

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EDWARDSPORT

KNOX COUNTY, INDIANA

January 1, 2015 to December 31, 2016



**FILED**  
07/19/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Town Council:	
Examination Results and Comments:	
Internal Controls .....	6-7
Errors on Claims .....	7-8
Debit Card Policy .....	8
Employee Compensation in Excess of Salary Ordinance .....	8-9
Exit Conference .....	10
Clerk-Treasurer:	
Examination Results and Comments:	
Internal Controls .....	12-13
Council Minutes .....	13-14
Ordinances Not Presented .....	14-15
Public Records Retention .....	15
Bank Account Reconciliations .....	16
Errors on Claims .....	16-17
Condition of Records - Receipts .....	17
Taxes Not Paid .....	18
Overdrawn Cash Balances .....	18
Advance Payments .....	18
Debit Card Usage .....	18-19
Overpayment of Clerk-Treasurer's Salary .....	19-20
Payroll Advance Made to Employee .....	20-21
Official Bond Coverage .....	21
Official Response .....	22-23
Exit Conference .....	24
Summary of Charges .....	25
Affidavit .....	27

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Courtney Durham	01-01-15 to 01-31-15
	Patricia Roark	02-01-15 to 09-30-15
	Connie Dinkins	10-01-15 to 12-31-19
President of the Town Council	Jennifer Holscher	01-01-15 to 02-07-16
	Darrell Julian, Jr.	02-08-16 to 12-31-16
	Daniel Dinkins	01-01-17 to 12-31-17
	Darrell Julian, Jr.	01-01-18 to 12-31-18
Superintendent of Water Utility	Earl Horst	01-01-15 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE TOWN OF EDWARDSPORT, KNOX COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Edwardsport (Town), for the period from January 1, 2015 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 Statement Examination Report of the Town, which provides our opinion on the Town's financial statement. 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

May 14, 2018

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TOWN COUNCIL  
TOWN OF EDWARDSPORT

TOWN COUNCIL  
TOWN OF EDWARDSPORT  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B50303 as *FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING*.

There was no evidence that a proper internal control structure existed in the Town. A proper internal control structure would include adequate control activities, a control environment, performance of risk assessment procedures, information and communication, and monitoring of internal controls. The Town had not separated incompatible activities related to receipts, disbursements, cash and investment balances, and financial close and reporting. The failure to establish these controls enabled material misstatements to remain undetected.

The Clerk-Treasurer was solely responsible for all transactions related to receipts, disbursements, cash and investments, and financial close and reporting. There were no controls in place to monitor, review, or determine the accuracy of the financial transactions and reporting. In addition, the Town Council minutes that were presented for examination were not adequate to be able to determine the extent of the involvement of the Town Council in the operations of the Town.

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:

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

TOWN COUNCIL  
TOWN OF EDWARDSPORT  
EXAMINATION 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. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

***ERRORS ON CLAIMS***

The same comment also appeared in prior Reports B29063, B33391, B41365, B49357, and B50304.

There was no evidence that, during the examination period, claims were allowed by the Town Council prior to payment being made. Instead, the claims were approved at Town Council meetings after the payments had been made.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;

TOWN COUNCIL  
TOWN OF EDWARDSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

***DEBIT CARD POLICY***

A debit card was in use during the examination period. However, there was no policy in place to authorize the use of a debit card, or to declare the purposes for which the debit card may be used.

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing board must authorize debit/procurement card use through an ordinance/resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***EMPLOYEE COMPENSATION IN EXCESS OF SALARY ORDINANCE***

Salary Ordinance Number 1-2016, adopted by the Town Council on January 12, 2016, was to be effective January 1, 2016.

The Ordinance stated: "That the salaries of the appointed employees for the Town of Edwardsport, the Edwardsport Water Utility and the Edwardsport Waste Water Treatment (Sewer) Utility, for the year of 2016, shall be as follows: . . . All others \$7.25 per hour."

TOWN COUNCIL  
TOWN OF EDWARDSPOORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The Town had two part-time employees that were paid at hourly rates of \$9 per hour and \$12 per hour. Both of these rates were in excess of the rate approved in Ordinance Number 1-2016 for calendar year 2016, and resulted in overpayments to the respective employees. The Town Council indicated their intention is to retroactively approve the increased compensation amounts. The Town's compliance will be considered by Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-25 in making risk-based prioritization decisions for timing and scope of engagements in the future. Town officials should provide documentation of its response to this situation to the Indiana State Board of Accounts by June 4, 2018. Noncompliance will result in a charge.

