

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SELLERSBURG

CLARK COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
12/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David L. Kinder (deceased) (Vacant) Barbara Haas Michelle D. Miller	01-01-12 to 07-20-15 07-21-15 to 08-03-15 08-04-15 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Paul J. Rhodes	01-01-12 to 12-31-17
Director of Municipal Works	Kenneth J. Alexander (Vacant)	01-01-12 to 09-05-17 09-06-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SELLERSBURG, CLARK COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Sellersburg (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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

December 13, 2017

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CLERK-TREASURER
TOWN OF SELLERSBURG

CLERK-TREASURER
TOWN OF SELLERSBURG
EXAMINATION RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

The Town did not have sufficient internal controls in place to ensure their Annual Financial Reports (AFR) matched the records of the Town. The same person who prepared the AFR was also responsible for reviewing the report for accuracy.

Because sufficient internal controls were not in place, the 2014 and 2016 AFRs contained the following errors that went undetected by the Town:

1. The amount reported for receipts of the Water Operating Fund were overstated by \$23,726 and the disbursements were understated by \$1,011,139 in 2016. This resulted in the ending cash and investments balance reported for the Water Operating Fund being overstated by \$987,413.
2. The disbursements reported for the Water Capitol Improvement Fund were overstated in 2016 in the amount of \$1,034,921. This resulted in the ending cash and investment balance reported being understated by \$1,034,921.

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."

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. . . ."

CLERK-TREASURER
TOWN OF SELLERSBURG
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2017, with Michelle D. Miller, Clerk-Treasurer; Paul J. Rhodes, President of the Town Council; Brad J. Amos, Town Council member; and Michelle D. Medcalf, Town Council Executive Secretary.