

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPEEDWAY

MARION COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
01/25/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Monty W. Combs	01-01-16 to 12-31-19
President of the Town Council	Gary L. Raikes Jeffery Matthews	01-01-17 to 12-31-17 01-01-18 to 12-31-18
Superintendent of Water Utility	Steve D. Hurst (Vacant) Mike Hess (Vacant)	01-01-17 to 09-30-17 10-01-17 to 12-31-17 01-01-18 to 11-30-18 12-01-18 to 12-31-18
Superintendent of Wastewater Utility	Norman Berry	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Speedway (Town), for the period from January 1, 2017 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 Statement Audit Report of the Town, which provides our opinion on the Town's financial statement. 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 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

December 11, 2018

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CLERK-TREASURER
TOWN OF SPEEDWAY

CLERK-TREASURER
TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B49729, entitled *FINDING 2016-001*.

There were deficiencies in the internal control system of the Town related to cash and investments, disbursements, and financial reporting.

Cash and Investments

The Clerk-Treasurer was responsible for ensuring that the Town's ledger was reconciled with the bank depository balances. The controls developed and implemented were not effective to ensure that reconciliements were accurate when completed. The lack of effective controls allowed the following:

1. Five depository accounts held by the fiscal agent for the State Revolving Funds (SRF) totaling \$4,218,587 were not included in the Town's bank reconciliation.
2. Depository reconciliements were not completed in a timely manner up to October 2017.
3. Differences between the depository reconciliation balance and the cash balance reported on the Town's ledger were as follows:

Bank Number	Reconciled Depository Balance at December 31, 2017	Cash Balance Town Ledger December 31, 2017	Difference
1	\$ 8,091,959	\$ 8,053,646	\$ 38,313
2	225,552	228,043	(2,491)
8	2,275,987	2,164,321	111,666
6	25,299	28,766	(3,467)
9	1,634,550	1,664,033	(29,483)
19	606,360	606,483	(123)
21	233,094	229,410	3,684
Totals	<u>\$ 13,092,801</u>	<u>\$ 12,974,702</u>	<u>\$ 118,099</u>

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)

Disbursements

The Town had not properly designed or implemented procedures over disbursements. There was no oversight or review to ensure the accuracy and classification to the proper fund and account.

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

Financial Reporting

A consultant prepared the financial information for the Annual Financial Report (AFR) submitted through the Indiana Gateway for Government Units financial reporting system. The AFR was the source for the Town's financial statement. The Town had designed controls over the financial transactions regarding financial reporting; however, no documentation was provided that the controls had been implemented and the controls were not effective. The lack of effective controls allowed errors on the financial statement to not be detected as follows:

Fund Name	Beginning Balance - Overstatement (Understatement)	Receipts - Overstatement (Understatement)	Disbursements - Overstatement (Understatement)	Ending Balance - Overstatement (Understatement)
General Fund	\$ (41,030)	\$ (315,145)	\$ (377,395)	\$ 21,220
Motor Vehicle Highway	-	(49,168)	(49,167)	(1)
Local Road and Street	-	(417)	(21,600)	21,183
Parks and Recreation	(1,539)	(7,764)	(8,902)	(401)
Rec Nonreverting	-	(510)	(910)	400
Pub Safety COIT	41,030	(48,491)	(24,279)	16,818
Extra Curricular	-	(5,629)	(5,629)	-
2015 Series "A" Bond	1,457,540	-	1,457,540	-
2015 Series "B" Bond	2,922,514	-	2,922,514	-
Redevelopment Operating	429,526	573,926	(110,213)	1,113,665
Redevelopment Authority	-	763,000	-	763,000
2009 SRA Trust/Agent Acct.	1,911,264	-	-	1,911,264
2010 Bonds RALR	1,537,107	-	-	1,537,107
Redevelopment Operating	306,677	(4,969)	(4,969)	306,677
SRC/TIF Proceeds	(384,797)	(389,203)	-	(774,000)
2013 Street Improvement Bond	-	(21,184)	-	(21,184)
Cum Cap Development	-	(222,997)	(222,996)	(1)
Water Utility Operating	(398,557)	(954,132)	(1,274,820)	(77,869)
Water Depreciation	-	125,951	125,951	-
Sewer Operating	(49,393)	(1,544,620)	(1,535,335)	(58,678)
Sewer Bond & Interest	-	(2,223,294)	(473,615)	(1,749,679)
Sewer Depreciation	-	-	(1,111,753)	1,111,753
Sewer Pilot Cash Reserve	-	(275,000)	(550,128)	275,128
Stormwater Management	-	85,293	114,980	(29,687)
SRF-SW BONY B & I	999	-	1,000	(1)
SRF-SW BONY-Const Bond	1,585,462	-	1,585,462	-
Utility Escrow	-	(1,092,543)	(1,092,567)	24
SW Trash Fees	-	(1,441)	(372,773)	371,332
SW Recycling Fees	-	(752)	(51,347)	50,595
SRF-WW BONY B & I	-	233,235	417,878	(184,643)
SRF Speedway DW DSR Fund	49,010	(1)	49,010	(1)
Cash - SRF SW DW B I Fund	(168,595)	358,679	-	190,084
Payroll/Net	201,834	344,156	542,263	3,727
Totals	<u>\$ 9,399,052</u>	<u>\$ (4,673,019)</u>	<u>\$ (71,800)</u>	<u>\$ 4,797,832</u>

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

The Town made adjustments to their records but did not retain the documentation to support the adjustments.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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](#)."

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. . . ."

APPROVAL OF CLAIMS

The Clerk-Treasurer did not certify the correctness of disbursements from the Payroll/Net fund totaling \$12,711,619 or 14 debt payments totaling \$5,318,894. These disbursements were not included on the claim dockets used by the Clerk-Treasurer to certify that documentation supporting these disbursements was true and correct.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; . . ."

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

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B49736.

The Citizens Academy Donations fund was overdrawn by \$5,739 for 2017.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the AFR that training of personnel on internal controls had taken place when it had not. Therefore, the AFR was incorrect as submitted.

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

The same comment also appeared in prior Reports B45891, B47824, and B49736.

Expenditures were in excess of budgeted appropriations for the Stormwater Management fund and the Park Bond Debt Service fund of \$208,951 and \$30,666, respectively.

Indiana Code 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

CLERK-TREASURER
TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2018, with Monty W. Combs, Clerk-Treasurer, and Jeffery Matthews, President of the Town Council.

TOWN COUNCIL
TOWN OF SPEEDWAY

TOWN COUNCIL
TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS

APPROVAL OF CLAIMS

The Town Council did not approve disbursements from the Payroll/Net fund totaling \$12,711,619 or 14 debt payments totaling \$5,318,894 by signing claim dockets. These disbursements were not included on the claim dockets used by the Town Council to document approval.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

TRAINING ON INTERNAL CONTROL STANDARDS

The Town Council did not ensure personnel received training on the internal control standards and procedures as required by statute.

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."

APPROPRIATIONS

The same comment also appeared in prior Reports B45891, B47824, and B49736.

Expenditures were in excess of budgeted appropriations for the Stormwater Management fund and the Park Bond Debt Service fund of \$208,951 and \$30,666, respectively.

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."

TOWN COUNCIL
TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2018, with Monty W. Combs, Clerk-Treasurer, and Jeffery Matthews, President of the Town Council.