

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BROOK

NEWTON COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
12/23/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Beasley Maria D'Ambrose	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Town Council	Jeff Laffoon Rex Chapman Matthew Beasley	01-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19
Utility Office Manager	Kathy Babcock	01-01-16 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BROOK, NEWTON COUNTY, INDIANA

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

November 12, 2019

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CLERK-TREASURER  
TOWN OF BROOK

CLERK-TREASURER  
TOWN OF BROOK  
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 all areas of the financial statements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

The Town did not have policies or procedures to ensure accurate recording and reporting of receipts, disbursements, and cash and investment balances. There was no oversight or review process.

*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. . . ."

**CERTIFICATION OF CLAIMS**

*Condition and Context*

Of the vendor claims tested, the Clerk-Treasurer did not certify 90 percent of the Accounts Payable Vouchers or sign the claims registers.

*Criteria*

Indiana Code 36-5-4-6 states:

- "(a) As used in this section, 'claim' means a bill or an invoice submitted for goods or services.
- (b) Except as provided in section 12 of this chapter, a warrant for payment of a claim against a town may be issued only if the claim is:

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

- (1) supported by a fully itemized invoice or bill under IC 5-11-10-1.6;
  - (2) filed with the town fiscal officer;
  - (3) certified by the fiscal officer before payment that each invoice is true and correct; and
  - (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim.
- (c) The certification by the fiscal officer under subsection (b) (3) must be on a form prescribed by the state board of accounts."

### **PAYROLL DISBURSEMENTS**

#### *Condition and Context*

The following deficiencies were noted for payroll disbursements:

1. Department heads, the Town Marshal, and the Town Superintendent did not approve the payroll for the employees in their departments. A separate record showing hours worked for each position was not presented for audit, only documentation showing total hours was available.
2. The fiscal officer had not approved or certified any of the payroll.
3. Payroll was paid up to two days before the end of the pay period.
4. In 2018, the Clerk-Treasurer paid herself separately from the regular pay period and was paid up to 10 days in advance.
5. The payroll was paid twice a month but was only recorded once at the end of each month instead of when the payroll was disbursed.

#### *Criteria*

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

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

General Form 99A, Employees' Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-4-6 states:

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

(b) Except as provided in section 12 of this chapter, a warrant for payment of a claim against a town may be issued only if the claim is:

- (1) supported by a fully itemized invoice or bill under IC 5-11-10-1.6;
- (2) filed with the town fiscal officer;
- (3) certified by the fiscal officer before payment that each invoice is true and correct; and
- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim.

(c) The certification by the fiscal officer under subsection (b) (3) must be on a form prescribed by the state board of accounts."

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### ***CERTIFICATION OF INTERNAL CONTROL STANDARDS***

#### *Condition and Context*

The Town certified on the Indiana Gateway for Government Units financial reporting system that appropriate personnel were trained on internal control standards. However, personnel did not receive the internal control training; therefore, the certification was incorrect.

CLERK-TREASURER  
TOWN OF BROOK  
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](#)."

CLERK-TREASURER  
TOWN OF BROOK  
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2019, Maria D'Ambrose, Clerk-Treasurer; Matthew Beasley, President of the Town Council; Rex Chapman, Town Council member; and Jeff Laffoon, Town Council member.

TOWN COUNCIL  
TOWN OF BROOK

TOWN COUNCIL  
TOWN OF BROOK  
AUDIT RESULT AND COMMENT

***ADOPTION AND TRAINING OF INTERNAL CONTROLS***

*Condition and Context*

The Town had failed to adopt the acceptable minimum level of internal control standards as required by Indiana Code 5-11-1-27(g). In addition, they failed to provide training to applicable personnel on internal control standards as also required.

*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."

TOWN COUNCIL  
TOWN OF BROOK  
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2019, Maria D'Ambrose, Clerk-Treasurer; Matthew Beasley, President of the Town Council; Rex Chapman, Town Council member; and Jeff Laffoon, Town Council member.