

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELIZABETHTOWN

BARTHOLOMEW COUNTY, INDIANA

January 1, 2013 to December 31, 2016



**FILED**  
05/11/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ashley Austerman	01-01-13 to 03-03-13
	Peggy Brown	03-04-13 to 03-31-14
	(Vacant)	04-01-14 to 04-30-14
	Judy L. Nichols	05-01-14 to 12-31-19
President of the Town Council	Eric Peery	01-01-13 to 08-01-13
	Fred Barnett	08-02-13 to 03-07-16
	Shannon Henson	03-08-16 to 09-12-16
	Fred Barnett	09-13-16 to 12-31-17
	Robert Tertocha	01-01-18 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF ELIZABETHTOWN, BARTHOLOMEW COUNTY, INDIANA

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

March 27, 2018

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CLERK-TREASURER  
TOWN OF ELIZABETHTOWN

CLERK-TREASURER  
TOWN OF ELIZABETHTOWN  
EXAMINATION RESULTS AND COMMENTS

**COMPENSATION AND BENEFITS**

The salary ordinances adopted by the Town Council stated an annual compensation; however, there was not any record of the hours required for this compensation. In 2015, \$10,000 was transferred from the Sewage Utility Operating fund to the Payroll fund; however, the ordinance did not make this provision.

The Town did not maintain time or attendance records for their employees. The Town did not use the Payroll Schedule and Voucher, General Form 99; nor did the Clerk-Treasurer or Town Council approve the monthly payroll prepared by the service organization for payment of employees' compensation.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day or week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees Service Record  
General Form 99B, Employee Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-3-2(d) states:

"The legislative body may provide that town officers and employees receive additional compensation for services that:

- (1) are performed for the town;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function.

Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

**ELECTRONIC FUNDS TRANSFERS**

During the examination period, the Town made numerous payments by electronic funds transfer (EFT). The Town Council had not adopted a resolution to authorize payments by EFT.

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

Indiana Code 36-1-8-11.5 states:

"(a) As used in this section, 'electronic funds transfer' means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(b) The fiscal body of a political subdivision or the board of a municipally owned utility may adopt a resolution to authorize an electronic funds transfer method of payment of claims. If a proper body adopts a resolution under this subsection, the political subdivision or municipally owned utility may pay money from its funds by electronic funds transfer.

(c) A political subdivision or municipally owned utility that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by political subdivisions or municipal utilities."

***PAYMENT OF CLAIMS PRIOR TO BOARD ALLOWANCE***

There were multiple instances where the payment of claims were made prior to allowance by the Town Council.

Indiana Code 36-5-4-12 states:

"(a) The legislative body of a town may adopt an ordinance allowing money to be disbursed under this section for lawful town purposes.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over allowance of the claim, a town fiscal officer may make claim payments in advance of a board allowance for the following types of expenses if the town legislative body has adopted an ordinance under subsection (a):

- (1) Property or services purchased or leased from:
  - (A) the United States government; or
  - (B) an agency or a political subdivision of the United States government.
- (2) License fees or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) Federal grant programs if:
  - (A) advance funding is not prohibited; and
  - (B) the contracting party provides sufficient security for the amount advanced.
- (6) Grants of state funds authorized by statute.

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

- (7) Maintenance agreements or service agreements.
  - (8) Lease agreements or rental agreements.
  - (9) Principal and interest payments on bonds.
  - (10) Payroll.
  - (11) State, federal, or county taxes.
  - (12) Expenses that must be paid because of emergency circumstances.
  - (13) Expenses described in an ordinance.
- (c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the fiscal officer.
- (d) The town legislative body or the board having jurisdiction over the allowance of the claim shall review and allow the claim at the body's or board's next regular or special meeting following the preapproved payment of the expense.

***PUBLIC RECORDS RETENTION***

The following records were not retained or made available for examination: Payroll Schedule and Voucher, General Form 99; Town Council minutes from May 2013 to April 2014; and Salary Ordinance adopting salaries to be paid for calendar 2014.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***INTERNAL CONTROLS - WASTEWATER UTILITY***

A similar comment also appeared in prior Report B42429, entitled *DELINQUENT WASTEWATER ACCOUNTS*.

During the examination period, the Town did not retain aging reports of delinquent accounts or supporting documentation as to their analysis and subsequent filings for sewer liens, nor write-offs by the Town Council. Therefore, the validity of the sewer liens or write-offs could not be tested and the accuracy of the liens could not be determined.

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

Prior to the Town contracting with a private vendor to bill customers effective for March 2013, the Town did not bill the wastewater customers in the examination period.

Sewer lien payments received from the County Auditor were not always receipted to the Sewage Utility Operating fund. Several of these payments were receipted to other Town funds in error.

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
  - (B) A description of the premises, as shown by the records of the county auditor.
  - (C) The amount of the delinquent fees, together with the penalty.
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

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 ELIZABETHTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF ELIZABETHTOWN  
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2018, with Judy L. Nichols, Clerk-Treasurer; Robert Tertocha, President of the Town Council; and Fred Barnett, Town Council member.

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TOWN COUNCIL  
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EXAMINATION RESULTS AND COMMENTS

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TOWN COUNCIL  
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