

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF OSSIAN

WELLS COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/26/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannette M. Dickey Erika Allison	01-01-16 to 10-15-18 10-16-18 to 12-31-23
President of the Town Council	W. Bradley Pursley Joshua Barkley	01-01-16 to 12-31-16 01-01-17 to 12-31-19
Town Manager	Luann J. Martin	01-01-16 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 OSSIAN, WELLS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Ossian (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/.

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 14, 2019

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CLERK-TREASURER
TOWN OF OSSIAN

CLERK-TREASURER
TOWN OF OSSIAN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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 receipts, payroll disbursements, and financial close and reporting.

Receipts

The Town did not have segregation of duties to ensure the accuracy of receipts. A Clerk's office employee could collect receipts, post receipts to the ledger, and make deposits. There is no documented oversight, review or approval process, or other compensating control in place to ensure receipts are processed, recorded, and reported accurately.

Payroll Disbursements

Although the Town Council approves employee time cards, there is no review of payroll disbursement amounts before or after they have been posted to the Town's ledger.

Financial Close and Reporting

The Clerk-Treasurer generates reports from the Town's accounting software to complete the Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system. These reports are not reviewed by another member of the Town's management. Additionally, no one is reviewing the completed AFR in Gateway before submission.

The Town did not have a proper system of internal control in place to ensure transactions in the records were accurately reported into the Gateway, which is the source of the AFR and financial statements. The AFRs filed for 2016, 2017, and 2018 contained numerous errors and did not agree with the Town's records.

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. . . ."

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

CONDITION OF RECORDS

The same comment appeared in prior Report B47135.

As noted in the schedule below, the AFR filed for 2016, 2017, and 2018 contained numerous errors and did not agree with the Town's records.

Description	Annual Financial Report	Fund Report	Difference
Cash and Investments 01-01-16	\$ 3,427,604	\$ 1,492,365	\$ 1,935,239
Receipts - 2016	3,839,761	5,928,213	(2,088,452)
Disbursements - 2016	(3,853,127)	(4,006,341)	153,214
Receipts - 2017	3,641,884	4,257,985	(616,101)
Disbursements - 2017	(3,264,640)	(3,880,463)	615,823
Receipts - 2018	7,618,988	7,459,461	159,527
Disbursements - 2018	(5,022,654)	(4,863,128)	(159,526)
Cash and Investments 12-31-18	6,387,814	6,388,091	(277)

The financial statements presented for audit did not agree with the Town's records. We were unable to determine correct amounts for the receipts because the Town's Fund Reports, Revenue Reports, and the AFR did not agree. We were unable to determine correct amounts for the disbursements because the Town's Fund Reports, Expense Reports, and the AFR did not agree. Material adjustments and interfund transfers were posted to the Town's records during 2016 to reconcile to the depository balances without any supporting documentation or approval by the Town Council.

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)

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](#)."

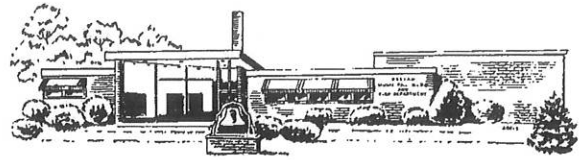
PENALTIES AND INTEREST PAID

The same comment also appeared in prior Report B47135.

On July 27, 2016, the Water Utility paid \$322 to the Indiana Department of Revenue for penalties and interest on the late payment of the June 2016 sales tax liability. On September 5, 2018, the Wastewater Utility paid \$1,102 in penalties and interest on a revenue bond principal and interest payment that was five days late.

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

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. 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)



OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

November 21, 2019

Since taking office in October 2018, there have been multiple implementations to our internal controls. I will continue this process in reference to receipts, payroll disbursements, and year end reporting. Our internal control procedures will be documented and are under implementation.

Regards,

Erika Allison

Erika Allison

CLERK-TREASURER
TOWN OF OSSIAN
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2019, with Erika Allison, Clerk-Treasurer; Luann J. Martin, Town Manager; Sally Bracke, Deputy Clerk-Treasurer; Renee Sweeney, Town Council member; Jeffrey Kemper, Town Council member; and Joshua Barkley, President of the Town Council.

TOWN COUNCIL
TOWN OF OSSIAN

TOWN COUNCIL
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AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

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TOWN COUNCIL
TOWN OF OSSIAN
EXIT CONFERENCE

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