

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WAYNETOWN

MONTGOMERY COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
09/21/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Finding:	
Finding 2017-001	
Financial Transactions and Reporting	6-7
Corrective Action Plan	8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra K. Proctor	01-01-13 to 12-31-18
President of the Town Council	Robert Cox Barry Lewis	01-01-17 to 12-31-17 01-01-18 to 12-31-18
Superintendent of Utilities	Brandon L. Stephens Paul E. Rusk	01-01-17 to 03-11-17 03-12-17 to 05-10-17
Utility Office Manager	John R. Warren	05-11-17 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 WAYNETOWN, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Waynetown (Town), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

August 16, 2018

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF WAYNETOWN

CLERK-TREASURER
TOWN OF WAYNETOWN
FEDERAL FINDING

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There was a deficiency in the internal control system of the Town related to financial transactions and reporting.

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement.

The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement. The information submitted to Gateway was prepared without an effective control in place that would have prevented, or detected and corrected, errors on the financial statement.

Context

The financial statement presented for audit contained the following errors:

The BONY Disbursement, BONY Clearing, BONY Reserve, and BONY Debt Service funds were not included in the financial statement, resulting in understatements of beginning balances, receipts, disbursements, and ending balances of \$21,471, \$1,565,354, \$1,465,123, and \$121,702, respectively.

Criteria

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 WAYNETOWN
FEDERAL FINDING
(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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

"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. . . ."

Cause

Management had not established a proper system of internal controls over financial transactions and reporting.

Effect

The failure to establish and monitor controls enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town's management establish and monitor an effective system of internal controls, including segregation of duties, to ensure that financial transactions are properly recorded and reported.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

TOWN OF WAYNETOWN

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person: Sandra K. Proctor
Contact Title: Waynetown Clerk-Treasurer
Phone Number: 765-234-2154 Ext 12

I concur with the SBOA Finding.

Waynetown has implemented the following internal controls.

1. All BONY Receipts will be entered into the Town's Financial System and in Gateway.
2. All BONY Disbursements will be entered into the Town's Financial System and in Gateway.
3. The anticipated completion date will be the next Gateway Annual Report submission date.

Signature: Sandra K. Proctor
Title: Clerk-Treasurer
Date: 8-16-2018

**106 NORTH VINE * PO BOX 215
WAYNETOWN, INDIANA 47990
PHONE 765-234-2154 * FAX 765-234-1601**

CLERK-TREASURER
TOWN OF WAYNETOWN
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2018, with Sandra K. Proctor, Clerk-Treasurer, and Barry Lewis, President of the Town Council.