Units must collect overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-3-2(b) states: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees."

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)

TOWN COUNCIL  
TOWN OF EDWARDSPORT  
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2018, with Darrell Julian, Jr., President of the Town Council; Dan Dinkins, Town Council member; and Richard Bilskie, Town Council member.

CLERK-TREASURER  
TOWN OF EDWARDSPORT

CLERK-TREASURER  
TOWN OF EDWARDSPORT  
EXAMINATION RESULTS AND COMMENTS

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

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A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

**COUNCIL MINUTES**

The same comment also appeared in prior Reports B49357 and B50304.

The following deficiencies in the minutes of the meetings of the Town Council were identified:

- The minutes for the months of January and December in 2015, as well as for a special meeting concerning the proposed "Ordinance Amending the Rates and Charges for the Waterworks Utility," held December 21, 2015, were not available for examination.
- The minutes for one meeting were dated both December 2, 2015, and January 11, 2016. It could not be determined when this meeting actually took place.
- The general substance of all matters proposed, discussed, or decided at the meetings was unclear.

Indiana Code 36-5-6-6(a) states in part:

"The clerk-treasurer shall do the following: . . .

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

- (9) Serve as clerk of the legislative body by attending meetings and recording its proceedings. . . ."

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

**ORDINANCES NOT PRESENTED**

A similar comment also appeared in prior Reports B33391 and B41365, entitled *COMPENSATION AND BENEFITS*. The same comment also appeared in prior Reports B49357 and B50304.

Four of eight ordinances known to have been adopted by the Town Council during the examination period were not recorded or retained by the Clerk-Treasurer. The exact number of ordinances adopted by the Town Council during the examination period could not be determined due to missing or unclear Town Council minutes.

Indiana Code 36-5-2-10.2 states:

"Within a reasonable time after an ordinance of the legislative body is adopted, the clerk-treasurer shall record it in a book kept for that purpose. The record must include:

- (1) the signature of the executive;
- (2) the attestation of the clerk-treasurer; and
- (3) the date of each recorded item.

The record or a certified copy of it constitutes presumptive evidence of the adoption of the ordinance."

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.

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

- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written permission of the administration."

***PUBLIC RECORDS RETENTION***

A similar comment also appeared in prior Reports B29063, B33391, and B41365, entitled *PRESCRIBED FORMS*. The same comment also appeared in prior Reports B49357 and B50304.

The following prescribed forms were either not in use or not presented for audit:

- Ledger of Receipts, Disbursements, and Balances (City and Town Form No. 208)
- Ledger of Appropriations, Encumbrances, Disbursements, and Balances (City and Town Form No. 209)
- Simplified Cash Journal - Water Utility - Class C (Utility Form No. 319)
- Consumer's Ledgers (Utility Form No. 321)
- Guarantee Deposit Receipt (Utility Form No. 310)
- Guarantee Deposit Register (Utility Form No. 314)
- Payroll Schedule and Voucher (General Form No. 99)
- Employee's Service Record (General Form No. 99A)
- Employee's Earnings Record (General Form No. 99B)
- Mileage Claim (General Form No. 101)

In addition to the prescribed forms listed above, Internal Revenue Service Wage and Tax Statement (Form W-2) was not presented for examination for 2015.

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)

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

**BANK ACCOUNT RECONCILIATIONS**

The same comment also appeared in prior Reports B49357 and B50304.

Bank account reconciliations were not presented for 2015. Bank account reconciliations were not presented for the months of July, August, and November 2016. The reconciliations that were presented listed unidentified adjustments from prior years as reconciling items. We could not confirm that the reconciled balance was correct.

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."

**ERRORS ON CLAIMS**

The same comment also appeared in prior Reports B29063, B33391, B41365, B49357, and B50304.

The following errors on claims were identified:

- Five of the twenty claims tested had no supporting documentation to validate the \$484 of purchases made.
- Eleven claims for reimbursement, totaling \$2,113, were made to the Clerk-Treasurer without adequate supporting documentation to determine the validity of the disbursement.
- Claims were seldom prepared for payments made by electronic funds transfer. No other documentation was available for examination to support these payments.

