

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CENTERVILLE

WAYNE COUNTY, INDIANA

January 1, 2013 to December 31, 2016



**FILED**  
12/06/2017



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Examination Results and Comments:	
Bank Account Reconciliations.....	6
Condition of Records.....	6
Internal Controls.....	7
Annual Financial Report.....	7
Board Minutes .....	8
Overdrawn Cash Balances .....	8-9
Official Response.....	10
Exit Conference .....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice Roberts Susan E. Dillman	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Daniel Wandersee	01-01-13 to 12-31-17
Superintendent of Utilities	Terry Stover (Vacant) Ned W. Hines	01-01-13 to 04-14-15 04-15-15 to 11-18-15 11-19-15 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF CENTERVILLE, WAYNE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Centerville (Town), for the period from January 1, 2013 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/](http://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

October 19, 2017

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF CENTERVILLE

CLERK-TREASURER  
TOWN OF CENTERVILLE  
EXAMINATION RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

Monthly depository reconciliations of the fund balances to the bank account balances indicated a variance of \$279,734 which remained consistent for all of 2016. The variance indicates that the bank account balances are less than the Town's record balance. Monthly reconciliations of fund balances to bank account balances were not presented for 2013, 2014, or 2015.

Similar comments also appeared in prior Reports B38997 and B42656, entitled *CONDITION OF RECORDS* and *BANK ACCOUNT RECONCILIATIONS*.

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."

***CONDITION OF RECORDS***

The Town did not properly maintain their accounting records. During 2013, 2014, and 2015, the Town did not post all financial activity to the ledgers. In addition, multiple financial transaction postings contained errors. The ledger balances were not reconciled to the bank balances throughout 2013, 2014, and 2015. During 2016, bank reconciliations were performed; however, there were material variances in the Town's reconciliations which remained consistent throughout the year. The Town's records did not permit the application of other examination procedures to ascertain if the financial statements were fairly stated and the Indiana State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements in our report dated April 24, 2017.

Similar comments also appeared in prior Reports B38997 and B42656 entitled, *FINANCIAL REPORT OPINION MODIFICATION* and *CONDITION OF RECORDS*.

Governmental financial reporting is designed to demonstrate the accountability of each organization over the resources in their care. Additionally, state and local governments can use financial reporting in making economic, social, and political decisions and assess accountability primarily by:

- Comparing actual financial results with the legally adopted budget
- Assessing the entity's financial condition and results of its operations
- Assisting in determining compliance with finance-related laws, rules, and regulations
- Assisting in evaluating efficiency and effectiveness of services provided

(Accounting and Financial Reporting Regulation Manual, Part II)

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)

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

***INTERNAL CONTROLS***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The Town had not separated incompatible activities related to recording and reconciling receipts, disbursements, including payroll, depository reconciliations, and preparing and approving the Town's Annual Financial Report. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Similar comments also appeared in prior Reports B35211, B38997, and B42656, entitled *LACK OF SEGREGATION OF DUTIES* and *INTERNAL CONTROLS*.

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. . . ."

***ANNUAL FINANCIAL REPORT***

The Annual Financial Reports for 2013 and 2014 were not filed until April 22, 2014, and January 22, 2016, which were 52 days and 328 days, respectively, past the due dates.

The Annual Financial Reports for 2013 and 2014 contained errors and did not match the Town's records.

Similar comments also appeared in prior Reports B35211, B38997, and B42656, entitled *ANNUAL REPORT*.

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 CENTERVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**BOARD MINUTES**

Board minutes were not available for 16 of the 64 Council meetings held during 2013, 2014, 2015, and 2016.

Similar comments also appeared in prior Reports B30375, B38997, and B42656, entitled *BOARD MINUTES* and *BOARD MINUTES MISSING*.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using electronic means of communication."

Indiana Code 5-14-1.5-4(c) states: "The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 36-5-6-6(a) states in part:

"The clerk-treasurer shall do the following: . . .

- (9) Serve as clerk of the legislative body by attending its meetings and recording its proceedings. . . ."

**OVERDRAWN CASH BALANCES**

The financial statements presented for examination included the following funds with overdrawn cash balances

Years	Fund	Amount Overdrawn
2013	Police	\$ 654
2013	Electric Depreciation	70,000
2014	Bicentennial 2014	168
2016	Trash & Garbage Pickup	68,599
2016	Sewer Project - SRF	331

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

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



204 East Main St. -- P.O. Box 125  
Centerville, Indiana 47330

Phone: 765-855-5515 Fax: 765-855-2514

## OFFICIAL RESPONSE

October 27, 2017

State Board of Accounts:

This letter is to serve as an official response regarding my term (1/1/2016-12/31/2016) during the audit for 2013-2016.

I have been doing reconciliations for each bank, each month. Also, at least every 6 months, I have an additional internal control which includes an outside source verifying the reconciliations. Our office is working to file/organize older records. We have procedures in place to ensure paperwork is filed correctly and timely. Internal controls is an ongoing process. The office has internal controls in place and is continuing to work on improving internal controls through all processes in the office. In 2016, the Annual Financial Report was on time compared to previous years. Through calendaring and proper processing, the annual financial report should be on time moving forward. Regarding the overdrawn balances on the Gateway report for 2016, I worked to put items in the correct accounts to make sure that there was proper recording of all items. This made the negative. This now helps to show what is truly being spent in all accounts.

Sincerely,

A handwritten signature in blue ink that reads "Susan E. Dillman".

Susan E. Dillman  
Clerk-Treasurer  
Town of Centerville

CLERK-TREASURER  
TOWN OF CENTERVILLE  
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2017, with Susan E. Dillman, Clerk-Treasurer; Daniel Wandersee, President of the Town Council; Karen A. Pipes, Town Council member; Gary L. Holbert, Town Council member; Jack Bodiker, Town Council member; Mark A. Tucker; Town Council member; and Edward O. Martin, Local Counsel.

The contents of this report were discussed on October 24, 2017, with Janice L. Roberts, former Clerk-Treasurer, and George Sowers, Attorney.