

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPRINGPORT

HENRY COUNTY, INDIANA

January 1, 2016 to December 31, 2019



FILED
07/28/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Velma Kay Canaday	01-01-16 to 12-31-16
	Belinda Jo Crabtree	01-01-17 to 12-31-18
	(Vacant)	01-01-19 to 10-07-19
	Dana Spradlin	10-08-19 to 12-31-20
President of the Town Council	Timothy Tuhey	01-01-16 to 06-11-19
	Gregory Yapp	06-12-19 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 SPRINGPORT, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Springport (Town), for the period from January 1, 2016 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 Statements 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 Responses to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 10, 2020

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TOWN COUNCIL
TOWN OF SPRINGPORT

TOWN COUNCIL
TOWN OF SPRINGPORT
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER CASH AND INVESTMENTS,
RECEIPTS, AND FINANCIAL CLOSE AND REPORTING**

Condition and Context

The Town had not established controls over the significant areas of cash and investments, receipts, and financial close and reporting. The Clerk-Treasurer collected money, issued receipts, deposited the collections, reconciled the information in the manual accounting ledger to the bank, completed the annual close-out procedures, and entered the required information into the Annual Financial Report, all without any documented oversight, approval, or other internal control process to ensure the accuracy of the financial information.

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 COUNCIL MINUTES

Condition and Context

Minutes for the meetings of the Town Council were not provided for review for the years 2016 and 2017.

The Town Council minutes did not show evidence that the Town Council reorganized at the beginning of each year in 2018 and 2019, as required.

TOWN COUNCIL
TOWN OF SPRINGPORT
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

TOWN COUNCIL
TOWN OF SPRINGPORT
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2020, with Dana Spradlin, Clerk-Treasurer, and Gregory Yapp, President of the Town Council.

CLERK-TREASURER
TOWN OF SPRINGPORT

CLERK-TREASURER
TOWN OF SPRINGPORT
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER CASH AND INVESTMENTS,
RECEIPTS, AND FINANCIAL CLOSE AND REPORTING**

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

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SUPPORTING DOCUMENTATION

Condition and Context

Supporting documentation for eight of the disbursements selected for testing was not provided for review. Those disbursements totaled \$244,302.

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)

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

ADOPTION OF AND TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

There was no documentation that the Town adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts or that the Town personnel received the training on internal control standards.

The Town was not able to provide any documentation to verify that they correctly certified on the Annual Financial Report that the adoption of and training on internal control standards was completed by the required personnel.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

MVH RESTRICTED FUND

Condition and Context

In 2019, the Town failed to create and report the MVH Restricted sub-fund as directed by the State Examiner. Therefore, the Town failed to allocate or deposit at least 50 percent of the distributions from the State Motor Vehicle Highway Account at the time of receipt into a MVH Restricted sub-fund. Because the MVH Restricted sub-fund had not been created, we were not able to determine if the Town used at least 50 percent for the purposes specified in Indiana Code 8-14-1-5(c).

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

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 House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

. . .

Cities and Towns

Fund 201 MVH
Fund 203 MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

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 fifty percent (50%) of the distribution to MVH Restricted. . . . (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

CLERK-TREASURER
TOWN OF SPRINGPORT
EXIT CONFERENCE

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