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)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

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

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

**CONDITION OF RECORDS - RECEIPTS**

This same comment appeared in prior Report B50304.

We identified the following deficiencies related to collections and receipts:

1. Clerk-Treasurer's Receipt (Town Form No. 217) - We attempted to determine the sequence of receipt numbers issued during the examination period for testing purposes. Only fifty-four receipts were available for 2015. For 2016, receipts were not issued in sequence and it was not possible to determine if all receipts were accounted for.
2. Two of twenty receipts tested could not be traced to a specific bank deposit. There was no deposit ticket book or other information attached to the receipt to determine if multiple receipts were deposited together or if the information on the receipt was accurate.
3. Four of the twenty receipts tested could not be verified as being deposited intact due to the receipt not being completed properly and lack of any additional records to determine the composition of the deposits made.
4. Water and Wastewater Utility collections were all deposited into the Water Utility bank account. At the end of the month, the collections for the Wastewater Utility were transferred from the Water Utility bank account into the Wastewater Utility bank account. Utility collection reports were not available to validate the amount of utility collections that were transferred into the Wastewater Utility bank account during the examination period.

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."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

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

**TAXES NOT PAID**

The same comment also appeared in prior Report B49357 and B50304.

We were able to identify penalty and interest payments in the amounts of \$268 paid to the Indiana Department of Revenue for late sales tax payments and \$11 paid to the Internal Revenue Service for late payroll taxes. All of these penalty and interest assessments were for the year 2014. In addition, we noted payment plan documentation with both the Indiana Department of Revenue and the Internal Revenue Service for past taxes, penalty, and interest owed by the Town. Because claims were seldom prepared to support payments made by electronic funds transfers, we were unable to determine the number of payments or the total amount of taxes not remitted timely, or the amount of penalties and interest paid during the examination period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**OVERDRAWN CASH BALANCES**

The General Fund was overdrawn by \$1,194 at December 31, 2015. This balance was a combination of the General Fund and the Trust IN General as reported on the Town's financial statement. The General Fund was overdrawn by \$7,160 at December 31, 2016.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ADVANCE PAYMENTS**

During the examination period, elected officials were paid in advance of the period for which the pay covered.

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**DEBIT CARD USAGE**

Purchases were made using a debit card for items such as office supplies, postage, Water Utility supplies, fuel, utility bills, and travel expenses including meals, transportation, and lodging. Claims were not prepared for these purchases. Receipts for debit card purchases were maintained in a folder; however, receipts could not be located to support \$6,336 of the \$14,422 of purchases made with the debit card. There was no policy authorizing the use of the debit card.

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

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of that officer or employee.
8. If authorized, an annual fee may be paid.

(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)

**OVERPAYMENT OF CLERK-TREASURER'S SALARY**

The 2016 compensation for all Town employees and elected officials was established by Ordinance Number 1-2016, adopted January 12, 2016. The Ordinance stated: "These salaries shall become effective January 1, 2016 . . ."

Per Ordinance Number 1-2016, the Clerk-Treasurer was to receive a salary of \$750 per month. In addition, the Ordinance listed the position of a Water Clerk that was to receive a salary of \$750 per month and a Sewer Clerk that was to receive a salary of \$600 per month. The ordinance stated: "Water Clerk and Sewer Clerk are held by Clerk-Treasurer."

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

The total annual compensation of the three positions that were approved to be paid to the Clerk-Treasurer was \$25,200 for 2016. Actual compensation paid to Connie Dinkins (Dinkins), Clerk-Treasurer, for the three positions in 2016 totaled \$27,750. This resulted in an amount paid in excess of the annual approved compensation in the amount of \$2,550.

Indiana Code 36-5-3-2 states in part:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of . . . the town clerk-treasurer . . .

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed . . .

(d) 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. . . ."

We requested that Dinkins reimburse the Town \$2,550 for the overpayment of the Clerk-Treasurer's salary. Dinkins entered into a repayment agreement with the Town Council on July 2, 2018. (See Summary of Charges, page 25)

***PAYROLL ADVANCE MADE TO EMPLOYEE***

On August 15, 2016, Dinkins entered into a payroll advance agreement with former Town employee, Josh Love (Love).

