

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ODON

DAVISS COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
02/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth Haseman	01-01-12 to 12-31-19
President of the Town Council	Keith Bechtel	01-01-13 to 02-20-13
	Thomas K. Noble	02-21-13 to 12-31-13
	John Myers	01-01-14 to 12-31-14
	Russell Dant	01-01-15 to 12-31-15
	Charley G. Kreig, Jr.	01-01-16 to 12-31-18
Superintendent of the Water Utility	Doug Benjamin	01-01-13 to 12-31-15
	Josh Chesley	01-01-16 to 12-31-18
Superintendent of the Wastewater Utility	Charley G. Kreig	01-01-13 to 12-31-13
	Doug Benjamin	01-01-14 to 12-31-15
	Josh Chesley	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF ODON, DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Odon (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/.

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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TOWN COUNCIL
TOWN OF ODON

TOWN COUNCIL
TOWN OF ODOM
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B42463, entitled *INTERNAL CONTROLS*.

There were several deficiencies in the internal control system for the Town related to financial transactions and reporting.

- The Town had not separated incompatible activities related to all areas of the financial statements.
- Ledgers detailing the receipts, disbursements, and cash and investments balances for each fund were not presented for audit for the period of January 1, 2014 to December 31, 2017. The ledger presented for 2013 did not agree to the financial statement, nor to the reconciled bank balance as of December 31, 2013. The Town did not have controls in place such as an oversight, review, or approval process to ensure ledgers were maintained and that the balances agreed to the Annual Financial Report (AFR).
- Monthly reconciliements were presented for audit; however, they did not agree with the financial statements. There was also no evidence of an oversight, review, or approval process over the bank reconciliements.
- The Clerk-Treasurer prepared and submitted the AFR through the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. The Town did not have controls in place such as an oversight, review, or approval process to ensure the accuracy of the information prior to submission.

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:

TOWN COUNCIL
TOWN OF ODOM
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. . . ."

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."

INTERNAL CONTROL STANDARDS

The Town failed to adopt and provide training on internal control standards 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."

TOWN COUNCIL
TOWN OF ODON
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Beth Haseman, Clerk-Treasurer, and Charley G. Kreig, Jr., President of Town Council.

CLERK-TREASURER
TOWN OF ODON

CLERK-TREASURER
TOWN OF ODON
AUDIT RESULTS AND COMMENTS

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

BOARD MINUTES

Minutes of the meetings of the Town Council were not presented for audit for 28 of the 60 months of the audit period.

Indiana Code 36-5-6-6(a) states in part:

". . . The clerk-treasurer shall do the following:

. . . (9) Serve as clerk of the legislative body by attending meetings and recording its proceedings. . . ."

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 taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 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."

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B42463.

Depository reconciliations of the fund balances to the bank account balances were presented for the audit period. However, the reconciled balances did not agree to the Fund History Report as of December 31, 2013. Fund History Reports were not available for audit years 2014 through 2017 to determine if the reconciled bank balances were in agreement.

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."

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

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B42463.

The Town's financial statements included the following funds with overdrawn cash balances:

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)

Fund	Overdrawn Amount		
	12-31-13	12-31-14	12-31-15
Local Road and Street	\$ 6,459	\$ 935	\$ -
Park Fund	5,177	-	-
Fire Protection	-	618	9,350
Payroll - Daviess County Clerk/Back Child Support	55	55	-
Payroll State & County	1,732	1,732	-
Net Payroll	647	647	-
Payroll Tax Autodraft	97,301	97,301	-

ERRORS ON CLAIMS

The same comment also appeared in prior the prior Report B42463.

During the review of claims, we noted the following:

1. Claims paid by the Clerk-Treasurer for payroll and utility expenditures were not presented to the Town Council for approval at subsequent council meetings, nor was there an ordinance allowing the Clerk-Treasurer to pay claims prior to Town Council approval.
2. Of the claims tested for tax payments, 76 percent of the claims did not have supporting documentation attached.

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;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

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

- (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. . . ."

PRESCRIBED FORMS

The following prescribed forms were not presented for audit:

- Ledger of Receipts, Disbursements, and Balances (City and Town Form 208)
- Ledger of Appropriations, Encumbrances, Disbursements, and Balances (City and Town Form 209)

Town officials stated the same financial data contained on the prescribed forms listed above was captured on their computerized accounting system; however, they were unable to provide that data during the audit in an electronic or hardcopy format.

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

PENALTIES AND INTEREST

A similar comment also appeared in prior Report B42463, entitled *PENALTIES AND INTEREST*.

As Clerk-Treasurer, Beth Haseman was responsible for the correct and timely payment of Town bills and payment of federal and state withholding taxes and state sales taxes during the audit period.

The Town paid penalties and interest during the audit period as follows:

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

Payee	Penalty	Interest	Totals
Indiana Public Retirement Service (INPRS)	\$ 3,500.00	\$ -	\$ 3,500.00
Indiana Department of Revenue, Sales Tax	2,168.38	-	2,168.38
Indiana Department of Revenue, Withholding Tax	569.71	-	569.71
Indiana Department of Workforce Development	5.56	1.12	6.68
AT&T	42.44	-	42.44
Century Link	566.62	-	566.62
Duke Energy	410.09	-	410.09
Midwest Natural Gas	371.70	-	371.70
New Wave	40.38	-	40.38
Internal Revenue Service, 941 Tax	<u>9,264.88</u>	<u>577.18</u>	<u>9,842.06</u>
Totals	<u>\$ 16,939.76</u>	<u>\$ 578.30</u>	<u>\$ 17,518.06</u>

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)

We requested that Beth Haseman, Clerk-Treasurer, reimburse the Town \$17,518.06 for the penalties and interest paid. (See Summary of Charges, page 16)

OFFICIAL BOND COVERAGE

The Town had a Public Official Bond for the Clerk-Treasurer, Beth Haseman, through Western Surety Company (Bond No. 71148788) with coverage as follows:

TERM	COMPANY	AMOUNT
01-01-13 to 01-01-14	Western Surety Company	\$ 50,000
01-01-14 to 01-01-15	Western Surety Company	50,000
01-01-15 to 01-01-16	Western Surety Company	50,000
01-01-16 to 12-31-16	Western Surety Company	50,000
01-01-17 to 12-31-17	Western Surety Company	50,000

CLERK-TREASURER
TOWN OF ODON
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Beth Haseman, Clerk-Treasurer, and Charley G. Kreig, Jr., President of the Town Council.

TOWN OF ODON
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Beth Haseman, Clerk-Treasurer:			
Penalties and Interest, pages 13 and 14	\$ 17,518.06	\$ -	\$ 17,518.06

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA)
Daviess COUNTY)

I, Pamela J. Barber, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Odon, Daviess County, Indiana, for the period from January 1, 2013 to December 31, 2017, is true and correct to the best of my knowledge and belief.

Pamela J. Barber
Field Examiner

Subscribed and sworn to before me this 7th day of February, 2019.

Janet K. Winger
Notary Public

My Commission Expires: 7-13-2022

County of Residence: Daviess

JANET K. WININGER
NOTARY PUBLIC
SEAL
DAVISS COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES JULY 13, 2022