

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WEST LEBANON

WARREN COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
09/10/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Penalties, Interest, and Other Charges.....	6
Bank Account Reconciliations.....	6
Certification on Internal Control Standards	6-7
Internal Controls.....	7-8
Exit Conference	9
Summary of Charges.....	10
Town Council:	
Audit Results and Comments:	
Ordinances and Resolutions.....	12
Training on Internal Control Standards	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dana Craft Cindy Williams	01-01-12 to 12-31-18 01-01-19 to 12-31-23
President of the Town Council	Terry Foust Don Best Marty Kutsenkow	01-01-15 to 12-31-16 01-01-17 to 06-30-19 07-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF WEST LEBANON, WARREN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of West Lebanon (Town), for the period from January 1, 2015 to December 31, 2018. 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

July 25, 2019

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF WEST LEBANON

CLERK-TREASURER
TOWN OF WEST LEBANON
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

During the audit period, the Town paid penalties to the Indiana Department of Revenue (DOR) in the amount of \$74.33 for late payment of withholding and \$529.86 for late payment of gross income tax.

During the audit period, the Town paid penalties to Ford Motor Credit in the amount of \$83.77 for late payment of a bobcat lease.

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 Dana Craft (Craft), Clerk-Treasurer, reimburse the Town \$604.19 for penalties paid to the DOR. Craft reimbursed the Town \$604.19 on July 25, 2019, Receipt No. 5564. (See Summary of Charges, page 10)

We requested that Craft reimburse the Town \$83.77 for penalties paid to Ford Motor Credit. Craft reimbursed the Town \$83.77 on July 25, 2019, Receipt No. 5564. (See Summary of Charges, page 10)

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B46099.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance to the ledger. At December 31, 2015, the adjusted bank balance was \$71,654 less than the ledger balance. In 2016, audit adjustments were recorded in the ledger. After these adjustments, the adjusted bank balance matched the ledger balance. There were numerous errors.

Since 2017, the Town has been reconciling to a difference of \$100.83. None of the reconciliations for 2018 were completed until 2019.

In 2018, the Clerk-Treasurer added immaterial deposits in transit in order to balance the reconciliation. These were still listed as in transit at the audit date.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the Indiana Gateway for Government Units financial reporting system on March 30, 2017, and March 14, 2018, that the training was received; however, no documentation was available to verify this.

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

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

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INTERNAL CONTROLS

The same comment also appeared in prior Reports B39777 and B46099.

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

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no controls in place such as an oversight, review, or approval process of the bank reconciliations.

Receipts

One employee was responsible for writing the receipts for funds received and preparing the daily deposits for the bank accounts. There were no controls in place such as an oversight, review, or approval of the daily deposits or receipt postings.

Payroll Disbursements

One employee was responsible for collecting, preparing, posting, and disbursing the weekly payroll for all Town employees. There were no controls in place such as an oversight, review, or approval of the weekly postings or disbursements.

Financial Close and Reporting

The Town did not have a proper system of internal control in place to ensure the accuracy of the transactions included in the records and reported in the Annual Financial Report. Due to the lack of controls, the Town's financial statement contained the following errors:

1. Receipts were understated for the Economic Development Income Tax, Park & Recreation fund, Garbage Revenue, General Fund, Public Safety LOIT, Payroll Fund, Sewage Utility Operating, Sewage Util Bond and Int, Sewage Util Debt Service, Water Utility Debt Service, Water Utility Operating, Water Utility Bond and Interest, and Water Util Meter Deposit totaling \$238,606.76.

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

2. Disbursements were understated for Park and Recreation fund, Economic Development Income Tax, Garbage Revenue, General Fund, Public Safety LOIT, Payroll Fund, Sewage Utility Operating, Sewage Util Debt Service, Water Utility Operating, Water Utility Bond and Interest, Water Util Meter Deposit, and Water Utility Debt Service totaling \$232,052.24.
3. Beginning balances were understated for Water Utility Debt Service and Garbage Revenue totaling \$3,554.
4. Beginning balances were overstated for Economic Development Income Tax, Park & Recreation fund, General Fund, Public Safety LOIT, Payroll Fund, Sewage Utility Operating, Sewage Util Bond and Int, Sewage Util Debt Service, Water Utility Operating, Water Utility Bond and Interest, and Water Util Meter Deposit totaling \$299,579.

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 WEST LEBANON
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2019, with Dana Craft, former Clerk-Treasurer, and on July 25, 2019, with Cindy Williams, Clerk-Treasurer; Marty Kutsenkow, President of the Town Council; and Jim Kiger, Town Council member.

CLERK-TREASURER
TOWN OF WEST LEBANON
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dana Craft, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 6			
Indiana Department of Revenue	\$ 529.86	\$	\$
Paid July 25, 2019, Receipt No. 5564		529.86	-
Indiana Department of Revenue	74.33		
Paid July 25, 2019, Receipt No. 5564		74.33	-
Ford Motor Credit	83.77		
Paid July 25, 2019, Receipt No. 5564	<u> </u>	<u>83.77</u>	<u>-</u>
Totals	<u>\$ 687.96</u>	<u>\$ 687.96</u>	<u>\$ -</u>

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

TOWN COUNCIL
TOWN OF WEST LEBANON

TOWN COUNCIL
TOWN OF WEST LEBANON
AUDIT RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The same comment also appeared in the prior Report B46099.

The Town has an ordinance concerning the rental of the water hydrants in the Town. The Town did not comply with its existing ordinance. Hydrant rental of \$31,119 was due each year during the audit period. A payment of \$26,000 was made each year in 2015 and 2016, and a payment of \$27,297 was made each year in 2017 and 2018 resulting in total underpayments of \$17,880, during the audit period.

Four officials and employees of the Town were routinely delinquent in paying their utility bills. Outstanding balances at December 31, 2018, were not noteworthy; however, each of these accounts reached a past due balance greater than \$400 and one account balance went as high as \$1,666 during the audit period.

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)

TRAINING ON INTERNAL CONTROL STANDARDS

The Town failed to ensure that all personnel as defined by Indiana Code 5-11-1-27(c) received the training over the internal control standards adopted 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 WEST LEBANON
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2019, with Cindy Williams, Clerk-Treasurer; Marty Kutsenkov, President of the Town Council; and Jim Kiger, Town Council member.