

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BUNKER HILL

MIAMI COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/27/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Town Court:	
Audit Result and Comment:	
Deposits	6
Exit Conference	7
Clerk-Treasurer:	
Audit Results and Comments:	
Advance Payments	10
Overdrawn Cash Balances	10
Supporting Documentation	10
Errors on Claims	11
Internal Controls - Annual Financial Report.....	11-12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Andrea Newnum Danielle Pebley	01-01-16 to 11-12-18 11-13-18 to 12-31-23
President of the Town Council	Cala Crist Richie Newnum Brock Speer Rae Ann Panther Cory Pebley	01-01-16 to 04-10-16 04-11-16 to 08-07-16 08-08-16 to 12-31-17 01-01-18 to 08-11-19 08-12-19 to 12-31-19
Superintendent of Utilities	Stephen Whybrew Rodney Deckard	01-01-16 to 02-16-17 02-17-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BUNKER HILL, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Bunker Hill (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

December 3, 2019

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TOWN COURT
TOWN OF BUNKER HILL

TOWN COURT
TOWN OF BUNKER HILL
AUDIT RESULT AND COMMENT

DEPOSITS

Condition and Context

Of the 66 receipts verified to the daily Cash Book, 8 were not deposited timely.

Criteria

Indiana Code 5-13-6-1(d) states in part:

"Except as provided in subsection (g), a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d)."

TOWN COURT
TOWN OF BUNKER HILL
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2019, with Danielle Pebley, Clerk-Treasurer; Cory Pebley, President of the Town Council; and Stephen Garber, Town Council member.

The contents of this report were also discussed on December 3, 2019, in a separate exit conference, with Andrea Newnum, former Clerk-Treasurer.

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CLERK-TREASURER
TOWN OF BUNKER HILL

CLERK-TREASURER
TOWN OF BUNKER HILL
AUDIT RESULTS AND COMMENTS

ADVANCE PAYMENTS

Condition and Context

Of the 38 individual payroll disbursements tested, 5 employees were paid in advance of hours worked. They were submitting their time before actually working it.

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)

OVERDRAWN CASH BALANCES

The same comment appeared in the prior Report B48294.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances:

Fund	12-31-18 Amount Overdrawn
Federal Grants Operating	\$ 1,704
Payroll	7,111

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SUPPORTING DOCUMENTATION

Condition and Context

None of the interfund transfers tested in 2016 contained supporting documentation such as receipts or accounts payable vouchers.

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)

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

ERRORS ON CLAIMS

The same comment appeared in the prior Report B48294.

Condition and Context

Of the 67 claims tested, 5 were not approved by the governing board, 44 were paid before being approved by the Town Council, and 2 had included sales tax that was paid.

Criteria

Indiana Code 5-11-10-1.6 states in part:

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

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Sales taxes that are paid on qualifying purchases 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)

INTERNAL CONTROLS - ANNUAL FINANCIAL REPORT

Condition and Context

There were deficiencies in the internal control system of the Town related to their annual financial reporting process. The Town did not have adequate segregation of duties as it had not implemented a proper oversight, review, or approval process over its annual financial report process. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Annual Financial Report

Controls had not been developed to ensure that their Annual Financial Report (AFR) had an independent review by someone other than the preparer either before or after being submitted into the Indiana Gateway for Government Units financial reporting system, which is the source of the AFR and the financial statements.

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

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. . . ."

TOWN CLERK-TREASURER
TOWN OF BUNKER HILL
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2019, with Danielle Pebley, Clerk-Treasurer; Cory Pebley, President of the Town Council; and Stephen Garber, Town Council member.

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