The agreement stated:

"I, Josh Love, do agree to accept a payroll advance on August 15, 2016 in the amount of \$1,600. I do so agree to pay this advance back having it deducted from my payroll check weekly in the amount of \$100.00 until said advance is paid in full. The first payment will be deducted from my payroll check dated August 22, through August 26, 2016. If for any reason my employment with the Town of Edwardsport is terminated the remaining balance will be due in full within 10 business days, and if not paid in full it will be turned over to the prosecutor's office for collection."

The payroll advance was paid to Love via a check dated August 15, 2016, in the gross amount of \$1,600. There was no evidence presented for audit that any of the payroll advance had been repaid by Love. Love terminated his employment with the Town in September 2016. Dinkins stated that the case was turned over to the Knox County Prosecutor's office for collection. No collection had been made as of May 14, 2018.

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

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Guidelines Manual for Cities and Towns, Chapter 1)

We requested Dinkins and Love, jointly and severally, reimburse the Town \$1,600 for the payroll advance not repaid. Dinkins entered into a repayment agreement with the Town Council on July 2, 2018. (See Summary of Charges, page 25)

**OFFICIAL BOND COVERAGE**

The Town had a public official bond for Dinkins through Western Surety Company (Bond No. 62582135) for the period of October 15, 2015 to December 31, 2016, in the amount of \$50,000.

## Official Response to Town of Edwardsport Audit Jan 1, 2015 – Dec 31, 2016

As a response to the findings on our audit for time period of January 1, 2015 to December 31, 2016 is as follows:

1. Internal Controls – we do have HR Unlimited's Suzy Bass doing our Bank Reconciliation's and we have done training with all employees and have put guidelines in place to implement Internal Controls.

2. Council Minutes – there were several months of minutes missing in 2015 and were not complete. WE have started recording board meetings and minutes are signed off on in a hard copy every month in board meeting.

3. Ordinances – were found in many different files and not kept in order. We are working on getting them all put in order and in one book.

4. Bank Recs – As said above we are having all of our bank recs done by HR Unlimited and are being kept all together in one file.

5. Errors on claims – as I began my term with no training I made errors on claims while learning, some claims were paid out of wrong accounts. All claims were corrected.

6. Receipts – receipts were kept in one file all together but should have been attached to each claim as paid. This has been corrected by attaching each receipt to each individual claim.

7. Taxes – were paid late some months. We are working on correcting this issue.

8. Overdrawn Accounts – these were due to having separate accounts for each utility and sewer payments having to be transferred from water acct to sewer acct each month and transfers being available later than checks clearing.

9. Advance payment – Council members and Clerk Treasurer being paid at the beginning of the month. Auditors explained that pay should be at the end of each month.

10. Clerk Treasurer overpayment – was in 2016 due to being paid out of 3 accounts different times each month. This will be paid back to the Town within 6 months. We have corrected this issue by purchasing a payroll program and it pays all out of one account and keeps records easier to calculate and keep up with.

11. Payroll Advance – was made to an employee with a signed agreement to pay back out of each paycheck. I was not aware that this could not be done. This has been gone over and will not happen again.

12. Bond Coverage – bonds have always been current, due to lack of training we were not aware that these needed to be recorded at the Court House. These have all been taken to Court House and recorded to current date.

CLERK-TREASURER  
TOWN OF EDWARDSPORT  
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2018, with Connie Dinkins, Clerk-Treasurer; Darrell Julian, Jr., President of the Town Council; Dan Dinkins, Town Council member; and Richard Bilskie, Town Council member.

TOWN OF EDWARDSPORT  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Connie Dinkins, Clerk-Treasurer:			
Overpayment of Clerk-Treasurer's Salary, pages 19 and 20	\$ 2,550	\$ -	\$ 2,550
Connie Dinkins, Clerk-Treasurer and Joshua Love, former Town employee, jointly and severally:			
Payroll Advance Made to Employee, pages 20 and 21	<u>1,600</u>	<u>-</u>	<u>1,600</u>
Totals	<u>\$ 4,150</u>	<u>\$ -</u>	<u>\$ 4,150</u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA )  
Crawford COUNTY )

I, Barbara Montgomery, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Edwardsport, Knox County, Indiana, for the period from January 1, 2015 to December 31, 2016, is true and correct to the best of my knowledge and belief.

Barbara Montgomery

Subscribed and sworn to before me this 18 day of June, 2018

Lisa L. Stephenson-Holzboog  
Notary Public

My Commission Expires: 03-18-2023

County of Residence: Crawford

