

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GRABILL

ALLEN COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
12/23/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6
Delinquent Wastewater Accounts .....	6-7
Advance Payments - Payroll.....	7
Compensation and Benefits .....	8
Exit Conference .....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cynthia Barhydt	01-01-16 to 12-31-23
President of the Town Council	Wilmer Delagrang	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 GRABILL, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Grabill (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 21, 2019

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CLERK-TREASURER  
TOWN OF GRABILL

CLERK-TREASURER  
TOWN OF GRABILL  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*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 payroll disbursements.

*Cash and Investments:* Bank reconcilements were performed by the Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of cash and investments balances.

*Receipts:* The Town implemented controls over receipts; however, there was no observable or verifiable oversight, approval, or review process in place to ensure the accuracy of the collection and posting of receipts.

*Payroll Disbursements:* There were no internal controls related to payroll. The Clerk-Treasurer processed payroll without an oversight, approval, or review process in place to ensure the accuracy of payroll disbursements.

*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. . . ."

**DELINQUENT WASTEWATER ACCOUNTS**

*Condition and Context*

The same comment appeared in prior Report B47164.

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor, which would have resulted in a lien against the property.

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

*Criteria*

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) This subsection applies only to a county containing a consolidated city. Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall certify to the county auditor, according to a schedule agreed upon by the county treasurer and the officer, a list of the unpaid liens for collection with the next cycle's property tax installment. The county and its officers and employees are not liable for any material error in the information on the list. . . ."

**ADVANCE PAYMENTS - PAYROLL**

*Condition and Context*

Town employees were paid on a bi-weekly pay basis. Payroll time cards are collected on the second Tuesday of the pay period, which was three days before the end of the pay period. The last three days of each pay period are written down as estimates and employees are paid on the morning of the last day of the pay period. The Clerk-Treasurer signs off on the time cards without verifying that the time cards were correct by the time the checks are written.

*Criteria*

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

CLERK-TREASURER  
TOWN OF GRABILL  
AUDIT RESULTS AND COMMENTS

**COMPENSATION AND BENEFITS**

*Condition and Context*

Upon discontinuing the use of a subcontractor for providing a cleaning service, the Clerk-Treasurer allowed an hourly employee of the Town to take over the duties. Instead of adding the employee's hours for cleaning the park pavilion to their time sheet and getting compensated at their hourly approved rate in the salary ordinance, the Clerk-Treasurer paid the employee as a vendor using the same compensation provided to the subcontractor.

The Town did report that the employee received the payments to the IRS; however, the employee received an IRS Form W-2 and a Form 1099 from the Town. The compensation for cleaning the park pavilion should have been paid through wages as an employee of the Town and not as a vendor.

*Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-3-2 states in part:

". . . (b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees. . . .

(d) The legislative body may provide that town officers and employees receive additional compensation for services that:

- (1) are performed for the town;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function.

Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

CLERK-TREASURER  
TOWN OF GRABILL  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2019, with Cynthia Barhydt, Clerk-Treasurer, and Wilmer Delagrange, President of Town Council.