

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ETNA GREEN

KOSCIUSCO COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED

11/04/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Laura L. Baker Patricia K. Cook	01-01-12 to 12-31-18 01-01-19 to 12-31-19
President of the Town Council	Andrew Cook Todd Slabaugh (Vacant) Kevin Smith II (interim) Kevin Smith II	01-01-14 to 12-31-15 01-01-16 to 03-14-19 03-15-19 to 03-20-19 03-21-19 to 04-08-19 04-09-19 to 12-31-19
Superintendent of Water and Electric Utility	Barry J. Baker	01-01-15 to 12-31-19
Superintendent of Wastewater Utility	Andrew Cook	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 ETNA GREEN, KOSCIUSCO COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Etna Green (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

September 19, 2019

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CLERK-TREASURER
TOWN OF ETNA GREEN

CLERK-TREASURER
TOWN OF ETNA GREEN
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to receipts, disbursements relating to payroll and vendors, and financial close and reporting. The Town had not established an effective internal control system to prevent, or detect and correct, material misstatements related to receipts, payroll disbursements, and financial close and reporting.

Receipts

Receipts (customer payments) received were entered into the Town's accounting system without a documented oversight, review, or approval process to ensure that receipts were entered correctly into the Town's accounting system.

Vendor Disbursements

The Clerk-Treasurer entered and posted vendor disbursements into the Town's accounting system without a documented oversight, review, or approval process in place to ensure the accuracy of vendor disbursements.

Payroll Disbursements

The Clerk-Treasurer entered employee salaries, wages, and hours into the Town's payroll system without a documented oversight, review, or approval process to ensure the accuracy of payroll disbursements.

CLERK-TREASURER
TOWN OF ETNA GREEN
AUDIT RESULT AND COMMENT
(Continued)

Financial Close and Reporting

The Clerk-Treasurer submitted, with the help of a consultant, financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and financial statements. There was no documented evidence of a review, oversight, or approval process by the Town prior to financial information submission into Gateway.

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. . . ."

September 30, 2019

OFFICIAL RESPONSE

State Board of Accounts
302 W Washington Street
Room E 418
Indianapolis, IN 46204-2765

To whom it may concern,

This letter is an "Official Response" to the recent exit conference I attended for records January 1, 2015 to December 31, 2019, on September 19, 2019.

The main results and comments of the audit was concerning internal controls. I feel like the law is not clear on the detail of the internal controls that you expect. One reason I feel like this is the case because so many clerk-treasurers are getting comments on internal controls. It appears to be a common finding. I am sure some clerks are not even trying, but you have the majority of other clerk's like myself who are very contentious with our job as clerk and want to have everything right and put a lot of time and effort in to understanding the law to have a good audit.

I would have hoped that once you saw this pattern you would have either had another class or sent correspondence making the expectations clearer.

I went to several classes and had Umbaugh help prepare the town's internal controls policy with what their understanding of that you wanted to see our offices do with internal controls.

I will say that I was very diligent in trying to be compliant with internal controls. I had many discussions with my utility clerk on internal controls and I wanted to make sure that I was handling everything properly.

I cannot change the comments with this response but I hope you take into consideration my concerns for other clerk's that will have an audit. I feel like your expectations on internal controls was not clearly stated for every instance that can and will take place in a clerk's office.

The comment on the 2018 AFR not being documented that it was looked at prior to submitting to Gateway is another expectation that was not made clear that even that had to be a part of the internal controls.

I have resigned as clerk-treasurer prior to this audit and I must say that I do appreciate the State Board of Accounts. I am thankful that you had staff available to assist you when needed. I was thankful for the classes you provided to help clerks and clerk-treasurers be informed.

Your auditors who were present at the exit conference were very professional and gracious.

I absolutely loved the clerk-treasurer position and hated to walk away from it.

Respectfully,

Laura L. Baker
Former Clerk-Treasurer
Town of Etna Green
124 West Pleasant St
Etna Green, IN 46524
574-305-1995

CLERK-TREASURER
TOWN OF ETNA GREEN
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2019, with Patricia K. Cook, Clerk-Treasurer; Laura L. Baker, former Clerk-Treasurer; Keith Claassen, Town Council member; Cory Ellinger, Town Council member; and Eileen Hall, Deputy Clerk.

TOWN COUNCIL
TOWN OF ETNA GREEN

TOWN COUNCIL
TOWN OF ETNA GREEN
AUDIT RESULT AND COMMENT

BUILDING APPRAISALS

Condition and Context

In October 2018, the Town Council approved a letter of intent to purchase a vacated bank building. The plans for purchase continued in November when the Town Council approved the purchase at a cost of \$115,000. However, the Town did not obtain two appraisals of the building prior to purchase.

Criteria

Indiana Code 36-1-10.5-5 states:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.
- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under [IC 25-34.1](#).
- (3) The appraisers shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.
- (4) The purchasing agent shall give a copy of both appraisals to the fiscal body."

TOWN COUNCIL
TOWN OF ETNA GREEN
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2019, with Patricia K. Cook, Clerk-Treasurer; Laura L. Baker, former Clerk-Treasurer; Keith Claassen, Town Council member; Cory Ellinger, Town Council member; and Eileen Hall, Deputy Clerk.