

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LIBERTY

UNION COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
09/07/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cheryl Begley Melissa Shepler	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Ross Keasling Keith Bias	01-01-13 to 12-31-15 01-01-16 to 12-31-18
Superintendent of Water Utility	Fielding Tipton James Dawson Matt Reuss	01-01-13 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18
Superintendent of Wastewater Utility	Matt Reuss	01-01-13 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LIBERTY, UNION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Liberty (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 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 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

August 22, 2018

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CLERK-TREASURER  
TOWN OF LIBERTY

CLERK-TREASURER  
TOWN OF LIBERTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, and financial close and reporting.

- Cash and Investments - The bank was being reconciled by the Clerk-Treasurer; however, there was no documentation of controls in place, such as an oversight, review, or approval process.
- Receipts - The Clerk-Treasurer collected, recorded, and deposited receipts. There was no documentation of controls in place, such as an oversight, review, or approval process.
- Payroll Disbursements - The Clerk-Treasurer was primarily responsible for processing and posting payroll disbursements. There was no documentation of controls in place, such as an oversight, review, or approval process.
- Financial Close and Reporting - The Clerk-Treasurer completed and filed the Annual Financial Report (AFR). There were no controls in place, such as an oversight, review, or approval process.

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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

For the AFRs filed for 2016 and 2017, the Clerk-Treasurer certified that the Town had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) when, in fact, those standards had not been adopted by the Town Council.

CLERK-TREASURER  
TOWN OF LIBERTY  
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."

**PAYROLL ERRORS**

Records of employee attendance and hours worked were not presented for audit for salaried employees. Also, payroll claims were not approved by the appropriate official, department head, or the Clerk-Treasurer.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(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)

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

CLERK-TREASURER  
TOWN OF LIBERTY  
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2018, with Melissa Shepler, Clerk-Treasurer; Cheryl Begley, former Clerk-Treasurer; and Keith Bias, President of the Town Council.

TOWN COUNCIL  
TOWN OF LIBERTY

TOWN COUNCIL  
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AUDIT RESULT AND COMMENT

***ADOPTION OF INTERNAL CONTROL STANDARDS***

The Town's legislative body had not adopted internal control standards and procedures as required by Indiana Code 5-11-1-27(g).

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

"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; . . ."

TOWN COUNCIL  
TOWN OF LIBERTY  
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2018, with Melissa Shepler, Clerk-Treasurer; Cheryl Begley, former Clerk-Treasurer; and Keith Bias, President of the Town Council.