

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NORTH JUDSON

STARKE COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
03/01/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna M. Henry Alicia Collins Andrew J. Rowe	01-01-12 to 12-31-15 01-01-16 to 10-22-17 10-23-17 to 12-31-19
President of the Town Council	Wendy Hoppe	01-01-13 to 12-31-18
Superintendent of Water Utility	Marshall Horstmann	01-01-13 to 12-31-18
Superintendent of Wastewater Utility	Marshall Horstmann	01-01-13 to 12-31-18



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 NORTH JUDSON, STARKE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of North Judson (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/.

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

January 18, 2018

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CLERK-TREASURER
TOWN OF NORTH JUDSON

CLERK-TREASURER
TOWN OF NORTH JUDSON
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Similar comments also appeared in prior Report B42932, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - SEFA* and *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

The Town had not separated incompatible activities related to all areas of the Annual Financial Report (AFR) and the financial statements. The failure to establish these controls enabled material misstatements to occur and remain undetected.

The Clerk-Treasurer prepared and reviewed the AFR and the financial statements without any evidence of an oversight, review, or approval process to ensure the AFR and the financial statements were accurate.

The Town received and spent \$425,018 in federal highway grant funds in 2015 which was not included on the AFR and the financial statements.

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. . . ."

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 NORTH JUDSON
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROVAL OF CLAIMS

A similar comment also appeared in prior Report B42932, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

In 2016, not all accounts payable vouchers were included on the accounts payable dockets (dockets). Disbursements per the financial statements totaled \$4,396,716; however, vouchers included on the dockets only totaled \$2,569,778.

The Clerk-Treasurer signed the dockets to certify that vouchers listed were in accordance with Indiana Code 5-11-10-1.6. The Town Council also signed the dockets to indicate a review of the vouchers listed and to allow payment. However, as described in the preceding paragraph, not all disbursements were listed.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CLERK-TREASURER
TOWN OF NORTH JUDSON
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2018, with Donna M. Henry, former Clerk-Treasurer; Alicia Collins, former Clerk-Treasurer; Andrew J. Rowe, Clerk-Treasurer; John Rowe, Town Council member; James Young, Town Council member; and Wendy Hoppe, President of the Town Council.