

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BOSWELL

BENTON COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
07/18/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary E. Stacey	01-01-12 to 10-24-12
	(Vacant)	10-25-12 to 10-31-12
	Donna Musenbrock	11-01-12 to 12-31-19
President of the Town Council	John D. Wozniak	01-01-12 to 12-31-13
	Barney Fred Lang	01-01-14 to 06-08-15
	Bud Haniford	06-09-15 to 12-31-15
	Joy Rountree	01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BOSWELL, BENTON COUNTY, INDIANA

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

April 18, 2017

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CLERK-TREASURER
TOWN OF BOSWELL

CLERK-TREASURER
TOWN OF BOSWELL
EXAMINATION RESULTS AND COMMENTS

BANK RECONCILEMENTS

The Town had three separate bank accounts that were associated with specific funds within the Town ledgers. These included the General bank account, which accounted for all funds except Utility funds, the Water Utility bank account, and the Wastewater Utility bank account. Depository reconciliations of the fund balance to the bank account balances were conducted; however, the reconcilements had the following discrepancies:

1. The Water Utility bank reconcilements at December 31 for each year of the examination period included two outstanding checks dated July 16, 2012. These checks totaled \$17,647 and were issued to make transfers to the General and Wastewater Operating funds. The transfers were never completed and the transfers were not receipted into the respective funds.
2. The bank reconcilements included adjustments of less than \$500 which were not explained or identified.
3. The December 31, 2016 Wastewater Utility bank reconciliation included an outstanding deposit dated June 19, 2013, for \$5,126. This was a receipt which was recorded twice and not corrected until 2017.
4. Of the bank reconcilements prepared, 28 percent were more than two months after the date of the bank statement.
5. Outstanding checks over two years old were not receipted back into the funds.

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."

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) contained a number of errors and did not match the Town's ledgers as follows:

1. The 2014 AFR included a transfer of \$18,526 from the Water Operating fund that did not clear the bank and was not receipted into the General and Wastewater Operating funds. The transfer amount was added back into the Water Operating fund in 2015.

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

2. The 2015 AFR excluded disbursements totaling \$10,742 from the Water Operating fund.

An adjustment to the financial statements was made and approved by management.

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."

INTERNAL CONTROLS

The Town did not have controls in place to verify that the total of the wages reported to federal and state agencies per Internal Revenue Service Wage and Tax Statement - Form W-2 (Form W-2) agreed to the wages per the employee earnings reports and financial statements.

The 2014 wages reported on the Form W-2s exceeded the wages per the employee earnings records and financial statements by \$3,482. This was due to a duplicate payroll entry that was not corrected until the following year after the Form W-2s were prepared and submitted. The Town was not aware that the Form W-2s were incorrect.

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)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. . . ."

OVERDRAWN CASH BALANCE

The financial statements presented for examination included the Water Operating fund with overdrawn cash balances at December 31, 2015 and 2016, of \$13,218 and \$5,684, respectively.

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)

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

MILEAGE REIMBURSEMENTS

Prescribed Mileage Claim Form Number 101 or an alternative form was not always properly completed for mileage reimbursements. Mileage reimbursement claims lacked information including the actual locations travel to, business nature of the travel, reimbursement rate, and number of miles driven, to determine if the claim was accurate or valid.

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)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Interest and late fees were assessed and paid on the Town credit card totaling \$57 during 2015 and 2016.

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)

ACCOUNTING FOR INVESTMENTS

Interest earned on investments was automatically added to the principal and, in some instances, was not recorded in the Town's records. This caused under reporting of interest receipts.

In addition, the Town did not use an investment register or alternative form to document the investment activity.

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)

The Investment Register, General Form 350, or an alternative form providing the same information should be used for keeping a record of all investments purchased by the political subdivision. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF BOSWELL
EXIT CONFERENCE

The contents of this report were discussed on April 18, 2017, with Donna Musenbrock, Clerk-Treasurer, and Joy Rountree, President of the Town Council.