

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PALMYRA

HARRISON COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**  
06/07/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tiffany L. Cardwell	07-13-10 to 12-28-12
	Christopher W. French	12-29-12 to 05-10-13
	(Vacant)	05-11-13 to 05-15-13
	Christen (Kupcak) Yocum	05-16-13 to 04-12-15
	Debra L. Jones	04-13-15 to 12-31-19
President of the Town Council	Virginia L. Kirkham	01-01-12 to 12-31-18
Superintendent of Water Utility	Randy Trett	01-01-12 to 12-31-18
Superintendent of Wastewater Utility	Jim Hale	01-01-12 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PALMYRA, HARRISON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Palmyra (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/](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

April 30, 2018

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CLERK-TREASURER  
TOWN OF PALMYRA

CLERK-TREASURER  
TOWN OF PALMYRA  
EXAMINATION RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

A similar comment appeared in prior Report B41816, entitled *CONDITION OF RECORDS*.

Monthly depository reconciliations of the fund balances to the bank account balances for the year 2014 were not performed until July 2015, or later. Monthly reconciliations for the year 2015 were not performed until March 2016, or later. Starting in 2016, monthly reconciliations were being performed timely; however, there were reconciling items being carried from prior years to balance the depositories to the Town's financial records. Evidence was not provided to support most of these reconciling items. The current Clerk-Treasurer was appointed April 13, 2015, and in an attempt to resolve some prior errors, backdated many correction of errors to the year 2014.

At December 31, 2016, the Town's combined bank account reconciliations included \$496,029 of unsupported reconciling items. These unsupported reconciling items appear to overstate the Town's funds, Water Utility Operating fund, and Sewage Utility Operating fund in the amounts of \$76,377, \$362,266, and \$57,386, respectively. Other audit procedures could not be performed to determine the validity of these reconciling items. The significance of this amount and the uncertainty of its effect on the financial statements prevented us from being able to render an opinion on the financial statements.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***ANNUAL FINANCIAL REPORTS***

The Town had not established effective controls to allow for the proper reporting of the Town's Financial Transactions and Cash and Investment Balances. The examined financial statements were compiled from information entered by the Town into the Indiana Gateway for Government Units (Gateway) system, a financial reporting system established by the state to allow governmental units to file Annual Financial Reports (AFR). The Town uploaded the financial data from the Town's records into the Gateway system. However, upon completion of the AFR, no one at the Town compared the AFR to the Town's records to ensure that all financial data had been properly entered prior to submission. As a result of the

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

Town not establishing internal controls to verify the accuracy of the financial data, the AFRs and related financial statements presented for examination contained errors that went undetected. The Clerk-Treasurer backdated adjustments to prior years, but never went back into Gateway and made the necessary corrections to the AFR. Adjustments were proposed, accepted by the Town, and made to the financial statements presented in the Financial Statements Examination Report.

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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**COLLECTION OF AMOUNTS DUE**

Payroll for Town, Water, and Wastewater employees was disbursed from the Town's bank account. The Water Utility Operating fund and the Sewage Utility Operating fund reimbursed the Town for each of their employee's respective portions of payroll disbursements. However, the entire amount owed to the Town was not reimbursed by each respective utility.

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

For the examination period, the Water and Wastewater Utilities were obligated to the Town for the following amounts:

Water Utility Operating fund			
Years	Salary/Benefits	Amount Transferred to Town	Amount Due to Town
2012	\$ 201,880	\$ 178,367	\$ 23,513
2013	215,467	90,819	124,648
2014	173,233	167,848	5,385
2015	140,322	112,819	27,503
2016	<u>143,117</u>	<u>143,117</u>	<u>-</u>
Totals	<u>\$ 874,019</u>	<u>\$ 692,970</u>	<u>\$ 181,049</u>

Sewage Utility Operating fund			
Years	Salary/Benefits	Amount Transferred to Town	Amount Due to Town
2012	\$ 22,881	\$ 22,217	\$ 664
2013	7,520	2,890	4,630
2014	46,028	46,779	(751)
2015	92,977	82,303	10,674
2016	<u>51,926</u>	<u>51,926</u>	<u>-</u>
Totals	<u>\$ 221,332</u>	<u>\$ 206,115</u>	<u>\$ 15,217</u>



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PO Box 332  
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(812) 364-6106

Council Members

Virginia Kirkham, President

Christall Ingle

Mike Shireman

Clerk-Treasurer

Debra L Jones

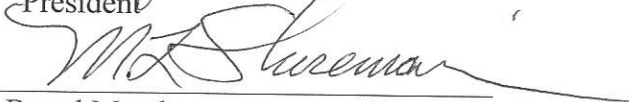
To whom it may concern:

The Town of Palmyra is in receipt of the recently submitted State Board of Accounts examination findings which cover the period of January 1, 2012-December 31, 2016. This letter is the Town's response and action plan.

The current Town Board and Clerk-Treasurer desire to remedy any and all deficiencies identified in the examination findings, including those which occurred prior to the current Board and Clerk-Treasurer's service. To that end, the Town acknowledges the findings of the examination and wish to advise that they have hired an outside accounting firm to research all unreconciled items and to help establish ongoing procedures for timely and accurate filing of Annual Financial Reports, bank reconciliations, and payroll reports, as well as to provide any needed training to Town personnel.

TOWN BOARD OF PALMYRA, INDIANA

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Board Member

\_\_\_\_\_  
Board Member

CLERK-TREASURER, TOWN OF PALMYRA, INDIANA

  
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CLERK-TREASURER  
TOWN OF PALMYRA  
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2018, with Debra L. Jones, Clerk-Treasurer; Virginia L Kirkham, President of the Town Council; Christal Ingle, Town Council member; and Mike Shireman, Town Council member.