

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF UNIVERSAL

VERMILLION COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
12/14/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie M. Conner Sherrie Koma	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President of the Town Council	Bonnie J. Turchi Doug Martin	01-01-18 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 UNIVERSAL, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Universal (Town), for the period from January 1, 2018 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

December 9, 2020

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CLERK-TREASURER
TOWN OF UNIVERSAL

CLERK-TREASURER
TOWN OF UNIVERSAL
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

Condition and Context

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. The Town kept manual records that were incomplete. The ledgers were not properly footed, and monthly receipts and disbursements columns were not totaled for the entire audit period.
2. Financial transactions for the Town's State Revolving Fund (SRF) loan were not properly reflected in the Town's records or reported on the Annual Financial Report (AFR).
3. The information reported by the Clerk-Treasurer in the Indiana Gateway for Government Units financial reporting system, which was used to generate the 2019 AFR and financial statement, contained a number of errors and did not properly reflect the financial activity of the Town. The following errors were identified.
 - A. The 2018 beginning cash and investment balances for the General, Mvh, Water Operating, and Park funds were understated by \$1,213, \$204, \$35,739, and \$50, respectively.
 - B. The 2018 receipts and disbursements for the Water Operating fund were both overstated by \$2,970.
 - C. The 2019 receipts and disbursements for several funds were overstated in total by \$10,853 and \$15,509, respectively.

Audit adjustments were proposed, approved by management, and made to the financial statement.

Criteria

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)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B52100, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The Town has not separated incompatible activities related to certain aspects of financial close and reporting of the financial statement. The failure to establish these controls could enable material misstatements to be undetected.

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

Cash and Investments

The Town did not perform any monthly bank reconcilements during the audit period. There was no documented oversight, approval, or review process in place to ensure that required bank reconcilements were properly performed.

Receipts

The Town did not have internal controls in place to ensure the accuracy of the receipts. One individual recorded the receipts into the ledger, prepared the deposit tickets, and took the deposits to the bank without a documented oversight, approval, or review process in place to ensure the accuracy of the information recorded.

Financial Reporting

The Clerk-Treasurer compiled and submitted the information in the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report, without a documented oversight, approval, or review process in place to ensure the accuracy of the information 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:

"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. . . ."

SUPPORTING DOCUMENTATION

Condition and Context

During testing of vendor disbursements in 2018, it was determined that three disbursements totaling \$36,818 did not have invoices that were adequately itemized. It was also determined during 2018 payroll testing, that two of the four employees tested did not maintain time or attendance records.

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

Compliance could not be tested for any 2019 vendor or payroll disbursements since there was no supporting documentation provided for audit.

Water utility billing reports and other supporting documentation were not provided for audit. Monthly reports were not retained for audit and were not able to be reproduced by the unit's billing system software.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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)

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in the prior Reports B43148 and B52100.

Condition and Context

Bank account reconciliations to the fund balances were not presented for any month during the audit period. The combined bank balance was \$3,254 more than the combined record balance as of December 31, 2019.

Savings bank balances and investment balances were not properly reflected in the record balances. Interest earned on investments was added to the principal and not recorded in the records.

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

Criteria

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."

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

TIMELY RECORDING OF RECEIPTS

The same comment also appeared in prior Report B52100.

Condition and Context

No receipts were issued for any tax distributions from the County Auditor's office for 2018 and 2019. State and local tax distributions received were not always recorded timely to the records.

Criteria

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)

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)

APPROPRIATIONS

The same comment also appeared in the prior Reports B39755, B43148, and B52100.

Condition and Context

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

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

Fund	Years	Excess Amount Expended
General	2018	\$ 1,698
Mvh	2018	671
General	2019	4,357

Criteria

Indiana Code 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expense arose."

UTILITY BILLING

Condition and Context

The amounts charged to customers during our entire audit period that used more the 2,500 minimum usage were calculated incorrectly. New rates were approved by the Board in February 2014 that were in effect through November 2020.

Criteria

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)

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)

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 (MVH) Account, at the time of receipt, into an MVH Restricted sub-fund. Since 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).

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. (State Examiner Directive 2018-2)

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B52100.

Condition and Context

The Clerk-Treasurer incorrectly certified in the 2018 and 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.

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 UNIVERSAL
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2020, with Sherrie Koma, Clerk-Treasurer, and Martha Padish, Town Council member.

TOWN COUNCIL
TOWN OF UNIVERSAL

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AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2018	\$ 1,698
Mh	2018	671
General	2019	4,357

Criteria

Indiana Code 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expense arose."

ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING

The same comment appears in prior Report B52100.

Condition and Context

The Town's legislative body had not adopted internal control standards and procedures, nor had they ensured personnel received training concerning these standards and procedures as required by Indiana Code 5-11-1-27(g).

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

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."

COMPENSATION AND BENEFITS

The same comment appears in Report B52100.

Condition and Context

The Town had not adopted a salary ordinance for 2018 or 2019 as required. The Town did properly adopt a salary ordinance for 2020 as required.

Criteria

Indiana Code 36-5-3-2(b) states in part: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. . . ."

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)

TOWN COUNCIL
TOWN OF UNIVERSAL
EXIT CONFERENCE

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