

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPENCER

OWEN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
08/03/2020

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------|----------------------|
| Clerk-Treasurer | Cheryl Moke | 01-01-19 to 12-31-20 |
| President of the Town Council | Michael Spinks | 01-01-19 to 12-31-20 |
| Superintendent of Wastewater Utility | John Hodge | 01-01-19 to 12-31-20 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SPENCER, OWEN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Spencer (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 18, 2020

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CLERK-TREASURER
TOWN OF SPENCER

CLERK-TREASURER
TOWN OF SPENCER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment also appeared in prior Report B53792.

Condition and Context

The Town had not established an adequate system of internal control related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash

There were no controls in place to ensure that monthly bank reconciliements were being prepared accurately. There was no segregation of duties, such as an oversight, review, or approval process.

Receipts

The Billing/Customer Clerk was solely responsible for all aspects of receipting and depositing the monies of Wastewater Utility. There was no segregation of duties, such as an oversight, review, or approval process.

Financial Close and Reporting

The Clerk-Treasurer entered and submitted the financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports and financial statements. There was no evidence of a control, such as an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

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 SPENCER
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. . . ."

ANNUAL FINANCIAL REPORT ERRORS

A similar comment also appeared in prior Reports B47374 and B53792, entitled *ANNUAL FINANCIAL REPORTS*.

Condition and Context

The Town received a Community Crossing State Grant. The fund had receipts of \$351,033 and expenditures of \$454,092, but \$0 receipts and \$103,059 of expenditures were reported.

Adjustments were proposed, approved by management, and made to the financial statement to reflect the actual amount of receipts and disbursements.

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](#)."

CLERK-TREASURER
TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2020, with Cheryl Moke, Clerk-Treasurer, and Michael Spinks, President of the Town Council.

TOWN COUNCIL
TOWN OF SPENCER

TOWN COUNCIL
TOWN OF SPENCER
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B53792.

Condition and Context

No documentation was provided during the audit to indicate that the required personnel had received the training on internal control standards.

Criteria

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2020, with Cheryl Moke, Clerk-Treasurer, and Michael Spinks, President of the Town Council.