

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

COMPLIANCE REPORT  
OF  
TOWN OF DECKER  
KNOX COUNTY, INDIANA  
January 1, 2019 to March 31, 2020



**FILED**  
11/09/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robin L. Cornelius (Vacant) Penny Culp	01-01-19 to 03-03-20 03-04-20 to 03-31-20 04-01-20 to 12-31-23
President of the Town Board	Jay B. Linneweber	01-01-19 to 12-31-20
Superintendent of Water Utility	Earl Horst	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 DECKER, KNOX COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Decker (Town), Knox County, for the period of January 1, 2019 to March 31, 2020, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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.

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units financial reporting system website: <https://gateway.ifionline.org> and has not been subjected to any audit procedures.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 2, 2020

TOWN OF DECKER  
RESULTS AND COMMENTS

**MONTHLY ENGAGEMENT UPLOADS**

*Condition and Context*

As of March 31, 2020, the Town had not uploaded the required monthly and annual engagement files to the Indiana Gateway for Government Units (Gateway) financial reporting system for the period of January 1, 2019 to March 31, 2020.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. Counties and school corporations will upload January 2019 files beginning in March 2019.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and balances by fund

In order to improve planning for the next engagement, a unit is encouraged to upload prior months' files beginning with the January 2018 files. Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15.

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance
- Annual employee earnings record
- Annual vendor history report . . .

(State Examiner Directive 2018-1)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment appeared in prior Report B54720.

*Condition and Context*

The Clerk-Treasurer incorrectly certified in the 2019 Annual Financial Report that the required internal control standards had been adopted and training had been provided to appropriate personnel. However, the Town had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g), nor had personnel been trained.

TOWN OF DECKER  
RESULTS AND COMMENTS  
(Continued)

*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](#)."

**TRAINING AND ADOPTION OF INTERNAL CONTROL STANDARDS**

A similar comment appeared in prior Report B54720, entitled *TRAINING ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The Town Board did not adopt the minimum level of internal controls as required by statute or provide the required training on internal control standards to appropriate 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."

**CONDITION OF RECORDS**

The same comment appeared in prior Report B54720, and a similar comment also appeared in prior Report B48614, entitled *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 established an effective internal control system that separated incompatible activities regarding cash, receipts, disbursements, and financial close and reporting. The Town had not established adequate monitoring processes over internal controls, as errors went undetected.

Financial records presented for audit were incomplete and not reflective of the activity of the Town. The following errors were noted in relation to the financial records:

1. From January 2019 to June 2019, the Town kept manual records that were incomplete and contained numerous mathematical errors.

TOWN OF DECKER  
RESULTS AND COMMENTS  
(Continued)

2. Subsequent to June 2019, the Town implemented an electronic recordkeeping system; however, the Town began using the system with incorrect beginning cash balances and not all transactions were entered into the system.
3. The Town did not provide any documentation that bank reconciliements were performed during the engagement period.
4. Receipts were not always issued or retained for audit.
5. No claims had supporting documentation attached.
6. The information reported by the Clerk-Treasurer in the Indiana Gateway for Government Units financial reporting system, which was used to generate the 2019 Annual Financial Report and financial statement, contained a number of errors and did not properly reflect the financial activity of the Town.

*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. . . ."

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)

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)

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

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)

TOWN OF DECKER  
RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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](#)."

TOWN OF DECKER  
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2020, with Penny Culp, Clerk-Treasurer, and Tresa Dobson, Town Board member.