

**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, 2014 to December 31, 2014



**FILED**  
09/28/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	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	01-01-14 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](http://www.in.gov/sboa)

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, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments 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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment contained herein describe the identified reportable instance 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 Corrective Action Plan for the Federal Findings or Official Response to the Audit Result and Comment, 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 2014-001***

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

*Repeat Finding*

This is a repeat of Finding 2013-001 from the immediately prior audit report.

*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 \$6,620,247.

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. . . ."

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

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:

- (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.

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-002***

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

*Repeat Finding*

This is a repeat of Finding 2013-002 from the immediately prior audit report.

*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 Board at the following board 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, the following material errors occurred on the financial statement:

1. The Wastewater Treatment Plant fund, with receipts and disbursements of \$1,657,884, was not included on the financial statements.
2. General fund receipts and disbursements of \$8,750 were not included.
3. Payroll fund receipts of \$794 were not included.

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:

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(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. . . ."

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)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (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.

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-003***

Subject: Clean Water State Revolving Loan Cluster - Davis-Bacon Act  
Federal Agency: Environmental Protection Agency  
Federal Program: Capitalization Grants for Clean Water State Revolving Funds  
CFDA Number: 66.458  
Federal Award Number and Year (or Other Identifying Number): WW12340501 and 2014  
Pass-Through Entity: Indiana Finance Authority  
Compliance Requirement: Davis-Bacon Act  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Davis-Bacon Act compliance requirement.

The Town had not designed or implemented adequate internal controls to ensure certified payrolls were submitted on a weekly basis. The Town hired a grant administrator to monitor the Davis-Bacon Act requirements; however, the Town had no oversight or other compensating control to ensure that weekly payrolls were submitted.

*Context*

The lack of controls was a systemic issue throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

CLERK-TREASURER  
TOWN OF GREENTOWN  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and the Davis-Bacon Act compliance requirement.

*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 2014-001**

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 2014-002**

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

### **Finding 2014-003**

Fiscal year in which the finding initially occurred: 2014

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 Deyoe

Scott Deyoe, Town Council President

Sept 6, 2018

Date

CLERK-TREASURER  
TOWN OF GREENTOWN  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2014:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll	\$ 1,275
Sewage Bond & Interest	38,701
Sewage 2001 Reserve Acct.	5,287

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)

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.