

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GREENVILLE

FLOYD COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
12/08/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jack Travillian	01-01-12 to 12-31-19
Deputy Clerk-Treasurer	Amy Stone	01-01-12 to 12-31-17
President of the Town Council	Talbotte Richardson David Moore Greg Redden	01-01-12 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17
Superintendent of Water Utility	Gary W. Getrost Stephen Schmitt	01-01-12 to 06-30-14 07-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF GREENVILLE, FLOYD COUNTY, INDIANA

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

October 17, 2017

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CLERK-TREASURER
TOWN OF GREENVILLE

CLERK-TREASURER
TOWN OF GREENVILLE
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Internal controls over the financial close and reporting were insufficient because the Town did not have sufficient segregation of duties. The Clerk-Treasurer performed all duties regarding financial close and reporting. There was no indication of a review process to verify the information was accurate.

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 Town's ledger, Annual Financial Reports, and financial statements for the examination period did not properly reflect the financial activity of the Town. The activity of the Water Utility's State Revolving Loan (SRF) was not included, which underreported receipts by a total of \$1,657,734; disbursements by a total of \$1,546,732; and the ending cash and investment balance at December 31, 2016, by \$151,002.

Audit adjustments were proposed, accepted by the Clerk-Treasurer, and made to the financial statements presented for examination.

Two instances were identified in which sales tax remitted to the Indiana Department of Revenue from Water Utility funds were not recorded in the ledger. These payments were in the amounts of \$6,723 and \$5,126 and were made on September 9, 2015, and January 5, 2016, respectively.

Failure to record all transactions of the Town can result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

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

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)

BANK ACCOUNT RECONCILIATIONS

Monthly bank reconcilements to the ledger were not being properly performed during 2015 and 2016. At December 31, 2015 and 2016, the ledger balances were more than the bank account balances by \$6,513 and \$11,512, respectively. The variances were primarily attributed to sales tax transactions of the Water Utility not recorded in the ledger. If monthly bank reconcilements had been performed, these variances could have been identified and the errors corrected more timely.

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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations for 2016:

Fund	Excess Amount Expended
GENERAL FUND	\$ 1,089
MOTOR VEHICLE HIGHWAY	10,944
LOCAL ROAD AND STREET	4,650

A similar comment also appeared in prior Report B41802, entitled *APPROPRIATIONS*.

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

CLERK-TREASURER
TOWN OF GREENVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2017, with Jack Travillian, Clerk-Treasurer; Greg Redden, President of the Town Council; Andy Lemon, Town Council member; Amy Stone, Deputy Clerk-Treasurer; and Stephen Schmitt, Superintendent of Water Utility.

TOWN COUNCIL
TOWN OF GREENVILLE

TOWN COUNCIL
TOWN OF GREENVILLE
EXAMINATION RESULT AND COMMENT

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations for 2016:

Fund	Excess Amount Expended
GENERAL FUND	\$ 1,089
MOTOR VEHICLE HIGHWAY	10,944
LOCAL ROAD AND STREET	4,650

A similar comment also appeared in prior Report B41802, entitled *APPROPRIATIONS*.

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 COUNCIL
TOWN OF GREENVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2017, with Jack Travillian, Clerk-Treasurer; Greg Redden, President of the Town Council; Andy Lemon, Town Council member; Amy Stone, Deputy Clerk-Treasurer; and Stephen Schmitt, Superintendent of Water Utility.