

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EAST GERMANTOWN

WAYNE COUNTY, INDIANA

January 1, 2012 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	S. Jelyne Ashcraft Carleene Collins	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Brian Fisher Steve Mills	01-01-12 to 12-31-12 01-01-13 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF EAST GERMANTOWN, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of East Germantown (Town), for the period from January 1, 2012 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 11, 2018

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CLERK-TREASURER  
TOWN OF EAST GERMANTOWN

CLERK-TREASURER  
TOWN OF EAST GERMANTOWN  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting. The Clerk-Treasurer was primarily responsible for all financial activities. There were no controls in place such as an oversight, review, or approval process to ensure the accuracy of the financial transactions and reports. The failure to establish and maintain internal controls enabled material misstatements to remain undetected.

The beginning balances of 14 funds were incorrectly reported on the Town's fund report, the Annual Financial Report (AFR), and the financial statement in 2013. When the Town implemented a computerized accounting system in 2013, the beginning fund balances entered in the computer system were understated by \$34,402. Subsequent entries to correct the fund balances overstated receipts and disbursements by \$59,608 and \$94,010, respectively.

In addition, two funds were omitted from the 2017 AFR and financial statement, which understated receipts and disbursements by \$96,075 and \$84,675, respectively.

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. . . .

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. . . ."

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 EAST GERMANTOWN  
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2018, with Carleene Collins, Clerk-Treasurer, and Steve Mills, President of the Town Council.