

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SANDBORN

KNOX COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
04/05/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Internal Controls	6
Receipt Issuance	6
Annual Financial Report	7
Missing Receipts	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Hartsburg (deceased) (Vacant) Dana Wright	01-01-12 to 04-08-14 04-09-14 to 05-12-14 05-13-14 to 12-31-19
President of the Town Council	Ralph Heshelman Jerry Bowman J. Nate Yagle	01-01-12 to 03-11-13 03-12-13 to 12-31-15 01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SANDBORN, KNOX COUNTY, INDIANA

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

February 19, 2018

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CLERK-TREASURER
TOWN OF SANDBORN

CLERK-TREASURER
TOWN OF SANDBORN
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

There was no evidence that a proper internal control structure existed in the Town. A proper internal control structure would have adequate control activities. The Town had not separated incompatible activities related to Financial Close and Reporting. The failure to establish these controls enabled misstatements to remain undetected.

The Clerk-Treasurer was the sole person responsible for all Financial Close and Reporting. There were no controls in place to monitor, review, or determine the accuracy of the Financial Transactions and Reporting.

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. . . ."

RECEIPT ISSUANCE

The Town did not always issue and record receipts at the time the transaction took place. Often the Town prepared and recorded receipts at a later date when the deposit slip was created and deposited in the bank.

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

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

ANNUAL FINANCIAL REPORT

The Clerk-Treasurer overstated the cash balance for the Sewer Operating fund by \$100,304 by reporting the Sewer investment in both the Sewer Utility Operating fund and the Sewer Utility Debt Service fund.

Adjustments were proposed, accepted by management, and made to the financial statements.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Towns, Chapter 1)

MISSING RECEIPTS

The Town has a community building that is rented by residents, who sign a rental agreement at the time the rent is paid. The Clerk-Treasurer and Deputy Clerk-Treasurer are responsible for collection, receipt, recording, and deposit of revenues for the community building rental. During the examination period, three receipts were written to cash for the rental of the building, but were not recorded in the ledger or deposited in the bank. The Town was advised to collect the amount not posted or deposited to the bank.

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

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

Indiana Code 5-13-6-1(d) states in part:

". . . a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

CLERK-TREASURER
TOWN OF SANDBORN
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2018, with J. Nate Yagle, President of the Town Council; Dana Wright, Clerk-Treasurer; and Staci Rich, Deputy Clerk-Treasurer.