

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF STAUNTON

CLAY COUNTY, INDIANA

January 1, 2012 to December 31, 2017



FILED
07/06/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catherine Mienheartt	01-01-12 to 12-31-19
President of the Town Council	William A. Kirchner	01-01-12 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 STAUNTON, CLAY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Staunton (Town), for the period from January 1, 2012 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. 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

May 30, 2018

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CLERK-TREASURER
TOWN OF STAUNTON

CLERK-TREASURER
TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and financial reporting.

Cash and investments

Controls had not been developed to ensure that all bank accounts were reconciled, and that all bank accounts held in the name of the Town were recorded in the financial records of the Town.

Receipts

Controls were not in place to ensure that the receipts, including utility collections, were recorded to the correct fund.

Financial Reporting

The Clerk-Treasurer compiled the financial information for submission to the Indiana Gateway for Government Units 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 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:

"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.

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

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. . . ."

INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified that the Town had adopted the minimum standard of internal controls and had received the required training when completing the AFR. This certification was incorrect. As of December 31, 2017, the Town had not adopted internal control standards, nor had the required training been completed by any Town employees.

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."

FUND SOURCES AND USES

The Town used money from the Wastewater Util-Bond and Interest fund and Water Utility-Bond and Interest fund to pay for repairs in the amount of \$28,456 and \$26,730, respectively. However, the use of those funds was restricted to paying bond and interest on utility debt and not to be used for repairs.

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 STAUNTON
EXIT CONFERENCE

The contents of this report were discussed on May 30, 2018, with Catherine Mienheartt, Clerk-Treasurer, and William A. Kirchner, President of the Town Council.

TOWN COUNCIL
TOWN OF STAUNTON

TOWN COUNCIL
TOWN OF STAUNTON
AUDIT RESULT AND COMMENT

INTERNAL CONTROL STANDARDS

As of December 31, 2017, the Town Council had not adopted the minimum internal control standards nor provided training required by state statute.

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."

TOWN COUNCIL
TOWN OF STAUNTON
EXIT CONFERENCE

The contents of this report were discussed on May 30, 2018, with Catherine Mienheartt, Clerk-Treasurer, and William A. Kirchner, President of the Town Council.