

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF AMBOY

MIAMI COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
04/29/2020

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------|----------------------|
| Clerk-Treasurer | Mary Brown | 01-01-17 to 12-31-20 |
| President of the Town Council | Jack Hunt | 01-01-17 to 12-31-19 |
| | Linda Sutton | 01-01-20 to 12-31-20 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF AMBOY, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Amboy (Town), for the period from January 1, 2017 to December 31, 2019. 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 Statement Audit Report of the Town, which provides our opinions 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

April 16, 2020

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CLERK-TREASURER
TOWN OF AMBOY

CLERK-TREASURER
TOWN OF AMBOY
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 enable material misstatements to occur and remain undetected.

Cash and Investments

The Town did not have controls in place to ensure that bank reconciliations were accurately prepared. There was no oversight or review process.

Receipts and Disbursements

The Town did not have controls in place to ensure accurate recording and reporting of transfers. The Clerk-Treasurer recorded the transfers in the records without processing a receipt or a claim or including the disbursement on the accounts payable voucher submitted to the Board. There was no oversight or review process.

Financial Close and Reporting

The Clerk-Treasurer entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and financial statements. There was no documented evidence of a review, oversight, or approval process by another person prior to financial information submission into Gateway.

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. . . ."

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

CONDITION OF RECORDS

Condition and Context

The following deficiencies, relating to the recordkeeping, were present during the audit period:

1. Bank reconciliations were not been performed for December 31, 2017, 2018, and 2019. Reconciliations of the bank statements to the ledgers were not performed on a monthly basis throughout the audit period.
2. Year-to-date totals for receipts and disbursements were not maintained for all funds.

Criteria

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT

Condition and Context

The Clerk-Treasurer input the financial information for the Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. The financial statements presented for audit contained the following errors:

1. The General fund receipts were overstated \$26,767 and disbursements were overstated \$20,812 for the year ended December 31, 2017.
2. The Wastewater Utility-Operating receipts were overstated \$13,839 for the year ended December 31, 2017.
3. The General fund receipts were overstated \$8,997 and disbursements were understated \$7,951 for the year ended December 31, 2018.
4. The Local Road and Street fund receipts were overstated \$11,485 for the year ended December 31, 2018.
5. The Wastewater Utility-Operating receipts were understated \$1,916 and disbursements were overstated \$1,183 for the year ended December 31, 2018.
6. The General fund receipts were overstated \$9,738 and disbursements were understated \$2,543 for the year ended December 31, 2019.
7. The Wastewater Utility-Operating receipts were overstated \$12,150 and disbursements were understated \$71,870 for the year ended December 31, 2019.

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

Audit adjustments were proposed, accepted by the Town, and made to the financial statements presented in this report.

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](#)."

MOTOR VEHICLE HIGHWAY RESTRICTED FUND

Condition and Context

Effective January 1, 2019, State Examiner Directive 2018-02 established that 50 percent of State Motor Vehicle Highway distributions shall be maintained in a Motor Vehicle Highway Restricted fund to be allocated for construction, reconstruction, and preservation of the Town's highways.

As of December 31, 2019, the Town had not created the Motor Vehicle Highway Restricted fund and was not allocating 50 percent of State Motor Vehicle Highway distributions for construction, reconstruction, and preservation of the Town's highways.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in the House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. (State Examiner Directive 2018-2)

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account 50 percent of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

RECEIPT ISSUANCE

Condition and Context

The Town did not issue receipts for all money received. Receipts were not issued for all local tax distributions, some state tax distributions and some other receipts. Of all the receipts tested, 27 percent did not have a receipt issued.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

TIMELY RECORDING

Condition and Context

Financial transactions, both receipts and disbursements, were not recorded in a timely manner. Financial transactions were either not recorded, or when recorded, the date of the transaction was not recorded.

Criteria

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)

ADVANCE PAYMENTS

Condition and Context

The Town paid all officials and employees in advance of their services to the Town. The Clerk-Treasurer completed the payroll process and issued checks prior to the end of the payroll period. The checks were dated prior to the end of the pay period and were distributed to officials and employees.

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)

APPROPRIATIONS

Condition and Context

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

| Fund | Years | Excess Amount Expended |
|-----------------------|-------|------------------------------|
| General | 2017 | \$ 10,187 |
| Motor Vehicle Highway | 2017 | 21,714 |
| Local Road and Street | 2017 | 11,845 |
| General | 2018 | 12,673 |
| General | 2019 | 2,407 |
| Local Road and Street | 2019 | 1,396 |

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

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TRANSFERS

Condition and Context

During the audit period, transfers between funds were not approved by the Town Council.

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. . . ."

CLERK-TREASURER
TOWN OF AMBOY
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2020, with Mary Brown, Clerk-Treasurer.

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TOWN COUNCIL
TOWN OF AMBOY

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AUDIT RESULTS AND COMMENTS

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TOWN COUNCIL
TOWN OF AMBOY
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2020, with Linda Sutton, President of the Town Council.