

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

COMPLIANCE REPORT
OF
TOWN OF SWAYZEE
GRANT COUNTY, INDIANA
January 1, 2015 to December 31, 2018



FILED
12/09/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susan J. Piper	01-01-15 to 12-31-15
	James Brian Hall	01-01-16 to 01-06-19
	(Vacant)	01-07-19 to 01-27-19
	Desiree Arenas	01-28-19 to 12-31-19
President of the Town Council	Nate Foster	01-01-15 to 12-31-18
	Aaron P. Travis	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SWAYZEE, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Swayzee (Town), Grant County, for the period of January 1, 2015 to December 31, 2018, 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 non-compliance 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.

The Schedule of Cash and Investment Balances, as listed in the Table of Contents, is presented as other information. It has not been subjected to any auditing procedures and, accordingly, we do not express an opinion or provide any assurance on it.

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

November 18, 2019

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Reports information can be found on the Indiana Gateway for Government Units (Gateway) website: <https://gateway.ifionline.org/>. The schedule presented herein is presented as other information and is derived from the Town's Annual Financial Reports information and has not been subjected to any audit procedures. No adjustments have been made to the information as reported in Gateway and, as such, balances may differ.

TOWN OF SWAYZEE
SCHEDULE OF CASH AND INVESTMENT
BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 12-31-18
General	\$ 179,117
Motor Vehicle Highway	185,985
Local Road And Street	29,469
Law Enforcement Continuing Ed	737
Riverboat	11,821
Parks And Recreation	35,233
Rainy Day	803
Cedit Special Revenue	54,812
Loit Special Distribution	10,636
Cumulative Capl Imprv Cigarette Tax	4,024
Road And Bridge Matching Fund	-
S W D	15,299
Operation Pullover	210
Payroll	20,778
Water Operating	85,996
Water Depreciation	92,975
Water Bond & Interest	43,429
Water Debt Reserve	11,656
Water Customer Deposit	19,599
Water Tower Painting	6,923
Water Tower Improvment	10,304
Wastewater Operating	266,846
Wastewater Depreciation	2,409
Wastewater Bond & Interest	-
Stormwater	85,722
Waterwater Reserve	92,461
Total	<u>\$ 1,267,244</u>

TOWN OF SWAYZEE
RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

The Town had not established a system of internal controls, including segregation of duties and oversight, to ensure timely remittance of amounts due or that documentation was retained to support payments made during the engagement period. One person was solely responsible for making payments to vendors and governmental agencies.

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. . . ."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The Town's Annual Financial Reports for 2015, 2016, and 2017 were not filed electronically until October 7, 2016, April 5, 2017, and April 24, 2018, respectively. These were 221, 35, and 54 days past the due date.

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](#)."

TOWN OF SWAYZEE
RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

A similar comment appeared in the prior Report B46706, entitled *BANK ACCOUNT RECONCILIATIONS*.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained errors and did not balance. In many cases, the fund balances used could not be verified, as adequate records were not provided for review.

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."

ANNUAL FINANCIAL REPORT

Condition and Context

A similar comment appeared in the prior Report B46706, entitled *ANNUAL FINANCIAL REPORT*.

The Annual Financial Reports (AFR) for 2015, 2016, and 2018 contained multiple errors and did not match the records of the Town. We were unable to determine if the 2017 AFR contained errors, as no financial records were provided for review.

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

Condition and Context

A similar comment appeared in the prior Report B46706, entitled *CONDITION OF RECORDS*.

The financial records presented for review were incomplete or were not presented for review. Some of the deficiencies in the condition of records include:

1. Errors in recording financial transactions.
2. Incorrect beginning balances carried forward from the previous year.

TOWN OF SWAYZEE
RESULTS AND COMMENTS
(Continued)

3. The 2017 financial records were not presented for review.
4. Depository reconciliations were incomplete or inaccurate.
5. The Town's records did not agree with AFRs for any of the years presented.

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council did not ensure that personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

The Clerk-Treasurer incorrectly certified on the AFR that personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

TOWN OF SWAYZEE
RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Condition and Context

Disbursements totaling \$1,022 were not supported by itemized vendor invoices or other documentation for six disbursements in 2015.

Disbursements totaling \$100,596 were not supported by itemized vendor invoices or other documentation for nine disbursements in 2016.

Disbursements totaling \$225,975 were not supported by itemized vendor invoices or other documentation for seventy-seven disbursements in 2018. One of the disbursements for \$150,794 in 2018 was investment related.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF SWAYZEE
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2019, with Desiree Arenas, Clerk-Treasurer; Aaron P. Travis, President of the Town Council; and Charlie Maiers, Attorney.