

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

COMPLIANCE REPORT
OF
TOWN OF WARREN PARK
MARION COUNTY, INDIANA
January 1, 2012 to December 31, 2014



FILED
06/28/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Harold E. Bean, Jr. Kelly Brogan	01-01-08 to 10-14-14 10-15-14 to 12-31-19
President of the Town Council	Kelly Brogan Steve Shilts	01-01-12 to 10-14-14 10-15-14 to 12-31-17



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 WARREN PARK, MARION COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Warren Park (Town), for the period January 1, 2012 to December 31, 2014, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

The Annual Financial Reports filed by the Town can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

May 19, 2016

TOWN OF WARREN PARK
RESULTS AND COMMENTS

MALFEASANCE

Harold E. Bean (Bean), Jr., former Clerk-Treasurer, misappropriated funds through malfeasance during the period reviewed.

This malfeasance was reported in special investigation Report B48309.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SALARY OVERPAYMENTS

As stated in prior Report B42361, three employees received compensation which exceeded the amount owed by the Town in the amount of \$3,428.52. No action has been taken concerning these overpayments as of May 19, 2016. Additionally, two employees received compensation which exceeded the amount owed by the Town in 2012 and 2013 in the amount of \$1,399.77.

Units must collect overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports (AFR) filed for 2012 and 2013 contained a number of errors and did not match the Town's records as follows:

Years	Fund	Category	Amount per AFR	Amount per Ledger	Difference
2012	General	Beginning Balance	\$ 28,878.28	\$ 29,760.28	\$ (882.00)
2012	Motor Vehicle Highway	Beginning Balance	494,736.76	495,624.30	(887.54)
2012	Local Road and Street	Beginning Balance	293,080.31	293,796.58	(716.27)
2012	General	Receipts	86,005.30	85,916.24	89.06
2012	Motor Vehicle Highway	Receipts	41,131.79	41,662.92	(531.13)
2012	General	Disbursements	109,481.94	107,325.10	2,156.84
2012	Motor Vehicle Highway	Disbursements	48,445.60	48,551.50	(105.90)
2012	General	Ending Balance	5,401.64	8,351.42	(2,949.78)
2012	Motor Vehicle Highway	Ending Balance	487,422.95	488,735.72	(1,312.77)
2012	Local Road and Street	Ending Balance	287,848.12	288,564.39	(716.27)
2013	General	Beginning Balance	3,915.98	8,351.42	(4,435.44)
2013	Motor Vehicle Highway	Beginning Balance	487,314.70	488,735.72	(1,421.02)
2013	Local Road and Street	Beginning Balance	287,848.12	288,564.39	(716.27)
2013	Police	Beginning Balance	50.00	-	50.00
2013	General	Receipts	102,899.90	92,656.89	10,243.01
2013	Motor Vehicle Highway	Receipts	43,048.58	44,048.58	(1,000.00)
2013	Police	Receipts	8,017.54	8,067.30	(49.76)
2013	General	Disbursements	102,932.36	93,042.04	9,890.32
2013	Motor Vehicle Highway	Disbursements	39,955.60	40,647.57	(691.97)
2013	General	Ending Balance	3,883.52	7,966.27	(4,082.75)
2013	Motor Vehicle Highway	Ending Balance	490,407.68	492,136.73	(1,729.05)
2013	Local Road and Street	Ending Balance	271,887.50	272,603.77	(716.27)

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

A similar comment appeared in prior Report B42361.

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."

LEDGERS NOT MAINTAINED

The Ledger of Appropriations, Encumbrances, Disbursements and Balances, City or Town Form No. 209, was not used and reconciled to the Ledger of Receipts, Disbursements and Balances, City or Town Form No. 208, in 2012, 2013, or 2014.

A similar comment appeared in prior Report B42361.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BUDGET APPROPRIATIONS

The Town did not have a certified budget for 2012, 2013, or 2014. The last certified budget was in 2009. The records presented indicated the following disbursements in excess of budgeted appropriations based on the 2009 certified budget.

Years	Fund	Excess Amount Disbursed
2012	General	\$ 70,170
2012	Motor Vehicle Highway	11,345
2013	General	55,887
2013	Motor Vehicle Highway	3,441
2014	General	50,141
2014	Motor Vehicle Highway	45,340

A similar comment appeared in prior Report B42361.

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 OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

INVESTMENTS

The following issues were identified concerning investments:

- The Register of Investments (General Form No. 350) was not used.
- Interest earned was rolled into the next certificates of deposit and was not recorded in the fund ledger.
- Interest earned on the savings account was not recorded in the fund ledger.

