

**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, 2015 to December 31, 2017



**FILED**  
10/06/2018



TABLE OF CONTENTS

| <u>Description</u>   | <u>Page</u> |
|--|-------------|
| Schedule of Officials .....                                      | 2           |
| Transmittal Letter .....   | 3           |
| Clerk-Treasurer:   |             |
| Audit Result and Comment:  |             |
| Internal Controls over Financial Transactions and Reporting..... | 6           |
| Exit Conference .....  | 7           |

SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u> | <u>Term</u>          |
|----------------------------------|-----------------|----------------------|
| Clerk-Treasurer                  | Teresa Duke     | 06-01-14 to 12-31-21 |
| President of the<br>Town Council | Scott Deyoe     | 01-01-15 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, 2015 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 Result and Comment contained herein describes 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 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

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF GREENTOWN

CLERK-TREASURER  
TOWN OF GREENTOWN  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

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

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

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

The Clerk-Treasurer prepared and submitted the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement, without an oversight, review, or approval process. Due to the lack of internal controls over the AFR, the following material errors were identified in the financial statements presented for audit:

1. The Wastewater Treatment Plant fund was not included on the financial statements with receipts and disbursements of \$15,892, \$34,210, and \$12,584 for the years of 2015, 2016, and 2017, respectively.
2. The Sewage 2012 SRF Reserve Held by BNY fund overstated receipts and disbursements by \$274,532 in 2017.
3. The Sewage 2015 Refunding Bonds Reserve at BNY Mellon fund overstated receipts and disbursements by \$180,450 in 2017.

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

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. . . ."

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)

CLERK-TREASURER  
TOWN OF GREENTOWN  
EXIT CONFERENCE

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