

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ADVANCE

BOONE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
12/04/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shari Johnson	11-09-15 to 12-31-22
President of the Town Council	William Johnson	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 ADVANCE, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Advance (Town), for the period from January 1, 2017 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 Statement Audit Report of the Town, which provides our opinion on the Town's financial statement. 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

November 12, 2019

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CLERK-TREASURER
TOWN OF ADVANCE

CLERK-TREASURER
TOWN OF ADVANCE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B50045.

Condition and Context

Bank reconciliations for all months were presented for audit; however, the reconciliations were not being completed timely for all months of the audit period, as required by Indiana Code 5-13-6-1.

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."

CAPITAL ASSETS

Condition and Context

The Town and Utilities are not maintaining sufficient detailed records of capital assets. Disposals and additions of capital assets are not being recorded. Documentation of a complete capital asset inventory listing detailing individual assets was not provided. Furthermore, the Town and Utilities do not have an approved capital asset policy.

Criteria

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)

APPROVAL OF CLAIMS

Condition and Context

Of the sixteen claims tested for erroneous payment of sales tax, the following deficiencies were noted during the audit period:

1. Thirteen instances in which the claim to pay sales tax was not reflected on the Claims Docket to be approved by the Town Council.
2. Sixteen instances where the claim to be paid was not approved prior to payment, or during the subsequent meeting by the Town Council as noted in the prepaid expenses policy passed by the Town Council.
3. Eight instances where the claim to be paid was certified by the Clerk-Treasurer, but not approved by the Town Council.

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

4. Three instances in which the claim was included on the Claims Docket for approval by the Town Council; however, the approval for the claim was not documented.

Of the eighty-four tested vendor claims, the following deficiency was noted during the audit period:

1. Twelve instances in which the claim to be paid was not reflected on the Claims Docket to be approved by the Town Council. All of these claims were not approved by the Town Council.

Criteria

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)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ORDINANCES AND RESOLUTIONS

This same comment appeared in prior Report B50045.

Condition and Context

The Town had an ordinance concerning the billing of street light rental; however, the Electric Utility did not bill the Town for the rental during the previous examination period. During our review of the Town's records, no payments for the amount owed were noted. As a result, the Town owes the Electric Utility \$11,000 for street light rental.

The Town had an ordinance concerning the billing of hydrant rental; however, the Water Utility did not bill the Town for the rental during the previous examination period. During our review of the Town's records, no payments for the amount owed were noted. As a result, the Town owes the Water Utility \$20,883 for hydrant rental.

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

Criteria

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)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B50045.

Condition and Context

The Town's financial statement included the following funds with overdrawn cash balances as of December 31, for the years noted:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2017	Electric Customer Deposit Sav	\$ 175
	Sewer Utl Oper. & Maint.	78,830
	Water Utl Operating	50,691
2018	Electric Customer Deposit Sav	175
	Sewer Utl Oper. & Maint.	77,164
	Water Utl Operating	43,740

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF ADVANCE
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2019, with Shari Johnson, Clerk-Treasurer; William Johnson, President of the Town Council; Melody Fry, Town Council member; and Jim Caldwell, Town Council member.

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ELECTRIC UTILITY
TOWN OF ADVANCE

ELECTRIC UTILITY
TOWN OF ADVANCE
AUDIT RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS

This same comment appeared in prior Report B50045.

Condition and Context

The Town had an ordinance concerning the billing of street light rental; however, the Electric Utility did not bill the Town for the rental during the previous examination period. During our review of the Town's records, no payments for the amount owed were noted. As a result, the Town owes the Electric Utility \$11,000 for street light rental.

Criteria

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)

ELECTRIC UTILITY
TOWN OF ADVANCE
EXIT CONFERENCE

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WATER UTILITY
TOWN OF ADVANCE

WATER UTILITY
TOWN OF ADVANCE
AUDIT RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS

This same comment appeared in prior Report B50045.

Condition and Context

The Town had an ordinance concerning the billing of hydrant rental; however, the Water Utility did not bill the Town for the rental during the previous examination period. During our review of the Town's records, no payments for the amount owed were noted. As a result, the Town owes the Water Utility \$20,883 for hydrant rental.

Criteria

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)

WATER UTILITY
TOWN OF ADVANCE
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2019, with Shari Johnson, Clerk-Treasurer; William Johnson, President of the Town Council; Melody Fry, Town Council member; and Jim Caldwell, Town Council member.