

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BOSTON

WAYNE COUNTY, INDIANA

January 1, 2012 to December 31, 2017



FILED
11/10/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carole Robbins	01-01-12 to 09-30-12
	Dana North	10-01-12 to 01-31-15
	Harriett Marquis	02-01-15 to 12-31-19
President of the Town Council	Lawrence Brooks	01-01-12 to 08-31-12
	(Vacant)	09-01-12 to 09-30-12
	Jennifer Ramsey	10-01-12 to 02-08-13
	Kevin Hickey	02-09-13 to 08-02-15
	Shelia Focht	08-03-15 to 12-31-17
	Cheryl Wright	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 BOSTON, WAYNE COUNTY, INDIANA

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

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

October 2, 2018

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CLERK-TREASURER
TOWN OF BOSTON

CLERK-TREASURER
TOWN OF BOSTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control systems of the Town and the Wastewater Utility 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 of the Town and the Deputy Clerk was primarily responsible for all financial activities of the Wastewater Utility. The Clerk-Treasurer prepared and submitted financial information in the Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports and financial statements. There were no controls in place such as an oversight, review, or approval process to ensure the accuracy of the financial transactions and reporting. The failure to establish and maintain internal controls enabled the following material misstatements to remain undetected.

1. The beginning balances of the Wastewater Utility-Operating and Wastewater Util-Bond And Interest funds were incorrectly reported for 2012, 2013, 2014, and 2015, resulting in an overstatement of cash in the amounts of \$42,831, \$42,830, \$21,003, and \$42,168, respectively.
2. No receipts were reported for the Wastewater Utility-Operating fund in 2015, resulting in an understatement of receipts in the amount of \$38,671.
3. The Wastewater Utility-Operating fund disbursements were incorrectly reported in 2013 and 2015, resulting in an understatement of disbursements in the amounts of \$21,503 and \$27,066, respectively.
4. The Wastewater Util-Debt Reserve fund was not reported in any year of the audit period, resulting in an understatement of cash in the amount of \$22,800 each year.

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:

CLERK-TREASURER
TOWN OF BOSTON
AUDIT RESULTS AND COMMENTS
(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. . . ."

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B41629, entitled *BANK ACCOUNT RECONCILIATIONS*.

Depository reconciliations of the fund balances to the bank balances were not properly completed during the audit period. It was the Town's practice to reconcile fund receipts to bank receipts, and fund disbursements to bank disbursements monthly; however, a reconciliation to verify that the fund balance agreed to the bank account balance was not performed. The Wastewater Utility bank balance as of December 31, 2017, was \$3,751 more than the funds ledger balance due to unposted interest.

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."

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)

CLERK-TREASURER
TOWN OF BOSTON
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2018, with Harriett Marquis, Clerk-Treasurer; Carole Robbins, former Clerk-Treasurer; and Cheryl Wright, President of the Town Council.