

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SWEETSER

GRANT COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
12/04/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls	6-7
Capital Assets	7
Certification on Internal Control Standards	8
Condition of Records - Payroll Fund	8
Contracts	8
Ordinances and Resolutions	9
Exit Conference	10
Town Council:	
Audit Results and Comments:	
Training on Internal Control Standards	12
Ordinances and Resolutions	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Eileen D. LeMaster	03-22-12 to 12-01-15
	Tina J. Cole	12-02-15 to 12-29-17
	(Vacant)	12-30-17 to 01-24-18
	John R. Potter	01-25-18 to 12-31-19
President of the Town Council	Travis J. LeMaster	01-01-15 to 12-31-15
	Charles V. Briede	01-01-16 to 12-31-17
	Rich P. Gamble	01-01-18 to 12-31-18
	Dave Fox	01-01-19 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 SWEETSER, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Sweetser (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

November 7, 2019

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF SWEETSER

CLERK-TREASURER
TOWN OF SWEETSER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash and Investments

The Town had not established controls to ensure that reconciled cash and investment balances agreed to the ledgers or the financial statement. The Clerk-Treasurer completed monthly bank reconciliations without any documented oversight or review procedures in place to ensure their accuracy.

Receipts

The Town had not established controls or separated incompatible activities related to receipts. The Deputy Clerk-Treasurer independently receives, records, deposits, and reports all receipts for the Town. There is no documented oversight, review or approval process, or other compensating control in place to ensure receipts are processed, recorded, and reported accurately.

Financial Close and Reporting

The Clerk-Treasurer entered the Town's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement; however, the process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately. The following errors were noted in the financial statement presented for audit:

1. The Wastewater Operating fund beginning balances at January 1, 2015, and January 1, 2016, were overstated by \$8,848 and \$22,347, respectively.
2. The 2014 Wastewater SRF Bond and Interest fund was originally omitted for all four years of the audit period, which resulted in receipts being understated by \$784,949 and disbursements understated by \$743,484. The ending balance at December 31, 2018, was understated by \$235,352.
3. The 2014 Wastewater SRF Debt Service Reserve fund was originally omitted for all four years of the audit, which resulted in the receipts being understated by \$127,920. The ending balance at December 31, 2018, was understated by \$203,873.
4. The 2014 Wastewater SRF Construction fund was originally omitted for 2015 and 2016, which resulted in receipts and disbursements both being understated by \$1,205,877.
5. The Payroll fund receipts and disbursements were originally omitted for 2017, which resulted in receipts and disbursements both being understated by \$234,639.

Audit adjustments were proposed, approved by the Town, and made to the financial statements.

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

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. . . ."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CAPITAL ASSETS

The same comment also appeared in prior Report B51996.

Condition and Context

The Town has not properly maintained a complete inventory of capital assets owned. There were no capital asset records presented for audit.

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)

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town's Gateway certification of the training on internal control standards was made incorrectly. The Town certified that they had received training; however, the Clerk-Treasurer actually had not trained on the internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CONDITION OF RECORDS - PAYROLL FUND

Condition and Context

A detailed ledger of receipts and disbursements posted to the Payroll fund was not presented for audit.

Criteria

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)

CONTRACTS

Condition and Context

Contracts for consultations and financial services requested were not provided for audit.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

ORDINANCES AND RESOLUTIONS

Condition and Context

Ordinances tested during our audit period contained the following issues:

1. Salaries were paid in 2018 without an approved Salary Ordinance. The 2018 salary rates paid were the same rates as paid from the 2017 Salary Ordinance.
2. An ordinance authorizing trash charges was not presented for audit.

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)

CLERK-TREASURER
TOWN OF SWEETSER
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2019, with John R. Potter, Clerk-Treasurer, and Charles V. Briede, Town Council member.

TOWN COUNCIL
TOWN OF SWEETSER

TOWN COUNCIL
TOWN OF SWEETSER
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer had not received training concerning the internal control standards and procedures adopted by the political subdivision.

Criteria

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."

ORDINANCES AND RESOLUTIONS

Condition and Context

Ordinances tested during our audit period contained the following issues:

1. Salaries were paid in 2018 without an approved Salary Ordinance. The 2018 salary rates paid were the same rates as paid from the 2017 Salary Ordinance.
2. An ordinance authorizing trash charges was not presented for audit.

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)

TOWN COUNCIL
TOWN OF SWEETSER
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2019, with Charles V. Briede, Town Council member.