

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF UNIVERSAL

VERMILLION COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
02/08/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie M. Conner	01-01-12 to 12-31-19
President of the Town Council	Bonnie J. Turchi	01-01-13 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE TOWN OF UNIVERSAL, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Universal (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/](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

December 18, 2018

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CLERK-TREASURER  
TOWN OF UNIVERSAL

CLERK-TREASURER  
TOWN OF UNIVERSAL  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not implemented adequate segregation of duties as it had not separated incompatible activities related to cash and investments, receipts, and financial transactions and reporting.

*Cash and Investments*

The Town did not have controls in place to ensure the accuracy of the bank reconciliations. One individual prepared the bank reconciliations without oversight or review.

*Receipts*

The Town did not have controls in place to ensure the accuracy of the receipts. One individual recorded the receipts into the ledger, prepared the deposit tickets, and took the deposits to the bank without oversight or review.

*Financial Reporting*

One employee prepared and submitted the Town's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports (AFR) and financial statements, without an oversight, review, or approval process.

Due to the deficiencies in internal controls over the financial statements, the following errors occurred:

1. The 2013 beginning balances for the Water Operating, Principal And Interest, and Debt Service Acct funds were understated by \$26,166, \$1,541, and \$17,041, respectively.
2. The 2013 receipts and disbursements for several funds were incorrect and understated the ending cash balance by \$11,664.
3. The 2014 receipts and disbursements for several funds were incorrect and understated the ending cash balance by \$7,416.
4. The 2015 beginning balances and receipts were incorrect and understated the cash balance by \$647.
5. The 2016 beginning balance of the Debt Service Acct fund was incorrect by \$46,420.
6. The 2017 beginning balance for the General fund was overstated by \$2,042 and the MVH, Water Operating, Park, and Debt Service Acct funds beginning balances were understated by \$204, \$35,704, \$50, and \$46,420, respectively.

Audit adjustments were made, approved by management, 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 UNIVERSAL  
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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

### ***BANK ACCOUNT RECONCILIATIONS***

The same comment also appeared in the prior Report B43148.

The bank reconciliations to the fund balances were not all presented for the audit period. The combined bank balance was \$6,227 more than the combined record balance at December 31, 2017.

Savings bank balances and investment balances were not reflected in the record balances. Interest earned on investments was added to the principal and not recorded in the records.

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."

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 UNIVERSAL  
AUDIT RESULTS AND COMMENTS  
(Continued)

**APPROPRIATIONS**

The same comment also appeared in the prior Reports B36998, B39755, and B43148.

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

Fund	Years	Excess Amount Expended
General	2013	\$ 172
LRS	2013	202
General	2014	6,581
General	2015	1,798
MVH	2015	15,174
LRS	2015	566
CCI	2015	202
MVH	2016	6,613
General	2017	548
LRS	2017	739

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 expense arose."

**COUNCIL MINUTES**

The following deficiencies were noted with the Town Council minutes presented for audit:

1. The original approved minutes from meetings for the period January 2015 to October 2015 were not presented for audit.
2. Actions of the Town Council were not clear as a record of all votes for all matters proposed, discussed, or decided was not documented for the audit period.

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.

CLERK-TREASURER  
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AUDIT RESULTS AND COMMENTS  
(Continued)

- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

For 2016 and 2017, the Clerk-Treasurer certified on the AFR that the Town had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) when, in fact, those standards had not been adopted by the Town Council. Therefore, the AFRs submitted for 2016 and 2017 were incorrect.

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](#)."

***TIMELY RECORDING OF RECEIPTS***

The distributions from the County Auditor's office were not properly receipted or recorded. Receipts were not issued for 80 percent of the distributions. Of the distributions tested, 36 percent were not recorded timely, nor at the time of the distribution; and seven distributions were not posted to the Town's ledger over the five year period.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 UNIVERSAL  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Connie M. Conner, Clerk-Treasurer, and Bonnie J. Turchi, President of the Town Council.

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General	2017	548
LRS	2017	739

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."

**ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING**

The Town's legislative body had not adopted internal control standards and procedures, nor had they ensured personnel received training concerning these standards and procedures as required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**COMPENSATION AND BENEFITS**

The Town had not adopted a salary ordinance for 2013, 2014, 2015, 2016, and 2017 as required.

Indiana Code 36-5-3-2(b) states in part: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. . . ."

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 COUNCIL  
TOWN OF UNIVERSAL  
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