

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GREENTOWN

HOWARD COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
09/28/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carolyn Johnson	01-01-13 to 02-28-13
	(Vacant)	03-01-13 to 03-04-13
	Terri Sommers	03-05-13 to 12-31-13
	Joyce Flick (acting)	01-01-14 to 03-17-14
	John Wright	03-18-14 to 06-02-14
	Chari Deyoe (emergency Clerk)	06-03-14 to 06-03-14
	Teresa Duke	06-04-14 to 12-31-18
President of the Town Council	Scott Deyoe	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE TOWN OF GREENTOWN, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Greentown (Town), for the period from January 1, 2013 to December 31, 2013. 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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

September 6, 2018

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CLERK-TREASURER  
TOWN OF GREENTOWN

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS

**FINDING 2013-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without evidence of a review or approval process, or other compensating control.

*Context*

Due to the lack of controls, the SEFA was overstated for the Clean Water State Revolving Fund Cluster by \$6,803,834.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

*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.

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the County's management establish controls to prevent, or detect and correct, errors on the SEFA.

*Views of Responsible Officials*

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

**FINDING 2013-002**

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

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

*Condition*

There were deficiencies in the internal control system of the Town related to cash and investments; receipts; disbursements, including payroll disbursements; and financial transactions and reporting. The Town had not separated incompatible activities related to all areas of the financial statement.

One employee prepared the cash reconciliation without an oversight, review, or approval process.

The Utility office employees were responsible for collecting receipts, preparing the deposits, recording receipts for each customer and in the records, and making adjustments without an oversight, review, or approval process.

Disbursements were prepared, recorded, and paid prior to Town Council approval. All claims were issued and paid before being approved by the Town Council at the Town Council meeting.

The Clerk-Treasurer prepared and approved the payroll vouchers for payment without an oversight, review, or approval process.

The Clerk-Treasurer prepared and submitted the Annual Financial Report (AFR) information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the financial statement, without an oversight, review, or approval process.

*Context*

Due to the lack of internal controls over the information submitted through Gateway, material errors occurred on the financial statement. The Wastewater Treatment Plant fund, with receipts and disbursements of \$4,185,706, was not included on the financial statement. The Sewage 2001 Reserve Acct. fund did not include expenditures of \$68,731.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

*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.

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. . . ."

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

*Cause*

Management of the Town had not established a proper system of internal control to ensure proper financial transactions and reporting.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the Town establish a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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



# Town of Greentown

112 North Meridian St, P.O. Box 247, Greentown, IN 46936

Phone (765) 628-3263 Fax (765) 628-4002

## CORRECTIVE ACTION PLAN

### Finding 2013-001

Fiscal year in which the finding initially occurred: 2013

Contact Person Responsible for Corrective Action: Teresa Duke

Contact Phone Number: 765-628-3263

Views of responsible official:

We concur with the finding. Due to turnover in the Clerk-Treasurer's office, the SEFA was not completed.

Description of corrective action plan:

The town will continue to enhance our internal controls and improve our oversight functions.+

Anticipate completion date: Immediately

### Finding 2013-002

Fiscal year in which the finding initially occurred: 2013

Contact Person Responsible for Corrective Action: Teresa Duke

Contact Phone Number: 765-628-3263

Views of responsible official:

We concur with the finding.

Description of corrective action plan:

The town will continue to enhance our internal controls and improve our oversight functions.

Anticipate completion date: Immediately

Teresa Duke

Teresa Duke, Clerk-Treasurer

9.6.18

Date

Scott Deyo

Scott Deyo, Town Council President

Sept 6, 2018

Date

CLERK-TREASURER  
TOWN OF GREENTOWN  
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2018, with Scott Deyoe, President of the Town Council, and Teresa Duke, Clerk-Treasurer.