

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MICHIGANTOWN

CLINTON COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
09/29/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Internal Controls over Financial Reporting.....	6
Condition of Records.....	6-7
Annual Financial Report.....	7-8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Pamela Wellman	01-01-12 to 12-31-20
President of the Town Council	Diana Richardson Robert Surber	01-01-12 to 12-31-13 01-01-14 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 MICHIGANTOWN, CLINTON COUNTY, INDIANA

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

August 2, 2017

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF MICHIGANTOWN

CLERK-TREASURER
TOWN OF MICHIGANTOWN
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Town did not have an effective internal control system over the over financial reporting. The Clerk-Treasurer independently input and submitted financial information into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system and the source of the Annual Financial Report (AFR) and financial statement. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission in Gateway.

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.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CONDITION OF RECORDS

The following conditions were identified during our examination:

Posting Errors

Financial records presented for examination were incomplete and not reflective of the activity of the General, Motor Vehicle Highway, Local Road And Street, Community Development, Cedit Special Revenue, Loit-Public Safety, and Wastewater Utility Operating funds. The records presented contained the following errors:

- In 2012, six local tax distributions totaling \$868 were received, but were incorrectly receipted to the records. This caused the General and Local Road And Street funds to be overstated by \$685 and \$183, respectively, and the Community Development, Cedit Special Revenue, and Loit-Public Safety funds to be understated by \$50, \$468, and \$350, respectively.
- In 2013, three local tax distributions totaling \$1,073 were received, but incorrectly receipted to the records. This caused the General fund to be overstated and the Community Development fund to be understated by \$675, and the Local Road And Street fund to be overstated and the Loit-Public Safety fund to be understated by \$398.

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

- In 2014, three local tax distributions totaling \$3,742 were received, but were incorrectly receipted to the records causing the Community Development fund to be overstated and the General fund to be understated by \$3,742.
- In 2015, six state tax distributions totaling \$2,085 were received, but incorrectly receipted to the records. This caused the Local Road And Street and General funds to be overstated by \$1,681 and \$404, respectively, and the Motor Vehicle Highway fund to be understated by \$2,085.

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, Chapter 1)

Receipts Issued

We attempted to conduct a test designed to verify that receipts issued were properly recorded to the Town's records at the time the transactions occurred. Our test of this procedure found that while collections were posted to the records, receipts were not always issued for all monies received.

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

Correcting Entries

During all five years of our examination period, there was inadequate documentation for correction of errors. These corrections were posted to the records by posting transfers from one fund to another. The total of these corrections/transfers are as follows:

2012	\$ 26,594
2013	27,359
2014	21,770
2015	50,966
2016	17,078

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT

The Annual Financial Reports for 2012, 2014, and 2015, did not match the Town's records as noted below:

- For 2012, the General fund receipts and disbursements were \$3,024 more than the Town's ledger. The Wastewater Utility Operating fund receipts and disbursements were \$99 more than the ledger.

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

- For 2014, the General fund disbursements were \$568 less than the Town's ledger. The Wastewater Utility Operating fund disbursements were \$89 less than the ledger.
- For 2015, the General fund disbursements were \$6,407 less than the Town's ledger. The Wastewater Utility Operating fund receipts were \$16,000 more than the ledger. The Wastewater Utility Operating fund disbursements were \$16,090 more than the ledger.

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 MICHIGANTOWN
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2017, with Pamela Wellman, Clerk-Treasurer; Diana Richardson, Town Council member; and Jeffery Wellman, Town Council member.