

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BAINBRIDGE

PUTNAM COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
12/28/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jason T. Hartman Monica Bray	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Charles McElwee Bonnie Osborn Charles McElwee Jerry L. Lents	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-18
Superintendent of Utilities	Troy Elless	01-01-13 to 08-01-16
Superintendent of Electric Utility	Chad Oliver	08-02-16 to 12-31-18
Superintendent of Gas Utility	Chad Oliver	08-02-16 to 12-31-18
Superintendent of Water Utility	Eric Gibson	08-02-16 to 12-31-18
Superintendent of Wastewater Utility	Eric Gibson	08-02-16 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BAINBRIDGE, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Bainbridge (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 and federal program compliance. 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 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 8, 2018

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CLERK-TREASURER  
TOWN OF BAINBRIDGE

CLERK-TREASURER  
TOWN OF BAINBRIDGE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

Internal controls over the receipting, recording, and accounting for the financial activities were insufficient over receipt transactions, payroll disbursements, and financial close and reporting.

Receipts

The Town did not have written procedures in place to document the segregation of duties over 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.

Payroll Disbursements

The Town did not have written procedures in place to document the segregation of duties over payroll disbursements. During the audit period, the Town did not always have employee Supervisors signing off on the employee time cards as reviewed and approved. Also, during the audit period, the Town did not always have the employee signing their time card to certify their hours worked.

Financial Close and Reporting

The Town did not have written procedures in place to document the segregation of duties over financial close and reporting. The Clerk-Treasurer prepared and submitted the annual financial information in the 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.

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

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. . . ."

***INTERNAL CONTROLS OVER UTILITY RECEIPT TAX AND  
EMPLOYER'S QUARTERLY FEDERAL TAX RETURNS***

Internal controls over the quarterly Utility Receipt Tax payments and the Employer's Quarterly Federal Tax Return, Form 941, were not in place during the audit period to ensure payments were made or returns were submitted timely. Sixteen of the twenty quarterly Utility Receipt Tax payments during the audit period were not made timely and one of the twenty was not observed being paid in the ledger. In addition, five of the twenty Employer's Quarterly Federal Tax Returns were not submitted timely or were unable to be determined if they were submitted timely as the submission page containing the signature and date of the Fiscal Officer was not available for audit.

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

***COMPENSATION AND BENEFITS***

During testing of payroll disbursements, it was observed that three of the ten employees' amounts and rates of pay for the specific pay period tested could not be verified to a salary ordinance or resolution. Further inquiry with officials identified that a salary ordinance or resolution for Utility Department employees was not approved for the duration of the audit period.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



## Town of Bainbridge

201 North Grant Avenue  
Bainbridge, Indiana 46105

State Board of Accounts  
302 W Washington Street, Room E 418  
Indianapolis, IN 46204-2765

Re: OFFICIAL REPSONSE

November 19, 2018

State Board of Accounts,

We have received the noncompliance issues that resulted in the audit of years 2013-2017. We have taken many steps before the conclusion of this audit in order to resolve them, in accordance with the Accounting and Uniform Compliance Guidelines Manual, provided by the SBOA.

Upon taking office in January 2016, I was unable to locate a Capital Assets ledger. Furthermore, a Capital Assets policy had not been documented. The town council has taken this under advisement and is working to adapt a policy that reflects our town. The new policy shall be adopted in December and a new electronic document is being created to better manage these records. It will be filed in the 2018 Annual Report next year.

Standards for Internal Controls were made mandatory for all local governments in 2016. We adopted our own policy and any new employee is required to undergo the necessary training. My staff and I were unable to find signed dockets that were asked to be reviewed during this audit period. The missing dockets were part of a prior administration. After appropriate signatures authorize the claims, the dockets are now kept in a yearly binder. Furthermore, starting in January 2016, a Fund Report is presented per month that contains all claims, receipts, adjustments and bank reconciliations that are reviewed and signed off by the fiscal officer, Town Council members and Utility Board members. We believe this created a better control.

After pleading with the Utility Board and Town Council, I was also able to hire a second person in the office in order to further segregate duties. This went into effect in August of this year. We believe this covers any potential discrepancies with the payroll disbursements and receipts. The financial close and reporting is done in conjunction with the Clerk and Charlene Brown, of Char's Accounting. All future documents in which she reviews will now be marked with a stamp, to show that she has reviewed them.

In 2017, the Utility Board adopted a Wage and Benefits Resolution for Utility Employees. Any wage increases were documented via a separate resolution after that. Moving forward, all wage and/or benefit changes will be approved by both the Utility Board and Town Council.

Regards,

  
Monica Bray  
Clerk-Treasurer

CLERK-TREASURER  
TOWN OF BAINBRIDGE  
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2018, with Monica Bray, Clerk-Treasurer, and Jerry L. Lents, President of the Town Council.