

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SUNMAN

RIPLEY COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
02/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina S. Schneider	01-01-12 to 12-21-13
	(Vacant)	11-22-13 to 11-30-13
	Chelsea Eckstein	12-01-13 to 07-19-18
	(Vacant)	07-20-18 to 07-22-18
President of the Town Council	Janet Jenner	07-23-18 to 12-31-19
	Wayne Jenner	01-01-13 to 12-31-14
	Jared Wolf	01-01-15 to 12-31-15
	Michael Wolff	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SUNMAN, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Sunman (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 26, 2018

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CLERK-TREASURER
TOWN OF SUNMAN

CLERK-TREASURER
TOWN OF SUNMAN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B43296, entitled *INTERNAL CONTROLS OVER VENDED WATER SALES*.

The Town had not established and implemented an adequate system of internal controls over financial transactions and reporting as follows:

Cash and Investments

Controls over cash and investments were not adequate. The Clerk-Treasurer was responsible for performing bank reconciliations; however, there were no controls in place to ensure their accuracy, such as an oversight, review, or approval process.

Receipts

Policies and procedures were not adequate to ensure that receipts received, and related bank deposits, agreed with the amounts recorded in the ledger. There was no documentation available to indicate any type of review or approval process.

Disbursements

Controls over disbursements were not adequate. Controls had been implemented; however, the oversight in place by the Town was not adequately documented.

Financial Close and Reporting

The Clerk-Treasurer prepared the Annual Financial Reports (AFR), which was the basis for the financial statements, electronically submitted through the Indiana Gateway for Government Units financial reporting system without an oversight or review process to ensure their accuracy.

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.

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

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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified, on the 2016 and 2017 AFRs, that the Town had adopted the minimum internal control standards and provided training to personnel. However, the Town had neither adopted the internal controls standards nor provided training. Therefore, the AFRs submitted for these two years 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](#)."

OVERDRAWN CASH BALANCES

The financials statement presented for audit included the following funds with overdrawn cash balances at December 31, 2014, 2015, 2016, and 2017.

Fund	2014	2015	2016	2017
CUM CAP IMP - CIG TAX	\$ (6,777)	\$ (11,738)	\$ (9,065)	\$ (6,514)
CUM CAP DEVELOPMENT	(11,654)	-	-	-
PAYROLL	-	-	-	(12,586)
WASTEWATER UTL BOND & INT	-	(19,812)	(58,162)	(96,712)
WATER UTL BOND & INTEREST	(9,860)	(48,210)	(87,060)	(125,310)

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)

CLERK-TREASURER
TOWN OF SUNMAN
EXIT CONFERENCE

The contents of this report were discussed on December 26, 2018, with Michael Wolff, President of the Town Council; Janet Jenner, Clerk-Treasurer; Shirley Campbell, Deputy Clerk-Treasurer; Don Foley, Town Council member; and Harvey Dobson, Town Council member.

TOWN COUNCIL
TOWN OF SUNMAN

TOWN COUNCIL
TOWN OF SUNMAN
AUDIT RESULT AND COMMENT

ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS

The Town had not adopted the minimum internal control standards nor ensured that personnel received training as required by statute.

Indiana 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 SUNMAN
EXIT CONFERENCE

The contents of this report were discussed on December 26, 2018, with Michael Wolff, President of the Town Council; Janet Jenner, Clerk-Treasurer; Shirley Campbell, Deputy Clerk-Treasurer; Don Foley, Town Council member; and Harvey Dobson, Town Council member.