

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DUGGER

SULLIVAN COUNTY, INDIANA

January 1, 2019 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	Melinda Smith	01-01-16 to 12-31-23
President of the Town Council	Bill Pirtle (deceased) (Vacant) Larry Bedwell	01-01-19 to 12-09-19 12-10-19 to 12-31-19 01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DUGGER, SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Dugger (Town), for the period from January 1, 2019 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 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

June 10, 2020

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CLERK-TREASURER
TOWN OF DUGGER

CLERK-TREASURER
TOWN OF DUGGER
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The same comment also appeared in prior Reports B37747, B40732, B49700, and B54081.

Condition and Context

The Town had not properly maintained a complete inventory of capital assets owned by the Town and its Utilities, nor had they conducted a physical inventory in recent years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

A similar comment also appeared in prior Report B54081.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions. The Town had not separated incompatible activities related to cash and investments and receipts.

Cash and Investments

The Clerk-Treasurer prepared the monthly reconciliements of the bank balances to the funds ledger. There was no evidence of internal controls in place, such as a monitoring, review, or approval process.

Receipts

The Clerk-Treasurer was the only employee responsible for the receipting, recording, and depositing of the Town receipts. The Utility Clerk was the only employee responsible for the receipting and depositing on the utility receipts. There was no evidence of internal controls in place, such as monitoring, review, or approval process.

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:

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

"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. . . ."

COLLECTION OF AMOUNTS DUE

A similar comment also appeared in prior Report B54081, entitled *COLLECTION OF AMOUNTS DUE*, and Report B49700, entitled *ORDINANCES AND RESOLUTIONS - RENTAL FEES*.

Condition and Context

The Town had an ordinance governing the rental and usage of the Dugger Community Center (Community Center); however, the Town did not comply with the ordinance because they had not charged all citizens according to the ordinance.

The Town allowed the continued usage of the Community Center building to an individual without receiving the total rent due. Collections efforts for rent due were not pursued against the individual, which amounted to \$7,865 and \$1,920, respectively, for 2018 and 2019.

The Town attorney sent a letter to the individual on January 21, 2020, requesting payment of the rental fees due to the Town.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2020, with Melinda Smith, Clerk-Treasurer; Larry Bedwell, President of the Town Council; Carolyn Gambill, Town Council member; and Terry Heacock, Town Council member.

TOWN COUNCIL
TOWN OF DUGGER

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AUDIT RESULT AND COMMENT

COLLECTION OF AMOUNTS DUE

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