

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF VEVAY

SWITZERLAND COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
12/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Knaus	01-01-12 to 12-31-19
President of the Town Council	James Hayes Joshua South Keith Smith	01-01-13 to 04-22-13 04-23-13 to 05-12-14 05-13-14 to 12-31-19
Superintendent of Utilities	Terry Brindley	01-01-13 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

TO: THE OFFICIALS OF THE TOWN OF VEVAY, SWITZERLAND COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Vevay (Town), for the period from January 1, 2013 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

November 7, 2018

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CLERK-TREASURER
TOWN OF VEVAY

CLERK-TREASURER
TOWN OF VEVAY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B42383, entitled *INTERNAL CONTROLS*.

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash and Investments: The Clerk-Treasurer was solely responsible for performing monthly bank reconciliations. There was no documentation of a control in place to prevent or detect errors.

Receipts: The Clerk-Treasurer was primarily responsible for all aspects of receipting with no control in place, such as an oversight, review, or approval process.

Financial Close and Reporting: The Clerk-Treasurer prepared and submitted the annual financial information in the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports and financial statements. There was no control in place, such as an oversight, review, or approval process, to ensure that the information submitted was accurate.

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. . . ."

ANNUAL REPORT

A similar comment appeared in prior Report B42383, entitled *ANNUAL REPORT*.

The Annual Reports for the years 2013, 2015, 2016, and 2017 contained a number of errors, and did not properly reflect the financial activity of the Town.

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

The errors noted included the following:

1. The January 1, 2013 investment balances reported in the Annual Report were understated in the amount of \$931,567.
2. Receipts from the sale of Nine West Building and Gaming fund investments in the amount of \$652,553 were reported in the General Fund in 2013.
3. Nine West Building, Gaming, and Wastewater Reserve fund investments in the amount of \$773,369 were not reported in the correct fund in 2015, 2016, or 2017.

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](#)."

APPROPRIATIONS

A similar comment appeared in prior Report B42383, entitled *APPROPRIATIONS*.

The records presented for audit indicated the following disbursements in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Cemetery	2016	\$ 5,536
MVH	2017	1,741

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

The Town expended \$1,091,586, \$522,101, \$624,810, \$415,249, and \$480,865 in the years 2013, 2014, 2015, 2016, and 2017, respectively, from the Gaming fund without an annual appropriation approved by the Town Council.

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

CLERK-TREASURER
TOWN OF VEVAY
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2018, with Donna Knaus, Clerk-Treasurer, and Keith Smith, President of the Town Council.

TOWN COUNCIL
TOWN OF VEVAY

TOWN COUNCIL
TOWN OF VEVA
AUDIT RESULT AND COMMENT

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EXIT CONFERENCE

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