

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CARBON

CLAY COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
05/06/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diane G. Fields	01-01-16 to 12-31-23
President of the Town Council	Michael R. Bemis	01-01-17 to 12-31-20
Water Utility Superintendent	Ronald Keen Michael R. Bemis	01-01-17 to 06-13-17 06-14-17 to 12-31-20
Wastewater Utility Superintendent	Ronald Keen Michael R. Bemis	01-01-17 to 06-13-17 06-14-17 to 12-31-20



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 CARBON, CLAY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Carbon (Town), for the period from January 1, 2017 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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 30, 2020

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CLERK-TREASURER
TOWN OF CARBON

CLERK-TREASURER
TOWN OF CARBON
AUDIT RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The Town's Annual Financial Report for 2018 was not filed electronically until March 11, 2019, which was ten days past the due date.

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](#)."

RECEIPT ISSUANCE

Condition and Context

Receipts were not issued for all monies collected by the Town. Receipts were not issued for State or Local Tax Distributions. Receipts were not issued for all utility payments.

Criteria

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

COMPENSATION AND BENEFITS

Condition and Context

The approved salary ordinances for each year in the examination period did not include the \$75 per month rate of pay for daily routine checks and maintenance of the Water Utility paid to an employee. Also, flat rate amounts paid for other specific services performed were not detailed in the salary ordinances.

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)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B49461, entitled *ANNUAL FINANCIAL REPORT*.

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

Condition and Context

Several deficiencies in the internal control system of the Town related to financial transactions and reporting were noted. We believe the following deficiencies constitute a material weakness:

The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, the notes to the financial statements, and financial close and reporting. The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. No review, approval, or oversight processes were identified for cash and investments, receipts, disbursements, or financial close and reporting.

Cash and Investments

The Clerk-Treasurer received bank statements, posted the records, and was responsible for reconciling the bank account.

Receipts

The Clerk-Treasurer received payments, prepared and made deposits, applied payments to customer accounts, made adjustments, and posted the ledger.

Disbursements

The Clerk-Treasurer verified receipt of goods and services, received invoices, and posted the ledger.

Financial Close and Reporting

The Clerk-Treasurer prepared year-end financial reports, entered the information into the Annual Financial Report (AFR) on the Indiana Gateway for Government Units financial reporting system, and submitted the AFR.

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 CARBON
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2020, with Diane G. Fields, Clerk-Treasurer, and Michael R. Bemis, President of the Town Council.

TOWN COUNCIL
TOWN OF CARBON

TOWN COUNCIL
TOWN OF CARBON
AUDIT RESULT AND COMMENT

COMPENSATION AND BENEFITS

Condition and Context

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