

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

SPECIAL COMPLIANCE REPORT
OF

CLERK-TREASURER
TOWN OF CENTERVILLE
WAYNE COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED

09/10/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CENTERVILLE, WAYNE COUNTY, INDIANA

This is a special compliance report for the Town of Centerville (Town), for the period January 1, 2013 to December 31, 2016, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town may be found at www.in.gov/sboa.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The 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 Results and comments, incorporated within this report, was not verified for accuracy.

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

June 19, 2019

CLERK-TREASURER
TOWN OF CENTERVILLE
RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

Wastewater Utility rates passed by the Town Council were not accurately updated in the Town's utility billing system. Based upon testing rates charged to individual customers, customers were under-charged amounts ranging from \$5.47 to \$154.91 per month. In August 2017, rates were adjusted to reflect the correct rates.

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)

CREDIT CARDS

Supporting documentation for 28 credit card transactions totaling \$6,145.37 was not maintained.

Additionally, payments made via the credit cards included \$35.67 in late charges.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF CENTERVILLE
RESULTS AND COMMENTS
(Continued)

DISBURSEMENTS

In January 2016, 51 invoices totaling \$188,277.47 were paid, which were in excess of 43 days past the due date; however, 1 of the 51 invoices made up \$146,348.14 of the \$188,277.47 paid late. These disbursements included, but were not limited to phone charges, bond payments, and insurance.

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)

RECEIPTS

Insufficient records were maintained on collections for miscellaneous receipts, such as marriage fees and controls to determine if all collections were received and recorded in the records were insufficient.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

UTILITY DEPOSITS

The balances reported in the financial statements for utility deposits did not agree to the Detail Register of Customer Deposits held at December 31, 2016, as follows:

	<u>Water</u>	<u>Sewage</u>	<u>Electric</u>
Balance per Financial Statement	\$ 13,281.61	\$ 15,794.34	\$ 30,830.51
Balance per Register	<u>8,335.00</u>	<u>17,400.00</u>	<u>42,265.00</u>
Financial Statement Long (Short)	<u>\$ 4,946.61</u>	<u>\$ (1,605.66)</u>	<u>\$ (11,434.49)</u>

Furthermore, in 2016, receipts recorded in the ledger and reported in the financial statements for utility deposits exceeded the amounts recorded in the Detail Register of Customer Deposits.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF CENTERVILLE
RESULTS AND COMMENTS
(Continued)

PAYROLL

The amounts paid to the former Clerk-Treasurer in 2015 for insurance coverage from 2013 through 2015, were not included as compensation on the Certified Report of Names, Addresses, Duties and Compensation of Public Employees - Form 100-R. A provision for these payments was included within the approved salary ordinances.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. . . ."

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

INTERNAL CONTROL DEFICIENCIES

Internal control weaknesses existed. There was not effective oversight conducted in relation to the implementation of utility ordinances, the use of credit cards, disbursements (including payroll), and receipts.

The 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 CENTERVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Susan Dillman, Clerk-Treasurer; Janice L. Roberts, former Clerk-Treasurer; George Sowers, Attorney for Janice L. Roberts; Dan Wandersee, Town Council President; Gary L. Holbert, Jack Bodiker, Mark A. Tucker, and James Bullen, Town Council members; and Edward O. Martin, Town Attorney.