

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GENTRYVILLE

SPENCER COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
07/24/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Findings:	
Finding 2015-001	
Preparation of the Schedule of Expenditures of Federal Awards	6-8
Finding 2015-002	
Financial Transactions and Reporting	8-9
Corrective Action Plan	10-11
Audit Result and Comment:	
Capital Assets	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca Hart Marcia Burdin	01-01-12 to 12-31-15 01-01-16 to 12-31-23
President of the Town Council	Mike Ellis (Vacant) Martha DeWitt	01-01-15 to 12-06-16 12-07-16 to 12-31-16 01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF GENTRYVILLE, SPENCER COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Gentryville (Town), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

June 19, 2019

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CLERK-TREASURER
TOWN OF GENTRYVILLE

CLERK-TREASURER
TOWN OF GENTRYVILLE
FEDERAL FINDINGS

FINDING 2015-001

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). The Clerk-Treasurer and the Deputy Clerk-Treasurer entered the federal award information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's SEFA. There was no evidence of a control system, such as an oversight, review, approval process, or other compensating control to ensure the accuracy of the SEFA.

Context

The SEFA contained the following errors:

1. The Federal grantor agency, pass-through entity name, cluster name, program name, CFDA number, and pass-through entity identification number were not properly identified for either grant.
2. The Highway Planning and Construction program was not reported, resulting in an understatement of \$33,119.
3. The Capitalization Grants for Drinking Water State Revolving Funds program was reported, incorrectly resulting in an overstatement of \$2,295,000.

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

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 GENTRYVILLE
FEDERAL FINDINGS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

CLERK-TREASURER
TOWN OF GENTRYVILLE
FEDERAL FINDINGS
(Continued)

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 *Context*.

Recommendation

We recommended that the Town's management establish a system of internal controls, including segregation of duties, 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 2015-002

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

Condition

The Clerk-Treasurer and Deputy Clerk-Treasurer entered the Town's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statement; however, the process was completed without a documented oversight, review, approval process, or other compensating control in place to ensure that information was submitted accurately.

The Water Utility - BNY - SRFDW - BAN, Water Utility - BNY - SRFDW - Loan, Water Utility - SRF - Bond and Interest, and Water Utility - SRF - Debt Reserve funds were not reported, which resulted in an aggregate understatement of receipts of \$1,149,818, an aggregate understatement of disbursements of \$1,129,327, and an aggregate understatement of ending cash and investments balances of \$20,491.

Audit adjustments were proposed, accepted by the Town, and made to the Town's financial statement.

Context

This was a systemic issue, which occurred throughout the audit period. No transactions of the above funds were recorded in the ledger during 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:

CLERK-TREASURER
TOWN OF GENTRYVILLE
FEDERAL FINDINGS
(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 5-11-1-4(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](#)."

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)

Cause

Management of the Town had not established a proper system of internal control.

Effect

The failure to establish a system of internal 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.

Views of Responsible Officials

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

Town of Gentryville

240 W Boone Street / P.O. Box 261 / Gentryville, IN 47537 / Ph 812-937-2407 / gentryvilletwn@psci.net

Corrective Action Plan

Finding 2015-001

Contact Person Responsible for Corrective Action: Marcia Burdin
Contact Phone Number: 812-937-2407

Views of Responsible Official:

- We concur with the finding. Clerk Treasurer was new to the position.

Description of Corrective Action Plan:

- One person will enter the information on Gateway.
- Second person will review the information entered on Gateway.
- A Third person, Town manager or a Board Member, will verify the information entered on Gateway.

Anticipated Completion Date:

- The anticipated completion date is February 2020.

Marcia Burdin
Signature

CLERK TREASURER
Title

5/31/19
Date

Town of Gentryville

240 W Boone Street / P.O. Box 261 / Gentryville, IN 47537 / Ph 812-937-2407 / gentryvilletwn@psci.net

Corrective Action Plan

Finding 2015-002

Contact Person Responsible for Corrective Action: Marcia Burdin
Contact Phone Number: 812-937-2407

Views of Responsible Official:

- We concur with the finding. Clerk Treasurer was new to the position.

Description of Corrective Action Plan:

- One person will enter the information on Gateway.
- Second person will review the information entered on Gateway.
- A Third person, Town manager or a Board Member, will verify the information entered on Gateway.

Anticipated Completion Date:

Correction was implemented with Keystone software in January of 2017.

Marcia Burdin
Signature

CLERK TREASURER
Title

5/31/2019
Date

CLERK-TREASURER
TOWN OF GENTRYVILLE
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The Town did not properly maintain a complete inventory of capital assets owned. Assets were not recorded when acquired or removed when the asset was disposed of. A complete physical inventory of the assets owned by the Town was not taken.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF GENTRYVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2019, with Marcia Burdin, Clerk-Treasurer; Mona K. Gaesser, Deputy Clerk-Treasurer; and Martha DeWitt, President of the Town Council.