

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DANA

VERMILLION COUNTY, INDIANA

January 1, 2015 to December 31, 2017



FILED
10/17/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|----------------------------------|----------------------------------------------|
| Clerk-Treasurer | Toni Gilbert Sara J. Benskin | 01-01-15 to 12-31-16 01-01-17 to 12-31-18 |
| President of the Town Council | Bob Richardson John M. Davern | 01-01-15 to 12-31-17 01-01-18 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DANA, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Dana (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/.

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

September 5, 2018

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TOWN COUNCIL
TOWN OF DANA

TOWN COUNCIL
TOWN OF DANA
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

The Town did not train employees on the internal control standards as defined by the Indiana State Board of Accounts.

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

ORDINANCES AND RESOLUTIONS - CLERK-TREASURER'S SALARY

The Town established the compensation of the Clerk-Treasurer by adopting a salary ordinance for each of the years 2015, 2016, and 2017. The Town reduced the salary for the Clerk-Treasurer for each of the years 2015, 2016, and 2017 by the following amounts:

| <u>Clerk-Treasurer</u> | <u>Years</u> | <u>Fund</u> | <u>Amount</u> |
|------------------------|--------------|----------------------|---------------|
| Toni Gilbert | 2015 | Water Operating | \$ 2,000 |
| Toni Gilbert | 2016 | General | 4,000 |
| Toni Gilbert | 2016 | Water Operating | 2,000 |
| Sara Benskin | 2017 | General | 8,069 |
| Sara Benskin | 2017 | Water Operating | 5,262 |
| Sara Benskin | 2017 | Wastewater Operating | 2,000 |

Indiana Code 36-5-3-2(a) states: "As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid."

Indian Code 36-5-3-2(c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF DANA
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2018, with Sara J. Benskin, Clerk-Treasurer; Toni Gilbert, former Clerk-Treasurer; and John M. Davern, President of the Town Council.

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CLERK-TREASURER
TOWN OF DANA

CLERK-TREASURER
TOWN OF DANA
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

Several distributions from the County Auditor were improperly posted.

- CEDIT distributions in the amount of \$1,772 and Wheel-Sur Tax distributions in the amount of \$4,679 were posted to the General fund, but should have been posted to CEDIT and Motor Vehicle Highway funds, respectively.
- The June 2015 CVET distribution was not posted to the units records. The June 2016 CVET distribution was posted to the General fund and the CCI fund, but should have only been posted to the CCI fund.
- One Cigarette tax distribution for 2015 in the amount of \$820 and two in 2016 in the amount of \$1,550 were posted to the General fund rather than the CCI fund.
- The Water grant distributions in the amount of \$88,099 were posted to Water Utility Operating.

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)

BANK ACCOUNT RECONCILIATIONS

The Town attempted to reconcile monthly, but the outstanding check list was not accurate and there were errors on the ledger, as well as items that cleared the bank, but were not posted to the ledger. During the engagement, procedures were sufficiently performed to ensure that the ending balance, as reported, was materially accurate.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the Annual Financial Report for 2017, that acceptable minimum internal control standards had been adopted and that all employees were trained on the standard; however, the Town did not train their employees.

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](#)."

CLERK-TREASURER
TOWN OF DANA
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - CLERK-TREASURER

A similar comment also appeared in prior Report B42573, entitled 2012-001, *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. There was no segregation of duties for the significant audit areas. The Clerk-Treasurer completed the bank reconciliation, issued receipts, issued checks, posted checks, and processed payroll. There was no evidence of oversight or a 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. . . ."

UTILITY RECEIPTS TAX

The same comment also appeared in prior Report B42573.

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for 2016 and 2017.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the government unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF DANA
EXIT CONFERENCE

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