A similar comment appeared in prior Report B42361.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

PAYROLL RECORDS NOT PRESENTED

The following payroll records were not presented:

- Employer copies of the Internal Revenue Service (IRS) Wage and Tax Statement - Form W-2 and Miscellaneous Income - Form 1099s for 2013 and 2014
- IRS Employer's Quarterly Federal Tax Return - Form 941 (Form 941)
- Payroll Schedule and Voucher, General Form No. 99
- Employee's Service Record (General Form No. 99A)

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

- Employee's Earning Record (General Form No. 99B)
- Salary Ordinances for 2012 and 2014

A similar comment appeared in prior Report B42361.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

Indiana Code 5-15-6-3(d) 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 as described in subsection (e)."

PAYMENTS MADE TO IRS WITHOUT FILING FORM 941

The following payments were made to the IRS in 2012, 2013, and 2014; however, no IRS Form 941s were submitted to the IRS to support these payments.

Date Remitted	Amount
02-01-12	\$ 2,072.20
04-30-12	3,531.19
10-31-12	2,248.32
12-03-12	3,246.52
01-31-13	3,747.20
01-31-14	6,924.00
Total	\$ 21,769.43

Additionally, as stated in prior Report B42361, payments were made to the IRS in 2010 and 2011 without the submission of Form 941s. Town officials should contact the IRS to determine the corrective action required. Any penalties, interest or other charges paid by the Town may be the personal obligation of the responsible official.

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

TAXES WITHHELD BUT NOT REMITTED TO THE INDIANA DEPARTMENT OF REVENUE

State and County taxes totaling \$2,620.35 and \$2,273.04, respectively, in 2012 and 2013, were withheld from the wages of three employees but were not remitted to the Indiana Department of Revenue (DOR). Additionally, as stated in prior Report B42361, taxes totaling \$1,710.72 and \$1,710.72, respectively, in 2010 and 2011, were withheld from the wages of three employees but were not remitted to the DOR. Town officials should contact the DOR to determine the corrective action required.

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)

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)

PUBLIC WORKS PROJECTS

No documentation was provided to show that quotes were invited for several public works projects. Minutes presented did not include the opening of quotes or the awarding of the contract as required.

A similar comment appeared in prior Report B42361.

Indiana Code 36-1-12-5 states in part:

"(a) This section applies whenever a public work project is estimated to cost less than fifty thousand dollars (\$50,000). . . .

(b) The board must proceed under the following provisions:

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) . . . The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter. . . .
 - (i) Quotes for public works projects costing less than twenty-five thousand dollars (\$25,000) may be obtained by soliciting at least three (3) quotes by telephone or facsimile transmission. The seven (7) day waiting period required by subsection (b)(1) does not apply to quotes solicited under this subsection."

ANNUAL FINANCIAL REPORT FILED LATE

Town officials did not timely file an AFR with the Indiana State Board of Accounts for 2012. The report was filed on July 22, 2013, which was 143 days past the due date.

A similar comment appeared in prior Report B42361.

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 RECONCILIATIONS

Depository reconciliations were conducted for 2012, 2013, and 2014; however, the reconciliations did not include all bank accounts and did not reconcile to the fund balances.

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 Manual for Cities and Towns, Chapter 1)

SOCIAL SECURITY AND MEDICARE TAXES NOT WITHHELD

Bean and Council members were paid without the withholding of Social Security or Medicare taxes.

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

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)

COMPENSATION PAID IN ADVANCE OF SERVICES

Compensation was paid to Bean in 2012, 2013, and 2014, in advance of the actual date the services were provided.

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SALES TAX PAID

Sales tax was paid on several purchases in 2012, 2013, and 2014.

Government funds are exempt from the payment of sales taxes on qualifying purchases. Units should reference Internal Revenue Service and/or Indiana Department of Revenue guidance to determine what are or are not qualifying purchases. DOR information bulletin #34 addresses this: <http://www.in.gov/dor/reference/files/sib34.pdf>.

Units should contact the Indiana Department of Revenue to obtain the exemption certificate. After obtaining the exemption certificate, it must be presented at the time a purchase is made. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division of the DOR.

Sales taxes that are paid on qualifying purchases 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)

ANNUAL FINANCIAL REPORTS NOT PUBLISHED

The Town's AFR was not published in accordance with Indiana Code 5-3-1-3 in 2012, 2013, or 2014.

Indiana Code 5-3-1-3(a) states: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town during the preceding calendar year."

FORM 100-R NOT FILED TIMELY

Town officials did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for 2012. The report was filed on April 22, 2013, which was 81 days past the due date.

TOWN OF WARREN PARK
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1(a) states in part:

"Every . . . town . . . official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

CAPITAL ASSET RECORDS NOT MAINTAINED

The Town did not maintain a record of capital assets.

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)

NEPOTISM CERTIFICATION

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2012, 2013, or 2014.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

CONTRACTING CERTIFICATION

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31, 2012, 2013, or 2014.

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

TOWN OF WARREN PARK
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2016, with Kelly Brogan, Clerk-Treasurer; Steve Shilts, President of the Town Council; and Teresa Bruno, Council member.