

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
TOWN OF ARGOS
MARSHALL COUNTY, INDIANA
January 1, 2013 to December 31, 2017



FILED
05/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia S. Jones	01-01-12 to 12-31-15
	Lisa M. Mullaney	01-01-16 to 12-31-19
President of the Town Council	George A. Null	01-01-13 to 12-31-14
	Mark A. VanDerWeele	01-01-15 to 12-31-15
	Dustin J. Johnson	01-01-16 to 12-31-17
	George A. Null	01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ARGOS, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Argos (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 Statements Audit Report of the Town, which provides our opinions on the Town's financial statements 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 12, 2018

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CLERK-TREASURER
TOWN OF ARGOS

CLERK-TREASURER
TOWN OF ARGOS
AUDIT RESULTS AND COMMENTS

OVERPAYMENT OF COMPENSATION

In 2017, the Clerk-Treasurer was also employed as the Utility Clerk for the Town. The salary paid to the Clerk-Treasurer as Utility Clerk did not agree with the 2017 Salary Ordinance approved by the Town Council. The ordinance stipulated a biweekly salary of \$1,437.31, but the actual amount paid biweekly was \$1,486.51. This resulted in an overpayment of \$1,276.86 in 2017.

The Clerk-Treasurer, Lisa M. Mullaney, entered into a repayment agreement with the Town Council whereby her wages will be garnished over 13 pay periods until the repayment is complete.

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)

INTERNAL CONTROLS

There were several deficiencies in internal control system for the Town of Argos related to Financial Transactions and Reporting. There was a lack of segregation of duties as they had not separated incompatible activities related to Cash and Investments, Receipts, Payroll Disbursements, and Financial Reporting.

Cash and Investments

The Deputy Clerk-Treasurer completed the monthly bank reconciliations and the Clerk-Treasurer reviewed them. However, there was no evidence of the review.

Receipts

The Utility Billing Clerk, a part-time employee, generally prepared the bank deposits. As a result, the Deputy Clerk-Treasurer occasionally prepared the bank deposits. The Deputy Clerk-Treasurer also performed the monthly bank reconciliations. The Clerk-Treasurer reviewed the reconciliations; however, there was no evidence of the review.

Payroll Disbursements

The Deputy Clerk-Treasurer prepared the payroll claims and signed some payroll related checks. The Town Council met twice a month and approved the claims docket at every meeting. The dockets included payroll totals by department, but not by individual employee. There were no controls in place to ensure that employees were properly paid.

Financial Reporting

The Clerk-Treasurer compiled the financial information for submission to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Reports (AFR) and the financial statements. There was no evidence of an effective oversight, review, or approval process in place to ensure the accuracy of the information submitted.

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

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. . . ."

SCHEDULE OF CAPITAL ASSETS

The Town was required to report financial information annually in Gateway, which is the source for its AFRs and financial statements. Supporting documentation for the amounts included on the Schedule of Capital Assets at December 31, 2017, was not provided.

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."

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities/Towns, Chapter 1)

TRAINING ON INTERNAL CONTROLS STANDARDS

The Town was required to ensure that its employees were trained on internal control standards adopted by the Town Council and to certify that the training was received. There was no documentation to indicate that the Clerk-Treasurer or the Deputy Clerk-Treasurer had completed the training. The Clerk-Treasurer mistakenly certified in Gateway that all employees had been trained.

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

Indiana Code 5-11-1-4(a) states:

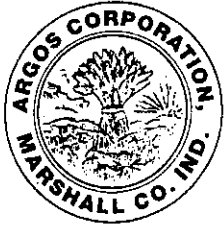
"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days 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."

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 OF ARGOS

201 WEST WALNUT STREET

ARGOS, INDIANA 46501

Tel.: 574-892-5717

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April 20, 2017

State Board of Accounts,

This letter is in response to the audit that was performed recently from 2013 – 2017. First, I would like to thank my auditor Tyler Millington for his professionalism and patience with all of my questions. Secondly, during this process I learned a lot and was better able to define my role in regard to implementing Internal Controls. This audit clearly reflects how even though some procedures have always been in place, they have not been sufficiently documented. With that in mind we are now able to move forward and make sure we provide the required documentation necessary.

Sincerely,

Lisa Mullaney
Clerk / Treasurer
Town of Argos

CLERK-TREASURER
TOWN OF ARGOS
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2018, with Lisa M. Mullaney, Clerk-Treasurer; George A. Null, President of the Town Council; and Suzanne R. Umbaugh, Town Council member.

TOWN COUNCIL
TOWN OF ARGOS

TOWN COUNCIL
TOWN OF ARGOS
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROLS STANDARDS

The Town failed to ensure that all employees were trained on internal control standards adopted by the Town Council. There was no documentation to indicate that the Clerk-Treasurer or the Deputy Clerk-Treasurer had completed the training.

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

". . . the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF ARGOS
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2018, with Lisa M. Mullaney, Clerk-Treasurer; George A. Null, President of the Town Council; and Suzanne R. Umbaugh, Town Council member.