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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CONVERSE

MIAMI COUNTY, INDIANA

January 1, 2015 to December 31, 2018

FILED
09/12/2019

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Kathy Juillerat	03-15-13 to 12-31-19
President of the Town Council	Joe Lenon	01-01-15 to 12-31-19
Superintendent of Utilities	Ed Asher	01-01-15 to 12-31-19

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF CONVERSE, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Converse (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 29, 2019

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CLERK-TREASURER
TOWN OF CONVERSE

INTERNAL CONTROLS

Condition and Context

The Town has established internal controls over financial information; however, they are not documenting their internal control, or the internal control was not effective. There is no documentable control over receipts and the Annual Financial Report submitted to the Indiana Gateway for Government Units financial reporting system. The Town Council has documented their review of the monthly bank reconcilements; however, bank reconcilements during the audit period were incomplete.

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. . . ."

ADVANCE PAYMENTS

Condition and Context

Town employees submit their time worked for each pay period on the Tuesday before the pay period is over and they are paid on Thursday, the day before each pay period ends. Thirteen pay periods were tested during the audit period where advance payments were noted.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

LOANS BETWEEN TOWN FUNDS

Condition and Context

The Converse Trail Grant fund borrowed $200,000 from the Park fund during 2014 and, subsequently, paid back $50,000. On September 10, 2015, the Town Council approved a resolution forgiving the remaining debt of $150,000.

A similar transfer was made in December of 2017, amounting to $24,000 from the Co Econ Dev Inc Tax fund (CEDIT) to the Converse Trail Grant fund. This transfer was not specifically approved by the Town Council, but Resolution 6-2017 was passed stating that "The Clerk-Treasurer has the authority to transfer funds so the accounts are out of red." This amount has not been paid back to CEDIT as of July 29, 2019.

Criteria

Indiana Code 36-1-8-4 states in part:

"(a) . . .

(3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.

(4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

(1) Passes an ordinance or a resolution that contains the following:

(A) A statement that the fiscal body has determined that an emergency exists.

(B) A brief description of the grounds for the emergency.

(C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

(2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Bank account reconcilements performed during the audit period were incomplete and did not include all investment activity. Various investments totaling $534,008 and interest on investments totaling $6,482 were not included in the combined bank reconcilement at December 31, 2018.

Criteria

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."

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 CONVERSE
EXIT CONFERENCE

The contents of this report were discussed on July 29, 2019, with Kathy Juillerat, Clerk-Treasurer, and Joe Lenon, President of the Town Council.

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TOWN COUNCIL
TOWN OF CONVERSE

TOWN COUNCIL
TOWN OF CONVERSE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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TOWN COUNCIL
TOWN OF CONVERSE
EXIT CONFERENCE

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