

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WAKARUSA

ELKHART COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED

05/24/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls	6-7
Adoption of Internal Control Standards	7
Exit Conference	8
Town Council:	
Audit Result and Comment:	
Adoption of Internal Control Standards	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joyce M. Hartman	01-01-12 to 12-31-19
President of the Town Council	Mark H. BeMiller Fredrick L. Avery	01-01-13 to 12-31-14 01-01-15 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 WAKARUSA, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Wakarusa (Town), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

April 9, 2018

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF WAKARUSA

CLERK-TREASURER
TOWN OF WAKARUSA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were several deficiencies in the internal controls system of the Town related to Financial Transaction and Reporting.

Cash and Investments: Bank Reconcilements were performed by either the Clerk-Treasurer or the Deputy Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of cash and investments balances.

Receipts: Receipts were written by both the Clerk-Treasurer and the Deputy Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of the receipts. There was no documentation to show who received and recorded funds and who reviewed the receipt of funds.

Disbursements/Vendor: General purchases were initiated at the department level. Invoices for payment were either sent from the department head or were received directly by the Clerk-Treasurer. There was no documentation to show the goods and/or services were received prior to payment being issued.

Disbursements/Payroll: Payroll timesheet were prepared by the employees and reviewed by supervisors before being sent to the Clerk-Treasurer for processing. Timesheets for the supervisor were not reviewed by anyone. In addition, the Town Manager and Town Marshall did not have service records to monitor their leave time.

Disbursements/Payroll: Payroll is submitted to the payroll service provider by the Clerk-Treasurer without an oversight, approval, or review process in place to ensure its accuracy.

Financial Close and Reporting: Year-end Fund Reports were approved by the Town Council prior to submission to the Indiana Gateway for Government Units financial reporting system (Gateway), which was the source for the Annual Financial Report (AFR). The Clerk-Treasurer initiated transmission of the financial statement information into Gateway directly from her computer software without an effective oversight, review, approval, or other compensating control to ensure the accuracy of the information submitted.

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:

CLERK-TREASURER
TOWN OF WAKARUSA
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

ADOPTION OF INTERNAL CONTROL STANDARDS

The Town did not adopt the acceptable minimum level of internal control standards as defined by the SBOA. The Town mistakenly certified in Gateway that they had adopted these standards.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7."

CLERK-TREASURER
TOWN OF WAKARUSA
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2018, with Joyce M. Hartman, Clerk-Treasurer; Fredrick L. Avery, President of the Town Council; and Jeff Troxell, Town Manager.

TOWN COUNCIL
TOWN OF WAKARUSA

TOWN COUNCIL
TOWN OF WAKARUSA
AUDIT RESULT AND COMMENT

ADOPTION OF INTERNAL CONTROL STANDARDS

The Town did not adopt the acceptable minimum level of internal control standards as defined by the SBOA. The Town mistakenly certified in Gateway that they had adopted these standards.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7."

TOWN COUNCIL
TOWN OF WAKARUSA
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2018, with Fredrick L. Avery, President of the Town Council; Joyce M. Hartman, Clerk-Treasurer; and Jeff Troxell, Town Manager.