

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SOUTH WHITLEY

WHITLEY COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
12/18/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Howard	01-01-16 to 12-31-19
President of the Town Council	Bill Boggs Randall C. Cokl	01-01-16 to 12-31-16 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 SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of South Whitley (Town), for the period from January 1, 2016 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](http://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

October 29, 2019

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CLERK-TREASURER  
TOWN OF SOUTH WHITLEY

CLERK-TREASURER  
TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial close and reporting. The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statements. There was no evidence of a control, such as an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The AFR submitted during the audit period had the following errors:

1. The Town did not report all of the federal grants received and expended during the audit period in its Schedule of Expenditures of Federal Awards (SEFA). The Town did not submit a SEFA for 2016 or 2017. The SEFA submitted for 2018 omitted two federal grants.
2. The supplementary information for the Schedule of Capital Assets for 2016, 2017, and 2018 was comprised of insurance replacement values and estimates instead of actual or historical cost.
3. The supplementary information for the Schedule of Payables and Receivables for 2016, 2017, and 2018 could not be verified to the supporting documentation on hand at the Town.

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

*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](#)."

**FUND BALANCES**

*Condition and Context*

The Payroll Fund had a balance of \$7,188 at December 31, 2018, of which \$6,337 was unidentified as to the type of payroll withholding.

*Criteria*

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll fund ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

As stated in prior Report B46466, the Town had outstanding notices from the Indiana Department of Revenue for payment of outstanding utility receipts tax, including penalties and interest. The amount due per the notices was paid during the audit period. Penalties and interest totaling \$3,902 was paid for the following tax years:

<u>Tax Years</u>	<u>Amount</u>
2009	\$ 850
2012	1,262
2014	1,073
2015	717

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit.

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

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit.

Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**OVERPAYMENT COLLECTIONS**

The same comment also appeared in prior Report B46466.

*Condition and Context*

In 2013, sales tax remittances on Electric and Water Utility billings exceeded amounts due by approximately \$20,000. Sales tax remittances for the years 2011 and 2012 exceeded amounts due by approximately \$11,000 and \$10,000, respectively.

As of October 29, 2019, the amounts listed above have not been resolved or refunded.

*Criteria*

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF SOUTH WHITLEY  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2019, with Janet Howard, Clerk-Treasurer, and Randall C. Cokl, President of the Town Council.

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TOWN COUNCIL  
TOWN OF SOUTH WHITLEY

TOWN COUNCIL  
TOWN OF SOUTH WHITLEY  
AUDIT RESULT AND COMMENT

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TOWN OF SOUTH WHITLEY  
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