Bonds for the years 2012 through 2015.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(2) Town judges and clerk-treasurers. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

ANNUAL FINANCIAL REPORT

Annual Financial Reports for 2012 and 2013 were not filed timely as indicated below:

<u>Report Years</u>	<u>Due Date</u>	<u>Date Filed</u>	<u>Number of Days Late</u>
2012	March 1, 2013	May 8, 2013	68
2013	March 1, 2014	March 6, 2014	5

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."

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

CAPITAL ASSETS

The Town had not maintained a complete inventory of capital assets owned. Detail Capital Asset records for land, infrastructure, improvements other than buildings and machinery, equipment, and vehicles were not available for examination.

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 TRAIL CREEK
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2016, with Joshleen Denham, Clerk-Treasurer, and Jennifer Heath, Vice President of the Town Council.