

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WINDFALL

TIPTON COUNTY, INDIANA

January 1, 2014 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	Beth Lange Theresa B. Simmons Amber Cooper	01-01-14 to 12-31-15 01-01-16 to 02-28-17 03-01-17 to 12-31-18
President of the Town Council	Roy Brown Rolland McQuiston Denise Ryan Kevin Richards	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17 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 WINDFALL, TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Windfall (Town), for the period from January 1, 2014 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

December 13, 2018

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CLERK-TREASURER
TOWN OF WINDFALL

CLERK-TREASURER
TOWN OF WINDFALL
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B44834.

The financial statements presented for audit included the following funds with overdrawn cash balances at the end of each respective year:

Fund	2014	2015	2016	2017
Payroll	\$ (79,045)	\$ (84,035)	\$ (78,610)	\$ (88,133)
Trash & Garbage Pickup - DNU	(57,122)	(57,122)	(57,122)	(57,122)
Community Center	-	(3,554)	(1,418)	-
Water Cash Operating	-	-	(32,964)	(72,186)

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)

BANK ACCOUNT RECONCILIATIONS

There were no monthly bank reconciliations presented for audit for 2014 and 2016. Our review indicated that as of December 31, 2014, the bank balance was \$9,380 in excess of the ledger balance. As of December 31, 2016, the bank balance was \$10,292 in excess of the ledger balance. Also, a bank reconciliation was provided as of December 31, 2015, but it reconciled to an unidentified difference of \$19,808 in excess of the ledger balances.

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 City and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B44834.

The Clerk-Treasurer input the financial information for the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial system, which was the source of the financial statements. The financial statements presented for audit contained the following errors:

2014

The Payroll fund did not include prior audit adjustments, which resulted in the beginning balance being understated by \$246,750.

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

The Water Bond & Interest Sinking fund and the Water Construction fund were included on the financial statement, but were not included in the 2013 financial statement. Beginning balances for these funds were \$1,408 and \$10,570, respectively, which resulted in the beginning balances being overstated by those amounts.

The SRF Bank of New York Bond & Interest fund did not include all financial information, which resulted in receipts being understated by \$8,619.

The BONY - DSR Fund did not include all financial information, which resulted in receipts being understated by \$14.

The Trash & Garbage Pickup - DNU fund beginning balance was understated by \$13,722.

The Water Cash Operating fund beginning balance was overstated by \$412.

2015

The SRF Bank of New York Bond & Interest fund did not include all financial information, which resulted in receipts being understated by \$9,985 and disbursements understated by \$17,336.

The BONY - DSR fund did not include all financial information, which resulted in receipts being understated by \$39.

2016

The SRF Bank of New York Bond & Interest fund did not include all financial information, which resulted in receipts being understated by \$4,527.

The BONY - DSR Fund did not include all financial information, which resulted in receipts being understated by \$15.

2017

The SRF Bank of New York Bond & Interest fund did not include all financial information, which resulted in receipts being understated by \$17,346 and disbursements being understated by \$3,587.

The BONY - DSR Fund did not include all financial information, which resulted in receipts being understated by \$445.

The General Fund did not include all financial information, which resulted in disbursement being understated by \$40,000.

The Sewage Utility Operating fund did not include all financial information, which resulted in disbursement being understated by \$40,000.

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 WINDFALL
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The same comment appeared in prior Report B44834.

The 2014 financial records presented for audit were incomplete and not reflective of the activity of the Town of Windfall. The records presented did not provide sufficient information to audit or establish receipts and disbursements, or the accuracy or correctness of the transactions.

Some of the deficiencies included:

1. January 1, 2014 through May 31, 2014, fund ledgers were not presented for audit. We were unable to determine the correctness of receipts and disbursements presented in the 2014 financial statement.
2. Voided receipts and checks were not retained.
3. There were several posting errors in the fund ledgers that were provided.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

The same comment appeared in prior Report B44834.

A former Clerk-Treasurer paid late charges of \$156 in 2014 and \$195 in 2015. The former Clerk-Treasurer also paid sales tax of \$22 in 2014.

Another former Clerk-Treasurer paid penalties, interest, and other charges to the Internal Revenue Service in the amounts of \$510 in January 2016 and \$826 in January 2017.

The Clerk-Treasurer paid penalties and interest to the Internal Revenue Service of \$1,026 in April 2017.

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)

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established internal controls, which would have included the segregation of incompatible activities related to cash and investments, receipts, payroll disbursements, and vendor disbursements.

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

Cash and Investments

The Town hired a consultant to prepare the bank reconciliations each month. A documented review of the bank reconciliation by an individual other than the preparer was not performed.

Receipts

The Clerk-Treasurer was responsible for collecting monies, posting receipts, balancing and preparing the deposit daily, without a documented review process in place.

Payroll Disbursements

The Clerk-Treasurer used time cards to enter payroll information into the accounting system; however, there was not a documented review process in place for payroll.

Vendor Disbursements

The Clerk-Treasurer prepared the accounts payable vouchers (APV) and attached the supporting documentation to the APV; however, we were not provided evidence of APV registers (dockets) signed as approved by the Town Council during the audit period. Notations of the Town Council's approval of APVs in minutes of Town Council meetings was haphazard.

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. . . ."

PAYROLL PROCEDURES

The same comment also appeared in prior Report B44834.

A review of payroll procedures indicated the following deficiencies:

1. A leave or overtime policy was not presented for audit.
2. Time cards for some employees were not presented for audit.
3. Employee's Service Record (Form 99A) was not maintained for employees.

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

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. The governing body must adopt policies governing sick leave, vacation leave, and any other types of paid leave. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

The same comment also appeared in prior Report B44834.

Two disbursements for credit card payments totaling \$356 did not have adequate documentation of the purchases made with the credit card.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

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

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

CLERK-TREASURER
TOWN OF WINDFALL
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with Amber Cooper, Clerk-Treasurer; Kevin Richards, President of the Town Council; and Denise Ryan, Town Council member.

TOWN COUNCIL
TOWN OF WINDFALL

TOWN COUNCIL
TOWN OF WINDFALL
AUDIT RESULT AND COMMENT

ADOPTION OF INTERNAL CONTROL STANDARDS

There were no certifications presented for audit that personnel had received training on internal control standards. Therefore, we were unable to determine if personnel received the required training 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."

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EXIT CONFERENCE

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