

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELNORA

DAVISS COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
02/13/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Heather L. Davis	04-05-13 to 12-31-19
President of the Town Council	Johnny Mathias Cory Parsons Jesse Emmons	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-19
Superintendent of the Water Utility	Wayne Ellis	01-01-14 to 12-31-18
Superintendent of the Wastewater Utility	Wayne Ellis	01-01-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF ELNORA, DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Elnora (Town), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Finding and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 19, 2018

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CLERK-TREASURER  
TOWN OF ELNORA

CLERK-TREASURER  
TOWN OF ELNORA  
FEDERAL FINDINGS

***FINDING 2014-001***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The Town did not have a proper system of internal controls in place related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts, utility billing and collections, and financial close and reporting.

The Clerk-Treasurer was responsible for performing all duties related to receipts and utility billing and collections. There was no segregation of duties such as an oversight, review, or approval process.

The Clerk-Treasurer entered and submitted the financial information for the Town into the Indiana Gateway for Government Units financial reporting system. This information is used to compile the Town's Annual Financial Report (AFR) and financial statement. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

Due to the lack of controls, the AFR for 2014 was incomplete and did not include the receipts, disbursements, and ending cash and investment balances for the Water Utility BNY funds.

Adjustments to the financial statement were proposed, approved, and made to the AFR and financial statement by the Town.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

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. . . ."

CLERK-TREASURER  
TOWN OF ELNORA  
FEDERAL FINDINGS  
(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](#)."

*Cause*

Management of the Town had not established a proper system of internal control that segregated key functions.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the Town establish a system of internal controls related to financial transactions and reporting. We also recommended that the Town properly report the activities of all funds on their Annual Financial Report and financial statement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2014-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). There was no oversight or review of the submission of the SEFA as the Clerk-Treasurer was solely responsible for the preparation and submission of the SEFA.

Due to the lack of controls, the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii was overstated by \$38,915 and the Capitalization Grants for Drinking Water State Revolving Funds was not reported, resulting in an understatement of \$3,872,607.

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

*Context*

The lack of adequate internal controls was a systemic issue.

CLERK-TREASURER  
TOWN OF ELNORA  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

CLERK-TREASURER  
TOWN OF ELNORA  
FEDERAL FINDINGS  
(Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

*Recommendation*

We recommended that the Town's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2014-003**

Subject: Drinking Water State Revolving Fund Cluster - Reporting  
Federal Agency: Environmental Protection Agency  
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds  
CFDA Number: 66.468  
Federal Award Number (or Other Identifying Number): DW12061401  
Pass-Through Entity: Indiana Finance Authority  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

*Condition*

The Town had not designed or implemented an effective internal control system to ensure the MBE/WBE Utilization Report was reviewed prior to submission.

*Context*

The lack of controls was a systematic issue, which occurred throughout the audit period.

CLERK-TREASURER  
TOWN OF ELNORA  
FEDERAL FINDINGS  
(Continued)

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

Management of the Town had not developed a system of internal controls that would have prevented, or detected and corrected, potential material noncompliance.

*Effect*

The failure to establish an effective internal control system placed the town at risk of noncompliance with the grant agreement and the Reporting compliance requirement. The failure to comply with the reporting requirement could have resulted in the loss of federal funds to the Town.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

# Town of Elnora

P O Box 336

Elnora, IN 47529

Office: 812.692.5415 Fax: 812.692.5271

townofelnora@yahoo.com

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-001***

Contact Person Responsible for Corrective Action: Heather Davis  
Contact Phone Number: 812-692-5415

Views of Responsible Official: I concur with the findings

#### Description of Corrective Action Plan:

1. The Town of Elnora in 2016 implemented an Internal Controls System. I will start having the Town Council President review the Annual Financial Reports. After reviewing, I will have the President sign a paper and have him/her report at the next regular Council Meeting that he/she has done so and whether he agrees or disagrees.
2. I have gone back in the 2013 and 2014 financial statements and have included the Water Utility BNY funds and will adjust the 2015 through 2018 before the end of the year.
3. Regarding the segregation of duties concerning the annual and monthly reports I will have the council review and sign off on each month after reviewing the reports at the Council Meeting.

Anticipated Completion Date: It will be completed by December 31, 2018.

### ***FINDING 2014-002***

Contact Person Responsible for Corrective Action: Heather Davis  
Contact Phone Number: 812-692-5415

Views of Responsible Official: I concur with the findings

#### Description of Corrective Action Plan:

1. I am taking the steps to add the Community Development Block Grant and the Drinking Water State Revolving Funds to the SEFA. After they are added I will fill them out each year to catch them up to current status.
2. When this is all in place, the Council President will review the SEFA each year and make sure that all Grant funds are reported and correct.

Anticipated Completion Date: I hopefully will have all of these changes done by December 31, 2018.

**FINDING 2014-003**

Contact Person Responsible for Corrective Action: Heather Davis  
Contact Phone Number: 812-692-5415

Views of Responsible Official: I concur with the findings

Description of Corrective Action Plan:

I will start having the Town Council review any and all MBE/WBE Utilization Reports whenever we are working with different agencies that require such reports.

Anticipated Completion Date: I am starting this process immediately. December 17, 2018.

Heather L. Davis  
(Signature)

Clerk, Treasurer  
(Title)

Dec 17, 2018  
(Date)

CLERK-TREASURER  
TOWN OF ELNORA  
AUDIT RESULT AND COMMENT

***ORDINANCES AND RESOLUTIONS***

The same comment also appeared in prior Report B52128.

Ordinance WS 98-1, passed January 3, 1998, established procedures for non-payment of utility bills by Town's utility customers. The Ordinance stated: "If the utility bill is not paid by the 28th of the month, and if no acceptable arrangements for payment has been made by the customer, then the water meter will be shut off and or pulled." Based on a review of the Aged Trial Balance Report, Utility customers are not disconnected in a timely manner. The accounts receivable balance as of December 31, 2014, were \$12,439 and \$19,490 for the Water and Wastewater Utility, respectively.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF ELNORA  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2018, with Heather L. Davis, Clerk-Treasurer; Jesse Emmons, President of the Town Council; Jed Jerrels, Town Council member; and Deanna Callison, Town Council member.

TOWN COUNCIL  
TOWN OF ELNORA

TOWN COUNCIL  
TOWN OF ELNORA  
AUDIT RESULT AND COMMENT

***ORDINANCES AND RESOLUTIONS***

The same comment also appeared in prior Report B52128.

Ordinance WS 98-1, passed January 3, 1998, established procedures for non-payment of utility bills by Town's utility customers. The Ordinance stated: "If the utility bill is not paid by the 28th of the month, and if no acceptable arrangements for payment has been made by the customer, then the water meter will be shut off and or pulled." Based on a review of the Aged Trial Balance Report, Utility customers are not disconnected in a timely manner. The accounts receivable balance as of December 31, 2014, were \$12,439 and \$19,490 for the Water and Wastewater Utility, respectively.

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